



S Chand And Company Limited

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Date: August 17, 2022

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

Re: Transcript of conference call – Q1FY23 - pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

The Company had organized a conference call for the Analysts and Investors on Wednesday, August 10, 2022 at 1:00 P.M. to discuss the financial results for the quarter ended June 30, 2022. The transcript of the said conference call held with the Analysts and Investors is enclosed herewith.

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

Request you to kindly take note of the same.

Thanking You.

Yours Sincerely,

For S Chand And Company Limited




Jagdeep Singh

Company Secretary

Membership No: A15028

Address: A-27, 2nd Floor,
Mohan Co-operative Industrial Estate,
New Delhi-110044

Encl: as above

S Chand And Company Limited Conference Call

August 10, 2022

Moderator:

Ladies and gentlemen, good day, and welcome to S Chand And Company Limited earnings conference call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi from Prabhudas Lilladher. Thank you and over to you, Mr. Joshi.

Mr. Jinesh Joshi – Prabhudas Lilladher Private Limited:

Thank you so much. Good day everyone. On behalf of Prabhudas Lilladher, I welcome you all to the 1Q FY23 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 who heads the Investor Relations Department. I would now like to hand over the call to the management for opening remarks and then we can open the floor for Q&A. Thank you and over to you, Himanshu ji.

Mr. Himanshu Gupta – MD, S Chand And 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 FY22 and thank you all for taking the time-out and joining us here today. I am extremely happy to share that Q1FY23 has been a record quarter for S Chand in its history. We hit the following landmarks during this quarter-:

1. Highest ever Q1 Sales
2. Highest ever Q1 EBITDA
3. First time PAT profitable in Q1
4. Lowest Receivable days in Q1 in the past 5 years.
5. Lowest Net Working Capital days in Q1 in the past 5 years.
6. Lowest Net Debt level since March, 2018
7. 6x increase in OCF over Q1 last year.

Saurabh will touch more about these in his comments.

As we have now firmly entered FY23, we see that Hybrid or Blended Learning is the way ahead. We benefited in Q1 from Schools and Colleges having reopened for classes in physical mode with new vigour and witnessing increased admissions. A lot of schools in smaller cities which had challenges of online learning due to the lack of infrastructure are seeing students back at school, which is spurring demand for books and stationery. Some of the schools which had closed during the Covid-19 pandemic have reopened. Further, this has also improved the cash flow cycle of the schools, channel partners and distributors which was severely disrupted for the past couple of years. This is reflected in the quicker realisation from the channel during Q4FY22 and Q1FY23.

The Publishing business has had a couple of years of disruption which has impacted a lot of small and medium sized content providers. In the post covid world of supply chain disruptions, raw material shortages etc. we are well placed to capitalize on our premium product range, brand, distribution network, relationships with educational institutions and customer service along with the financial strength of organization. I would like to highlight that this opens up an opportunity for us to increase market share and we are working tirelessly for this.

On the Ed-Tech front, our recently launched S Chand Academy on Youtube has had phenomenal success in a short period of time. We have launched over 550 videos (Higher Education - Science, Engineering and Test Preparation) on the channel so far and the channel has already notched up over 4million views. This further enables the promotion of our print content, further spurring demand in that segment with the blended offering. This channel enables students to learn critical areas through top notch educationists which may not be available in Tier 2 and Tier 3 colleges. We expect S Chand Academy to ramp up significantly and reach over 1,000 videos and 10m views over the next few months.

TestCoach, our test Prep and higher education app is seeing strong traction to cover over 100+ government vacancy tests which is a huge market. We expect increase in government vacancies post Covid and with the elections due in 2024 which would further spur demand.

Madhubun Educate 360 - Our K12 Learning Management System is now being implemented in over 55 schools and covers 100K students. Our Personalized Learning App Learnflix has over 330k downloads.

On the investments front, we have made our first profitable exit from the sale of our stake in Testbook for approx. 180m in July. This translates into a 7.8x return over our initial investment. We continue to partner Testbook on Smart books.

