



Knowledge is wealth

NEL/084/2024-25

Date: 12th February, 2025

The Secretary
National Stock Exchange of India Ltd.
Exchange Plaza, 5th Floor, Plot No. C/1,
'G' Block, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400051

Corporate Relationship Department
Bombay Stock Exchange Ltd.
1st Floor, New Trading Ring,
Rotunda Building, P. J. Towers,
Dalal Street, Fort, Mumbai – 400001.

Ref: Symbol– NAVNETEDUL
Ref: Scrip Code – 508989

Dear Sir/ Madam,

Subject: Disclosure of Transcript of Earning Call for the quarter and nine months ended 31st December, 2024

This is further to our letter dated 29th January, 2025, wherein we had given you an advance intimation of the earning call with the investors and analysts. Pursuant to Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby inform you that the transcript of earning call held on held **6th February, 2025** to discuss the Operational and Financial performance of the Company for **the quarter and nine months ended 31st December, 2024** is attached herewith and available on the website of the Company at www.navneet.com

You are requested to take note of the above.

Thanking You,

Yours Faithfully,
FOR NAVNEET EDUCATION LIMITED

AMIT D. BUCH
COMPANY SECRETARY
MEMBERSHIP NO. A15239

Encl.: a/a

NAVNEET EDUCATION LIMITED

CIN: L22200MH1984PLC034055

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“Navneet Education Limited
Q3 FY '25 Earnings Conference Call”
February 06, 2025

E&OE - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the stock exchange on 6th February 2025 will prevail.





**MANAGEMENT: MR. GNANESH (SUNIL) GALA – MANAGING DIRECTOR
– NAVNEET EDUCATION LIMITED
MR. KALPESH DEDHIA – CHIEF FINANCIAL OFFICER –
NAVNEET EDUCATION LIMITED**

Moderator:

Ladies and gentlemen, good day, and welcome to Navneet Education Limited Q3 FY '25 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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.

Before we move on to the presentation, a small disclaimer to all the participants. This conference call may contain forward-looking statements about the company, which are based on beliefs, opinions and expectations of the company as on the date of this call. These statements are not the guarantees of future performance and involves risks and uncertainties that are difficult to predict.

I now hand the conference over to Mr. Sunil Gala, Managing Director from Navneet Education Limited. Thank you, and over to you, sir.

Gnanesh (Sunil) Gala:

Thank you. Hello, everyone. Good afternoon, and a very, very warm welcome to everyone present on the call today. Along with me, I have Kalpesh Dedhia, our CFO; and our Investor Relations Advisors, SGA. 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 website.

I'll straight away start with the first 9 months to start with, then I'll be speaking on the quarterly numbers. So our first 9 months of financial year '25 reflects a mixed bag of performance. Our export stationery business continued to be a key growth driver benefiting from strong global demand, expanding market reach and our focus on high-quality innovative products.

The publication business maintained a stable growth trajectory, supported by consistent demand and strategic partnerships. However, our domestic stationery business faced certain challenges due to a competitive landscape. So let me now briefly talk to you about quarter 3 numbers.

So first, I'll start with the publication business. So the revenue from publication business grew by, of course, a good percentage. Maybe clarifying again, quarterly numbers are frankly not representative for the full year, but why this growth? This growth was primarily driven by a few institutional orders that significantly contributed to our top line, reaffirming our market leadership and deep rooted presence in the education sector. This achievement reaffirms our market leadership, deep rooted presence and ability to successfully execute large-scale institutional orders.



Moving forward, we remain focused on expanding our reach, strengthening our content portfolio and leveraging digital platforms to enhance distribution and accessibility. These strategic initiatives will enable us to build on our success and drive sustainable growth in the publication business.

Now on stationery business. First, I'll talk about domestic. So that business faced challenges during the period, primarily due to continuous decline in raw material prices, which led to a cautious approach from dealers and distributors in procuring inventory. This resulted in slower demand and impacted both revenue growth and margins.

As a result, revenue from this segment declined by 24% YoY to approximately Rs.51 crores. This is a revenue decline. But as far as the volumes are concerned, the decline for 3 months has been 15% and for 9 months, it is just 3%. Because of the low finished product prices -- because of the raw material prices, the revenue numbers have declined.

However, with paper prices stabilizing rather a little bit on upward movement, we anticipate a gradual recovery in Q4 '25 as distributors and retailers have already regained confidence in restocking the inventory.

To mitigate this impact on the short-term challenge, we are actively implementing several strategic initiatives aimed at enhancing operational efficiencies, optimizing costs and refining our pricing strategy. By improving supply chain agility and maintaining a balanced approach to pricing, we aim to stabilize margins while ensuring competitiveness in the market.

Additionally, we are focused on strengthening our distribution network and exploring opportunities for the product innovation to drive sustainable growth in the domestic stationery. So in a nutshell, while near-term challenges persist, we remain optimistic about the long-term growth prospects of this segment, backed by our strong brand positioning, extensive market reach and commitment to delivering high-quality products.

