Navneet Education

Operator: Ladies and gentlemen, good day and welcome to the Navneet Education Limited Q1 FY27 earnings conference call. This conference call may contain forward-looking statements about the company which are based on beliefs, opinions, and expectations of the company as of the date of this call. These statements are not a guarantee of future performance and involve risks and uncertainties that are difficult to predict. As a reminder, all participants' lines will be in listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touch-tone phone. Please note that this conference is being recorded. I now hand over the conference to Mr. Sunil Gala, Managing Director of Navneet Education Limited. Thank you, and over to you, sir.

Management: Thank you very much. Good afternoon, everyone. Thank you for joining us today. I am pleased to present our financial and operational performance for the first quarter of the financial year 2027. We are navigating a dynamic market environment. Our Q1 FY27 results highlight both temporary transitions and the incredible resilience of our core domestic businesses.

First, I will talk about the top-line numbers, and then I will discuss each of the businesses in detail. The total revenue of the company remained at 785 crores, which was a little lower than what we achieved in the first quarter of FY26. Within that, our publication division recorded a minor dip of 3%, moving from 419 crores down to 405 crores. As far as the stationery segment is concerned, it registered a small 2% growth, increasing from 372 crores to 380 crores. Within stationery, the domestic stationery vertical grew by 26%, while export stationery contracted by around 9%.

Now I will talk about the businesses, starting with the publication division and the curriculum impact. The structural landscape of our publishing division is currently undergoing a favorable shift. Promising curriculum changes are actively unfolding across two of our primary markets, Maharashtra and Gujarat. While this transition bodes well for our market leadership, it also caused a notable spillover of business from the first quarter into the second quarter.

Because of this timing difference, our real growth is not reflected in the first quarter numbers. The reason is that we normally publish our publications after the release of textbooks from the respective state governments. Those textbooks were released quite late and not in alignment with the academic year. Therefore, we could not deliver our curriculum products to the market until Q2, particularly in July. To gain a truly holistic and accurate picture of how these curriculum changes are positively impacting our business, we must look at our performance across the entire first half of the year FY27. As I always mention, one should not look at the numbers on a quarterly basis for a seasonal business. The management team remains exceptionally confident about delivering reasonable growth in this segment as the year progresses.

Now I will discuss the stationery segment, beginning with domestic operations. Our stationery business delivered a resilient performance this quarter. Again, the quarterly performance does not reflect the full year's performance. However, in this quarter, strong domestic expansion successfully neutralized severe international headwinds to keep our total segment revenues net positive. The standout was domestic stationery, which experienced a 26% surge. For the current year, this is our fastest-growing engine. This growth highlights robust local demand, deeper market penetration,

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and an increasingly stronger connection with the Indian consumer.

To sustain this momentum, we have initiated a long-term strategic plan that includes aggressive investments in branding and the appointment of additional senior talent specifically for our non-paper stationery vertical. While these upfront investments have placed temporary pressure on the segment's short-term profitability, the management team is firmly convinced of the immense long-term benefits that branding and diversification into the non-paper portfolio will unlock for our shareholders.

Regarding our exports, the stationery business faced a tough environment this quarter mainly on account of supply chain disruptions, escalating geopolitical challenges, and an overall weakening of demand in our major markets, primarily the US. We can discuss this in more detail during the Q&A. Beyond these challenges, as you know, we had set up a new polymer plant which was primarily intended to feed our export markets. We could not utilize it to its optimum capacity due to this global slowdown. This lower capacity utilization created under-absorbed overheads which further compressed the overall profitability of our stationery segment.

