S Chand And Company Limited
Registered Office: A-27, 2nd Floor, Mohan Co-Operative Industrial Estate, New Delhi - 110044, India.
P:+91 11 4973 1800 | F:+91 11 4973 1801 | E: info@schandgroup.com | www.schandgroup.com

Date: August 16, 2024

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

Dear Sir,

Re: Transcript of conference call – Q1FY25 - 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 Tuesday, August 13, 2024 at 01:00 P.M. to discuss the financial results for the quarter ended June 30, 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
Digitally signed by JAGDEEP SINGH
Date: 2024.08.16 18:07:11 +05'30'

S Chand And Company Limited
New Delhi

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

S Chand And Company Limited Q1 FY25 Earnings Conference Call

13th August 2024

hosted by Prabhudas Lilladher Pvt. Ltd

Moderator:

Ladies and gentlemen, good day and welcome to the S Chand & Company Limited Q1 FY25 earnings conference call hosted by Prabhudas Lilladher Private Limited. As a reminder all participant lines will be in the listen only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference please signal an operator by pressing * and 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 I welcome you all to the Q1 FY25 earnings call of S Chand Limited. We have with us the management represented by Mr. Himanshu Gupta – MD, Mr. Saurabh Mittal – CFO and Mr. Atul Soni – Head, Investor Relations, Strategy and M&A. I would now like to hand over the call to the management for their opening remarks after which we can open the floor for Q&A.

Thank you and over to you, sir.

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

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 first quarter results conference call for FY25 and thank you all for taking the time-out and joining us here today.

Q1FY25 was a steady quarter in terms of sales despite the National Elections in the country and the severe Heat-wave across North India, shortening the period that schools were operational during the quarter. The New curriculum was adopted and implemented by limited schools on account of the content launched by NCERT for only a few classes. On the working capital side, we had an exceptional quarter in terms of delivering the lowest working capital metrics for Q1 in the company's history. We continued our strong cash flow generation and remained net debt free at the end of the quarter with an increased net cash balance of Rs882m (Vs. Q4FY24: Rs600m).

We are also very excited to share that we are engaged in a content licensing partnership with leading Tech majors to power their Gen AI Large Language Models (LLMs). This opens a new Revenue vertical for the company, which we are keen to build upon.

On the Higher Education front, we are forging ahead with strategic tie-ups and partnerships in the Test-Preparation segment, which will enable us to meet the changing requirements for students studying for various examinations, both entrance and vacancy. There have been some delays in the admissions due to issues with NEET results and CUET results which were a bit delayed this year for various reasons. With the Elections out of the way, we expect Vacancies to be announced by the Government and NEP implementation to stabilise.

With EdTech grappling with the post Covid world and students returning to schools and colleges, we see Hybrid / Blended Learning as a way forward. The use of technology will go hand in hand with classroom teaching, the effectiveness of which is now being realised post the Covid era. Our digital interventions S Chand Academy, TestCoach, Mylestone, SmartK and Solid Steps are based the blended learning approach and are being well received by the market.

The NCF/NEP has brought in changes which are dynamic, which allow the students greater flexibility in learning, more tools at their disposal, however the transformation and implementation will require time and efforts from all stakeholders. We at S Chand are committed to helping schools in this transformation with various seminars, workshops, programs and engagements like Sci-Math Connect, Hindi Diwas, Knowledge Quest Quiz and NCF workshops etc. to enable such transition.

Looking ahead, we expect NCERT to release books on the new syllabus over the course of the year. We are fully equipped to utilize this opportunity over the next 2-3 years. We expect FY25 and FY26 to see maximum adoption of the new syllabus books which should help our growth trajectory for the company

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 - CFO, 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.

Now coming to numbers for the quarter, our consolidated operating revenues came at Rs 1,107 million versus Rs 1,111 million during the same time last year. We had the highest ever gross margins in the company’s history at 72% vs 69% last year.

We reported EBITDA profits of Rs 84 million vs Rs 136 million in the corresponding period last year. We reported a minor PAT loss of Rs30 million vs Rs 11 million profits in the same period last year. While the Revenues were in line with the same period last year and Increased expenses on account of the NCF content development and implementation has resulted in lower EBIDTA and Profits which we will recover by Q3.

One of the strongest features of the company's Q1 results were our working capital metrics which are at historic lows for Q1 in the company's history and at par with the best in the industry. Do note that-:

- Our Q1 receivable days are below 100 days for the 1st time in the company's history.
- Our Q1 Net Working capital days was at 132 days which is the lowest in company's history.

All these efforts resulted in steady operating cash flows, and we ended the quarter with a strong Net cash balance of Rs882m (Vs. Q4FY24: Rs600m). This provides us with ample reserves to invest in content development, marketing, potential acquisitions and strategic partnerships.