Now come to exports. The export stationery business continued its strong growth momentum, delivering an impressive 17% YoY increase in revenue to Rs.115 crores. This robust performance was driven by successfully introducing new product categories, catering to evolving customer preferences and our strategic expansion into newer international markets.

Majorly, when I'm saying markets, majorly, it is newer markets, what we mean is the Central America over and above the North America. Our efforts to strengthen relationship with existing clients while simultaneously acquiring new customers have significantly contributed to this upward trajectory. A key factor behind this growth has been our sustained focus on product innovation, ensuring that our offerings remain competitive and aligned with global quality standards.

So overall, going forward, we plan to invest in strengthening our distribution network, majorly, I would say, including brand presence and leveraging technology to enhance customer engagement and operational efficiencies. So these were on the businesses. So on looking ahead, we remain confident in our ability to navigate market challenges while capitalizing on emerging opportunities.



Despite the dynamic and evolving business environment, our strategic focus remains steadfast on strengthening our core businesses, driving innovation and expanding our presence in both domestic and international market. Now to achieve this, we are prioritizing product diversification, digital transformation.

I should tell you today that to leverage the content repository that we have, today, we have launched Navneet AI for the benefit of teacher community. The response was so immense that all the teacher community is likely to use this platform and this indirectly will enhance the demand for our physical books as well as digital content. So our commitment to innovation will continue to drive the development of high-quality differentiated offerings that cater to the evolving needs of our customers.

Additionally, we are actively exploring new growth avenues through geographical expansion and deeper market penetration. This is what briefly I wanted to convey to you on Q3 and 9-month numbers. So I thank you, every one of you.

And now I open the floor for Q&A session, please.

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. We have our first question from the line of Jinesh Joshi from PL Capital.

Jinesh Joshi: Sir, what was the value of the institutional order that boosted the growth in the publication business? If you can share that number? Also, who is the client? And if you can clarify the nature of the relationship here because I thought that typically guides and 21 Sets are sold over the counter through the dealer distribution model.

Gnanesh (Sunil) Gala: Yes. Thanks, Jinesh, for this. So the total value in value terms, the amount was -- I wouldn't say it is big, but it was Rs.15 crores. And thankfully, these are various corporates and few of the government departments, which feels the need of additional supplemental products to the children community. Now when I mean corporate means many, many corporates have come forward to help the schools to enhance the learning capabilities. So these are Rs.15 crores.

And the way we see it going forward, this business is likely to remain sustainable because the benefit --which government schools or the tribal schools that they have seen which the students were never getting these benefits, they will start getting benefits, overall results will improve. And therefore, we believe on a continuous basis, we should receive such orders.

Jinesh Joshi: What is the outstanding order book currently? I know it's like just a novel venture for us, but do we have any number to share?

Gnanesh (Sunil) Gala: On publication, Jinesh?

Jinesh Joshi: Yes, yes. So by institution orders, I meant?

Gnanesh (Sunil) Gala: None at present. And as you should -- rather it is a repetitive answer by me, but this business being seasonal in nature, now we will expect orders starting from the first quarter to the second quarter. So as of now, we do not have any outstanding orders from them.



Jinesh Joshi: Got that. And sir, secondly, I just wanted to understand this 24% decline that we have witnessed in the domestic stationery business. Now while I understand that a fall in RM prices will eventually lead to repricing of the product at a lower level. But over here, the fall is about 22%. So just wanted to check, is this essentially a repricing or are we losing market share over here?

Just thought of checking this because, I mean, one of your peers, which has a relatively small exposure towards the paper stationery, now in this quarter, they reported a very handsome growth. So your thoughts on that?

Gnanesh (Sunil) Gala: Yes. So I will not comment on the peer or competitor right now. But there are 2 reasons. So as I mentioned in my speech, the volume growth for the third quarter was around 14% versus a revenue loss of 24%. So repricing is to the extent of 10%. As I also told in my speech earlier that because raw material prices were going down, the distributors and retailers normally start stocking from the month of December.

They did not do that, thinking that prices will further go down. We had seen these cycles earlier. Now since the prices have stabilized of the raw material as well as have started some improvement in the pricing, very marginal, that will eliminate the doubt of further reduction. And so we should see fourth quarter a great quarter for the domestic stationery business as well.

Jinesh Joshi: Understood. Sir, one last question from my side. Now in this quarter, we recognized a fair value gain of about Rs.25 crores on our K-12 investment. Now in the notes to accounts, we have mentioned that this gain had come through because we decided to exercise the option. So if you can clarify what does this exactly mean? And going ahead, how will the revaluation happen from here on?

Gnanesh (Sunil) Gala: Kalpesh, You may comment on this?

