



“Navneet Education Limited
Q4 FY '24 Earnings Conference Call”
May 23, 2024

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MODERATOR: **MR. RAHUL DANI – MONARCH NETWORK CAPITAL**



Moderator: Ladies and gentlemen, good day, and welcome to the Navneet Education Limited Q4 FY '24 Earnings Conference Call hosted by Monarch Network Capital. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Rahul Dani from Monarch Network Capital. Thank you, and over to you, sir.

Rahul Dani: Yes, thank you, Muskaan. Good afternoon, everyone. On behalf of Monarch Network Capital, it's our pleasure to host the senior management of Navneet Education. We have with us Mr. Sunil Gala, Managing Director of the company, and other senior management and SGA, the Investor Relations partner.

We will start the call with opening remarks from Sunil sir, and then we will move to Q&A. Thank you, and over to you, sir.

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

So today, let me first begin with giving highlights of some of the recent news, the stake sale of investment made in K12 Techno Services Private Limited. As you may know, our subsidiary, Navneet Learning LLP, where Navneet Education Limited holds 93% stake, has entered into a definitive agreement with Venturi Partners, P fund from Singapore, to divest a small fraction, which is 5.12% stake of the company, which is valued at INR225-odd crores.

Over the years, Navneet Learning LLP has cumulatively invested around INR118 crores in K12 Techno Services, and this transaction marks the first partial exit in the company, taking Navneet's stake reduced to 14.92% now. This transaction aligns with our value creation strategy for our stakeholders, which we have envisaged while making investments in K12. These proceeds received from this transaction will enable Navneet to focus on core business objectives while unlocking shareholders' value.

Secondly, in August '23, the Board of Directors had approved composite scheme of arrangement for amalgamation of two of our companies: one, step-down subsidiary, Genext Students Private Limited; and our subsidiary, demerging of edtech business of Navneet Futuretech Limited into Navneet. This scheme was aimed to rationalize the group structure and achieving better



synergies within the two businesses, which is publication and technology business. Further, in the month of May, Navneet has received final order from NCLT regarding the merger proposal. In this regard, we have given merger effective in present accounts for FY '24 and reinstated the comparative numbers for FY '23 as well.

With these two news, which I thought should be shared with our valued investors and shareholders, now let me talk about our performance throughout FY '24. Despite challenging environment -- what I mean challenging environment is in the education sector, where we are, the company has managed to declare a stable performance. Our FY '24 revenue experienced a meagre growth of 3.5%, reaching to INR1,693 crores compared to INR1,636 crores in the same period last year. EBITDA of FY '24 amounted to INR299 crores, with EBITDA margin of 17.6%. And our profit after tax was INR189 crores.

Now let me give you a little performance segment-wise. So first, I'll talk about our core business, which is publishing business. So in FY '24, our publishing business displayed resilience despite encountering external obstacles like lower-than-projected channel inventory uptake, paper price increase, increase in resale of second-hand books attributed to no change in curriculum over the past 6 years.

Moreover, our strategy of integrating our edtech business with our traditional publishing business and diversifying our product offerings beyond conventional learning and steadily advancing this comprehensive approach is expected to boost demand in our publication sector in the coming years. So mind well, now what we are talking is a blended offering to the schools. In particular, at present, we have four CBSE schools majorly, but slowly and slowly, as we see one SSC schools have started demanding some digital solution with the physical books.

Now let me talk about stationery business. I'll start with domestic, which is all India. So in FY '24, it grew by 7% to INR407 crores. During Q4 FY '24, we introduced designs created through AI technology, and the market response to these launches were quite satisfactory. Also, the company is exploring phased introduction of various products in non-paper stationery segment in the coming quarters.

So what I'm trying to say here is technology is not restricted to the publication business. But with usage of technology in our stationery products also, we saw very fruitful. And with that, we are going to introduce more and more technology or use more and more technology while making these products. We are also committed to strengthening the foundation of our stationery business and are optimistic that the domestic stationery business will continue to gain momentum and grow in double digit.

Now let me talk to you about stationery business exports. That business grew by 4%. This positive performance can be attributed to introduction of new products. However, the segment faced challenges due to the prolonged Red Sea crisis in last couple of months, which created obstacles for the smooth operations of our exports to various customers.

