

Transcript

Conference Call of Navneet Publications India Ltd

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Presentation Session

Moderator:

Good afternoon ladies and gentlemen. I am Sherly, moderator for this conference. Welcome to the conference call for overview on Education Sector and Q3FY11 results of Navneet Publications India Ltd. hosted by ARM Research Pvt. Ltd. Jointly with Network Stock Broking Ltd.

At this moment all participants are in listen-only mode. Later, we will conduct a question-and-answer session. At that time, if you have a question please press * and 1 on your telephone keypad. Please note this conference is recorded. I would now like to hand over the conference to Mr. Aunali Rupani, Director for ARM Research Pvt. Ltd. Please go ahead sir.

Aunali Rupani:

Thank you Sherly. Good afternoon friends. This is Aunali Rupani here from ARM Research Pvt. Ltd. Thank you one and all for being part of this conference call. I would like to thank Network Stock Broking for co-hosting the conference call. Today, Mr. Sunil Gala, President Finance Navneet Publication will take us through the Q3FY11 results. Mr. Ram Kamath, General Manager Finance will also be present on behalf of the Company. We at ARM Research believe that the last decade belong to the "I" sector that is, Information technology, communication and entertainment sector, but this decade will belong to education and innovation – that is innovation in any field. Education sector is on a high priority for government of India. Current literacy rate in India is close to 60% and government wants it to be close to 85% in the next 5 years. Government in FY09 had allotted close to 26,800 crores to the K12 segment. In FY12 budget, it was close to 31,036 crores and an additional 11,000 crores for higher education. This year we estimate that allocation will be close to 34,000 crores to 35,000 crores in the K12 segment and an additional 13,000 crores for higher education. We estimate that the government will spend

close to 50 billion dollars in the next 5 years on the education sector. Let's see what the private sector is doing. We believe private sector will spend close to 80 million dollars in the next 5 years. An education will throw many billion dollar opportunities going forward. Currently we have only 1 company with a billion dollar market cap and I believe the next billion dollar market cap company from the listed space will be Navneet Publications. I would like now to invite Mr. Sunil Gala to take us through Q3FY11 results. Mr. Sunil Gala....

Sunil Gala:

Thank you Mr. Rupani. Good afternoon friends. First of all I would like to thank ARM Research and Network Broking for holding the conference call of my company. I am sure all of you would have had a chance to look at Q3 numbers, but for those who are new to Navneet, I would like to clarify that Navneet's business is seasonal. It deals with curriculum-based supplementary books and stationery for the student community and therefore the major revenues and profits are seen in the first two quarters of any given year; hence the results of the third quarter is not representative of the whole year. Having said this now let me briefly tell you about the third quarter results.

The revenues were up by 10% at INR 75 crores on a YOY basis led by 20% growth in Publication segment. However, the stationery segment witnessed lower than expected growth on account of drop in export sales. But the domestic sales showed good growth during the quarter led by aggressive promotion drive during festive season. Overall EBITDA margins for the quarter also improved to 13.5% from 12.9%. This is basically on account of efficiency in cost of production. Profit before tax improved to 11.84% from 10.78% and stood at INR 883 lakhs as a result of company's rigorous pursuit in achieving reduction in the admin and selling expenditure. Now, going to the outlook on business segment particularly publication, our core business; considering that the process of syllabus change was effectively only partially during the year and that too in Maharashtra alone, the Company expects overall to end by about 7% to 8% growth in FY11. However, considering the larger section of the primary and secondary school undergoing syllabus change in Maharashtra, the company expects good growth for FY12. As far as Stationery is concerned, the company expects a minor growth in Stationery, primarily on account of lower export sales. However, the company is confident of achieving a sustainable double digit growth in the

Stationery segment for FY12 by its continuous efforts towards re-structuring the segment by product rationalization, launch of new products, focusing on key states and increasing penetration in selected geographies in India and overseas. But let me tell you that we are definite to improve margins in the Stationery business. For the current year as well you will see the margins would have improved beyond what we have been showing earlier. Therefore we are confident of our growth as well as a better margin in Stationery.