Kalpesh Dedhia: So Jinesh, since we are considering it as a financial asset now, we have an option of revaluing the balance or doing a fair market valuation whenever the price discovery is there. So whenever there is some transaction and we have a valuation report, we will fair value the investment, will come through P&L.

Jinesh Joshi: Understood. So has there been any price discovery in this quarter in the sense that any transaction has happened in K-12?

Kalpesh Dedhia: Yes, there was some secondary transaction happened.

Gnanesh (Sunil) Gala: Yes, Jinesh. So the other shareholder being Sofina, which has been holding for a while, they also sold around 5% equity to a new investor based out of Singapore. So there has been a price discovery in the third quarter.

Jinesh Joshi: Okay. And if I remember right, our stake was 14%, right?

Gnanesh (Sunil) Gala: Yes, it is 14.3%.

Moderator: We have our next question from the line of Arihant from Bowhead.



- Arihant:** Sir, I wanted to know what was the Indiannica revenue and PAT this quarter and what is your guidance for FY '25 and '26 for Indiannica?
- Gnanesh (Sunil) Gala:** Kalpesh, you'll have to dig out that number, Indiannica?
- Kalpesh Dedhia:** So Arihant, as you know, Indiannica, the main quarter is fourth quarter. But till December, the sale was about Rs.6 crores.
- Gnanesh (Sunil) Gala:** Kalpesh, you may talk about corresponding 9 months.
- Kalpesh Dedhia:** Corresponding 9 months, I think last year, it was only Rs.47 lakhs. So compared to that, we are in a much better position this year.
- Gnanesh (Sunil) Gala:** So this year, the revenue projection that we have for Indiannica is between Rs.65 crores to Rs.70 crores business.
- Arihant:** Okay. And what was the PAT, sir?
- Gnanesh (Sunil) Gala:** What will be the PAT you're saying?
- Arihant:** PAT in 3Q and what will be your guidance for full year, sir?
- Kalpesh Dedhia:** So PAT is about negative Rs.27 crores. And guidance is about, I think, Rs.2 crores to Rs.3 crores we will make in PAT.
- Gnanesh (Sunil) Gala:** So Arihant, let me again repeat here that the Indiannica business, again, being seasonal where the fourth quarter is the real performing quarter. First 9 months, we do spend money not only for creating the products, but also to market the products. So in first 9 months, you will always see losses. In the fourth quarter, because of the high revenue, all those earlier losses will be recovered as well as we will generate certain -- some profit. So this year, as Kalpesh said, we should be positive at PAT level around Rs.2 crores to Rs.3 crores.
- Arihant:** Okay. Sir, I wanted to ask, have we launched any new paper and non-paper stationery products in domestic market? And how has the offtake been of those products?
- Gnanesh (Sunil) Gala:** So Arihant, it is a continuous process of introducing newer products. Unfortunately, this is the third quarter is not the right quarter to see the offtake. At present, we start marketing and booking orders. As I said, booking order was a bit difficult in the current quarter because of the raw material prices going down on a continuous basis.
- Therefore, trade was not really ready to stock the quantity. So as we start receiving orders from fourth quarter, we are sure that we will see more and more offtake for the newer category of products also. So today, we may not be able to quantify in value or quantity what has been the response so far.
- Arihant:** Similarly, sir, can you give some guidance on export order, the export order has been whatever you have received? And what would be comparable growth year-on-year based on order you received this year?



Gnanesh (Sunil) Gala: As mentioned in my earlier quarter speeches also in exports front, on a year-on-year, we are still expecting growth of 15%. Fortunately, we already have orders in hand, which we have to execute. So we are confident of achieving 15% growth in exports.

Arihant: Okay. And sir, can you please guide on the margins for publication as well as stationery like how much growth are you expecting margin in FY '25? And similarly in FY '26 over FY '25, what can be the improvement in margin for both publication and stationery business respectively?

Gnanesh (Sunil) Gala: So as far as publication business is concerned, our margins will end at around 27% to 28% for the full year. And next year, because we are expecting better revenue growth, that margin should be around 30-odd percentages. As far as the stationery business overall is concerned, our margin this year may come to around between 10% and 11%.

But with exports growing this year, we had some very low margin in domestic side. And therefore, the overall average margin will be 10% to 11%. But next year, when we see domestic also doing quite well in terms of revenue, that time we should come back to our original margins of stationery between 13% and 14%.

Arihant: Okay. One last question. Trump has recently imposed tariff of 10% on China. So do you think it will benefit us in receiving higher orders from USA? And another part would be, is there any antidumping duty imposed or have you heard anything about that, that it might happen? Any color on that?

Gnanesh (Sunil) Gala: So we cannot predict what will happen in future from US side . But levying certain percentage of antidumping duty on any other country may benefit to us in a short term. Long term, everything gets adjusted. The manufacturers of China then may move away to other countries and all that. That has always been happening. So there would be short-term benefit, but there can't be long-term benefit because of this decision of the US.