Also, as you may recall, due to restriction imposed in the US market for some of our product categories, there was an opportunity loss of around INR40 crores during FY '24. This product



actually contributes 8% to 10% of our export revenue. We have been taking appropriate steps in ensuring a proactive approach to address the situation. However, this loss was the offset by the growth in our other existing products.

Just to remind you, this loss, this being a seasonal business or back-to-school business, the business loss for a year is lost, which we could not again gain back during the year. But now that going forward, in the coming years, we have taken appropriate steps. So looking ahead, we see a bright prospects about the business. We have plans to further expand our product offering to include both paper and non-paper stationery.

So with this brief introduction of the business, now I open the floor for Q&A, please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: Galaji, could you just outline your outlook for growth for both the exports as well as the publishing segment given that NEP is not going to be implemented from this year?

Sunil Gala: So in the current year, that is FY '24, '25, we are not looking at major growth in publishing segment. Whatever new introduction of titles on our own that we have done and also revision of certain titles that we have done for -- particularly for the higher grades, that is, 8th, 9th and 10th grade, we will see a little upward. But from our core business in Maharashtra and Gujarat, we are not likely to see much growth in '24, '25. We will, of course, await for the decision from respective governments. And as soon as that comes, we'll start publishing for the subsequent year. So for this year, it will be a very nominal growth in publishing.

As far as exports stationery is concerned, as I just explained over the call that we had a loss of production. But this year, we are very definitive of growing between 10% and 15% for sure. Of course, opportunities are much larger in terms of the order or the request from our customers. But finally, it entails to various investments in terms of land, building and machinery, which also we have planned, but it may not -- we may not see the fruits of that in this year in '24, '25, but we are building capacity for a better future.

Amit Khetan: Understood. And for Q4, if I look at the segmental data because you have merged the ed tech business into the publishing segment, what would have been the EBIT and the revenue for the publishing segment were this merger not to take place just for Q4?

Sunil Gala: One minute. Just for Q4 for the publishing, it would have been around INR18 crores EBIT.

Amit Khetan: Got it. And revenues would have been similar because I don't think the edtech business is generating...

Sunil Gala: Yes.

Amit Khetan: Okay. And lastly, can you just explain what's going on in SFA? Because I understand you took a markdown this quarter, and last year, you had taken a markup. And these are accounting transactions, but just could you explain what is the basis and rationale for doing this?



Sunil Gala

No. So as per accounting standard, we are compelled to revalue this investment based on the revenue method that was adopted by us. And because the revenues did not -- rather, was a little lower than the last year, the valuation came down, and therefore, we had to mark down. So these are all notional gain or notional profit.

But per se on SFA, I can say that the foundation of the business is very, very strong. They have been approached not only by the state and central government for various events. But now that they have created -- they did around 9 SFA championships in '23, '24. And that also has attracted many, many brand companies to look at the opportunity to either sponsor or give advertisement.

So this year, for the '24, '25, they have planned in 15 cities, and number of students are rising in every event, so between 20,000 to 30,000 students are participating in each event. So that -- at present. Because there are no advertisement or sponsorship, the events are not making money, but the foundation or the IP that is being created in the company is very, very strong.

So I can only say that company is on a right footing. And as we all would agree that the importance of sports in the country is increasing so well, and therefore, the opportunity for an established or a stable company.

Moderator:

The next question is from the line of Aditi from Flute Aura. Please go ahead.

Aditi:

I have a couple of questions. So starting with export stationery. So you mentioned that we are expecting about 10% to 15% growth. So is that for export stationery or stationery overall like domestic and export?

Sunil Gala:

That is for -- frankly, I spoke for both businesses, that percentage. So you may consider stationery as a whole or individually also, same percentage.

Aditi:

And on the K12 sale. So in your presentation, sir, you have mentioned that you'd be using these proceeds first in your core business, like you will be putting that money in your core business. So like any specific use case of that money, like what in publishing, in export? Is it the capacity building that you were talking about a few minutes back?

Sunil Gala:

So for last couple of quarters, I've been talking our major focus on stationery business. Publishing business is otherwise quite well set. But the opportunity in stationery business domestically or in exports are humongous. And not only with the product category that we are in, we need to add a couple of more categories. So for all that, company will have to make reasonable investments continuously for next couple of years. And that is the way I said -- that is the reason I said that the proceeds will be reinvested in the business.