I would like to bring your attention to Slide no 6 to slide no 8 which showcases the results of the steps taken during the past three years towards building a cost effective and lower working capital organisation with focus on positive cash flows.

Trade Receivables reduced to Rs1,663m during Q1FY25 vs. Rs1,732m during Q1FY24. This is a Rs69m decrease in receivables YoY. In terms of receivable days, it stood at 92 days (vs. 103 days in Q1FY24), a reduction of 11 days over the previous year. This is the lowest receivable days in Q1 in in the company's history.

Net Working Capital reduced to 132 days (vs. 143 days in Q1FY24) which is a reduction of 11 days over the previous year. This is the lowest net working capital days in Q1 in the company's history.

In terms of Debt, we ended the quarter with a Net Cash balance of Rs882m (vs. Net Cash balance of Rs600m in Q4FY24) and Gross Debt: Rs483m (vs. Rs906m in Q1FY24).

In terms of Cash Flows, our strategy of focusing on the cash flows has yielded results where we ended the quarter with OCF of Rs353m in the current quarter (vs. Rs691m in the same time last year). Lower Operating Cash flows vs. Q1FY24 is primarily due to Rs300m+ additional payments made during Q1FY25 to paper vendors for the paper inventory built up for the last season. Do keep in mind that we built up higher levels of paper inventory last year anticipating demand from new syllabus books but due to the lower adoption of new syllabus book during the sales season, we finished FY24 with higher-than-expected raw paper inventory. We fully expect to utilize this inventory during the current year and expect paper procurement to be lower during the year.

As we continue into FY25, I would like to reiterate for this year-:

- Firstly, we are looking to grow Operating revenues in double digits for the year.
- Secondly, we expect Gross margins to be higher during the year.
- Thirdly, we have upgraded our EBITDA margin band guidance to 17%-19% (vs. 16%-18% guidance Last year) on account of higher Gross Margins.
- Finally, we look forward to continuing our Lazer sharp focus on working capital metrics and cash flows to continue. We will be Net Debt Free for 3 quarters during the year.

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

Q&A Session:

Moderator:

Thank you very much.

We will now begin the question-and-answer session. Anyone who wishes to ask a question may press * and 1 on their touchtone telephone. If you wish to withdraw yourself from the question queue you may press * and 2. Participants are requested to please 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 Deepan Sankara Narayanan from Trustline PMS, please go ahead.

Mr. Deepan Sankara Narayanan – Trustline PMS:

Good afternoon, everyone, and thanks a lot for the opportunity.

Firstly, how do we see the progress of NCERT releasing curriculum process this year and how many classes do we expect this year?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

While we are not confirmed in terms of the number of classes for which the books will come from NCERT, but we expect that most of the books should be out by the end of December. The discussions that we have been having is that the books should be out by end of Q3, so that for the next academic year all the books are available so that there is no confusion in adoption by schools next year in the complete curriculum.

Mr. Deepan Sankara Narayanan – Trustline PMS:

So, will it be 2-3 classes or more than that, what is our expectation on that.

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

It should be more than that. It should be definitely most of the classes should be there. K to12 has already been done last year, the content should be out so the balance classes also should be done. We understand that the content is already ready, and they are coming out with it in stages.

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

But I feel all the content will not be coming out, all the classes will not be coming out this year, it might come till next year. So, what we hear about is that 3-4 more classes will come this year and rest of them will come next year.

Mr. Deepan Sankara Narayanan – Trustline PMS:

Okay. And what is our expectation on what proportion of schools currently which we are catering to could adopt this new curriculum this year.

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

It's anybody's guess, obviously we cannot predict the exact number of schools but we expect around 40-50% of the schools would adopt the new curriculum this year. Last year the percentage was quite low, we were expecting around 30% but because the syllabus didn't come out and the books didn't come out only 10 to 15% adopted last year. But this year if the books come out on time, obviously depends on the timing also, if the books come out on time it will be 40-50% this year who will adopt the new curriculum.

Mr. Atul Soni – Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Also, Deepan, the idea is that whenever the new books come out the adoption will happen over a period of let's say 2 years that is what we think. Once the new books are out it will take 2 years or maximum 3 years for the full roll out. The discussion has been that in the first year or in the first two years the majority will come through, you know, maybe 70-80% kind of adoption will happen in the first two years itself.

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

Last year because the books didn't come out on time and also the thing that the schools didn't adopt that much. Only few schools adopted it, but this year we expect larger number of schools to adopt the new syllabus.