And antidumping duty on -- at least we have not heard any new antidumping duty on any of our product category now, but we do not really know when anything can come. So that we can't really comment on. Overall, what we understand that irrespective of antidumping duty in the U.S. the demand is going to remain, and we are not seeing any new manufacturing capacities being built in the US.

So to cater to that demand, irrespective of the price, the customers will be buying the products. And therefore, demand from India as well as from the other countries will continue to remain. Now it is the competition between the countries, which one will become cheaper. So we are not much worried about antidumping being levied. Now which country is cheaper is what we have to really look for, including the duty that country will have to pay.

Moderator: The next question is from the line of Himanshu Upadhyay from BugleRock PMS.

Himanshu Upadhyay: My first question was in the 2 states where we are, Maharashtra and Gujarat, what is the progress on NEP for next financial year? And anything which has come from the state government?



Gnanesh (Sunil) Gala: Yes, Himanshu in both the states, primary standards between first and second standard, several subject change has been announced. And based on that announcement, even we are ready with the new product line for those subjects. So that is the only announcement so far. So for the year '25-'26, a couple of subjects in Grade 1 and 2 is changing and Navneet is ready with that.

But now since the momentum has started of changing the curriculum and what we have recently heard that central government is really after all the state governments to implement the NEP for us, of course, the curriculum is only the concern area. With that, now this momentum cannot stop. So for next couple of years, curriculum change we will witness.

Himanshu Upadhyay: Okay. Okay. And for CBSE schools, has the curriculum been changed till what standards? Because we have our CBSE business also. So what are you seeing on the CBSE side?

Gnanesh (Sunil) Gala: So in '24-'25, Grade 3 and 4 did change. And going forward, two more standards will change. But CBSE business, curriculum change really does not benefit to a company like ours or rather any publisher because there is no practice of using second-hand books in CBSE segment. And all those textbooks have something to write on as well. So once the student uses a textbook, it does not become reusable. So irrespective of curriculum change, none of the company's publishers of CBSE will benefit on volumes. But Grade 5 and 6 is likely to get changed next year.

Himanshu Upadhyay: And see, one more expectation we had was it can lead to certain consolidation in the industry. And many small players may not be ready with the curriculum change and things like that. So do you think that is still a possibility or everybody has got sufficient time to get prepared, even very small player with Rs.25 crores, Rs.30 crores sales. So what is your thoughts on that?

Gnanesh (Sunil) Gala: Normally, this information of curriculum change is given to all the schools, concerned schools. So for CBSE, it will be CBSE schools well in time. It means the government or the department is ready with the content well in time. And therefore, all the publishers for that category has sufficient time to generate the newer content. So I do not think that because of the curriculum cycle, there can be a possibility of consolidation.

Himanshu Upadhyay: Okay. And secondly, one thing what we are seeing is the premiumization and parents spending far more on their kids as per family is having 1 or 2 kids, okay? And education is an important thing on which people spend. What are you thinking? And what more can we do on the premiumization side, okay? Not just textbook, but various other sides of education when we are in the business or we are preparing various subjects and knowledge data bank. How can you use the premiumization story which is happening in the country?

Gnanesh (Sunil) Gala: Yes, primarily, Himanshu, Navneet has always been focusing on the volumes and not on just premiumization. But having said that, with that philosophy also, the premiumization in book category, it means in the publication category, we have all the CBSE textbooks, which are premium in terms of pricing compared to the supplementary books that we publish in Maharashtra and Gujarat.

Additionally, we have now many new titles coming for the children book category. But please believe me, premiumization in education does not really bring volumes. So it may give us very



marginal benefit to the top line. But having said that, you're right that we can't ignore that area. And therefore, even in stationery business now under youvabrand, we have so many premium products being launched in last 2 quarters. And I'm sure on a longer-term basis, that will help us not only increase the revenue, but also on the margins.

Moderator: The next question is from the line of Viraj from SiMPL.

Viraj: Sir, just a couple of questions. First is on the stationery business. I think what the communication earlier was that we will be looking to enter a significant capex for next two or three years, given the kind of tailwind we have in exports. And similarly, the kind of new product -- new category initiatives which are coming down to domestic. So can you just share, because if I look at the first 9 months or 6 months also, the capex spend seems to be hardly -- it doesn't seem to change much from the historical trend. So any color you can give, where are we and in the commentary you also talked about us getting good momentum from Central America. So any color you can give what kind of order book...?

Gnanesh (Sunil) Gala: Of this year, I would have guided that in next 3 years, we shall be spending around Rs.150 crores in the business. In the current year, you may not still see the capitalization because many of the projects are work in progress. And therefore, we have still not capitalized. But having said that, there are a couple of land parcels that we had to invest in, a couple of construction projects that are going on, which will get completed by March or maximum up to June, and then it will get capitalized.

New machineries have been ordered and which will be installed by March, a few of them by June. So you will see in next 2 quarters some capitalization happening. But as I had said earlier also, we shall continue to invest for the stationery business majorly for exports to start with. But in domestic to bring out new category of products also, we will continuously invest.