Aditi:

And that is for FY'25 or a couple of years going forward, sir?

Sunil Gala:

I wouldn't just cap it to FY'25. Part of that will be invested in FY'25 and balance subsequent years. So because suddenly increasing capacity without no sale also does not make sense. So it is a planned way we will do investment over a period of 2 years to 3 years. And as what we understand, the opportunity in stationery will be far long than what we are talking of 2 years, 3



years. So probably next couple of years continuously, we will have to make investments in stationery business.

Aditi: Sir, last question. So could you give me like the carrying cost of the stake that we had like the 5.12% stake sale that has happened? So any -- like if you could give me the gain, that would be great. Or otherwise, if you could provide me with the carrying cost?

Sunil Gala: So what I understand, you wanted the cost for the equity that we sold plus the interest till date you mean to say?

Aditi: Yes. I mean you must have revalued that cost, right? So whenever any fundraise, must have happened?

Sunil Gala: That's right.

Aditi: So you must have revalued. So at what cost are you carrying? Or were you carrying it before the stake sale happened?

Sunil Gala: No. So as far as pure accounting is concerned, again, whenever the revaluations were done were all notional profits. But now what I just mentioned in my speech that overall for a 20-odd percentage stake that we are invested or we were invested, we had invested INR118 crores. And the same value of that INR118 crores would be around INR850 crores, of which we sold more or less 1/4 of that and for which we are getting INR225 crores.

So carrying cost of the balance cost would be -- I have not seen the accounting effects of this, but around INR60 crores to INR65-odd crores would be the cost for the balance in equity that we are owning. So have I been able to clarify your doubt?

Aditi: I understood. Yes, thank you so much.

Moderator: Thank you. The next question is from the line of Sonaal Kohli from Bowhead. Please go ahead.

Sonaal Kohli: Mr. Gala, this is Sonaal Kohli. How are you?

Sunil Gala: Hi, Sonaal.

Sonaal Kohli: Sir just 2 questions. Firstly, on the stationery exports, you lost about INR40 crores of business last year, as you mentioned. Adjusting, your turnover is roughly INR600 crores. A 6% addition in your exports should simply happen because of that. So when you are giving a guidance of 10% to 15%, are you including this INR40 crores also?

Sunil Gala: Yes. We are including that INR40 crores as well.

Sonaal Kohli: Are you saying that organically, like-to-like, it's a growth of only 4% to 9%, what you're expecting in stationery?

Sunil Gala: So see, Sonaal, the way you see that actually, after losing INR40 crores, then also we could overall grow around by 3% or 4% over last year. So that's around INR50-odd crores, we could



increase because of the introduction of new products. And therefore, I'm saying that with the base that we have, we would be at least be able to achieve between 10% to 15%. But you may recall that we would like to be a little conservative because things have not been in our favour last couple of quarters to our estimation. So I would then rather stick to that number right now.

Sonaal Kohli: And in terms of domestic stationery, what kind of aspirations do we have for growth in '25?

Sunil Gala: So percentage-wise I did speak, but aspiration-wise, a couple of them. We are adding various new products in the category that we are operating. We are adding more and more features, including the technology features that I just mentioned to our present category. And in the current year, we are likely to introduce a couple of more category, non-paper stationery products as well.

Which we have already tried in exports. So two of them that we have already tried, and the same we are introducing in India, as well. So in FY'25 itself, we will see a couple of new categories being introduced. And -- but again, the first year of introduction, we really do not see big traction, but I think we will make a base for the future growth of the new categories as well.

Sonaal Kohli: And sir, what kind of -- sorry if I missed this and I'm repeating this question you already said. What was the domestic stationery growth expectations Do you have a general growth for 2025?

Sunil Gala: Yes. Again, here, we had mentioned between 12% and 15% for the domestic business growth.

Sonaal Kohli: And the kind of margin outlook based on current paper price, like would it be on the lines of 2024? Would it be higher? Would it be lower?

Sunil Gala: It will be around 100 basis points better than FY'24 because part of the year last year, we had to face the higher prices of paper, which is not the case. But with reduction in prices, of course, the 10 product prices had to be reduced because of the competition. But overall, as per our estimate, it will be around 100 basis points better than what we achieved.

Sonaal Kohli: In the last 4 months, 5 months, have you seen any major change in paper price? Or it's broadly same?