Mr. Deepan Sankara Narayanan – Trustline PMS:

Okay. So basically, volume growth depends on the number of schools which adopt this new curriculum and number of classes which are going to get this new curriculum.

Because we don't have older books to come into play so that kind of volume growth should be visible over the coming years, right?

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

Go ahead, Atul, go ahead.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Deepan, it will be a mixture obviously if this year if you see total 30-40% adopting the new books, that means the remaining 60% are using old books. So, it is a layered approach basically of old versus new for at least the next two years.

Mr. Deepan Sankara Narayanan – Trustline PMS:

So, the people who have adopted new curriculum along with the classes which have taken the new curriculum will not take any older books, right, so that’s the assumption.

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

So basically, I would say that there are three kinds of schools in the country, one who would go for all new curriculum books, second will be going for a mixed curriculum of old and new and third would be going with the old curriculum. So, there will be a mix of the schools like that at least for the next couple of years.

Mr. Deepan Sankara Narayanan – Trustline PMS:

Okay. Thank you.

Moderator:

Thank you.

Ladies and gentlemen, if you would wish to ask questions you may please press * and 1. The next question is from the line of Niteen S. Dharmawat from Aurum Capital, please go ahead.

Mr. Niteen S. Dharmawat – Aurum Capital:

Regarding the adoption of curriculum and you are mentioning that we will have larger adoption this year of the curriculum by the schools of around 40-50%, so by what date or by what month NCERT curriculum books should come out so that the implementation is done in the best way so there is larger implementation across multiple schools.

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

So, we would say that earlier the better, the earlier the books come out the better, but the government should not delay it after December. December should be the deadline on the maximum side but the earlier it is coming out the better.

Mr. Niteen S. Dharmawat – Aurum Capital:

Got it. But what is the basis to increase the EBITDA guidance, I have noticed that you have increased the EBITDA guidance, what is the basis, if you can elaborate some more point on that.

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

I will take that one. Niteen, basically two areas, one is that the paper prices at the moment are softer and, of course, we are also carrying inventory plus with a slight increase in prices so there is that arbitrage. Plus, we have gotten into some licensing agreements where we are in slightly higher margin business that we doing. We are providing content for some Gen AI projects. So that is a slightly higher margin business that we are doing in the country so that will improve the gross margins leading to higher EBITDA.

Mr. Niteen S. Dharmawat – Aurum Capital:

I got it. So, now two subsequent questions, you have mentioned that you are maintaining some inventory. So, how long and what kind of inventory we are maintaining because traditionally we used to create inventory sometime during this period only July-August if I remember correctly. What is the level of inventory we are having and what is the price increase you see currently for the paper that we have purchased.

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

So, Niteen, the inventory that we are having is majorly for paper because we had ordered last year a little extra paper because we were anticipating that the syllabus change might happen and then there might be a paper shortage so we ordered a little bit extra than what was required on a normal basis. That's why paper inventory is there. And the paper that we're having is at par, or I would say, considering the prices now, a little less than what the cost that we paid for coming this year. So, paper is an inventory that we have. So, we will not buy the same amount of paper that we used to buy in a regular year. We will be buying around 25 to 30% less paper than we buy in a normal year. So, inventory is largely of paper, basically. Saurabh, do you have the number for the finished good inventory also?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

It's about 110 crores.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

It's around Rs110 crores of finished goods and around Rs50 crores of raw material paper.

Mr. Niteen S. Dharmawat – Aurum Capital:

I understand. You mentioned some GenAI project. So, is it a one-time or it is a recurring revenue that we will be having? And what kind of collaboration is there, which you mentioned in the PPT as well? Can you elaborate a little more on that?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

Yeah. So, there are two parts to it. One of them is a perpetual license, which is a one-time, then there is a second one, which is a regular license, which is on a two-year basis, so there will be a repeat. Plus, apart from that, we are also doing some other projects, where we are also providing other content. So, I think this will be an ongoing business that we are trying to develop and it's pretty decent high-margin business, almost 75 to 80% margin in this.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Due to non-disclosure agreement, we cannot take the name of those companies.

Mr. Niteen S. Dharmawat – Aurum Capital:

I understand. There are not too many.

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

They are one of the largest in the world, I think.

Mr. Niteen S. Dharmawat – Aurum Capital:

So, my question is, what is the revenue impact it will have? Of course, it has very high gross margin. But what is the revenue impact going forward? Will it increase or will it stabilize at the same level?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

There is a vast requirement for data. Currently, they've taken only the higher education piece of it. The school education content is still untapped and that is our largest repository that we have. So, I think there is a lot more that we can offer in terms of content. We probably offered about 3,000 titles and we have approximately 20,000 odd titles that we have in total. So, I think we still have a long way to go.