Viraj: Second question is on the domestic stationery. And if you look at our overall business profile, we are still quite heavy in terms of paper products and that too related to lighting and related to edges and things. Now if you see the landscape, even in paper products and non-paper products, you see various...

Moderator: Sir, your voice is getting muffled.

Viraj: Yes. I'm just saying that if you look at the domestic stationery business, we are still quite heavy in terms of paper products and that to writing products and adjacencies. Now if you see the marketplace right now, you have seen major players like DOMS and even others who are growing both in paper and non-paper category. So just trying to understand in terms of our approach when you talk about innovations, new categories, what kind of initiatives we have taken, what kind of rollouts we have seen and we should see in coming years?

Gnanesh (Sunil) Gala: So you are very right, Viraj. So as far as our core products, stationery products, paper-based stationery products, what we are doing is increasing geographic reach to improve the volumes and the value for the business. Additionally, as I mentioned to Himanshu or Arihant that we have introduced several other premium products, of course, again, based out of paper in the market.



And thirdly, as you rightly said, many of the competitors or the stationery manufacturers have several other categories.

So I assure you that in next 2 to 3 quarters, you will also start seeing newer category being introduced in domestic market. Normally, as a strategy, what we do that most of the newer innovation, we first deal in exports. Having successfully implemented that, including the manufacturing and the quality, we introduced them into India. So a couple of products that we have already introduced in exports and are now successful will get introduced in Indian market as well.

Viraj:

Parallely, I mean, just to kind of see this other way around, if you see among the successful players in stationery, you have grown quite well, not just DOMS, but there are several other players. You've seen a higher rate of innovation, a far more agility in terms of the whole new product initiatives and marketing in the domestic stationery for each of them. So I understand that you have a good amount of pipeline, new categories rolled out for the export where you are more of a B2B supplier.

But when it comes to the domestic piece, what changes do you think you have done to put this on a growth part because I think we've been talking about competitive landscape, network expansion in core products. But somewhere, they're not really getting reflected. So just trying to understand both structurally, what changes you are driving to do, put this on a growth path?

Gnanesh (Sunil) Gala:

No. So you're right, Viraj. As I said, in exports, B2B, we have introduced successfully for the domestic making that Indianized version and introducing which we are focusing on. We should not and we believe, as a management, we may not be able to compare ourselves with the other competitors who have grown in respective businesses. Reason being they are there in that business for decades.

And now they are bringing in more and more innovative products, the way we are bringing in our paper products. So having entering the newer categories, we may take a little time to introduce more and more innovative products. But basic products, you will see them introduced in next 2 to 3 quarters.

Viraj:

Just one question on the publishing in the coming.

Moderator:

Maybe please request you to rejoin the queue.

Viraj:

Sure.

Moderator:

The next question is from the line of Riya Mehta from Aequitas Investment.

Riya Mehta:

My question would be in regards to the export opportunity. So who would be a likely competitor and which countries do we majorly export in? And what would the Forex impact considering that rupee is depreciating?

Gnanesh (Sunil) Gala:

Thanks Riya. So as far as competition from India is concerned, frankly, we see very little competition for our category of products from the country. But when we talk of competition and



in exports business, we have to consider and we have to focus on the competing countries. So, for different categories, we have different countries that compete with us, which includes China, Indonesia, Latin American countries and now even Vietnam.

So these are the countries they compete with us on a different, different category. And we have to be very sharp and agile on our quality, supply in time, and pricing, which our team, fortunately, we are quite alert on. And that way, we believe the export opportunity will increase further. What was your second question, Riya?

Riya Mehta:

So basically, which countries do we export and what would be the Forex impact?

Gnanesh (Sunil) Gala:

So our major exports, Riya, today is to the US, almost to the extent of 80% of our exports are to the US. And as far as the foreign currency is concerned, we do business very, very safely in a way that we have a Forex policy wherein all confirmed orders we hedge in advance. So whatever receivable that we have on our balance sheet today, or the confirmed orders, we have already hedged them in advance. Whatever new orders that will come now, we will get benefit of that. Overall, we have seen that keeping positions open has never benefited the company on long term. So year-on-year, our Forex policy has helped us maintaining our margins. So we may not see great benefit of rupee depreciation in this, this year.

Riya Mehta:

And how much is the time duration for the order? Like how much before do they give you order?

Gnanesh (Sunil) Gala:

Yes Riya, we have 2 types of businesses in exports now. One is back-to-school business. For that, the orders are decided between November to January every year to be supplied starting from March till June, July. So, that is one category of business that we have. And the other category, the newer categories that we have introduced, which is an all-round year business. So, in both the businesses, as I said, for the first category, we receive orders between November to January.

