



“Navneet Education Limited
Q1 FY '25 Earnings Conference Call”
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Moderator: Ladies and gentlemen, good day, and welcome to Navneet Education Limited Q1FY'25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone.

Please note that this conference is being recorded. I now hand the conference over to Mr. Sunil Gala, Managing Director of Navneet Education Limited. Thank you, and over to you, sir.

Sunil Gala: Thank you very much. Good afternoon and a very, very warm welcome to everyone present on the call. Today, along with me, I have Mr. Kalpesh Dedhia, our CFO; Mr. Roomy Mistry, our Head IR; and SGA, our Investment Relation Advisors. Hope you all have received our results and investor presentation by now. For those who have not, you can view it on our stock exchanges and the company website.

So let me first begin the call by sharing the recent highlights of August '24. The Board of Directors have approved a share buyback of Rs.100 crores. This buyback will involve repurchasing up to 50 lakh shares at a price of Rs.200 per share, representing approximately 2.2% of the total paid up equity capital of the company. The record date for the eligibility is set as August 13, '24, that is today. This strategic move aims to appropriately return capital to our shareholders and is in line with the company's policy to deliver consistent returns to our shareholders.

Now coming to our quarterly results. As you might have seen, the performance has been steady and in line with our internal expectations. Despite the external challenges, which, of course, we will discuss going forward, as highlighted during some of our previous earning calls, our team has shown remarkable resilience and adaptability. Our revenue for the quarter stood at Rs.794 crores, a very marginal improvement of hardly 1% over last corresponding quarter. Our absolute EBITDA for the quarter improved to Rs.226 crores compared to Rs.216 crores in the same period last year.

Now friends, let me run you through our segmental performance. So first, I will talk about the content business. So for the quarter, the publication business, a major part of the content is publication, therefore, now I will use the word publication. Publication business has encountered a slight contraction in revenue, which stood at Rs.417 crores as compared to Rs.431 crores.

The marginal dip of ~3% in revenue is due to the reduction in curriculum for some of the grades by the state boards. This led to redesigning of some of our categories of our products and a subsequent decrease in the realization. However, on absolute basis, we have seen a slight increase in the sales volume of our products compared to the same period last year.

I'm using the word slight increase internally, as you all know, the curriculum has yet not changed and the external factors, which were disturbing our revenue growth. Despite that, we could have some increase in volume. So in response, the company is proactively developing strategies



aimed at innovation and enhancement of our product offerings, which include excluding new education content formats, digital learning tools, etc, that align with the evolving needs of the student. Looking ahead, we are very optimistic that these initiatives will not only address the current market scenario, but also position us for growth in the coming years while curriculum is changing.

Let me give you some background on our domestic stationary business. So similar to publication business, our domestic stationary revenue for the quarter stood at Rs.135 crores, a little marginal de-growth compared to the last corresponding period. But meanwhile, the reduction in revenue is largely on account of re-pricing of our products on account of reduction in raw material prices over last year. However, we have seen volume growth.

Moreover, margins have been slightly impacted due to the high cost inventory, particularly raw material at the beginning of the quarter. However, early signs of stabilization in raw material prices are encouraging. And if the trend continues, combined with our efforts to optimize procurement processes and enhance operational efficiency, we are expected to support growth and improve profitability in the upcoming quarters.

Now a little bit on our exports of stationary business. So exports of stationary business, we have frankly solidified our presence in both traditional paper base and contemporary non-product paper products. This growth has been driven by expanding our existing offerings and introducing new products allowing us to tap into diverse market segments and meet evolving consumer preferences. So as you might have seen, the Q1 '25 revenue is Rs.241 crores compared to Rs.214 crores corresponding period. This performance reflects our strategic efforts to broaden our product portfolio and extend our market reach.

On our ongoing investment in quality, design and customer engagement, along with our ability to adopt to global trends has been key to driving this growth. We remain committed to further expanding our product ranges and exploring new market opportunities to sustain this momentum and continue delivering value to our stakeholders. So let me be a little brief on this. I would rather be interested answering the questions. And therefore, thank you once again to have joined this call.

And now I open the floor for Q&A, please.

Moderator: We have our first question from the line of Viraj from SiMPL.

Viraj: Just a couple of questions. A couple of years back, you used to give a breakup in terms of further breakup in the publishing business in terms of, say, the curriculum and non-curriculum. And within that the supplementary in terms of sales from CBSE and ICSE. So can you give some color on, say, FY '24 numbers for the different segments within publishing? What will be the mix?

