



S Chand And Company Limited

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Date: May 29, 2024

To Listing Department BSE Limited 25 th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai, Maharashtra 400001	To Listing Department, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400051
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Dear Sir,

Re: Transcript of conference call – Q4FY24 - pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

The Company organized a conference call for the Analysts and Investors on Monday, May 27, 2024 at 01:00 P.M. to discuss the financial results for the quarter and year ended March 31, 2024. The transcript of the said conference call held with the Analysts and Investors is enclosed herewith.

The Company shall also disseminate the above information on the website of the Company- www.schandgroup.com.

Request you to kindly take note of the same.

Thanking You.

Yours Sincerely,

For S Chand And Company Limited

Jagdeep Singh
Company Secretary
Membership No: A15028
Address: A-27, 2nd Floor,
Mohan Co-operative Industrial Estate,
New Delhi-110044



Encl: as above

S Chand And Company Limited Q4 FY24 Earnings Conference Call

27th May 2024

hosted by Prabhudas Lilladher Pvt. Ltd

Host:

Ladies and gentlemen, good day and welcome to S Chand and Company Limited Q4 FY24 conference call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing * then 0 on your touch-tone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Stuti Beria from Prabhudas Lilladher. Thank you and over to you, ma'am.

Ms. Stuti Beria – Prabhudas Lilladher Pvt. Ltd:

Thank you. On behalf of Prabhudas Lilladher, welcome you all to the Q4 FY24 Earnings Call of S. Chand Private Limited. The management represented by Mr. Himanshu Gupta - MD, Mr. Saurabh Mittal - CFO and Mr. Atul Soni – Head Investor Relations. I would now like to hand over the call to management for opening remarks, and after that, we'll open up the floor for the Q&A. Thank you and over to you, sir.

Mr. Himanshu Gupta - Managing Director, S. Chand & Co. Ltd:

Thank you. Good afternoon, ladies and gentlemen. I am Himanshu Gupta, the Managing Director of S Chand and Company Limited. I would like to welcome you all to our fourth quarter and full year results conference call for FY24 and thank you all for taking the time-out and joining us here today.

I am extremely happy to share that FY24 has been a milestone year for S Chand and Company Limited on many parameters. I would like to highlight the following key points for the year gone by:-

1. We delivered the Highest operating revenues in 5 years, Up 9% on a YoY basis,
2. We delivered the Highest Gross Margins of 66% in 5 years, Up 12% on a YoY basis,
3. We delivered the Highest EBITDA and EBITDA Margin in 5 years, Up 14% on a YoY basis,
4. We delivered the Highest Operating Cash Flows in the company's history,
5. We delivered the Best Working Capital Efficiency in the company's history,
6. We are proposing a Final Dividend of Rs3/share,

7. And to top it all, S Chand and Company became a net debt free company at the end of FY24.

The biggest achievement for this year has been the strong improvement in our working capital metrics which are at historic lows. This unrelenting focus on working capital management has led us to significantly free up cash from the system and helped us to become Net Debt Free at the end of FY24 with net Cash balance of Rs600m.

On the Cash flow front, we have ended the year with the highest ever Operating Cash flows (OCF) in the company's history. We continued to be Free Cash Flow positive as well. Saurabh, our CFO would give more details on these financial metrics in his remarks.

On the National Curriculum Framework or NCF front, FY24 was a landmark year in terms of the announcement of the National Curriculum Framework for School Education (NCF SE) in August 2023. This long-awaited announcement has come after a gap of 18 years. We look forward to utilizing this opportunity to the fullest over the next 2-3 years.

During FY24, contrary to our expectations, the announcement of the NCF SE did not impact the FY24 sales season much since NCERT did not come out with new syllabus books even till March, 24. This led to a lower adoption of new syllabus books and most schools continued with the old syllabus books.

On the Higher Education and Test Prep segment, we saw continued challenges in the segment as the semesters were shortened in certain universities and NEP implementation was not uniform even within states. There were also lower numbers of job vacancies announced by the government which impacted the Test Prep segment along with stiff competition from Youtubers. We are working towards improving the performance of this segment by increasing collaborations with influential youtubers and coming out with content which is relevant to larger audiences.

On the Ed-Tech front, our Youtube Channel "S Chand Academy" continues to have phenomenal success. We have now launched over 1800 videos focused on Higher Education topics covering Science, Engineering and Test Preparation so far and the channel has already notched up over 20 million views and 234k subscribers. This further enables the promotion of our content, which can spur demand in that segment. This channel enables students to learn critical areas through top notch educationists which may not be available in Tier 2 and Tier 3 colleges. We expect to add another 800 videos for both the School and College segment this year.

