

January 03, 2025

Repro India Limited: Ratings reaffirmed and outlook revised to Stable; rated amount enhanced

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term/ Short-term – Working capital loans	125.00	150.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Reaffirmed & assigned for enhanced amount and outlook revised to Stable from Positive
Long-term – Fund-based – Term loan	0.00	10.00	[ICRA]BBB+ (Stable); Assigned
Long-term/ Short-term – Unallocated	0.00	10.00	[ICRA]BBB+ (Stable)/ [ICRA]A2; Assigned
Total	125.00	170.00	

*Instrument details are provided in Annexure-I

Rationale

The revision in outlook on the long-term rating to Stable from Positive factors in the subdued performance of Repro India Limited's (Repro) traditional offset printing segment in H1 FY2025, which is likely to moderate the revenue growth and operating profitability for full year FY2025. While the revenues in digital printing segment grew by 18% YoY in H1 FY2025, the company's consolidated revenues declined by 8% YoY to Rs. 217.0 crore on account of lower sales in the traditional offset printing segment by 43% YoY due to delay in finalisation of syllabus by NCERT in K-12 segment. With finalisation of syllabus by NCERT for the affected grades within the K-12 segment, the order flow and thus, the revenues from the traditional offset business are expected to recover in H2 FY2025. ICRA expects the revenue to grow by a modest 2-3% in FY2025 (against the earlier expectations of 10-12%). Given the significant decline in traditional offset printing revenues, the company's overall operating profit margins (OPM) contracted by 430 bps to 6.0% in H1 FY2025 and are projected to be in the range of 8-8.5% in FY2025 (PY: 10.9%).

The rating reaffirmation factors in the comfortable leverage and adequate debt coverage indicators estimated for FY2025, despite a modest performance in H1 FY2025. For FY2025, ICRA estimates the leverage measured by Total Debt/OPBDITA to remain comfortable at ~1.7 times (FY2024: 0.9 times), while the debt coverage indicators are estimated to remain adequate with interest coverage of ~4.8 times (FY2024: 5.4 times) and DSCR of 2.5 times (FY2024: 1.5 times). The ratings note the extensive experience of Repro's promoters spanning more than two decades in the printing industry and the strong client base comprising leading publishers.

The ratings, however, remain constrained by the vulnerability of profitability to adverse fluctuations in raw material prices and high working capital intensity of operations in the traditional offset printing business due to high receivables and inventory. However, with increase in the share of digital business, which has lower inventory requirement and faster collections, the working capital intensity, on an overall basis, is expected to remain moderate. ICRA notes the intense competition from the unorganised players in the traditional offset printing business, which limits its pricing flexibility and bargaining power with customers. In the e-tailing segment, it faces competition from other distributors who tie-up with the publishers. The ratings consider the modest return indicators (RoCE) owing to high capital intensity and volatile operating profitability in the past. Going forward, given the healthy ramp-up in operations, the company's ability to manage its working capital cycle judiciously, while keeping its receivables and inventory levels under control, and improve its profitability will remain the key monitorable.

The Stable outlook on the long-term rating reflects ICRA's expectations that the company would be able to witness a recovery in the traditional offset printing segment in the near to medium term, while sustaining its healthy performance in the digital printing segment. Further, ICRA's outlook underpins the sustenance of the comfortable leverage and adequate debt coverage indicators.

Key rating drivers and their description

Credit strengths

Comfortable leverage and adequate debt coverage indicators – As of March 2024, the company's total debt reduced to Rs. 48.8 crore from Rs. 96.2 crore as of March 2023, on account of prepayments done using the Rs. 77.8 crore of preference share capital raised in September 2023, resulting in a healthy improvement in its leverage and coverage indicators. As of September 2024, the total debt stood at Rs. 60.0 crore and comprised lease liabilities of Rs. 25.5 crore, term loans of Rs. 0.22 crore and working capital borrowings of Rs. 34.3 crore. While the company's modest performance in H1 FY2025 impacted its leverage and coverage metrics to some extent, the same are expected to improve on account of better performance in H2 FY2025. For FY2025, ICRA estimates the leverage measured by Total Debt/OPBDITA to remain comfortable at ~1.7 times (FY2024: 0.9 times), while the debt coverage indicators are estimated to remain adequate with interest coverage of ~4.8 times (FY2024: 5.4 times) and DSCR of 2.5 times (FY2024: 1.5times).

