

Navneet Education
Q2FY22 Earnings Conference Call on 01-Nov-21 at 11:00 hrs IST.

- **Moderator:**

- Ladies and gentlemen good day and welcome to Navneet Education Q2FY22 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing star then 0 on your touch tone phone. Please note this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi from Prabhudas Lilladher. Thank you, and over to you Sir.

- **Mr. Jinesh Joshi – CFA, Research Analyst, Prabhudas Lilladher Private Limited:**

- Yeah, thanks Bikram. Good morning everyone. On behalf of Prabhudas Lilladher I welcome you all to the Q2FY22 Earnings Call of Navneet Education Limited. We have with us the management represented by Mr. Sunil Gala, who's the MD; Mr. Deepak Kaku, CFO and Mr. Romi Mistry who's the Head IR. I would now like to hand over the call to Sunil sir 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 & CEO, Navneet Education:**

- Thank you Jinesh. Good morning to all of you. I'm sure you all would have received the Q2 results. I think I will start by or I'll tell half yearly numbers instead of just focusing quarterly. So as you could see that in Q2 publication business grew substantially but at half yearly grew only 5%. Now I would like to explain compared with the last year. Now in Q1 of last year it was 100% lockdown. And in Q2 we did good revenue. The major reason for the revenue was an expectation of schools reopening again and therefore the trade, the schools, everyone bought books. But actually schools did not open. And therefore the stocks or the inventory was lying with the either our distributor book sellers or with the schools. So actually secondary sales did not happen last year. But we achieved good sales in Q2 because of the expectation. Whereas in the current year though first quarter was almost no schools opening but since second quarter schools did open in few parts of India, majorly for Gujarat for us and therefore we did receive various orders and the end customers also started buying that. The major difference between last year and current year is that in last year the final consumers had not bought the product whereas in this year final consumers have bought the product. So this is the reason of just 5% growth. Of course I will tell you overall scenario going forward. But let me tell you first the present numbers. As far as stationery is concerned similar story for domestic stationery where half-yearly we grew just by 9% and in exports we grew by 19%. So as I mentioned about publications, similar is the story for

domestic stationery. So actually end consumers have started buying stationery in India. And as far as exports are concerned the orders are I would say quite in full swing. No doubt the back-to-school products which is more or less called a commodity product, their orders are quite slow because similar was the situation in developed countries also. So all the buyers of our stationery products had good amount of inventory with them since last year. So this year we received lesser orders for the common products that we used to export. But thanks to various innovative products that we have made, new products, new categories that we have made, that gave us growth in revenue of exports.

- So overall if I talk about both the businesses more or less schools have opened in most of the areas, no doubt only few grades have opened in most of the areas. So we do receive continuous orders going forward Quarter 3 or Quarter 4 we believe will be better than last year if there is no Covid again in the country. So publication sales is likely to grow from hereon and will be better than last year. I also simultaneously would like to agree that still publication sales will not be at the level of pre-Covid levels in the current year. And if there is no Covid again and schools start opening again from next year in time then we will see more or less better than the pre-Covid period also, that is the next year. And similarly in stationery I would say that sales will grow in Q3 and Q4 also. So net-net I would say that overall publication and stationery business will do better, I would say much better than the last year, may not be as pre-Covid levels, but going forward '22-'23 looks quite safe now.
- As far as subsidiary Indiannica is concerned it was a similar story last year versus this year. So sales have grown a bit. Expenses also have reduced quite substantially. And Q4 which you'll know is the best quarter for Indiannica type of business which is in text books, I'm sure of schools are reopening everywhere then we will have good sales for Indiannica in Q4 as well. So overall at a group level in public, rather both core businesses -publications and stationery things are looking better than last year and will be more or less better or much better than the pre-Covid levels next year.
- Many of you may be wondering about raw material scenario. So I agree that paper prices have started rising again substantially I should say, thanks to overall inventory management at Navneet we have sufficient raw material inventory, bought at a reasonable price earlier. And supposing we need more and more inventory later, later part of the year for preparing ourselves for the next year as earlier always we'll be able to pass on this incremental inventory of raw material to the end consumer. So we're not really much worried about raw material scenario right now. So overall numbers will be much better than pre-Covid levels next year. This year still will be little muted.
- Now the most important thing on EdTech, which you might have many questions, so as we all know that EdTech is really doing quite well. Companies are heavily capitalized and they're aggressively marketing that product. Lot many new products are coming in. We are aware of the situation totally, no doubt. As far as our SSC business is concerned the impact is quite low as of now in EdTech. But overall going forward we see that the EdTech usage, technology or digital product usage in the school among the students will increase going forward. Keeping that in mind I should briefly tell you what all we're doing.