We launched "Solid Steps", our integrated K-5 Curriculum solution keeping in mind the core concepts of the New Education Policy 2020 during the year. This **K-5 program** is meticulously designed to meet **NCF 2023 guidelines**, empowering young minds with essential skills – critical thinking, creativity, and a love for learning. Mylestone, our K-8

curriculum solution also continued to provide holistic learning to schools both in India and the Middle East.

Looking ahead, we expect FY25 and FY26 to see maximum adoption of the new syllabus books in the school segment which should help our growth trajectory for the company. Our strategic partnerships and collaborations have allowed us to expand our offerings and meet the changing needs of our customers. Our commitment is to continue this positive trend and enhance our financial position over the long term.

With that, I would now request our CFO, Mr. Saurabh Mittal to apprise all of us on the financial performance of S. Chand.

Mr. Saurabh Mittal - Chief Financial Officer, S Chand & Company Limited:

Thank you, sir. Good afternoon everyone and thank you for your time. I am Saurabh Mittal, Group CFO of S Chand and Company Limited.

In terms of numbers for the whole year, our consolidated operating revenues came at Rs 6,626 million versus Rs 6,103 million during the same time last year, registering a growth of 9% for the year gone by. We have shown one of the highest annual gross margins at 66% vs 64% in FY23.

Our EBITDA profits crossed Rs1000m for the first time in the past 5 years. We reported EBITDA of Rs 1098 million vs Rs 963 million in the corresponding period last year in spite of undertaking salary hikes, higher travel spends, spends on developing new content etc during the year.

I am happy to share that our Operating income went up 65% with profits of Rs 484 million versus Rs 292 million in the same period last year. We reported PAT of Rs511m in FY24. On back of solid profitability, we have recommended a Dividend of Rs3/share.

Our greatest achievement during FY24 has been the commendable work done in improving the working capital metrics which resulted in the highest operating cash flows in the company's history at Rs1,211m vs Rs811 last year. The healthy cash flows have enabled us to reduce debt, negotiate better terms and focus on marketing our products and services better.

I would like to bring your attention to Slide no 8 to slide 10 which showcases the results of the steps taken during the past years towards building a lower working capital organisation with focus on positive cash flows.

In terms of working capital:-

- Trade Receivables reduced to Rs2,601m during Q4FY24 vs Rs2,653m during Q4FY23. This is a Rs52m decrease in receivables in spite of achieving incremental sales of Rs523m over last year.
 - In terms of receivable days, it stood at 143 days (vs. 159 days in Q4FY23), a reduction of 16 days during FY24. This is the lowest Q4 receivable days in the company's history.
- Inventory increased to Rs1,761m (vs Q4FY23: Rs1,562m). This inventory increase is driven by a higher raw material paper inventory of Rs633m (vs Q4FY23: Rs436m). Finished goods inventory was almost at the same level as last year.
- Net Working Capital reduced to 157 days (vs. 188 days in Q4FY23) which is a reduction of 31 days during FY24. This is the lowest Q4 net working capital days in the company's history.

In terms of Debt, the company was Net Debt free at the end of the year. We were Net Cash positive as of March 2024 at Rs. 600 Mn vs Net Debt of 60m at the same time last year.

As we go into FY25, I would like to reiterate for the coming year:-

- Firstly, we are looking to grow Operating revenues in double digits for the year.
- Secondly, we would be taking a single digit price hike across our product portfolio.
- Thirdly, Gross margins should be stable barring exceptional movement in the paper prices during the year.
- Fourthly, we have upgraded our EBITDA margin band guidance to 17%-19% (vs. 16%-18% guidance Last year).
- Fifth, we look forward to continuing our laser sharp focus on working capital metrics and cash flows to continue. We are targeting to be Net Debt Free for 3 quarters during the year.

Finally, we shall continue to create content based on the new syllabus during CY25. This should lead us into FY25 sales season with a much larger repository of new syllabus books for our target customer. We expect the promotion & sales season of FY25 to see higher adoption of new curriculum books by schools vs. FY24. We should also see further announcements of new syllabus books from NCERT for more classes to happen during the year. This should lead to strong volume, revenue and profitability growth for the next 2-3 years period.

With this, I would like to open the call for your questions. Thank you.

Host:

We will now begin the Question & Answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone phone. 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.