We view these international challenges as temporary obstacles rather than permanent roadblocks. We are actively refining our global supply chain strategies and adjusting factory outputs to better align with the fluid global landscape. In summary, our business is undergoing a vital structural mix shift. While we are temporarily losing traction abroad, our publishing division and domestic stationery business are still emerging as our critical growth drivers, particularly for the current year. Moving forward, we will continue to double down on our high-margin domestic operations, specifically the publication business. We are deploying targeted product innovations and aggressive marketing strategies across our domestic stationery portfolio to capture even more market share, supported by favorable domestic tailwinds and sharp execution. We are confident that our strategic pillars will drive sustainable long-term value for all our stakeholders. Thank you very much. Instead of me talking more about the business, I would now prefer to take questions from you all.

Operator: Thank you very much. We will now begin the question and answer session. The first question is from the line of Madhur Baheti from Counter Cyclical Investments. Please proceed.

Madhur Baheti – Counter Cyclical Investments: Sir, thank you for the opportunity. Broadly, can you give me a bifurcation of how much publication revenue comes from schools versus workbooks that we sell through physical stores?

Management: Such bifurcations are not readily available. Finally, we end up marketing our workbook category to the schools. It is not compulsory that all schools buy them; at times they recommend them, and students then buy them from the stores. Overall, I can tell you that of the total publication revenue, around 45% comes from the workbook category. You can say the majority of that is due to recommendations by the respective schools. So, 45% of our total revenue is from workbooks.

Madhur Baheti – Counter Cyclical Investments: Sir, I wanted to understand our expectations for 15% revenue growth in the publication business this year. One of the reasons you mentioned was the spillover to Q2. However, these coaching centers or EdTech platforms have started supplying their

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own in-house workbook material. Do we see a threat from that segment since this is a very big chunk of our revenue?

Management: During my speech, I mentioned that the only reason for not showing performance in Q1 was the timing of the curriculum change. Any publications for the current year could only be sold in July because of the lead time required after the release of textbooks by the state government. That is the only reason for the shift to Q2.

Regarding competition, this could happen in higher grades, such as 9, 10, 11, or 12. However, I believe it is not a comparable category because our products are quite price-sensitive and low-priced compared to the high-priced options you mentioned. Furthermore, in the current year, primary level curriculums have changed where there are no coaching classes. It is already proven that total dependence on digital intervention in schools is not a practical solution, particularly in India; therefore, books remain the only solution.

Madhur Baheti – Counter Cyclical Investments: Considering the volume offtake you observed in July, what kind of growth can we expect in the publication division conservatively for this year?

Management: Around 10%.

Madhur Baheti – Counter Cyclical Investments: Is this lower guidance because many students have already subscribed for their books and the actual volume uptick might not be as high as the 15% you were expecting?

Management: Madhur, let me explain again. Every student in the state buys the government-published textbook. It then depends on the school's decision whether they prescribe a workbook to their students. That process is underway, and we started supplying those orders in July. Because Q1 is a bit nervous, I am giving a guidance of 10%, but overall we are quite positive about growing more than 10%.

Madhur Baheti – Counter Cyclical Investments: Got it. Looking at the very strong growth in domestic stationery, what kind of growth and margins can we expect for the stationery division? Also, for the publication division, margins in Q1 were a bit lower than last year. What kind of margins can we expect for the full year?

Management: In this part of the quarter, particularly in exports, revenues were at a discounted rate because of the tariffs. Once tariffs were withdrawn, it took a couple of weeks to settle, and then we started realizing normal pricing. That was one of the reasons for lower margins in stationery. Regarding our exports, we are looking at a 5% degrowth for the current year, while in domestic stationery, we are looking at growth around 15-17%.

Madhur Baheti – Counter Cyclical Investments: And for the overall business, what kind of margin can we expect?

Management: On the stationery front, I am expecting around 12% margin.

Madhur Baheti – Counter Cyclical Investments: Okay. And for publication?

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Management: For publication, the margins would be around 26-27%.

Madhur Baheti – Counter Cyclical Investments: Got it. I will get back in the queue. Thank you.

Operator: Thank you. The next question is from the line of Puneet Singh from Counter Cyclical PMS. Please proceed.