Mr. Niteen S. Dharmawat – Aurum Capital:

I understand. And what is the overall revenue growth guidance for current financial year?

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

We have already given guidance of double-digit operating revenue growth.

Mr. Niteen S. Dharmawat – Aurum Capital:

Double-digit is from 10 to 99.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

So, Niteen, I think we had this discussion last quarter as well. So, as of now, we are not comfortable giving a number, and I think this guidance kind of captures the band that we are comfortable with. There are a number of moving parts here. Let us see how many classes of NCERT books are issued in the coming months. So, basically, by the time January comes, we probably might have a better idea. But today, we will be more comfortable sticking to our original guidance.

Mr. Niteen S. Dharmawat – Aurum Capital:

Wonderful. I respect that. I understand that. Thank you so much and wishing you the best.

Moderator:

Thank you. Participants, to ask questions you may press * and 1. The next question is from the line of Riya Mehta from Aequitas Investments. Please go ahead.

Ms. Riya Mehta – Aequitas Investments:

Thank you so much for the opportunity. Like we mentioned, that NCERT has come up with new syllabus for grades 3rd to 6th. So, after the NCERT comes up, and what is the lag for which the schools adopt the new syllabus?

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Riya, first of all, it is not 3rd to 6th, it's for Class 3rd and for Class 6th. So, Classes 4th and 5th have not been announced so far.

Ms. Riya Mehta – Aequitas Investments:

Okay.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

So, as far as the lag is concerned, see, I mean, that is what we were talking about that as and when more and more classes new syllabus books are announced by NCERT, it almost turns out to be like a prodding mechanism for the schools to adopt new books themselves. So, that is when the whole cycle of moving from the old syllabus books to the new syllabus books starts.

Ms. Riya Mehta – Aequitas Investments:

Got it.

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

So, basically, Riya, it is like a step-up mechanism, because the first year, the school might use some classes, the second year, some more, and third year, maybe they will adopt the whole syllabus. So, it depends on school to school. Every school has their own mechanism. But mostly we see it as a step-up mechanism that we feel is the right way to go ahead for the schools.

Ms. Riya Mehta – Aequitas Investments:

Right. And for S Chand specifically, to what grade have we made our books or our content?

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

So, we see ourselves are a KG to PG company. We have made books for all classes.

Ms. Riya Mehta – Aequitas Investments:

Sorry, I could not get you.

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

We call ourselves a KG to PG, all the classes. From kindergarten up to post-graduation. KG to PG.

Ms. Riya Mehta – Aequitas Investments:

According to the new NCERT rules?

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

We do higher education also.

Ms. Riya Mehta – Aequitas Investments:

Based on the NCF, currently New Curriculum Framework, which has come up, and I think till K-12, it has been announced, but however, NCERT has not come up with the new books. But for S Chand specifically, what are the standards or grades where we have made our new books or content?

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

So, we have made the books for all classes and for all subjects. The books are already in the market. The books are already ready. We launched them last year only for all classes, for all subjects. And we are waiting for the right time for adoption of the new books because of the delay in the books of NCERT coming out. So, the books are available for all classes, for all subjects.

Ms. Riya Mehta – Aequitas Investments:

Got it. And in terms of price hike, so these new books would be priced at a higher rate or would it be similar to the old syllabus rates?

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

So, it will obviously depend on the number of pages in the book, and there are some other factors as well. So, it will be very difficult to quantify in the way you are asking.

Ms. Riya Mehta – Aequitas Investments:

Okay.

Mr. Atul Soni - Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Because both the products are not comparable.

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

But overall, the price increase is around, I would say depending on book to book, but an average increase would be 6% to 8% price increase this year.

Ms. Riya Mehta – Aequitas Investments:

Yes. This will be for new syllabus books only or overall?

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

Overall, we increase the book prices. The new syllabus books depend on the content. If the content is lengthier, then the price of the books will become more expensive. If the book is less, it might go less also. So, it depends on the number of pages that new syllabus book will have.

Ms. Riya Mehta – Aequitas Investments:

Got it. My next question is, in terms of paper, we are seeing higher freight rates right now. So, for the inventory of next year, do we see the prices going up?

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

So, this year, we believe the prices are going to be little bit more firmer. They already started increasing little bit. But we believe that the price is going to be firmer this year. But thankfully, we already have some inventory with us and we will be ordering more paper for the balance requirement. And we normally take less than the market rate because our volumes are higher. So, we normally take 5 to 7% cheaper than the market price.

Ms. Riya Mehta – Aequitas Investments:

Got it. So, just to ask you, so basically for import portion, for the next year, which is FY26, we import paper right now, maybe Q2 onwards. So, for that, would the price be 5 to 7% higher than the current inventory cost?

