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NEL/BSE/108/2016

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**Corporate Relationship Department**  
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Rotunda Building, P. J. Towers,  
Dalal Street, Fort, Mumbai - 400 001

**Ref : Scrip Code : 508989**

Dear Sir,

**Sub : Regulation 30 (6) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.**

Please find enclosed herewith the transcript on Earnings Call for Q2 FY17 Results and the recent acquisition of publishing business in India of Encyclopaedia Britannica held on 11<sup>th</sup> November, 2016.

Kindly take note of the same.

Thanking You,

Yours faithfully

**FOR NAVNEET EDUCATION LIMITED**

**AMIT D. BUCH**  
**COMPANY SECRETARY**

Encl.As above

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## Navneet Education (NELI IN)

### Q2FY17 Post Result Conference Call & The recent acquisition of publishing business in India of Encyclopaedia Britannica Transcript



#### Representative:

**Mr. Sunil Gala – MD**

**Mr. Deepak Kaku – CFO**

**Mr. Roomy Mistry – Head IR**

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**Date:** November 11, 2016

#### Moderator

Ladies and gentlemen, good day and welcome to the Navneet Education Q2 FY `17 Results Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder all participants' 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 "\*" then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Nishna Biyani from Prabhudas Lilladher Private Limited. Thank you and over to you sir.

#### Mr. Nishna Biyani – Prabhudas Lilladher

Thank you Stanford, good afternoon to all participants and I would thank the management of Navneet for taking out time for today's conference call to discuss the quarterly performance and the recently acquisition of Encyclopaedia business in India. We have with us Mr. Sunil Gala, MD, Mr. Deepak Kaku, CFO and Mr. Roomy Mistry, Head - Investor Relations at Navneet. We will begin this call with opening remarks from Mr. Sunilji following which we will open the floor for an interactive Q&A session. Before we begin I would like to mention that certain statements in this call could be forward looking statements in nature and are subject to risks and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by information currently available to them. I would now handover the floor to Mr. Sunilji, thank you and over to you sir.

#### Mr. Sunil Gala - Managing Director

Thank you Nishna, good afternoon to all of you. First of all I am really happy to discuss Q2 results which we announced today. So let me start with an overall view that for the Q2 our business has grown by 46%. Let me just tell you that Q1 is always the real number that we see, Q2, Q3, Q4 the revenue as a percentage of total revenue is little lower. So any increase of Rs. 30-40 crores will definitely show higher growth number but in any case the numbers are good. So on quarterly basis, revenue grew by 46% but on a six monthly basis, the revenue has grown by 15.5%. Interestingly operating profits of the quarter has risen substantially by 352% but at the six months results it has grown by 26%. And Profit Before Tax also has gone up significantly by 84% but again on a six months basis Profit Before Tax has grown by 22%. The growth has been witnessed in both the segments. As far as publishing segment is concerned, the growth has been 58% for the quarter and 26% on stationery whereas for six months publication revenue has grown almost by 16% and stationery by 14%. Because of the higher revenue in publishing segment, quarterly publishing revenue, rather the profits is almost 31% and stationery is - 2.3% (minus) which is far better than corresponding quarters. But on a six months basis, the publishing segment has shown a profit of almost 39% and stationery 15% plus. So at a company level our PBIT for six months is

around 30%. Now this is with regard to the core business so if you have any questions on the business of course I will be happy to answer them after I complete my discussion.

Further I would like to discuss about which I am sure many of you would be keen to understand about Encyclopaedia Britannica acquisition that we are likely to do. Encyclopaedia Britannica worldwide is a very very huge brand in content business worldwide. They also had one Indian curriculum based business of textbooks and digital products in India which they had started around 8 years ago. What they have is that different items all together what Navneet has been publishing so far. Just to give you clarity that Navneet's major revenue in publishing is from supplementary books whereas Britannica's business is of textbooks and digital products. So you all maybe aware that for last couple of years Navneet also had decided to go Pan India and accordingly we started publishing several textbooks or extra-curricular books which we had already started marketing in India. But having seen this opportunity the business with a strong brand which already had a footprint of more than 6,000 schools across India, we thought it was a good buy and therefore we decided to buy the business. Due diligence on various parameters are going on right now so Definitive Agreements would be completed in next one month or so.

