Repro India Limited

January 16, 2019

Summary of rating action

Instrument*	Previous Rated Amount (Rs. crore)	Current Rated Amount (Rs. crore)	Rating Action
Term Loan	41.0	41.0	[ICRA]BBB (Positive); reaffirmed and outlook revised from 'Stable' to 'Positive'
Long-Term Non-Fund Based Limits	5.0	0.0	-
Long-Term/ Short-Term Fund Based Limits	170.0	88.0	[ICRA]BBB (Positive)/ [ICRA]A3+; reaffirmed and outlook revised from 'Stable' to 'Positive'
Short-Term Non-Fund Based Limits	38.5	19.0	[ICRA]A3+; reaffirmed
Total	**254.5**	**148.0**	

*Instrument details are provided in Annexure-1

Rationale

The revision in the rating outlook takes into account the ongoing ramp up in the company's digital printing i.e. Print on Demand (PoD) operations wherein the working capital cycle is shorter than the traditional publishing business. The share of the company's digital printing business (under wholly-owned subsidiary Repro Books Limited[1]) has grown from 22% in the company's total sales in H1 FY2018 to 47% in H1 FY2019. The company witnessed healthy improvement in sales from these two divisions in FY2018 and H1 FY2019 and the same is expected to drive revenue growth in the near to medium term. Further, the company is planning to set up new facilities in Delhi and Bangalore by early FY2020 which would double the company's existing PoD capacity and lead to further increase in scale of operations. While the profitability from the PoD business has been low so far, ICRA notes the improvement in the same with ramp up of operations in recent quarters and expects the momentum to continue.

The reaffirmation of the ratings takes into account the extensive experience of Repro'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 corporates. The ratings also factor in the considerable improvement in the company's capital structure during FY2018 and H1 FY2019 largely driven by reduction in overall working capital debt as well as infusion of Rs. 50 crore in November 2017 through issuance of equity shares and warrants on preferential basis to Private Equity (PE) investors, who have the option to convert the warrants into equity shares by infusing additional Rs. 30 crore by May 2019. The ratings also draw comfort from the improvement in the company's receivables position. There has been a consistent reduction in both domestic and exports receivables over the last few quarters with improvement in collection efficiency and part recovery of overdue receivables, thereby reducing the working capital requirements of the company.

The ratings are, however, constrained by the decline in revenues in the company's offset printing business over the last three years given the reduction in the exports business. The ratings also consider the high competitive intensity in the domestic segment and the high counter-party credit risk pertaining to the sales in African countries, though the company

[1] Formerly Repro Knowledgecast Limited

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 settled in full, the dues of the employees/ workers at the Mahape plant and enhanced its production at its Surat facility to offset the revenue loss due to the closure of the facility due to the strike. However, a timely and satisfactory resolution on this matter would remain important from a credit perspective.

Outlook: Positive

ICRA believes Repro will continue to benefit from the extensive experience of its promoters and the healthy revenue growth in its digital printing division. The ratings could be upgraded if the company is able to achieve the expected improvement in its revenues and profitability from its digital printing operations while maintaining a comfortable capital structure. The outlook may be revised to 'Stable' if the company's working capital cycle deteriorates or the expected improvement in profitability from the digital business does not materialise.

Key rating drivers

Credit strengths

Extensive experience of promoters in the printing business - Repro started as a provider of integrated print solutions to publishers. 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. Repro's business segments include traditional printing (education books/materials), corporate printing (annual reports etc), Print on Demand (PoD), and RAPPLES (Repro Applied Learning Solutions).

New initiatives in digital printing to drive revenue growth - The company ventured into digital printing business about a decade ago through its wholly-owned subsidiary and has gradually increased its focus on the same which has resulted in significant revenue growth over the last few fiscals. The company has specifically seen healthy ramp up in the printing volumes under Books on Demand (BoD) segment[2]. Company's monthly sales in BoD increased to Rs. 7 crore in October 2018 from Rs. 7 crore in April 2018. The overall digital printing business contributed 47% to the company's total consolidated revenues in H1 FY2019 (as against 22% in H1 FY2018). With ramp up in operations, the digital printing business reported positive OPBDITA[3] in H1 FY2019, albeit a marginal amount, compared to losses at OPBDITA level in FY2018, and is expected to witness further improvement in the near to medium term.

Healthy client profile with established relationships - The company has healthy long-term relationships with reputed clients. Repro's export clients are leading global publishers like Cambridge University Press, Tanus Books Ltd, Longman, etc. In the domestic market, the company works for large education publishers like Macmillan Publishers, Oxford University Press, Jeevandeep Prakashan, Symbiosis (Distance Learning), Arihant Publication, etc. Further, under its digital printing business, the company has forged relationships with key e-commerce players such as Amazon, Flipkart, and Paytm.