- So at our subsidiary Esense where you all know that we had digital content for the classroom learning or for the student learning basically focusing on Maharashtra and Gujarat. So that product still continues to do well in terms of not revenue frankly but in terms of usage and the monetization of that usage will definitely happen now. So that is on simultaneously at Esense. We are bringing out similar type of content for CBSE as well as an excellent LMS platform being built on which we will reside CBSE content and similar content will be resided on Maharashtra and Gujarat curriculum also. There are certain other platforms including ERP is under preparation. So we believe that for all the schools be it state level or Central Government, it means CBSE, we will have enough offering to be given to the schools.
- Apart from that we are also working very, very strongly with DigiBook we call it, it is the digital version of the text, of the books that we are publishing. So the idea is that many of our products are on DigiBook platform and we are reinventing the platform which had certain limitations when we launched last year. So we have many products on DigiBook. The idea is whichever student buys physical books gets access to the digital book as well which will have many more features than a physical book. Apart from that we are in the process of bringing smart books also for their usage. It means students who just opt for digital version of the book and not buying physical books can avail and use smart books which has further more advantages over a DigiBook itself. So smart book will be a totally different experience for students to use and I'm sure going forward usage of smart book will increase many fold from now. Similarly we are in the process of building and developing one kids platform, to which Leap Bridge Kids Platform, it is just not a digital platform but kids plus digital both will be provided to the students for the age group between 2 and 8, it will be one of its kind of a platform that we'll be launching and the launch will be in around February of '22. So usage of that platform will start from then. So we believe that the kind of learnings that the young kids require have been quite well captured and this platform will be very, very useful to the young kids of the country to start with. So the logic behind bringing this kids platform is that in the metros many of us have access to good quality nursery schools or primary schools, but across India the limitations are of a, good quality education is a limitation. And therefore we believe that if after school if parents allow their students to use this platform it will be much beneficial to the students. Similarly as you all know that we have invested in three companies, one of which is a tutoring platform. So the whole idea of buying this platform was apart from LMS or ERP that we'll be offering to the schools, we'll simultaneously offer tutoring platforms also to the tutors so the whole ecosystem of schools will have various products which they can use on an ongoing basis and there'll be lots of similarity using this platform including the LMS or the tutoring platform. So it will be easier for the teachers to use this platform. So whatever modifications were required post acquisition have been done. We have already started marketing this platform to the teachers and we're hoping that it will be put to use in a good way going forward.
- And similarly our investments in BeGalileo where we will own only 46% though, but it is a great Math platform. Their present sales majorly are in the international market, but we are planning to launch the same in Indian markets and to spread as much as possible

Math being the main important subject for any student and for their future. So we're quite upbeat and hopeful on creating awareness of Math platform together with Navneet's initiative.

- And similarly another investment that we did in Tinkerly which is a STEM – Science Technology Engineering and Math which is also phygital, it is just not digital. So STEM libraries have been put up in various schools. So with the connect of Navneet we'll try and grow their market and it will be of course on revenue share basis. And that way we'll try to create awareness of STEM libraries in many schools.
- So net-net we have big plans in EdTech including investments and to bring out relevant products for K-12 segment going forward be it B2B or B2C. So every month or every two months I'm sure there'll be news coming out from the group that various products are being launched. So we're quite upbeat on EdTech initiatives now.
- So overall just to sum up I should say that the core businesses are better than the last year, not as good as pre-Covid levels but '22-'23 looks quite bright and we are prepared for that. And as far as our EdTech initiatives are concerned lot many initiatives have been taken and going forward we'll see the results of that. So with this briefly I mentioned and I will now request all of you who have any doubts to get it cleared and I'll be happy to answer all of them. Thank you.

- **Moderator:**

- Thank you very much sir. Ladies and gentlemen we will now begin the Question & Answer session. Anyone who wishes to ask a question may press star and 1 on their touch tone phone now. If you wish to remove yourself from the question queue, you may press star 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. To ask a question at this time please press * (star) followed by 1 on your touchtone phone now.
- We have our first question from the line of Samarth Singh, from TPF Capital. Please go ahead.

- **Mr. Samarth Singh- TPF Capital:**

- Good morning. Am I audible?

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Good morning

- **Moderator:**

- Yes you are.