The big elephant in the room in the Education industry is the NCF after the New Education Policy (NEP) was announced in 2020 and its pending implementation. We are hopeful that the National Curriculum Framework or NCF would be launched later this year after which NCERT and SCERT would create content for the K-8 segment. To be on a conservative side at the start of the year, our current guidance does not include any impact of NCF announcement. Our targets would be revised upwards if we get a timely announcement of the NCF.

On the Higher Education front, some of the states have already implemented the NEP, where we are seeing strong traction for our content. National Testing Agency (NTA) has already launched CUET which will become one of the most important examinations for college admissions apart from IITJEE and NEET.

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 And Company Limited:

Good afternoon everyone and thank you for your time. I am Saurabh Mittal, CFO of S Chand.

In terms of numbers for the quarter, our consolidated operating revenues came at Rs 1073 million versus Rs 358 million during the same time last year, registering a growth of almost 3 times the revenues vs the quarter last year. We maintained our gross margins at the same levels as last year in spite of the sharp increase in paper prices as realizations improved and inventory got liquidated.

We reported EBITDA profits of Rs 262 million vs loss of Rs 169 million in the corresponding period last year in spite of undertaking salary hikes, higher travel spends etc during the quarter, spurred by higher volumes.

Happy to share that this quarter was the first ever PAT profitable Q1 in the company's history with profits of Rs 62 million versus net loss of Rs 314 million in the same period last year.

I would like to bring your attention to Slide no 5 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. We continue to focus on working capital rationalization and product rationalization for the coming year.

Trade Receivables reduced to Rs2,109m during Q1FY23 vs. Rs2,485m during Q1FY22. This is a Rs376m decrease in receivables YoY in spite of achieving incremental sales of Rs715m over in Q1 last year. In terms of receivable days, it stood at 139 days (vs. 233 days in Q1FY22), a reduction of 94 days over the previous year. This is the lowest receivable days in Q1 in the past 5 years.

Inventory reduced to Rs1,352m (vs Q1FY22: Rs1,480m). This improvement in inventory is driven by various steps that we took in controlling print runs and optimizing book titles. This inventory level includes raw material paper inventory of Rs301m (vs. Q1FY22: Rs234m) which is being built earlier this season due to share increase in paper prices. In terms of inventory days, it stood at 202 days (vs. 295 days in Q1FY22), a reduction of 93 days over the previous year.

Net Working Capital reduced to 162 days (vs. 282 days in Q1FY22) which is a reduction of 120 days over the previous year. This is the lowest net working capital days in Q1 in the past 5 years.

We reported Net Debt of Rs279m (vs. Rs1,297m in Q1FY22) and Gross Debt of Rs1,145m (vs. Rs1,862m in Q1FY22). Net Debt has reduced by Rs1,018m on a YoY basis. This is the lowest Net Debt level since March 2018.

In terms of Cash Flows, our strategy of focusing on the cash flows has yielded results where we have almost seen OCF jump 6x over the same period last year. We ended the quarter with OCF of Rs633m in the current quarter (vs. Rs99m in the same time last year)

As we continue into FY23, I would like to reiterate for this year-:

- Firstly, we would be taking a price hike across our product portfolio upwards of 15% to mitigate increased paper prices.
- Secondly, we reiterate that we are looking to do annual revenues of over Rs 600 crores which translates into a 25% plus growth rate for the year.
- Thirdly, unprecedented hike in paper prices may put pressure on our gross margins to the tune of 100bps to 200bps. We are looking to counter paper prices through our price hike, improving realizations, internal efficiencies and continuing cost control through the year.
- Fourthly, on the debt front, we are well on our way to become net debt free by the end of this year and further optimize working capital going ahead.

- Fifth, the biggest growth driver for our print business could come from the introduction of the new syllabus post the announcement of the NCF. This should lead to strong revenue and profitability growth for 2-3 years period. We have not included the impact of NCF in our current revenue guidance but needless to say that if that comes through then it can greatly change our FY23 financials as well.

