

Navneet Education Results Conference Call

November 11, 2022

- **Moderator:**

- Ladies and gentlemen, good day and welcome to the Q2 FY23 earnings conference call of Navneet Education 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 “*” than “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. Thank you and over to you, Sir.

- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**

- Good afternoon everyone. On behalf of Prabhudas Lilladher Private Limited, I welcome you all to the Q2 FY23 earnings call of Navneet Education Limited. We have with us the management represented by Mr. Sunil Gala, who's the MD, Mr. Kalpesh Dedhia, the CFO, Mr. Roomy Mistry, who heads the Investor Relations Department, and Mr. Sanjeev Shah who's the Joint MD of Navneet Future Tech Limited. I would now like to hand over the call to the management for opening remarks and probably after that we can open the floor for Q&A. Thank you and over to you Sunil Bhai.

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

- Thanks, Jinesh. Good afternoon, ladies and gentlemen. Thanks first of all Prabhudas Lilladher for arranging this call. As mentioned in my last con call, now most of the schools have reopened. This I'm saying many of you may feel be surprised that this I'm saying as the ground reality that in 3 Tier and 4 Tier cities the situation is much different than what we see in metros. So, admission numbers in regional medium private schools has still been a challenge for many private schools, but this being a spillover effect of two years of pandemic situation looks very, very temporary. Even with this ground reality, we are seeing normal year in the balance second-half in terms of revenue and profitability on standalone basis. I should also say that if most of the children would have taken admission in private school's numbers would have been further better. I should also remind everyone though most of you would know that we are in a seasonal business, so normally June quarter is best for state level publishing business whereas March quarter is best for CBSE textbook business. When we talk about domestic stationary, then June and March quarters are best and in export stationary margin June quarters are best. So, unfortunately all the businesses are not evenly spread and therefore if we see quarter, we get some time confused. Of course, I'll address that in individual businesses as well.

- Let me also talk about paper as a raw material, which was the biggest challenge for the industry as well as for the company. It is just not the price, but the availability was also a challenge to the industry. Thankfully with the strong relations with all paper mills across the country, Navneet was not only able to procure paper on time, but also could buy at a reasonable rate compared to markets. Of course, all incremental cost we were able to pass on in publishing business and partially in stationary business. A little bit on numbers at the company level, at EBITDA level we achieved 264 crores on standalone basis, little lower than pre pandemic level, but we are sure of catching up in balance to quarters and will surpass the pre-pandemic number that is FY19-20 numbers.
- Now let me give you my view on each of the businesses in brief. The first I'll talk about publications business. Now because of the reason of late schools opening and all students not taking admissions in private schools, we are seeing volume degrowth of around 14% to 15% compared to pre-pandemic year. As said earlier it is a temporary phase and will catch up in subsequent years. Another reason of low volume also witnessed on account of last year's inventory with the trade, which they could not sell due to non-opening of schools last year, but could sell this year. I agree that there was an apprehension of no inventory in the trade, but whatever little that they had was sold - that they could not sell last year was sold in the current year. So, again this is a temporary phenomenon. Overall, in Maharashtra and Gujarat government has not yet announced change in syllabus cycle from next year, but as per what information that we are gathering, lots of preparation for the same has been undergoing keeping NEP 2020 in mind. At CBSE level, so this I was talking about the state level Maharashtra and Gujarat, but whereas at CBSE level, new curriculum has already been announced for couple of grades and accordingly I'm sure all publishers including Navneet have started preparing the same and the result of which we will start seeing from the next year itself.
- The changes expected - this is very important the changes expected in learning outcomes on implementation of NEP 2020 will help the whole industry not only in publication business, but also in digital business. Schools will have no option, but to adopt digital solutions going forward and thankfully Navneet is gearing up aggressively to grab the upcoming opportunities in B2B businesses in particular digital mentioning. So overall, with all students enrolling in coming years and implementation of new curriculum, Navneet will progress well in publishing business. Now, little bit on domestic stationary business, as I had mentioned in last quarter on revenue front, we grew by 20% over pre-pandemic year and similarly on EBIT margins. Overall, we are looking at 15% to 17% growth in terms of revenue compared to 19-20 that is pre-pandemic level with better margin than what we had achieved. On exports, so overall there is huge opportunity for the company to grow its exports business. I should also mention that it's not only on paper stationary, we have received lot many inquiries from the same customers for various stationary items, very happy to inform today that first time ever Navneet is venturing into few other category of stationary products and initial orders for the same have already been received.