And for the second category, which is all-year-round business, that is a continuous ordering that we receive. So there is no lag time of receiving order and supplies. As we receive orders, we manufacture source material, manufacture, and supply. So, normally, it is maximum 2 months in that type of orders. When it comes to first category being back-to-school business, normally, it is 4 months that we have from receiving order to supply.

Riya Mehta:

So, since we have not received any major orders this time because of postponement or whatever reason, do we anticipate that orders being received in this quarter? How do we see this?

Gnanesh (Sunil) Gala:

Yes, I did mention about this point for domestic stationery, not for exports of stationery. Exports of stationery, we have been receiving orders the way we used to receive in earlier years. So on that front, we did not have a challenge. Challenge that we faced in third quarter was for only domestic stationery. And that I think this concern will get over when we complete the fourth quarter.

Riya Mehta:

Got it. And in terms of new domestic? Hello?

Gnanesh (Sunil) Gala:

Yes, yes, go ahead, please.



- Riya Mehta:** In terms of how much inventory of paper stationery do we keep? Because considering the paper prices going down, do we see a possibility of inventory write-down?
- Gnanesh (Sunil) Gala:** No, no, no, no, no. So we -- as far as the stationery products are concerned, if the paper purchases are at the raw material purchase at a higher price and if we have priced it at differently, considering those prices, we have to reduce our margin and sell that. So never ever we have a dead inventory because of this raw material fluctuation.
- In terms of publications, that has never been a concern because price was never a primary reason to buy by the customers. It was the content quality. Therefore, in our history, we have never reduced the prices of our products. So, irrespective of paper prices going down or up, whatever pricing that we have decided and which is printed on a book at that rate only, it is sold in the market.
- Riya Mehta:** So, how much paper inventory do we keep for the publication business?
- Moderator:** Request you to rejoin the queue as there are several participants waiting for the turn.
- Riya Mehta:** Sure. Just the last question. How much day inventory of paper do we keep?
- Gnanesh (Sunil) Gala:** So we would have for publication business around 3 months inventory right now. But mind well, this inventory has been built up in last 3, 4 months where prices were almost down. So we do not carry now high-priced raw material because we do not have such inventory. And for stationery, we would have hardly 1.5 months inventory.
- Moderator:** The next question is from the line of Sejal from Avendus Capital.
- Sejal:** My first question would be, does the company has any plans to capitalize on the government push for regional language book announced in the budget '25-'26?
- Gnanesh (Sunil) Gala:** I could not hear you properly. Does the company capitalize on what?
- Sejal:** On the government's push for regional language textbook announced in union budget '25-'26.
- Gnanesh (Sunil) Gala:** So of course, announcements are there. Let every state adopt it. And we have all the products, frankly, ready with us, depending on the request or the demand from the schools and as decided by respective state government or central government, we will get more demand if it happens. So that's really not much of a challenge for us. It is just reprinting what we have. So, it's not going to take time and we are as such always agile on inventory management. So that is easily possible for us.
- Sejal:** Okay. And Navneet Education has outlined a capex plan of Rs.200 crores over 2 to 3 years, primarily for capacity expansion in stationary segment and regular maintenance and publication segment. Could you provide a detailed breakdown of this investment, including the specific areas of expansion, expected capacity additions, timeline execution, and an anticipated impact on revenue and margins?



Gnanesh (Sunil) Gala: Sejal, if we can discuss this one-on-one or if we can mail to you would be a better idea because this will require for me to a little bit dig out the details. We just gave you the number based on the totals that I have in mind. We may not have breakup of all this thing right in front of us right now. Is that okay, Sejal?

Moderator: The next question is from the line of Amit Khetan from Laburnum Capital.

Amit Khetan: So Galaji, we saw some decline in our number of pages due to some changes in the curriculum last year, right, which impacted our revenues. Just wanted your perspective on with content moving increasingly online, is there a risk that there could be a structural decline in the number of pages and hence, the price of our products?

Gnanesh (Sunil) Gala: So Amit, the usage of books is not likely to reduce, as I would have said, but your question is number of pages or the content. Now as far as the state curriculum or state schools are concerned, we still do not see great adoption of technology. And therefore, we do not see even state governments planning to reduce the content in physical form. So we really do not worry about that.

But as far as the CBSE textbooks are concerned, the Grade 3 and Grade 4 content that was published by the NCERT and thereafter by the private publishers, we did not see actually a reduction in content. It was in state of Gujarat this year in the first and second quarter, certain subjects where state governments did reduce the sizes, and accordingly, we had to redo or redesign our product, that was the effect. But now offload, we are not seeing that happening at all.

Amit Khetan: Got it. Got it. And just a follow-up on the publication segment. So historically, prior to COVID, we were operating at some 32%, 33% EBIT margins, and this was fairly consistent and in a tight range. Now post-COVID, we had this EdTech business where we were making losses, and this was merged into the publication segment last year. Now my understanding based on our previous interactions is that some of the EdTech expenses, the burn will go down and therefore the losses there will go down. But some of it could be structural in nature and you sort of need it in the business. So how do you see the steady-state margin for the publication business? Should it go back to 32%, 33%? Or should we expect a lower number here?