Sunil Gala: Yes. So as far as out of Rs.417 crores, the non-curriculum is just Rs.7 crores, the balance is all curriculum. And within curriculum, supplementary book products is, to be precise, Rs.384 crores and the non-textbook business is Rs.26 crores.



Viraj: Sir, this is for Q1, right?

Sunil Gala: Yes, only Q1 I spoke about.

Viraj: I was actually asking for FY '24, sir.

Sunil Gala: FY '24, I do not have the total number, but I know non-curriculum business was Rs.26 crores, the non-curriculum business. And of the balance, the textbook business, which we, at Navneet, we had started just 2 years ago and that was at Rs.35 crores and balance was all supplementary books.

Viraj: Okay. Second question was on Indiannica. We had done this acquisition almost 6, 7 years back. And at the time the thinking was that this will provide us an avenue for growth in 2 ways. One was to expand the market for supplementary outside of Maharashtra and Gujarat, and also provide an added revenue stream under the supply of textbooks in CBSE and ICSE, one, within our core states and also pan-India.

But if you kind of look at the subsidy scale and performance over the last 6, 7 years, the scale has not really gone away and we've been funding the losses for quite a fairly long period of time. So I think it kind of expanded mid investment in terms of content and refresh, added new categories also in textbook, but some of the scale has never really accrued. So just trying to understand how do the market dynamics work? And where has been the limitation for us?

Sunil Gala: Yes, you are very right that as expected, Indiannica has not done well. I'll tell you a couple of reasons though that is our lookout, though, but the main reason initially was that we were dependent on the management, which was running the show for over 10 years, so we rehired the team as well as the business. Unfortunately, the whole team left us and we had to really take control over the business, so that really we lost almost 1, 1.5 years in that.

Post that we were almost stabilizing and pandemic came. So practically, now we are able to do the business properly, including cost reductions, everything, post pandemic only. Now I should tell you an internal benefit that we got. So having understood the CBSE textbook market. Apart from Indiannica, on the similar lines, we have created the textbooks in Navneet brand as well.

And we saw that particularly in Maharashtra, Gujarat region, where Indiannica was not popular, we are able to sell Navneet branded products very well in these 2 states. So the number of Rs.26 crores that I just mentioned about textbook business now is actually also a CBSE business that we did. So of course, Indiannica standalone, we see number has not really grown, but we have understood the CBSE market well and have built relationships with the schools by now. And having said that, now that we have understood CBSE curriculum and the segment, now we are in the process of publishing the supplementary books as well for the same curriculum.

So I agree that it has been a slow process at our end. But now foundation is quite well set for us. And in last 6, 7 years, we have learned a lot about all India market, including CBSE. And now



as we have understood the requirements of the schools and the students, I'm sure, now we are very, very hopeful of its future.

Viraj:

So if we were to just understand in terms of say the opportunity scale, right, for CBSE and ICSE school, both textbooks and supplementary, what would that be like? One, for core 2 states and ex of that pan India, what would that be? And second question is if you look at Indiannica, they've been doing around Rs.50 crores to Rs.60 crores, Rs.65 crores of sales, and still at EBITDA level they've been making losses. So when we do kind of say Rs.26 crores quarterly sales or losses, is it profitable at our end at the operational level at least? Or we would have a similar economics also in our own?

Sunil Gala:

At Navneet, with this Rs.26 crores, then yearly maybe Rs.40-odd crores, it will be profitable, reason being most of our present team only is selling these products, so the biggest expenditure in CBSE business has been the sales team, which goes all India. That is not there at Navneet. Same team, it sells supplementary books, only sells these textbooks. So it is profitable at Navneet. So yes, at Navneet, it is profitable. But going forward, at Indiannica, which now has a strong presence in the Northern India belt and East India belt, there, I believe, we will focus more with supplementary books than just textbooks. So going forward, we are quite hopeful there.

Viraj:

On the opportunity scale, sir, I mean, the question...

Sunil Gala:

So opportunity is quite large. The textbook market per se in India is around Rs.4,000 crores today. But the way number of schools opening every year, we are likely to see the number of affiliated schools from 26,000 today to nearly 40,000 schools in next 5 years. And with that number of students are also likely to increase. Apart from the affiliated schools, the pattern school, as they call it, most of the English medium state-affiliated schools have started using private publishers' textbooks and that number is also growing and, today, that number itself would be not less than 15,000 schools and is likely to grow to almost 35,000 schools in the next 5 years.

