



## 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: May 26, 2020

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

**Re: Disclosure under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015-Material Impact of Covid19 Pandemic**

The Company vide its letters dated 07.05.2020, 09.05.2020 and 19.05.2020, informed regarding partial resumption of its business operations. Further, with reference to SEBI Circular SEBI/HO/CFD/CMD1/CIR/P/2020/84 dated May 20, 2020 we hereby disclose the impact of the Covid-19 pandemic on the Company's financials and business operations as under:

1. **Impact of the Covid-19 Pandemic on the business:**

- a) **Q4FY20** – The business of the Company is seasonal in nature, where Q4 accounts for 75%-80% of annual revenues and the month of March itself accounts for 30%-40% of the annual revenues coinciding with the commencement of the new academic session. On back of the Covid-19 pandemic, we saw schools and education institutions taking precautions and shutting down from early March itself. We received orders from channel partners till mid-March and our plants and warehouses remained in operations till 21<sup>st</sup> March, 2020 across the country fulfilling these orders.

At the time of the complete nationwide lockdown, we had a strong order book which could not be fulfilled during the financial year 2020-21 and we expect majority of the unfulfilled orders to shift to H1FY21. Do note that, post 21<sup>st</sup> March, 2020, the revenue was limited to online sales of Learnflix - The Learning app and some eBooks, as physical delivery of books was impacted by the nationwide lockdown. The impact of Covid-19 pandemic on the business, performance and financials is under evaluation. We will disclose the same alongwith the declaration of financial results for the year ended March 31, 2020.

The working capital and cash flows have been impacted during Q4FY20 due to closure of educational institutions and channel partners due to the lockdown. We expect the working capital cycle to be higher going ahead as the prevailing conditions may delay payment from educational institutions and channel partners.

- b) **H1FY21 & FY21** – Due to the nature of schoolbooks, some of the business should see a shift from Q4FY20 to H1FY21, as long as schools and educational institutions commence their new academic year. This would result in lumping up of revenues in FY21 with much higher sales in H1FY21 in comparison to the previous years. In our opinion, Q4 FY21 sales season should be a normal sales season and the overall FY21 number should benefit from the shift of Q4FY20 sales to H1FY21, as long as there is no prolonged disruption from Covid-19 on the academic year. This should result in higher levels of profitability for FY21 on account of operating leverage and strong cost control going ahead. We do not anticipate any cost item to be higher than FY20 for the current financial year.

The working capital and cash flows would be impacted due to the closure of education institutions during the national lockdown from March, 2020 - May, 2020. We expect the working capital cycle to be higher as the prevailing covid-19 situation may lead to delay in payments from educational institutions and channel partners in the coming quarters.

Additionally, the following risk factors, if they arise, can lead to an impact on revenues:

- i. Prolonged closure of educational institutions,
- ii. Delay in supply of books to educational institutions due to further lockdowns and restrictions on physical movement of goods over a longer period,
- iii. Delay in supply impacted by delay in production due to non-availability of labour and delay in operating to full capacity due to government guidelines,
- iv. Regional disruptions which may arise on back of localized spurt of cases.

## 2. **Ability to maintain operations**

- a) We have resumed operations after undertaking all the health and safety measures as per the guidelines issued by the government and health authorities. During the period of lockdown, our staff had been asked to work from home, thereby ensuring seamless operations, reporting and controls. The operations are not at full capacity currently due to guidelines and zone parameters.
- b) Ability to operate at full capacity is constrained by guidelines, zone parameters, restrictions on inter- district and inter-state movements especially in NCR, availability of workforce, availability of public transport etc. for the production and logistics operations. Other operations continue normally.