- **Mr. Samarth Singh- TPF Capital:**
- Good morning sir. How are you?
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- Very fine.
- **Mr. Samarth Singh- TPF Capital:**
- My question, couple of questions around Indiannica. One is, given that's a Q4 business and I believe all of Delhi schools have opened up sessions. But Indiannica it needs to have a full year course of normalized revenue this year.
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- So Indiannica whichever schools wanted to start in the last quarter of last year they had bought books. But now since, I would say I agree with you that 8th, 9th, 10th, 11th, 12th standards or grades have opened up. Still primary schools have not opened in most of the areas. And our major business is from Grade 1 to Grade 8, those schools have not fully opened operational as of yet across India, which we are expecting these schools will open now. And going forward once opened if there are no other issues in full swing for the full year, next year it will be opened. So therefore I say that Q4 numbers will be better going forward.
- **Mr. Samarth Singh- TPF Capital**
- Okay. So the notification is starting November 1st all schools in Delhi from all grades are allowed to be open. Is that correct?
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- Yeah. We can't just judge on Delhi notification, we have to see all India. And as I said across the country up to 8th grade schools rarely have opened and most of them will open from 1st November onwards. So this year will be very minimal, 4 to 5 months of learning only. For that how much do they buy and make students to use that, will be a question. Curriculum also will be reduced. So we're not sure how much sales will be generated for this period, but next year going forward we're very confident that all schools will buy it in time and start in time.
- **Mr. Samarth Singh- TPF Capital:**
- Okay. But Indiannica has largely been a Delhi NCR business, is that correct? Or is my understanding wrong?

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- It is not so. Of course CBSE schools are more in that area. And therefore revenue from Delhi and surrounding NCR is larger. But otherwise we are spread across India. So the 40% revenue comes from NCR belt, rest still comes from rest of India. So overall yeah sales will be from across India.

- **Mr. Samarth Singh- TPF Capital:**

- And there was some management level changes in Indiannica. Can you talk about that?

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Yeah so CEO moved from Indiannica for some better opportunity for him. And overall now that business we've quite well understood so the person from Navneet who was aware of the market, CBSE market and text book market has been appointed to manage that business now.

- **Mr. Samarth Singh- TPF Capital:**

- Okay. And my last question was on how are we seeing this shift from SSC schools to CBSE pattern schools? And when that shift is happening, one, how aggressive is that and when it is happening are we managing to maintain our relationship and sales into these schools when they're shifting from SSC to CBSE pattern?

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Yeah, it's a good question. I should say here that out of the total private schools still 70% of them are regional medium schools across the country including our core areas that we operate in. So balance 30 odd percent English medium schools are trying to convert themselves to CBSE pattern schools. So fortunately Navneet or its group companies have already relationship with those companies for so many years. Even if they convert themselves we should be able to leverage our relationship that we have. And by leveraging those relationships we already have print content if they want, now that we're preparing for the digital content which will be launched in next two months or so. So we will have digital content, digital platforms to use. So wherever, whatever that they want be it print books or digital version or print plus digital, we're actually ready with everything. So by leveraging our relationship we'll be able to market all our products well.

- **Mr. Samarth Singh- TPF Capital:**

- So have we already seen that happen where one of our schools that you know....

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Yeah, yeah, yeah. Across India many English medium state affiliated schools even though they are not getting CBSE certification but they're trying to convert themselves to CBSE pattern schools. So up to 8th Grade they're likely to use non-Government text books or non-NCERT text books and will start using private publishers' text books. That trend we're seeing quite aggressively now.

- **Mr. Samarth Singh- TPF Capital:**

- No, my question was in the sense that we are managing to maintain our sales into those schools even after the conversion has happened from SSC to whatever it is, CBSE pattern.

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Yeah, that's what I said that we have not print content for CBSE pattern schools as well or CBSE schools, as well as we will have digital content as well. So whatever schools want, be it print or digital we will have to offer to them.

- **Mr. Samarth Singh- TPF Capital:**

- Okay, that's all for now. I'll get back in the queue. Thank you.

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Thank you so much.

- **Moderator:**

- Thank you. Anyone who wishes to ask a question may press star and 1 on their touch tone phone now. Participants to ask a question please press *(star) followed by 1. We have the next question from the line of Nagaraj Chandrashekar from Laburnum. Please go ahead.

- **Mr. Nagaraj Chandrashekar- Laburnum:**

- Yeah hi. Just on the same CBSE question I noticed that the Andhra Government has been talking about converting all Andhra Government schools to CBSE in the next 2 or 3 years now. Obviously Governments make all sort of announcements, it's hard to know what is doable and what is not. But do you see a similar move in Gujarat, Maharashtra where you know Government may say okay in the next three years we want every Government school to move to CBSE. Do we have the resources and capacity to make

this happen? And I suppose our plan in that case would be we already have our content line up via Indiannica etc. So we just have to go and sell it to them. But I'm just curious what we're seeing in that direction in our geographies. And I think if I look at the previous questioner's question I think what he was trying to get at was some statistics around if we look at schools we were earlier selling SSC into and that are converted, how much has our sales to those schools changed? Has it gone up? Has it gone down or has it been the same? I don't know if you're tracking that. But if you are and if there's something to share about that would definitely be helpful.