So all put together opportunity for CBSE textbook business only, which is INRs.4,000-odd crores today is likely to grow to Rs.8,000 crores to Rs.9,000 crores in 5 to 6 years. So opportunity-wise, it is quite large. I think the right product mix that we bring in should give benefits to us.

Viraj:

Any colour you can give on the market landscape or the competitive landscape here? So other than Navneet, who are the existing major players? How the market is structured?

Sunil Gala:

No, structure-wise, the major business is done by North India belt publishers because CBSE predominantly has been very well matured in the Northern belt and, therefore, the publishers as well, but huge competition. Finally, we have seen that around 7 to 8 publishers only have been doing quite big, good revenue because of the consistent content quality and, therefore, we'll have to fight with these 8, 9 publishers who are quite big enough. So that is only our focus. But otherwise, as a publisher, there would be not less than 150 of them, but we really do not care much about them. So that is part one as far as the competition is concerned.



Now as far as CBSE schools are concerned, they are quite matured and willing to adopt technology also in the classroom. So there are very few publishers in India today, which has an offering of print publications and digital offering in the classroom. And therefore, we should have much better advantage or edge over the other publishers.

Viraj: Just one query, last query, and I'll come back in queue. For Indiannica, since you operate in the same segment, so what we have in the standalone offering, is there any thought process on further simplifying this structure?

Sunil Gala: If you can explain me your question a little...

Viraj: No, in terms of -- is there any proposal of merging to -- merging the entity in standalone, since it is 100% owned subsidiary, and it caters to CBSE, ICSE segment, so is there any thought process in terms of merging the two?

Sunil Gala: Yes, that discussion is on internally, but I do not have clear date or time line to mention that. But as clear-cut discussion, practically, why we have not merged till date is the philosophy or the culture that is required particularly to sell textbook business in CBSE school is very different than what we have been doing over so many years. That was the only restricting factor. But now going forward, we do see benefits of combining the business and rationalize the resources across India. Once we have supplementary books, I think, that will be more evident and, therefore, a decision will be taken soon.

Moderator: We have our next question from the line of Sonaal from Bowhead.

Sonaal: Sorry, I missed the initial opening remarks. Did you give any guidance for this year for any of your 3 businesses?

Sunil Gala: No, I have not given guidance, though.

Sonaal: Sir, I have 3 questions. Firstly, on the export stationary, if I recall correctly last year, in the same quarter, we had lost Rs.40 crores of the business...

Sunil Gala: In the export stationary, yes.

Sonaal: Because of anti-dumping. And we are hopeful of recovering it because we have set up -- we have done the needful from our side, so that still we won't lose that. If I include Rs.40 crores in the base of the export business of last year, we actually declined our exports by 6% for a like-to-like comparison considering -- I'm assuming you would have recovered those Rs.40 crores by now.

Sunil Gala: So Sonaal, I'm sorry, I'm interrupting. But time and again, I have been requesting all my fellow shareholders, please don't look quarterly numbers, have a look at yearly numbers and the correct year is from October to September for all the businesses. So having said that, if you see our last 2 quarter numbers of exports that will compensate this loss that you are mentioning. And having said that, we have regained that business.



So I was not shying away from saying that we have regained that business and we are fortunate that at the right time, we did the strategy of moving that production out and that is successfully being managed, and we have regained that business. But again, quarter-on-quarter, this year, for example, Walmart supplies -- goods supply went in March and from April in the corresponding last year. So numbers will really be very difficult to match every quarter.

Sonaal: Okay. So sir, what my question was, if I add that Rs.40 crores to previous year's numbers, would we be able to grow in double digits or that's a very big ask considering what we reported in the first quarter?

Sunil Gala: No, no, double digit is very sure of, for us, to grow in this year.

Sonaal: In the previous year denominator because that was a one-off loss.

Sunil Gala: Yes, yes. But we will grow by double digit to the previous denominator.

Sonaal: Previous year reported numbers or previous year reported numbers plus Rs.40 crores, is the question.

Sunil Gala: The previous year's reported number, on that.

