

## Navneet Education Q2 FY24 Earnings Conference Call

7/11/2023

- **Moderator:**
- Ladies and gentlemen, good day and welcome to Navneet Education Q2 FY24 earnings conference call hosted by Prabhudas Lilladher Private Ltd. 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 \* and then 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi of Prabhudas Lilladher. Thank you and over to you, sir.
- **Mr. Jinesh Joshi – Lead Analyst, Prabhudas Lilladher Limited:**
- Thanks, Seema.
- Good morning, everyone. On behalf of Prabhudas Lilladher I welcome you all to the Q2 FY24 earnings call of Navneet Education Limited. We have with us the management represented by Mr. Sunil Gala – Managing Director, and Mr. Kalpesh Dedhia – CFO. I would now like to hand over the call to the management for opening remarks and maybe after that we can open the floor for Q&A.
- Over to you, Kalpesh bhai.
- **Mr. Kalpesh Dedhia – CFO, Navneet Education Limited:**
- Thank you.
- Good morning and a very warm welcome to everyone present on the call. Along with me I have Mr. Sunil Gala, our Managing Director and SGA, our Investor Relations Advisor. Hope you all have received our investor presentation by now. For those who have not you can review the same on stock exchanges and the company website.
- Mr. Gala has a bad throat so I am speaking on his behalf.
- Let me start the call with opening remarks.
- Let me start by explaining the plan to merge our step-down subsidiaries, Genext Student Private Ltd., and demerging of Edtech business in Navneet Futuretech Limited into Navneet Education Limited. This composite scheme of arrangement simplifies our company structure and enhances collaboration between businesses. It is in line with our goal of offering combined phygital education solutions which will drive the growth of both our traditional print business and digital offerings. Additionally, it saves cost by utilizing the resources and workforce of Navneet Education Limited for both the product lines.
- We believe that the future of Edtech business is closely linked to combining of Edtech offerings with our physical book business. This strategic approach aligns with our broader vision of providing a seamless path for this expansion and diversification

of traditional publication business and innovative digital products in the Edtech sector. We will continue to judiciously invest in the segment and adapt to its evolving demands. We are confident that our efforts will lead to further growth and success in serving the needs of schools and students.

- Now coming to the segment-wise performances:
- Let me first take publication business - during the second quarter our publication business experienced a degrowth of 48%. As our publication business is currently facing a period of decline the company has proactively conducted a thorough on-ground survey to gain a more comprehensive understanding of the underlying factors contributing to this degrowth. There are several notable factors that have exerted a negative influence on our sales volume in the recent quarter. Firstly, prolonged unchanged syllabus in the states of Gujarat and Maharashtra where we have substantial presence has been a pivotal factor in the declining sales volume. This stagnant syllabus landscape has inadvertently boosted the sales of second-hand books which have emerged as our primary competitor in the market. Moreover, an unforeseen surge in paper prices has pushed up the MRP of our books. Consequently, these higher books prices have led to a surge in demand for the more affordably priced second-hand books. Ultimately, resulting in a noticeable increase in sales return during the quarter. Also, in the state of Gujarat there has been alteration in the paper pattern for specific grades. The examination book associated with these changes typically released in second quarter of the year have now been rescheduled for the third quarter. Moreover, we believe that this was one-off quarter, but since the situation is still evolving and hence for the remainder part of the year we would not like to provide any guidance for the publication business vertical. However, the division shall see gradual volume growth during syllabus change over next couple of years.
- During the first half the revenue from Indiannica our subsidiary offering CBSE text books stood at 4.1 crores as compared to 8.7 crores in H1 FY23. We firmly believe that our capacity to grow CBSE business has a huge potential to cater to more number of schools and existing schools with more number of titles. Just to reiterate major business in CBSE text books happens in Q4 and our company is poised to get good orders in FY24.
- Now coming to domestic stationery business:
- Our domestic stationery business revenue for Q2 FY24 remained flattish year-on-year to 246 crores. In the domestic stationery market Q4 and Q1 have traditionally been the strongest period for our business. However, with the introduction of various premium product categories we anticipate positive momentum to continue throughout the year. This sustains strength and indicative of our strong brand equity and continued trust that our customers places on Navneet. We are optimistic about our future. We aim for a strong growth of 12 to 15%, and plan to build on our stationery businesses' strong foundation. Our dedication to provide high quality stationery products that meet diverse customer needs is our focus. And we look forward to delivering value to our customers and stakeholders in the coming year.
- Now coming to export stationery business:

- Our export stationery business revenue for Q2 FY24 has remained flat to Rs. 144 crores. Our exports stationery division has consistently delivered strong results owing to Navneet robust reputation and leveraging partnership with major retail outlets in United States and around the world. These partnerships have been built on trust and reliability further solidifying our presence in international market. Moreover, our ability to innovate and introduce newer product categories in both paper and non-paper segment have been a key driver behind the substantial growth in our export revenues. Despite facing the prospect of an anti-dumping duty review in the United States for one of our product categories, we anticipate a reasonable growth in FY24. This anticipated growth is a testament of our commitment to diversify our product offerings, explore new markets and continue to adapt to the ever-evolving needs of our global customers. As we navigate through these challenges and opportunities our export stationery division remains a cornerstone of our business affairs and we look forward to continue to serve our international customers and excel in our products.
- Our investment in K12 Techno during the quarter:
- The company has raised an undisclosed amount from marquee Investors, post this transaction annual stake in K12 Techno stands at 20-25% on fully diluted basis.
- Now let me take you through the financial highlights.
- First, I will talk about the standalone performance.
- Revenue for Q2 FY24 stood at Rs. 261 crores as compared to Rs. 326 crores in the same period last year.
- Revenue for H1 FY24 grew by 4% to Rs. 1046 crores as compared to 1009 crores in the same period last year.
- EBITDA for Q2 FY24 stood at Rs. 16 crores as compared to Rs. 52 crores in the same period last year.
- EBITDA for H1 FY24 stood at Rs. 239 crores as compared to Rs. 259 crores in the same period last year.
- PAT for the Q2 FY24 stood at Rs. 29 crores as compared to Rs. 32 crores in the same period last year. Just to give additional information, Q2 FY24 PAT includes Rs. 30 crores towards profit on sale of property at Ghuma, Gujarat.
- PAT for H1 FY24 stood at Rs. 187 crores as compared to Rs. 182 crores in the same period last year.
- Now coming to consolidated performance highlights:
- Consolidated revenue for Q2 FY24 stood at Rs. 266 crores as compared to Rs. 330 crores in the same period last year.
- H1 FY24 consolidated revenue stood at Rs. 1057 crores as compared to Rs. 1024 crores in the same period last year.

- EBITDA loss for Q2 FY24 was Rs. 4 crores as compared to a profit of Rs. 33 crores in the same period last year at consolidated level.
- EBITDA for H1 FY24 was Rs. 205 crores as compared to Rs. 228 crores in the same period last year.
- Consolidated PAT for Q2 FY24 was Rs. 36 crores as compared to loss of Rs. 2 crores in the same period last year.
- And PAT for H1 FY24 was Rs. 181 crores as compared to Rs. 150 crores in the same period last year.
- Thank you.
- Now I open the floor for Q&A sessions.
- Over to you, Jinesh.
- **Moderator:**
- Thank you very much. We will not begin with the question-and-answer session. Anyone who wishes to ask a question may press \* and 1 on their touchtone telephone. If you wish to remove yourself from the question queue you may press \* and 2. Participants are requested to use hand sets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles, thank you.
- We take the first question from the line of Amit Khetan from Laburnum Capital, please go ahead, sir.
- **Mr. Amit Khetan – Laburnum Capital:**
- Thank you for taking my question. If we look at the half year numbers, right, for the publication business, I think it is about up by 1 to 2%, what would this number be if we exclude the impact of the Gujarat examination books that you mentioned have been shifted to the 3<sup>rd</sup> quarter. And if you could bring down that percentage into volume and price growth.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- Kalpesh, let me take this.
- Hello, everyone, this is Sunil Gala, I am sorry I could not give my speech as I am a little under the weather. But now I am here to answer all the questions that you will have.
- So, Amit, the loss of revenue on account of this Gujarat is around 20 odd crores, that we could not do in the 2<sup>nd</sup> quarter and we shifted to the 3<sup>rd</sup> quarter. So, 3<sup>rd</sup> quarter will have positive impact to that extent.
- **Mr. Amit Khetan – Laburnum Capital:**

- Got it. And what would be the volume growth on a like for like basis compared to last year H1.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- Volume has actually degrown by around 10 odd percent.
- **Mr. Amit Khetan – Laburnum Capital:**
- Got it, so what is the issue here, like is it a case of students not returning to private schools or that they have returned to the private schools but because of inflation and depressed incomes they are buying second hand books instead of new books.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- As mentioned by Kalpesh in his speech the major impact is in the guide category where the price of a new book and the price of a second hand book which was published last year or a year before, the difference was so large that on our detailed survey we realized that students are opting more for second hand books and not for new books. And as Kalpesh also mentioned this is the fag end of the curriculum it means content wise the old books or new books would be more or less the same and therefore more students opted for second hand books this time. The problem, I just wanted to reiterate that the students have come back to private schools but because of this big price difference students have opted for second hand books.
- **Mr. Amit Khetan – Laburnum Capital:**
- Got it. So, the path to improvement here is basically introduction of the new curriculum or do you also intend to take now that paper prices are down, do you intend to take price rationalization to drive volume growth.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- So, paper prices per se did come down in the month of June-July, again they have started warming up for some categories. So, we are not really going to revisit on the MRP of our product. But instead now, see we are seriously evaluating in introducing various digital features in a book which helps students more in learning process so that way we will try and retain the volumes going forward.
- **Mr. Amit Khetan – Laburnum Capital:**
- Got it. And any visibility on the implementation of the new curriculum.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- Yeah, so both these states our concerned states of Maharashtra and Gujarat they have announced that next year they are changing curriculum of Grade 1 and 2, and thereafter next year they will announce for the subsequent year, they have not announced the whole cycle as of now.
- **Mr. Amit Khetan – Laburnum Capital:**
- Great, thank you.