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

The paper we import right now is for FY25 sales season which comes in January – March and not for FY26. Also, as of right now, the prices are almost on the similar level as last year. So, there is not much of a difference. So, it will not be cheaper also, it will not be expensive from last year. It will be at a similar range, at par value.

Ms. Riya Mehta – Aequitas Investments:

Okay. And what will be import-domestic mix for paper for us?

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

Because last time we imported a lot and this time, this time it will be also mix of import and domestic. So, I would say 50-50 mix.

Ms. Riya Mehta – Aequitas Investments:

Got it. And generally, how much it used to be?

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

So, last year, the paper we imported was around close to 12,500 tons. Plus, we domestically took 5,500 tons. Last year, it was $2/3^{rd}$ – $1/3^{rd}$. But this year, it will be 50-50. So, last year, we total had 18,000 tons of paper.

Ms. Riya Mehta – Aequitas Investments:

This year will be 18,000 tons of paper?

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

No, last year was 18,000 tons. This year will be around 25 to 30% less than the last year.

Ms. Riya Mehta – Aequitas Investments:

Why so?

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

Because we already have inventory because the paper we had bought, the paper got left over because the syllabus changes fully didn't happen last year. We were anticipating the syllabus change last year, that's why we bought more in anticipation. So, we have leftover stock.

Ms. Riya Mehta – Aequitas Investments:

So, almost 15%-20% lower we will buy, right?

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

I would say 25% to 30% lower.

Ms. Riya Mehta – Aequitas Investments:

25% to 30% lower, okay. I think that's it from my side. I will join the queue for further questions.

Moderator:

Thank you. Participants, you may press * and 1 to ask a question. We have the next question from the line of Neha from DCB Bank. Please go ahead.

Ms. Neha – DCB Bank:

Thank you, sir. I have a couple of questions for you. My first question is, the new curriculum, while it was introduced last year, the adoption rate was quite poor and more so in the government schools. And the adoption rate is going to be in a phase-wise manner. So, when do we expect to see a full-blown effect of this on your balance sheet?

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

I would say it will take us a couple of years more. Maybe two to three years to fully absorb the 100% benefit of the NCF

Ms. Neha – DCB Bank:

Okay. So, the next question was that you mentioned that there is going to be a price hike in your product portfolio this year as well. And there was a price hike last year also. There was a 15% price hike across the portfolio. So, I just wanted to understand that…

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

That price hike was in the year before that in FY23 due to the abnormal price hike of more than 50% in the cost of paper itself.

Ms. Neha – DCB Bank:

I just wanted to understand that, is the market ready to absorb such frequent price hikes? How the market reaction is?

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

Yeah. So, normally, every year the price increase in books depends on the market situation. Normally, I have seen over the last 20 years of my experience, 5% to 7% increase of book prices is absorbed by the market. And anything higher than that can be a little bit of a problem. But because the year before that, the price of paper had jumped more than 40% to 50%, so that is why people had to increase the prices of the books by 15% to 20%. But that was an exceptional increase, I would say and that happened only once in my career till now; I have not seen it before that. So, I do not believe that is a normal way of going ahead. But a normal way of going ahead is 5% to 7% increase of book prices every year. That is absorbed in the market.

Ms. Neha – DCB Bank:

Okay. So, is this the range that we are also thinking of hiking up?

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

Yeah. So, as I said earlier that we are increasing around 6% to 8%.

Ms. Neha – DCB Bank:

Okay. Sir, I also wanted to ask, what new can we expect from S Chand on the digital front going forward?

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

Saurabh, can you answer that, please?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

Yeah, hi Neha, I will take that one. See, on the digital front, what we have seen post-COVID, and as Himanshu ji already remarked in the opening remarks, we have seen a blended approach that is happening in schools. And we are largely a B2B company where we are providing content to schools. So, on the digital front, we are providing content to the schools through various platforms like Mylestone, through Educate 360, through Learnflix. And largely, these are all through the books. There are QR codes. There are links shared. Teacher lesson plans are there. So, all of this is being provided to the schools along with test generators and assessments. So, these various interventions are there with the schools. So, all our books are enabled with some sort of digital intervention. And, of course, the realization is through the book. There is no separate realization of the digital content.

And even apart from the schools, on the test prep also, we have Test Coach. This is again through the books where we are providing mock tests and assessments to the students through the app where they can take questions. So, all of it is through the books. I mean, there is no direct as such digital platform where we are actually generating revenue.

S Chand Academy is the other one which, of course, we are putting in a lot of videos there where a lot of content is going out. Again, that's largely a marketing activity. Monetization, if it happens, will happen probably a couple of years down the line when it's large enough. Currently, we are trying to scale that so that there is a lot of...