The first question is from the line of Ronodeep Sen from Mass Capital. Please go ahead.

Mr. Ronodeep Sen – Mass Capital:

Yeah, thank you for the opportunity. While NCF was launched in August of 2023, but NCERT kind of spoiled the party by not implementing it. Are you confident of it being implemented for the next two years?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

So, Ronodeep, it is not as if they have not implemented it. They have announced class's 3rd and 6th syllabus in April of this year. So, our belief is that they will continue to announce new classes, and that is how the rollout will happen.

Mr. Ronodeep Sen – Mass Capital:

Sure. Wanted to also understand, I think in some of the earlier calls you mentioned about monetizing the YouTube channel, S. Chand Academy. Have you made progress in that space?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

Not yet, to be honest, and we are still reviewing our strategy on the S Chand Academy at the moment, because the focus for the last year has been to bring out content according to the NCF. So, that is where we are focused on. On the S Chand Academy, we are reviewing what we wish to do, and probably by the next quarter call we will have a definitive strategy on that.

Mr. Ronodeep Sen – Mass Capital:

Sure. Next, wanted to understand, if I look at Pearson, which is a \$6 billion company globally and dominates the US publishing space, have we tried emulating business models from them?

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

In terms of acquisitions?

Mr. Ronodeep Sen – Mass Capital:

Not just acquisitions, I think their business model varies across electronic media, publishing. They have various interesting business models. Just wanted to understand, has the management spent time understanding their business model, given they are the global leader?

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

Pearson is already in India. Pearson has an office in India. But according to our sources and information, Pearson is not really doing well in India and has sold its school education division to a company called LEAD last year. Those things are already happening. The things that work in India, we are already working on them, with our strategies, because everything which happens globally cannot be replicated as it is in India. So, we have to be very careful about what works in India, where the market for us lies, and we should be continuing on those strategies.

Mr. Ronodeep Sen – Mass Capital:

Sure. One last question. Given we are a debt-free company now and generating good cash flows year on year, how far have we progressed in our latest acquisition? I think you mentioned last time, I think we are towards the closure of our new acquisition. Any update on that?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

We are reviewing that in terms of the acquisition because there are certain things that did not work out. So, we are in the review process. We are still in negotiations with them.

Mr. Ronodeep Sen – Mass Capital:

Sure. Thank you so much.

Host:

The next question is from the line of Niteen S. Dharmawat from Aurum Capital. Please go ahead.

Mr. Niteen S. Dharmawat - Aurum Capital:

Yeah, thank you for the opportunity. A couple of questions. So, we mentioned double-digit revenue growth for next financial year. Now, double-digit can be from 10% to 99%. So, can we be a little more specific in terms of guidance, because that will help us understand where are we headed?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

Niteen, I mean, to be honest, having looked at last year and reviewing that, we will be in a better position once we start seeing the adoptions of new syllabus books by schools, somewhere around the mid of the 3rd Quarter. I mean, of course, the baseline should be around 12% to 13%. But of course, we are targeting a higher number. So, Niteen, there is a level of uncertainty right now around this. So, that is precisely the reason why we have not given a numerical guidance.

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

And the elections also just finishing up around the corner. So, that will also depend on if the same government continues or there is a new government which comes in, what will be their policies, what will be the things. So, it will be very difficult to say right now.

Mr. Niteen S. Dharmawat - Aurum Capital:

Got it.

Mr. Atul Soni - Head - Investor Relations, S Chand And Company Limited:

So, I think we will be better equipped to answer that probably by the 3rd Quarter.

Mr. Niteen S. Dharmawat - Aurum Capital:

By the 3rd Quarter, because most of our business comes in the last quarter of the year, I understand that.

Mr. Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

Yes, yes.

Mr. Niteen S. Dharmawat - Aurum Capital:

Okay, okay. But one is, for example, after 4th June, we may have some clarity if the government is continuing or not continuing that way, and that may give us some indication about the possible revenues by implementation of NCF or discontinuation of NCF, whatever happens post 4th June, right? So, we will have some idea about that.

Mr. Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

Yes. So, if the existing government comes and it is obviously a continuation of the previous policies, that part is correct. But I think let us wait for 4th June.

Mr. Niteen S. Dharmawat - Aurum Capital:

Got it. Okay. My next question is about the paper prices. So, how is paper prices now in our inventory level and how do we expect the paper prices in coming months? Because a lot will depend on paper prices as well. And if NCF is getting implemented, then the demand for paper could be different and the prices would determine a lot of profitability concerning the publication of the book. Though we may be taking some hikes, but still paper prices will help us understand where we are heading.