I would also like to mention something about our eSense digital business. There you may not have the numbers with you but revenue there have grown marginally. This year we have invested more on advertisements and new content creation which is different, much different content than that we have been delivering or giving to the market right now. So we have spent good money on both these counts and therefore we may see topline and bottomline numbers at par with last year, so this is on eSense. I would also like to make a mention of our today's decision of buyback. So the company has decided to buyback at the rate of Rs. 125 per share, totally we are going to buy 46,57,000 shares which is approximately 2% of the equity capital. And the amount that will go out from the company would be around, between Rs. 58-59 crores. And the record date for that we have decided to keep it on 25th of November, 2016. More or less Nishna basic information I have given, I would be really happy to answer questions to my investors.

#### **Moderator**

Thank you very much. We will now begin with the question and answer session. Anyone who wishes to ask a question may press "\*" and "1" on their touchtone telephone. If you wish to remove yourself from the question queue you may press "\*" and "2". Participants are requested to use handsets while asking a question.

Ladies and gentlemen we will wait for a moment while the question queue assembles.

To ask a question you may press "\*" and "1".

We take our first question from the line of Mr. Rahul Jain from Prabhudas Lilladher. Please go ahead.

#### **Mr. Rahul Jain - Prabhudas Lilladher**

Good afternoon sir and congratulations on good set of numbers and of course on the recent acquisition which you have done.

#### **Mr. Sunil Gala - Managing Director**

Yeah.

**Mr. Rahul Jain - Prabhudas Lilladher**

My first question relates to this acquisition itself, typically what kind of synergies which we will have with this acquisition? And what kind of growth Encyclopaedia has seen in last few years? And do you feel that growth can be further accelerated with Navneet being there in terms of synergies coming from say a distribution network? And also I see this deal if I am right it is for 7 years, I just need to understand then what after 7 years?

**Mr. Sunil Gala - Managing Director**

Okay. Is that the only question you have or....?

**Mr. Rahul Jain - Prabhudas Lilladher**

And also the margins in Encyclopaedia are they similar to our business also? And in terms of digital initiative if you could share something more how we are headed because I understand in your initial remarks that investments are being made in terms of advertisement and content creation. Are we talking about content creation in the way of new content being developed or the content now being present in a different manner? That's it from my side at this point of time.

**Mr. Sunil Gala - Managing Director**

Sure. So, I would like to answer Rahul your questions, first on synergies with EB and Navneet. There are several synergies right from sourcing of raw materials to selling the products. So slowly slowly we will try and synergise which benefits both the companies. Initial phase for atleast next six months odd we would not really try to get into the operations of EB much or disturb their operations because at present their core business of marketing is on and by March-April they would really end up selling the products. So we would not disturb anything there but there are lots of synergies as I just mentioned. As far as deal for 7 years is concerned, it is usage of brand Encyclopaedia Britannica for 7 years which is extendable on a mutual consent by paying fees. Now here we will decide in a course of time during the year that we want to have our additional brand or we just want to continue with Encyclopaedia Britannica. So if we decide to have additional brand, so it will be cobranded for couple of years and we may phase out Encyclopaedia Britannica brand at the end of 7th year.

But important for us is, actually though the brand is very very strong but important for us is not only the brand, that the professional management that they have, the distribution reach across India that they have, the number of schools that they are already marketing in the country. So all these advantages are much much higher than just the brand. Definitely growth by both businesses joining together that I am sure will help both companies more to Britannica so we are going to work towards that also. On margins front since the deal is not completed, we have not signed Definitive Agreements yet so I would refrain from giving margins and all. But since it is a publishing business and I am just giving you a general view that in publishing business which is in textbooks, all India the margins are little lower than what in supplementary books that we enjoy. But detailed margins we will be able to convey only when we sign Definitive Agreements.