Ms. Neha – DCB Bank:

Is this currently free of cost for the subscribers?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

At the present moment, S Chand Academy is free of cost, Test Coach is free of cost. The other school products, of course, the realization is through the books. So, that's how we stand. Apart from that, of course, the content licensing business, of course, we call that digital. We've given EPUBs. It's the only direct digital that we have at the moment.

Ms. Neha – DCB Bank:

Okay. Sir, E-books and audio books are a big thing in the U.S. market. How do you think the adoption is here in India? And how do you think they are going to be absorbed in this market? Do you think they have a future here in the Indian market?

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

So, e-books, we believe that students require it. But we feel that there's a need for blended learning. So, basically, students require a physical book also. And then when the child goes to a college he will carry the laptop with him where the e-book also is helpful. So, we believe it's more of a blended learning hybrid model where both the things can be used simultaneously.

And in our books, a lot of books, we give a book plus model, where we are giving e-books with the physical books for free of cost, especially in higher education. At school level, e-books are not very popular. Normally, students require the physical books to be taken to the school because there are teachers teaching in the classrooms and everything. So, you can't get your laptop or a phone in the school classroom system in India till now. So, basically, students prefer to use books, and plus multimedia material and additional digital material that we give free of cost with the books, which is, again, a book plus model. So, that is what we believe is going to be the future ahead.

Ms. Neha – DCB Bank:

Okay. Thank you, sir. That's all from my side.

Moderator:

Thank you. Participants, you may press * and one to ask a question. The next question is from the line of Devarsh from HDFC Securities. Please go ahead.

Mr. Devarsh – HDFC Securities:

So, most of my questions were answered. I had just one question on the digital front. When we hear that there are YouTube channels and all, where we may not get the subscription revenue, but the time which people spend on our channel, it is monitorable. So, is it in our case also we are going to get some revenue on the number of views we get on our S Chand Academy or it is not possible in our case?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

No, we do have some revenues but it's too small to talk about at this moment. We're trying to build that up and of course the number of subscribers at this point is not sufficient enough to generate that kind, I think we have over 250,000 subscribers in S Chand Academy and till the time probably it crosses 1 million or 2 million, that is the time that the monetization is much better. So, currently I mean it's probably around Rs25,000-Rs30,000 a month. So, once you reach a critical mass of 2-3 million then of course the monetization will start meaningfully.

Mr. Devarsh – HDFC Securities:

Okay and regarding the standards, if my understanding is correct, the new syllabus, new books from the NCRT came out for the standard 1 and 2 last year and 3 and 6 has been issued now. So, for now we have 1, 2, 3 and 6 available for the new syllabus, and we are hoping that by December all other standards and most of the standards will come out. Is this understanding, correct?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

So, we have books for all subjects readily available for all classes. We launched them last year itself but the government has only launched from K to 3 and 6^{th} class now and we believe 4 or 5 classes will be launched more this year and the rest will be launched next year.

Mr. Devarsh – HDFC Securities:

Got it. That's all from my side.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Thank you.

Moderator:

Thank you. Ladies and gentlemen, if you wish to ask questions, you may press * and 1. The next question comes from the line of Riya Mehta from Equitas Investments. Please go ahead.

Ms. Riya Mehta -- Equitas Investments:

Thank you so much for letting me ask the follow up question. My question is in regard to the employee cost since our entire content and all is being done, do we see further increase in the employee costs?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Further, No, I mean the content development is happening already and the peak content development is already behind us. I would say that by the end of this year, most of it would be finished. So, we don't see incremental employee cost on the content development side beyond March 25.

Mr. Atul Soni – Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

Also, just to give a color here, you will see the usual appraisal cycle kicking in from Q2 in employee cost. We would not be having any additional incremental employee costs because of the need to develop new content because we have already developed content majority speaking for all the books that we require.

Ms. Riya Mehta -- Equitas Investments:

So, the current employee cost plus the normal appraisal would be the normal employee cost going forward?

Mr. Saurabh Mittal - CFO, S Chand & Company Limited:

Yeah, yes, yes, for Q2, Q3, and Q4.

Ms. Riya Mehta -- Equitas Investments:

In terms of other expenses also, we are seeing a little incremental cost this quarter, so what would it mainly comprise of? And where are we seeing incremental costs coming from?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

It's not substantial, to be honest, 13% higher on a YoY basis. Some of it is on account of some insurance costs going up etc.

Mr. Atul Soni – Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

See there is not a single heading where we can call out a big increase. It's the usual course of business where over the last 12 months there would have been 10% odd kind of inflation across the board in all areas.

