S.CHAND GROUP

S Chand And Company Limited

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Date: June 11, 2018

To	To
Listing Department BSE Limited 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 with the Analysts and Investors

The Company had organized a conference call with the Analysts and Investors on Friday, June 01, 2018 at 11:30 a.m. The copy of 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.

For S Chand And Company Limited

S Chand And Company Limited New Delhi 110055

Jagdeep Singh
Company Secretary & Compliance Officer
Membership No: A15028
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Encl: as above

CIN No. L22219DL1970PLC005400

"S Chand And Company Ltd.
Q4 FY2018 Results Conference Call"

June 01, 2018

ANALYST: MR. ADITYA BAGUL - AXIS CAPITAL LIMITED

MANAGEMENT: MR. HIMANSHU GUPTA – MANAGING DIRECTOR - S CHAND AND COMPANY LTD.
MR. SAMIR KHURANA – HEAD - STRATEGY & INVESTMENTS - S CHAND AND COMPANY LTD.
MR. SAURABH MITTAL - CHIEF FINANCIAL OFFICER - S CHAND AND COMPANY LTD.

Moderator: Ladies and gentlemen, good day and welcome to S Chand And Company Ltd. Q4 FY2018 results conference call hosted by Axis Capital 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Aditya Bagul from Axis Capital. Thank you and over to you Sir!

Aditya Bagul: Thank you Aman. Good morning ladies and gentlemen. On behalf of Axis Capital a very warm welcome to the conference call of S Chand And Company Limited for the quarter ended March 18, 2018 and full year FY2018. We have the management of S Chand here represented by Mr. Himanshu Gupta, Managing Director, Mr. Samir Khurana, Head - Strategy & Investments and Mr. Saurabh Mittal, the CFO. I shall hand over the call to Mr. Himanshu Gupta for a brief discussion on Q4 numbers and the performance highlights for the full year post which we will open the floor for the Q&A session. Over to you Sir!

Himanshu Gupta: Thanks Aditya. A very good morning to all of you. I am Himanshu Gupta, the Managing Director of S Chand Company Limited. I like to welcome you all to our Q4 and full year results presentation for FY2017-2018 and thank you all for taking time to join us here today.

The January to March quarter is the most important time for all of us. All our efforts for the first nine months of the year yield results in these three months. Over 80% of the revenues are generated in this quarter. FY2017-2018 was a very important year for the S Chand Group. It is the year we became a public listed company and also the year we have crossed more than Rs.100 Crores in profits. We believe these achievements will strengthen our results to create a meaningful impact in the Indian education industry and consolidate our leadership.

The education sector in India is currently going through a transformation phase and headed for long term secular growth. Rising aspirations across the socioeconomic pyramid has resulted in a shift towards private schools and a preference for English medium schools with focus in quality education. This trend is of immense benefit to organize content publishers like us. S Chand is an 80-year-old brand an established name in the education sector. Children have grown up reading our books and content through their education lifecycle and have been exposed directly or indirectly to the education material published by us making S Chand a household name. The strength of our brand is that by over 2400 authorships, more than 10000 active book titles and over 6600 distributors spread across India. We are well known brand across subjects and languages including Vikas, Madhuban, Chhaya and Saraswati.

Over the last six years, our business has grown at a CAGR of 29% and profits have increased from less than Rs.15 Crores in 2012 to Rs.107 Crores in the last financial year. In addition to building dominance in print content we have also developed a sustainable digital strategy by trading our physical content with innovative technology driven digital solutions. While we are developing in house digital solutions, we have also made strategic investments in early stage education companies to test the consumer preferences with innovative and receptive technology driven solutions. We believe the technology is playing a larger role in the education sector and the digital portable devices are becoming increasingly common and consumption medium of content is evolving. We believe that physical content supported by digital offering will help us provide a highly differentiated product offering to schools leading to higher brand loyalty and increased competitiveness compared to regional and small-time publishers.

Coming back to 2017-2018, I would now like to highlight our performance for the full year. For the full year S Chand reported consolidated revenues of Rs.807 Crores a growth of 18% over last year on a proforma basis. Consolidated EBITDA for the years is Rs.205 Crores as compared to Rs.170 Crores of last year. Net profit increased by 73% year-on-year to Rs.107 Crores. Both school and higher education segments performed very well during the year with volume growth of over 10%. This is the highest volume growth recorded by the group in the last five years. K12 content revenues increased by 17% year-on-year to touch Rs.636 Crores. Our K12 business has grown at a CAGR of 40% over the last six years. Higher education business revenues crossed Rs.140 Crores up by around 15% from last year. Our curriculum business Mylestone completed its second sales cycle and the product is now adopted by 173 schools as compared to 67 schools last year. We believe this business has immense potential and geared to sign up over 300 schools in the next cycle.

We also successfully integrated the operations of Chhaya, which listed a growth of 16% during the year. For the current year, we are guiding for a revenue growth of 13% to 14%, the digital business is expected to grow in excess of 30%. I would now request the CFO, Mr. Saurabh Mittal to share the financial performance of the company.

Saurabh Mittal: Thank you Himanshu. Good morning everyone and thank you for attending the conference call for Q4 and full year of 2017-2018. I am Saurabh Mittal, CFO of S Chand. The Q4 is the main quarter of the company and the group. More than 80% of sales and 90% of the K-12 sales happen in the last quarter coinciding with the start of the new academic session. The results ofcourse are as per Ind-AS, which the company has transitioned from April 1, 2017 and the previous year's numbers also have been adjusted as per Ind-AS, so the last year's numbers have been adjusted to what was reported last year. During the FY2017-2018 the company on a consolidated basis had registered a 22% growth. The total revenues are of Rs. 8072 million and normalized for Chhaya consolidation for previous year the growth is of 18%. For Q4, the consolidated revenue growth is 23% from Rs. 3020 million to Rs. 3710 million. EBITDA for the year is Rs. 2054 million 25% higher than the normalized EBITDA of Rs. 1705 million from the previous year. Interest cost for the year has been lower by 32% because we have repaid loans from the proceeds of the IPO and being rated better our interest costs are lower. Profit before tax is Rs.1622 million 50% higher than the Rs.1082 million for the previous year. Profit after tax is Rs. 1071 million 73% higher than Rs. 619 million on the previous year. Net working capital days are 249 days as compared to 241 days, which are the peak working capital days. We have been able to reduce the inventory holding period in 2017-2018, which we had focused on and going forward we will be focusing on receivables with active participation of our channel partner network. Last year there was a new section 269S of the Income Tax, which was initially a challenge for the channel partners where they were unable to pay beyond a certain limit to us in cash, so now they are complying with that section.