- As mentioned in my last call, we definitely had some pressure on margins due to fixed price from contracts with our customers and higher input costs during the year, but now that paper prices have more or less stabilized and new orders with new pricings have started, on margin front we are confident of beginning back from the next year. Overall, we are sure of growing the revenue number by 15% in exports over last year. I'm saying last year here, I'm not comparing with the pre-pandemic because exports had relatively no issue during pandemic.
- Now, I'll speak about our first subsidiary company Indiannica. There also had mentioned before and earlier many times that Q4 is the best quarter for CBSE publishing business. Q1 to Q3 operating expenses and new production experience thus continue without much revenue and hence we always see losses in 1st three quarters. With the confidence of the team and the management, we are sure to achieve cash profit -- not only cash profit, but at PAT level we are definite to show profit during the year. So overall in our traditional businesses that is publishing and stationary, we are confident of achieving higher PAT in upwards of around 210 odd crores during the year compared to pre-pandemic levels, so overall traditional businesses are doing reasonably well with some turbulences on account of pandemic after effects. The business did not do well as expected, but at the number level yes, we will surpass the pre-pandemic level.
- Now, some comments on our investments first K12 Techno. Again, as mentioned in my last call, we are providing services to 60 schools with more than 40,000 students spread across 7 States and now have signed contracts with another 23 schools for the next year. So, we will have in upwards of 80 schools to whom will be providing services. Normally revenue in the company is evenly spread including the profitability on an ongoing basis, but with rapid expense and huge marketing costs are incurred in the current year as well, there is one change in accounting policy, so from this year company has decided to change its accounting policy on debiting marketing expenditure in the same year instead of carrying it forward to the next year. Just let me tell you that these marketing is done for admissions to be taken for the next year and therefore as a practice earlier we were carrying it forward to the subsequent year, but from this year we have decided to debit in the same year and therefore there are losses in Q2.
- Simultaneously as mentioned earlier, this company that is K12 Techno also provides B2B services of publications and technology to many schools across India. So overall I should say that this company is into an expansion mode and have created tremendous value for its shareholders. I should also make a mention here that on a mark to market basis, the value of our investment is already in upwards of around 700-crore. So, this end my discussion on H1 standalone basis and two subsidiary numbers. We will be happy to answer. I purposely spoke about H1 because quarter-and-quarter to discuss numbers for the company is always confusing and therefore I thought it is fit to talk about H1. I will now talk about Navneet Future Tech, which I'm sure many of you are more interested to understand and know.

- So, as you all know that technology has played a big role in all businesses similarly it is very important for Navneet to be relevant focusing technology, it means the digital business. So, first of all let me tell you that Navneet is majorly focusing B2B businesses with respect to technology leveraging the strengths that Navneet Group has built over the last six decades. It is unlike B2C businesses, which have seen difficult times post-pandemic, which many of us would have read, understood at various times in last six months. The reality is that most of the CBSE schools and the teacher community witnessed advantages of technology during pandemic and therefore all of them needs some or other digital solution to impart education. We are very sure that with implementation NEP 2020, even state board schools cannot shy away from using technology and will have to use at an extensive level. So, keeping this in mind, Navneet decided to focus aggressively on opportunities and have already built strong teams and product in few cases to offer to the schools and teacher community. The expenses or the losses that we incur, we consider that as an investment for future, but for the current year we may end up with around 50 crore of loss overall at year level and may continue for a year or two mainly because of sales and marketing, but with revenue starts kicking in this so-called investments will create huge value for our shareholders.
- For further deep dive into the activities of Navneet Future Tech, I will request Sanjeev Shah to brief you on all the activities. Before that I also request all of you to ask questions on core business first and then we can discuss on EdTech business. This ends my brief overview on Navneet's business and thank you everyone once again. Thanks, Prabhudas Lilladher and I hand it over to Sanjeev.
- **Mr. Sanjeev Shah -- Joint MD, Navneet Future Tech Limited:**
- Yeah. hi everybody. Good afternoon. So, this business of Navneet Future Tech is currently focused significantly on executing what we believe are the right decisions to build the business with a clear link and a strong dependency on Navneet as Sunil explained. We are extremely conscious of the market and what a lot of the other companies in this space are going through, so we have the benefit of a lot of those learnings and with the strong dependency on Navneet's access to schools and the content leverage that have with Navneet's titles we are able to A - deliver the LMS much better and faster and B - we are able to reach out to the decision makers more efficiently. Now, this business definitely needs to scale to reach out to more of the Navneet's footprint and then obviously over a period of time to go beyond the Navneet's footprint.
- One of the important things that we have been focused on is to build the right team and the right culture to deliver the NFL goals and I must say that the Navneet Education team the Board and the family have been extremely supportive of building an independent team in NFL, which comes with the relevant background of having operated at leadership levels in digital businesses. So, at this point of time across the three HBUs that we have, we have staffed all the critical positions, which are basically technology, product, sales, and we've also created a strong central team with an independent financial controller, data scientists, and a strategy head.

- So, with this I feel confident that in the next 2 to 3 quarters, we will be able to implement all the decisions that believe I needed to establish our product with confidence with customers. Some of the businesses have not yet launched in the market, we are testing the platform, we are being a bit slow and more careful before we spend money on marketing, which is an easy temptation, but we are not going there till we have a very deep engagement with customers and we use their feedback to improve the product experience. So, we have been engaged for example with the tutoring SAS business, which we call Be Masterly that business was earlier called Genext. We have not launched the business because we are currently in product development and we will only launch the product once we are very convinced that the market will receive the product well with our desired expectations on revenue.
- The Top Tech business, which is the school's business is already operational across the Navneet footprint. They are building scale there with an increase in the sales team and we have a clear road map on the improvement in the product features which is needed over the next three to four quarters to keep the customer engaged and happy to pay us the ARPU that we are expecting on that relationship. So, this is a very broad background to what we are doing in NFL and we are focused as I said to making sure that the new leadership team that we have been engaged in for the last two to three quarters now is helping us ensure that we go reasonably right on all the execution that we are focused on. So, that's a brief update from my side to everybody on the call.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, thanks Sanjeev. I think and now we take questions and answer each one of them.
- **Moderator:**
- Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchstone telephone. If you wish to remove yourself from the question queue, you will press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentleman, we will wait for a moment while the question queue assembles. A reminder to the participants, anyone who wishes to ask a question may press "*" and "1". The first question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.
- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**
- Sir I need two clarifications on the opening comments which you have made. First is with respect to the K12 Techno business. You mentioned that there is some change in accounting policy with respect to marketing expenses, so if you can just clarify that a bit for us and secondly on the export side you also mentioned that there are lots of inquiries and we are planning to enter into new categories as such, so if you

can just broadly highlight which categories you plan to enter into. Yeah, so that is your first question.