Ms. Riya Mehta -- Equitas Investments:

Got it, got it, and this time around, how much are we seeing sales return till now like in terms of trend?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Yeah, the trend is lower than last year, so it's around 14%-15%.

Ms. Riya Mehta -- Equitas Investments:

And generally, the sales return happen till September, right?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Sales returns happen till November actually, but it's all been provided for in the books. So, I mean there is no impact on our revenues, because of that. We make a complete provision of any returns that we are anticipating in March itself. So, our revenues are reported net of that provision.

Ms. Riya Mehta -- Equitas Investments:

Got it. Got. Again, thank you so much. That's it from my side.

Moderator:

Thank you. Ladies and gentlemen, you may press * and 1, if you wish to ask questions. We have the next question from the line of Manas Tucker from Mt Advisors. Please go ahead.

Mr. Manas Thakkar – M T Advisors:

Yes, Sir. Like, as you told you were expecting NCERT releasing the books of three to four more classes by the end of December, so till when it would impact our financials?

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

If the books are launched before December, then it will be a better thing for us. But if they launched after December or later then we will not see the same jump as expected because the schools will then adopt the new curriculum later. So, as soon as possible, if the government releases the books, it's better for us.

Mr. Manas Thakkar – M T Advisors:

So, if it is like before December then, will it impact our quarter 4 results, quarter 4 revenue?

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

Yes, it will have an positive impact on quarter 4 revenues.

Mr. Manas Thakkar – M T Advisors:

And if it is after December, then it would directly impact on our next year's revenue?

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

So, if the books are released late then the sales and the adoption of the new curriculum books will be next year If the new books are launched before December, then we would see approx. 40% to 50% of schools adopting the new curriculum this year itself. If the books are released later, then that number might drop also.

Mr. Manas Thakkar – M T Advisors:

Okay. Okay and has NCERT finalized the content of the new curriculum, right?

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

That's what we're hearing, that's what we're hearing from our sources.

Mr. Manas Thakkar – M T Advisors:

So, from using those like they've made it available online or through any other channel?

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

No, no, no, they are not made it available. They are working on the content and they can release it by the end of the 3rd quarter.

Mr. Manas Thakkar – M T Advisors:

Okay. Okay. So, understood. Okay. Thank you.

Moderator:

Thank you. Participants to ask a question, you may press * and 1. The next question is from the line of Manan Patel, an individual investor. Please go ahead.

Mr. Manan Patel -- Individual Investor:

Thank you for the opportunity. Sir, the first question is would you be able to give a breakup of our revenues from K to 12 and then higher classes, PG or graduation courses like K to 12 and other class?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

85:15; 85% is K to 12 and 15% is higher education.

Mr. Manan Patel -- Individual Investor:

Okay.

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

I would say closer to 90 Saurabh now, I think, isn't it?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

No, it will be that range only.

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

Ok, 85% to 87%, yeah.

Mr. Manan Patel -- Individual Investor:

Okay and Sir, I understand lot of our revenues also come from West Bengal, which might not be affected by the NCRT level. So, what would be that revenue from West Bengal?

Mr. Atul Soni – Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

We have a subsidiary called Chaya which operates in the West Bengal market. Last year its revenues were around I think 115 to 120 odd crores. There can be some other West Bengal sales as well which comes from our other subsidiary companies, but Chaaya is contributing to majority of West Bengal sales.

Mr. Manan Patel -- Individual Investor:

Understood. That's very helpful. Sir, my second question is like in the last couple of quarters we have been talking about capital allocation and buybacks, so practically with this budget after September 30, buybacks would not be practical anymore. So, and you mentioned after a certain level of cash build up on your books you would be thinking about buybacks, now additionally, you mentioned that you will be buying 25% to 30% less inventory also this year, so that might free up some funds for us to do some buybacks maybe before September 30. So, what are your thoughts on that because after that there is no point in doing a buyback?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

So, on that I think where companies are using buybacks as an alternative to dividend, I think that is the area that is affected. In comparison, where the buyback is to ensure an improvement in EPS which is something that can happen even after September 30th.. Having said that, I think at present our target was once we cross probably Rs100 crores in cash reserves at the time that we would do that allocation. So, since we are not at that milestone yet, we are not considering a buyback as of now. Also, there are some investments in NCF and things that we're doing, so we can probably look at it next year June, July onwards. Plus of course there's a possibility that we might liquidate some of our investments, or maybe sell some real estate at some point of time, that is the time that, of course, that will help us additionally in that case.