Sonaal: Okay. So the underlying growth would be much less than 10% because this Rs.40 crores was a one-off last year in the business. So on the domestic stationery side, sir, we had very high growth plans in light of what we have done in Q1. For us to grow at 12%, 15%, per annum, we will have to grow 20% plus in the next 9 months. Do you see that -- in fact, more than that, maybe 25% plus if I see the upper limit of 12% to 15% growth guidance in the past. Do you see any chances of that happening or the numbers will be lower than what we had guided for, let's say, in the past?

Sunil Gala: So from our internal guidance point of view, we should be growing to around 14% to 15% in the whole financial year. So I agree that because of this little bit of de-growth, we will have to grow by 20%, 22% in the next 3 quarters, but the biggest jump we will see in the last quarter, which is also the main season for stationary business -- domestic stationary business. So we are very confident that this number will be achieved.

Sonaal: Just to give a perspective for you to grow at 12%, you will have to grow 22% in the next 9 months. And if we have to grow at 15%, maybe the number would be much, much bigger...

Sunil Gala: Sonaal, major sales, you will see in the past also would be in the Q4 and Q1. So Q4 will be much better. And it is just not because of the category of products that we are into. We are adding a couple of more categories and that will also help us grow.

Sonaal: And sir, why was this decline considering the -- I mean, huge plans we have for the domestic...

Sunil Gala: In reality -- Sonaal, in reality, volume-wise, it has increased, but it is so dynamic that because of the raw material prices went down and to be with the market, we had to reduce our price of the products. So realization reduced. So in reality, volume-wise, we have grown by around 4% in first quarter. But price-wise, we had to reduce because of the raw material prices that went down.



- Sonaal:** So was there a big decline in paper prices this quarter? Is that what you're saying?
- Sunil Gala:** It is not this quarter, Sonaal. As you know, because we are a seasonal business player, we start building inventory right from September, October till April. So whatever inventory that was manufactured, there the price of paper corrected by almost 12% to 13%, and that we had to reduce the final product price to remain in line with the competition.
- Sonaal:** Okay. And sir, this paper price fall broadly in the last 4 quarters happened in which season, which month or quarter?
- Sunil Gala:** The reduction was gradual, Sonaal. It wasn't in a single month. So right from September last year, paper prices started cooling down and it cooled down until January, and it is still the same now.
- Sonaal:** Okay. So sir, considering the paper price have fallen, this impact would be there for the remaining 9 months also, right? And therefore, the 13%, 14% grow for you to grow, your volumes will have to grow much higher than what you would have thought. You still think you'll be able to grow?
- Sunil Gala:** Yes, yes, yes. We still -- yes, we still think it will be possible.
- Sonaal:** Okay. Have paper prices recently increased like last couple of months or weeks?
- Sunil Gala:** No, no. They did try to increase last month, but there were no takers, so they had to again fall back to the same price.
- Sonaal:** And sir, since Q1 is predominantly our publication venues that's gone and the sales have declined by 3%. We are hopeful of a 5% plus growth this year. So do we assume that this will be again a declining year for the publication business because the main quarter is now gone?
- Sunil Gala:** So I wouldn't say decline, but again, if you have read our presentation that was sent yesterday, we have mentioned the same reason. So again, in volume wise, we have grown by around hardly, it is a marginal growth of 2% in terms of volume, but realization-wise, it reduced. There was a different type of issue. In couple of grades and a couple of subjects, government reduced the curriculum. And when there is a reduction in curriculum, we had to redesign our product with a reduced size. When we reduce the size, we have to re-price it accordingly and, therefore, the realization went down.
- Sonaal:** And sir, when do you have -- the notifications were done by the government?
- Sunil Gala:** So notification, government normally do that in the month of September, October, November, when they start designing their products. So normally, that notification happens during that period. For the subsequent academic year.
- Sonaal:** But your guidance of 5% kind of thing was more in May-June of this year. So obviously, you would have factored that in as well in your guidance, right?