Going forward with 2018-2019 some of the key items that would benefit us are we are hoping to contract paper contracts with our suppliers at about 4% to 5% higher than the previous years. Most of our subsidiary would be in the less than Rs. 250 Crores tax bracket hence lower taxation would apply to us. We expect approval of the restructuring filed and expect to avail full tax benefits in the current financial year. Thank you.

Moderator: Sir should we open the floor for Q&A?

Himanshu Gupta: Yes.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir the first question is that since the paper prices have gone up our margins are under pressure and this whole year it is anticipated that the prices will remain at elevated levels, so then what kind of gross margins do we foresee for the current year and Sir secondly this year the other income has gone up from Rs.2 Crores to Rs.10 Crores, so what could be the run rate over there and in the Rs.10 Crores what is inclusive and what can be recurring and apart from that what is the GST reversal if you can throw some light, which is impacting our royalty?

Samir Khurana: I will take one question at a time. On the paper prices while last year the increase in paper prices were about 17%, so there was some margin pressure, 5% paper prices normal paper price increase for us and since we increased the price of our products only by 8% to 10%, so this will definitely not hit our margins it will be much better this year. On the other income, there is some investment income from the proceeds of the IPO that we have invested in fixed deposits that are there and considering that we have good cash flows going forward also we hope to maintain the run rate and thirdly on the royalty there is a 12% reverse charge on royalty, which was introduced last year, which was not there in any of the previous years, so that did impact us by about Rs.3.5 Crores in the previous year.

Himanshu Gupta: That is the GST impact that was only introduced by the government last year.

Dimple Kotak: Will it be fine if I take the current EBITDA margins as your run rate for FY2018-2019 and so on and so forth?

Samir Khurana: I will just give a few clarifications on the paper price, so this year we have already contracted papers that have 4% price increase and if you look at last year, last year on the higher education side there was the price rise that we had for our products hardly less than 2% and that was because we realigned the higher education portfolio, which is why last year we had a 14% volume growth in higher education, so this year there will be a normalized price increase in our products. At the same time paper price increase will be 4% , which is the contract that we have signed, so we are actually expecting gross margins to be better this year. This should improve by 100 basis points. On the royalty side, the royalty cost as a percentage the paper has gone up by 12 basis points and that is because we continue to have a lot of in-house titles now adding to revenues, so going forward royalty will also probably go back to being closer to 6%, so gross margins should definitely improve in the coming years. On the other income, there was also a write back of a certain investment that has earlier been written off from the profits, which is nonrecurring. If you look at the presentation, we have already highlighted that as a onetime income, but at the same time there was some expense also, which was incurred to recover that income, so net-net I think half of the other income will not be recurring the balance should be recurring. The EBITDA margins and the gross margins should positively improve this year.

Dimple Kotak: By 100 to 200 basis points?

Samir Khurana: Our gross margins by at least 100 basis points. I think the same will flow to EBITDA because there was some operating leverage this year on the expenses. Some of these fixed expenses as well as salaries that should continue because we are guiding for a 13% to 14% growth.

Dimple Kotak: Why has the guidance reduced last year we had 15% guidance this year we are giving 13% to 14% guidance?

Samir Khurana: There are various reasons. We are still aiming for a higher growth, but as a conservative approach we are giving a guidance, which we believe we should be more likely to meet. At the same time, the base is much larger now, so the base has increased by Rs.100 Crores over the year, so I think the whole idea of this guidance is that we want to be conservative by giving guidance, but at the same time we are hopeful that we will probably achieve the guidance.

Dimple Kotak: Sure Sir and Sir one last question. Sir as you mentioned in the initial comments that the subsidiaries will have lower tax as they fall in the bracket of below Rs.250 Crores of revenue, so what kind of tax benefit we will see at the bottomline what will be the tax rate changes?

Saurabh Mittal: This year the average rate is about 36% we hope to bring it down at least by 200 Bps at about 34%.

Dimple Kotak: The merger is done with the digital, which you were looking for?

Saurabh Mittal: No, it is still under approval. We are yet to get permission from the stock exchanges then we will move to the NCLT. There are certain requirements that were there from the Stock exchanges, we are just complying with that.

Dimple Kotak: Finally what is the capex for this year and in digital investments have we done any further investments and what is the loss over there?

Samir Khurana: On the digital side, we have not done any investments in the last financial year. We just had a follow on investment in smartivity, which was less than Rs.40 lakh. Cumulatively the five companies in which we have invested have cumulatively grown their revenue by almost 100%. Of the five investment companies one is at breakeven, four still are in some losses, but again those are all companies at a growth stage, they are all well funded by other industries as well and if you look at the valuations and in subsequent rounds they are significantly higher than the price at which we came in. The objective of investing in those companies is to derive synergies as well, so we are trying to club their products and their technologies with our products and help them utilize our distribution and consumer network, so I think that is something that is still at place.

Dimple Kotak: I will join in the queue. Thank you so much.

Moderator: Thank you. The next question is from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead.

Keyur Pandya: Thank you and first of all congratulations for good numbers. Sir the guidance that you have given for the revenue growth going forward, so that is a blended revenue growth right, so your K12 revenue growth should be higher than this am I right?

Samir Khurana: On the school we are looking to grow the business again at around 16%, 17%. On a blended basis we are talking around 15%, digital the overall growth should grow faster, but it will be in a smaller base.

Keyur Pandya: Second question is are there any savings that we have going forward for an example because of the lower paper prices or some operating leverage from the digital business opportunity should we assume that apart from that savings in the tax rate our bottomline growth would be relatively much higher than revenue growth?

Samir Khurana: We are looking to grow the margin this year. We are expecting an expansion in margin this year. The interest cost I think should be in line with what we paid last year. Last year if you net off interest from the interest income it comes to 20 Crores I think the taxation most of us subsidiaries are falling within 250 Crores level bracket the taxation cost was reduced so I think the tax should be a higher growth vis-à-vis the increasing revenues.

Keyur Pandya: Next question is on the working capital so as you mentioned that inventory were in control whereas there has been some spike in the receivables, so any specific reason or any corrective actions, which you are looking for going forward.