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

- Sure Jinesh. So on K12 business, I did mention about change in accounting policy, so every year huge marketing expenditure is incurred for the subsequent years admission for the schools and therefore company was carrying it forward debt as a preoperative expenditure to the subsequent year. Instead of that from the current year they decided to debit in the same year and therefore instead of carrying it forward to the balance sheet in the current year, they showed the expenditure for the current year and that got debited in the Q2 numbers and therefore we saw losses in Q2 numbers. So, as I said that is one of the main reasons and because of the huge expansion that we are doing, the marketing expenditure and other preoperative expenditure which are now debited on the same year because of that there are losses in the Q2 number. With respect to the other categories in stationary, so from last two years of course we started with stationary with various plastic as a raw material, so polypropylene as a raw material which we were adding with the paper, but now this year in particular our big customers, I don't mind naming them also like Staples and Walmart, they insisted us to help them identify for other categories. So, this year get bought in orders for a stainless steel made U pins that we all use in the offices. Unfortunately in India, the requirement of just one customer 15 days requirement was the capacity of a single manufacture in India, so they were really - they had a difficult time sourcing such product from India, but when we understood it in deeply, we agreed and finally we received the orders and necessary preparation including buying of machineries for the same has already been done. So, in the current year itself we'll start recognizing revenue for a different category altogether.

- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**

- Sure Sir. one last question from my side with respect to NEP, you also mentioned in the opening remarks that the policy has been announced for kindergarten. So, what proportion of the revenue does this particular segment contribute for us and from when do you think the actual implementation will happen and the profitability will start hitting us in terms of the P&L impact as such?

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

- So, NEP will benefit in two businesses. One is the physical publications books and on digital front. Now, as I said in my opening remark that our core to markets with respect to state government business, unfortunately they are not announced the curriculum change for next year that is academic year 23-24 yet, but what we hear it is a big change that each state government will have to bring in for imparting education by the schools and the teachers. So, lots of preparations are already been made. I'm sure once they're ready on a certain platform they will announce the curriculum change. So, we will not be able to quantify the benefit of that, but once the new policy is implemented, lots of curriculum change, new subjects, as well as

usage of how digital to be used in the school to understand the learning outcomes of the children all that will get implemented; few states may do that faster, few may do it little slower, but on a long-term basis over a period of 3-4-5 years each and every state will have to implement and that will benefit all the businesses particularly publishing and the digital business of the company or of the group.

- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**

- Sure Sir. In revenue contribution I think the policy has been announced for a standard nursery to 2nd, so what is the revenue contribution from these standards for us?

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

- Jinesh, I think your voice was cracking, which standard you mentioned Jinesh?

- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**

- Nursery to standard 2, because I think that policy so far has been announced for these standards as such.

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

- So, let me tell you NEP 2020 is decided by central government, so they have announced these changes for nursery to standard 2, but whether states are ready to implement that in their schools is a question and therefore I made a remark that Maharashtra and Gujarat at the state level they have not been able to do, but I also made a remark that in CBSE that the curriculum revision has already been announced for these grades that you mentioned. So, revenue wise that is not going to show big implication when it comes to lower standards that is between nursery to grade 2, hardly it will be 10 odd percent of our business in textbook publications that will get benefit, but otherwise full-fledged benefit, we may not see in the next year, but in subsequent years.

- **Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:**

- Got Sir. thank you so much.

- **Moderator:**

- Thank you. The next question is from the line of Kanakaraj Gulecha from Suraj Handloom. Please go ahead.

- **Mr. Kanakaraj Gulecha -- Suraj Handloom:**

- Hello.

- **Moderator:**

- Yes please.
- **Mr. Kanakaraj Gulecha -- Suraj Handloom:**
- I wanted to know why this quarter is performed not so well comparing to previous quarter and what is the outlook for next six months?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Sure. Kanakaraj ji, as I mentioned in my opening remarks unfortunately, we are into seasonal business, so for always first quarter for state curriculum business or publication business is always the best and it is not just for this year, but since inception of Navneet it has been the trend. So, first quarter is always best for publication business and second and third quarter are not that great and therefore we can't compare Q1 versus Q2 and that was the reason I briefly mentioned about first half. Now to answer your second question that what are we foreseeing for the whole year, of course the third and fourth quarter will not be as good as quarter one, but overall at a company level what we had envisaged or what I would have mentioned earlier at PAT level will be able to make it beyond 210 odd crore.
- **Mr. Kanakaraj Gulecha -- Suraj Handloom:**
- Alright Sir. one more question Sir, what is the future outlook for next 2-3 years?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, as I mentioned just recent in the first Jinesh's question that first 2-3 years, the benefit for the next year immediate benefit is that most of the students particularly in regional private schools have come back to and taken admission so that will give us the benefit of additional quantities to be sold. Secondly, the trade which had carried inventory last year will not have that much inventory -- last year whatever they bought was remaining idle with their stores, so they could sell that, that is not the same so that also benefit we will have and thereafter next 2-3 years continuous change curriculum in various grades across Maharashtra, Gujarat, and for CBSE other standards or other grades, Navneet will benefit continuously for its publication business and added to that the importance of digital which is expected in NEP 2020 that itself will give a huge boost to our digital initiatives that we have already taken.
- **Mr. Kanakaraj Gulecha -- Suraj Handloom:**
- Okay. Thank you.
- **Moderator:**
- Thank you. The next question is from the line of Bhargav Buddhadev from Kotak Mutual Fund. Please go ahead.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**