Significant reduction in debt levels and improvement in receivables position in FY2018 and H1 FY2019 - In November 2017, the company raised Rs.50 crore through issuance of 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, i.e. by May 2019. 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. In addition, there has been a

---

[2] BoD refers to the company's business model under which it prints titles for sale through e-commerce platforms such as Amazon, Flipkart, Paytm etc.

[3] Operating profit before depreciation, interest, tax and amortisation

considerable improvement in the company's receivables position on account of improvement in collection efficiency and part recovery of overdue receivables, thereby reducing the working capital requirements of the company.

Credit challenges

Decline in revenues from traditional printing business in recent years - The company witnessed decline in its revenues in the offset/ traditional printing over the last three fiscals due to reduction in exports. In FY2018, revenues from the offset printing were Rs. 232 crore compared to Rs. 389 crore in FY2015. However, the company recorded 140% YoY growth in its total revenue in H1 FY2019 driven by a growth in both, offset printing (16% YoY growth) and digital printing (147% YoY growth) during the period.

High working capital intensity resulting from high receivable period which impacts liquidity - The company reported a high working capital intensity of 32% in FY2018 owing to a high receivable cycle in the offset printing business. While the company has recovered part of overdue receivables, the receivables continue to remain high at Rs. 94 crore as on September 30, 2018 (though down from Rs.116 crore as of March 2018). The company has seen significant delays in receipt of its payments for sales made to Africa in the past, and is thus undertaking such export sales against LCs.

High competitive pressure - The company faces stiff competition from other unorganised players in printing business, which limits its pricing flexibility and bargaining power with customers.

Liquidity Position:

The company's liquidity profile has improved in FY2018 and H1 FY2019 with improvement in receivables position and higher operating profits. The company also recovered Rs. 26 crore security deposits in FY2018 provided earlier to its promoters for renting the office premises which supported the cash flows during the fiscal. Further, the company's working capital utilisation has improved in recent months.

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 on March 31, 2018, the Company had two subsidiaries that are enlisted in Annexure 2.

About the company:

Incorporated in April 1993 as a public limited company, Repro India Limited (Repro) provides integrated print solutions to publishers and corporations. Repro'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 (closed down in H1 FY2019) and Repro Books Limited (erstwhile Repro Knowledgecast Limited). The PoD business segment of Repro is housed under Repro Books Limited.

Key financial indicators (Consolidated - audited)

	FY2017	FY2018
Operating Income (Rs. crore)	321.5	324.1
PAT (Rs. crore)	-0.6	16.4
OPBDIT/OI (%)	7.8%	12.0%
RoCE (%)	3.5%	7.4%
Total Debt/TNW (times)	1.5	0.6
Total Debt/OPBDIT (times)	9.5	3.7
Interest coverage (times)	1.6	3.0

Status of non-cooperation with previous CRA: Not applicable

Any other information: None

Rating history for last three years:

		Current Rating (FY2019)				Chronology of Rating History for the Past 3 Years			
	Instrument	Type	Amount Rated (Rs. crore)	Amount Outstanding (Rs. crore)	Date & Rating January 2019	Date & Rating in FY2018 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	15.4	[ICRA]BBB (Positive)	[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 (Positive)/ [ICRA]A3+	[ICRA]BBB (Stable)/ [ICRA]A3+	[ICRA]BBB (Negative)/ [ICRA]A3+	[ICRA]BBB+ (Negative)/ [ICRA]A2	[ICRA]A (Stable)/ [ICRA]A1
3	LC/BG	Short term	19.0	-	[ICRA]A3+	[ICRA]A3+	[ICRA]A3+	[ICRA]A2	[ICRA]A1

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 (Positive)
NA	Cash Credit/Packing Credit/Working Capital Demand Loan	-	-	-	170.0	[ICRA]BBB (Positive)/ [ICRA]A3+
NA	LC/BG	-	-	-	19.0	[ICRA]A3+

Source: Repro India Limited

Annexure-2: List of entities considered for consolidated analysis

Company Name	Ownership	Consolidation Approach
Repro Innovative Digiprint Limited	100.00%	Full Consolidation
Repro Books Limited (erstwhile Repro Knowledgecast Limited)	100.00%	Full Consolidation

ANALYST CONTACTS

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

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

Anubha Rustagi
+91 22 6169 3341
anubha.rustagi@icraindia.com

RELATIONSHIP CONTACT

Jayanta Chatterjee
+91 80 4332 6401
jayantac@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) 2552 0194/95/96

ICRA ratings should not be treated as recommendation to buy, sell or hold the rated debt instruments. ICRA ratings are subject to a process of surveillance, which may lead to revision in ratings. An ICRA rating is a symbolic indicator of ICRA's current opinion on the relative capability of the issuer concerned to timely service debts and obligations, with reference to the instrument rated. Please visit our website www.icra.in or contact any ICRA office for the latest information on ICRA ratings outstanding. All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable, including the rated issuer. ICRA however has not conducted any audit of the rated issuer or of the information provided by it. While reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies may have provided services other than rating to the issuer rated. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents