

Navneet Education Ltd. Q1 FY22 Earnings Conference Call

Hosted by Prabhudas Lilladher Pvt Ltd.

- **Host:**
- Ladies and gentlemen, good day and welcome to Navneet Education Q1 FY22 conference call hosted by Prabhudas Lilladher Pvt 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 0 on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi from Prabhudas Lilladher Pvt Ltd. Thank you and over to you sir.
- **Mr. Jinesh Joshi – Prabhudas Lilladher Pvt Ltd:**
- Thanks Mallika. On behalf of Prabhudas Lilladher Pvt Ltd., welcome you all to the Q1 FY22 earnings call of Navneet Education Ltd. As usual, we have with us the management represented by Mr. Sunil Gala – MD, Mr. Deepak Kaku – CFO, and Mr. Roomy Mistry – Head IR. I would now like to handover the call to the management for opening remarks and then we can open the floor for Q&A. Thank you and over to you Sunil sir.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Thank you Jinesh. First of all I thank Prabhudas Lilladher to conduct this Q1 conference call. So, hello all. Good afternoon. First I shall talk on the results. So all of you have seen, revenue is more or less the same for the 1st quarter, which is of course not the representative of our business that normally we used to do. But unfortunately, even if we have maintained the revenue more or less, the main margin business, which is publishing business, that de-grew by almost 20% in the 1st quarter versus, stationery grew by a certain percentage. With that, the overall operating level margins we could not achieve as per last year. So, more or less, business is because of schools not reopening yet... Yet is whatever I would say till Q1, so there were little sales for all the divisions except the exports. Now, with the pass of Q1, the future that I should mention now is that, most of the states, for the higher standards from grade 8 to grade 12 have opened somewhere... grade 9 to grade 12 has opened. There are talks among all the states to restart schools for grade 5 to 8 as well. So with that news, we are quite hopeful that the revenue from publishing segment as well as domestic stationery business will come to a much better level than last year. I should also mention here that in the current year where the main quarter has been lost due to non-reopening of the schools, we do not expect revenues even if all schools open. But we really doubt that all the grades in the schools will open, particularly playschool or kindergarten and primary schools are less likely to open very soon. And if they open late during the year, we may not achieve good sales in there. So, net-net, we may not be able to achieve 2019-20 levels also in the current year, but overall, the way we see things progressing, 2022-

23 will be as normal as every year that we used to perform. Having said that, this is for the India business. As far as exports are concerned, as you would have seen, we have grown by around 20% odd in exports, and we are very very hopeful that this year will end with the same percentage or little better percentage of growth than the last year. Overall, infrastructure required for stationery business... we are still investing in infrastructure and the mood or I would say the inquires that we are receiving for various products in our category of products in quite large, and the future of exports of stationery looks quite bright. So, with that, the core businesses that we are in, I just spoke about.

- Coming to EdTech, which I'm sure many of you would be curious to understand or know what all we are doing... So till date, as you all may know, we were focusing on the state board curriculum only to sell products to the state board schools only. So, one of the subsidiaries in which we are operating that business in, has already started developing CBSE curriculum. The first product for assessment module has already been launched in the market. We have started showcasing it to the teachers and schools. We are sure that will have great demand going ahead, because after lots of survey and understanding the gaps or limitations that teachers had, we have tried solving all of them in there. Simultaneously content part, which we internally call LMS, that is also under development. So in the current year, even LMS will be rolled out for all the CBSE schools. So not only in Maharashtra and Gujarat, but at various places in the country, we shall start marketing those products. Apart from that, on EdTech front, we have done few other ventures also. One of that is, we are trying to digitise all our books and have, what we call, DigiBooks. That we have already launched in the market in the month of December. That platform, basically as of now, is free to the students. The idea behind that is, whoever buys our physical books can have access to digital library also. And going forward, if that really clicks well, then we'll start monetising that as well. But, it has become very important for us to provide digital books. Now these digital books have lot many more features than a physical book, so it will be always in the interest of students to use the digital book as well. So that is one area that we have got in, where of course, we are revising the platform that we had launched which had few limitations. So that we are improving now, and in the month of September-October we will have the version 2 in the market.
- Second product or platform I would say that we are launching, is for the age group between 2 and 8. It will a one-of-its-kind type of platform for that age group. And we believe that after-school activities any child or any parent wishes to give to the student, if they subscribe to our model, they would have lot many activities for the students and the students will really be benefitted through that platform. So these are a couple of things that we have done. We are also mapping various other activities that we can invest and then start planning on those activities as far as EdTech is concerned. So, lot many things are happening at the Navneet Group level w.r.t. the EdTech category, and we are quite hopeful... no doubt, any investments or anything that we do in EdTech will tantamount to initial losses also. But, we feel the future for all these product categories that we are getting into, they should do much better in few years. So with that, I just spoke about the new developments that we're doing.

- Now I'd request all of you to pose questions. I'm not getting a lot into numbers right now because everyone has that with them. Any questions on numbers also, I would be glad to answer. Also, if you have any other questions on the business, we'll be happy to answer them. Thank you.
- **Host:**
- Thank you very much. We will now begin the Question & 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 questions queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. We would like to remind participants that you may press * and 1 to ask a question. The first question is from the line of Pavan Ahluwalia from Laburnum Capital. Please go ahead.
- **Mr. Pavan Ahluwalia – Laburnum Capital:**
- Thank you very much, just a couple of questions. Firstly, on the stationery side, I think you'd mentioned that you would be hitting FY20 numbers in FY22 on the exports side. In the 1st quarter while tracking a little bit, I was just wondering, are you expecting a strong pick up in the quarters going forward w.r.t. you opening to the western world? And, is there any progress happening in terms of us trying to break into additional customers? I mean obviously, the Walmart relationship is very strong and that is 12.38. But, are there other relationships that you're targeting right now? The second question was on the K-12 side of things. What are you seeing in terms of the attendance situation, the fee generation situation, the cash flow generation over there? And, how do you see that business being impacted by COVID in the short to medium term? And finally on the EdTech side, I think anyone with any understanding of the education business will appreciate the initiatives that you are taking to be on the right side of technology and not be disintermediated. In terms of building these businesses, we've seen a big flood of capital enter the sector, particularly, thanks to the publicity around and success of Byju's. But I was wondering, we would obviously be a partner of choice for anyone looking to make an EdTech play, and we've taken stakes in a few companies here. But, have you considered the possibility in some of the EdTech products that we're building, of actually taking advantage of a robust funding market and raising capital at valuation 14.00 shareholders to really fund a lot of this EdTech right now?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yes thanks Pavan. First I'll answer your question on the stationery exports business. As you would have seen in the 1st quarter also, we had a growth of around 20% odd. So, to achieve numbers of FY20, if my all quarters put together gives me 20-25% growth, automatically, what I just mentioned, we will reach the FY20 numbers. We have got new customers majorly from US again. And why did we get them? First of all, I should also mention here, that like in India, even back-to-school market across the globe, including the US, has been affected. So, our customers also were carrying lots of inventory of last year. So, though I'm saying 20% growth in the current year, it will not necessarily come from the existing product range. But thankfully, my team

has developed so many new product ranges, which we showcased to our new customers and they have appreciated that and have started buying. With the introduction of these new products, we're saying that we will be able to achieve FY20 numbers, which we are confident of. Having said that, overall mood among customers is to source more and more material from other countries than China. When it comes to India, no doubt Navneet benefits because of its vast experience to the customers. So overall, we are quite upbeat on exports of various stationery products. Did that answer your question?

– **Mr. Pavan Ahluwalia – Laburnum Capital:**

– I think to summarise what you're saying, both what you said on the domestic business in your introductory remarks and what you're saying about the US, the a big rebound in both business I'm thinking will happen in the next school year?

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– I fully agree to that. So on the domestic front, we are still struggling to revive because of the obvious reason of schools not opening. But on exports, in the current year itself we will see growth over the last year. And going forward, yes, not only in exports, but in domestic also we're introducing many other products which are value added products and therefore, not only will growth be in business, but we are hopeful of improving margins as well in the stationery business.

– **Mr. Pavan Ahluwalia – Laburnum Capital:**

– Got it. Perfect!

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– And the second question of yours was, K-12 techno. So, as promoters, we all decided not to stop growth of opening new schools even in these tough times. And therefore, we have made more investments. And finally in the current year we have 42 schools under operation that we are managing. So, cash flow point of view, I agree, there has been a challenge, but thankfully, we raised capital last year. So we have enough bank balance to not only carry forward for the current year, but also to grow further on for the next year as well. So, there is a COVID impact, but simultaneously we knew that it is a very temporary impact. Therefore, one side we are growing schools and simultaneously we are investing heavily into technology to run a school. Technology is just not administration or learning in the classroom, but we are developing so many other products which will be sold to the existing students of our school, as well as to an outsider. So there are couple of products that have been created and we have started receiving good revenue also. So that way, we are trying to create a new business as well in K-12. But yes, in the current year, overall there is a challenge in receiving fees from the customers, particularly from the parents. But once schools reopen, then I'm sure that also will get resolved. But, it is a little dicey situation in the current year.

– **Mr. Pavan Ahluwalia – Laburnum Capital:**

- Are you seeing... is there a greater issue with say, small businessmen, traders whose cash flows have taken an impact, or is it more among middle-class salaried people, or is it spread across the board, like everyone is conserving cash?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- No. So here, middle-class salaried people to a little higher middle-class salaried people who are our customers, because our fees are in upwards of a lakh of Rupees per annum. So it is that category. Now, few of the parents would have lost their jobs during the last one year. It would be very difficult for them to pay the fees. But overall, what we have seen is the mindset of the parents that if schools are not operating physically and are being taught online, should they pay full fees or should they get a discount or should they delay the fees? All these mindset issues are there and that mindset will change only when schools actually restart physically.
- **Mr. Pavan Ahluwalia – Laburnum Capital:**
- Understood.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- So that was on the K-12 front. On EdTech front you are very right. We are trying to be little more aggressive than our conventional style, and therefore it will require additional capital no doubt. From the parent company we have decided to invest the initial requirement to launch the products, but simultaneously we are quite open raising capital from outside, which I'm sure should happen within the next one year.
- **Mr. Pavan Ahluwalia – Laburnum Capital:**
- Thank you.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Thanks Pavan.
- **Host:**
- Thank you. We would like to remind participants that you may press * and 1 to ask a question. The next question is from the line of Abhishek Tandon from Please go ahead.
- **Mr. Abhishek Tandon – Bowhead India:**
- Hello sir, thank you for the opportunity. My question is regarding stationery exports. Sir, could you please give us the revenue break up of 5 countries to which we export stationery?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Deepak do we have that ready with us right now or should we give that to them later?
- **Mr. Deepak Kaku – CFO, Navneet Education Ltd:**

- I think we can give them at later.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Okay. So Roomy, you would have to be in touch with them post our call.
- **Mr. Roomy Mistry – Head Investor Relations, Navneet Education Ltd:**
- Sure.
- **Mr. Abhishek Tandon – Bowhead India:**
- My next question would be, sir, if we look at stationery exports, seasonality is quite skewed towards Quarter 1. We get around more than actually 50% in Quarter 1 and then the rest is almost equally distributed between Quarter 2, 3 and 4. So I would like to understand the reason for this seasonality. Would it mean that most of our stationery exports would also be back-to-school?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- No, as I mentioned a little earlier, we are changing the product mix and would not like to depend just to back-to-school business. And accordingly we have introduced several products which are not only used in the schools, but also in the offices. Processes are the same to manufacture such products. And therefore we believe that more... we are trying to get into a business which is all year round business, and with that introduction of newer product range since last 2 odd years, this year we are seeing that there is a growth in there and therefore we believe that we will be able to grow substantially from here, not only... Back-to-school yes, there is a de-growth in the current year, but with the new product range we will grow in the current year. And going forward, then we will have growth in both – back-to-school business also and also in the new product range that we have introduced.
- **Mr. Abhishek Tandon – Bowhead India:**
- Okay. Would it be fair to assume that the 2nd wave did impact our stationery exports also?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- No. The 2nd wave has not impacted particularly, because our major sales have been in the US market. But what impacted us particularly in back-to-school business is that last year with expectations customers called for an inventory, but they could not sell that last year and therefore they were carrying lots of inventory with them. So those items order we received much lesser in the current year. But overall in the western market where we export, there is no impact of the 2nd wave. So I would say, secondary sales are good, but primary sales from our 2-3 customers has reduced as far as back-to-school business is concerned. And therefore we have introduced newer products also.
- **Mr. Abhishek Tandon – Bowhead India:**
- Perfect! Thank you so much sir.

- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Thank you Abhishek.
- **Host:**
- Thank you. Participants to ask a question you may press * and 1 now. The next question is from the line of Kartik Yadav from Multiple Wealth Management. Please go ahead.
- **Mr. Kartik Yadav – Multiple Wealth Management:**
- Yeah, am I audible?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yes Kartik.
- **Mr. Yadav – Multiple Wealth Management:**
- Yeah, thank you so much for your time. One question. In the last call we had a discussion that you feel that these physical books would not go away, especially for our bread and butter which is Maharashtra, Gujarat state board market.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Right.
- **Mr. Yadav – Multiple Wealth Management:**
- Now, with this digitisation of the books which you mentioned earlier, is there any estimate on what could be... what sort of market size would DigiBooks have? And do you see any 25.00, not immediate or right away, but in some way, in some small way would DigiBooks start cannibalising our state board business also? Not completely, but in any small way that they would start cannibalising our state board business?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah Kartik, so first of all, let me clarify. I still maintain my statement that physical books are not going to go away, particularly for SSC medium schools. Now that we are hearing, even in elite schools also, physical books are still very important. Having said that, we are creating DigiBook, but that is an additional feature we are providing to the customers who are buying physical books. This will have two benefits to us. One, the student of course would be benefitted, but secondly, with additional features, customers would not think of going to competition. That is one benefit that we are seeing. And the other benefit that I'm looking at very long term, is that finally if they end up buying only DigiBooks of ours, overall the company benefits in totality. Let me just again reiterate that what we are selling is content, and the content faith that the student and teacher community has on Navneet, that will continue to remain. So whether we sell it physical or digital, finally we are selling content. And therefore, we are not really worried that even if digital books usage increases, it will impact Navneet at all. Rather, it will benefit Navneet.

- **Mr. Yadav – Multiple Wealth Management:**
- Okay. Do you see digital books possibly expanding the market in one way?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Not really. The way we are structured in India as far as education is concerned, finally that will be restricted to the state's curriculum. I'm talking about the state curriculum books. As far as CBSE type of textbooks are concerned where also we are in through our subsidiary Indiannica, there of course usage can be from any part of the world or any part of India. So that way it can increase. But what we have always seen in the K-12 segment, whatever the school recommends, that only the students are going to buy. So we'll have to make continuous efforts to create awareness and get books accepted in various institutions that we reach. So that way, whether it is digital or physical, efforts of our reaching out to those schools and creating demand has to continue, and then only we can have higher volume growth.
- **Mr. Yadav – Multiple Wealth Management:**
- That's it from my side. Thank you so much sir.
- **Host:**
- Thank you. The next question is from the line of 28.16 from Motilal Oswal Asset Management Company. Please go ahead.
- **Speaker – Motilal Oswal Asset Management Company:**
- Hi sir, good afternoon and thank you for your time. Sir firstly on this stationery business, is there a significant difference between the EBITDA margins of export and domestic?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah. At present in export the EBITDA margins are around 16-17% versus in domestic it is 8-9% as of now.
- **Speaker – Motilal Oswal Asset Management Company:**
- Okay. And 8-9% was what was in FY19 and FY20, normal years as well?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, I gave this number in a normal year only.
- **Speaker – Motilal Oswal Asset Management Company:**
- Okay. And sir, how are the working capital cycles in exports?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**

- So, it is overall 4 month of an investment in working capital which includes raw material for producing the goods and thereafter between 60 to 90 days of credit to the customer. So that way it's a 4 month cycle.
- **Speaker – Motilal Oswal Asset Management Company:**
- Okay. And lastly, on the schools part, how have you accounted for the fees, because your cash flows for FY21 don't seem to have any impact from non-payment of fees at a consolidated level? So, have you not accounted for the fees due from the students?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah yeah. So we account only what is received, because in this scenario in particular we are not sure how much they will pay. And therefore we have decided to account only what we receive so that has been accounted in our K-12 company, that has been shown as income.
- **Speaker – Motilal Oswal Asset Management Company:**
- Okay, not what is accrued.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- No, no.
- **Speaker – Motilal Oswal Asset Management Company:**
- Only what is received.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, that's right.
- **Speaker – Motilal Oswal Asset Management Company:**
- Got it, thanks.
- **Host:**
- Thank you. The next question is from the line of Anant from Newforce please go ahead.
- **Mr. Anant – Newforce:**
- Hi, good afternoon, can you hear me?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yes, Anant.
- **Mr. Anant – Newforce:**

- Thank you for the opportunity, I have a couple of questions. One is on the publishing side, so given that looks like schools are going to reopen state wise in a small way at least, I just want to understand why you have said that you will not be able to recover the publishing revenues, I want to understand at what point in time the consumers decide saying that okay, schools are open so I need to buy these books, because is it when he sees that the exams are going to happen or he waits for the exams to be announced and the final exams which did not happen last year, or he buys when the schools open. How is the decision taken from the consumer part so that would help us in deciding whether the publishing revenue will move based on the reopening?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, let me answer that first. So as you know we are in K-12 segment which is right from kindergarten till 12th grade. Now even if schools are opening in various states on different-different dates, I said in the beginning that kindergarten and primary schools to reopen soon looks very difficult. And therefore that revenue we will not be able to get back as in the normal year. Therefore I said that we will not be able to achieve revenue as we had achieved in '19-20. So that is one reason why we will not be able to achieve full revenue as earlier. And second reason is that if schools open late and late the need of the schools to use all the books may reduce and that's what that decision making, final decision making is by the school only what to prescribe and what not to. So that way there are chances if schools open in the month of August or latest by the month of September then for the grades that have opened we are not really worried. But if in some parts if it really does not open then there could be some reduction. So net-net primary level sales loss as well as schools not re-opening in time and delay that may cause some less in scale and therefore I mentioned that we will not be able to achieve '19-20 number as far as publications are concerned.
- **Mr. Anant – Newforce:**
- Understood, secondly in one of your earlier calls you had mentioned that in the current year FY22 you expect [33:23] to turn... now this was before the second wave. So I just want to understand if your confidence levels are still the same on turnaround of these two or second wave has changed that.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- I will say yes for both, the reason being unfortunately the situation is not in our control. This is totally external sector which is disturbing to us. If schools are opening even now in August-September then we are very confident then we will achieve breakeven but if school somehow it does not open on time or gets delayed due to some additional wave, then we will have an issue. With the premise that schools are reopening we are confident.
- **Mr. Anant – Newforce:**
- Understood. Sir, lastly on this EdTech business, I was going through the apps of Navneet and Topper has got 10 million, 1 crore download, Digibook has got [34:20] 1

million, but I think there is some scope for the ratings of these apps to go up. So Top Scorer rating is 3.7, Digibook is 2.2, Topper is still decent, 4.3, so are you cognizant of the ratings and is work happening to make sure that the ratings move up.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– Very much, we are concerned about ratings and it was little new on our part to launch these apps and therefore right teams have been appointed so whatever limitations that we had on the apps are under improvement. So I am sure month on month the ratings should improve and we are very cognizant to that.

– **Mr. Anant - New**

– Just one supplementary question to this, I was a little surprised that 1 crore people have downloaded Topper, how did you achieve this, how did the sales of Topper go up, is it that the teachers are recommending that you download Topper or how did the sales go up?

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– It is Topscorer, so in the first wave we did, so the number is just not for the first quarter though which we might have presented in our presentation. It was the peak number that we saw and particularly during last year when we wanted students to use this product, so it was 100% lockdown that time we gave that for free. And therefore more and more students tried using that app. And we were hopeful that post schools opened same students will actually subscribe to it. But still that did not happen and we are not really seeing traction on usage on subscription basis till now, but once again schools reopen then we are very, very hopeful.

– **Mr. Anant – Newforce:**

– And lastly, sir on this EdTech business again, for an earlier question you mentioned that you were open to possibilities. But I think given that Navneet is a marquee in education, we hear so many of the smaller names being discussed, they are all unlisted but smaller names get discussed a lot more and Navneet somehow does not seem to be on the radar which I think is a perception issue. To that extent I think maybe we could do some more work to highlight the capabilities of Navneet to the industrial community which would help the shareholders as well as the company.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– We are quite aware of these limitations of ours and accordingly addressing all those issues. I am sure this question of yours will not reoccur after 3 to 6 months.

– **Mr. Anant – Newforce:**

– Wonderful, brilliant. Thank you so much, sir.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

– Thank you.

- **Host:**
- Thank you. The next question is from the line of Giriraj Daga from K.M. Visaria Family Trust, please go ahead.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Thanks for the opportunity. My first question is related to our stationery exports, how will FY23 look like, so the [37:12] inventory should get over by this year, so if you have indication on FY23.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- So minimum 20% growth over FY22 that we are very sure of, we are likely to achieve as I said FY20 number which is around 500 crores, so over and above that we should at least have 20% growth next year.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Okay, that's good to hear. Second question is Indiannica, so what is the investment on Indiannica, seasonality wise it is quarter 4 and that is also for the next season. Next season we are assuming to be very normal so ideally it should be normal for Indiannica because Q4 will be held.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, we are very confident and therefore I said in one of the questions that we are very hopeful that schools will be reopening at least by January/February in full swing we should be able to achieve breakeven for sure.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Is there some issue for primary/secondary here also that [38:41] some sales return which will, might happen with Indiannica something like that.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- So what I mentioned is for the current academic year, for the next academic year I believe even primary, even now primary students have suffered the most, two years they will not get learning in the schools, so I am sure not only schools but even parents want to send their children next year, so I am sure including primary everything should open in normal course.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- I am sorry, I meant I meant to say that whether we have supply to the dealers of the schools and schools have not been able to give to the students, primary sales and secondary sales.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- In the current year, in the current year?

- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Yes, for Indiannica let's say.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- No, no.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- No, okay. The quarter will be very normal for us this time.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- That's right.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Okay, my next question is on EdTech segment so we are seeing a couple of investments, small, small sums in a couple of multiple forms so is there a limit that we have set a target of maybe 30 crores 50 crores this is the kind of investment that we are looking as a strategic partner there. And second question is what is the kind of cash burn possible of the investment through the digital investment what you are looking at, is there a cap to that?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, so overall investment that we are almost in the process of completion will be around 30 odd crores in these three companies. And in the current year we are not likely to invest in any more companies. We want to understand those businesses and want to leverage the strengths of Navneet in those companies, so that we will do. We have selected companies which has definite potential, big potential to grow. So that way overall our investments should be a good investment we believe. But now to your question on cash burn, in those three companies where we have invested, except one company, we are not seeing any cash burn per se, maximum 3 to 4 crores. But as far as various activities that we are doing at eSense and in Navneet, there we are likely to see around 30 odd crores cash burn in the current year itself. Because as a policy most of the things that we do, even develop, we write it off and therefore we will see that cash burn.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Okay, last question from my side, and it is more of a strategic question, on the K-12 segment since the market is obviously going through a, the industry is going through distress, and Navneet has a very strong balance sheet, we have strong equity partner also, so are we looking at a consolidation in that space, given an opportunity are we looking at consolidating because anyway time is going to change maybe 6 months down the line maybe one year down the line but this is the best time when we can accelerate the pedal on K-12, maybe by acquiring some distress assets and other things, any thoughts on that?
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**

- As far as K-12 independently if we look we are looking at many other opportunities, one is organically as I mentioned developing a lot many tech products not only for the students of K-12, but other students as well. And we are open to look at any other opportunity which has K-12 grow further from here. But as far as if your question is to Navneet whether we would like to consolidate further, then the answer is no.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- No, my question is with the current 42 schools, can we go to like 100 schools.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, that is the plan so by 2025 we should be 100 schools for sure. That is already a decided plan.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Okay, that was my question we get some assets of 20 schools or something or 15 schools or something.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yeah, yeah, we are open on that, we are open organically/inorganically both. So my business development teams are on the road even during lockdown so we are identifying opportunities and continuously deciding on that. But in next three years we have a target to reach to 100 schools.
- **Mr. Giriraj Daga – K.M. Visaria Family Trust:**
- Okay, thanks a lot and all the best.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Thank you.
- **Host:**
- Thank you. Participants to ask a question you may press * and 1 now. The next question is from the line of Navin from Bellweather Capital, please go ahead.
- **Mr. Navin – Bellweather Capital:**
- Hello.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Yes, Mr. Navin.
- **Mr. Navin – Bellweather Capital:**
- Thank you for the opportunity, sir. This is again on the EdTech, we have our own offering and recently we have invested in 3 companies, so just wanted to understand if there is any change in strategy that we are adopting. Most of these companies are

unique in terms of like Carveniche is a maths focused company, so just wanted to get your feel on that.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