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

Moderator:

Thank you very much we now begin the question and answer session. Anyone who wishes to ask the question may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue, you may press * and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants, you may press * and 1 to ask the question. The first question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Mr. Jiten Parmar -- Aurum Capital:

Yeah. Good afternoon, S Chand Management team, Himanshuji, really, really happy to see the record Q1 in history. So, congratulations for that. My question is that paper prices have been on a continuous high, do you expect and what I have heard from the industry sources is that paper is not available on credit. Do you think that could stretch our working capital needs and how is this something which can benefit our company because maybe unorganized players might not have -- might not be able to basically procure without credit, so can you throw some light on it?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah. Hi. So, I'll take this one. Thank you for the appreciation of Q1 results. yes, we all agree that the prices are increasing on a day, on a weekly, monthly basis and that's a cause for concern for us, however, we've got 2/3 things. A - in terms of working capital, yes it may stretch it a bit, but as you see we are very well placed at the moment with our finances and our realizations of recovery from the market will also improve because of this we are able to put pressure on our channel partners to pay us early, order earlier, and we had in fact placed paper orders earlier this year, so no challenges on availability of paper for us at least, which may be a problem for the others. Working capital may get stretched but it'll be a temporary phenomenon since most of our long-term obligations have been taken care of, so this I don't think would become a challenge for us at all, we are well prepared for that.

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

We have procured paper I think for most of our requirements for this year. We've ordered and secured paper supplies for around 80%-85% of our current year requirement and rest 15%-20% we will be also securing very soon, so we don't see any problem in the availability front, yes the price is increasing, and I'm hearing from the market the price might stabilize by maybe October or November hopefully, but yeah it is creating problem for the unorganized player as they are facing difficulty as the last two years were also financially tough for them and now if the price increasing, it is creating a bigger battle for them. So, I think it might be a little bit better in terms of improving our market share in the market, which being an organized player and having a better financial strength than before and being able to procure paper on time that will definitely help us increasing our market share this year I feel.

Mr. Jiten Parmar -- Aurum Capital:

Yeah. So, paper is how much of our input cost from percentage point of view?

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

It is around 18% to 20% normally in a normal year. This year it might increase to maybe 24%-25% depending on the final outcome, but yes, it's 18% to 20% normally.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

We are estimating a maximum of 200 bps impact on the gross margins, although I mean the bottom line and EBITDA may not get impacted because we feel that we probably will get higher volumes this year, so overall while gross margins my contract 100 to 200 bps EBITDA targets and profits maybe well very in line because you feel volumes will be much higher this year.

Mr. Jiten Parmar -- Aurum Capital:

Okay. So, I also want to congratulate you on basically one notification which you have sent to BSE regarding exit from Testbook which happened last month, so congratulations on that. It's a very good outcome, but what I want to know is that is this investments into EdTech or other companies will it continue and what would be the quantum. How much of the cash flow we are allocating towards that and how do investors make sure that this is not -- it's not unnecessary diversification, so can you throw some light on that please?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yes. So, if you look at in fact our presentation also talks about our philosophy. One clarification that TestBook accounting will happen in quarter two. It's not been accounted for in quarter one, so that will happen in quarter 2, because the exit has happened only in July, so the current Q1 numbers do not include that profit of about Rs15 odd crores.

See we would continue to invest at a maximum Rs6 to Rs8 crores in businesses where we really feel there is a strong traction and it's not that we have to do an investment every year. We will do it as and when we find something, which is very compelling. We will take our time and invest over a period of time. Last year we did iNeuron. We started the process in March 21, we ended it in December 21 because we wanted to ensure that we are investing into people who have a great idea and want to build a sustainable and profitable business and those who are making a difference and actually there is an impact of the kind of work that they are doing and that is what we found with both with iNeuron and with Smartivity, yes as and when there is an opportunity to exit, we will definitely exit because we are creating both this as a strategic and financial investment. So, since we have a responsibility towards our shareholders, we will continue to take exit as in when there is an opportunity.