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Yeah. Sure Nagraj. So first let me clarify that when any Government says that they want to change the curriculum in line with CBSE, what do they mean by it? That the curriculum that they had been creating so far instead of that they will start creating curriculum based on NCERT that is as CBSE schools use. Now similar things have already happened in Gujarat. So State Board already has created text books in line with CBSE. If that be so, we already have our core products be it guides or workbooks in line with those textbooks created by the State Government. So we're not really concerned, if they bring that in line definitely our content creation capability or strengths that we have will be leveraged with what we have in CBSE straight away to the SSC schools. So creating content frankly is never an issue to Navneet. Marketing of those products will always be a challenge or we'll have to continue using and leveraging our relationship. So even if that happens in Maharashtra like it has happened in Gujarat we're not at all concerned. And to answer your second point which Samarth also asked that is there any shift. So as I said 70% of the schools are still regional medium. There we're not seeing at all. Only out of 30% schools 1 or 2 % schools would have converted themselves to CBSE pattern. Yes, there SSC sales have reduced for sure. But likewise we're seeing that because of our relationship and quality of product they already have prescribed our Indiannica product or in Navneet also we have certain products which can be used in CBSE pattern schools. So of course every year we may lose out on some schools but simultaneously we gain on many other schools where products are not being used till now. So net-net I should say even with this change or conversion from SSC to CBSE we will have more advantage.

- **Mr. Nagraj Chandrashekar- Laburnum:**

- Okay. Thank you.

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- Thanks Nagraj

- **Moderator:**

- Thank you. To ask your question participants may press star and 1 now. We've the next question from the line of Samarth Singh from TPF Capital. Please go ahead.
- **Mr. Samarth Singh- TPF Capital:**
- Yeah thank you for the follow up. Just a quick question on utilization for our stationery business. How are we doing there?
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- You mean utilization of the capacities?
- **Mr. Samarth Singh- TPF Capital:**
- Yes, yes.
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- Yeah, so no doubt capacity utilization has been low last year and partly this year, thanks to our exports, continuous growth and the new items being asked by our customers. So we're trying to utilize as much as possible but we should understand one more thing that why is India at an advantage. It is because of the labor not for the machineries that we have because machineries are there across the globe. Because of the labor we do get good orders and because of innovative products that we have created with the help of labor we are getting more and more orders. So we're really not much worried about utilization of capacity, it will get utilized 100% when in India things are back to normal. Our overall focus is creating innovative products, newer and newer categories and showcasing it to our customers. So that process is on. But next year I'm sure capacity will be utilized and we are rather investing more money into stationery keeping in mind export opportunities.
- **Mr. Samarth Singh- TPF Capital:**
- So follow up to that, so what is, if you could give either for the balance of this year or for I guess second half of this year or for next you know second half of this year and next year. How do we look at our cash outflows in terms of Capex, investment in various EdTech opportunities and working capital? And of course the buyback that is currently going on.
- **Mr. Sunil Gala- MD & CEO, Navneet Education:**
- Yeah, so I agree. So this year's profit majorly will be utilized in buyback and investment in three companies because we are not seeing pre-COVID levels yet, and we will be left out with some things. So, overall investment to answer your first question on stationery

business, this year the investments have been low as far as expansion is concerned. Major investments are going in acquiring land. So that will get completed in next couple of months and post that depending on which type of products are customers demanding, and that we will start investing in the infrastructure including machinery. But as far as EdTech is concerned, the various initiatives organically that we have taken, there will be around 20-25 crores of investment cum maybe X part of that will be expenditure in the current year ending March. And next year major spends will be creating awareness of those products, be it sales team or advertisement. So maybe 40-50 crores will be utilized next year, plus 20 odd crores in further development. So 70 off crores will be spent next year in EdTech 2022-23 for sure.

- **Mr. Samarth Singh - TPF Capital:**

- Okay. And for this year you said 20 to 25 crores would be for the balance part of it.

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- That's right. And part of it will be in expenditure. It may not be all investments. It will be – the major expenditure would be on people right now.

- **Mr. Samarth Singh- TPF Capital:**

- Right, right. And we will be – are we looking at more opportunities in terms of different businesses or sort of happy with the companies that we have invested in so far and will be just focusing on....

- **Mr. Sunil Gala- MD & CEO, Navneet Education:**

- No, as I said, organically, as I said earlier in my presentation of the company, that at Esense we are building CBSE content and also we are developing LMS platform. Also ERP platform. So it is just not the content that we will be giving them, we are giving them platforms to put to use in the school in the classroom. So that activity that we are doing, we are also bringing out DigiBook and smart book for the end customers. We are also developing a Leapbridge Kids platform for the age group 2 to 8 which will be digital plus physical products, means kids. So organically also several actions have been taken to, several plans are there to create new products or platforms and then start marketing them.

