

**Buy**
**Repro India (RIL)**

Face Value	Rs 10
Last Price	Rs 144
Target Price	Rs 225

**Industry: Printing**

Market Cap (Rs Crs)	151
Year High/Low (Rs)	184/83

**Holding Pattern (%)**

Foreign	0
Institutions/Mutual Funds	7
Corporate Holding	5
Promoters	73
Public	15

(As on 30 September 2007)

Performance (%)	3M	6M	12M
Stock (RIL)	63	45	4.3
BSE-200	12.5	44.9	62.2
BSE-500	14.1	46.5	64.2

**Price Chart: (Daily)**


A double bottom formation can be seen in the stock. It is a reversal chart pattern after a downtrend. A conclusive close above Rs 166 will propel the stock to a price target of Rs 245.

**Company Description:**

RIL was originally formed as a partnership firm under the name of Repro as a partnership firm. Its name was changed to Repro India Private Limited in 1995. RIL tapped the capital market in with an issue of 26.20 lakh shares at a price of Rs 165 per share aggregating Rs 43.2 crore in December 2005 to part finance the enhancement of the existing printing facility (Rs 18.4 crore), Setting up a new print facility in the Special Economic Zone in Navi Mumbai (Rs 14.5 crore), Setting up infrastructure for content process outsourcing (Rs 3.5 crore) and meeting additional working capital requirement (Rs 10 crore).

**Highlights:**

The company provides value-added printing and prints related solutions to major publishing houses, corporates and software companies (packaging and developing manuals). The export constitutes 45 % of sales of the company.

Its products range include: scholastic books, children's colouring & activity books, scientific, technical and medical books, trade books, digital printing books, content services and fulfillment. Its services range from content creating and designing, sourcing and procurement, printing and production, editing illustrations, colouring and imaging, creating templates, product standardization and innovation desktop publishing, and typesetting, warehousing, assembly and dispatches.

The main clients include publishing houses such as Alligator Books, Heinemann Educational Books (Nigeria) Plc, Modern Publishing Inc, Orient Longman, Oxford University Press, Software companies like Microsoft Inc, Lenovo India, and Indian Corporate include Tata Steel, Nokia India, NIIT, Wipro and Satyam Computer Services.

Since RIL is on a Digital/PDF workflow, it has the capability to replicate products across multiple media such as print, CD, web, archiving/cataloguing, etc.

RIL has leveraged its expertise in digital printing and content creation business in order to capitalise the growing opportunities both from international and domestic markets. It is well poised to benefit growing international trend of outsourcing print and related services from countries like India.

**Key Financial:**

(Rs Crore)

Year End March	H1FY08	FY07	FY08E	FY09E
Income	82.19	130.89	180	245
Other Income	0.99	0.46	1.5	1.5
PBIDT	13.05	21.53	29.8	41.7
Interest	1.67	2.72	3.3	3.5
PBDT	11.38	18.81	26.5	38.2
Depreciation	3.08	5.58	6	6
Tax	1.38	3.79	3.8	6.2
PAT	6.92	9.44	16.7	26
Equity		10.5	10.5	10.5
Reserves		73.2	89.9	115.9
Book Value (Rs)		80	95.6	120.4
EPS (Rs)		9	16	24.8
OP Margin (%)	15.9	16.4	16.5	17
NP Margin (%)	8.4	7.2	9.3	9.5
P/E (x)			9	5.8

## Valuation & Recommendations:

Within the global market, USA and UK markets are very large and are looking at outsourcing. There are huge World Bank funded education projects in the African Continent offering big opportunity to quality Indian printers.

Indian printing industry estimated at US \$ 12 billion (Rs 47, 500 crore) has grown at 14 % CAGR over last 26 years. It is highly fragmented, with low entry barriers at the lower end. There is a big opportunity for large integrated domestic printers.

The global market for the printing industry will see good growth with large market opportunities in the U.S., Europe, and Asia. According to the study, the global print market is forecast to grow by 18 % to US \$ 721 billion by 2011, with fastest growth in developing/emerging countries. Digital printing processes, both electro photographic and inkjet, will continue to grow ahead of all other sectors.

Publication printing comprises 42.9 % share of the overall market for printing products and has historically been the driver of growth of consumption of printing products. By 2011, the combined share of the market held by digital printing processes will be 21 %.

Global publishing houses outsource printing requirements to lower cost destinations globally, with technology permitting offshoring. The US offsite printing, which is growing at 15 % CAGR would grow to \$ 25 billion (Rs 99, 000 crore) by 2009. EU offsite printing currently at € 15 billion (Rs 86, 700 crore) is expected to grow faster than US.

RIL's initiatives like offering digital workflow and comparable technology, adding new clients in India and abroad, increasing the geographical spread, enhancing products and services vertically to existing clients and/or offering value added services, providing content services globally coupled with the global focus on education, the sustained growth in consumption of printing products, strong outsourcing trend and the advantages of global sourcing etc. give strong visibility to revenue & profitability in the coming years.

At CMP of Rs 144, the share is trading at a P/E of 9x on FY08E and 5.8x on FY09E. We recommend BUY on the stock with a price target of Rs 225 in the medium-to-long term.



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