

## REPRO INDIA

INR 141

On track

BUY



Repro India's Q3FY08 results were marginally above our expectations in terms of profitability; revenues were however in line with our estimates. While revenues grew 11% Y-o-Y, to INR 365 mn, EBITDA and net profit grew 42% and 73% to INR 77 mn and INR 41 mn respectively.

Based on higher than anticipated margins in Q3FY08 on account of better operating efficiencies and lower cost of imports (~30% of raw material is imported), we are upgrading our EBITDA by 5.2% and 8.4% for FY08E and FY09E, and net profit by 7.2% and 4% for FY08E and FY09E, respectively. We re-iterate our BUY recommendation on the stock.

\* Revenues up 10.7% Y-o-Y to INR 365 mn

- The domestic printing business contributed 43% to revenues and grew 5.2% Y-o-Y, to INR 158 mn, led by the education segment (at ~INR 99 mn).
- Print exports accounted for 38% of revenues and grew 6.2% Y-o-Y, to INR 137 mn.
- Digital printing and content creation (domestic as well as exports) together grew 38.2% Y-o-Y to INR 70 mn.

\* Digital printing and content creation continue to enhance margins

Increased contribution from the company's high-margin digital printing and content creation businesses (19% of total sales as against 15% in Q3FY07), better operating efficiencies, and lower cost of imported raw material have led to a 470bps Y-o-Y rise in EBITDA margins, to 21.2%. Despite higher interest outgo, lower tax rates (owing to the company's tax exempted content creation facility) have helped boost net margins by 400bps Y-o-Y to 11.1%.

\* Outlook and valuation: Attractive; re-iterate 'BUY'

At INR 141, the stock is trading at 10x and 8.1x our revised FY08E and FY09E EPS of INR 14.2 and INR 17.3, respectively. Based on increasing contribution from higher margin businesses, capacity expansion in the printing segment, and attractive valuations, we re-iterate our 'BUY' recommendation on the stock.

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Bloomberg : REPR IN

## Market Data

52-week range (INR) : 183 / 83  
Share in issue (mn) : 10.5  
M cap (INR bn/USD mn) : 1.5 / 37.6  
Avg. Daily Vol. BSE ('000) : 72.2

## Share Holding Pattern (%)

Promoters : 73.0  
MFs, FIs & Banks : 6.9  
FIs : 0.0  
Others : 20.1

## Financials

Year to March	Q3FY08	Q3FY07	% Change	Q2FY08	% Change	FY08E	FY09E
Revenues (INR mn)	365	330	10.7	448	(18.6)	1,638	2,031
EBITDA (INR mn)	77	54	42.2	71	9.5	285	359
Net profit (INR mn)	41	23	72.8	39	3.9	149	181
EPS (INR)	3.9	2.2		3.7		14.2	17.3
P/E (x)						9.9	8.1

Financials snapshot								(INR mn)
Year to March	Q3FY08	Q3FY07	% Change	Q2FY08	% Change	FY07A	FY08E	FY09E
Net revenues	365	330	10.7	448	(18.6)	1,309	1,638	2,031
Raw material	186	167	11.6	256	(27.2)	700	873	1,088
Staff costs	36	32	10.1	34	6.1	123	151	187
Other expenses	66	76	(13.6)	88	(25.3)	275	330	397
Total expenditure	287	275	4.4	377	(23.8)	1,098	1,353	1,672
EBITDA	77	54	42.2	71	9.5	211	285	359
Interest	12	7	58.4	8	45.5	27	42	60
Depreciation	16	15	8.1	16	2.0	56	63	82
Other income	1	0	423.5	0	169.7	5	5	5
Profit before tax	50	32	56.4	47	6.9	132	184	221
Tax	10	9	11.9	8	21.5	39	35	40
Net profit	41	23	72.8	39	3.9	94	149	181
Equity capital	105	105		105		105	105	105
No. of shares (mn)	10.5	10.5		10.5		10.5	10.5	10.5
EPS (INR)	3.9	2.2		3.7		8.9	14.2	17.3
P/E (x)						15.8	9.9	8.1
<b>as a % of revenues</b>								
Raw material	51.0	50.6		57.1		53.4	53.3	53.6
Staff costs	9.7	9.8		7.5		9.4	9.2	9.2
Other expenses	18.0	23.1		19.6		21.0	20.2	19.6
EBITDA	21.2	16.5		15.8		16.1	17.4	17.7
Net profit	11.1	7.1		8.7		7.1	9.1	8.9
Tax rate	19.3	27.0		17.0		29.3	19.0	18.0

## Company Description

Incorporated in 1994 as a plain vanilla printing press, Repro today offers end-to-end printing services like content creation and design, database management, printing, packaging, warehousing, and dispatch. It caters to the domestic as well as export markets in Africa, the UK, and the US.

The company's exports mainly include educational publications, whereas its domestic business comprises corporate and educational publications, magazines, fulfillment services like media replication and database management for IT companies, and providing content for curriculum as well as non-curriculum-based books.

## Investment Theme

Repro has streamlined its manufacturing process in FY07, which is likely to result in steady revenue growth in its printing segment over the next few years. To increase its high-margin businesses, the company has introduced digital printing as well as commissioned a pre-printing facility (with a STP status) during the current fiscal.

The company is planning to add a green-field printing press (probably in a SEZ), to cater to its growing export markets. The proposed expansion would be at a cost of INR 500-600 mn, which is likely to be funded through debt.

## Key Risks

- ◆ Appreciating rupee may adversely affect the company's competitiveness in the export markets.
- ◆ Rising raw material (paper) prices may affect profitability.

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## Distribution of Ratings / Market Cap

### Edelweiss Research Coverage Universe

	Buy	Accumulate	Reduce	Sell	Total
Rating Distribution*	108	44	16	3	188

\* 12 stocks under review / 5 rating withheld

	> 50bn	Between 10bn and 50 bn	< 10bn
Market Cap (INR)	103	66	19

## Rating Interpretation

Rating	Expected to
Buy	appreciate more than 20% over a 12-month period
Accumulate	appreciate up to 20% over a 12-month period
Reduce	depreciate up to 10% over a 12-month period
Sell	depreciate more than 10% over a 12-month period

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