- Sunil Gala:** Yes, part of it was factored. But again, here, it is so dynamic that we never thought the volume will come much more than what we had expected for those products. We thought the second-hand book market will still prevail there, but somehow students opted for fresh books than the older books. So that finally, we can't really time it with the market every time. But I believe having said that, next year, curriculum also is changing. Our part of sales happens in Q4 also. So that should help us grow by 5%.
- Sonaal:** I'm sorry, I didn't understand correctly. Curriculum is changing next year in the sense?
- Sunil Gala:** Curriculum, both in Maharashtra and Gujarat, part of the curriculum will start changing for a few of the periods and that will then continue for 4 years. So the curriculum change, which we were waiting for last 2 years finally is changing from next year.
- Sonaal:** Despite the Maharashtra election, that's a confirmed thing.
- Sunil Gala:** Despite the Maharashtra election, you're saying?
- Sonaal:** Yes, yes. Normally, in the elections year there's no changes.
- Sunil Gala:** Yes, actually -- of course, I can't guarantee, but the preparation at the education department has started. Now suddenly, the new government comes and says, we don't want to replace even though curriculum is ready, then it's not in our hands. But as we understand education department is preparing itself for change curriculum products from next academic year.
- Sonaal:** And sir, lastly, because of this redesigning of curriculum, you are hopeful that your revenue will actually grow? Just the last one, please. You were actually hopeful that because of -- despite reducing the volume in the paper, people will go and buy these new books for certain classes, you are changing the curriculum, but that doesn't seem to have unfolded. I mean, what would you attribute that to?
- Sunil Gala:** If I can -- your voice was a little bit cracking Sonaal.
- Sonaal:** Sir, my understanding was that for certain classes, you have changed the material and the content in your books, even though you had reduced some of the content because of higher paper prices. And you were hopeful that because of newer content, people at least for those classes will come and buy these books. But from the results that doesn't seem to unfold. So what could have changed that people are still relying on the second-hand books and at least for those few classes they haven't gone and...
- Sunil Gala:** I think, Sonaal, I tried explaining that, that the volumes -- overall volumes have grown over last year, but because of redesigning and lowering the price of a product because of low size of a book, the realization decreased. So I did not say that all the products were redesigned. Part of the products were redesigned where volumes we saw higher. Not necessarily the others remained flat. A few of them would have declined also because of second-hand book where there was no redesigning. But as a product mix, there was a volume growth of hardly 2%. But -- and realization has reduced.



- Sonaal:** Have you offered any discounts or change of...
- Sunil Gala:** No, no. Discount wise, we have been very -- from whatever has been there for years, it is the same.
- Sonaal:** And sir, have there any sales returns also?
- Moderator:** Sorry to interrupt, sir. May we please request you to re-join the queue as there are several participants waiting for their turn.
- Sonaal:** Sure. Sir, whenever you get a chance, please let us know about the sales returns.
- Moderator:** The next question is from the line of Arihant from Bowhead Investment Advisors.
- Arihant:** Sir, can you please tell what were the sales returns in the Q1?
- Sunil Gala:** `What is the returns?
- Arihant:** Sales returns?
- Sunil Gala:** Yes, sales returns. So major sales return, of course, the returns haven't yet come in, but we provide for returns based on our past history. So we have provided around Rs.30 crores in publication business and around Rs.3 crores each in exports and domestic business -- domestic stationary business.
- Arihant:** Okay, sir. And another question is like the NEP, which you are thinking will happen next year. This will happen most probably for which grade in the next year?
- Sunil Gala:** Next year will be primary 1 and 2 for both the states.
- Moderator:** The next question is from the line of Rajan Shah, an Individual Investor.
- Rajan Shah:** Sunil, I had a couple of questions. First question was that you spoke about re-pricing of stationary downwards in case of domestic market. So same has happened in case of export market? That was my first question.
- Sunil Gala:** No, it has not happened.
- Rajan Shah:** Okay. So margins in export will be better, right, compared to domestic because domestically, you have lowered the prices, but exports you haven't lowered the prices and the old prices...
- Sunil Gala:** Yes. Yes, it has been always the trend that export does enjoy the better margin. So I would rather put it this way, last year's increase in raw material prices, we could not pass on, which I might have said because the margins had reduced and we could not pass on the prices to the end consumer this year because of reduction in raw material prices, I think that margin came back to us.
- Rajan Shah:** Okay, fine. Sir, another 2 questions. One was you mentioned 15% growth. Now this 15% growth, which you mentioned, Sunil, is on the Rs.1,765 crores of top line, which we did last year.