The main area where everyone is looking at now is digital learning through our subsidiary which is called e-sense. As on date in class-room teaching modules we have installed 460 schools and the company is focusing on signing newer schools to achieve a target of 475 schools in FY11 with a curriculum based content gaining acceptance in our two core areas which is Maharashtra and Gujarat. We are confident of reaching 2000 schools by FY12. So overall in all the three segments we hope to do much better in FY12.

Apart from this, Navneet is looking at various organic and inorganic opportunities to grow. Considering the huge opportunities in education space across India as explained by Mr. Rupani, with a strong and accepted brand among the students, teachers and the parent community, we are confident that all such new initiatives will result very positively for all stake holders of the company. Here I would like to clarify be it publication or direct education, as a business is possible only through people and not frankly by machineries. Therefore smart and intellectual faculties are the key resource to the growth. So success is definite but a little slow. Also once again I would like to inform you that for the last so many years we have a clear cut dividend policy of distributing 25% of PAT, but for a few years now, we are distributing more than 40% of PAT which I believe will be continued unless we get bigger opportunities in inorganic growth. As far as income tax is concerned Navneet pays tax at the highest rate since the beginning and we will continue to do so as our business does not require huge capital investment. With this as far as Q3 is concerned, I think everyone here attending the conference call and I am concluding my views and facts on Navneet. I now request all of you; if you have any questions I will be glad to answer them. Thank you.

Question and Answer Session

Moderator:

Thank you sir. Ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press * and 1 on your telephone keypad and wait for your turn to ask the question. If your question has been answered before your turn, and you wish to withdraw your request, you may do so by pressing # key.

First question comes from, Mr. Ashish Matani from Bajaj Allianz Life Insurance.

Ashish Matani:

Good afternoon sir. Congratulations on a good set of numbers considering that it's a very lean quarter for you. Sir, our main growth has actually come from publications. If you see year on year publications has grown 20%. Even if I look at any of the previous years, maximum our segment actually grows on this particular quarter close to 8% or 10%. Any particular segment in Publications which has done phenomenally well for this quarter?

Sunil Gala:

Let me again re-emphasize on the fact that we are into seasonal business, now within the quarter not necessarily every year the same product we sell in a particular month only. For any reason the sales tips to any other month; either a previous month or a future month, the percentage growth would reduce or increase. Therefore I once again request all of you that please consider Navneet's figures on annual basis.

Ashish Matani:

Sir I am very clear with that, but just trying to think whether any of the other publications...maybe children's books or something doing better business in December that is what I wanted to understand.

Sunil Gala:

On that front particularly one of the most popular series that we publish in the third and fourth quarter which is called 21 Most Likely Question Set that did very well in the month of December. We are not 100% sure if the same trend will continue in January; but overall we believe we will be able to maintain the growth as I mentioned for the FY11.

Ashish Matani:

Okay sir. Coming to the Stationery business, could you give me a break up between your export stationery and domestic stationery? I am trying to understand how much of your volumes year on year or the value actually got evaporated in stationery?

Sunil Gala:

As far as (not sure) quarter is concerned, domestic stationery which was 18.38 crores in 2009 quarter rose to around 25 crores in this quarter, further growth of 36%. As far as exports are concerned which was in last year was 13 crores, fell down to 6-1/2 crores almost. Here the reason is we have not lost sales, but the buyers who bought material in December '09 did not buy that in December '10, but will buy now. But overall quarter on quarter because of reduction of sales in export, overall the stationery numbers stood the same.

Ashish Matani:

So can we expect a much better quarter for March '09 for stationery, suppose March '10 was close to around 72 crores, March '09 was 76 crores, it is a very similar jump, it goes from 35 crores to 76 or 32 crores to 72 crores. So if you are saying that stationery has not grown in the same manner, could we expect a much better, close to around 80 to 85 crores in stationery for the fourth quarter?