Sunil Gala: It is broadly same.

Sonaal Kohli: Last 4 months, 5 months, no major change.

Sunil Gala: Yes.

Sonaal Kohli: Thank you so much. That's all.

Moderator: Thank you. The next question is from the line of Rushabh Shah from Buglerock PMS. Please go ahead.

Rushabh Shah: I have two questions. So it seems the business of Indiannica has not done that well as much as the efforts we have given in FY'24. On a very small base, we have struggled to growth. So what changes or improvements you are thinking to bring in the Indiannica business?



Sunil Gala:

Yes. So I agree to your point that Indiannica, a small piece, we could not -- now this is a totally different segment than what we have been doing over last 6 decades, which is the textbook business for CBSE book market. Very different market here. The introduction of technology also has played a vital role on acceptance of products.

Couple of schools have started creating their own content as well. And there is a bit of confusion among the school users that what all products to be used. Coupled with that, FY'24, we did see a higher percentage of returns, which is normally a case in the industry. So it was beyond our expectations, some higher percentage of returns that we received.

Now this is -- I agree, we have spent around 7-odd years in this business. But the newer and newer experiences that we are getting. And because of that, the performance for FY'24 is not the same as we could show in FY'23.

Having learned all these things, now necessary steps have been taken. So apart from the logistics and the distribution controls, the couple of new titles also have been planned. And with that, we are very, very hopeful that we'll be able to bring back that to normal.

Rushabh Shah:

Okay. And sir, my second question is, we sold our stake in K-12. So what was the logic for it as we did not require that much cash? So why not let it -- why not let the compounding continue?

Sunil Gala:

So, of course, it is definitely a great investment that we should have continued or we will continue the balance portion. But somehow, we felt that -- management that since we want to go aggressively in stationery market, instead of just using company's balance sheet money or raising debt, it is better that we use our own money by selling a stake. So that is the only logic that we had. Of course, in the balance, we are very sure that it is going to compound quite well. But we wanted to see the color of the money as well of the investment that we had done.

Moderator:

The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Private Limited. Please go ahead.

Jinesh Joshi:

Yes. Sir, you mentioned that for FY'25, you're not looking at any major growth in publishing and you'll report some nominal number. But can you call out whether there will be any volume growth in FY'25, given the fact that the syllabus change schedule is not out? Or are we going to rely fully on pricing for growth in the publishing division?

Sunil Gala:

So there is no question of price hike in the publishing and the major reason is that paper prices have come down. In fact, what we have done in the recent year, what I just mentioned during my speech that a couple of publications for higher studies, 8th, 9th and 10th, we have revised them where we have reduced the size of the product and have reduced the sale price of a product because costs went down.

So that way, there will be pressure on us to match the rupee term or value term business. But whatever growth that whatever that I said that single-digit growth we will have, what I've always been talking is the volume growth, not the value growth. But this year, we are not -- we have not increased prices of any of our publications.



Jinesh Joshi:

Sure, sir. And secondly, you also mentioned that post this K-12 exit, you might invest in expanding your stationery business. So is it possible to give some guidance on capex for FY'25 and '26?

Sunil Gala:

So FY'25 in -- see, as far as -- I will split that between two, land and building and the machineries. So as far as land and building is concerned, part of that advanced money were already paid, which is shown in current asset and which will get capitalized in the current year. So around INR40-odd crores will be capitalized in the current year for which payments have already been made in the previous years. But on building, we'll be investing around INR30-odd crores in FY'25 and around INR60-odd crores in FY'26. And in machineries, in FY'25, we are likely to invest between INR40 crores to INR45 crores. And in FY'26, it should be around INR70 crores to INR80 crores.

Jinesh Joshi:

Got that. Sir, one small clarification required, it might sound a bit repetitive, and it pertains to your ILL business. Now I understand the argument which you gave for a poor performance in FY'24. But given the fact that NEP implementation for CBSE and ICSE is already underway, and I believe a few grades are already undergoing a syllabus change. Despite that, we are seeing our performance not match up to FY'23. So how should we look at it from FY'25 perspective? And also, if you can highlight the concrete reasons apart from that higher sales return, which you mentioned, whereby we have not done well in the current financial year?