- Sunil Gala:** 15%, I just spoke for domestic stationary, not...
- Rajan Shah:** Okay. Okay. So domestic stationary will grow at 15%. But in the first quarter, there has been no growth. And export stationery, sir, what are we expecting like approximately growth?
- Sunil Gala:** Similar, similar growth.
- Rajan Shah:** Okay. So net-net for stationary business, we're expecting 15% kind of top line growth?
- Sunil Gala:** Yes.
- Rajan Shah:** And sir, what about publication? 5% for the full year?
- Sunil Gala:** Yes, maximum because of no curriculum change and this redesigning of products, maximum we'll be able to see 5%.
- Rajan Shah:** Yes. And post this NEP for the first and the second standard next year, can we expect about 10% growth in the publication business or a little less?
- Sunil Gala:** No, it will be normal growth of 2%, 3% plus first and second effect will be hardly 6%, 7%. Those are very basic standards where actually, there are no digests there, only workbooks are there. So we will see 6% to 7% growth because of first and second grade.
- Rajan Shah:** Fine. Sir, last question, in the buyback, the promoters are offering only 50% of their entitlement. I mean 50% of what you can actually offer in the buyback, promoters are offering only 50% of that. Any particular reason for that?
- Sunil Gala:** There is no particular reason, but we believe we have offered 50 -- it is not 50% of entitlement, I think 50% of what we hold. So net-net, we will be...
- Rajan Shah:** Yes, what I mean is that let's say, the issue size is I think about Rs.100 crores. The buyback is I think Rs.100 crores, so you can offer up to Rs.64 crores, being 64% shareholder, but you're offering Rs.32 crores, right, if I'm not mistaken.
- Sunil Gala:** No, no. No, no. It is not that way. It is, as I said, 50% of our holding that we have done. So we are likely to, as a promoter also in the same proportionate to other shareholders, we will receive the buyback.
- Rajan Shah:** So post buyback, supposing if everybody offers the share, all the shareholders offer equally, your holding will be at 64%?
- Sunil Gala:** Yes, it will remain the same.
- Rajan Shah:** No, because in the buyback announcement, which you made to the exchanges I was reading that -- okay, fine. Maybe I may have misread it. Okay. But your holding will be 64% post this buyback, if everybody offers the share...
- Sunil Gala:** Yes, whatever is today, it will remain the same.



- Moderator:** We have our next question from the line of Payal from Billion Securities.
- Payal:** I have 2 questions. First, what was the volume growth in our publication business and what attributed to this growth?
- Sunil Gala:** So volume growth has been just 2%. And it is attributed to, as I just mentioned in my opening remark also, we had to redesign certain titles in line with the redesigning of a textbook by the state government. So since those were new titles altogether with the reduced size we did saw volume growth in that and that is the major reason of this volume growth.
- Payal:** Okay, sir. And my second question is, can you give some guidance for full year in terms of revenue and EBITDA margins?
- Sunil Gala:** So I did give guidance on individual businesses. So it will be quite easy to calculate them. And as far as EBITDA margin is concerned, I can -- what we foresee that in stationary, we will have improvement of at least 100 basis points overall improvement in margin and the publishing margins will remain the same.
- Moderator:** We have our next question from the line of Viral Shah from Quantify.
- Viral Shah:** I wanted to try to understand...
- Moderator:** Sorry to interrupt, sir. Can you please speak a little louder?
- Viral Shah:** Yes. So in terms of the digital products, which we are developing, could you please throw some light on the future potential in terms of how these products could pan out in our like education industry? And what all do we foresee in terms of the development of new products over here? And is there any technological investment, let's say, like the metaverse or blockchain or something like that, which you are doing over here in the products, which you are developing for the future education purpose?
- Sunil Gala:** Yes. So first of all, Viral, let me tell you that usage of technology in the classroom has just picked up in CBSE and ICSE schools, not really much in SSC schools. SSC schools, if you remember, is still commanding 92% to 93% of the schools in the country. So we don't expect usage of digital growing very fast in K12 segment. So that is part one. Part 2 independently, now it is impossible to look at digital stand-alone basis because what we are saying that whichever schools want to utilize digital, they want a blended offering from the supplier. It means physical books and digital. So therefore, I would say that because of digital, physical books will have a better opportunity to get recommended in the schools.
- So going forward, starting from CBSE schools, more and more schools are likely to come in our fold because of this blended offering to the school. Probably, in a couple of years, the SSC schools also may start the same way because we have seen SSC always follows CBSE pattern. And therefore, going forward, to remain just as a physical book publisher is not a great idea. And therefore, digital will help overall content business to grow.