- **Moderator:**
- Thank you. Before we take the next question a reminder to all the participants if you wish to ask a question please press \* and 1 on your touchtone phone. The next question is from the line of Himanshu Upadhyay from o3 Capital. Please go ahead, sir.
- **Mr. Himanshu Upadhyay – o3 Capital:**
- Good morning. So, my first question on the Futuretech business, okay, first is on Navneet Futuretech, have you completely disbanded it. See, we were trying to build a B2B business and now what happens to that and just what changes are we making in the business model on that. Secondly, related to that only, we stated in the last quarter that market conditions were not right and hence we need to relook at the business. But my perception of Navneet was that it wants to build sustainable profitable business in various segments. Are we not becoming like a private equity or a new age company which is trying to build a business to sell it someone else, is there a change in the way or the philosophy of the organization and how it looks at the opportunities. The first question is this.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- Himanshu, can I request you to ask this question again because in between there was some interruption.
- **Mr. Himanshu Upadhyay – o3 Capital:**
- Okay, I will repeat my question, sir. First is on Navneet’s Futuretech, have we completely disbanded it? So, we were trying to build a business which was B2B focused. And there were two things which we were doing. One was we were trying to go to school and the other was trying to go to the tuition teacher and tuition classes and all that. What retains, what goes, what are the changes in the business model going to happen so some clarity on that. Secondly, we stated in the last quarter releases that the market conditions were not right and hence we need to relook at the business okay. But my perception was that Navneet wants to build a sustainable profitable business in various segments. Are we now trying to become like a private equity or a new age company where we are trying to build a business to sell it to someone else. Has the core philosophy of the group changed in looking at opportunities. Just this question on the new age businesses what we are trying to build.
- **Mr. Sunil Gala – Managing Director, Navneet Education Limited:**
- Thank you, Himanshu, for this straight question. So, Navneet Futuretech I might have mentioned in my earlier speeches also that two businesses, one is B2B that is school business and tuition teacher businesses, that we are continuing as it is. Only thing we are merging that with Navneet because going forward as we clearly see selling physical books independently and selling digital solutions independently is not making sense at all. And that is the main reason of merging these businesses with Navneet. So, finally going forward Navneet will be offering physical books and digital solutions together to the schools and we strongly believe that going forward schools

will have to use digital platforms and digital solutions in the classrooms to remain in line with the expectations of NEP 2020, and keeping that in mind Navneet will continue to invest in digital business for the school. And similarly for tuition teachers also we have decided to adopt the same method which is with marketing of physical books in the coaching classes, we will be offering them the digital solution as well. So, we will not unnecessarily have to send different teams going to the same customer and we'll try and sell this. So, there is not any change in that thought process now and we realized that selling this independently does not make sense. So, as far as your point on whether we're trying to act as a private equity investor, no Sir, this is a long-term plan for the group being in the content business for so many years, we would like to offer the content as customer requires and no doubt the initial phase of providing digital content is not really proving to be on a profitable side yet, but long-term we are very clear that digital and physical solutions will go hand in hand and that will bring success to the company.

– **Mr. Himanshu Upadhyay -- O3 PMS:**

- Thanks for your detailed reply. Just one suggestion okay or something, here we are looking at various other countries, US and European countries where online or digital business is there in schools, okay. What I saw was most of the publishing companies were not into the digital business, okay and the companies which had great success on the digital side were selling to the schools okay, we're not publishing companies. Can you elaborate on why this happened and what do you think globally why publishing companies did not get that much success in that business?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

- Yes, your information is partly correct that the original publishers never ventured into digital, and the only reason was the business is the digital business to understand itself was taking very long, it required huge, huge investments, which the private publishers through their hard earned money never thought of investing back into the technology business or digital business versus highly capitalized companies they came up with some digital solution and started offering to the school. So, that scenario is across the globe, you're right but having said that many publishers, so just to give you an example of Pearson's internationally they have more or less stopped providing only physical product and that is the reason of they selling their business in India. Likewise, there are a couple of other American publishers also that they had started offering these combined products to the schools. So, now that the original publishers also have realized that selling just physical books is not going to be - that is not going to be right for these schools and they will need digital and therefore publishers have started and similarly in India also publishers cannot avoid digital solution - providing digital solution also to the schools.