Extensive experience of promoters in printing business; healthy client profile with established relationships – The promoters have more than two decades of experience in the printing industry. The company has healthy long-term relationships with reputed clients. Its export clients are leading global publishers like Cambridge University Press, Oxford University Press, Taylor and Francis, among others. In the domestic market, the Group works for large education publishers including Macmillan Publishers, Oswal Books Learning Ltd, SVKM NMIMS, Wiley India, Symbiosis (Distance Learning), Arihant Publication, Penguin Publishing India Pvt Ltd, etc. Further, under its digital printing business, the Group has forged relationships with key e-commerce players such as Amazon, Flipkart, JIO, Meesho, First Cry and Snapdeal. Repro's key exports markets include Kenya, Sierra Leone, Nigeria, South Africa, the UK, and the USA.

Continued healthy growth in digital printing segment – The company's digital printing segment reported robust growth (YoY growth of 20% in FY2024), with 18% YoY increase in revenues to Rs. 84 crore in Q2 FY2025 and 18% YoY in H1 FY2025 to Rs. 162 crore, driven by a rise in the number of publishers (YoY growth of 10%) and growth in direct contents in repository to 9.5 lakh titles (YoY growth of 22%). The growth momentum in digital segment is expected to continue with the initiatives taken in technology investments and diversified product offering to publishers ranging from print on demand, micro-POD facilities, warehouse integration, import substitution offerings for specialised international publishers, integrated print solutions and multiple domestic and international e-distribution channels (Amazon, Flipkart, Bookscape, Amazon US, Walmart US and Canada, etc).

Credit challenges

Subdued H1 FY2025 performance and modest return indicators; stiff competition – The company's consolidated revenues declined by 8% YoY in H1 FY2025 to Rs. 217 .0 crore on account of lower sales in the traditional offset printing segment by 43% YoY due to delay in finalisation of syllabus by NCERT in the K-12 segment. With finalisation of syllabus by NCERT for the affected grades within the K-12 segment, the order flow and thus, the revenues from the traditional offset business are expected to recover in H2 FY2025. ICRA expects the revenue to grow by a modest 2-3% in FY2025 (against earlier expectations of 10-12%). Given the significant decline in traditional offset printing revenues in H1 FY2025, the company's overall OPM contracted by 430 bps to 6.0% in H1 FY2025 and are projected to be in the range of 8-8.5% in FY2025 (PY: 10.9%). Its RoCE has historically remained modest owing to high capital intensity and volatile operating profitability. The RoCE was at 6.3% in FY2024 and is expected to remain at around 3% in FY2025 and witness a steady improvement going forward, with the increase in revenues and profitability. Repro faces stiff competition from unorganised players in the traditional offset printing business, which limits

its pricing flexibility and bargaining power with customers. Further, in the e-tailing segment, it faces competition from other distributors who tie-up with the publishers.

Vulnerability of profitability to adverse fluctuations in raw material prices – The key raw materials required by the company are printing paper and ink. Its operating profitability remains vulnerable to fluctuations in the prices of these key inputs. The contracts entered by Repro incorporate an escalation clause, which allows the company to renegotiate the cost in case of more than 5% variation in the price of the key raw materials. This shields its profitability margins from adverse fluctuations in the prices of raw materials to an extent.

Working capital-intensive nature of traditional offset printing business – The company’s working capital intensity (NWC/OI) is high for the offset printing business due to the elongated receivables and inventory levels. On an overall basis, the NWC/OI remained moderate at 23% in FY2024 and 24% in H1 FY2025, improving from ~37% in FY2021, with an increase in the share of digital printing business, which has a lean working capital cycle, and is expected to remain ~25% for FY2025 and FY2026.

Environmental and social risks

Environmental and social considerations – Repro’s operations are linked to the paper industry. Hence, it is exposed to risks arising from the tightening regulations on the environment and the safety front. Heightened environmental concerns may increase its raw material costs or moderate demand for printed materials in certain segments. As per the disclosures made by Repro, it aims at reducing the carbon footprint of multinational publishers via import substitution. It operates green manufacturing facilities and engages in responsible raw material procurement. While Repro remains exposed to the environment and social risk, it does not materially affect its credit profile as of now.