Puneet Singh – Counter Cyclical PMS: Sir, thank you for the opportunity. I want to understand how much revenue was deferred or delayed this quarter. We reported about 785 crores; how much was essentially lost due to this delay in the quarter?

Management: Normally, for the grades where the curriculum changed this year, if there had been no curriculum change, we would have recorded between 30-35 crores of revenue in the publication segment in a no-change scenario. I would not say we have lost it; all this revenue will come in July. So, we will see the normal publication sales of about 30 odd crores plus the growth that normally follows a curriculum change. All of this will come in Q2.

Puneet Singh – Counter Cyclical PMS: Got it. Historically, about 85% of our EBITDA comes in Q1, and Q2 contributes very little. How much additional revenue will we have in Q2 because of this deferment? We did around 247 crores in revenue in Q2 last year. Are you saying we should see 247 crores plus roughly 30 crores from the new policy?

Management: Yes, plus 30 crores or more. Overall, the 247 crores should reach approximately 300 crores.

Puneet Singh – Counter Cyclical PMS: Even at 270 crores in Q2 last year, the EBITDA was minimal. What kind of EBITDA can we expect in Q2 because of this deferment?

Management: My suggestion would be to look at the businesses separately. Margins in the publication business are quite high at 26-27%, while in stationery, they are in the single digits, around 8-10%. The total growth we are expecting in Q2 will be in the publishing segment, and therefore the EBITDA number will be much better.

Puneet Singh – Counter Cyclical PMS: How much revenue from publishing was there in Q2 last year so I can compare apple to apple?

Management: I will need help from my CFO to provide that number.

Management: For Q2 FY26, publication revenue was 91 crores.

Puneet Singh – Counter Cyclical PMS: And how much revenue are you expecting in Q2 from publication this year?

Management: That 91 crores should definitely go above 130 crores.

Puneet Singh – Counter Cyclical PMS: Got it. Could you provide a full-year guidance for revenue and EBITDA margins for FY27?

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Management: For publishing, I just mentioned that we are targeting 10% growth. In stationery, the average will be between 8% and 10%. We are seeing a bit of degrowth in the export market currently, which will be compensated by higher growth in the domestic market.

Puneet Singh – Counter Cyclical PMS: Okay. Thank you very much, sir.

Operator: Thank you. The next question is from the line of Dhaval Shah from Fourth Capital. Please proceed.

Dhaval Shah – Fourth Capital: Thank you for the opportunity. Many retailers have received tariff refunds. Have you received any tariff refunds this year since you supply to US retailers?

Management: First of all, all these tariffs to date were paid by our customers; we have not paid any tariffs directly. We have put in requests to our customers that if they receive the tariffs back, they should pass on at least the price reductions we had previously given them. Those requests have been made, but there has been no positive response from them yet.

Dhaval Shah – Fourth Capital: What is the outlook for stationery exports?

Management: As I mentioned, we are seeing an overall degrowth of around 5% compared to last year. Our major back-to-school season has passed, and due to challenges, we could not supply as usual. That business cannot be recovered or spilled over, leading to the expected 5% degrowth for the current year.

Dhaval Shah – Fourth Capital: Okay, thank you.

Operator: Thank you. The next question is from the line of Himanshu Upadhyay from SidFo. Please proceed.

Himanshu Upadhyay – SidFo: Good afternoon. In the notes, it was stated that we sold some stake in K-12 subsequent to the quarter for a consideration of 330 crores. What is our remaining stake, and how much did we sell in this tranche?

Management: We are selling around 4.5%.

Management: Our remaining stake will be approximately 8.8%. We will have the cash after this transaction.

Himanshu Upadhyay – SidFo: In the last few years, we have done significant capex for non-paper domestic stationery and exports. What is the plan for this 330 crores? What opportunities are you looking for? Also, we previously made some private equity investments. Are we going to continue that strategy?