Your second question on digital initiatives in our subsidiary eSense. So there we are developing new content when I said it is actually the same content or same curriculum that we are designing in a different way by which adoption could be much better. It helps not only to the students but far far to the teachers to plan their lesson plans in the classroom. So, on that line we are developing the content. And simultaneously whatever content that we have today we have started B2C programme and therefore we have started advertising in a big way. Conventionally Navneet has never really advertised that way but to create this new product or new offerings we thought that creating the awareness through advertisement is very important. Therefore we have spent money on that.



**Mr. Rahul Jain - Prabhudas Lilladher**

Sure.

**Moderator**

Thank you. Participants to ask a question you may press "\*" and "1".

We take our next question from the line of Mr. Bharat Chhoda from ICIC Direct. Please go ahead.

**Mr. Bharat Chhoda - ICIC Direct**

Sir, congrats on a good set of numbers.

**Mr. Sunil Gala - Managing Director**

Thanks.

**Mr. Bharat Chhoda - ICIC Direct**

Just wanted to know that this revenue growth has been exceptional, right. Normally we tend to be even when the publishing here with the curriculum changes we have a 15-20% kind of a growth. So this time we have clocked a 46% growth on YOY basis. So what has actually driven this?

**Mr. Sunil Gala - Managing Director**

So, in my initial remark only I said that for us to judge the growth one has to look more on Q1 numbers than on Q2, Q3, Q4. So this time the growth in publishing segment which in terms of sales is around 58%. So, shift of some revenue of June to July would make that difference. Added to that because of good monsoon this year we really witnessed the drought effect that we saw last year that was no more there and we could see there were repetitive buyers, by buyers what I mean is the retailers. Therefore they also have been able to sell good quantities to the end consumers. So the reason of degrowth or very muted growth last year, this year it wasn't there and therefore good numbers in Q2 also.

**Mr. Bharat Chhoda - ICIC Direct**

So if you are looking on an annual basis probably we would be still looking at a 15-20% kind of a growth on topline?

**Mr. Sunil Gala - Managing Director**

Yeah, around 15% we are confident of...

**Mr. Bharat Chhoda - ICIC Direct**

And we would be maintaining similar kind of margins?



**Mr. Sunil Gala - Managing Director**

Yes please.

**Mr. Bharat Chhoda - ICIC Direct**

Okay. And have we received any government orders or anything on that?

**Mr. Sunil Gala - Managing Director**

We have received only one order that will be executed in Q3.

**Mr. Bharat Chhoda - ICIC Direct**

What is the quantum of that if you can share?

**Mr. Sunil Gala - Managing Director**

It is just Rs. 12 crores odd.

**Mr. Bharat Chhoda - ICIC Direct**

Okay sir. That's it from my side. If anything I will come back. Thank you.

**Mr. Sunil Gala - Managing Director**

Thank you.

**Moderator**

Thank you.

We take our next question from the line of Mr. Akshat Vyas from Karvy Stock Brokers. Please go ahead.

**Mr. Akshat Vyas - Karvy Stock Brokers**

Hello sir.

**Mr. Sunil Gala - Managing Director**

Yeah, hello.

**Mr. Akshat Vyas - Karvy Stock Brokers**

Sir, just following up with the previous question, just the guidance which you are saying is including the new acquisition, Britannica?

**Mr. Sunil Gala - Managing Director**

No, no, no, it is on standalone basis what I was mentioning. So on Britannica as I said the numbers I will be able to discuss only when we finally acquire that by signing Definitive Agreements. Thereafter we will be including them but right now I was talking about standalone numbers only.

**Mr. Akshat Vyas - Karvy Stock Brokers**

And do we see any on our margins post the synergy happening? Do we see our margins accretive with Britannica coming or it will be little bit lower or stable?

**Mr. Sunil Gala - Managing Director**

So we are acquiring means we are going to keep that as a subsidiary only so on standalone basis the margins are likely to remain the same as has been there for last couple of years. On console basis depending on the margins that we generate in Britannica business will be able to see. But again it relates to you know talking about numbers of Britannica which I would like to resist right now.

**Mr. Akshat Vyas - Karvy Stock Brokers**

Sure but does Britannica has margins lower than us or are they at the same level?