Sunil Gala:

As far as domestic sales are concerned we are very, very confident that we will grow by around 25% even in the last quarter. On export front, it is so dynamic that it is very difficult to predict. Mainly for this year particularly, rather demand from China and India has reduced and has gone to the Southern American market because of the de-value of their respective currencies. Now these sectors which are not in our hands, it is difficult to predict what kind of revenues would come, but we are very confident on domestic stationery.

Ashish Matani:

Okay. Sir could you give me the breakup for 9 months upto now for domestic and export for stationery business?

Sunil Gala:

Yeah, for 9 months domestic was 122 crores for FY10 which is at present 130 crores in FY11. Exports was 46 crores in FY10 and is 48 crores in FY11.

Ashish Matani:

Okay. Sir, could you also help me...just trying to understand, is the print cost, publication of this into print cost, raw material cost is the main component? Is the print cost actually affecting us? Affecting our margins by any chance or is our cost going up in raw materials?

Sunil Gala:

See as far as the total raw material costs are concerned, major is paper as you all know it. Print cost is hardly 3% to 4% of the total production cost. With any little rise in print cost won't really affect our total raw material cost.

- Ashish Matani:** Even the paper prices are on the rise for sometime, is that affecting? Because it does not get reflected in the results currently because if I am saying it is still close to around 50% of the total net sales, so it has been under control with us. In fact it was close to around 58%, 56% in June and September '09 last year, so this has been in control. So any particular reason have we changed our vendors or anything else sir?
- Sunil Gala:** No. If you recall, we have had discussion we have always have a policy of costless basis to price our product. So whatever increase in raw material costs are there we immediately pass it on to the end consumer. Therefore we have never seen a year where because of the rise in total input cost, our margins have been affected.
- Ashish Matani:** Okay. Sir, if you could guide us in the syllabus changes that are happening in FY12 and FY13 for Maharashtra and Gujarat schools....which standards?
- Sunil Gala:** For FY12, 1st standard, 2nd standard, few of the subjects in 4th and 8th standards, few of the subjects in 10th and 11th standards.
- Ashish Matani:** This was for Maharashtra or Gujarat sir?
- Sunil Gala:** This is only for Maharashtra, Gujarat is yet to announce.
- Ashish Matani:** In FY13 sir any announcements?
- Sunil Gala:** For Maharashtra, 3rd full standard, 4th rest of the subjects which have not changed in FY12 and 12th science stream.
- Ashish Matani:** Gujarat is yet to announce for FY12 and FY13.
- Sunil Gala:** Yeah, they have already announced but we do not want to announce ourselves, because many a time they change the internal decisions very soon. So when we are 100% sure we will inform to the stake holders.
- Ashish Matani:** Sir, in FY11 what were the syllabus changes that were very, very few I think?
- Sunil Gala:** Only Science and Maths of the 9th standard had changed in Maharashtra.
- Ashish Matani:** Thanks a lot sir and all the best for the future as well sir.

Moderator: Next question comes from Mr. Manish Agarwal from Aditya Birla Money.

Avinash: Hi this is Avinash. Within the Stationery segment how much does notebook comprise of?

Sunil Gala: Within Stationery as far as domestic is concerned it would be comprising of 60%, which also include the notebook as we all understand plus long-book market which is a very, very big market, 8th standard onwards. But that comprises of 60% of total stationery sales.

Avinash: My second question is regarding the states Maharashtra and Gujarat. Are we applying a cluster approach as far as moving into other states is concerned within the periphery of these two states?

Sunil Gala: What we have strategically decided now that first we are bringing out primary publications for CBSE schools. For that wherever penetration of CBSE schools are higher we will market, which in fact we have already started marketing in Northern part. Second decision is that wherever English is a medium, rather the curriculum is taught in English, we would target that and therefore our next target is Karnataka and Andhra. But let me tell you here again, wherever we will start or we have already started publication for those markets, it would take a couple of years to stabilize ourselves. More so unless we have the full series in place and we have already established contact with the schools there which is very difficult for any publisher to get momentum there.