- **Mr. Samarth Singh - TPF Capital:**

- Right okay. On the exports, stationery exports, pre-COVID we believe that it was a very large market for us to address and we were expecting pretty high growth rates for at least 5 years, looking at 5 years. Now sort of post-COVID, has that thesis changed or do you still believe there are opportunities there?

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah, yeah. Opportunity is quite large I think. As I said in my speech, demand for our core products were low this year. Once that inventory is sold, then again next year it will be the same demand as far as our core products are concerned. And as I said we have created so many different new products and categories that we are seeing good demand for that. Apart from that, forget about our stationery business, there are so many enquiries for various kinds of related products and categories from our customers, I am sure each and every customer is looking India for their future growth. And therefore opportunity wise I do not see a challenge at all. At how we can service them is what we really need to focus right now.
- **Mr. Samarth Singh - TPF Capital:**
- When you say related....
- **Moderator:**
- Sir I am sorry to interrupt. Would you like to come back in the question queue?
- **Mr. Samarth Singh - TPF Capital:**
- Sure.
- **Moderator:**
- Yeah. Thank you. We have our next question from the line of Anand from Newport Capital. Please go ahead.
- **Mr. Anand – Newport Capital:**
- Hi, good morning can you hear me?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah good morning Anand.
- **Mr. Anand – Newport Capital:**
- Yeah, thanks for the presentation. My question is a little bit on the EdTech strategy and the way I understand it, providing digital content for both SSC and CBSE, seems to be a big part of the strategy. So my question really is, isn't this going to be really more of a substitution demand? For example if somebody is buying for SSC physical book, is he

going to spend more money on your digital book? Or is he going to get that free? So, similar for CBSE. And therefore I did not understand, when you went, monetization of content will happen now. So two parts, one is, is it substitution demand, are we going to make money out of this digital? And secondly in what way did you mean monetization is going to take place?

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- Yeah first let me clarify these are not substitution, these are complementing to each other, to physical books also. So let me clarify for SSC the content that we already have, that is based on the text book published by the state government which is compulsory to be used in each and every school. So in SSC till now we have supplementary products, not the core text books. So supplementary products are guide books type of products. So that for practice, for reading in any case students will need it. But by bringing out digital content to be used in the classroom, together with good platforms like LMS and ERP, it will be at an advantage not only to the teachers but to the school also to manage that content, to manage overall operations of the school. So for SSC schools, apart from what they are actually teaching from a text book, we have digital content together with the platforms to offer. Now as far as CBSE is concerned, our content no doubt will be based on our own products to start with. I should also simultaneously say that be it from different, different publishers, finally the text books are created based on the curriculum given by NCERT. So 80% of the content is I would say content wise it is more than 80% will be same. Only the way it is explained by a different publisher in their books, could be different. So, 80% of the curriculum as I said is CBSE whatever that they have prescribed. So one, wherever our books are being sold, then schools will be at a benefit to use digital content in the classroom which I am sure you all will agree that using digital content explains students much, much more better way than just teacher writing on a black or white board. And it becomes very, very easy and convenient for teachers to explain the concepts. So students, rather schools end up buying our books. And if they use the digital content in the classroom, it will be win-win, and it is complementary as I said. So and schools which are not using our books, but still wants to opt for this as I said 80% of the content is same across all CBSE schools, because it is prescribed by NCERT. Because when students grow in 9th and 10th grade, when they appear for the board exams, it has to be common. So curriculum frankly is same. The way it is presented is different by different publishers. So frankly by offering digital content, we may get push to sell our physical books also. So that is the whole plan.

- **Mr. Anand – Newport Capital:**

- Let me just understand this better. Let's take only SSC for now. So currently there are Maharashtra State Government's text books which everybody buys. And then most people would buy your Navneet physical guides.