Samir Khurana : There were some delays in school giving orders. Typically what happens is that 40% of our revenues were obtained on March quarter of , 2017, but this year the percentage of revenues obtained in March was higher because as I said some schools delayed giving the orders, so because of those receivables as of March 31, 2018 looks high, relatively higher. The collection in April has been very robust, in April and May, over 20% of the outstanding as of March has already been recovered. I think the sales cycle actually ends in the end of April, so there are times when orders can get pushed back or preponed by a week or two weeks and that can effect what the outstanding looks like as on March 31, 2018, but for us we look at it is, we look at September end as a time when which we should recover most of the outstanding that is the way the collection team and the sales team will work. Having said that we are looking at various initiatives. One initiative, which we want to focus on, is to try and start booking orders earlier, which is why we have significantly increased our involvement with schools. So in the last two, three years lot of initiatives were taken to directly interact and connect with schools that is the strategy that is staring to pay off, which is why we have very good volume growths in sales, but at the same time we are trying to have long-term association with schools and we can have a better sense of their requirement and we can also try and keep on the order booking from the schools.

Keyur Pandya: Last question on the regulatory front now there is no uncertainty regarding the right issue or there is some grey area still now?

Himanshu Gupta : See, there are various media report that keep coming on and off, but at the same time in the last one year there have been many confirmed clarifications from the regulator that NCERT books are not mandatory, the CBSE bylaws are also clearthat the school is to decide whether they want to subscribe to NCERT books so as far as the industry factor is concerned there is no change and if you see that last year also the performance of the company has been good. I would say our performance was better and outperformed industry, but even if you see the industry as a whole we have grown to school industry by around 18% in terms of the total value growth and around 10% in terms of volume growth. I will anticipate the industry is growing at least growth by 8% to 10% in value and at least 5% to 6% in volume, so if the NCERT would have been a problem and

NCERT would be the case then this year also, then we would have not grown and previous year we would have also not grown, so that I think answers the question.

Keyur Pandya: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Mohit Mehra from Dimensional Securities. Please go ahead.

Mohit Mehra: I think we just touched upon it, there was recently there is order issued by some Justice of Madras High Court that mandated that CBSE direct, all private schools affiliated to only follow NCERT books you think will have an impact on your sales?

Himanshu Gupta : Yes, we have read about that in the paper. We have not received the court judgment as of now, so we cannot comment on the court order. It is just the media that we have seen the news and secondly Tamil Nadu as a High Court you have the power to make a judgment primarily for the state, so that can have an effect on the states and Tamil Nadu has around 2% to 3% of CBSE schools in the country, so it is not a very large state per se for the CBSE schools and till the time we have not gone through the order in detail we cannot comment on it and if there is anything which is important anything which we will have an effect positive or negative we will inform the market accordingly.

Mohit Mehra: Can you tell me what percentage of you sales come from Tamil Nadu?

Himanshu Gupta : In terms of CBSE schools the percentage of school is CBSE and the sales that we have of purely CBSE schools would be as I said there is 2% to 3%.

Mohit Mehra: Thank you.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique Investments. Please go ahead.

Pratik Kothari: Thanks for the opportunity. Sir, what is the absolute revenue from Chhaya this year?

Samir Khurana: Chhaya revenue is around 116 Crores.

Pratik Kothari: 116 Crores?

Samir Khurana : 116 based on Ind-AS reporting 116.

Pratik Kothari: As per Ind-As and per Indian GAAP pricing it must be higher?

Samir Khurana : Yes, as per Indian GAAP it should around 120, 121 Crores.

Pratik Kothari: Sir, from next year this first quarter onwards should we expect consolidated performance every quarter?

Samir Khurana : There is a conversation that we had on this board and we are working on it.

Pratik Kothari: Sir, what is stopping why it cannot go ahead?

Samir Khurana : Nothing is stopping that. It is just there are 12 subsidiaries, we are going through this all Indian AS transformation that is why last year it was not getting easy because we also had acquired Chhaya, and they also had to be transitioned. This year we are trying and communications with our auditors to get consolidated numbers on a quarterly basis as well.

Pratik Kothari: Because since last year I mean many quarters I am asking for this. I think that I assume you promised that first quarter of 2018-2019 we can expect so I am hopeful that you will be able to do this?

Samir Khurana : In any case we have independent directors in all the material subsidiaries and every quarter all the subsidiaries have board meeting where the numbers are discussed, so we do not have a problem in sharing the number unfortunately in the first quarter we were not geared up to be consolidated because we had just had the IPO we had also transition to Ind-AS and hence we had to follow the same practice throughout the year. This year we are seriously looking at having the consolidated numbers for the full year, but again as I said it is a board discussion. The board has asked to speak with the auditors and come back to them, so we are hopeful that we will be able to do.

Pratik Kothari: Sir, that is what I am expecting because independent directors and board of directors and you as a promoter everything but we as a minority shareholders have right to know this thing so this is basic I mean simple request from the small shareholders, anyway one more thing I wanted to understand is, K12 business is there any competition because of which you are not able to increases the prices, which is required during the last year?

Samir Khurana: Your voice is not clear. I did hear the question properly.

Pratik Kothari: This K12 with this we have grown higher in terms of volume, but the price increase normally which we are taking we were not able to take, so any competition is the reason, yes will take price increase in current year?

Samir Khurana: In K12 price increase has been around 7% to 8%. In higher education we have realigned the portfolio and the price increase is less than 2%, competition is 7% to 8%.

Pratik Kothari: 7% is a normal price increase.

Samir Khurana : Yes.

Pratik Kothari: I think some on the TV interviews you spoke about your inorganic some strategy or move during current year, can you little bit elaborate on those?

Samir Khurana : So, we are looking to acquire a company and we are looking for the acquisition and that might happen in the first quarter of financial year and that is a regional kind of a company, regional publisher and we will inform the markets accordingly when it happens.

Pratik Kothari: Any detail something on size or anything?

Samir Khurana : Sorry.

Pratik Kothari: Any more detail about what is the size of that JV?

Samir Khurana: It is very early because again we have to first approval from the board, but we have always maintained that any acquisition that we look at will be at least in the range of $10 to $12 million revenue with similar margin. I think beyond that I can only discuss this once we taken to the board, but that is the typical size that we look at.

Pratik Kothari: Sir, my last question is we have done IPO at around Rs.700, stock price is continuously falling after that and promoters holding at just 46%, 47%, so any thoughts from your side to support this?