Avinash: Okay, coming back to my question regarding the notebook, can you give me as far as domestic market is concerned, within the notebook segment as well as the long book, how big the market is?

Sunil Gala: Total market for notebook segment is 6,000 crores of which organized players all put together contribute 12% to 13%, rest is with unorganized; so all the organized players have enough opportunity to grow mainly by taking away the unorganized market.

Avinash: Fine we are through sir.

Sunil Gala: Thank you Manish.

Moderator: Thank you sir. Mr. Gala, please use your handset while replying to the questions sir.

Sunil Gala: Sure.

Moderator: Thank you. Next question comes from Mr. Siddharth Oswal from Master Trust Limited.

Siddharth Oswal: Good afternoon sir. Earlier you were talking about some organic and inorganic growth. Could you throw some more light on it?

Sunil Gala: As far as content business is concerned we have decided to grow that organically and inorganically both ways, because organically to grow in content business very first is a little difficult for anyone, therefore we have decided to focus on quantum business. Within quantum business it could be supplementary books, it could be digital medium or it could be direct coaching. Anything that attracts us that we believe that directly / indirectly benefits to Navneet then we will definitely look at such opportunities.

Siddharth Oswal: Okay thank you so much sir.

Sunil Gala: Thank you Siddharth.

Moderator: Next question comes from Mr. Aakash Jain from Ajcon Global.

Aakash Jain: Hello, my question pertains to the e-learning segment, specifically digital learning. I want to understand what is the company's differentiation strategies for penetrating in the e-learning segment as there are already established players in this market?

Sunil Gala: As far as digital strategy is concerned, all companies put together have not even touched 1% of the total schools in the country. As far as you all know, our focus has been in Maharashtra, Gujarat state curriculum. For us to understand the delivery medium, we have strategically decided to focus only on these two states in the beginning. Fortunately, at present there are none in digital medium as far as state level curriculum is concerned. But even if we have healthy competition it will be really important and good for us and then only overall quality will improve.

Aakash Jain: Secondly, are we targeting private schools specifically the IGCSE segment?

- Sunil Gala:** We are targeting only private schools but we are state focused – state curriculum. So we are not targeting IGCSE, CBSE, ICSE, we are not following those schools at all.
- Aakash Jain:** Okay and can I get a break up as to what is the revenue per school?
- Sunil Gala:** This is a little premature at present. It is only one year for which we have started supplying to. But a few schools have accepted this product but not installed in all the classes, may not be all the divisions. So the right number it will be possible only for us to give in a year or so.
- Aakash Jain:** And what is the time period for which the company would break even in this segment?
- Sunil Gala:** As far as e-learning is concerned company will break even in the next 12 months.
- Aakash Jain:** How is the revenue booking done in this segment?
- Sunil Gala:** It is on a yearly basis, though we contract with the schools for 5 years, we book revenue only for the year.
- Aakash Jain:** Contract is for 5 years?
- Sunil Gala:** Yes please.
- Aakash Jain:** The contract type is BOOT?
- Sunil Gala:** Yeah, we are giving all types of option. If schools already have the infrastructure in place or if they just want to install in their AV room then we just provide them the digital content and if they want hardware along with that then we do provide them the hardware as well.
- Aakash Jain:** Okay. Sir what are the margins in this segment?
- Sunil Gala:** This is again very, very premature answer that I can give but the industry itself is so much evolving and it is a very, very new segment so only thing I could say that when the business matures the margins would be definitely much better than our publication margin.
- Aakash Jain:** Okay that is all from my side.
- Sunil Gala:** Thanks Aakash.

Moderator: Next question comes from Ms. Dhvani Modi ICICI Securities.