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- Right.
- **Mr. Anand – Newport Capital:**
- So who will buy the digital guide or whatever you are saying? Are you saying the teacher will ask the students to buy? Or who is going to buy this? Who is going to buy physical guide plus digital guide? That is what I am trying to understand.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- No, no. I will explain you. First frankly I was explaining you the classroom version of things. So when you are asking me about physical and digital book, at present what we are doing is, whoever buys physical book, we are giving them digital book for free. So we are printing a code on a physical book, and once they enter that code in the system they can get access to digital book. But that digital book has many more features than a physical book. So including animations, including highlighting, including writing notes, so it is a trend that we are trying to set among the student community that digital version is good. But going forward I also spoke about smart books. Now smart book is much advanced version of digital book. Going forward if students end up buying only digital version and use smart books, they will have the same benefit of getting a good quality content, together with a lot many features. So, in a long term if we say, that if students buy more and more digital books which will be of course selling – digital books means smart books which we will of course be selling, will be at a lesser price than a physical book. Overall it is advantageous to any publisher. So it is a slow process. I agree that for giving digital book right now together with physical we are not going to charge anything extra. But our idea is to convert those users to use digital book going forward where they are more benefited, and company is at a better advantage.
- **Mr. Anand – Newport Capital:**
- Right, I understand.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- And frankly, digital book does not cost much, because content creation is already done in a physical book. It is just the platform that we have to create and with many features which are built in the platform itself. So to create digital book is not really a costly affair.
- **Mr. Anand – Newport Capital:**
- Right. You made one more statement explaining all of this earlier, saying that monetization of content will happen now. So what do you mean by....

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- What I meant by that is digital pure digital content that we are creating for CBSE or that we have created for SSC schools, by giving them, creating awareness of that content together with earning management platform, together with ERP that we will be offering to the school, that way I said we will be able to monetize. I was not talking about DigiBook that time. It is a different content altogether.
- **Mr. Anand – Newport Capital:**
- So most of the money that monetization that we are expecting is going to be from the school, not necessarily from the students as of now at least.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- As of now I agree with you. And whenever students end up buying more and more smart books, that time it will happen from smart books.
- **Mr. Anand – Newport Capital:**
- Understand. Now I understand. Perfect. I will get back in queue. Thank you.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Thanks.
- **Moderator:**
- Thank you. We have the next question from the line of Sonal Kohli from Bowhead Investment Advisors. Please go ahead.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- Hello Mr. Gala. I hope all is well?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- How are you? Fine, fine.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- I am good, thank you sir. Thank you for this opportunity. Sir I had two queries. Firstly you mentioned about Gujarat if I heard it correctly, there was some disturbance in my line, of you know school going government intending to have more CBSE schools.

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Right.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- You know so what has been the transition so far? The course is on the line of CBSE schools or you know these have converted into CBSE schools?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- No, no. Course is in line with CBSE Schools. They have not converted.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- So there is no impact? So that doesn't really impact you.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- See it is not only SS or English medium schools. For even regional medium, the content has been in line with CBSE. That way they have created the text books of the state government, which all students have to compulsorily use. So for us it is just a syllabus change.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- So for you in that sense this is actually good because your syllabus change is....
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- That's right, that's right.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- And sir how many schools out of the total schools have already been transitioned from Gujarat?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- You mean to say converted to CBSE pattern?
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**

- Yes sir.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah. So as per our information, till now around frankly number will be little, approximate will be around 800 to 900 schools have converted. English SSC affiliated schools have converted themselves to CBSE pattern schools. We are not seeing much growth of CBSE...
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- ...converting.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah we are not seeing much growth of CBSE affiliated schools. I believe all of you understand what is affiliation and what is pattern. Affiliation which has CBSE certification. And to start a CBSE school, or to convert to CBSE affiliation school, there are so many criteria prescribed by CBSE board, and that is really not easy, but very costly affair. Therefore many SSC affiliated schools they convert themselves, they say they convert themselves to CBSE pattern schools. But remain affiliated to SSC only.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- So sir it will be difficult for you to track actually how many of the schools have changed their curriculum on the lines of CBSE right?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- No, not difficult. My people are always on the ground. They have been always in touch with the management and the school authorities. So we always know. Which schools are changing...
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- So how many schools have done that then?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- I said around 800 to 900 schools.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- That is for the English schools right?

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- That's right, that's right, that's right.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- But for the regional languages, has there....
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Nothing, nothing. No, no, no. We are not seeing any change there at all.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- So this must be a very small number compared to the total number of schools.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah trend has started and therefore we believe future looks to be quite bright to use CBSE based curriculum.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- And that would be only restricted to the English language or it may – or would it even go to....
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- I can give you another example. Now, take for example our own investee company, K-12 Techno which turns Orchid International. They have tied up with couple of regional medium schools. Now those regional medium schools wanted to convert themselves to first of all English medium schools, forget about CBSE. But the school trustees or the management does not have bandwidth even to convert themselves to English medium schools. So what they did, they tied up with an operator or management consultant like K-12. Likewise there are many now in the country. So they tied up with them, and simultaneously started English medium schools, since they connected with K-12, we all started CBSE schools. So that way slowly, slowly, even regional medium schools wanted to modernize them by converting them to English medium school and more so CBSE schools. So that trend also has started now.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**