Sunil Gala:

So first of all, with curriculum change, there is actually no impact to any textbook publisher. Because of curriculum change, they will never see volume growth. And why I'm saying this, that this textbook business is achieved through creating awareness in the school, getting orders from the school to be distributed through distributors. So irrespective of the curriculum, it all depends on the number of schools that recommends the product.

So here, there is no second-hand book concept in the textbook market, which is the case in our supplementary book business, where most of the -- larger portion of the products are sold through trade, where second-hand book concept is there. So as far as this business is concerned, there is no reason that the volume growth will happen because of the curriculum change. So I agree with you that a couple of great curriculum, particularly 3 and 4 standard curriculum had changed. But because of that, we did not see any volume growth.

So majorly, the other question that you asked, the specific or more -- I need to be more specific is apart from the sales return that we received, I briefly mentioned about the confusion at the school level, whether they want publications together with the technology offering or individually just the textbooks. So at Indiannica, in particular, we do not have technology solution today to be given to the schools, and that really gave us a little setback, particularly schools who wanted to have technology as well.

So these are the two reasons, higher sales return and a couple of schools wanted a technology solution together with the textbook which we did not had and which we could not give, and therefore, we lost some business.



Jinesh Joshi: Sure. Sir, one last question from my side. Given that the demerger of Ed-Tech business has already happened into Navneet and this business was into losses, and you might have some past accumulated losses, which you will now be able to set off. So can you call out what can be the tax rate for FY'25? And what is the accumulated loss number that you have in the Ed-Tech business?

Sunil Gala: So the appointed date for this scheme was from 01/04/23. So once the order of NCLT received and finally ROC compliances have been completed, we were allowed to take that benefit for the year FY'23-'24. So we have now -- in the merged accounts, we have already taken the earlier losses set off in FY'24 only. And the benefit of that would be in the range of around INR40 crores.

Moderator: The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: I wanted to understand on the stationery business, because you said that the opportunity is huge and which we are also seeing in other players. But your growth targets are very modest, 10%, 15%. So is it due to capacity constraint? And if you put up additional capacity, how much turnover growth do we expect in the years to come? What would be the ratio of turnover to the capex there?

Sunil Gala: Yes. I agree to the opportunity available, the growth percentage that I mentioned would look lesser. First of all, Tushar bhai, we need to realize that this is a back-to-school or a seasonal business. For us to grow in last quarter and first quarter of any year, we really need to have proper capacity. So all the growth is attributed majorly to the two quarters.

So you're right that capacity constraint is one reason that we will not be able to grow better -- more than what I just mentioned. And secondly, whenever we introduce new product or product categories, the benefit of that is achieved in the second and third year. Immediately, we do not get benefit because finally, the product or the category has to settle in the market. The acceptance from the users should start coming in. So for that, we'll have to spend money on branding as well. So -- and therefore, I said for FY '24, '25, to grow beyond what I said may not be possible.

Tushar Sarda: Perfect. So FY '26, '27 and '28, would you be more ambitious in terms of the 20% plus?

Sunil Gala: We are hopeful of that percentage.

Moderator: Thank you. The next question is from the line of Gariraj from Visaraya Group Office Please go ahead.

Giriraj Daga: Yes, this is Giriraj Daga. So my first question is related to Indiannica. Like any growth number or any growth guidance would you like to give? I understand what you explained about why they were not doing well in FY '24, but any visibility in FY '25?

Sunil Gala: So for FY '25, as far as revenues are concerned, we'll come back to FY '23 numbers, that is for sure. And over and above that, we should be growing by around between 5% to 7%. These, I'm all talking about volumes. Of course, I also mentioned that we have not increased the prices of



our product in the current year. So overall, you may say that around 12% to 13% growth we should get in Indiannica over current year.

Giriraj Daga: Okay. Second, you mentioned about the capex number, INR40 crores, already paid INR30 crores and INR60 crores for the land and building, about INR130 crores, so cumulatively about INR250 crores investment. What is the asset turnover we should look on this capex? Like this INR250 crores should be able to give how much of revenue? I'm not talking at, let's say, year one or year 2, but on a steady-state basis, how much this would give a revenue?

Sunil Gala: 3x of an investment you should -- you may consider. And only what I mean is 3x of the machinery investment that we would be doing. As far as land, building is concerned, of course, we buy a much larger land for at least keeping in mind 5 to 10 years focus, and therefore, land will be for -- there will be no further investment in land. Only buildings and machinery will be invested, but you can safely count 3x revenue generation over this investment.