Dhvani Modi: Good afternoon sir, congratulations on a good set of numbers considering that this is one of our lull quarters. Sir I just wanted an update on...sometime ago we had announced that we had tied up with a coaching class in Pune and we were trying to expand our business on that front, take it one step forward on the e-learning front. Just wanted an update on that and secondly if you could also discuss some bit of Grafalco considering that it is present in Spain which is the worst hit among the European countries and what is happening over there right now?

Sunil Gala: As far as coaching, one of our initiative which we did two years ago, overall the acceptance of 100% learning through digital medium is yet getting momentum. So we have not further expanded in there but we are definitely looking at some inorganic opportunities in that segment, maybe in the conventional method whichever possible way we would like to grow there, be it conventional and we will add digital medium along with that. As far as Grafalco is concerned, you are right, with the country even our company is not doing well and we re-structured the profile of our company and now we only have representative office in Spain. We are not holding any inventories, we are not...rather whatever orders that we get from the customer that only we are supplying. So going forward, FY12 onwards, we won't see any red from that company.

Dhvani Modi: Okay great sir, thank you very much and all the best.

Sunil Gala: Thanks Dhvani.

Moderator: Next question comes from Mr. Nikhil Upadhyay from Equiris Securities.

Nikhil Upadhyay: Hi sir, we wanted to know like how much of the CAPEX you have done with respect to the CBSE courses for the primary classes. How many schools have you tied up as of yet for the distribution of your books?

Sunil Gala: You asked me the payback period for the CBSE schools?

Nikhil Upadhyay: Yes sir.

Sunil Gala: As such there are no fixed investments for any new publication that we come out with. As far as content

creation is concerned, we have always been paying royalties to the authors based on sales every year. As far as printing and other investments are concerned that's being done in house, the facilities which already the company has them. So there are no fixed investments. The only investment initial period that we do is creating awareness, that is advertising and it would take at least two years to distribute the samples in many schools across and create awareness and get good business out of that. As far as present status is concerned, more than 200 schools we have already approached. They have already placed orders with us. But again school to school the revenue breakup is not possible right now because we don't have full series with us which we can sell to all the schools. In a matter of a year or two we will have full series with us.

Nikhil Upadhyay: So sir, from when can we expect this segment to contribute towards the revenue for the company?

Sunil Gala: No, from the current year itself revenue has already started, but at present it is in lakhs of rupees, but going forward in two years we will see some respectable numbers from this segment as well.

Nikhil Upadhyay: Okay sir that's all.

Sunil Gala: Thanks Nikhil.

Moderator: Next question comes from Ms. Dimple Khetan from Network Stock Broking.

Dimple Khetan: Congratulations sir on a good set of numbers.

Sunil Gala: Thanks Dimple.

Dimple Khetan: Sir, I wanted to know, do we have presence in pre-school market?

Sunil Gala: Running of pre-school do you mean to say?

Dimple Khetan: Yeah.

Sunil Gala: Yeah, that way we have 3 play schools already in Pune. The basic intention is not to grow in a big way in pre-school but to understand the psyche of the student, the teacher and the parents and accordingly create various products

for the same communities. So with that we have 3 schools in Pune at present.

Dimple Khetan:

Okay. Have you identified any company for acquisition as of now?

Sunil Gala:

No unfortunately we have not identified 100% but we are looking at them.

Dimple Khetan:

Okay so by when we can expect such an acquisition?

Sunil Gala:

Acquisition it is not easy to mention Dimple because unfortunately the whole content sector is with unorganized sector and the effort to understand that deeply it takes little time. But I believe in a couple of months you will hear something.

Dimple Khetan:

Okay and what's your ticket size for this?

Sunil Gala:

It all depends which markets we want to get into and which sector we want to get into. It could be a few crores to any number that we are okay with.

Dimple Khetan:

Okay, you are going to fund this from where? Your internal reserves right?

Sunil Gala:

Yeah, the company at present has enough reserves so we will be funding from there only.

Dimple Khetan:

Yeah infact that was my next question. The company has a huge reserve I think around 300 crores...?