Samir Khurana: I did not also listen the question any thoughts to?

Pratik Kothari: Sir, my question is basically we have done IPO at Rs.700 per share and stock price is continuously falling for whatever reason and promoters holding is just 46%, 47%, so do you have any thought per se on this as a promoter or board of director by thoughts on buyback or any thoughts on increasing promoter holding or anything?

Samir Khurana: I think for us the last 12 months we have focused on business. I think for us the target is to continue trying to improve our market share, trying to improve capital efficiency, this year our target is to improve our working capital so there are various things that we are trying to do to improve the business in terms of capital efficiency in terms of improving the shareholding wallet and as management that is the best that we can do. The discussions like share buyback, promoters increasing their shareholding are something that has not happened right now. I think for the last 12 months our focus was to ensure that we give the guidance that we will increase market share, so as of now we are not having such this conversation I think we wanted to first meet the guidance, report the numbers and I think going forward that we want to focus on it.

Pratik Kothari: Thank you very much.

Moderator: Thank you. The next question is from the line of Rajesh Shah as an Individual Investor. Please go ahead.

Rajesh Shah: Good afternoon Sir and thanks for the opportunity. First thing is congratulations on this fine set of numbers. I have three, four questions. The first one is, the quarterly results submitted to the exchanges are not in easily readable format can you provide with the better bold type henceforth?

Samir Khurana : Rajesh, we actually got to feedback that the numbers that we send are not visible, unfortunately that happened is we try to put another upload with the stock exchange, but we were repeating the same problem, so I think the XBRL filingis done, plus the investor presentation has also been put up, and if you want you can call us offline and we will have a more clear copy send to you and we will try and send the more clear copy again to the stock exchange, but my apologies.

Rajesh Shah: Thank you Sir. Next question is the earning net of tax are about something Rs.31, Rs.31.5, there is no acquisition throughout during the last year and still the dividend is Rs.1.50 paisa, so would you like to formalize a Dividend policy in place?

Samir Khurana: Rajesh, we actually had this discussion which was brought up to the board, to formalize a dividend policy. We are at a stage where we have lot opportunities for us to consolidate and increase our share in various markets. In the last fiscal we have been talking about such acquisition opportunity and we still are looking our opportunities. We are hopeful that something is fructified over the next 60 to 90 days, but again the board will have to approve it, which is why we have not given a very large dividend; however, if you that there are not adequate opportunities from the market we have always have the option to subsequently come back and give an interim dividend or increase in dividend going forward, so different policy will also changed over the next three to six months.

Rajesh Shah: Next question is in one of the earlier conference calls you had set the target of around 1 million students in the next four, five year for the preschool business, are you on course to achieve this target Sir?

Samir Khurana: See the preschool business are you are talking of is the pre school curriculum product, which we think will only launch this year, so we had also mentioned that the product will be launched in financial year 2018-2019. It is a new product, which has the lot of potential at the same time there has been new curriculum guidelines. There is a new NCERT first time the draft guideline in the preschool business, so actually while we had made quite a bit of progress in developing the product, but the guidelines came in so the products had to be delayed because of the changes in the new guideline, so we are looking at pilot launch or soft launch to the product this year and after doing the changes and everything and after we will see the response of the market and then launch it probably in the market by the end of this calendar year and then we will come back to you and for the present product we have already tied up with Saigon Media for their portfolio of products. Saigon Media is a leader in this domain and it is a revenue share model and there is no capex commitment, there is no minimum guarantee, so from my point of view we are preparing for this launch and we are very hopeful of the outcome.

Moderator: Thank you. The next question is from the line of Aasim Bharde from IDFC securities. Please go ahead.

Aasim Bharde: Thanks for the opportunity. Could you please comment on your M&A strategy for the next one to two years, you mentioned that you will acquire one this quarter mostly, but which geographies you are looking and would it be gear towards state boards or CBSE?

Samir Khurana: We have been assessing the opportunity in the regional markets largely and when I say regional I am looking state boards. East is done after Chhaya because Chhaya is the largest player in the east, that the open regions are west, south and north. We are looking at players who have a dominant position in the market, again we are looking at a few, we are hopeful that something should happen over the next three to six months, but there is guarantee, there is no commitment these are conversations, which had been going on for six months now. The strategy is as and when we find opportunities in markets, which are large where we can play a significant role, there are synergies and at the right price and when I say price we are looking buying companies or buying good companies at valuations which we have historically bid and then we are open to looking at such opportunities. If we do not find the right opportunities or the right size of the opportunity we will not invest. We are very clear on that. On the digital side we have strategy to collaborate with Ed Tech companies, which are working on the technologies of products that we believe can have a significant impact on student learning. We did five investments over the last three years but nothing has happened in the last 12 to 18 months, so again it is all oppurtunistic.

Aasim Bharde: Sir, just on valuation historical valuation that you can breakup on acquisitions as before?

Samir Khurana: So, it will range anywhere between 5 and 5.5 EBITDA.

Aasim Bharde: Second question could you give us a picture how is your on net debt moving over the next two year and specifically where do you see your debt in FY2019 excluding acquisitions?

Samir Khurana : So I think the net debt this year was around Rs. 70 Crores and we have a few cash flow this year of about Rs. 45 Crores, if you do not do any acquisitions probably looking at bringing it to sub Rs. 20 Crores by next year. We have an obligation to buy out Chhaya this year, which has been recognized on loan in the books as Ind-AS and that has been recognised as Rs. 66 Crores so that will add up in the borrowing cost initially. At the same time our cash flows will increase by September because of the receivables get recovered by then, so I think maybe by year end you will see the borrowing coming to zero, but from December onwards with the season happening with the onset of the season Chhaya payout the debt really increase probably in the last quarter or probably by same time next year we were looking at I think the working capital will be pretty much lower.

Aasim Bharde: So, let me understand Rs. 20 Crores number that you have mentioned is after Chhaya or before?

Saurabh Mittal: After Chhaya; after will probably at the same level.

Aasim Bharde: Finally, how much is your tax rate this year, as per your financial release it should be 33%, so at 34% next year. YOY could you please me reconcile this?

Saurabh Mittal: Taxation is around 34% this year and so this year we have not got the benefit of subsidiaries where the revenue is below Rs. 250 Crores. I think the lower taxation in it plus we have not taken the benefit of the restructuring that is going on, so those are two additional things that will reduce our tax rate.