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

Yes. So, paper prices have come down slightly last year. And right now, as of now, I am not seeing any increase in paper prices. But people in the market are saying maybe after the 2nd and 3rd Quarter, the prices might increase because of buying by the government, buying for even the export market and even domestic market consumption will increase. So, right now it is very difficult to say where the paper prices will go. But I feel paper prices largely should be constant with minor increases, if any, this year.

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

And having said that, we have got large inventory already in hand. So, paper procurement this year should be 20 to 30% lower than the previous year.

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

So, paper procurement in terms of this year will be less than last year, much less.

Mr. Niteen S. Dharmawat - Aurum Capital:

I got it. Sir, any other plans of acquiring any companies in the foreseeable future now? Are we looking for any opportunities for inorganic growth as well?

Mr. Himanshu Gupta - Managing Director, S Chand And Company Limited:

So, we always are open. We always look out for opportunities. If the right opportunities strike us, then we evaluate it. And if the deal happens, it happens. So, we are always on the lookout. It is nothing like we have stopped looking out. But the problem is getting the right opportunity at the right value, that becomes very tough.

Mr. Niteen S. Dharmawat - Aurum Capital:

My final question is related with our investments in new-age companies, wherein we are providing some small capital over there. So, what are our plans? Are we looking for any other opportunity now actively, or we are continuing where we were? And are we planning any exits over there in any of the invested companies?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

I mean, currently, we have two investments. Not exactly looking at exit in any of them. Smartivity is doing exceedingly well. iXambee had a stable year last year. We continue to get investor decks for investments. There are some ongoing discussions, but not anything to talk about at this stage. As and when something comes up, we will definitely inform the exchanges.

Mr. Niteen S. Dharmawat - Aurum Capital:

I got it. Regarding Smartivity, have they taken any other funding now, or the last one that they have taken, after that they have not done anything? Any idea about that?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

So, they are cash positive, they are generating money. So, as of now, they really do not have a requirement to raise equity. But as of now, there is no fundraise in the next 6 months, as I see.

Mr. Niteen S. Dharmawat - Aurum Capital:

And what was the valuation when they raised the capital the last time?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

I think around Rs120 crores odd.

Mr. Niteen S. Dharmawat - Aurum Capital:

Got it. Okay. Thank you so much and wishing you best.

Host:

Thank you. A reminder to all the participants, if you wish to register for questions, please press * and 1. Our next question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Mr. Pradeep Rawat – Yogya Capital:

Hi, good afternoon, sir, and thank you for the opportunity. So, my first question is regarding our margins. So, we had margins like 20% plus kind of margins before 2018, and now it is much lower than that. So, what I can understand is, paper prices have much to do with it, with this lower margin. So, are there any other factors which are limiting us to achieve those margins back?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

Yes. So, if you look at prior to 2018, of course, there was a lot of aggressive growth during that period, and the working capital metrics also were not great. What we have also done is, re-looked at our working capital metrics. So, I mean, just to increase margins of 2% by driving volume growth is not efficient to the working capital metrics. So, there are 2-3 factors which have led to the decline in margins as of now, but we, of course, have already upped our regular margin guidance for the current year. There were couple of other issues as well. One, of course, was the implementation of GST in 2017, which has had about 100 bps to 150 bps impact because we do not get input credit on any of our products. So, there have been issues of reverse charge GST on royalty and increasing the GST of printing outside, plus GST rate at 18% for almost everything. So, that is one.

The other thing, of course, during COVID, of course, the volumes in the revenues were lower. Of course, we have done quite a bit on the baseline costs, but of course, beyond a point, you cannot really go lower. So, as and when volumes start going up post the NCF implementation, the margins will improve. But of course, they should improve on a regular basis. There cannot be any knee jerk movement of margins. We are working around looking at each and every aspect of it.

If you look at most of our working capital metrics, we are far better than what we were pre-COVID. I mean, these numbers in terms of networking capital days, in terms of receivable days, are far better. And even on the operating cash flows, I mean, on revenues of Rs800 crores, even at 20%+ EBITDA, we were making Rs38 crores of operating cash flows. Currently we are at Rs120 crores plus of operating cash flows. I think that is more important for us in terms of generating cash rather than just looking at one part of it, which is the margin percentage.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

So, what I was saying was that if you look at our operating metrics, most of them have working capital days metrics have improved by 50% over the last five years. So, we have to look at these numbers in terms of the cash that we are generating, which is probably up 3X in the last 5 to 6 years, and the operating metrics, which have seen a huge improvement. So, I think we would like to look at it like that.