– **Mr. Himanshu Upadhyay -- O3 PMS:**

- Thanks again. One last question on this topic and then I'll join back in the queue. After so many years into looking at this business of digital and many experiments, what, in your opinion is the right way to approach it? And what is required to

become a leader or get a great success in the digital business, especially focusing on schools okay?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– So, we are very clear. As far as, SSC schools are concerned, we are not investing heavily into digital. There, we will focus more and more on physical books, but through some intervention of digital through the book that we are very clear and so we are not heavily investing in digital as far as SSC medium is concerned, but CBSE business where the adoption levels are quite high in the school and there we are continuously investing money and the best solution would be whichever company provide not only digital solution by way of LMS and ERP, but also will have to provide physical books, teacher training, and any other experimental materials that they need. If all put combined offer to the school will be successful company going forward and with that clarity Navneet also moving in that direction.

– **Mr. Himanshu Upadhyay -- O3 PMS:**

– Thanks. I will join back in the queue.

– **Moderator:**

– Thank you, Sir. The next question is from the line of Amit Doshi from Care PMS. Please go ahead.

– **Mr. Amit Doshi -- Care PMS:**

– Yeah, thank you. Sir, you mentioned that you know the reduction in fields of publication business going to higher prices and higher sales return, do you believe there could be a reason of shift to other publication as well and students referring or buying books of other publications?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– So, as mentioned in our speech, we did a detailed study among retailers, wholesalers across these two States and it was clear that the brand shift has not happened, only the choice of a second hand book preferred over the physical, the new book that only impacted sales of our one major category which is a guide category. So, we are very confident that brand shift has not happened.

– **Mr. Amit Doshi -- Care PMS:**

– Okay. Thank you. Thank you. And second, regarding this stationary business where the US had levied this antidumping duty on one of our products, I believe that we had probably planned or made some alternate arrangement for exporting, so was that in place, it did not happen, if you can just slightly because it still remains the reason of you know stationary fields impact?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**



- So, that category which got infected was between ₹40-50 crore business. As per, our plan, we have looked at it and it is under process. So, from next year, we'll have these sales come back for sure.
- **Mr. Amit Doshi -- Care PMS:**
- Oh, so for example the first quarter what we lost, is lost. It's not that it gets postponed?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah. This is back to school business, which is a seasonal business, we cannot supply that after the schools reopen in the state of United States.
- **Mr. Amit Doshi -- Care PMS:**
- Okay. Got it. Understood, understood. And there is a mention in the presentation that in known paper stationary business we are probably coming out with new products and some R&D etc. is being carried out. So, is it based on some orders that we have received or we on our own creating new products for launching or you know getting them approved and then probably start supplying that? So, what is the flow of events?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, the as we have been talking overall at a country level, there is huge demand by not only our present customers but many customers for supplying various other stationary products as well beyond paper, that request is coming from most of our buyers probably because they want to shift their sources majorly from India and we have given them satisfactory supplies over so many years, they are requesting us to manage that . With that requirement, we then decided to create the new product categories, which we have already started with, part of it supplies also have started, but initial phase the volumes are always low. Once they get more clarity and confirmation that yes able to supply quality products, they will increase the volumes. So, that way we have decided to. introduce various categories of products in stationary categories.
- **Mr. Amit Doshi -- Care PMS:**
- Primarily for exports?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Primarily for exports, but now we have also decided since we will be putting the plants also for this, we are definite to introduce them in India as well.
- **Mr. Amit Doshi -- Care PMS:**
- Okay, okay, okay. So, what kind of CapEx that we are planning in, I mean putting up a plant?

- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, going forward major CapEx to start with will be in Land and Building and that will be around 50 odd crores to start with and then over a period of next five years additional 50 to 60 crores in just plant and machinery. As far as machinery, sorry, not plant, land and building. As far as machineries are concerned, we believe that it does not require huge CapEx. These are all small, small machinery that we have to invest. So that will be hardly 2030 crore every year that we may have to invest for next five years and in these five, we will, I'm very sure that we will introduce minimum three to four different new category of products for exports and then in domestic markets.
- **Mr. Amit Doshi -- Care PMS:**
- Okay and that that the top line from these investments would be in say for example the asset turnover ratio could be 3-4 times or how would that work?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- It starts by just.
- **Mr. Amit Doshi -- Care PMS:**
- Yeah, full potential.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah, yeah. Full potential, yes, it will be minimum four times of our investments.
- **Mr. Amit Doshi -- Care PMS:**
- Okay, okay, okay, fine. And last question on the publication, while you mentioned that you don't intend to give any guidance going to this whatever Q2 event and this shift across syllabus. , but as far as the CBSE or the Indiannica part is concerned which the core is going to come on Q4, you foresee any changes in that or you won't want to even give guidance even for that business, the Indiannica CBSE board?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- No, that business, we are very clear and we are - for the year again in double digit, we will definitely grow that we are confident of.
- **Mr. Amit Doshi -- Care PMS:**
- Okay, okay. Fair enough. Thank you. Thank you so much.
- **Moderator:**
- Thank you. A reminder to all the participants, if you wish to ask a question, you may press \* and 1 on your touchtone telephone. Ladies and gentlemen, if you wish to

ask a question, you may press \* and 1. We take the next question from the line of Mr. Sonal from Bowhead. Please go ahead.