Aasim Bharde: So if it is 34% this year, next year it comes around 33%?

Saurabh Mittal: That will be actually 32% to 33%.

Aasim Bharde: Thanks a lot.

Moderator: Thank you. The next question is from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead.

Keyur Pandya: Thank you for the opportunity again. Sir, on the higher education front we have seen growth, which is much higher than growth in previous years, so any specific reason and what would you guide for the future years as well? Was there any abnormality or such higher growth would be there going forward also how do you see that?

Samir Khurana: As we said earlier that the business of higher education had a dip over the last three years it was not growing, but this year because of our aggressive policy of marketing, sales, promotion of books and even adjusting some of the prices of the books, which we felt were higher than the competition and the volume was not increasing. Because of all these reasons you have seen that the growth of the business is close to 14% in terms of the revenues and the price increase has been almost negligible, so almost of 13% growth out of this 14% has gone to the volume increase, so we believe that the last two years that we have revamped the whole higher education business, changed the teams, changed the leadership team also and the structure of the teams and products. We feel that these things will give us more future good results for the higher education business. Going forward we expect a similar kind of growth of anything between 12% and 13% growth in the business in the next financial year.

Keyur Pandya: Thank you.

Moderator: Thank you. This is a followup question from the line of Dimple Kotak from SKS Capital. Please go ahead.

Dimple Kotak: Sir, as you mentioned that you have to buy out Chhaya you will be investing Rs. 66 Crores, so the first half what would be the incremental interest cost, which will be seeing coming on the books?

Samir Khurana: So, one is that the price of Chhaya is based on a multiple of EBITDA of 2018 plus some adjustments agreed, so the amount Rs. 65 to Rs. 66 is not final, I think the variation will be only 5% higher or lower. The additional cost of interest for Chhaya will be only three months in the current year because we only have to pay by the end of third quarter, in December. yes because December it is my peak working capital, but I think we hope to pay off most of the debt by next year September when we get the receivables recovered.

Dimple Kotak: Next year September as this 2019 September we will repay debt?

Samir Khurana: In our business between April and September we have the receivable converting to cash , that is on when working capital is the lowest, so the working capital that we see in March that is peak. It is not a correct picture in March.

Dimple Kotak: For example if I need 350 Crores then how much of debt would I need to bring into the acquisition?

Samir Khurana: You mean to say 65 Crores.

Dimple Kotak: Sorry, so how much debt will we need?

Samir Khurana: Very difficult for me to mention right now. Right now I seeing that 70% to 80% might be funded through debt at the same time Chhaya is also sitting on free cash flow that is 30 Crores, 35 Crores, but again we do not have access to these cash flows, we only can access only after the acquisition.

Dimple Kotak: Sure and just I understand that Q4 is the best quarter, but going ahead in each quarter will we see the losses reduced compared to previous year?

Saurabh Mittal: Not substantially because as the business grows there is further investment and for business growth we need to promote the books and promote substantially, but we do not see it will be substantially higher also, so largely remain within our range; however, in case we have the acquisition during the year, which has a different quarter of course we will see better results.

Dimple Kotak: Sure, thank you so much.

Moderator: Thank you. The next question is from the line of Shivani Vishwanathan from Way2Wealth. Please go ahead.

Shivani Vishwanathan: Sir, congratulations on good set of numbers. I just had some questions on the subsidiaries if you could just share how your main subsidiaries have grown this for example, Vikas, Saraswati, Madhubun, what are the growth rate that have been there and if possible the topline number?

Samir Khurana: I cannot give you the topline number right now, but I can give you sense of the growth. There are four brands that we have Saraswati, Vikas, S Chand and Chhaya and three of them are in subsidiary S Chand is the main company. So Vikas has grown about 20%, Saraswati probably has 17% to 18%, Chhaya is at 16.6% and S Chand is again somewhere between 17% and 18%, so all of the subsidiaries have grown upwards of 16% and Madhuban had actually grown up by 21%.

Shivani Vishwanathan: Sir, that is all from my side.

Moderator: Thank you. The next question is from the line of Deepak Malhotra from TPG. Please go ahead.

Deepak Malhotra: This question is regarding digital learning business, what exactly has been the performance so far because you put in substantial investment there and how this is going to look say in a period of next three years?

Samir Khurana : On a digital side, digital and services what we call it. There are two separate in-house businesses, one is DS Digital business and the other is Mylestone. DS Digital business is smart learning business where this year we had a 12% growth on the learning software revenues and on today hardware we have just reduced funding hardware's in school, so if you reduce the hardware, the hardware revenues have actually come down but that was an intentional decision. We are currently at about 6500 classrooms; however, the last year we spent on updating our content, so we have spent Rs. 7 to 8 Crores on it. This year again we are going spent Rs. 6 to 7 Crores that is a two year timeframe to update all the content and then only we will be able to go back and market very aggressively, so going forward as a digital we are anticipating the business that will start showing growth of 30% to 40% and this is purely on software revenue visibility that we are looking at. On the curriculum of the business side Mylestone we have increased our presence from 67 schools to around 173 schools. Revenues have increased from Rs. 3.4 Crores to about Rs. 9 Crores this year and in the current year we are again looking to go up about 300 schools. In addition to this, we had invested close to Rs. 30 to 35 Crores on five companies, which are all minority stakes, two of them they are clubbed in P&L as loss in associates and three of them are only appearing as investments without any impact on the P&L, so these five companies again cumulatively have had Sales growth that will go up by 100% during the year.

Deepak Malhotra: What are the cumulative investments you have made so far, what is the plans are going forward?

Samir Khurana : So, cumulatively we have made Rs. 128 Crores of the 128 Crores that are approximately Rs. 95 to 97 is in-house. In-house businesses we last year had a EBITDA margin of around 3 Crores, this year we are looking for the EBITDA margins to go up to at least 15% to 16%. The target internally over the next three to four years is for the digital business is from Rs. 30 Crores to 100 Crores.

Deepak Malhotra: Thank you.

Moderator: Thank you. The next question is from the line of Manju Bhashini from Sundaram Mutual Fund. Please go ahead.

Manju Bhashini: Good afternoon to the management there. In your initial comments you talked about the possibility of gross margin expansion of 100, 150 odd basis points and 4% is the increase in the paper cost that you are assuming for the sort of a margin increase to come through is the right understanding?