Mr. Pradeep Rawat – Yogya Capital:

Okay. And sir, with respect to sustainable margins, could we expect a margin near 18-20% or more than that in coming years?

Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited:

So, see, we are looking at it year on year. And I think in a year where we have paper prices declining a bit, of course, we could look at that 20%. But a lot of factors are involved in this. I mean, of course, product prices cannot increase beyond a point. Paper, of course, is the biggest lever in terms of that. And of course, everything depends upon volume growth. So, once you have volume growth, I think we can look at improving margins.

Mr. Pradeep Rawat – Yogya Capital:

Okay. That is all from my side. Thank you and all the best.

Host:

Thank you. You may press * and 1 to ask a question. The next question is from the line of Bharat Sheth from Quest Investment. Please go ahead.

Mr. Bharat Sheth – Quest Investment:

Hi, sir. Am I audible? Hello?

Host:

Yes, you are.

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

Sir, pardon my ignorance. My question will be, that the new course that we are talking, which was announced in August 23, how is it really going to play out for us as well as overall on the whole education?

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

Sorry, you want to ask how it will play out for us in the new syllabus?

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

As well as the overall industry because ultimately the overall industry, because what will be differently from the existing one?

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

The new syllabus means getting new books in the market and when you get new books in the market, used books and the 2nd hand books come out from the market and the schools take all the new books for their use and that increases the market share of companies which are a good brand, have good content and good relationship with the schools. So that's how it will have a positive impact on the group for the next 2-3 years.

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

Ok. And what I understand is that you said that, it has not yet only been implemented from std.3rd to std. 6th. Is that correct?

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

No, no, NCERT have announced the new books for only class 3rd and class 6th last month. We expect that over the next couple of months, there should be more announcements of more classes. So far, the new syllabus is only there for classes Prep to 3rd class and 6th class

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

So, for whatever change, at least to that extent it will benefit this year? Correct?

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

Yes, but that is as of today. We expect that over the next 6 months, you will see more classes' new syllabus being announced.

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

Whatever will be announced, can you help by saying what will be our revenue contribution from those books whatever has been now announced?

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

So for the school segment, K-8 is almost 60 percent of our school revenues.

Mr. Bharat Sheth – Quest Investment Advisor Pvt. Ltd.:

Ok. Thank you very much Sir. All the best.

Host:

Thank you. A reminder to all the participants, if you wish to ask questions, please press * and 1. The next question is from the line of Vikas Modumbi Kasturi from Focus Capital. Please go ahead.

Mr. Vikas Kasturi – Focus Capital:

Ok. Good afternoon, Sir. I had a couple of questions. So one is, year on year there has been a great improvement in the receivables that, you know every year it has reduced. So is there scope for improving this further? I know this is among the best but is there scope to improve this further?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Ya definitely! There is scope. I think we still must work on the inventory side of it. Receivables there is less scope to improve, so I think there is still scope to improve on overall net working metrics.

Mr. Vikas Kasturi – Focus Capital:

Ok. That's very heartening to hear Sir. The 2nd thing is, somewhere I came across in your DRHP Sir, that there are about 10,000 publishers in India. It's a very fragmented market and I think in one of the interviews you had said something like you had about 12-13pc kind of a market share. So, my question is, is the industry consolidating or likely to consolidate anytime soon Sir? Are you seeing some trends in that direction?

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

So, I would like to say here that the market got affected financially quite badly after covid. Covid had actually shaken up things in a lot of publishers and a lot of publishers were seeing that financially they were not able to compete properly, and they have issues of buying paper, they have issues of printing, paying the suppliers, paying the salaries to the employees and receiving collections from the market. So all those things were factoring up and we were seeing people were getting weakened and confidently we have been strengthening our company. So that's a good part for us. So I think the

market is, I will not call it exactly consolidating but yes, market is trying to play for the strong players in the market. So, the strong players will definitely will have an edge over the weaker players and that is where we feel that a company like us or a group like us will have an advantage over others. That's it.

Mr. Vikas Kasturi – Focus Capital:

Ok, got it Sir. And one last question – I was unable to understand the exact role or the dependence on NCERT as far as the NCF implementation goes. If you don't mind, could you just provide sort of explanation on that Sir?