Sunil Gala:

That's right.

Dimple Khetan:

How do you plan to utilize that reserve actually?

Sunil Gala:

This is the way I believe we will be able to utilize now.

Dimple Khetan:

Yeah other than acquisition, because still you will be I think...

Sunil Gala:

Till date, every year we have been distributing quite handsome returns...by way of dividend. Now we will continue to hold this money for a while with us till the time we really get some good opportunities.

Dimple Khetan:

Okay, last question; you have recently done some restructuring in your stationery segment right? Could you

throw some light on the re-structuring, how are they going to help company?

Sunil Gala: We did rationalization in products, we did rationalization in markets, we stopped manufacturing items which were not really giving us good margins. We re-structured the discounts and commissions with the distributors and retailers. With all these exercises, in totality we believe we will be able to and which we have already shown in the current year that we have improved the margins in that business.

Dimple Khetan: Okay. But your margins will remain the same na in the segment?

Sunil Gala: It has already improved by 1% in the current year.

Dimple Khetan: Okay thank you sir.

Sunil Gala: Thank you Dimple.

Moderator: Next is a follow up question from Mr. Aakash Jain from Ajcon Global.

Aakash Jain: Hello, I wanted to understand are we facing any issues once the syllabus are changed in terms of secondary sale of books that is sale of re-used books?

Sunil Gala: Whenever syllabus changes, infact there is no secondhand book market; therefore company benefits by that. But I agree that the major competition for all publishers is their own second hand books. As long as Navneet is concerned that relates to one of our category which is called Digest or Guides, there only we have secondary book issue.

Aakash Jain: So, suppose, let's say the syllabus changes takes place in FY11, so in FY13, will the company face pressure on this front?

Sunil Gala: Yes, it is a cycle which we have been following for the last 50 years, whenever there is curriculum change we get good growth and in subsequent year that growth reduces.

Aakash Jain: To what extent?

Sunil Gala: It depends on subject to subject. But practically in no syllabus change period, if we are selling 100 books, in

syllabus change year we sell around 250 books and in the subsequent year that comes down to around 175.

Aakash Jain:

Okay. One more question regarding this direct coaching module, can you throw some light on that?

Sunil Gala:

No, we are evaluating various opportunities in Direct Coaching; nothing has been frozen or finalized at our end. But we are definitely looking at some good opportunities.

Aakash Jain:

Is it like an online tutoring model?

Sunil Gala:

Practically no, we will not go with new technology at the first stage, we will go with the conventional technologies and add the future technology which is digital in those areas.

Aakash Jain:

Okay thanks sir.

Moderator:

Next question comes from Ms. Grishma Shah from Envision Capital.

Grishma Shah:

Good afternoon sir. Sir two clarifications infact, you said we are targeting Karnataka and Andhra Pradesh?

Sunil Gala:

Yeah.

Grishma Shah:

Have we started work on these markets or what is the position?

Sunil Gala:

Yeah we have already identified a few authors; we have understood the content that would be required for the state level schools there also. So the process of content creation has already started, so by the time next year school reopens we will have a few of the titles available for sales there.

Grishma Shah:

Okay and when we are talking about inorganic growth, and when you say supplementary, it would also mean acquiring a publisher?

Sunil Gala:

Yeah we are looking at that possibility also if found suitable.

Grishma Shah:

Okay and sir if you could also throw some light on the debtor's position at the end of 9 months, they have increased lightly...so any particular reason for that?