Saurabh Mittal: Yes, so 4% to 5% would be the increase in paper prices and we expect the EBITDA margins to expand because of this reason to close to 100 basis points this year.

Manju Bhashini: The 4% is that contracted for the entire year because against a 17% price hike we saw last year and we have passed on 7% to 8% on the pricing front for the paper segment, you talked about growth of 17% of which 10% was volume and the remaining was pricing increase, so there is a potential to increase prices by 7% to 8% on an annual basis there and over and above that seems difficult and that is the reason for the drop in the gross margins and the year ahead you are assuming a 4% increase in paper cost, so there is still 4% leeway that you have of the pricing to slow down to the gross margins correct?

Himanshu Gupta : So, basically we believe that the prices that we need to increase depends on the market situation, depends on the competition, depends on the lot of other factors, they are not purely financial increment because we have to make sure the volume growth is there, we have to make sure the market accepts the prices and we have to make sure the other competitors what they are also keeping in mind and decrease the prices, so we have not still decided what would be the exact increase of prices, but we expect yes there will be a 6% to 7% increase of the prices and there we will get at least we expect the 100 basis points improvement in EBITDA margins. The paper contract will be there 4% to 5% for the whole year and paper constitutes around 20% cost at

EBITDA level. 20% to 21% is the paper cost at the group level, so there will be a 4% to 5% increase there, so we believe 100 basis point is the increase of EBITDA margin that we expect for the current year.

Manju Bhashini: This guidance of lower topline growth on an organic basis of 12% to 13% odd that we are talking about what is the reason for this lowering of guidance? Where are you seeing pressure points wherein it is on your expectation of addition of schools or conversion from the non-CBSE to CBSE, which sub-segment on the growth are you seeing pressure points wherein?

Himanshu Gupta : So, basically we believe that the level of our size of a group now we are expecting 14% growth at a group level, so where we have also high education business where we also have a regional business, where we have CBSE and ICSE business, as per the school segment we believe the growth would be similar. Last year the school segment grew by around 18%, 19%. We believe this year school segment will grow at around 16% to 17% and there will be an 11% to 12% increase in the higher education space. As far for the regional market we expect that the regional market should grow by around 16%, so compounded growth we taken at around 14%, so we believe the business will continue as usual as it was growing, but because the base is becoming larger and larger, we have to be conservative when we give the numbers and we do not want to give any numbers that we are not really confident of achieving so that is why there is a little conservative approach in giving the numbers.

Manju Bhashini: But on your expectations of the conversions and the addition of schools and increasing your say if you are supply for two subjects where they have increased from two to four to five from the existing school network are all these up to your expectations from year back or so or where do you think you would rate yourself on these parameters?

Himanshu Gupta : So basically we believe that the school growth is coming because we are increasing the number of schools with the promotions and the sales, our reach is increasing and the number of schools we are reaching and there is an increase in the number of students and also we are trying to increase the number subjects of books that the schools are adopting from our company, so that where the growth is coming and at the same usual this year as well we have aggressive sales and marketing policy that we are going adopt. We will go to the market aggressively like last year and try to get the 16% to 17% growth numbers in our school business and we have to increase the presence by around 8% of the number of schools that we have reached. Till last year we have reached close to 40000 institutions, this year we have already reached on 43500 to 44000 institutions.

Manju Bhashini: So this margin uptick of 100 BPS, which you are kind of indicating possibilities of that happening in the year is on the conservative guidance of 13%, 14% on overall consolidated sales, but on the CBSE-segment side you are in fact assuming a higher growth than higher education compared to what you have done last year and the other schools and the regional market to sustain at the current levels of growth there so then in that case can I assume that there is all possibility of surprise in the growth and hence on the margins also going ahead?

Himanshu Gupta: Madam, last year we gave a guidance of 14%, 15% we have actually come back under 18% so our intention internally obviously is to achieve, we are hopeful that we will be able to have a similar growth this year that we had last year. There is no reason for us to reduce our guidance and then again as a conservative approach 13%, 14% is the number at which we are guiding on the margin increase and we have mentioned that we are looking at the same on margin expansion is based on this 13%, 14% guidance. If we have higher sales beyond 14% it will positively impact the EBITDA margin, the gross margin and the PAT.

Manju Bhashini: Right, but I think during the IPO time the guidance is also on the improvement at the EBITDA level, which we have not seen that getting reflected in the reported numbers that is where I was coming from?

Samir Khurana: There is a difference on account of GST. GST was not taken into impact when IPO happened. GST happened only in July of last year and the IPO happened in April, so at that time we did not anticipate the GST impact and the reverse charge on royalty that the government had never indicated, so that came as a surprise to us and that is why after the GST came in and we calculated and then we did our next quarter call we had told investors that we will be looking at a between 1.5% to 2% impact because of the GST.

Manju Bhashini: So, on this base we are reaffirming the earlier guidance of improvement in the margins correct?

Himanshu Gupta: Yes, now we are hopeful after all this.

Manju Bhashini: On your digital learning piece you talked about consolidated investments of around Rs. 128 Crores till date over there and going ahead as well I think you talked about a Rs. 6 Crores odd in that smart learning and the curriculum development of around another Rs. 10 odd Crores, so incrementally 15, 16 Crores would added on this base of Rs. 128 odd Crores correct?

Samir Khurana: Yes, because this year as I said we are still spending money on increasing the contents in Destination Success , which is our smart class product, but once we complete immediate investment then the content is good for a few years, so on a recurring basis Rs. 16, 18 probably come to Rs. 8 to 10 Crores. Mylestone in any case, I think at EBITDA level is actually positive, so we do not anticipate too much of outflow unless we decide to move in terms of geographically, the capex on digital being not more than Rs. 8 to 10 Crores going forward except for this year.

Manju Bhashini: This year it will be Rs. 16 odd Crores for digital investments and Rs. 66 odd Crores approximately for your Chhaya acquisition, the remaining stake acquisitions from Chhaya and the potential acquisition, which may come in would entail additional capex as and when that happens correct?

Samir Khurana : Yes.

Manju Bhashini: Great and Chhaya will be 100% ownership by Q3 is that the correct understanding?

Samir Khurana: Yes, by the end of Q3.

Manju Bhashini: This year the minority interests are quite minimal there in as it is and your consolidated numbers?