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

So, what happens is that when NCERT comes out with the new books, that becomes a benchmark. So, thousands of schools across the country will say that you know, now that the new book is out, they will say that we will now want to purchase the new syllabus books for our students as well. Thus it becomes a trigger. As long as the NCERT books are not out, people have a choice to go with the older or newer syllabus books. So that becomes like a big trigger for moving to the new syllabus.

Mr. Vikas Kasturi – Focus Capital:

Ok, got it Sir.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

It becomes like a benchmark. For example, if you are a school owner or a teacher or HOD of a particular subject, if there is a new syllabus book by NCERT, then you can't be using the old syllabus books. Then people will question you. The parents will come and question you. So that is why it is a trigger for movement or option of the new syllabus books from private publishers like us as well.

Mr. Vikas Kasturi – Focus Capital:

Ok, got it Sir. Thank you. One last question Sir. On the balance sheet, we have a big chunk of our total assets actually sitting in goodwill Sir and you said that you don't want to reduce that amount because you don't see any impairment in the acquisitions. So, my question is Sir, because of that large amount sitting in the goodwill, that is artificially depressing the return matrix like return on equity and return on capital. So is there any

thoughts you can share on the amount amortized in the future or will it remain the way it is?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Ya, I mean we have had this conversation multiple times on the goodwill and it only, if you look at it, it stands in the consolidated financials and not on the standalone financials. If you look at the standalone financials of each individual entity, of course the return ratios are much better. It's because of the premium that we paid on the acquisitions, that our return ratios are impacted. So if somebody has to look at the return ratios, net off that goodwill to actually see what kind of returns we are making. At this point of time, there is no conversation to impair our goodwill because it's on the consolidated financial numbers. It's not part of any individual balance sheet.

Mr. Vikas Kasturi – Focus Capital:

So Sir actually, you would know this better than me Sir, because we have been paying down our debt, our total assets are actually reducing so the goodwill as a percentage of total assets is actually increasing because the denominator is reducing. So therefore, our equity component is also going up and as a result of which, artificially the return on equity looks much lower. So only when somebody looks deeper into the wonderful things that you have done and how the cash flows have improved, only then they will understand this.

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

So the only other option is to write down the goodwill in the financials. So we haven't had that conversation to be honest, it's not something that we are looking at any point of time. Possibly if we can merge the companies into a single entity, at that point of time may be possible but at this point of time, we don't see a major impact because of that.

Mr. Vikas Kasturi – Focus Capital:

Got it Sir, got it. Thank you Sir. I will come back in the queue.

Host:

Thank you. A reminder to all the participants, if you wish to ask questions, please press * and 1. The next question is from the line of Puneet Mittal from Global Core Capital. Please go ahead.

Mr. Puneet Mittal – Global Core Capital:

Got it, good afternoon! Couple of questions – one, on the extension of goodwill, I think on the consolidated, there is an increase of 50cr. of intangibles which I reckon as goodwill. Can you explain what is that increase about?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

During this year? I don't think goodwill has increased in the current year.

Mr. Puneet Mittal – Global Core Capital:

Is the goodwill marked under intangible or is it marked under something else?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Goodwill is separate line item. If you look at the financial statement, goodwill is at Rs3325m versus Rs3357m. It has reduced by approx. Rs32 million.

Mr. Puneet Mittal – Global Core Capital:

Ok, ok. I think this is incorrect. Sorry for that, sorry. Now coming to the new syllabus, is the understanding correct that they have to come out with the new syllabus within the next few months because if someone is using the new syllabus from year 6th When they go to the next year, they can't go back to the old syllabus. So if someone is adopting the new syllabus, they will have to continue with the new syllabus until class 12th right?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

I think syllabus has already come out last year I believe. The only thing that has not come out is the NCERT books. So NCERT comes out with books as per the syllabus which becomes the benchmark for the market. Now a lot of schools use NCERT books and a lot of schools use a mix of NCERT books and private publisher books. So, the catch here is that, till the time NCERT does not come out with the complete set of books, schools are in confusion of whether to follow the NCERT books or whether to follow the NCF, the syllabus which has already come out.

So a lot of schools have already transitioned, in our estimates, 10% to 20% of the schools have already transitioned to the new syllabus and taken books across all classes from

private publishers even if NCERT has not come out with its books. It is the other 80%-85% which are sitting on the fence waiting for the NCERT to come out with books and see what the changes are done and then go ahead with whatever classes they want to work with private and whatever classes they want to work with at NCERT. So just to make an understanding, NCERT books are at 30%-35% of the total market in that segment, so the market share of NCERT is at 30%-35%. Rest of it is the private publishers. So that will impact of the largest player and a lot of schools use a mix of both.