- And sir how widespread is that? I mean 0.5%, 0.1%, like 5% of schools converting every year. And if this is so, wasn't it eventually impact you because the content is in regional languages and once it is in English language, you get more competition?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- Yeah I agree that competition could be higher and higher. So the conversion as we see from regional medium to English medium, it will not be even 0.5% of the private schools, it is slow. But what I wanted to convey was that it has started. English medium schools converting to CBSE pattern is little faster. So going forward as a group like Navneet or any publisher will have to simultaneously focus on CBSE curriculum very strongly be it physical books or digital books, digital products.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- But sir how would the schools address the language issues because to teach in an English medium school the teachers firstly need to be trained in English.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- You mean to say how will school address those?
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- These issues. Because you know I mean it is easy to say that the school wants to convert itself into English medium...
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- No but so unless they tie up with some management companies like K-12, like DPS, if they do contract with them, then the management company takes over the responsibility right from appointing teachers, training teachers, all that they take care. And therefore it is utilization of a good asset lying in a good location. So that way with management companies coming in, it will be possible for those schools. I agree that trustees of those schools, regional medium schools do not have bandwidth to change that.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- But currently I think it is 0.5%. Do you expect....
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- It will be much lesser. It will be much lesser even as of now. But the idea has started, few schools took decision to do that. So it has started. And once started and seen successful running, then I am sure the trend will further continue faster.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- And sir how could you increase your competitive advantage in this period so that the schools who are converting, stick with you?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- One is of course we are always confident of, on our quality of product. So with that in mind or with that effect, the relation that we have, will have to continue maintaining and rather strong maintain those relations. And simultaneously create more and more products and platforms including digital to support those schools. So then we should be able to maintain our market share.
- **Mr. Sonal Kohli – Bowhead Investment Advisors:**
- And you mentioned that there are related products for which you have seen lot of inquiries on the stationery side. Could you throw some light on what these are, what is the size of the pie and over a 5 year period how big this export opportunity could be? Or atleast in terms of your ambition, what is the ideal number you're looking at? And what are the related products?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- So as I mentioned in my earlier question, now it is up to us how fast we can cater to them. With whatever investments that we have already planned, in the next 5 years 25% CAGR growth is easily achievable going forward. Now as far as categories are concerned, I can give you a couple of examples. So, many of the categories are for stationery products being used in the offices; now just not focusing on the schools. So there are so many PE based or PU based products that are being made including executive notebooks, including writing pads. These are very high value added products. It is just not made on the machinery, but the binding of those products needed to be done manually. So lots of manual process is concerned. Then for example, there is a big trend in the US in particular about canvas boards for painting. Now we never knew such opportunity existed. India would be exporting hardly around 50 odd crore worth of products... plain, I'm not saying painted, but plain canvas boards to the developing countries. But, that opportunity is just one month's consumption of a retailer like Walmart. So, there is huge opportunity. We have already executed few orders. Whatever gradual quality improvements were required have been achieved. So in that category we'll be doing quite well now. So these are the related products that I was talking about.