- Yeah, good afternoon team and thank you for the opportunity. Sir, my first question is just wanted to know what could be the timeline for the new syllabus change in Maharashtra and Gujarat and you mentioned that in the new syllabus change, there will be an impetus also being given to the digital part of the business. So, how confident are we to grab that opportunity as well, I believe competition in that segment would be higher as compared to the publication segment?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah. so, timeline I said in the beginning that unfortunately the state governments are not able to announce because of huge change expected by the central government, therefore next academic year and change in curriculum is not announced by these two states in particular, but I don't think so they have an option to delay it further because central government is constantly after all states to implement NEP 2020. So, maybe it's I'm not sure even next six months also if they announce curriculum change, I will not be surprised, but if not this year, next year they have to announce and that will start benefiting all publishers including Navneet from subsequent year and I did mention about digital and you did ask about the benefit or how are we going to get that opportunity and that is the reason of our various initiatives on EdTech front and our focus has been always on B2B that is focusing schools and teachers that is the major focus, so whatever that we have understood that these schools and the teacher wants exactly same way after youth survey that we did, exactly the same way we are creating our offerings for both the categories; schools and teachers. So, by that time that really gets implemented or expected to be implemented, Navneet would be fully ready to offer to these communities.
- Now, with respect to competition in this yes, opportunity being so large there will be new competitors, there may be existing publishers also trying to grab that opportunity, but we believe market is so big particularly in education, K12 segment that all of us, whoever comes here will have a pie only challenge is how we create a product and how we execute and that we are just now focusing on these two aspects so that at the right time, we get the best outcome.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- So, Sir our focus would be primarily in Maharashtra and Gujarat for grabbing the digital business right or are we looking at
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no, no, it is All India and to tell you the major investments that we are doing today is for CBSE business. CBSE schools as a percentage are growing in upwards of 15%-17% every year now and therefore our focus is All India, not Maharashtra and Gujarat. Maharashtra and Gujarat basic products that we were selling for last couple of years that we continue to sell without further investments in it, but our major focus is All India now.

- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- And you'll mention large opportunity, is it possible to broadly quantify how big the market would be?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, as far as supplementary books is concerned, I'm just saying broadly the numbers of numbers that we have seen over the years that supplementary book market in the country has been six odd thousand crore, private textbook market has been around in upwards of 3,000 crore and similarly if you calculate the digital, the digital opportunity over a period of time, it will not happen in one or two years, over a period of time it will definitely cross 10,000 crores.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Oh, digital alone.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah, digital alone because digital has lost many components, it's just not digital content, but there are so many components which includes administrative part of the schools and the teacher community or tutor community, all that offering will be an opportunity for the service providers.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- So, we'll provide the content as well as hardware for the digital part is that understanding correct?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no, no, no, on digital we will never provide hardware to the school. If schools are paying 100% advance for that we may facilitate them to procure the hardware, but that's not the intention ever. We are just going to provide them a platform and a digital curriculum for their usage over a period of time.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay, okay. Understood. Very clear, very clear. Thank you for this clarification. Secondly Sir, on the accounting change just wanted to know is it possible to quantify what has been the incremental loss because of the change in accounting policy and the K12?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah, this year in in the Q2 itself they had spent 22-crore on marketing, which immediately impacted the bottom line of Q2.

- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay, okay. Understand. So, there's no cash flow impact, it is just the accounting impact.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- 100%. It is not a cash flow impact.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay, okay, and when you gave the guidance of 210 crores, I believe it's for the standalone business right your traditional business?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes, yes, yes, yes, I gave it for standalone.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- So, on a consolidated basis if we also incorporate the subsidiaries and associate share, is it possible to give a broad guidance of what numbers are you looking at?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- At the council level I think we will achieve around 160-crore.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay, okay, okay, and that is mainly because of this accounting change in K12.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, not only that because of the losses that we will incur in our digital business.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- No because last year I think 40 crores was the loss, so this time around it seems to be a bit higher on the YoY basis.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- yeah, yeah, yeah, so lots of initiatives have been taken in last one year to develop and to make a very strong platform for our digital business looking at the opportunities going forward and therefore as I mentioned in my opening remark and as Sanjeev also mentioned, we have brought in right teams, have separate offices because it requires a different culture altogether, and these are initial expenditure or as we understand these are investments that we are making, so finally because of that we will not be able to compare it with last year, but this year expenditure would be higher.

- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay, okay, and lastly Sir you alluded to the syllabus change and CBSE which has been announced for the few grades I think from primary to 2nd, what is the incremental opportunity which you see on account of the syllabus change?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, these are primary or I think very, very basic standards, their volumes are not that big. So, as far as our CBSE business, so we do CBSE textbook business in Navneet as well as in Indiannica, so both put together we would be doing around 80 odd crore business and these 3 standard itself will not have much impact hardly 8% to 10% impact of this curriculum change, therefore on a number of 80 crore it will be hardly some number in the next year.
- **Mr. Bhargav Buddhadev -- Kotak Mutual Fund:**
- Okay. Understood. Okay Sir, thank you for the clarification and all the very best.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Thank you.
- **Moderator:**
- Thank you. The next question is from the line of Bagesh Bhagalpur from HDFC mutual fund. Please go ahead. Bagesh Bhagalpur your line is in talk mode, kindly go ahead with your question please.
- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**
- Can you hear me? Hello?
- **Moderator:**
- Yes Bagesh.
- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**
- So, same point here. You're saying standalone 210 crores basically and the console 160 crores, so these subsidiaries again year after year are making losses and on another hand you're saying that the value of your investments in many of these things is 700 crores essentially, so can you elaborate what are the values in each subsidiary you feel?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no, yeah I did mention about value creation in only one investment that is K12 Techno where because of the huge expansion and successful implementation of providing services to so many institutes including number of students, there are

investors who have invested at much higher valuation and therefore I said we have been able to create value. With respect to 210 crore and 160 crore that I just guided, the major expenditure is on account of the digital investments or in the digital business investments that we are making today and that is for of course little long-term future not an immediate benefit, but very, very important for publishing company like Navneet to enter that or to be relevant to enter that business and therefore that losses will reduce our PAT level margin at console level, so I hope

- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**

- So, when you mention next two to three years benefit, what will these numbers look like Sir, console you expect at least for next year the digital should have a zero PBT at least and the stand alone should have secular growth because next two years, the syllabus and plus the CBSE initiative should play?

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

- Yeah. When I was talking about our digital business, the losses may continue for one more year because these are the businesses which are in a nascent stage yet to be established by the users, adopted by the users, and established by the service providers, but there is no other solution, but to use digital in the teaching process and therefore very, very important for company like Navneet to invest in. So, on standalone basis of course the numbers will be further better from what we will be doing this year, but because of further losses in our EdTech business at console level we will always see that - not always, but next one or two years we'll always we'll see lower attend console level.

- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**

- Coming to stand alone, specifically you mentioned that the syllabus change or things are going to be positive as well as the new market CBSE that you are talking on all Indian level, so this 210 crores at least the standards should increase by 25%-30% on this base and the digital losses should reduce down to 25 crores per year for next two years?

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

- Yes, so standalone business whenever finally curriculum change happens that year, we are very sure that we will start seeing growth in upwards of 15% CAGR over subsequent four years. Why I'm saying this 15% because in a couple of grades where volumes are too large, that year will see 25%-30%, but when there are lower grade curriculum change that time the volumes are low growth and therefore not CAGR basis I'm saying 15% CAGR over four years once the syllabus change starts.

- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**

- And digital in next two years should become a 0 PBT business to begin with?

- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah, two years will take us to at least bring that to at least breakeven level because huge investments are required to continue this business including very different type of the management teams that we have to have to manage that business. So, next two years it will be - maybe not two years frankly maybe 2½ years we will be able to achieve break even there.
- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**
- Okay and how much investment in management teams or any other CapEx commitment indeed?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Investment, you know frankly there is no CapEx investment in this business, it is majorly of teams and marketing that we will have to spend to create awareness of our product and to bring right products. So, overall judgment for next two to three years if you ask me codes of around 125 crores including this year.
- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**
- Okay including this year. Okay, so one more question from my side on the stationary opportunity means what is the scenario now looking the US has some prospects of recession over there essentially, whereas we have been talking about to various parties, China plus 1 or other opportunity what's the opportunity there looks like next three years?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, no next three years, we are very bullish now because even after the recessionary trend, I should mention here that India as an export to the US was hardly 5%-6% compared to their total imports. Now, when they have decided to shift production or sourcing from the major country being China to other countries that itself gives a huge opportunity to all other countries including India. Fortunately because of our relationship and constant servicing to those customers, we are categorized as preferred vendors and therefore we are seeing huge opportunity for Navneet in stationary market added to the new categories that they have requested and we have agreed, which we have implemented and with the result of which we will see from the current year itself. So, recessionary trend in this stationary I would say is a necessity items and not a luxury item at all, therefore the impact on which can come only if recessionary trend continues for long.
- **Mr. Bagesh Bhagalpur -- HDFC Mutual Fund:**
- Okay Sir. thanks a lot.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**

- Thanks, Bagesh.
- **Moderator:**
- Thank you. The next question is from the line of Amit khetan from Laburnum Capital. Please go ahead.
- **Mr. Amit khetan -- Laburnum Capital:**
- Good afternoon and thanks for the opportunity. It will only be a couple of questions on the traditional business, so on the stationary side we've seen growth but the significant compression in margins now this is also because you mentioned that there is some big size contract and we probably had to take a gross margin hit here, so should we expect this to normalize for newer orders?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes Amit, 100% which also I made a mention that with the new orders that we are taking is that a new devised purchase prices of our raw material, so going forward we are not concerned at all, but with the caveat that paper prices should not further move the way it moved in the history of our life, we have never seen such a huge movement, so if it does not happen then we will definitely bring back our margins particularly in exports to the same level as earlier.
- **Mr. Amit khetan -- Laburnum Capital:**
- Got it and secondly on the publication side, I believe in the last call you had mentioned that the you know on half yearly basis we should see a return to pre-COVID or better than that, now we've obviously done significantly lower than that. I'm guessing that obviously the recovery is not possibly in the next two quarters, but do we expect a full recovery at least next year or do you see any kind of a permanent loss in volumes here?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, in terms of volume, I fully agree. In terms of the revenue number, I did mention that we will definitely come back to pre-pandemic level in the current year itself. Of course, it is because of the price hike of the final product that we had to pass it on to the end customer, but with normalizing of regional medium schools in particular, we are very, very sure and that trend we are seeing on day-to-day basis. At the ground, we are seeing schools are little bit still struggling to get admissions or bring back their students from government schools so that we are seeing, but things are changing, so we are very confident of next year surpassing much better than the pre-pandemic level.
- **Mr. Amit khetan -- Laburnum Capital:**
- Got it, but this year will be slightly lower?

- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- In terms of volume, yes it will be lower.
- **Mr. Amit khetan -- Laburnum Capital:**
- Okay, okay, and is there any impact of inflation hitting this segment because my guess would be this is a less discretionary spend, but given we are chasing to the bottom of the pyramid what are your thoughts here like is that also hitting the customer?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- I should say yes, because particularly I didn't mention about last year's inventory from the trade being sold that also brought our volumes a little bit down, so there was a difference in pricing between last year's quantity that trade had and the current year's new pricing. So, but obviously they were able to source it at a little lesser price than what otherwise we they would have end up paying if they bought a fresh inventory. So, at the bottom of pyramid the inflationary trend has impacted, but I should say here that finally our end product prices of a particular book will be much lesser than ₹100, so at that level also once things are normalizes it should not really impact much.
- **Mr. Amit khetan -- Laburnum Capital:**
- Understood and lastly on the EdTech investments like are we looking at any other inorganic opportunities here or we are just focusing on the current set of opportunities we have?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, now we are focusing just on the current. Of course, couple of investments that we already made a year and a half ago that of course we are tracking well, but henceforth going forward, we would like to leverage Navneet's strength and therefore only majorly focusing B2B in organic opportunities.
- **Mr. Amit khetan -- Laburnum Capital:**
- Got it. Lastly, there was some news article regarding K12 capital raise could you share any update on that?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes, so it is for the raising for its expansion and I think documentation is going on, so the present investors themselves are being Sequoia Capital and Sofina Capital they themselves are subscribing to this typing new investment at a much better valuation than what was than last year. So, the documentation will get completed. I think funds should come in in the company by November end.

- **Mr. Amit khetan -- Laburnum Capital:**
- And we were only participating in this right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no, no, no we are not participating and in return finally we'll get little bit diluted.
- **Mr. Amit khetan -- Laburnum Capital:**
- Got it. Thank you.
- **Moderator:**
- Thank you. Before we take the next question, a reminder to the participants in order to ensure that the management is able to address questions from all participants please limit your questions to two per participant for any follow up may we requested to rejoin the queue. The next question is from the line of Sonaal from Bowhead. Please go ahead.
- **Mr. Sonaal – Bowhead:**
- Thank you, Sir for this opportunity. My first question was just a clarification. This digital opportunity of NEP you are not alluding to Maharashtra and Gujarat, you are talking about CBSE right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah, yeah.
- **Mr. Sonaal – Bowhead:**
- or is it very relevant for Maharashtra and Gujarat also?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no. so, I'll tell you first of all we are looking all India and CBSE being the first adopter of any digital solution and they have a pain capacity therefore Navneet's focus is for CBSE that will also benefit in Maharashtra and Gujarat because number of CBSE schools in Maharashtra and Gujarat itself is rising very fast and so our first focus is on CBSE schools, which will help across India.
- **Mr. Sonaal – Bowhead:**
- Thank you for clarifying, but just another clarification, considering buy for bulk of it, I don't know whether 99% or 98% of your schools in Maharashtra and Gujarat would be non CBSE, the impact of retail as far as Maharashtra and Gujarat would be limited only, is my understanding correct?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**

- No that way you're correct, but as I said also that we really don't want to go overboard and do for every state and for CBSE, so as a start we are doing it for CBSE and also I mentioned in my opening remark that once NEP 2020 introduced, which I don't think so any state can forget that, they will have to implement the importance of digital in the school is emphasized so much that even state level schools also will have no option, but to adopt technology. Once we have understood the requirements in CBSE schools, it will be very, very easy for us to implement the same in state level schools. So, it is not a short-term period for which we will get benefit from, but I was talking about a longer period of four to five years, where digital usage in the school will increase, the benefit of which will come from the state level schools also.
- **Mr. Sonaal – Bowhead:**
- And Sir do you think that it will in any way negatively impact your Gujarat and Maharashtra business?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, that we have ensured many, many times. So, during pandemic of course schools did felt or other the world felt that digital is the only solution, but finally post-pandemic it is realized that blended education is the solution, no one will be able to live alone -- so textbook or book business book only will survive or digital only will survive there is no question. It will be a blended usage of products, which will help teacher community and student community to learn better.
- **Mr. Sonaal – Bowhead:**
- Mr. Gala with your permission can I ask three more questions, which are quite relevant for you?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Of course. Thank you, Sir. Sir, firstly I wanted to ask you with the new NEP policy, while there will be a core change, but is my understanding correct there will be a lot of new subjects, new textbooks you know required so if there are two textbooks required per subject, there may be a need for three per subject and the oral pie will increase because of that, so it's not only a change of second hand goods books going out of the market, it is the expansion of the pie in terms of total number of books, please correct me if my understanding is correct or incorrect?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah. So, you are right Sonaal in that way that the portion or the curriculum expected for each subject is so vast that it will either we will have to make books much thicker or we will have to make 2 or 3 books per subject, that you are correct. Additionally, the new subjects that are expected are for an extracurricular activity and usage of digital activity, so on both these schools will require further

publications and therefore we see opportunity in publication also growing in terms of volume.

- **Mr. Sonaal – Bowhead:**

- Sir, second question would Maharashtra and Gujarat only change the course curriculum after incorporating NEP or if they get delayed is there something which will stop them from changing the course for the financial year FY24? Can they do a change without for some classes, without necessary incorporating NEP for financial year 24 or it's a given that they'll have to incorporate you know NEP in 24?

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

- It is not only Maharashtra and Gujarat Sonaal, but all the states in the country will have to implement NEP 2020 irrespective of the political color to the states.