Mr. Jiten Parmar -- Aurum Capital:

No, I mean my question is basically would you invest only in related businesses or unrelated businesses as well?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited :

So, I mean there are places where we are actually strategically helping them also generate revenues also, so that's one strategic part that we are doing and I mean as and when there is an exit opportunity, we would look at that whole or partial, see we got all options open. Whatever works at that point of time, TestBook we saw an opportunity, they were merging with larger EdTech player and we were eventually going to get a very insignificant part of that player, so then we decided we would not want to be a very insignificant investor in a large entity, so we decided to stay connected, but we continue to work with Textbook with our smart book, so that relationship still continues.

Mr. Atul Soni, S Chand And Company Limited:

Jiten just to add, we would never be investing in an unrelated sector. I think that was your initial question there, so we would only be investing in education sector.

Mr. Jiten Parmar -- Aurum Capital:

Okay, okay, great and

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

I mean the areas where we feel that our company doesn't have the DNA or the management bandwidth to make that product or make that service for the customer and we believe that it's a good investment opportunity, there the valuations are also decent and the company is also reaching a path to profitability, those companies we will be looking to invest. We would not be looking at companies which have a very high cash burn, those companies we're not very interested to invest in.

Mr. Jiten Parmar -- Aurum Capital:

Great. Thank you for the clarifying on all this. So, do we expect to be debt free this year and 2nd is what is the margin guidance for the total year?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yes, so if you look at net debt right now, if you saw June end, we were at Rs27 crores and with these 18 crores coming in with the TestBook stake sale, we are down to about Rs 9 crores or single digit. So, seeing a debt free status at the end of the year is almost certain, of course unless something happens on the COVID front or something, but other things remaining the same, we will definitely be debt free by the end of this year. So that's not even an area of concern.

And in terms of margin, as far as gross margins may get impacted by 100 to 200 bps that we've already given the guidance, but I don't see impact on EBITDA because volumes will be higher and operating leverage will kick in because our fixed costs are not moving that much, revenues will definitely move higher.

Mr. Jiten Parmar -- Aurum Capital:

Great. Thank you so much for answering my questions. Best of luck to you and if I have any further questions, I'll get back into queue. Thank you so much.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Thanks, Jiten. Thank you.

Moderator:

Thank you. Next question is from line of Devraj Patel from HDFC Securities. Please go ahead.

Mr. Devraj Patel -- HDFC Securities:

Yeah. Great set of numbers, congratulations to the management and the team. I have a question regarding NCF so how confident we are compared to what we were in the last call that we will get NCF by the end of this year and will that help us to come out with our content by March?

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

So, we cannot be 100% sure that NCF will come out this year, but if it comes out at the right timing which means that if it comes out early then it will help us to grow the business more, but if it comes out late then it will be not implemented fully this year. So, depending on the timing that the government announces, but we feel and from our sources that the government might announce this year, but again depending on the government. So, we cannot be 100% sure that NCF will come out or not come out difficult to say, but we are in any case feeling that the first quarter has been good and the momentum has been good, and the market is opening up, so in any case without the NCF also we are predicting a healthy growth and if NCF comes in, it will only boost up the growth.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Right, right, so it is government driven policy and as such we cannot be 100% sure in the government.

Mr. Devraj Patel -- HDFC Securities

So, my question is, supposed government needs to do say 10 steps before they come out with the NCF, say at the end of the March they were maybe at the stage number four or five and now have you seen the progress there. Now, it is stage of seven or eight, so we can be fairly confident that by December we can be coming out of it, so I just wanted to know from your perspective and your sources have they moved substantially from say March to now?