- Sunil Gala:** Not really, again debtors as I explained the seasonality, for any reason if in exports for example we get orders which is payable in 60 days or 90 days instead of thirty days with other customers, at the quarter end we may have such balance. But overall it is in line with our expectation and nothing major difference that we see.
- Grishma Shah:** Okay and as we move into FY12 with so many standards coming up for syllabus change, you expect a double digit growth in the publishing business...?
- Sunil Gala:** Yes, definitely.
- Grishma Shah:** Okay fine, thank you sir and good luck.
- Sunil Gala:** Thanks Grishma.
- Moderator:** Next is a follow up question from Ashish Matani from Bajaj Allianz.
- Ashish Matani:** Sir just wanted to confirm, what is the cash and the cash equivalents currently held with us?
- Sunil Gala:** As of now we would have around 20 crores cash with us, as on date.
- Ashish Matani:** Sir in your presentation there is investments of close to 144 crores...?
- Sunil Gala:** That includes cash bank balance plus money invested in liquids, towards such kind of investments.
- Ashish Matani:** Sir, total cash and cash equivalents which can be liquidated immediately or in fixed deposits is close to around 144 crores? That can also be utilized towards acquisitions...so we don't have a problem of...
- Sunil Gala:** Of course that can easily be utilized and if we don't utilize, we use it for our building inventories and we borrow less from the banks.
- Ashish Matani:** Sir how much of the inventory comes in the books?
- Sunil Gala:** Inventory as of now is 116 crores as of December, but for January it would be more than 170 odd crores.
- Ashish Matani:** Sir just also wanted to confirm, we also had some kind of business in Rajasthan and we obviously had a conflict

because there was some other publisher who was also branding it with the name Navneet. Now what is the position on that and what are we doing to penetrate Rajasthan further...if you can throw some light?

Sunil Gala:

It wasn't Rajasthan, it was Madhya Pradesh. Apart from the conflict with the other publisher, overall we understood the literacy level as far as the inclination of the students to learn more was very, very different and low than our core areas. So we have stopped focusing those areas and continue to sell those titles which we have already created but are not penetrating with more titles.

Ashish Matani:

Sir how much do we generally get out of it? What is the investments, what are the OPEX going on for Madhya Pradesh titles and how much revenue do we get out of it?

Sunil Gala:

Revenue would be hardly in very, very small crores. But as far as new investments by any chance is concerned there is no further investments at all done in that market.

Ashish Matani:

Sir, did you spend any money in the court case...I think so we had files some litigation or there are no more expenses in relation to...?

Sunil Gala:

No more expenses.

Ashish Matani:

Sir, we have also had some plans of Urdu if I am not wrong? What is happening with those Urdu titles?

Sunil Gala:

As far as Maharashtra curriculum is concerned, we have most of the Urdu titles with us. We are trying to create more and more awareness among the Urdu medium. Unfortunately the buying power among the users is so low that unless those are helped by NGOs they don't really get success, but the growth is slow I would say, but we have as on date all the titles in Urdu.

Ashish Matani:

How much would that be contributing to our overall sales on an annual basis?

Sunil Gala:

Around 7, 8 crores.

Ashish Matani:

Margins in the Urdu would be very close to...?

Sunil Gala:

As far as margin is concerned, it is a clear cut strict policy internally that we will have the same kind of margins in all

the publications and therefore we have been able to maintain the margins at the company level also.

Ashish Matani:

Sir any other states that we are looking at? Obviously you mentioned about Andhra and Karnataka...but where are we exactly and how soon can we start seeing them seriously in the rumbles of...?

Sunil Gala:

Organically if we want to grow, it would take a couple of years to have the two full series with us and thereafter create market for us. If we get some good opportunity inorganically, then it will be a fast action. But at our end we have started creating content for few publications and we have plans to complete the full range in the next two years.

Ashish Matani:

Sir let me come into the Stationery business a bit. If we look...FY11 until now, for Stationery has not been that good. For Stationery as such, exports have taken a bit of a beating, but FY12 would certainly start looking good, because do we expect the exports to come down further? The domestic business is obviously as you said is growing in high double digits, maybe close to around 20%, 25% and this particular quarter was phenomenal with 36%, so could we see a good growth in Stationery Business as well and what kind of margins can we actually sustain on the Stationery business?