**Mr. Sunil Gala - Managing Director**

Again same thing I am saying I will not be able to talk but in general I talked about that in textbook market which is marketed throughout the country, the margins in publishing segments are little lower than the margins that Navneet enjoys.

**Mr. Akshat Vyas - Karvy Stock Brokers**

And sir one last question. The acquisition which you have done was through internal accruals, right?

**Mr. Sunil Gala - Managing Director**

Yes, please.

**Mr. Akshat Vyas - Karvy Stock Brokers**

Okay sir. Thank you.

**Mr. Sunil Gala - Managing Director**

Thank you.

**Moderator**

Thank you. A reminder to the participants to ask a question you may press "\*" and "1".

We take our next question from the line of Mr. Vinay Kulkarni from HDFC Mutual Fund. Please go ahead.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Sir, thank you for the opportunity and I am really grateful that you are holding a conference call. It is very nice of you, I think if you can continue with this practice every quarter it will be very nice.

**Mr. Sunil Gala - Managing Director**

Sure, sure Vinay.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Great results, congratulations, I had couple of questions. One was on the CBSE book market, if you can just brief us about what is the progress we have made in the first half? Secondly, if you could just brief us on any new developments on the school business where you have invested some resources? And the third of course is if you can comment on your international business?

**Mr. Sunil Gala - Managing Director**

Sure Vinay. So, on CBSE book market as far as Navneet's business is concerned for six months we have grown by around 30%. Again just to remind the topline itself was quite low so 30% will not be really significant at a company level but we have grown by 30%. We had increased the titles and we also had increased some territories therefore we could grow by 30%. Does that solve your question?

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Yeah, fine.

**Mr. Sunil Gala - Managing Director**

That answers your question. There is no new development in school business that we have invested through K-12 Technologies. What I mean by that is that now we have 12 CBSE schools in the brand name Orchids International which schools are in Mumbai, Pune and Bangalore. So we have not added any more schools in the current year but from next year we are likely to add more schools. But as far as 12 schools are concerned last year we had around 6,500 students versus this year we have 9,500 plus students. So admissions are really really good and now it is a quality business I would say, the CBSE schools can get more higher fees because deliverables are much higher. So going forward that business looks very very attractive. And to answer your third question of international business, with respect to exports of stationery, exports of stationery in last two quarters also has grown by around 25%. And we are seeing more and more interest from our buyers particularly from the US . We have created excellent innovative products for them so they are introducing all of them. And therefore going forward we still see that international business is likely to grow at the same speed.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Great sir. Just one follow-up, what do you think is the impact of this recent demonetisation that we have seen by the government. Do you think it will impact the trade which actually pushes your products and hence it will also impact off take for the company as such?



**Mr. Sunil Gala - Managing Director**

No, to be very frank we do not foresee because the amount that students spend for books are not demonetised because our book prices are not beyond Rs. 100 in any case. Good part is that our major revenue which every year we get is in the first half, in the next two quarters in any case our revenues are not going to be that significant. And I am sure demonetisation effect on trade, negative impact will not last for more than six months. So, when we are in the next year, next main season I am sure this impact will not hamper our growth at all.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Great. Just one final question from me. Is buyback in view of any dividend you are trying to pay for FY `17 or this is just...?

**Mr. Sunil Gala - Managing Director**

No, this is normal buyback that we have decided to announce and on dividend you all know that we have a dividend policy at place. So keeping that in mind I am sure going forward board will take an appropriate decision on that.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Okay. So you are suggesting there is no change in the dividend policy and this is over and above that?

**Mr. Sunil Gala - Managing Director**

Yeah, dividend policy of 25% there is no change at all but we have been distributing much higher than that every year. So board will take decision at an appropriate time.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Okay, thank you sir. Wish you all the best....

**Mr. Sunil Gala - Managing Director**

Thanks.

**Moderator**

Thank you.

We take our next question from the line of Mr. Alwin Shah from Athena Investment. Please go ahead.

**Mr. Alwin Shah - Athena Investment**

Sir, could you just repeat what was the size of the government order to be executed this quarter?

**Mr. Sunil Gala - Managing Director**

To be executed in Q3 is around only Rs. 12 crores.