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

They don't share the steps with us with the private companies, and yes definitely we feel that government is moving it up and hopefully we are feeling that by this calendar year and maybe a little bit earlier than November or December, they should announce the NCF, that's what we're hearing, but again the announcement is in the hands of the government.

Mr. Atul Soni, S Chand And Company Limited:

Right. So, actually they have also set up state committees and they have been in regular consultation with various committees across the country and we keep on seeing a lot of announcements from all the state governments and the state education ministers about all the steps that they are taking for this new announcement. So that gives us a feel that the government is serious and they are taking all the necessary steps, now as you can understand that this is a government thing and when they want to release it, it's their decision. So, that is something which is out of our hand, but he can definitely see the steps which state government as well as the national government is talking for announcement of NCF.

Mr. Devraj Patel -- HDFC Securities:

Right, right. Thank you. I will get back to the queue.

Moderator:

Thank you. The next question is from the line of Niteen Dharmavat from Aurum Capital. Please go ahead.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. Thank you for the opportunity. Am I audible?

Moderator:

Yes, Sir you are.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. So, a couple of questions. First question is how many subsidiaries do we have now and what is the plan to consolidate these numbers because some of this came in form of acquisitions as well or some of this we would have created to enter into new areas?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah. So, we have about 12 and we are in the process of already merging 3, the application is already done. One consolidation last year, three of them are under process pending with NCLT. Long-term vision I think we should be down to four entities by the end of next year, by the end of FY24 is what I'm anticipating. We don't want many entities. So, by end of FY24, I'm assuming we will be down to 3-4 or maximum 5.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. My second question is related to the returns, which happens on the market, the books which are sold, so what is the percentage in terms of percentage of the revenue, what is the percentage of the return which comes back from the market and what is the target that we are having compared to the last year?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, traditionally during COVID last two years were very high, I mean we had gone up to almost 30% at times, but this year we've been very strict. We've given prior intimation that we will not be accepting anything above 15% and that is what we are doing at the moment. Considering the kind of collections that we've had in the first quarter and even in July, the way things are moving it seems it'll be well within that and going forward we will further try to reduce it to 12% and then maybe 10% in the next year. So, we are very, very clear that we do not want to -- we will not accept and if somebody needs to take supplies, they have to keep that in mind because we do not want to build inventories for the next year just before that and this will improve our working capital and overall provisioning also. However, having said that March we've done a slightly higher provision because based upon our three year numbers, we continue to have that buffer within us.

Mr. Niteen Dharmavat -- Aurum Capital:

Got it. My next question is now we are having a revenue guidance of Rs600 crore what is the EBITDA guidance that we've given?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

It should be around I would say between Rs100 crores and Rs120 crores.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay, okay, got it. So, my question was in relation to the changes that you have done in last 2-3 years when in we launched S Chand 3.0 and there were a lot of operational improvement that they brought in, we discuss about it in the previous call and the presentations as well, so are these measures sustainable as we grow in terms of revenues and going back to the pre COVID level, so is this operational improvement that we have gotten and the savings that we've gotten are we going to be sustainable?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah definitely they're going to be sustainable because I think there's been a complete shift in the internal mindset, process of doing things, lot of places we've reduced the number of locations that we are servicing from, and that is brought in efficiency. We're concentrating on 5-6 locations where we are servicing customers from and building efficiency around that. So, in terms of other expenses, yes sustainable. Our employee costs not to that level, but of course then with revenue growth we will try and see whatever best possible because again you have to keep in mind inflation and motivation of people, so there may be a slightly higher than what we had anticipated, but with revenue growth and volume growth, I think that can be taken care of. So, rest of course working capital our side in terms of inventory and receivables, completely sustainable. We want to sustain these kind of working capital days going forward. That is the mindset that has set into the system and fortunately everybody down the line is following that same thing.

Mr. Niteen Dharmavat – Aurum Capital:

My final question is most likely hypothetical, so assume that NCF or National Curriculum Framework comes by December, latest by December, which is the end of the calendar year, what is the revenue guidance we will have in that case for the entire year because there will be three months only remaining in the financial year?