– **Mr. Sonal -- Bowhead:**

– Hello, Mr. Gala. Thank you for this opportunity. Sir, I wanted to understand, let's say from next year, you know, I'm sure well you know you're shutting down or reducing your technology business, there would be pay off you know, salaries, you know severances and reorganization takes its own sweet time, you know, but from next year onwards, what kind of losses do you see in your technology part of the business and you know even beyond that if there's any, you know any kind of goal post we have made internally which are which is possible to share right now?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Yeah. So independently, we are not going to show digital investments losses separately reasons I already mentioned that now physical books and digital solution will go hand in hand and lot many physical products also will have various digital solutions for an example by way of QR code. Now QR code, once student scans will have lots of features that students will be able to access to enhance their learning process, but having said that as far as digital is concerned this year we may end up as you rightly said because of the layoffs and so variance, there is little higher expenditure to the extent of 45 odd crore, next year that figure will definitely come down to around 30 odd crore and thereafter that is likely to go further down and down as the revenue from digital business also increases.

– **Mr. Sonal -- Bowhead:**

– So, Sir, 30-crore is expense or it's the loss?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– It will be the loss.

– **Mr. Sonal -- Bowhead:**

– So, despite you shutting down all these businesses, you're saying still incur a 30% loss next year.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Sonal as I mentioned, one major business B2B school curriculum business that we have developed and we are very clear that for the better future of the company, we have to continue that to offer together with the physical books, but now the expense to not only develop this product with new curriculums coming in every year and creating awareness of that, that is really still giving us more expenses. So, this is purely we are investing for long-term, maybe shown as losses for every year, but we need to continue. So, major expense will be on account of this B2B business that we will continue to do.

- **Mr. Sonal -- Bowhead:**
- Understood Sir. And Sir, did I hear you correctly that there's no plan to cut the prices of books next year or do you plan to cut the prices to get back demand?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, for very small category of products, particularly of regional medium, we may reduce the prices by around 5 odd percent, but not otherwise because we are not very clear ourselves neither the paper industry is very clear what are the likelihood of paper prices going forward. So, we don't want to take any chance and build inventory right now and reduce the price of a product and then finally end up paying more in the month of February, March, April that scenario we do not want. So, thankfully the paper prices have not gone back to the peak level that it had reached in March and April, but few of the paper mills are talking about increasing the prices in the third quarter and therefore we would not like to take that chance and do not want to reduce the MRP of a product.
- **Mr. Sonal -- Bowhead:**
- So, Sir I understood the real tailwinds to your publication business will start from 2026, when the course curriculum hopefully would change in a meaningful way.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- That's right.
- **Mr. Sonal -- Bowhead:**
- Understood. And Sir on the export side, do you have any five-year or three-year growth rate plan, let's say you know FY24 to FY27 or FY24-29, anything internally you have kept as a goal post for yourself or you know any plans to share this with us at some point of time if not now?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah. Maybe by last quarter, we will have lots of clarity in terms of get newer categories and the infrastructure that we will decide to invest with that clarity only we will be able to give more guidance, but generally as far as exports and domestic, both businesses are concerned, we are very clear that we should aim to grow around 15 odd percent every year.
- **Mr. Sonal -- Bowhead:**
- So, exports also 15%?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yes, please.

- **Mr. Sonal -- Bowhead:**
- Not 20%-25% kind of targets?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- See, once our newer categories are well accepted then that scenario will be different, but let me give clear guidance when we really end the year.
- **Mr. Sonal -- Bowhead:**
- Understood Sir. and Sir, on the school side of the business, possible for you to share what will be the fair value of this school business now with your reduced take and increase valuation?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah, it is approximately 800 crores now.
- **Mr. Sonal -- Bowhead:**
- Okay. And this SFA, any recent deal in that company or you know do you think you made a good investment and would you see some nice gains there also or its too early to tell?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- It is of course an early, but in the next 6 to 8 months' time that company will have to go into the market to raise because the type of traction or the growth that they're seeing, they will require more funds. So, in six to eight months' time, I'm sure new value of the company will definitely be seen, but having said that they have got again this year also good government contracts and their SFA in four cities have already gone very, very well and they have plans to complete in 10 cities in the current year. So, I'm sure they're creating excellent IP for themselves and looking at that good investment, investors will get attracted.
- **Mr. Sonal -- Bowhead:**
- And Sir once this course curriculum changes happen you know they happen over a three-year 2026 to 29, is that a fair assessment or you know what are your thoughts? When you expect bulk of these changes in the publication curriculum you know due to NEP happened, you know?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, as I said in Maharashtra, Gujarat grade I and II will be changing next year and in thereafter three years, these respective state governments will have to change curriculum of all the grades. So, by 28, whole curriculum will get changed.
- **Mr. Sonal -- Bowhead:**