Mr. Puneet Mittal – Global Core Capital:

I understand but my question is, the new syllabus books that have come out are only until year 6th. Did you say that it's only until year 6 that they have come out now?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

So K-2 came out the previous year and the books are already in the market. Additionally, in March, 24, they came up with class 3rd and 6th. And for Classes 3rd and 6th also they came up with the digital version. They did not make it available in print. The schools could not prescribe them in school. Till the time the printed books are not available, school cannot prescribe it. So that was a challenge. Now probably by the end of this October/November, I am expecting that NCERT will come out with all the books upto class 8th and will do the complete implementation during the next seasons.

Mr. Puneet Mittal – Global Core Capital:

Ok, got it. Now last question, actually I think on the asset allocation side with we becoming net debt free and hopefully our cash flow generation would be upwards of 120cr next year, what is the management's thought process and plan of further capital allocation? I know that you are talking about inorganic acquisitions and all but what is the thought process now, I mean that becomes even more relevant given that kind of cash flows Rs700cr topline and Rs900cr of the market cap. So any clarity on that? That would be really helpful.

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Ya, in terms of that, we have already commenced the dividend distribution last year and we are retaining the same amount this year because our profits are also around the same range. In terms of acquisition, there are opportunities in the market so we would

like to keep some of the money aside for that. And of course, once we hit let's say 100cr. plus in terms of cash, then we will probably start thinking of buyback.

Mr. Puneet Mittal – Global Core Capital:

Ok, so that buyback is in the mind of the board and the management already. Is that right?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Ya, definitely, definitely!

Mr. Puneet Mittal – Global Core Capital:

Got it. Thank you very much for answering all the questions.

Host:

Thank you. Participants, if you have any further questions, you may press * and 1. The next question is from the line of Manan Patel, who is an individual investor. Please go ahead.

Mr. Manan Patel – Participant:

Ok Sir, thank you. Sir, first of all congratulations on the great work on profitability and the balance sheet. Sir, first question is regarding the investment that you mentioned that you are making in developing new curriculum and marketing. So can you throw some light on what kind of improvement in number of schools that you are addressing? Number of geographies? Number of classes? So could you quantify those numbers? If we can have some idea on the kind of market share that you can gain going forward?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

In terms of geography, we are there pan India and of course Middle East which is a large market for us. In terms of content also, we are across all subjects. Of course, we added a couple of subjects in terms of artificial intelligence, coding, robotics etc which are the new subjects coming up. We are slowly building on the additional subjects that have been included in the new curriculum. In terms of number of schools, the coverage is there in around 40,000-45,000 schools and almost 60pc of the schools are user schools

which use our products. In terms of state board, we have a large offering in West Bengal so that's where we are in terms of coverage.

Mr. Manan Patel – Participant:

Ok Sir. Sir, as the Classes 3rd to Classes 6th new books are out, so do you think it has any impact on our June revenues? So do we see a growth in June quarter from those classes?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Academic session has already started in April so whatever adoptions, for this academic year had to happen have already happened. We don't see a substantial jump because of these books. The printed books are still not out. I think probably by the end of this June/July, the books will be out in the market.

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

It's not going to have any impact in the June quarter.

Mr. Manan Patel – Participant:

Ok. And Sir, while the timing is uncertain but when all of these NCERT comes with books for all of these classes, so do we see ourselves hitting a revenue of Rs900cr- Rs1,000cr. We had done 800cr. in FY18 but can we reach Rs900cr-Rs1000cr revenue when all these books are in place in the next 2-3 years?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

That is definitely a target but having said that, we will be prudent in terms of the kind of revenue growth that we are looking at since we continue to focus on working capital and cash flows. Quality business we will not dilute at the cost of increasing revenues.

Host:

In between, your audio was going really bad.

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

Basically, Saurabh is saying that he wants to continue on the path of quality sales. Just to increase the sale growth we are not going to compromise on the quality of the sales. We want to make sure that collections are in line and the working capital is in line. Otherwise collecting payment from bad customers becomes a very tedious job and then the requirement also becomes very high.

Mr. Manan Patel – Participant:

Understood. So given the good quality of customers that we want and our learning from the past, so is there a market enough for us to reach a Rs1,000cr. type of sales?