Giriraj Daga: Okay. Last, bookkeeping question. When I look at the publication business number, EBIT number for this quarter particular, you paid a large swing. I understand we had some -- primarily because of some restructuring effect also because when I look at last quarter, March '23, you had reported INR14 crores of positive EBIT, but this time, it's INR11 crores negative EBIT. Is it due to some mark-to-market gain, which has been shown in this number and this quarter it's not there and hence it's a profit number?

Sunil Gala: Yes. One reason, as you rightly said, is the loss on account of our ed tech business. I will need to come back on what is the other reason that would have come to make that -- to bring that number down to INR11 crores. I really do not have an answer immediately right now with me. And unfortunately, my CFO is not around today. So can we come back to you, Giriraj ji?

Giriraj Daga: Sure, sure.

Moderator: Thank you. The next question is from the line of Mohammed Patel from Care Portfolio Managers Private Limited. Please go ahead.

Mohammed Patel: So for the non-paper stationery, are we planning to manufacture products in-house versus current outsourcing?

Sunil Gala: It will be mix of both. On a trial basis, we may outsource the products and start selling them. Depending on its success, we will plan manufacturing in-house. So it is mix of both, particularly where we have confirmation or confidence of getting orders including for exports, then we will immediately start manufacturing ourselves. But for domestic, where we are not 100% sure of its success, we will outsource first and then manufacture.

Mohammed Patel: Okay. So out of this INR250 crores, there will be a mix of paper and non-paper?

Sunil Gala: That's right.

Mohammed Patel: My next question is what is the ed tech loss for Q4 versus last year? And also if you can share, what is this number for full year FY '24 versus last year?



Sunil Gala: Yes. I may give you a rough number. But going forward, I really do not think we'll be able to give separate numbers. The reason is that now the technology is so much used for various other product categories for published -- any print publications now in stationery. So there's lots of usage of technology. The expense that we incur on technology activities is being used by various. But majorly, it will be used by the publishing business. So -- but net-net, for FY '24, we would have lost around INR9.5 crores in the current quarter -- in the last quarter, that is, FY -- Q4 '24.

Mohammed Patel: And full year?

Sunil Gala: Full year loss was, including the both businesses, around INR44 crores. And there, INR44 crores, INR45 crores is because when we closed on certain activities, we had to pay a lot many severances. And because of that, there was a higher cost.

Mohammed Patel: So will you be able to share this number for FY '25 and '26? What is the plan?

Sunil Gala: No, I do not have any numbers right now. And frankly, it is so evolving -- activities so evolving. So everything here, we may not be able to budget, but at least we are very sure that use of technology in the classroom there is no alternate there. It will have to be -- we will have to offer products which can be used in the classroom. So that effort will continue irrespective of whether we are able to make money in the near future. But we know because of our investments in that it should benefit the publishing business for sure.

And keeping that in mind, I won't be able to really give you any guidance on the investment or loss in the ed tech business in particular. But generally, I should -- I can say that the numbers will reduce on 2 counts because, one, we have rationalized lot many activities. We are in the process of reducing sales teams, which were there for both book business and technology business. So we have started rationalizing there as well. The revenue is increasing. So overall, this number will start -- will go on reducing.

Mohammed Patel: So you are saying we should expect a breakeven in the next 2 years?

Sunil Gala: In 2 years, for sure. But again, I'm saying please do not calculate ed tech business separately. It is not a separate business. It is one of the process for content business now.

Mohammed Patel: Understood, sir. My next question is, so why the Indiannica loss has increased from 0 to minus 10?

Sunil Gala: I already mentioned 2 reasons that sales returns were higher in the current year than what we had expected. And the other reason was couple of schools, they wanted tech, so -- yes the digital solution together with the publications, which Indiannica, unfortunately, does not have today. And because of these 2 reasons, we did not achieve the expected sales and therefore, the loss.

Mohammed Patel: Okay. Why is the domestic stationery growth was slow in Q4, which is a strong quarter given the exam season?

Sunil Gala: Now this -- again, I will suggest all my dear investors or analysts if you try comparing quarter-on-quarter for a, a seasonal business, it will always -- you will have questions. So my request



would be to look at yearly basis because here, it is -- we are in the midst of season. At times, the trade -- or the school orders in the month of March, and at times, they have ordered in the month of April, so it then suddenly changes to the next quarter. So my request would be to consider numbers of -- seriously consider numbers yearly basis, please.