**Mr. Alwin Shah - Athena Investment**

Thank you. That's it.

**Moderator**

Thank you.

We take a follow-up question from the line of Mr. Rahul Jain from Prabhudas Lilladher. Please go ahead.

**Mr. Rahul Jain - Prabhudas Lilladher**

Sir, in terms of a buyback do the promoters would also tender shares for buying back? Secondly, you mentioned the CBSE side where you had 30% growth and of course you have discussed it earlier in terms of Navneet planning to go in a sizable way in the CBSE market also. So where do we see our investments now in CBSE for next 6-12 months because I am sure you would like to be prepared for the next season next year? And in the next 2-3 years where do we see Navneet going in the national space of course it has to be through CBSE? And lastly sir you mentioned about Encyclopaedia, are they into the ICSE part of the syllabus?

**Mr. Sunil Gala - Managing Director**

Okay. I will answer all your questions so as far as buyback is concerned yes promoters are also going to tender to the percentage of their holding. Now from CBSE point of view no doubt Navneet clearly sees that there is huge opportunity in CBSE market in particular and therefore going forward we are going to focus on more and more products for CBSE from Navneet as well as focus Britannica's products and try to grow those markets. Any good opportunity in that segment we would definitely look at that seriously. Now as far as Britannica's products are concerned they are already been sold in ICSE schools, apart from CBSE schools All India and CBSE schools which are present internationally.. So we believe the books that Britannica has, has a market opportunity for all English medium schools which includes state affiliated schools also.

**Mr. Rahul Jain - Prabhudas Lilladher**

And sir in terms of acquisition I know we were looking for acquisition for some time now. So does that complete our acquisition strategy for next 2-3 years?

**Mr. Sunil Gala - Managing Director**

No, I wouldn't say so. If we get right additional opportunities we would definitely look at them. But quality players or quality business if you are getting in content for CBSE market we would definitely look at them. Sorry, I forgot to answer one of your questions that how much further investments we have to make in next 8-12 months. So the business is more or less like Navneet so any further investments would be only for working capital. There will be no fixed investments that would be required to grow business of Britannica also. So, it would be always incremental working capital that we may require every year.

**Mr. Rahul Jain - Prabhudas Lilladher**

And sir the acquisition if we are looking about, in case we have a decent acquisition at a good valuation. Are we talking about acquisition in the space of CBSE and ICSE, I think we will be looking in the school section only or do you plan to take acquisition in some sort of a professional education too, is that possible?

**Mr. Sunil Gala - Managing Director**

No, our focus is K-12 market only All India.

**Mr. Rahul Jain - Prabhudas Lilladher**

Sir, just one last thing, suggestion from my side if that is okay.

**Mr. Sunil Gala - Managing Director**

Sure.

**Mr. Rahul Jain - Prabhudas Lilladher**

In our results release if we could add, on the Balance Sheet side I see only the Balance Sheet for the current six months as on 30th September. If you could have a comparative Balance Sheet as on 30th September, 2015. If you could make that as a practice.

**Mr. Sunil Gala - Managing Director**

Okay.

**Mr. Rahul Jain - Prabhudas Lilladher**

And also when we are having the P&L if we could add the column of

12 months of the preceding year. So like in this result if we could also have a 12 months 31st March 2016 results that is generally very helpful. So that is just a suggestion from my side if that could be done it could be helpful.

**Mr. Sunil Gala - Managing Director**

Thank you for the suggestion whatever has been prescribed by SEBI and if it is not really restricting us to publish then definitely we will take your suggestions and publish them from next quarter.

**Mr. Rahul Jain - Prabhudas Lilladher**

Sure. Thank you so much sir, thanks for answering all the questions. Thank you.

**Mr. Sunil Gala - Managing Director**

Thanks. No problem.

**Moderator**

Thank you. A reminder to the participants to ask a question you may press "\*" and "1".

Participants to ask a question you may press "\*" and "1".

We take our next question from the line of Ms. Namrata Shah from ICICI Bank. Please go ahead.