- Viral Shah:** Got it. And in terms of the technology, is it just like the content, which we are currently developing, like in terms of e-learning sort of or anything new-age also we are like trying to...
- Sunil Gala:** No, no. New-age, of course, we are adding more and more features in the product by using different, different newer technologies, but that's really not a big investment and particularly the blockchain or 3D or 4D animations, all that is really not required in this. And we will invest as per the need of the customer.
- Viral Shah:** Got it. And what could be the growth rate of this digital like products, which you are doing? Like is it on a higher side?
- Sunil Gala:** Yes. Again, I'm saying stand-alone digital one, we'll not be able to measure. Reason being that digital offering is drawing the one offering is in the classroom. Other offering is usage of digital with the physical books by giving QR codes in the book itself. So what we get consumed and used is very difficult to figure out separately. So as I said, it is now part of content business. So -- and the physical book business will grow if we have right digital offering as well. So we are confident of growing our content business where digital will play a vital role or important role for it to grow.
- Viral Shah:** Okay. So you mean we are just augmenting the digital products in the physical books like the way you said QR code or so...
- Sunil Gala:** That's right. That is also one of the offering.
- Moderator:** The next question is from the line of Sonaal from Bowhead.
- Sonaal:** Just wanted to understand what was the sales return we had accounted for last financial year and also for Q1 of last financial year in the publication business?
- Sunil Gala:** Kalpesh, you will have to chip in here. As far as the last year's numbers are concerned, what was the sales return that we had booked?
- Kalpesh Dedhia:** Yes. So Sonaal, it was around Rs.37 crores in publication business.
- Sonaal:** Q1?
- Kalpesh Dedhia:** Q1, which came in Q2.
- Sonaal:** I'm sorry. I could not understand.
- Kalpesh Dedhia:** So Q1 -- see, whatever provision we make for sales return in Q1 that generally comes in Q2.
- Sonaal:** Yes. So my question was related to the provision for Q1 and the provision for the full year last year.
- Kalpesh Dedhia:** So provision for Q1 was around Rs.32 crores, and we got the return of around Rs.37 crores. And full year, I need to get back to you. I'll get back to you on that.



Sonaal: And Mr. Gala, you made a comment about the margins on publication being same. I had this clarification because now you merged the businesses when you say same margins, do you mean the expected losses plus the last year publication business margins?

Sunil Gala: No, no. You are right, Sonaal. So in the current result also, we have restated numbers considering the digital combined business. So having restated earlier years number also, so if you combine both business earlier though, it was a separate activity, and we were merging. So, the number that used to come after merging, the margin will improve a little bit. But because the sales growth is limited, we believe that the inflationary cost pressures would be there. And therefore, the net margin, if you combine both businesses together of last year, combined margin, whatever was there will be achieved.

Sonaal: But the stand-alone margin will be less because your edtech losses are reducing?

Sunil Gala: Yes. Edtech losses are reducing; therefore, it will be better than last year. But as I said, the volume -- rather the overall business growth will be lower than the inflation; therefore, we are hopeful of maintaining the margin.

Moderator: The next question is from the line of Mahesh Purohit from H.J. Securities.

Mahesh Purohit: Sir, I just had one question. I just want to understand what is the role of marketing advertising in our content publishing business? And do you think we need to be a little more aggressive to grow faster in that particular business?

Sunil Gala: Yes. So what is the role of marketing and advertising. So advertising has very little role in content business. But marketing, we internally call it canvassing. So we have a huge fleet of people, more than 400 across India, including Maharashtra, Gujarat, they visit schools on a day-to-day basis and see to it that our books gets recommended. So there is a huge expense every year that we incur on these people, not only salary point of view, but day-to-day expenses that we incur for that including giving away specimen copies to the schools. So that is the marketing expense that we do every year.

Mahesh Purohit: Okay, sir. So you think they're doing sufficient or do you think they need to be a little more aggressive?

Sunil Gala: No. What we have observed that in the past, whenever we have tried to be aggressive in terms of creating awareness through various other mediums than just a physical canvassing, we have never succeeded. So now what we understand is unless the books, the central copies are given to the school, even though they are using the same in the earlier years and our canvassers, so-called employee salespeople, they build relationship with the schools, finally, sales will come then only. Just by creating brand awareness, sales will not come that we have realized. So we are not really planning any faster -- rather more -- spending more money on advertising.

Mahesh Purohit: Why I'm also asking is because you said that the curriculum has not changed for several years and maybe the second-hand book comes into the use. But you also have to realize that new schools keep opening up as well, so that should have some basic growth in the business as well for that.



