Repro India Limited

December 20, 2017

Summary of rated instruments

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Long-Term (LT) Fund Based-Term Loan	41.0	41.0	[ICRA]BBB; Reaffirmed, Outlook revised from ‘Negative’ to ‘Stable’
Short-Term (ST) Non-Fund Based Limits	38.5	38.5	[ICRA]A3+; Reaffirmed
LT/ST Fund Based Limits	170.0	170.0	[ICRA]BBB / [ICRA]A3+; Reaffirmed, Outlook revised from ‘Negative’ to ‘Stable’
LT Non-Fund Based Limits	5.0	5.0	[ICRA]BBB; Reaffirmed, Outlook revised from ‘Negative’ to ‘Stable’
Total	**254.5**	**254.5**	

**Instrument details are provided in Annexure-1*

Rating action

ICRA has reaffirmed the long-term rating of [ICRA]BBB (pronounced ICRA triple B) and the short-term rating of [ICRA]A3+ (pronounced ICRA A three plus) outstanding on the Rs. 254.5 crore[1] bank loans of Repro India Limited (RIL)[2]. The outlook on the long-term rating has been revised from ‘Negative’ to ‘Stable’.

Rationale

The revision in the outlook factors in the infusion of funds to the tune of Rs.50 crore in the company in November 2017 by issuing equity shares and warrants on preferential basis. The infusion has been done by PE investors, who can also convert the warrants into equity shares by infusing additional Rs. 30 crore within a 18-month period. The company has utilised the funds to reduce its borrowing levels as well as towards meeting capex at its Surat plant, resulting in an overall improvement in its capital structure and coverage indicators. The change in outlook also takes into account the reduction in gross debtors (from Rs.177 crore as on March 31, 2017 to Rs.107.4 crore as on September 30, 2017) due to improvement in collection efficiency and recovery of overdue receivables, thereby reducing the working capital requirements of the company.

[1] *100 lakh = 1 crore = 10 million*

*2 For complete rating scale and definitions, please refer to ICRA’s website (*www.icra.in*) or other ICRA rating publications.*

The reaffirmation of the ratings takes into account the extensive experience of the RIL's promoters spanning over more than two decades in the printing industry, strong client base and established longstanding relationships with leading global publishers as well as Indian corporate companies. The ratings also factor in the increased focus on digital printing i.e. "Print on Demand" & "E-tailing" division wherein the working capital cycle is expected to be shorter than the traditional publishing business. The company witnessed healthy improvement in sales from these two divisions in FY2017 and H1FY2018 and the same is expected to aid revenue growth in the future.

However, the ratings are constrained by the company's moderate scale of operations along with the declining revenue over the last three years, and high competitive intensity in the domestic segment. The ratings also take into account the high counter-party credit risk pertaining to the sales in African countries, though the company is now availing Letter of Credit (LC) from its customers for its export sales. ICRA has also taken note of the on-going strike at the company's Mahape, Navi Mumbai facility since April 2017; the company has enhanced its production at its Surat facility to offset the revenue loss due to the strike, but a timely and satisfactory resolution on this matter would remain important from a credit perspective.

Outlook: Stable

ICRA believes RIL will continue to benefit from the extensive experience of its promoters and the established relationships with its customers. The outlook may be revised to 'Positive' if the company witnesses improvement in its revenues and profitability levels along with better working capital management that would strengthen the financial risk profile. The outlook may be revised to 'Negative' if cash accrual is lower than expected, or if any major capital expenditure, or stretch in the working capital cycle, weakens liquidity.

Key rating drivers

Credit strengths

Extensive experience of promoters in the printing business; new initiatives in digital printing - RIL started as a provider of integrated print solutions to publishers and later on to corporations. From a plain vanilla printing company, it has evolved into the business of offering end-to-end printing services like content creation, design and layout, database management, printing, packaging, warehousing and dispatch to the last mile. RIL business segments include traditional printing (education books/materials), corporate printing (annual reports etc), Print on demand (POD) and RAPPLES (Repro Applied Learning Solutions). The promoters have long-standing experience of over 25 years in the printing industry. The management's focus on digital business model has increased resulting in increase in sales in POD & E-tailing segment from Rs.14.6 crore in FY2016 to Rs. 29.4 crore in FY2017. This segment contributed Rs.26 crore to total revenue in H1FY2018. This segment is expected to aid the overall revenue growth in the near to medium term.