Management: We have no immediate thoughts on new investments. We will discuss this internally with the directors. The only area of focus might be technology in education where there are many changes, and we might look at strategic involvement rather than just being financial investors. Regarding the utilization of these funds, we are clear that we want to grow the Indian stationery market to its full potential. Apart from organic growth, there could be inorganic opportunities. Nothing is on the table right now, but we want to maintain this balance to make quick decisions.

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Himanshu Upadhyay – SidFo: On the export side, the tariff situation seems better than last year. What discussions are you having with customers? US was previously 75% of our stationery exports. With the recent declines, what percentage does the US represent now? What is happening with expansion beyond the US?

Management: Even though we have grown in other markets, compared to the US, they remain a negligible percentage. Regarding discussions with customers, everyone wants to buy primarily from India. However, due to inflation in the US, overall consumption in these product categories has muted or degrown. Even though tariff concerns are more or less gone, the demand is low due to poor product offtake.

Himanshu Upadhyay – SidFo: Is the channel inventory still filled up?

Management: You are right. Major retailers in the US are still left with inventory because the offtake has not been as usual due to inflationary pressure. Therefore, reorder quantities are not as encouraging as they used to be.

Himanshu Upadhyay – SidFo: On the publishing business, we have discussed many state board schools moving to CBSE. How is that trend progressing this year? After the merger of Indianika with Navneet, how are we preparing for this, and how many schools have transitioned?

Management: I do not have the exact numbers because they are not officially available. Even if schools have not received official affiliation from CBSE, they may call themselves CBSE-pattern schools and start using private publisher textbooks. This trend shows growth in such schools of more than 15% year-on-year. English-medium schools that are state-affiliated are transitioning to CBSE-type curriculums. Navneet and Indianika now have most of the product portfolio needed to cater to these schools. We have also started publishing supplementary books, similar to what we do for the state governments in Maharashtra and Gujarat, which will be sold directly in the trade.

Himanshu Upadhyay – SidFo: Previously, we restricted ourselves primarily to the 8th standard for CBSE. Have we reached the 11th and 12th standards now?

Management: A few years ago, we were only publishing textbooks. In 9th and 10th grade, students usually use government textbooks for board exams. However, we are now providing supplementary books for all grades up to 10th standard based on state and central government textbooks.

Himanshu Upadhyay – SidFo: Regarding domestic non-paper stationery, where have we reached? Can it become 10-15% of our overall domestic stationery?

Management: We are very confident that it will reach that percentage in 3 years. We recently updated the look, feel, and packaging of our existing non-paper products and introduced several new ranges. Several more new categories will be introduced by the end of this year.

Operator: Thank you. The next question is from the line of Arihant from Bohead. Please proceed.

Arihant – Bohead: Sir, for Gujarat, which grades or subjects are expected to have a curriculum change in the next financial year?

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Management: We have not received any clarity from the state government yet regarding next year.

Arihant – Bohead: In the current year, there was a change for a few subjects in grades 2, 3, 4, and 6. Is that correct?

Management: Correct.

Arihant – Bohead: Regarding the polymer plant, what was the capacity utilization, and what was the amount of unabsorbed costs?

Management: The total investment in the plant is around 65 crores. The plant started in the last quarter of FY26. We were expecting good orders, but due to the global situation, they did not materialize. Furthermore, the raw material prices for polymers went so high that it was not worth taking an aggressive stand. We have only used around 30% capacity. This led to unabsorbed manpower costs and factory overheads that impacted our margins. This is a very temporary phenomenon, and we hope it will normalize during the current year.

Arihant – Bohead: What drove the domestic stationery growth in Q1 FY27? Was it led by non-paper stationery? What was the price and volume growth breakup?

Management: It is still driven by paper stationery, not non-paper. This was due to brand associations, innovative designs, and a focus on e-commerce and quick-commerce. I do not have the volume growth breakup readily available; we can take that offline.

Arihant – Bohead: Have there been any increases in paper prices since April?