Liquidity position: Adequate

As on September 30, 2024, Repro had free cash and cash equivalents of around Rs. 1.8 crore and average cushion of Rs. 49.7 crore of undrawn working capital limits (based on the drawing power) during April to September 2024 period. The liquidity buffers are likely to be adequate for meeting the increasing working capital requirements as operations ramp up. The scheduled debt repayments are expected to be comfortably met from its cash flow from operations.

Rating sensitivities

Positive factors – Sustained growth in revenues and profitability resulting in an improvement in debt protection metrics and liquidity could lead to a rating upgrade.

Negative factors – Significant decline in revenues or profitability and/or considerable increase in indebtedness leading to deterioration of debt protection metrics could lead to a rating downgrade. Specific credit metrics for a rating downgrade will be Total Debt/OPBDITA of more than 2.25 times on a sustained basis.

Analytical approach

Analytical Approach	Comments
Applicable rating methodologies	Corporate Credit Rating Methodology
Parent/Group support	Not Applicable
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the consolidated financials of Repro India Limited. As of September 2024, the company had two subsidiaries i.e., Repro Books Limited and Repro DMCC.

About the company

Incorporated in 1993 as a public limited company, Repro India Limited provides integrated print solutions to publishers and corporations. The company's business segments include traditional offset printing (education books/materials), digital printing, and PoD business. It has two wholly-owned subsidiaries namely Repro Books Limited (RBL) and Repro DMCC.

Key financial indicators

Repro Consolidated	FY2023 (Audited)	FY2024 (Audited)	H1 FY2025 (Unaudited)
Operating income	422.04	479.46	216.95
PAT	8.72	12.10	-4.32
OPBDIT/OI	10.57%	10.90%	6.01%
PAT/OI	2.07%	2.52%	-1.99%
Total outside liabilities/Tangible net worth (times)	0.45	0.21	0.22
Total debt/OPBDIT (times)	2.16	0.93	2.30
Interest coverage (times)	3.94	5.37	3.11

Source: Company, ICRA Research; All ratios as per ICRA's calculations; Amount in Rs. crore; PAT: Profit after tax; OPBDIT: Operating profit before depreciation, interest, taxes and amortisation

Status of non-cooperation with previous CRA: Not Applicable

Any other information: None

Rating history for past three years

Instrument	Type	Current (FY2025)				Chronology of rating history for the past 3 years					
		Amount Rated (Rs. crore)	FY2025			FY2024		FY2023		FY2022	
			03-Jan-2025	Date	Rating	Date	Rating	Date	Rating	Date	Rating
Long-term-Term loan-Fund-based	Long Term	10.00	[ICRA]BBB + (Stable)	-	-	-	-	31-MAR-2023	[ICRA]BBB (Positive)	07-JAN-2022	[ICRA]BBB (Stable)
Long-term / short-term-Unallocated	Long Term / Short Term	10.00	[ICRA]BBB + (Stable)/ [ICRA]A2	-	-	-	-	-	-	-	-
Long-term / short-term-others - fund based	Long Term / Short Term	150.00	[ICRA]BBB + (Stable)/ [ICRA]A2	05-APR-2024	[ICRA]BBB + (Positive)/ [ICRA]A2	-	-	31-MAR-2023	[ICRA]BBB (Positive) / [ICRA]A3 +	07-JAN-2022	[ICRA]BBB (Stable)/ [ICRA]A3 +
Non-fund based	Short Term	-	-	-	-	-	-	-	-	07-JAN-2022	[ICRA]A3 +

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Working capital loans	Simple
Long-term – Fund-based- Term loan	Simple
Long-term/ Short-term - Unallocated	Not Applicable

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click Here](#)

Annexure I: Instrument details

ISIN	Instrument Name	Date of Issuance	Coupon Rate	Maturity	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Fund-based – Working capital loans	NA	NA	NA	150.00	[ICRA]BBB+ (Stable)/ [ICRA]A2
NA	Term loans	August 01, 2024	NA	NA*	10.00	[ICRA]BBB+ (Stable)
NA	Unallocated	NA	NA	NA	10.00	[ICRA]BBB+ (Stable)/ [ICRA]A2

Source: Company; * Not yet availed

[Please click here to view details of lender-wise facilities rated by ICRA](#)

Annexure II: List of entities considered for consolidated analysis

Company Name	Repro India Limited's Ownership	Consolidation Approach
Repro Books Limited	100%	Full Consolidation
Repro DMCC	100%	Full Consolidation

Source: Company; ICRA Research

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