Sunil Gala:

See as I explained in the beginning, you are right that domestic we are very much confident on export because of the changing scenarios, the reasons which are not in our hands, it is very difficult to predict for the whole next year. But for domestic we are very, very confident and as far as margins are concerned, this year we should be ending at around 13% odd EBITDA margin. Overall we have a view to take that margin to further two basis points in the next two years or so.

Ashish Matani:

So close to around 14% or 15% could be a good...as such for the business.

Sunil Gala:

Yes.

Ashish Matani:

Sir, in FY12 you mentioned we have only the 1st and 2nd standard, a bit of 4th and 8th, 10th and the 11th as well...so many changes plus Gujarat...so could we see a 20 to 25 or would you like to put a number or would you like to...?

- Sunil Gala:** I would not like to. To bring out a content based product is very challenging and therefore exactly how much would it grow, exactly when will we also be able to come out with the titles, whether that will have impact in the FY12, that is very difficult to predict. But we are trying our best to bring out all the publications in time.
- Ashish Matani:** Sir there is close to a crore revenue in the others, is this e-learning or what is this "others"?
- Sunil Gala:** Others is power generation income from windmill.
- Ashish Matani:** That's all. Is power basically not giving us revenue? Obviously power is a more cyclical or seasonal business than your publications business. It is really the rainy season that matters. Is it bleeding or are we getting any benefits out of the power business?
- Sunil Gala:** Overall I would not say that we are getting any benefit, but it is a long-term decision that for next 20 years we will generate the power where we require particularly in the state of Gujarat at the same price. So even if the tariff prices go up it won't affect the company. That was the whole idea of investing in power.
- Ashish Matani:** Sir how many megawatts of power do we have?
- Sunil Gala:** 4.8 megawatts.
- Ashish Matani:** And what is the requirement sir?
- Sunil Gala:** At present requirement is hardly 1.5 megawatts.
- Ashish Matani:** Okay, what is the utilization...obviously wind mills don't operate at full PLF factors. So this 4.8 megawatts is the capacity but we would anyways be producing close to 1.5 of 1.8. Are we selling anything outside?
- Sunil Gala:** I am not very technical on this, but around 28% we have been able to generate.
- Ashish Matani:** So for the full year we are close to around 28%?
- Sunil Gala:** Yes.
- Moderator:** Thank you sir. Next question comes from Mr. Paresh Waugh an Individual Investor.

Paresh Waugh:

Good afternoon and congrats again on a really good set of results this quarter. Actually this is related to the previous question you were just answering, related to your windmill power. In your last annual report, you had indicated that you had generated almost 5.4 crores worth of power, whereas your actual consumption was hardly 2-1/2 crores, so there was a healthy excess over there. Just now you mentioned that you have been doing it primarily for internal consumption. In the long-run do you actually see yourself extending this as another line of business?

Sunil Gala:

No, no not at all. Whatever excess capacity which we have, which we are selling to Gujarat government right now, so whenever we consume ourselves, we will not sell it to them but definitely there are no further investment in such activity.

Paresh Waugh:

Okay thank you sir and congrats once again and good luck for the future too.

Sunil Gala:

Thanks.

Moderator:

I request the participants to press* and 1 for your questions.

Sunil Gala:

Sherly can we close now?

Moderator:

Sure sir. There are no further questions. Now I hand over the floor to Mr. Aunali Rupani for closing comment.

Aunali Rupani:

Yeah I would like to congratulate Mr. Sunil Gala for a good quarter and thank him for the insight and the detailed understanding of the company. I would like to thank Network Stock Broking for co-hosting the call and I would like to thank everyone in the call for patient listening. The transcript of the call will be mailed to all of you in 48 hours. Thank you so much for your time.

Sunil Gala:

Thank you everyone.

Moderator:

Thank you sir. Ladies and gentlemen, this concludes your conference for today. Thank you for your participation and for using Door Sabha's conference call service. You may disconnect your lines now. Thank you and have a pleasant evening.

Note:

1. This document has been edited to improve readability.
2. Blanks in this transcript represent inaudible or incomprehensible words.