Gnanesh (Sunil) Gala: Amit, to our expectation, as I just mentioned in my speech earlier that recently we launched Navneet AI. Now everything does has a cost, and we do not see revenue coming in immediately. So it will take its own sweet time. But long-term basis, that is going to benefit the overall content business. So having said that, the margins that we would love to go back is between 30% to 32%, but not the margins that we were showing 33% to 35% earlier because of the continuous investments.

And also once the revenue growth as a percentage increases, margins automatically improves. Most of our expenses are fixed in nature, and therefore, margins will improve. It is unfortunate that the revenue growth has been minimal, and therefore, we have been continuously seeing decline in margin as well. So we are just waiting for the next year and thereafter, that revenue



percentage growth happens faster and margins will definitely show improvement. But as I said, 30% to 32% will be the margin in content business.

Amit Khetan: So this 27% to 28%, which is currently the number, that will go to 30%, 32%. That's the expectation with the revenue improvement.

Moderator: The next question is from the line of Madhur Rathi from Counter Cyclical Investments.

Madhur Rathi: Sir, I wanted to understand regarding the paper prices and where do we see them going? And can it have a further impact on our margins going forward?

Gnanesh (Sunil) Gala: Paper as a cost has stabilized from the month of December, and we do not see any downward now. There could be increment in paper prices going forward, at least up to April. That has been the estimation of the market. Now when paper prices went down, it definitely benefits the publication business because we do not reprice our products. It did happen in domestic stationery where we had to reprice our product considering the competition. So normally, stable prices like every industry, stable prices really helps companies. Downward helps publication business, but does not help the stationery business.

Madhur Rathi: Okay. And sir, I think in last quarter, you mentioned that in the CBSE school business, where I think most of the spending is happening by the affluent customers. Generally, schools don't take more than one publisher subject or something like that. So we do white labeling where we create multiple brands in Navneet's name and then just sell it out to different schools because I think we have the school reach and the targets we have the manpower to sell. So any thoughts on that?

Gnanesh (Sunil) Gala: So Madhur, if same brand is presented by the same person, it does not have any impact. The same and increasing number of sales team for each of the brand is very, very costly affair in CBSE type of a business. Instead, what we have recently done and which a few of you might have gathered it that the recent launch of Navneet AI is so advanced tool for the schools to use in the classroom. Once they decide to use that tool in the classroom, compulsorily or I would say, majorly, they will have to buy Navneet content. So that way, adoption of more titles in the school can happen. So this is a recent development, which we will see, but we are very hopeful of increasing number of titles in the same school.

Madhur Rathi: Got it. And sir, I just wanted to understand, sir, there's recently a publication of Chetana. Do we consider them as our competitor in the Maharashtra market?

Gnanesh (Sunil) Gala: Yes. They are our competitors from beginning. So their revenue in Maharashtra would be sub-Rs.100 crores, and they have been our competitor for the last 30-odd years and great publishers.

Madhur Rathi: Sir, what would be the market share between the 2 of us? And is there any pricing difference in our product versus their product?

Gnanesh (Sunil) Gala: I would say product categories are the same. We all differentiate based on just the content. So I would say even they are good. Their marketing is good. So overall, what new features that we add in our product will differentiate between us. So in short, what I'm trying to say, they are not



new publishers. They are also 30-, 40-year-old publisher and are in the market for that long. So it is a continuous competition between us that will continue to remain.

- Madhur Rathi:** Got it. And sir, on the market share...
- Moderator:** Sorry to interrupt, sir. May we please request you to...!
- Madhur Rathi:** Just a follow-up question. Sir, on the market share?
- Gnanesh (Sunil) Gala:** Their market share would be around 15% of the total opportunity in Maharashtra.
- Madhur Rathi:** And for us?
- Gnanesh (Sunil) Gala:** For us, it is around 50% to 55%.
- Madhur Rathi:** Okay. And sir, on the pricing front?
- Gnanesh (Sunil) Gala:** They may be more or less the same. Pricing-wise, we are not different. Depending on the cost we incur on a product, including the raw material usage, the price varies. But margin-wise, they would be the same.
- Moderator:** We have our next question from the line of Megh Shah from Prospero Tree Asset Management.
- Megh Shah:** Sir, I had 2 questions only. One is related to the publishing business, other is the stationery business. Sir, in publishing business, we have acquired the Indiannica, if I'm not wrong, then Indiannica was acquired in 2016. And in most of the year, it made a loss. If Navneet is not the promoter of the Indiannica, would Indiannica survive today?
- Gnanesh (Sunil) Gala:** Yes. Good question and difficult question. Indiannica would not have survived without a strong promoter that you are very right. Now why did we continue making losses or we accepted the losses because we are seeing a very, very long-term benefit of the opportunity, which is CBSE, which in 2016-17, when we were saying people may not have accepted. But today, as we see post pandemic in particular, more and more students are shifting to CBSE.
- Therefore, it is a long-term benefit that we saw and have invested. But you're right, for others, it would not have -- but others would not have taken so much of risk in introducing new and newer products or expanding geography, they may not have done. But yes, Navneet has invested looking at the long-term benefit.
- Megh Shah:** But sir, you just mentioned that by the year-end, Indiannica may report the Rs.65 crores to Rs.70 crores of the revenue and Rs.2 crores to Rs.3 crores of the PAT. then what the IRR Navneet is generating on the investment in Indiannica? I think it is not meaningful IRR Navneet is generating from the Indiannica investment. That's our point, sir.
- Gnanesh (Sunil) Gala:** Yes, but that was done in 2016-17. Now we can't go back to that year and undo our decision. Having said that, at Navneet, we see businesses from 2 angles. One is short-term angle and other is long-term angle. So IRR-wise, if we look at this year or next year, we may not see IRR being good or even mentionable. But long term, please be assured that we will be able to generate good