**Ms. Namrata Shah - ICICI Bank**

Thank you for the opportunity. Sir, my question is related to buyback of shares what is the quantum you are looking at for the buyback? And another thing is there any similarity between the digital solutions that Britannica provides and like eSense that we have in house. Is there any similarity or you are going to have the synergies between both of them together or is it going to be a separate entity and working completely separately?

**Mr. Sunil Gala - Managing Director**

There are two questions, right?

**Ms. Namrata Shah - ICICI Bank**

Yes.

**Mr. Sunil Gala - Managing Director**

Yeah, so buyback quantum is 46,57,000 shares and the total amount is around Rs. 58,21,00,000 odd figure. So that is the number for buyback which is comprising of around 2% of our paid-up capital. On digital solution there is no similarity between the digital products that we have from eSense and Britannica. So digital solution that Britannica has as whatever textbooks that they have published, they have digital products focusing those textbooks. So when they go to the schools they market both textbooks and the digital products. Whereas in eSense we have only digital content which is based on the textbooks published by the

State Governments of Maharashtra and Gujarat, so markets are also different. Now as far as synergies are concerned whatever digital solution which Britannica was outsourcing from various places, that development will be done by eSense. So there will be lots of synergies between eSense and Britannica with regard to digital development.

**Ms. Namrata Shah - ICICI Bank**

Okay. Thank you.

**Mr. Sunil Gala - Managing Director**

Thanks Namrata.

**Moderator**

Thank you.

We take our next question from the line of Mr. Vinay Kulkarni from HDFC Mutual Fund. Please go ahead.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Thank you. Sir, I have one follow-up question on the school business, K-12 business. I am aware that there is one education company planning to go public shortly which also has a school business, they plan to sell out because for whatever reason they have also not done so great in CBSE. I think so can you just comment on the general school business, why from a 20,000 feet it looks so attractive

but very few people are actually able to make money on a sustainable basis they want to run this business. Could you just share some idea on that?

**Mr. Sunil Gala - Managing Director**

Sure Vinay. So, the company that you are talking about which wants to go public, as per our information their major revenue is from state curriculum schools where there is a huge limitation of charging fees to the students. And that business frankly is very very low profitable business although that company has CBSE schools and few international schools also. But as a proportion to their total revenue, I believe their state curriculum schools are much higher and therefore that could be the concern. But what we are witnessing at our end unless we try to grow slowly, rather if we try to grow slowly, a reasonably well thought of it good location schools and charging Rs. 80,000 to a Rs. 1 lac fees, I am sure the profitability would definitely be seen in this. So at present with 9,500 school students also, our occupancy is around 55-56%. So with every growth in number of students the profitability will improve. So therefore we are confident about that number.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

And are we sticking to our margin number of around say 20-21% by this year end or early next year for the school business?

**Mr. Sunil Gala - Managing Director**

For the school business margins I do not know whether I have ever spoken but margin varies from the occupancies. So for example in the current year we may be just breaking even or little bit of profits but next year with increase in number of students the expenditure is not likely to increase proportionately. So we will see much higher margins so at full capacity we may enjoy more than 30% margin.

**Mr. Vinay Kulkarni - HDFC Mutual Fund**

Okay, right sir. Thank you very much.

**Mr. Sunil Gala - Managing Director**

Thanks Vinay.

**Moderator**

Thank you. Participants to ask a question you may press "\*" and "1".

We take our next question from the line of Mr. Nishna Biyani from Prabhudas Lilladher. Please go ahead.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Thank you sir. Sir, we have time and again heard about the digital opportunity which exists in India. However we have not seen any scale up in terms of revenues and operating profits for the companies which operate in this space. So, by recent fund raising by BYJU's and marketing on a lot of platform, does that create the desired awareness about the product portfolio? And also would like to understand what is Navneet's game plan in leveraging this huge opportunity say not now maybe 5 years, what is the scale of this

opportunity which is coming up? That would be my first question and my second question would be that off late we have seen that Navneet is trying to build traction by the top scorer advertisement campaign. So how has that taken off?