Mr. Manan Patel -- Individual Investor:

I understand, Sir. From what I understand, SEBI has sort of discouraged or probably shut down the open market buyback route as well. So, maybe we can discuss it later, but I just wanted to bring that to your notice and Sir, would you be able to give you mentioned Smartivity is sort of nearing PAT positive, so can you give idea about numbers of Smartivity or what kind of valuation revision has happened in that investment?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

So, yeah, last year they've done a top line of approx. Rs35 crores and they're not losing money. They're EBITDA positive and the last valuation, the last round happened at Rs100 crores, but my sense is, of course, it's far higher than that. This year they're targeting a pretty high revenue growth rate, and they have done decently well in Q1 also. Since there are nondisclosure agreements there so I can't disclose exact numbers as of today, but I think that company is doing exceedingly well, and in case there is a liquidity event in the next two years, we'll definitely do a partial exit.

Mr. Manan Patel -- Individual Investor:

Great. That's very helpful. Wish you all the best.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Thank you.

Moderator:

Thank you. Ladies and gentlemen, if you wish to ask questions, you may please press * and 1. Participants who wish to ask questions may press * and 1 at this time.

Mr. Atul Soni – Head, Investor Relations, Strategy and M&A, S Chand & Company Limited:

So, in case there are no further questions, then we can close the call.

Moderator:

Sir, we have one participant in the queue. Yes, we have the next question from the line of Jayesh Shroff from CASK Capital. Please go ahead.

Mr. Jayesh Shroff -- Cask Capital:

Yeah, hi. Thanks for giving me the opportunity. I just had a couple of questions. You mentioned that you know about 30%-40% of the school can adopt the new curriculum. So, my question is that this is completely voluntary on the part of school to whether to adapt the new curriculum or not or maybe voluntary on the part of the state, maybe some opposition states may not adopt the new curriculum, Is that the case?

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

Yeah. So, basically schools have voluntary rights to adopt it, but we believe that after a couple of years, all the schools will go to the new curriculum. When the full curriculum is launched by the government every school wants to give the best quality they can in that particular area. That's for the private schools. For the state government schools, yes they might not fully adopt the new education policy. They might have their own state education policy, which might be different than the new education policy, but mostly we feel that they will be online with the NEP. They will not be very different than the NEP. They might be in line, but they might not fully adopt it as per their own states.

Mr. Jayesh Shroff -- Cask Capital:

So, as of now, we have no clue in terms of you know what individual states are doing, I mean in terms of is there a clear divide between the ruling States and the opposition states as of now?

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

There is some kind of a divide. Since we deal with West Bengal government more so we know this education policy better because we have a big company there. So, I can just give you an example. West Bengal has adopted a part of NEP, but not fully adopted the NEP. There is a partial adoption by the state government there and the rest of the states have their own, I would say differences because BJP rule states might go for full adoption and, which are not ruled by BJP might have partial or less adoption depending on state to state.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Additionally, apart from that, if you look at us, our market is largely around CBSE and ICSE schools. So, CBSE, ICSE schools across India would have a single adoption of NCERT. They would not be different from one state to the other, so that adoption would definitely be there. In any case, state board schools are not such a large market for us.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

We are not present there except for West Bengal.

Mr. Jayesh Shroff -- Cask Capital:

So, what is our share I think what is CBSE and ICSE as our share of revenue?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

CBSE, ICSE should be about 70% of the school business. So that's 70% of the 85% of K to 12 business.

Mr. Jayesh Shroff -- Cask Capital:

Yeah, just one more last question. In terms of competitive intensity, how do you see that? I mean, is it that smaller players may not be able to adapt to the new curriculum because they don't have maybe the money or something, so are we being competitive intensity increasing, reducing, or it stays the same?

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

So, we feel that competition is there and would be also there and they have also taken out their new books. So, the advantage to a larger player like us is that we have a larger reach in terms of number of people that go to schools, plus we have a better promotion and marketing activities plus the content that we create is more quality content plus the authors that we have are renowned authors. So, those things have an impact positive view for the larger player like us. Smaller players will create content and have created content, but the content quality that they create will be questionable. It takes time for the content to be verified and tested in the market for a larger player, because we can spend more resources in creating content, we have a better chance of creating better quality content, so schools will prefer to use larger, better quality content when the new syllabus is launched, that is traditionally the way it has happened, and maybe after two or three years they can again go back to smaller players also, who will sell their content, but initially it will have a positive impact for a larger player like us.

Mr. Jayesh Shroff -- Cask Capital:

Okay. That answers my question. Thank you so much.

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

Yeah. Thank you. Thank you.

Moderator:

Thank you. We have no more questions. Ladies and gentlemen, I would now like to hand the conference over to the management for closing comments. Over to you, management.

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

Thank you, everyone. Thank you for asking this question and please have a safe day and everything and thank you for this. Thank you.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Thank you.

Moderator:

Thank you. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.

End of Transcript