- So, Sir in this 24 to 28 phase what kind of growth could publication business phase, you know zooming other things obviously normalize?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Historically, if we had seen on a CAGR basis we do achieve around 15% growth. In one year we may just see 10% growth and in some year we may see 20%-25% growth depending on the grade for which curriculum is changing, but on a CAGR basis, you can say 15% growth will be definitely possible.
- **Mr. Sonal -- Bowhead:**
- And you will also benefit because perhaps this time the course change is coming after a long time unlike the normal cycle and therefore the second hand composition of the market is bigger than what it would have been historically for you, right? So, this time
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah, base became low pre-curriculum change, so delta will be seen little higher.
- **Mr. Sonal -- Bowhead:**
- And so lastly on the taxation side, because you are merging and you have accumulated technology losses, what kind of tax rate should we expect from Navneet for 2025 and 26?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, it will be only 25 only because once we get NCLT order, we will have to give effect to that, so Kalpesh can you throw light what percentage could that be?
- **Mr. Kalpesh Dedhia - CFO, Navneet Education Limited:**
- So, Sonal it would be 25% only, but initial benefit will get our accumulated losses in first year.
- **Mr. Sonal -- Bowhead:**
- No, so you're saying 2025, the tax rate would be 25%?
- **Mr. Kalpesh Dedhia - CFO, Navneet Education Limited:**
- Yes.
- **Mr. Sonal -- Bowhead:**
- Is that what you said?
- **Mr. Kalpesh Dedhia - CFO, Navneet Education Limited:**

- No, no, no, no. So, see this financial year 24, we have a lower tax rate because of merging effect, but after that it will be normal 25%, but subject to adjustment of losses of what Mr. Gala spoke about 20-30 crore, 30 odd crores
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, the accumulated losses Sonal of between 80-100 crore will get adjusted. So, to that extent we'll save on taxes.
- **Mr. Sonal -- Bowhead:**
- But it won't happen in 24, right? These things take time.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- 25 - it will happen in 25.
- **Mr. Sonal -- Bowhead:**
- Yeah. That's why I'm asking, Sir, because of this, you know, your tax rate would be like what, in 2025, it would fall, you know, because of this accumulated losses, right?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- It should fall.
- **Mr. Kalpesh Dedhia - CFO, Navneet Education Limited:**
- So, effective payment will be less, yeah about 20 odd crores.
- **Mr. Sonal -- Bowhead:**
- Okay. Thank you.
- **Moderator:**
- Thank you, Sir. Ladies and gentlemen, in order to ensure that the management is able to address questions from all the participants in the conference, please limit your question to two per participant. Should you have a follow up question, we request you to rejoin the queue. We'll take the next question from the line of Samarth an individual investor. Please go ahead, Sir.
- **Mr. Samarth -- Individual Investor:**
- Yeah. Good morning, Sir. Thank you for the opportunity. I am Audible?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yes, please.
- **Mr. Samarth -- Individual Investor:**

- Yeah. Sir, do we import any Indonesian paper? And I think it is cheaper compared to the Indian paper mills, which they are selling at. So, if you could you know throw some light on that or is it on parity with the Indian paper mills and just if you could give a general trend of how we expected for prices to move going forward? So, that was the first question.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah. We do import now from overseas, particularly Asian countries and we are getting some advantage, but having given order even Indian paper mills also started reducing their prices. So, net-net, we may have 4%-5% benefit in the order that we have placed this year and going forward which I mentioned in between also the scenario at paper mills is quite different with A grade paper mill and B grade paper mill. So, for low grammage paper that we use, the price pressure will always remain because there are many very few mills that produces low grammage paper, but for higher grammage paper, we believe the prices will remain soft and will not reach back to the peak level that it had reached.
- **Mr. Samarth -- Individual Investor:**
- Okay. And the second question was regarding our stake in K12 Techno. If you could quantify the value of purchase, is that possible?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Quantify the value of?
- **Mr. Samarth -- Individual Investor:**
- Our stake in K12 Techno. I believe it was around 630 crores before when it was around 22%. So, what is it now? What is the value of that stake?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah, percentage is now 20.25 and value is approximately 800 crores.
- **Mr. Samarth -- Individual Investor:**
- 800 crores?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yes, please.
- **Mr. Samarth -- Individual Investor:**
- Yeah. And Sir, are we, you know looking to tie down or sell our K12 Techno because that would unlock a lot of value, do you see that happening any time soon?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**