Saurabh Mittal: Yes, because the whole of Chhaya liability has not been recognized in the books, so if you look at my balance sheet, the summary of the balance sheet there is a Rs. 65, 66 Crores liability in the current as a financial liability that is towards the Chhaya.

Manju Bhashini: Just one more thing, on the potential acquisition is there any delay or what is causing this delay because I think we have been speaking about this for quite some time now and the goalpost seems to be shifting by a quarter every time we speak therein any concerns that you are facing there, what is delaying this process therein?

Samir Khurana : Actually there are no concerns. I think what has happened is that we were at the peak of our season, the companies that they have been talking to us also because of the peak of their season, so a lot of time has got diverted for us for management of the business which is primary responsibility and I think probably the companies that we are talking to they are also very focused on ensuring that they do well so because of that things have got delayed, but I think there is nothing significant other than this, which we need to worry about.

Manju Bhashini: It is not on the pricing front that things are getting delayed?

Himanshu Gupta : No Madam, it is purely because of season, purely because three months was our peak season and that is what I am speaking any publisher in fact, any publisher in the country is very busy in the first half of the year from January to June, as most of the business happens within thses six months.

Manju Bhashini: Great. Thank you Sir and wish you all the best.

Moderator: Thank you. The next question is from the line of Mohit Mehra from Dimensional Securities. Please go ahead.

Mohit Mehra: What price increase do you see for higher education moving ahead; will it be 2% that we saw last year or it going to increase?

Samir Khurana : I did not get the last part of the question sorry can you repeat it?

Mohit Mehra: The prices just 2% like last year or do we see that increasing?

Samir Khurana : Yes, the price increase this year also we are expecting a very negligible price increase. It will not be a very major price increase because we feel that the higher education, the prices are quite high right now in the present stage with the competition , we want to achieve a higher volume growth and the price increase would be there, but not to that extent as the school business, so there will be 2% or 3% increase of price that we expect this year as well, but a higher volume growth.

Mohit Mehra: Thank you. That is all from my side.

Moderator: Thank you. The next question is from the line of Rajkumar Vaidyanathan as an Individual Investor. Please go ahead.

Rajkumar V: Thank you for taking my question. First of all congrats for the good set of numbers. I have two questions: I see the significant part of you result is sitting on the consolidated side, so I just want to know from a two year or three year perspective, do you see that the mix between standalone and consolidated remaining at the current levels or you would see some of them shifting to the standalone? The second question is on the cost structure of S Chand, so I see that whatever the guidance that you are giving for the revenue increase it is not translating more than that in terms of the bottomline is it because your cost inflation is more than the price increase that you are taking and that is getting compensated by the volume increase that you are having on the same side, so it would be helpful if you could let us know what is your fixed cost base?

Saurabh Mittal: I could not get your first question, on your second in terms of the margin expansion last year if you look it traditionally our margins, gross margins have moved up to last few years from 47% to 61% last year, so there has been a steady increase in the gross margin of over five years from 2012 to 2017 primarily because we grew in size and there were large economies of scale, we could do a lot of backward integration, I would say there could not been margin expansion that is 2017-2018 is the year where there was an impact of GST both on royalty plus of course a lot of the other costs, which were under service tax and under VAT we take prices all of them had additional GST impact for us and we do not get input credits in our products which are exempt from GST so it comes in as a complete cost to us, so whatever increase from 15% service tax to 18% so that is all of cost impact in 2017-2018; however, going forward and plus of course higher paper increase to 17% last year as compared to a normal price increase of 4% to 5% that happens every year. This year 2018-2018 since the paper prices are expected to be only 4% to 5% higher than the previous year, so that also had made more of a cost increase of only 1% in terms of the cost for us, so even if we take 7% to 8% average price increase it will definitely give a higher gross margins so that is one, if you could repeat your first question and that will be helpful.

Rajkumar V: Sure. I think before I ask my question again if we look at your P&L in comparison between 2017 results vis-à-vis the 2018 number reported. I see you have got a significant kicker from three items, which is impacting positively on the bottomline, the first one is your other income has moved up significantly between the last year and the current year and then I see about close to 10 Crores of saving on the interest cost and as well as you have done some changes in the method of providing depreciation so that is also positively impacted? My earlier question was despite having is one-offs, if I remove this one-offs, if I neutralize this assuming that the cost stood at the same where at 17, you would not seen whatever increase in topline has not in the commensurate amount has not come into the bottomline, so are you saying that is it mainly due to the increase in paper prices, which is about 17 and you took only 4% increase on the price, so going forward if you are seeing that that will be compensated go forward so which means whatever the 17 minus 4% differentials that we have not able to apply in the previous year are we going to get that compensated in the year go forward or are we going to absorb some of that in the current year as well?

Samir Khurana : See you are looking at two reported numbers in the consolidated, but you have to bear in mind that last year number are not like-to-like basis because last year we had acquired Chhaya on December 16 so between April and December Chhaya's revenues were Rs. 24 Crores and their costs were not added. If I normalize for the cost, there is operating leverage which is towards salary cost as well as a few other expenses. If you look at the investor presentation we have actually highlighted that factor and the growth numbers you are talking on year-on-year is only based on the proforma numbers. My revenue from operations as reported is actually high by 20% that one of the performance basis, it is at 16% whereas if you look at my employee cost, my employee cost had been reported as 117 for last year, but I add Chhaya's cost last year, so I now am consolidating a full year basis, the employee cost is actually 124 from last year, so year-on-year is only 12%, whereas my revenue has grown by 16%. My other expenses has remained as 65 Crores this year, last year with Chhaya was 65.5 Crores so there is no increase, so there is operating leverage where is there has been a decline in gross margin of 170 basis points, but we declined at EBITDA level after excluding nonrecurring items is only 100 basis point, so there has been recovery because of our operating leverage. All of this is mentioned in the investor's presentation that has been provided.

Moderator: Thank you. The next question is from the line of Govind Sahoo from India Nivesh PMS. Please go ahead.

Govind Sahoo: Sir, what is our K12 market share vis-à-vis FY2017?

Himanshu Gupta : We do not have exact numbers because again this is the one information that is not readily available, but earlier we had a share in CBSE, ICSE approximately 12%, 13%. This has grown at 17% I think the industry has probably grown at 10%, 11%, so we have taken some market share in our estimates and again there is no formal report to confirm the same.