- Sure, so first of all EdTech is a very, very wide sector, whatever that we have focused till date in Navneet that is majorly related either to SSC schools or pure, pure K-12 offering, be it CBSE or ICSE, so that way we will do all the development organically. But simultaneously because of the vast field or vast many areas in EdTech we decided to partner with few companies which can grow on its own maybe with the help of Navneet as well. So with that way we are quite hopeful that we will be able to leverage strengths of Navneet helping those companies to grow further from here, in that way we are very confident. So overall we have dual strategy, one is grow organically wherever Navneet has experience. Simultaneously either invest in the companies which are in little different segments in EdTech. So I doubt any company ever will be able to focus or cater to each and every part of EdTech therefore this dual strategy should work with us, that's our thinking.

– **Mr. Navin – Bellweather Capital:**

- And in terms of very specific the Carveniche it seems to be a very small company and we have invested close to 18-19 odd crores, just wanted your thing on the valuation and will it involve any further investment from our side in terms of content development or is it a ready platform that we can, which will only need marketing sort of push.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

- You are very right, the business is very small but we have invested much larger amount for a particular state. But let me tell you Edtech industry frankly or rather any technology industry does not work on the revenue but on an estimation. When we looked at the product of Carveniche which is called beGalileo is the brand we really found that very, very attractive, and we saw that it has markets not only in India but internationally as well. And keeping that in mind they needed money to grow the business, to create awareness of their products in various parts of the world, so they needed money for that. Therefore we thought it is a great company to invest in and therefore we invested. But there are no thoughts or discussion on further investments going forward from here in that company further.

– **Mr. Navin – Bellweather Capital:**

- Okay, and one more question leading to that is it also has a Wisdom Leap which is similar to what our offering is for CBSE schools. So any plans to leverage that or how do you plan to use.

– **Mr. Sunil Gala - MD, Navneet Education Ltd:**

- So they are not marketing their product in the CBSE schools but definitely the content that they have created whatever is relevant in the current year or current scenario that of course we will leverage that and bring our products faster in the market. So that is already in our mind.

- **Mr. Navin – Bellweather Capital:**
- Hello, hello.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Is that answered, Mr. Navin?
- **Host:**
- The line for the participant is disconnected. We would like to remind participants that you may press * and 1 to ask a question. The next question is from the line of Jinesh Doshi, please go ahead.
- **Mr. Jinesh Doshi – Prabhudas Lilladher Pvt. Ltd:**
- Sir, I have a question on AVP, any particular timeline you have in mind with respect to announcement of NCS and by when do you think that this change in curriculum getting reflected into our financials.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- I think the education department of respective state governments as well as central they need to settle first with this Covid impact, post that only they will announce but what we understand and hear that FY23 looks quite possible for them to look at changed curriculum. So the first curriculum we wanted to change should start from FY23.
- **Mr. Jinesh Doshi – Prabhudas Lilladher Pvt. Ltd:**
- Sure, and sir, secondly with respect to the rising paper prices I mean are we planning on any kind of price hike in the near to medium term, and if not, how do we plan to manage our gross margin in this environment.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- So if I tell my business cycle that we start production in the month of October for the next academic year sales, so that has already happened last year we have enough inventories, be it raw material or finished product to take care of our current year sales. So we don't really need any MRP pricing of our product. Going forward as I have always been saying, what we are selling is content therefore pricing is secondary, and if there is any input cost increase we are always confident of passing it on to the customers.
- **Mr. Jinesh Doshi – Prabhudas Lilladher Pvt. Ltd:**
- Okay, sir, thank you so much.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- Thank you.
- **Host:**

- Thank you. As there are no further questions I would now like to hand the conference over to the management for closing comments.
- **Mr. Sunil Gala - MD, Navneet Education Ltd:**
- So thank you everyone for participating, and I have tried answering all the questions to your satisfaction, if not please talk to us directly we will try and answer them. I once again thank Jinesh Joshi as well Prabhudas Lilladher to have conducted Q1 conference call of Navneet Education Limited and we look forward for the same kind of service and facility from you all. Thank you.
- **Host:**
- Thank you. On behalf of Prabhudas Lilladher Private Limited that concludes this conference, thank you for joining us and you may now disconnect your lines.
- ***End of file***