- No clear thought on that. We will continuously evaluate the progress of that business and we will decide. So, in next couple of years you will see something happening there as well.
- **Mr. Samarth -- Individual Investor:**
- Right, right, Sir. Alright. Thank you. Thank you so much. That was all from my side and wishing you a very speedy recovery regarding your health. So, thank you.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Thanks. Thanks. Thanks.
- **Moderator:**
- Thank you. The next question is from the line of Kunal Mehta from Aquarius Wealth. Please go ahead, Sir.
- **Mr. Kunal Mehta -- Aquarius Wealth:**
- Yeah. So, thanks for the opportunity. Most of the questions were answered - you have answered that. Just one thing is, will you in earlier calls you have said FY24 about 1900 crores or you will do the top line, do you obviously it will get revised, so any guidance that you would want to give?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Unfortunately, no. We would like to remain away by giving guidance for this little unprecedented year that we are facing and therefore we would not like to give any guidance.
- **Mr. Kunal Mehta -- Aquarius Wealth:**
- Thanks a lot.
- **Moderator:**
- Thank you, Sir. The next question is from the line of Keshav Garg. From counter PMS. Please go ahead, Sir.
- **Mr. Keshav Garg -- Counter PMS:**
- Sir, I'm trying to understand that if we look at our standalone numbers for
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Hello Keshav
- **Moderator:**
- Hello, Mr. Keshav? Hello, Mr. Keshav, can you hear us?

- **Mr. Keshav Garg -- Counter PMS:**
- Yes.
- **Moderator:**
- Sir, please go ahead with your question. The line for the current questionnaire looks like it's disconnected. We'll move on to the next question from the line of Mr. Himanshu Upadhyay from O3 Capital. Please go ahead, Sir.
- **Mr. Himanshu Upadhyay -- O3 Capital:**
- See my post, it is again regarding the issues which we have facing in publication business. See its very few, in Con Call also we were not seeing any challenges in the publication, okay or nothing was very visible and, in this quarter, you stated that these bigger issues okay and we needed to do a market survey to understand the situation, okay. So, how come it's such a big surprise, okay or what led to obviously numbers are weaker than what you might have expected, because we are in the market every day and you would be observing even in the month of July and August when the call happened, such a surprise came to us.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah. So, yeah, let me answer that. See every year Q2, we do receive continuous repeat orders from whole part of Maharashtra and Gujrat. This year when we suddenly saw that orders are not coming in and therefore that was the reason, we had to go into detail study and that time we realized that the inventory level at the retail also was little higher because students preferred second hand book and then thereafter even returns started coming in. Now, at this point of time, if retailers were not able to sell the full volume that they had, we had no, we couldn't say no to them because the demand did not come at all. So based on past history, retailers and wholesalers did call for the quantities, but unfortunately, we got more returns also back from the market. So, this we didn't knew on closing of the first quarter that this sudden higher inventory at the retail would be there and therefore we could not comment that time.
- **Mr. Himanshu Upadhyay -- O3 Capital:**
- And one final thing. So, if we reduce the prices of newer books, even a small proportion, will they not be an issue because the older books will be at a higher price and the newer will be at a lower price in the market and what do we do with that inventory because the inventory, so do we need to take a write off on the inventory or do we need to reduce the price of the inventory if we want to liquidate it? Some thoughts on that?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- No, no, no. See in this situation, of course the reverse situation will come if at all we decide to reduce the prices, but upward situation has come many times in our history. So, that understanding and that mechanism we already have in place. We

do not first of all, print the new title or the new series till the time we see that the volumes in the whole market is emptied. So, that way we play very safe and we have right mechanism to do that.

– **Mr. Himanshu Upadhyay -- O3 Capital:**

– Okay. Okay. Thank you so much.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– We have never written off any inventory because of this confusion of price of our product.

– **Mr. Himanshu Upadhyay -- O3 Capital:**

– Okay. Okay. Thank you so much.

– **Moderator:**

– Thank you. A reminder to all the participants, anyone who wishes to ask the question may press \* and 1 on the touchtone telephone. Ladies and gentlemen, if you wish to ask a question, you may press \* and 1. We'll take the next question from the line of Mr. Amit Doshi from Care PMS. Please go ahead, Sir.

– **Mr. Amit Doshi – Care PMS:**

– Yeah, just one question on that K12. So, our stake got reduced by 10%. So, would it be fair to assume that the new infusion in the company apart from the payment made to the exiting investors Sequoia Capital was 350 crores plus?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– No, the primary infusion was only around 50-60 crore.

– **Mr. Amit Doshi – Care PMS:**

– There in the stake got reduced by 10%.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Oh, oh, sorry. I should have - I missed that. So, last year when our existing shareholders invested money in the company that time, they invested only two third of the commitment, so 1/3 got invested in the Q2 of this year. So, that was at a different valuation and the new valuation at which the secondary also happened and primary, small part of primary also happened was very small, but you are right in Q2 we had two investments come in and altogether 10% got reduced.

– **Mr. Amit Doshi – Care PMS:**

– Okay. Rs. 50 Crore is the new part of Kedara Capital?

- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- That's right. That's right.
- **Mr. Amit Doshi – Care PMS:**
- And that percentage would have been a different percentage, it's not 10%, right?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Yeah. Yeah, Yeah, that was not 10%.
- **Mr. Amit Doshi – Care PMS:**
- Okay. Thank you. Thank you and all the best.
- **Moderator:**
- Thank you, Sir. The next question is from the line of Karthik Gada from Multiple Wealth Management. Please go ahead, Sir.
- **Mr. Karthik Gada -- Multiple Wealth Management:**
- Yeah. Thank you for this opportunity. Just wanted to understand, Sir this issue of second hand is nothing new. So, what happened in the sense we didn't anticipate because last year we sold more fresh books. So, it was natural that second hand would come back into play. So, we didn't anticipate that or we anticipated a lesser impact of second hand, what went wrong?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- No. So, over last so many years, the such a price variation of a new book and old book was never there. This was all because of the last year's paper prizes. So, just to give you an example by way of a number, if last year we had sold a copy at ₹70, this year, we might have priced it at ₹90-₹95. Now, that ₹70 secondhand book can be sold at ₹40-₹45 versus a ₹90 price. This price gap was never seen in our - any of our earlier years and because of that, the usage of second hand book increased that we realized in a detailed survey.
- **Mr. Karthik Gada -- Multiple Wealth Management:**
- Okay, okay. And how are the prices trending now? So, I joined late, so I must have, I might have missed that. So, how are the paper prices trending now and what can be the impact?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, few of the prepared mills have increased the prices again. No doubt they have not yet reached to the peak level that they were there. So, overall, there is a mixed opinion from the paper mills itself. Few of them are believing that prices are likely to

go up still further, but no one is saying that it will reach back to the peak level. So, that's why we are in a comfortable position.

- **Mr. Karthik Gada -- Multiple Wealth Management:**
- Okay. Okay. Thank you.
- **Moderator:**
- Thank you. We'll take the next question from the line of Mr. Jinesh. Please go ahead, Sir.
- **Mr. Jinesh -- Participant:**
- Yeah. Sir, only one question from my side. I mean, you clearly highlighted the reasons for low growth in publication business for One Edge, but again, I mean if I look at your commentary for FY25, you highlighted that only grade I and grade II are due for a syllabus change, which technically means that the prevalence of second hand books even in FY25 perhaps may be higher, and given the price sensitiveness which these students have reflected at least in 2Q, what kind of growth do we foresee in 25? I understand that you are kind of a bit shy with respect to giving guidance, but are we anticipating the growth given the fact that only two standards are due for the syllabus change?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- So, of course we are not giving guidance for this year as well as I will avoid giving guidance for next year till the time we implement certain strategy in the market and see to it that the fresh stock is being consumed faster and one of the activity that we are doing as I already mentioned is the introduction or introducing digital component in a physical book that is underway and the separate team has been set up to do that. So, with that lot many features would get added to a book even though curriculum has not changed and we will create awareness accordingly in the market that should help us increase the new book volume that efforts are there, but on guidance, I will refrain right now till the time we introduce several measures to increase the volume.
- **Mr. Jinesh -- Participant:**
- Sure. Sir, one last question, you also highlighted that sales return was higher in this quarter. So, as you mentioned that the revenue loss because of shift in the paper pattern was about 20 crores odd, can you highlight what was the quantum of higher sales return which has happened in this quarter and will this change the provisioning for the future years with respect to sales return?
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- We still believe it is one of the instances that has happened. It cannot happen every year and therefore we cannot - we need not change the provisioning of sales return, but as far as the number in Q2 is concerned, we were anticipating around 20 odd

crore of returns versus we received around 36 crores of return and that really reduced our field for Q2.

– **Mr. Jinesh -- Participant:**

– Got that and Sir just sorry one last bit from my side. This employee cost number which has been in this band of about 60 crores odd for the last four quarters, given that we will slow down on the asset side, are we foreseeing any material change in the employee costs, given the fact that there could be some redundancy which might kick in?

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Yeah, definitely at console level, the employee cost will come down because of the close of various – these two EdTech businesses and also reducing the central level team which were very high cost team that we had. So, because with that there will be reduction in the employee cost at a console level. At a standalone level, of course it is in line with the years trend.

– **Mr. Jinesh -- Participant:**

– Sure Sir. Thank you so much and all the best for the upcoming quarters.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Thanks. Thanks.

– **Moderator:**

– Thank you. Ladies and gentlemen, that was the last question for the day. I would now like to hand the conference over to the management for closing comments.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Yeah. So, Kalpesh, let me take that.

– **Mr. Kalpesh Dedhia - CFO, Navneet Education Limited:**

– Yeah.

– **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**

– Yeah. So once again, I'm very sorry for my, since I'm little under weather, I could not give my speech, but I take this opportunity to thank everyone for joining the call. I hope we have been able to address all your queries and for any further information, kindly get in touch with us or our Strategic Growth Advisor, our Investor Relations Advisors. Thank you once again. Over to you, Jinesh.

– **Moderator:**

- Thank you, Sir. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.
- **Mr. Sunil Gala - Managing Director, Navneet Education Limited:**
- Thank you.
- 

**End of Transcript**