Govind Sahoo: No problem, second question is that around 75% of our revenue is sitting in debtors and stock, which is going to be liquidated or this will be converted into cash in the next six months as you have guided by September it will happen, so my question is that are we confident that the entire amount will be converted into cash or there are some slippages in terms of books written or bad debts or whatever it is?

Samir Khurana : So, the whole recovery mechanism is very standard for the industry. As of now we have already recovered 20% of the outstanding on March 31, 2018. The season actually ends in April which is why between March and April there are collection which happen, but March 31, 2018 is the date that we follow and hence the numbers report the outstanding as on that date, so historically we provide of around 0.4% of the sales as we have provisioned as bad debt that is something that we have been following for the last six years now and that is something that we started once we have private equity I investors coming on board till date that amount has been more than sufficient where we have never had instances where we had to write off beyond this provision.

Moderator: Thank you. The next question is from the line of Shivani Vishwanathan from Way2Wealth. Please go ahead.

Shivani Vishwanathan: Sir, I just had one followup question. Can you just explain the revenue and business model for Mylestone and would it be fair to say that the EBITDA margin here would be far superior that the s steady state?

Saurabh Mittal: Yes, the last year the EBITDA margins for the first time it is positive. We had about 8% to 10% EBITDA margins and this year we expect that to go up to about 15% to 20% for Mylestone and last year we did about 93 Crores. Basically Mylestone as a curriculum solution which has learning material, we have training of other support to schools and hand holding of the schools, so there of course we are able to charge premium in terms of what you are supplying to schools and there traditionally we have a gross margin of almost about 75% as compared to 60% for the school business models and we are looking to have at least the initial costs higher, but it is a three year contract normally that happens and we probably end up by 15% to 18% EBITDA for this year.

Shivani Vishwanathan: That was very helpful. Thank you.

Moderator: Thank you. The next question is from the line of Pratik Kothari from Unique Investments. Please go ahead.

Pratik Kothari: Good afternoon Sir. Sir, regarding your Chhaya business for FY2018, what was the operating margin that we did and what is the PAT for that?

Samir Khurana : So, Chhaya have an EBITDA margin of around 33%, and Chhaya has no debt, so out of that 33% again two-thirds would be PAT.

Pratik Kothari: Sir, given that Chhaya has now been part of our family for 18 months now, has it panned out we expected to?

Samir Khurana : Yes, Chhaya when we got we were aware that the businesses is good, which would probably grew at 15%, 16% and the first year of acquisition we never wanted to make a lot of disruption so that is the business can continue to operate as it has been previously so specifically Chhaya going forward they are now focused on increasing their presence in the lower grades. Chhaya is a dominant position in 9 to 12 of over the last year they have also increased 6 to 8 and going forward there are also looking to introduce a lot of titles right from grade one to five, so I think that is the strategy that we have apart from that we will do business and have a linkage to curriculum change as and when the curriculum change happens we will expect to see a spiking growth, any revenue growth that you have seen in Chhaya without similar change.

Pratik Kothari: Sir, the reason I asked this is because if you take the normalized number for the last three years, the Chhaya revenue has almost been flat and we should take FY2016 our revenues were 127 Crores, but Rs. 14 Crores was pre-booked because of the election so that comes out to Rs. 113 Crores , last year we did Rs. 102 Crores plus Rs. 14 Crores so that is Rs. 116 Crores , this year we did Rs. 120 Crores odd this year keeping the standard same Indian GAAP so why has this been flat for the last three years then?

Samir Khurana : So, last year Chhaya was impacted because of demonetisation and I think we have mentioned that in the last year call also there was a miss of around Rs. 7, 8 Crores so Chhaya we have to understand is the business, which is 16% over the counter supplementary books that student buy directly and Chhaya caters to all the districts of West Bengal so the impact of demonetization was very severe on them. This year they had a good year because in spite of most syllabus change they managed to grow, so this year Ind-AS has Rs. 116 Crores , but without Ind-AS is Rs. 122 Crores , so after the Rs. 127 Crores that is also without Ind-AS, there are still some effect of demonetization which is why the debtors Chhaya also went up, but collections had been very robust in April, some of exams of class XII got shifted by two weeks this year that also pushed out Rs. 3 or 4 Crores of sales from March to April, but next year again we are targeting Chhaya to grow by 15%, 16% and that is again without considering a syllabus change, so things are on track. There were some disruption because of events not in our control, but the business in terms of the growth trajectory that we have projected over the next five to 10 years in terms of an improvement in this portfolio covering more grades, covering more schools plus trying to reduce the impact of syllabus change by not only targeting schools, but also tutors, but also students directly there is a lot of stuff going on and in spite of these we have also managed to maintain the guidance as they were when we acquired the company, so today Chhaya is still at 33%, 34% EBITDA margin.

Moderator: Thank you. The next question is from the line of Rahul Kumar from Singular Capital. Please go ahead.

Rahul Kumar: Can you elaborate a bit more on the working capital cycle over the various quarters?

Saurabh Mittal: Sorry.

Rahul Kumar: Over the various quarters April, June, September?

Samir Khurana : I think this is something we had also mentioned at the time of our road show that we did typically look at the debtors around two-thirds of debtors getting recovered by September and there are also some adjustments, some returns are happened in the business, but by October, November the previous year debtors are typically zero and that is only when we start selling again to my channel partner has not got this accounts to zero I will not sell inventory the next season. Inventory that we have right now a lot of it is mainly be used for the higher education business. There are some sales that are happened in April and May for the K12 business. The next season in 2019 the inventory would start getting produced to only around September, October first we print the sample and then from December onwards we start printing for the full year.

Rahul Kumar: So, ideally by on December quarter end the receivable should be zero right?

Saurabh Mittal: The receivable in December will be for the next season because the some sales start from November, December for the next season. There is also some higher education sales that have happened, so most of the receivables that you will see in December are going to be for the post March time.

Rahul Kumar: Thanks.

Moderator: Thank you. Ladies and gentlemen, that was the last question and I now hand the conference back to the management for their closing comments. Thank you and over to you!

Samir Khurana: Thank you everyone for your time and also for patiently bearing for the 12 months. We understand that Q4 is the quarter that we wait that all our investors have also patiently waited to see our performance. We are very hopeful that we will overachieve our guidance of next year. For us this year is very important because the two main things this year we want to be more capital efficient and two, ensure that the growth momentum continues on and thank you once again for you time.

Moderator: Thank you very much Sir. Ladies and gentlemen on behalf of Axis Capital Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.