- **Mr. Sonaal – Bowhead:**

- My apologies, I was only referring to the year 24. I was not talking from a medium-term perspective.

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

- So, year 24, Sonaal I did mention that still Maharashtra and Gujarat have not announced a curriculum change for 23-24, so but I also mentioned simultaneously that we may see a sudden surprise from one of the government that they want to change this curriculum for these grades and therefore we are constantly in touch with the related authorities and if any opportunity comes, we will take over, but as of now there are no announcement of curriculum change for 23-24.

- **Mr. Sonaal – Bowhead:**

- And does it normally happen that sometimes these discussions go till Q3-Q4 also or this is some abnormal situation?

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

- Practically, it is not possible because not only for curriculum change, they have to create content for those subjects and grades well in advance then they have to print the copies, inventory everywhere they have to distribute, and that should reach before this school reopens. So, maximum in Q3 they have to announce, if they don't then it will not happen in the next year.

- **Mr. Sonaal – Bowhead:**

- Sir, lastly if I heard you correctly you said the school evaluation was 700 crores then there will be some increase in value in the K12 business because of this new round, considering the investments we are making in technology and you're sitting on huge gains and you're not participating in further right issue is there a possibility that over

next two three years you may look at divesting or reducing some stake in this K12 business?

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

- You're very right Sonaal. Going forward not only that we require cash for our EdTech business, but overall, the reason we are not diluting means we are not selling our stake right now because we see huge opportunity going forward in next two to three years in value creation of that company. Suppose that we are very sure that not only us but with our all the shareholders may start diluting maybe in phases and we are going to participate in each of those phases.

- **Mr. Sonaal – Bowhead:**

- Sir lastly, Sir is there any thinking that you know once your product is established maybe 1-2 years down the line you know or whatever time it takes that you would explore taking outside money also for your technology business if required and for validation?

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

- I think it is very important for us to take outside money for validation because it's not only us that we want to believe in ourselves, we need validation from an external investor with a third eye and therefore we definitely in the subsequent year with the establishment of our product and offering in this schools successfully we will definitely explore that opportunity.

- **Mr. Sonaal – Bowhead:**

- Thank you so much Sir for answering my questions.

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

- Thanks, thanks Kunal Sonaal.

- **Moderator:**

- A reminder to the participants, please limit your questions to two per participant. The next question is from the line of Mahesh Purohit from H.J. Securities. Please go ahead.

- **Mr. Mahesh Purohit -- H.J. Securities:**

- Good afternoon Sir and thank you for the opportunity. Most of my questions have been answered. Just a couple of questions, so I just want to understand the CBSE traditional content business, so what is the size of that business and what is the outlook for the next two years please?

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

- Yes. CBSE traditional textbook business as I had mentioned it is around 3 odd thousand crore catered by many publishers particularly from North India, but now the important thing to note here is that it is just not the textbook which will sell in the school, it will have to be a blended offering including digital, they will be the successful providers to the school. So, going forward CBSE being the fastest adopting schools in terms of technology, the opportunity for traditional business including digital will sure be in upwards of 5 odd thousand crore.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Okay and what is our revenue from that business at the moment?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, as far as traditional business is concerned it is hardly 100 crore recently just now, but without digital I'm talking.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Okay, but we expect to grow much faster from this year or the next year?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes, yes, 100% because with new curriculum and digital, I am sure the opportunity is very large and with whatever preparation that we are doing at our end and the strong relationship now not only in Maharashtra and Gujarat, we believe will be able to capture that much faster.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Yeah, so my second question is on the stationary especially the export stationary part. You already mentioned that we have taken a hit because of raw material price hike and other things, but and also probably because of some demand softness because of the recessionary trends abroad, but we are saying that the margin should improve from next year onwards because we have signed a new contract at much better price, is my understanding correct?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah very correct. Let me tell you that there is no recessionary trend seen in the stationary category yet. The order flow or the inquiry flow is as same as earlier years. So, we are not seeing that reduction in inquiries, only thing on margin because of the higher input cost, we had to face in the current year, which also had mentioned in my Q1 call also that we will see some dip in margin because of this input cost, but going forward with new contracts, we are very confident of bringing it back to the normal as earlier years.
- **Mr. Mahesh Purohit -- H.J. Securities:**

- Okay and the domestic stationary, the margin was also impacted in that?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, fortunately domestic stationary we could pass on the incremental costs, so there we are not impacted, but it was only because of exports of stationary.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Okay. So, my next question is in the Indiannica business, we are making losses at the moment, right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah. we are making losses at a quarter level let me at least clarify that.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Okay Sir. For the full year?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Full year level, I also mentioned that we are definite to make net profit because CBSE textbook business is 80% of the business happens in Q4.
- **Mr. Mahesh Purohit -- H.J. Securities:**
- Okay Sir, okay. Got it Sir, got it, got it. yeah. okay Sir. That's it from my side. Thank you so much for answering my questions.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Thank you.
- **Moderator:**
- Thank you. The next question is from the line of Vignesh Iyer from Sequent Investment. Please go ahead.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Hello Sir.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes Vignesh.
- **Mr. Vignesh Iyer -- Sequent Investment:**