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

Market is quite big; market is quite sufficient. It is just that, as I said earlier, there is a kind of consolidation happening in the market where the weaker players are not able to compete with the stronger players. Stronger players like us will be able to capture more market share in the market and that's what I feel we would be doing in the 2-3yrs. We are just waiting for the syllabus change. Now the syllabus change has already started. Next 2-3 years, I think we should have good earnings if the syllabus change happens on time from the government.

Mr. Manan Patel – Participant:

Understood! And Sir lastly, I understand capital allocation. I understand the previous participant mentioned capital allocation and you mentioned buyback, so I understand you mentioned 100cr. number before you want to think about a buyback. But Sir market being, what they are very unpredictable and given we are at around Rs850cr-Rs900cr. market cap generating around Rs120cr. of cash flows, so would it not be more prudent to do buyback when the stock price is available cheap and we might not have eminent capex plan and still have a Rs60cr. balance on cash in hand? So just a suggestion and would love to hear if you have any comment, so better do it when the prices are available. Once the new syllabus starts coming in, the market might recognize, and the price might also move up. So looks like a very cheap stock at this point. Would love to hear your thoughts on it?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

So on this, if you follow our numbers on a quarter to quarter basis, during quarter 3 we still have debt in our books. We are a seasonal business where we have to invest upfront and the money flows at the end of Q4 for us. So we are slightly prudent because we do

not want to be strapped for capital at the end of Q3 building into the new season, that is why we have put in a certain number. Once we cross Rs100cr., probably we will have enough cash to ride on through the season where we require capital and so another year's time, we would definitely give us that kind of strength. So we have had two good years but also we had 3 very difficult years of covid. So we would like to conserve some cash so that we have money in our books. We are not borrowing, or we do not have to go back to the markets to raise money.

Mr. Manan Patel – Participant:

That's all Sir.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

At the same time, it is prudent if you come out with a buyback, you come out for a decent amount. I mean just having a buyback for a very small amount of capital allocated to it, I don't think it will do justice as well.

Mr. Manan Patel – Participant:

I completely understand Sir but when you are talking about the numbers that we are planning to do or will happen with the syllabus, the prices will also not be at the same level. It should not be at the same level ideally.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

See, the thing is that from a business perspective, we have to balance risk as well as reward. So I mean we have to see in terms of debt levels, we might do acquisitions. I mean who knows, you know, nobody foresee covid coming. So that's what covid has taught us. So I think that's a tricky balance to achieve, that is what we keep on deliberating even in our board meetings and we are cognizant of that fact. The timing of it will be dependent on as per the board thinking as well.

Mr. Manan Patel – Participant:

I completely appreciate you not putting the business in jeopardy just for this. This was just my suggestion. Thanks a lot for your views on this.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

Sure!

Host:

Thank you. Participants, you may press * and 1 to ask a question. The next follow-up question is from the line of Pradeep Rawat from Yogya Capital. Please go ahead.

Mr. Pradeep Rawat - Yogya Capital:

Thank you for the opportunity again. I have a question regarding the NCF. Do you see any risk of implantation of getting delayed and being done in a phased adoption manner from the side of NCERT?

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Not really, I don't think there is any risk of not being implemented unless there is a complete change from the government side. It depends on what happens in the political system.

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

I think that answer you will get on the 4th of June.

Mr. Pradeep Rawat - Yogya Capital:

Can we share the number regarding the revenue for class 6th and then 6 to 9 and then 9th to 12th?

Mr. Atul Soni, Head - Investor Relations, S Chand And Company Limited:

We have said that out of the total school revenues, K-8 is almost 60%-70% of the school revenues. I think in the earlier releases, we had mentioned that K-2 was almost 10%-15%. Thus, Classes 3rd to 8th will be approximately 50-55% of the school business and Classes 9th to Classes 12th would be approximately 30% of the school business.

Mr. Pradeep Rawat - Yogya Capital:

Ok, ok, thank you.

Host:

Thank you. As there are no further questions from the participants, I now hand the conference over to the management group for their closing comments.

Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited:

Thank you everyone. Thank you for your questions. It was nice to talk to you. We are happy to have good results and we continue on the path of quality sales and ensuring we deliver good returns next time. Thank you for all your support and co-operation. Thank you.

Host:

Thank you.

Mr. Saurabh Mittal – Chief Financial Officer, S Chand And Company Limited:

Thank you.

Host:

On behalf of Prabhudas Lilladher Pvt. Ltd., that concludes this conference. Thank you for joining us. You may now disconnect your line.

END OF TRANSCRIPTION