

April 05, 2024

Repro India Limited: Ratings upgraded to [ICRA]BBB+ (Positive)/[ICRA]A2

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-term Fund-based – Term loans	13.60	0.00	-
Long-term/ Short-term – Working capital loans	120.00	125.00	[ICRA]BBB+ (Positive)/ [ICRA]A2 Upgraded from [ICRA]BBB (Positive)/ [ICRA]A3+
Total	133.60	125.00	

*Instrument details are provided in Annexure-I

Rationale

The ratings upgrade with Positive outlook factors in the expected improvement in Repro India Limited's¹ (Repro) revenues and operating profits, while sustaining healthy debt protection metrics in FY2025. Its consolidated revenues increased by 17% YoY in 9M FY2024 to Rs. 352.3 crore, supported by strong demand for books from schools, educational institutes, corporate, growing share of digital business, aided by content digitisation through increased tie-ups with publishers and individual writers, etc. The revenue share of digital business increased steadily to 56% in 9M FY2024 against 36% in FY2021 and is expected to reach 70% by FY2026. The operating profit margins (OPM) improved by 90 bps to 10.7% in 9M FY2024 (9M FY2023 – 9.8%), driven by better absorption of fixed costs. ICRA estimates the company's revenues to grow by 10-12% each in FY2024 and FY2025, while maintaining OPM in the range of 10.5%-11.5%. It has raised equity of Rs. 77.8 crore in September 2023, which was deployed towards debt reduction and for meeting working capital requirements. Repro's debt levels declined to Rs. 32.0 crore as of September 2023 from Rs. 96.2 crore as of March 2023. Consequently, the leverage as measured by Total Debt/OPBDITA is estimated to be comfortable at around 0.9 times as of March 2024 (PY: 2.2 times) and March 2025. The debt coverage metrics are likely to be adequate with DSCR of around 2.1-2.2 times in FY2024 and 2.8-2.9 times in FY2025. The ratings continue to 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 off-set printing business, which limits its pricing flexibility and bargaining power with customers, while 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.

¹ICRA has considered the consolidated financials of Repro India Limited, which includes its wholly owned subsidiaries i.e., Repro Books Limited and Repro DMCC, given their financial linkages, strategic importance, and the parent's reputation sensitivity to default.

Key rating drivers and their description

Credit strengths

Estimated improvement in revenues and operating profits in FY2024 and FY2025 – The strong revival in demand, supported by opening of schools, educational institutions and corporate offices and growing share of digital business, aided by content digitisation through increased tie-ups with publishers and individual writers, etc, helped the company post a strong growth in FY2023 and sustain the growth in 9M FY2024. The consolidated operating income increased by 47% YoY in FY2023 to Rs. 422 crore from Rs. 287 crore in FY2022. The OPM improved by 90 bps to 10.7% in 9M FY2024 (9M FY2023 – 9.8%), driven by better absorption of fixed costs. ICRA estimates the company's revenues to be around Rs. 470 crore in FY2024 (FY2023- Rs. 422 crore) and grow further by 10-12% YoY in FY2025, aided by healthy demand, while maintaining OPM in the range of 10%-12%.

Comfortable leverage and adequate debt coverage indicators – Repro has raised equity of Rs. 77.8 crore in September 2023, which was deployed towards debt reduction and for meeting working capital requirements. Its debt levels declined to Rs. 32.0 crore as of September 2023 from Rs. 96.2 crore as of March 2023. Consequently, the leverage as measured by Total Debt/OPBDITA is estimated to be comfortable at around 0.9 times as of March 2024 (PY: 2.2 times) and March 2025. The debt coverage metrics are likely to be adequate with DSCR of around 2.1-2.2 times in FY2024 and 2.8-2.9 times in FY2025.

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 & 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.

Credit challenges

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 is high for the offset printing business due to the elongated receivables and inventory levels. It improved to 24% in FY2022, 21% in FY2023 and 20% in H1 FY2024 with reduction in inventory levels, funding through advances from customers as well as faster receivables recovery, given the significant increase in share of digital printing business, where the credit periods are less. The same is expected to remain at around 25% for FY2024 and FY2025.

Stiff competition; modest return indicators – Repro faces stiff competition from unorganised players in the traditional off-set 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. The company's return indicators (RoCE) have historically remained modest and were negative in FY2021 and FY2022 owing to high capital intensity and volatile operating profitability. The RoCE was 5.2% and 5.7% for FY2023 and H1 FY2024, respectively, though the same is expected to witness a steady improvement going forward, with the increase in revenues and profitability.

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. Increasing 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 January 31, 2024, Repro had free cash and cash equivalents of around Rs. 5.0 crore and undrawn working capital limits of Rs. 49.0 crore (based on the drawing power). The liquidity buffers are likely to be adequate for meeting the increasing working capital requirements as operations ramp up. The scheduled debt repayments (excluding lease liabilities) of Rs. 2.5 crore in FY2025 and Rs. 1.5 crore in FY2026 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 December 2023, the company had two subsidiaries i.e., Repro Books Limited & 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 (audited)

Repro Consolidated	FY2022	FY2023	9M FY2024*
Operating income	287.43	422.04	352.31
PAT	-23.19	8.72	9.02
OPBDIT/OI	4.29%	10.25%	10.66%
PAT/OI	-8.07%	2.07%	2.56%
Total outside liabilities/Tangible net worth (times)	0.47	0.45	-
Total debt/OPBDIT (times)	8.29	2.22	-
Interest coverage (times)	1.15	4.01	4.93

Source: Company, ICRA Research; * Provisional numbers; 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 rating (FY2025)		Chronology of rating history for the past 3 years			
		Amount rated (Rs. crore)	Amount outstanding as on Dec 31, 2023 (Rs. crore)	Date & rating in FY2025	Date & rating in FY2024	Date & rating in FY2023	Date & rating in FY2022
				Apr 05, 2024	-	Mar 31, 2023	Jan 07, 2022
1 Term loans	Long term	0.00	-	-	-	[ICRA]BBB (Positive)	[ICRA]BBB (Stable)
2 Working capital loans	Long term and Short term	125.00	-	[ICRA]BBB+ (Positive)/ [ICRA]A2	-	[ICRA]BBB (Positive)/ [ICRA]A3+	[ICRA]BBB (Stable) / [ICRA]A3+
3 Non-fund based bank facilities	Short term	-	-	-	-	-	[ICRA]A3+

Complexity level of the rated instruments

Instrument	Complexity Indicator
Long-term/Short-term – Working capital loans	Simple

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	125.00	[ICRA]BBB+ (Positive)/ [ICRA]A2

Source: Company

[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

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About ICRA Limited:

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Branches



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