**Mr. Sunil Gala - Managing Director**

So digital opportunities whether it is today or 5 years down the line is still a question. But what management of Navneet believes is there is a huge huge opportunity in digital space in the country. Byjus have really created great awareness of digital media and students have started buying it. But Navneet or its subsidiaries would always restrain from spending huge amounts on advertisements and trying to create market because till date we have not been able to judge the sustainability of these businesses. So by creating awareness students may try out once but will they be our customers next year also or not, that judgement we have not been able to get. And therefore we would rather go little slow creating awareness. Again whatever I may have made remarks, excellent products Byjus have come out with so though it is excellent but sustainability point of view we still have some questions in our mind. So we will vouch them and then look at it.

Secondly, Navneet or eSense could rather focus more for the masses instead of just focusing CBSE or ICSE students because all of you know that 95% of the students in the country they still learn through state curriculum. So the success of Navneet in state curriculum for book market or supplementary book market we would rather focus in our digital opportunity also on the same lines. With regard to your point on top scorer advertisements, yes we have tried this year. As far as topline numbers are concerned we have not really seen good traction but as far as awareness is concerned or people knowing about this top scorer, people means parents or students that has really grown much far ahead. So going forward we may have to do the same exercise for next 2-3 years in a limited way, we are not going to spend crores and crores of rupees creating awareness but we will continue to do the advertisements or various other methods, marketing methods and try to create awareness because the fundamental thing we are very clear and confident that digital products will be must for each and every student in the country and it will be a great great help to the teachers and therefore we will continue this activity.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Sure but sir the potential now we are at say Rs. 20-25 crores odd but can the scale up say 3X, 4X opportunity possible in the next 3-5 years or how should one look into it in terms of...?

**Mr. Sunil Gala - Managing Director**

For last 2-3 years we have been saying that we will be able to grow but I think the fundamental problem is not the product or marketing capabilities of the company, the fundamental issue is the adoption levels at the teacher or student level. Now that adoption level is growing how fast it will grow this is someone's guess, I do not know whether it will happen very soon. But the way we have been hearing after students whoever are buying our product our maybe our competitor's product, if they are using it they are benefited. Therefore then also with recent advertisement or the product that we have now we are confident that 3-4 times of our present revenue we should be able to do in next 3 years or so.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Good. So that should be at what margins typically?

**Mr. Sunil Gala - Managing Director**

Margins all depends on how much we have to spend on the awareness campaigning. But I would say, we always talk about PBDIT but now here PBDIT minus advertisement expenditure then margins would be as high as 40%. Advertisement is such an expense which we do not know whether it will benefit in the same year or in subsequent years but this being a very very new medium of learning, we will have to spend a bit on creating awareness and making students use these products.

**Mr. Nishna Biyani – Prabhudas Lilladher**

That should be good. Sir, my next question was on the CBSE market which is opening up in a very very big way for companies like you. You have historically been a supplementary book company but in the last

two years we have seen that almost a big number of schools are opting to CBSE and where you have started publishing textbooks also. So what is the market size and Navneet's strategy to leverage on the same sir?

**Mr. Sunil Gala - Managing Director**

So textbook market size if we talk about today would be around Rs. 3,000 crores odd for CBSE. But I would also like to add that market size is likely to expand or grow much bigger than what it is today because even State affiliated English medium schools also have started imparting education in line with CBSE schools. That number of schools is very high which is almost 80,000 schools in the country. And out of which hardly couple of thousands means 4,000-5,000 schools maybe using CBSE type of products. And most of the schools are trying to now implement CBSE curriculum upto Grade VIII. Therefore, we see big opportunity in CBSE markets so the Rs. 3,000 crores odd that I am just mentioning that market opportunity could go to almost Rs. 10,000 crores in next 5 years.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Okay. And what kind of market share would you be looking at in that?

**Mr. Sunil Gala - Managing Director**

I wouldn't really comment on that because let us first work on whatever we have acquired or have made products ourselves, let us prove little bit because at present we are very very insignificant. So maybe in 2 years time we will be able to say but of course now we are very focused that we want to grow in CBSE markets so all efforts and experience of 50 plus years will try and put in CBSE markets.

**Mr. Nishna Biyani – Prabhudas Lilladher**

I really love your modesty. Sir, just wanted to understand if you could throw some light on competition in this place and how is that taking shape?