- **Moderator:**
- I'm sorry to interrupt but we'll take the next question. You may come back in the question queue. Thank you. We take the next question from the line of Nagraj Chandrasekar from Laburnum Capital. Please go ahead.
- **Mr. Nagraj Chandrasekar – Laburnum Capital:**
- Hi sir, thanks for the follow up. This trend you mentioned of schools in Maharashtra and Gujarat shifting to English medium of instructions and the English medium instruction schools shifting to CBSE pattern; there's a 70-30 split that is going more towards the 30. The NEP guidelines envisage teaching of non-language courses in the regional language. How does that, and what the education regulators are likely to want in the long term, square up with the shift towards English medium language? I asked earlier, in Andhra obviously this has been announced but not sure if it will actually be notified in the end. But how does the situation look like in Maharashtra and Gujarat and eventual pushback against this soft of this towards English medium? And which is also what the NEP envisages.
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- No. So first of all, no government would restrict... If I have understood clearly, no government would restrict converting schools to English medium schools for sure, and NEP does not mandate that compulsorily schools have to be in regional medium. What it has mandated is, schools should teach the 2nd and the 3rd language compulsorily to all the students, be it the local language, that is compulsory. So, the government does not restrict that. The only change that we are seeing is that each and every parent in the country, be it even a lower class parent, they want to send their children to an English medium school. The demand for English medium school is rising, which the government will not restrict. And what we will see is a shift from regional medium to English medium for sure very fast. Did I answer you? I don't know exactly if I've got your question correctly?
- **Mr. Nagraj Chandrasekar – Laburnum Capital:**
- Sir, that's very helpful. The second question is, the initiatives you started on eSense have been going back a few more years. But some of the other LMS ERT initiatives of the DigiBook are all things you've started in the last 1-2 years. And these are not normal years, so we won't have a good sense of this. But just, if for a typical SSC school you were selling X lakh of revenue in terms of guide books, workbooks and 21 sets earlier, for a median school what is the expectation that you would be able to sort of take up revenue with these additional services and products which you've not made available to them in a normal year? And what have you typically seen so far?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- I agree that till now eSense was doing it, it was focusing on only the SSC curriculum. And now that it has started focusing on the CBSE curriculum also together with various platforms, we will see reasonably good traction in CBSE schools. But when you ask about SSC schools, till now we have offered them only a curriculum, and that too animated curriculum, digital curriculum. Now that usage was definitely not as expected by us in the classroom, but the trend really seems to have changed post pandemic. Schools also have realized that apart from online education, which is not going to be the case going forward, but teaching through a digital curriculum is definitely much advantageous. So that one itself that teaching through digital curriculum trend will definitely go much faster in SSC schools as well. Supported that by a good learning management platform to the school, will be more advantageous. So what we're trying to say is that, though we have digital content ready, that will be supported with the platform as well. So when I'm talking about platform, it is curriculum planning, or it could be on which day which chapter to be taught, all those planning, attendance, all that will be part of that platform. So that will be more advantageous to the school, and therefore usage will be better, that's what we are foreseeing.
- **Mr. Nagraj Chandrasekar – Laburnum Capital:**
- And as this grows and this is sold more directly to the schools and the existing publications business, will this sort of have the same economics in terms of margins and working capital as the existing publications business?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**
- For SSC medium what we are publishing till now are supplementary books. The usage of supplementary books in SSC we presume will continue for many years now till the time each physical book gets transformed to a digital version. So on the margins front, I'm not foreseeing any challenges as far as print business is concerned. But as far as digital business is concerned, because of lot many new initiatives, continuous improvement of the product and marketing of that product, will entail further expenditure. So at a group level, yeah, we may see little dip in margin because of these investments, but on purely physical books I'm not seeing any challenge on maintaining margins.
- **Mr. Nagraj Chandrasekar – Laburnum Capital:**
- And sir on Orchid how has the last half year been and what do you see going forward in terms of ramp up of schools, student count and just the profitability metrics there? You've given us a very long term sort of guidance on what Orchid could head and they were aiming to head roughly 15-20 schools in each major city there. Where have we sort of reached now and have we gotten past the issues with parents not aggregating to being behind on payments given the issues of students not being in school, etc?
- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- It's a good question. Now, thankfully the technological initiatives that cater as a company had made, I should say that when the first lockdown was announced in 2 days' time, our schools were up running giving online coaching. So that way last year we could achieve almost 70% of the revenue, means the collection of fees. Many parents did not pay or partly paid, that I agree. But this year has been quite well since the beginning, since April this year it has been quite good. But, during this pandemic we realized that the excellent technological products or the physical books that K-12 has created so far, why should it be put to use only in Orchid schools? Why can't it be sold to many other outside schools? So they further invested... so one side growth of schools no doubt has been restricted in the last year, but this year again we are going aggressive. But that is one line of activity, managing the schools. The other line that it has developed, lot many new products have been developed in K-12 to cater to non-Orchid schools also, and that they have started marketing. And for that a huge sales team also has been appointed. So when we see a standalone number of K-12, though revenue will increase year on year, but simultaneously like all EdTech companies, expenses are also likely to increase. So value wise I would say K-12 is creating really great value by bringing out newer and newer products catering to new schools number. Bottomline wise, we may not see good numbers atleast for the next 2 years or so, but value wise it is really creating a great value.

- **Mr. Nagraj Chandrasekar – Laburnum Capital:**

- Just one request from me would be if we could include the... I know it's an associate, you have not disclosed numbers this quarter, but if you could include numbers on revenues, PBT contribution and student count and number of schools on a quarterly basis, it would be very helpful. Thank you.

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- Yeah, sure.

- **Moderator:**

- Thank you ladies and gentlemen, that was the last question. I would now like to hand the conference over to the management for closing comments. Over to you sir.

- **Mr. Sunil Gala - MD & CEO, Navneet Education:**

- First of all, thanks Jinesh and Shweta from Prabhudas Lilladher for hosting this call and allowing us to discuss with our fellow investors on the present situation and the future of Navneet Group. So thank you to all of them. I also thank all the participants who have attended this call. I have tried replying to all the questions. If at all you have any more questions, please reach out to us and we'll be happy to answer them. Thank you. Thank you Jinesh once again.

- **Moderator:**

- Thank you very much sir. Ladies and gentlemen, on behalf of Prabhudas Lilladher Pvt Ltd, that concludes this conference call. Thank you for joining with us and you may now disconnect your line.
- ***END OF TRANSCRIPT***