- Yes Sir. My first question is regarding Sir the tax expense that you have done actually, it is to the tune of 12 crores right and for our PBT of around 9.8 crore, can you explain me the transaction because if I'm not wrong in quarter one, we have made a sizable amount of tax payment already right, because somehow the numbers are getting reflected as we have made loss, so just if you could clarify on that?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Kalpesh, can you clarify that please.
- **Mr. Kalpesh Dedhia -- CFO, Navneet Education Limited:**
- Yes please. Can you repeat the question please?
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Sir in the consolidated financial results, our PBT comes after adjusting your share of loss from associate, our PBT comes around 9.8 crores okay and the tax expenses in total comes around 11.98 cores, which means our PAT is basically we are making a loss for the period. So, can you explain me why the tax expense is around 12 crores, so high because
- **Mr. Kalpesh Dedhia -- CFO, Navneet Education Limited:**
- See in our standalone results there is a profit and we have created a provision on that profit and subsidiaries we have a loss, so there is no corresponding tax adjustment and there is no set of at present right and hence you will see the higher number of tax provision.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Okay, okay Sir. We don't have an adjustment for the loss we are making in
- **Mr. Kalpesh Dedhia -- CFO, Navneet Education Limited:**
- For subsidiaries, we have not created to be on a safer side. We have not created any that type asset, which will give us a credit on tax.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Right, right, so also in case by quarter four we don't have enough number, so we have to create a different asset and reverse it right at consolidated level?
- **Mr. Kalpesh Dedhia -- CFO, Navneet Education Limited:**
- Maybe, maybe.
- **Mr. Vignesh Iyer -- Sequent Investment:**

- Okay, okay, and one clarification I needed you, Sir you gave us a number of 210 crores of standalone and 160 crores as consolidated, can you explain it what was it exactly because I joined the call a bit late so that's why?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, because of the losses that we will have in our EdTech business at our level the number of PAT will be lower than standalone basis, so that's the explanation.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- You mean this is your expectation for FY23 right for the entire year?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- That's right.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- This is PAT, right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yeah, yeah. At PAT level standalone basis, I mentioned 210 and at console level I said 160 because of the losses in subsidiaries particularly the EdTech business.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Right, right. Sir in Q2, if I remember correctly in quarter 1, we recognized in our books from K12 of around 5 crores profit, right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- That's right.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- And we were expecting a share of profits of around 12 to 15 crores for the entire year. Now this change in policies would that effect this number in any way?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- That will that will impact the number. That number they are still revisiting because of the expense and many new decisions are being taken on daily basis. So, numbers will reduce because of change in accounting policies. So overall, we may not see 12 to 15 crore coming from K12 at the console level, it will be little lesser.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Okay. Surely, it won't be a loss right from K12 after adjustments?

- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- No, no, no, there won't be any losses.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Okay and the 22 cores of
- **Moderator:**
- Sir sorry to interrupt.
- **Mr. Vignesh Iyer -- Sequent Investment:**
- Okay, okay, okay, I'll join back.
- **Moderator:**
- Thank you. The next question is from the line of Nikhil Jain from Galaxy International. Please go ahead.
- **Mr. Nikhil Jain -- Galaxy International:**
- Sir, just wanted to understand on the EdTech business Sir when was
- **Moderator:**
- speaker please, your audio sounding bit muffled.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay, just a second please. Yeah I just wanted to understand let's say on the EdTech business when do we expect that we would be able to break even on that business?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- I did mention that around between two and three years that is around 2½ years we expect to breakeven, but also let me simultaneously say it is a new line, compulsorily schools will have to use, teachers will have to use, and accordingly service provider like us we'll have to offer. This being not a conventional business based on which past experience we can calculate, but as per our assumption today we believe in 2½ years, we should be able to break it even.
- **Mr. Nikhil Jain -- Galaxy International:**
- Right and have we taken any outside money for that particular part of the business or is there any validation not yet?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**

- Not yet.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay. Do you intent to or maybe we will take it at an opportune time later on?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- After we successfully launch a product and we have satisfactory customer feedback that time we will definitely evaluate and there is an intention to take outside money, but once we are very clear that we have a right product and service offering to the end customer.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay and my second question was on the other subsidies the K12 part of the business, so after the current base that is going to happen in like November, how much would be our holding around 25% or lower?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, there are a couple of things. We are not participating in the current new offering and therefore our percentage will definitely come down and simultaneously we have offered ESOP to the team, so after giving all the effects, our number will be nearly 21% or so.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay. It will come down from 25 odd to around 21% right?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Yes, yes, yes, yes.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay and the related question was that is this the business EBITDA positive or they are also making losses at EBITDA level?
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- So, K12 has been EBITDA positive for last two years now, but even EBITDA positive that too after huge expansion that they have been doing, so if once we stop expansion, the number will be very, very high compared to what they are able to achieve today. Major reduction in EBITDA, which is positive is on account of huge expansion.
- **Mr. Nikhil Jain -- Galaxy International:**
- Okay, okay. Fair enough. That is all for my side. Thank you.

- **Moderator:**
- Thank you. Ladies and gentlemen, due to time constraints, we take that as a last question. I now have the conference over to the management for their closing remarks. Over to you, Sir.
- **Mr. Sunil Gala – MD, Navneet Education Limited:**
- Thanks once again Jinesh in particular and Prabhudas Lilladher to arrange this call. I hope most of the questions that were asked have been answered by us and any questions that are left or unanswered if someone has, please connect Roomy Mistry. We will be happy to answer them. So, thank you all of you.
- **Mr. Jignesh Raval – Managing Director, Sintercom India Limited:**
- Thank you.
- **Mr. Kalpesh Dedhia -- CFO, Navneet Education Limited:**
- Thank you.
- **Mr. Jignesh Raval – Managing Director, Sintercom India Limited:**
- Ladies and gentlemen, on behalf of Prabhudas Lilladher that concludes this conference. We thank you all for joining us and you may now disconnect your lines. Thank you.
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End of Transcript