IRR on this investment as well. And it is not only the -- purely from a numbers point of view, it is very important, our presence in the market. And because of that presence, the other businesses that we are in also gets benefit of that. So it is an overall view that we have to take as a company.

Megh Shah: So sir, are you sure about that from current year or from the next year, the Indiannica will not make any loss, at least it achieves a breakeven?

Gnanesh (Sunil) Gala: Yes, we are very sure about it.

Megh Shah: Okay, Sir, this is my last question, sir. In the stationery segment, you suggested that this year, the company may report the 10% to 11% is the margin. I think you are referring to EBIT margin because in the segment report, even for the first 9 months, company has already reported the 12.19% EBIT margin. So do you say that -- do you indicate that in the quarter 4, our EBIT margin will be less than the 10% from the stationery segment?

Gnanesh (Sunil) Gala: No, no, no, no. So I'm sorry on that. What I meant was PBT margin. I did not meant EBIT margin. So that way -- it will remain the same. And the fourth quarter will be better for both exports and domestic. So that will definitely improve a bit further margin to PBT level. So PBT should be between 10% to 11%...

Moderator: We have our next question from the line of Giriraj Daga from Visaria Capital Trust.

Giriraj Daga: Yes. Just small questions on each of the segments. First, given the background, what is your best case estimate about the growth for stationery next year, given the background the curriculum change of Grade 1 and Grade 2. Second question on the stationery side of it. So if you talk about the quarter 4 is very high for us seasonally for the domestic segment, and you're talking about restocking as well.

Do you think we'll be able to recover that Rs.30 crores of loss in the first 9 months what we had in the stationery domestic side? And second, when you mentioned 15% growth in the export stationery, just to achieve that this year, 15%, we'll have to do about 20%, 30% growth in the quarter 4 for export stationery. Are we on track on that?

Gnanesh (Sunil) Gala: So on both front, we are on track for that. So domestic to start with, yes, we are very confident of achieving around. So on domestic, I should clarify that this will be volume growth, not the value growth that we are talking. So in domestic, value may be similar now to the last year because of reduction in our final product pricing. But volume will grow by around 15%.

So in the quarter 4, we should do at least Rs.25 crores to Rs.30 crores additional business compared to the last corresponding quarter. And for exports, you are right. We are confident of growing to the percentage that you just mentioned. We have sufficient orders in hand. What was your question on publication?

Giriraj Daga: FY '26 growth number estimate?



Gnanesh (Sunil) Gala: In publication business, we are very sure of at least growing by 12% year-on-year. And the effect of Grade 1 and 2 will not be that big as a percentage. But overall, 10% to 12%, we are very confident of.

Giriraj Daga: Sorry, sir, grade impact is not big, how we are expecting that 12% growth like...?

Gnanesh (Sunil) Gala: No, no. It is just not because of the new curriculum products only we will have growth. It is the digital activity that we have done. Now we are seeing the results of that. So that will also help growth. The overall second-hand book market, at least 2x or 3x students have already used the books. They won't be able to use the book same way. So therefore, second-hand book market as a percentage now should for sure reduce, and that will all bring over this growth.

Moderator: Ladies and gentlemen, due to time constraint, that would be the last question for today. And I now hand the conference over to Mr. Sunil Gala for closing comments. Over to you, sir.

Gnanesh (Sunil) Gala: Yes. Thank you. So I take this opportunity to thank everyone for joining the call. I hope I -- of course, I know that I could not answer everyone may be still in the queue, but I hope we have been able to address the queries raised to me.

For any other information, kindly get in touch with our IR team, Strategic Growth Advisors, our Investor Relationship Advisors. So I request whatever questions that you all have, please have that clarified and we'll try to answer as soon as possible. Thank you very much.

Moderator: Thank you. On behalf of Navneet Education Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.