Mohammed Patel: Okay. What will be the volume growth for the publication business for Q4 and full year FY '24?

Sunil Gala: Again, I will not give a number for Q4 in particular. But for FY -- there was no volume growth in FY '25. It would be around 2% lower volume. I mean we could sell lesser quantity in FY '24 over '23, so around 2%, we had reduction in sales volume.

Mohammed Patel: Okay. And can you share the volume growth for stationery business, exports and domestic for full year?

Sunil Gala: I think we'll need to work that out because here, there are so many complexities. Volume, it's not that the same product that we manufacture and sell every year. There is so much of revision takes place in each product category. So, we'll have to really work out in terms of tonnage, how much tonnage we could sell in the current year. We may have to come back -- if, Roomy, you can take Mr. Mohammed's number, go back to him with the volume numbers.

Roomy Mistry: Sure, sir.

Moderator: The next question is from the line of Vignesh Iyer from Sequent Investments.

Vignesh Iyer: Sir, I understand the current reshape of the business is going on, but just to understand our stationery business in itself is almost being INR1,000 crores sales, and it's poised to grow around 12% to 15% next year. So, have we ever, I mean, considered from a point of view that if we demerger this business from creating value for the shareholders because we have peers who are doing almost, say, similar size of business and margins and are getting quite high valuation in the market. So just to understand it from your point of view because from what I understand, the segment is self-sufficient as of now.

Sunil Gala: Yes. So, I take your point, and I understand what you're trying to say. So, at present, there are no plans to demerge the two businesses. There are so many synergies internally including raw material sourcing to distribution to marketing. And so that way, we have frankly not thought on that, but we'll take a suggestion and discuss internally.

Vignesh Iyer: Okay. Okay, sir. And sorry, sir, I missed on your earlier commentary when you gave the -- what is the possible asset turn on the capex that we are doing for FY '25 and FY '26?

Sunil Gala: So, asset turn well, I said that this year, we will be investing around INR40 crores to INR45 crores in machinery for stationery business. And next year, we are likely to invest between INR70 crores to INR80 crores in machinery, whereas in land and building, we may have to add further INR40-odd crores next year.

So altogether, around INR150 crores to INR160 crores that we will be investing afresh plus a couple of advances for land has been given, which will be capitalized in the current year that



will amount to around INR40-odd crores. So altogether, INR200-odd crores will go in this. And what I meant -- what I said was that on a full-fledged utilization basis, minimum 3 times asset can be turned over.

Moderator: The next question is from the line of Pradeep Rawat from Yogya Capital.

Pradeep Rawat: So, I am new to the business, and I have one basic question. So, sir, for the stationery business, I just wanted to know what are the growth drivers for this segment? And where do we see this segment in terms of top line and revenue contribution in, let's say, five, seven years down the line?

Sunil Gala: So overall aspiration levels in the country are going up for a branded product. And therefore, the segment, which was largely dominated by the unorganized sector, is moving to organized sector. And therefore, there itself is a big opportunity for the organized player, a branded company, to sell its product. So that's a clear-cut opportunity in India.

Apart from the categories that we are in, we are likely to add a couple of more categories per se, and that will also further enhance our growth prospects in the country. So, this is as far as domestic is concerned and as far as exports are concerned, it is a clear-cut story, which is China Plus One, where the present customers of ours, they want to increase their exposure from India.

Now having taken that decision as far as the category is concerned, I think we are the largest exporter, preferred vendors for them, and therefore, there itself is a big opportunity. So, opportunity-wise, it is definitely clearly seen by the company.

Now it all depends how we execute the same. So that way, based on that now, we have planned certain investments as well as certain introduction of couple of more categories. And therefore, we are quite bullish on the overall growth of the stationery, not only in FY '24, FY '25 but on a long-term basis. So, to answer your question on what will be the revenue for, let's say, after 5 years, I think we should, minimum, double from here, from what we are doing in stationery.

Pradeep Rawat: Yes. So just to follow up on that. Sir, what would be the market share of unorganized players in India? And so, we export to like distributors into other countries? Or we have our own brand over there?