**Mr. Sunil Gala - Managing Director**

There is a huge competition in CBSE textbook market no doubt about it, most of the publishers are from Delhi in this market. But simultaneously, as I just mentioned about the opportunity being growing all of us will benefit out of this. So, it all depends how frequently we make changes in our books, how better we can service our schools right. There is one more demand from the schools about teacher training that is also we have been receiving requests or all publishers may have been receiving. So whoever can really

provide good service their products will get sold in those schools so opportunities are good we will have to really work very hard towards that.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Okay. Sir, lastly two bookkeeping questions, what should one build as a steady state margins for your stationery exports segment. So if you could throw some light on that? And second question be on the full year FY `18 kind of a CAPEX guidance?

**Mr. Sunil Gala - Managing Director**

FY 17 for exports of stationery at EBITA level now we are confident about generating around 17% odd EBITA level but domestic stationery margins are still going to be in single digit. So blended margin for stationery will again hover around 13% odd. And your second question was on...?

**Mr. Nishna Biyani – Prabhudas Lilladher**

Sir, the CAPEX for not this year but for next year FY `18?

**Mr. Sunil Gala - Managing Director**

CAPEX, so after current year's major CAPEX I would consider CAPEX of investments in Britannica. So next year if there are no such opportunities then hardly Rs. 20 crores odd.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Good sir. Thank you sir.

**Moderator**

Thank you. A reminder to participants to ask a question you may press "\*" and "1".

Participants to ask a question you may press "\*" and "1".

As there are no further questions from the participants I would now like to hand the conference over to Mr. Nishna for closing comments.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Thank you and sir would you like to give some closing comments, there has been a fantastic year for Navneet after two odd years and FY `17 is now looking great. Would you like to just give closing comments for next 2-3 years if you would like to say something?

**Mr. Sunil Gala - Managing Director**

First of all I would like to thank Prabhudas Lilladher and Nishna in particular to hold this conference and given us the opportunity to discuss about Navneet. For next 2-3 years now clarity on both in content is very much visible on two counts, one is the continuous curriculum change in the two states, core states that we are in. And secondly, with our foothold in CBSE market through Britannica or is own products, I am sure huge opportunity is there and therefore will be able to grow at a decent speed. The percentage of



growth will be higher than what we have been enjoying in Maharashtra, Gujarat only because their topline are still lower. But overall with this acquisition content growth of 15% plus is definite for next 3 years. And on stationery I would like to remain little conservative because of the domestic stationery market but there also between 12-15% growth is definitely there majorly because of exports.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Sir, we as investors or analysts would add that 8% of Britannica to your topline over and above 8% you are going to give 12-15% organic growth.

**Mr. Sunil Gala - Managing Director**

Nishna that will happen once right, once that will be seen as a growth but now I was talking year after year for 3 years. So we can't add up 8% every year.

**Mr. Nishna Biyani – Prabhudas Lilladher**

Excellent.

**Mr. Sunil Gala - Managing Director**

So thank you once again to all of you and I wish we have a good 3 years going forward, good future going forward.

**Mr. Nishna Biyani – Prabhudas Lilladher**

All the best sir.

**Mr. Sunil Gala - Managing Director**

Thank you. Thank you all of you.

**Moderator**

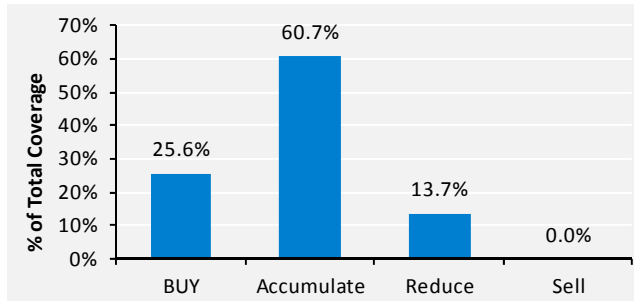
Thank you very much. On behalf of Prabhudas Lilladher Private Limited that concludes this conference, thank you for joining us and you may now disconnect your lines.

END

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