Sunil Gala: No, no, no. So here, you may not have really seen my last couple of quarters earning calls or maybe the annual reports, but actually giving more advertisements just to take care of second-hand books really does not help. Finally, we have to think from a customer point of view that what do they gain by purchasing new book when the old books are of the same curriculum. So from a customer point of view, it does not really help them until the time the content is changing. So I do not agree on this point that by creating more awareness through advertisement, we will have benefit in sales.

Mahesh Purohit: Okay. Sir, so the people you said who are on the ground, they are also for the ICSE and CBSE business?

Sunil Gala: Yes, yes, out of 400, we have segregated between people who can go to SSC medium schools. We really need a little lesser caliber than a normal salesperson for CBSE schools, so we have segregated teams according to the schools that they go to.

Moderator: We have our next question from the line of Aradhana Jain from B&K Securities.

Aradhana Jain: I just have one question. So I wanted to understand that how well are we penetrated currently in the Gujarat and Maharashtra region in terms of the number of schools? And what is the pipeline in terms of where else can we penetrate in terms of schools? And if you could just throw some light in terms of how many schools are we in CBSE as well as ICSE?

Sunil Gala: So first of all, our major business being supplementary books in Gujarat and Maharashtra. As far as awareness creation is concerned for our biggest category, which we do only in private schools. So both states put together, there would be around between 38,000 to 40,000 private schools where our team visits every year. So that way, as far as awareness creation is concerned, we are quite -- almost penetrated across both these states. With respect to availability and usage or parents directly buying our books, which is also quite well penetrated to the smallest village of the state. So that way, we are fully covered.

I think what requires us to grow is some different and change in curriculum, which we are awaiting for last 2 years. Once that happens, I think with our penetration, strong brand on content because of content, we should be able to benefit. Now with respect to CBSE, ICSE, of course, it is new. It is just 6-year old business for us. And particularly in Maharashtra, Gujarat, it is hardly 3 years with us.

So there, we are not well penetrated yet, but we really do not want to grow or penetrate geographically very, very wide faster because the major expenses on people and going across India is very, very expensive. So as the business grows, we will expand the geographies. So we are not well penetrated there yet. Altogether out of 26,000 and 46,000 schools, which are using the CBSE publications, we would be reaching hardly to 10,000-odd.

Aradhana Jain: Understood, sir. And sir, the other question that I had is with respect to your second-hand books, how are they performing? Like how the quarter for your second-hand category?



- Sunil Gala:** So we do not sell second-hand books. What we believe that 50% of the sales that they are -- the books that are being purchased by the students, 50% of them use second-hand books as the syllabus gets older and older.
- Moderator:** We have our next question from the line of Arihant from Bowhead Investment Advisors.
- Arihant:** Sir, can you provide the breakup of volume growth between the workbooks and guides category? What was it in Q1?
- Sunil Gala:** Yes. Arihant, what I was saying is that I will not be able to give you, rather I will avoid giving you just for the quarter, this breakup between guide and workbook business because as I said earlier, I would like to give numbers, which are comparable, which are year-on-year. So if you want, we can give you last year's breakup numbers of guide and workbook, which is not ready with me right now in front of me, but we can give you the information very soon.
- Arihant:** Okay. And one more question I had was regarding the SFA investment. We had some -- we had booked some notional loss in FY '24, so just wanted to understand the outlook of that business and can there be some devalue in that business in this year as well?
- Sunil Gala:** Now that is a start-up business and -- but obviously like other startups, it is likely to incur losses. We are very, very okay with. What we look at it is the growth that they are aiming at or the fundamentals of the business that they have well settled or the acceptance of the product that they are offering among the schools that we are very, very happy with. So we are not really worried for next 1 or 2 years for them to make losses, but they are making their foundation very, very strong. So because of the accounting policies and standards, we may had to revalue the assets for some of the other reasons. But I'm personally very, very hopeful -- confident of that business giving us really good returns in the future.
- Moderator:** Ladies and gentlemen, due to time constraint, that would be the last question for today, and I now hand the conference over to Mr. Sunil Gala for closing comments. Over to you, sir.
- Sunil Gala:** Yes, thank you once again. So I take this opportunity to thank everyone for joining the call. I hope we have been able to address the queries raised so far. For any other information or queries, I request, get in touch with us or our IR agency Strategic Growth Advisors, who are our Investor Relation Advisors. We will try and answer all your queries as soon as possible. Thank you once again to all of you.
- Moderator:** Thank you. On behalf of Navneet Education Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.