Sunil Gala: We have none neither of that. So, we export to the end customer, that is, the retailers of the developed country that is majorly to the U.S. So, we export directly to the retailers. We do not sell our branded product neither we have a distributor there. So yes, that was your one question. And what was the other question?

Pradeep Rawat: What is the market share of unorganized players right now?

Sunil Gala: Now coming to India, again, it all depends from category to category, but the major category that we are in, which is a paper-based stationery, as on date, around 22% to 23% is the market share of the organized players, and balance is with the unorganized player.

Moderator: The next question is from the line of Sonaal Kohli from Bowhead Investment Advisors.



- Sonaal Kohli:** Sir, two questions I had. First one, on your school business investment. So, when its compounded nicely over the years and congratulations for making such a great investment. But as you have just mentioned in the past two years that it is not like a poor thing to you. So, in the past, one of the investor, you said that you will continue to hold it. So, you mean you continue to hold it for next couple of years or continue to hold it forever? my understanding is based on...
- Sunil Gala:** For a couple of years, Sonaal, not forever because I stick to that point that it is not related to our core business, but being investment is so good, and company really does not require that money very soon for its own growth. So, I should say, for a couple of years, we may continue to hold the balance in equity.
- Sonaal Kohli:** And then along with the main strategic holders, when they exit, you may also seek an exit...
- Sunil Gala:** That's right. That's right.
- Sonaal Kohli:** So that value locking will happen in next two years?
- Sunil Gala:** Yes, between next 2 to 3 years, it should happen.
- Sonaal Kohli:** Understood, sir. That was my first question. On the technology losses where you said you club it, I could not actually understand one thing. So, the run rate is still pretty high, INR9.5 crores. And by that logic, shall I assume that will be more like INR30 crores, INR35 crores, even in 2025? Or because of increase in revenues or further cost decreases, this number won't normalize more?
- Sunil Gala:** So Sonaal, he asked me about Q4 number. Now tactically, the Q4 numbers are not great in terms of revenue, and therefore, Q4 losses were higher. But come Q1 and Q2 where revenue will be better, so on a yearly basis, and as I had mentioned earlier, I think we should -- again, independently talking about tech business is now not right for me. But what will we be able to end up spending money, it should be around INR25-odd crores for the year.
- But believe me, again, the facility that we have is being used by publishing business the most, where we do not, now will have a billing or anything to the publishing company because it is one company now. And a couple of activities that will be used by the stationery business, all that will be added advantage to the core businesses. So -- but net-net, purely on technology, that would be the number.
- Sonaal Kohli:** So let's say that, so, INR9.5 crores is obviously not a recurring number...
- Sunil Gala:** That's right.
- Sonaal Kohli:** And sir, in terms of the revenues, would you have a rough number? You've given issuance separately, but just for this quarter, what would have been your total technology revenue comparable to Q3? Let's say, Q3 was X. What was the number in Q4 so that at least for this year, we can make a comparison?
- Sunil Gala:** One minute, unfortunately, I have it for the full year, I do not have...



- Sonaal Kohli:** You can give the full year. And we can calculate that from that with the full year.
- Sunil Gala:** Yes. For full year, it was -- it is INR21.5 crores versus INR15-odd crores that we had earlier year.
- Sonaal Kohli:** INR21.5 crores, sir?
- Sunil Gala:** That's right.
- Sonaal Kohli:** And you would expect some reasonable growth in this year and to that extent, you have...
- Sunil Gala:** Yes, Sonaal.
- Sonaal Kohli:** So, I think earlier you were talking about the INR30 crores kind of possibility. Would you stick to that, I mean, INR25 crores roughly? INR25 crores - INR30 crores? Very roughly.
- Sunil Gala:** For FY '25, you are saying?
- Sonaal Kohli:** Yes.
- Sunil Gala:** Yes, I can stick to that.
- Moderator:** Ladies and gentlemen, due to the time constraint, we will take this as our last question. I now hand the conference over to the management for closing comments. Over to you, sir.
- Sunil Gala:** Yes. Thank you, Monarch, and I take this opportunity to thank everyone for joining the call. I hope I've been able to answer most of the queries. If at all any queries further, you may connect our IR. And for any other information, you make get in touch also with our Strategic Growth Advisors, our Investor Relations Advisors. And thank you once again for all participating in the call. Thank you.
- Moderator:** Thank you. On behalf of Monarch Network Capital, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.