Healthy client profile with established relationships - The company has established and long-term relationships with reputed clients. Also, the customer concentration has been low with the top ten customers accounting for 40% of total sales in FY2017. RIL's export clients are leading global publishers like Cambridge University Press, Tanus Books Ltd, Longman, etc. In the domestic market also, the company works for large education publishers like Macmillan Publishers, Oxford University Press, Jeevandeep Prakashan, Institute of Chartered Accountants of India (ICAI), Institute of Cost and Works Accountant of India (ICWAI), Symbiosis (Distance Learning), Arihant Publication, etc. In the Corporate printing segment, the company's client list includes India's leading business houses like the TATA group, Wipro Technologies Limited, Infosys Technologies Limited, JSW Steel, NIIT and Suzlon Energy.

Significant reduction in debt levels in the current fiscal - In November 2017, the company raised funds to the tune of Rs.50 crore by issuing shares and warrants to PE investors on a preferential basis. The PE investors can convert the warrants into equity shares by infusing additional Rs. 30 crore within a 18-month period. The company has utilised the funds to reduce its borrowing levels as well as towards capex at its Surat plant, resulting in an overall improvement in its capital structure and coverage indicators. Also on account of improvement in collection efficiency and recovery of overdue receivables, the debtors have reduced, thereby reducing the working capital requirements of the company. Further, refund of security deposit from group company amounting to Rs.26 crore has also been partly utilized to reduce the debt. This has resulted in reduction of total debt from Rs.232.2 crore as on March 31, 2017 to Rs.117.6 crore as on November 30, 2017.

Credit weaknesses

Moderate scale of operations - The company's scale of operations remains moderate further impacted by the decline in revenues over the last three-year period. The operating income stood at Rs. 319.7 crore in FY2017 as against Rs. 384.6 crore in FY2016, translating into a YoY decline of 17%. Also, the operating income has declined by 7% in H1FY2018 from Rs.74.9 crore in H1FY2017 to Rs.69.6 crore in H1FY2018.

High working capital intensity resulting from high receivable period which impacts liquidity - The Company reported a high working capital intensity of 68% in FY2017 owing to a high receivable cycle. While the company is currently recovered part of overdue receivables and is carrying out business operations with clients having secured credit, the receivables continue to remain high at ~Rs. 107.4 crore as on September 30, 2017. The company has seen significant delays in receipt of its payments for sales made to Africa.

Intense competition, given the low complexity of work involved - The company faces stiff competition from other unorganised players in printing business, which limits its pricing flexibility and bargaining power with customers, thereby putting pressure on its revenues and margins.

Analytical approach: For arriving at the ratings, ICRA has applied its rating methodologies as indicated below**.**

Links to applicable criteria:

Corporate Credit Rating Methodology

About the company:

Incorporated in April 1993 as a public limited company, RIL provides integrated print solutions to publishers and corporations. RIL's business segments include traditional printing (education books/materials) corporate printing (annual reports etc) and RAPPLES (Repro Applied Learning Solutions). The company has two subsidiaries named Repro Innovative Digiprint Limited (RIDPL) and Repro Knowledgecast Private Limited (RKPL). The POD business segment of RIL is housed under RKPL, whereas RIDPL largely does job work for RIL. All the three companies are owned and managed by the Vohra family.

Key Financial Indicators (Audited)

	FY 2016	FY 2017	H1FY2018*
Operating Income (Rs. crore)	384.4	319.5	139.9
PAT (Rs. crore)	-9.5	-5.5	5.0
OPBDIT/ OI (%)	6.8%	8.5%	12.8%
RoCE (%)	2.4%	2.6%	
Total Debt/ TNW (times)	1.1	1.3	1.5
Total Debt/ OPBDIT (times)	7.3	8.5	8.8
Interest coverage (times)	1.4	1.7	2.2
NWC/ OI (%)	45%	69%	