## 3. **Steps taken for smooth functioning of operations:**

- a) We have resumed printing operations at Sahibabad printing facilities, and also resumed operations at various company offices and all major warehouses over the past 10 days. In this regard, various actions have been taken keeping in mind employee's health on priority for our operations. The Company has put in place strict monitoring process for Covid-19 by ensuring the following:-
  - i. Thermal Screening of all employees and visitors,
  - ii. Sanitizing the premises and vehicles on regular basis,
  - iii. Maintenance of social distancing at all work-places,
  - iv. Enforcing wearing of masks and regular cleaning of hands,
  - v. Regular update of the health of all the employees and their families.
  - vi. Ensuring use of the Arogya-setu app

#### **4. Estimation of the future impact of Covid-19 on operations:**

Post the lock down, we expect schools and educational institutions to start opening (with certain restrictions and guidelines) from July onwards in various parts of the country depending upon the local situation in the districts. The schoolbooks which were not supplied in Q4FY20 due to the lockdown would shift to H1FY21 with some revenue loss expected from the used book market, competition etc. Overall, we expect H1FY21 revenues would be much higher than what it has been historically and thus FY21 should cover some sales from two academic seasons. As of now, we expect Q4FY21 sales season to be a normalized one as long as there is no prolonged disruption from Covid-19 on the academic year. We expect more blended learning to be a part of school and higher education curriculum at least in the short term. We also expect more assessments and examinations to be held online.

#### **5. Details of impact on -**

- a) **Capital and Financial resources.** The Company expects working capital to be a bit stretched till Q3FY21 as the impact of lockdown and general market conditions would impact our customers (schools/educational institutions) and channel partners in the coming months.
- b) **Profitability.** We expect the spill over of revenues from Q4FY20 to H1FY21 to impact reported FY20 numbers. The details will be known post the ongoing audit for the financial year FY20 which should be announced during the month of June, 2020. We expect FY21 to have benefits of lower raw material prices, lower cost of operations, however the uncertainty surrounding the timing of opening of educational institutions may have an impact on revenues. However, overall we expect a much stronger FY21.
- c) **Debt repayment Capacity.** The Company does not see any challenges in meeting Debt obligations during the year, as long as the lockdown is limited to Q1FY21. The Company has availed moratorium on certain Term Loan instalments, EMIs and Interest (for some of its smaller subsidiaries). However, interest on working capital is being paid regularly.
- d) **Assets.** The Company sees no immediate impairment requirement for any assets due to Covid-19.
- e) **Supply Chain.** While there are some disruptions, the Company does not foresee any shortage of raw materials (paper etc) since most of the paper mills were operational during this period. Supplies to channel partners has been impacted and delayed across the country, however the situation is improving, and the Company hopes to reach 70-80% capacity in the next few weeks.
- f) **Demand of Products and Services.** Books are a necessity for students in schools and higher education and education remains a priority for most Indian households. To that extent the demand remains fairly inelastic, although delayed for the moment due to the government enforced shut down. However, during this time, we saw strong demand for our digital product offerings like LearnFlix – The Learning App, E-books etc. which are seeing strong interest from schools and students alike.

**6. Obligations for Non-fulfilment of orders.**

- a) The Company is in constant communication with schools, channel partners and educational institutions, also servicing them with e-book content during the period to ensure continuity of the academic session. Most of the orders do not have any penal provisions and the customers are aware of the challenges due to the lockdown. Additionally, with the printing press being operational along with the ability to outsource at local places, the Company expects to fulfil a majority of the orders.

Kindly take the same on record.

Thanking You.

Yours sincerely,

For S Chand And Company Limited

A blue circular stamp of S Chand and Company Limited, New Delhi-44, is overlaid on the signature. The stamp contains the text "S Chand and Company Limited" around the perimeter and "New Delhi-44" in the center. A small star is also visible at the bottom of the stamp.

**Jagdeep Singh**

**Company Secretary and Compliance Officer**

**Membership No.: A15028**

**Address: A-27, 2<sup>nd</sup> Floor**

**Mohan Co-operative Industrial Estate**

**New Delhi- 110044**