Management: There was an increase of around 2,000 rupees per ton since April. After that, paper mills talked about further hikes but could not implement them due to the market situation. That 2,000 rupees represents roughly a 2% increase.

Arihant – Bohead: What was the Indianika revenue and profit/loss in Q1?

Management: Indianika's revenue was 3 crores for this quarter with a net PAT loss of 7 crores.

Operator: Thank you. The next question is from the line of Disha from CNF Capital Management. Please proceed.

Disha – CNF Capital Management: How much visibility do you have on the curriculum-change-driven demand in Maharashtra and Gujarat? Is that 10% growth visible in orders and school adoption today?

Management: As of today, we are looking at around 10% growth for the whole year in the publication business.

Disha – CNF Capital Management: What portion of this growth is coming from volume versus price?

Management: There are no price increases this year, so it is all volume growth. We have not revised the MRP of any of our products.

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Disha – CNF Capital Management: What would be the sustainable EBITDA margin for stationery after the current brand investment phase?

Management: For both stationery businesses together, we should achieve between 10% and 11% EBITDA margins.

Disha – CNF Capital Management: Could I get the profitability margins for the first quarter for each segment?

Management: For Q1, the profitability margin was 15% for exports and 3% for domestic stationery. For the publication business, it was around 40%.

Operator: Thank you. The next question is from the line of Niraj from White Pine Investor Panel. Please proceed.

Niraj – White Pine Investor Panel: Regarding the curriculum change for grades 2, 3, 4, and 6, why do you expect only 10% growth this year instead of something higher?

Management: Grades 2, 3, 4, and 6 traditionally contribute about 20% of our total publication revenue. For the higher standards, the percentages are higher. While we are expecting at least 50% growth in those specific standards, it results in 10% overall. Over the next 3 or 4 years, as more grades change, it will be higher.

Niraj – White Pine Investor Panel: If we assume 10% full-year growth, the implied revenue for the remaining 9 months is quite high. Most of that should come in Q2, correct?

Management: Yes, that will happen. We will see large revenue growth in publications in Q2.

Niraj – White Pine Investor Panel: You mentioned it would reach 130 crores in Q2. I thought it would be much larger if schools had started recommending the books in June or July.

Management: I understand, but we have to look at the growth in those particular grades. We will recoup the degrowth from the first quarter and add the growth from the new curriculum. Overall, it should be about 45–50 crores in additional revenue compared to Q2 last year.

Niraj – White Pine Investor Panel: Will margins be higher in Q2 because of this?

Management: Margins in Q2 will not be higher than Q1 because the first quarter top-line is very heavy while fixed expenses remain the same every month. However, compared to Q2 of last year, the margins will be much better.

Niraj – White Pine Investor Panel: In the US, is there visibility for orders on new products?

Management: There is visibility, but those product ranges will not drive large volumes immediately. We typically do not plan high-capacity manufacturing for new categories initially; we grow them over time. There is acceptance, but the volumes will not be large enough to transform the overall growth in a single year.

Operator: Thank you. The next question is from the line of Arihant from Bohead. Please proceed.

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Arihant – Bohead: In the Q4 call, you mentioned high single-digit growth for export stationery, but now you are guiding for a 5% degrowth. What changed between May and today?

Management: As we know, after our May call, various disruptions and uncertainty emerged in the Gulf region. Besides Iran, the US was significantly affected. This disturbed the business community, and the orders we expected from our customers did not materialize. These were external factors beyond our control. Because the back-to-school season has passed, and material must reach the US by August, that business is effectively lost for the year. We were hopeful after the first tariff reduction, but subsequent challenges prevented the orders from coming through.

Operator: Thank you. Ladies and gentlemen, that was the last question for today. I now hand over the conference to Mr. Sunil Gala, Managing Director of Navneet Education Limited, for closing comments.

Management: Thank you once again to all of you. I hope I have been able to answer your questions. In any case, you can contact our IR team directly for any further questions. We will be happy to answer them. Once again, thank you, everyone.

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

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