OPBDITA: Operating Profit before Depreciation, Interest, Taxes and Amortisation; PAT: Profir after Tax; RoCE: Return on Capital Employed; NWC: Net Working Capital; TNW: Tangible Networth

*Note: H1FY2018 financials are provisional in nature and as per Ind AS

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

	Instrument	Current Rating (FY2018)				Chronology of Rating History for the past 3 years		
		Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs Crore)	Date & Rating December 2017	Date & Rating in FY2018 September 2017	Date & Rating in FY2017 August 2016	Date & Rating in FY2016 July 2015
1	Term Loan	Long term	41.0	29.5	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A (Stable)
2	Cash Credit/Packing Credit/Working Capital Demand Loan	Long term /Short term	170.0	-	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Negative)/ [ICRA]A3+	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]A (Stable)/ [ICRA]A1
3	Letter of credit/Financial guarantee	Short term	38.5	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A2	[ICRA]A1
4	Standby Letter of credit	Long term	5.0	-	[ICRA]BBB (Stable)	[ICRA]BBB (Negative)	[ICRA]BBB+ (Negative)	[ICRA]A (Stable)

Complexity level of the rated instrument:

ICRA has classified various instruments based on their complexity as "Simple", "Complex" and "Highly Complex". The classification of instruments according to their complexity levels is available on the website www.icra.in

Annexure-1: Instrument Details

ISIN No	Instrument Name	Date of Issuance / Sanction	Coupon Rate	Maturity Date	Amount Rated (Rs. crore)	Current Rating and Outlook
NA	Term Loan	April 2016	-	FY2021	41.0	[ICRA]BBB (Stable)
NA	Cash Credit/Packing Credit/Working Capital Demand Loan	-	-	-	170.0	[ICRA]BBB (Stable)/ [ICRA]A3+
NA	Letter of credit/Financial guarantee	-	-	-	38.5	[ICRA]A3+
NA	Standby Letter of credit	-	-	-	5.0	[ICRA]BBB (Stable)

Source: RIL

ANALYST CONTACTS

Mr. K. Ravichandran
+91 44 4596 4301
ravichandran@icraindia.com

Mr. Shubham Jain
+91 124 4545 306
shubhamj@icraindia.com

Mr. Abhishek Dafria
+91 22 6169 3344
abhishek.dafria@icraindia.com

Mr. Rohit Agarwal
+91 22 6169 3329
rohit.agarwal@icraindia.com

RELATIONSHIP CONTACT

Mr. L Shivakumar
+91 22 61143406
shivakumar@icraindia.com

MEDIA AND PUBLIC RELATIONS CONTACT

Ms. Naznin Prodhani
Tel: +91 124 4545 860
naznin.prodhani@icraindia.com

Helpline for business queries:

+91-124-3341580 (open Monday to Friday, from 9:30 am to 6 pm)

info@icraindia.com

About ICRA Limited:

ICRA Limited was set up in 1991 by leading financial/investment institutions, commercial banks and financial services companies as an independent and professional investment Information and Credit Rating Agency.

Today, ICRA and its subsidiaries together form the ICRA Group of Companies (Group ICRA). ICRA is a Public Limited Company, with its shares listed on the Bombay Stock Exchange and the National Stock Exchange. The international Credit Rating Agency Moody's Investors Service is ICRA's largest shareholder.

For more information, visit www.icra.in

ICRA Limited

Corporate Office
Building No. 8, 2nd Floor, Tower A; DLF Cyber City, Phase II; Gurgaon 122 002
Tel: +91 124 4545300
Email: info@icraindia.com
Website: www.icra.in

Registered Office
1105, Kailash Building, 11th Floor; 26 Kasturba Gandhi Marg; New Delhi 110001
Tel: +91 11 23357940-50

Branches

Mumbai	+ (91 22) 24331046/53/62/74/86/87
Chennai	+ (91 44) 2434 0043/9659/8080, 2433 0724/ 3293/3294,
Kolkata	+ (91 33) 2287 8839 /2287 6617/ 2283 1411/ 2280 0008,
Bangalore	+ (91 80) 2559 7401/4049
Ahmedabad	+ (91 79) 2658 4924/5049/2008
Hyderabad	+ (91 40) 2373 5061/7251
Pune	+ (91 20) 66069999