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

So, if that come late then the revenue guidance might not shift the goal post too much, it might shift some bit. It is difficult to say how much, but not much, but if it comes early, let's say October or so then the revenue guidance might shift more. So, again depending on the government's policy, so we are hopeful that should come little early also, but if it comes late then the implementation and the taking out books and the whole process will be 2-3 months and that will not get implemented fully, very partially it will get implemented next year, next academic session. But needless to say, it gives you a longer runway of I would say three years at least and that will have a good growth

over the next three years and that is good for us, but even without the NCF, the growth, the volumes and the margins look decent because there is a pent up demand in the market and as the paper scarcity is there in the market that is helping larger organized players to take more market share this year. So, that again is going to help us in achieving our numbers or even crossing that.

Mr. Niteen Dharmavat -- Aurum Capital:

And assuming that it comes in October, then what will be the revenue guidance?

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

Again, it is very difficult to say as of now, it depends on how much syllabus changes happens, what kind of content we have to create, and things that we cannot see right now because the changes we don't know, but that will depend on this change impact it will have on the book. If the minor impact is there, then we can change it faster and bring the book faster, but if it changes a lot and you have to completely redo all the books then it'll might take time so those things we cannot say before we get the content -- before we get the syllabus in hand.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah Niteen, but having said that I think fair to say something comes in by October, I mean I would say, we can look at around incremental 10% to 15%.

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

Maybe yes, yes, that can happen, but again it depends on the change that it will require.

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

And the number of classes that they actually end up changing. They may be doing three classes or five classes or eight classes in the first year, so that depends.

Mr. Niteen Dharmavat -- Aurum Capital:

Correct, correct. So, 15% incremental revenue will it also be with the same EBITDA guidance of 20% or will it be more than that?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

It should be high because see your fixed cost is already there.

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

So, again whatever revenue adds, it all goes to the gross margin goes to the bottom line, yes, but initially they might be slightly higher specimens given to schools, but I think definitely most of it would go to EBITDA, so your EBITDA would expand. So, my suggestion in this is NCF we should not look at the first one-year kind of trajectory, we should be looking at least three-year kind of a run. So, when we plan for a syllabus change, it's going to have a short-term to medium-term impact for the industry.

Mr. Niteen Dharmavat -- Aurum Capital:

Got it. Thank you so much and all the best.

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

Thank you.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Thank you.

Moderator:

Thank you. Next question is from the line of Rhea from Aequitas investments. Please go ahead.

Ms. Rhea - Aequitas Investments:

Hello. thanks for taking my question.

Moderator:

Rhea sorry to interrupt your voice is not clear. Your voice is breaking.

Ms. Rhea - Aequitas Investments:

Yes. Yeah, my first question would be to ask to other incomes, this quarter we had a significant bump up in other income what does that constitute of?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

So, other income is basically bump up is on the accounting for Smartivity Labs. Earlier it was accounted for an associate as up to March quarter, but one of the Directors who

was holding equity has sold his stake, not from S Chand Board of Director but one of the S Chand employee Directors, he had a sold his stake in Smartivity so the accounting for that has changed and whatever price that person has sold his stake, the fair value of our investments Smartivity has been accounted for like that. So, there has been the approx Rs10 crore incremental on account of that. The detailed explanation is also given in the notes to the results.

Ms. Rhea - Aequitas Investments:

Right, right, right, I just wanted a little more detail on it yeah. My second question was I'm just recently started covering S Chand, so I just wanted a breakup between traditional sources and what would be from a digital sources?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, to be honest we're not really breaking it up between traditional and digital because it's all got combined into a single hybrid and blended learning. Pureplay digital at this point of time, I'm not sure how much it is working for any of us. Most of our products already are hybrid, each of the printed books that go out, do go out with the digital imprint whether it's a QR code, whether it is website support or something along with that. So, each of these books have already been enabled to be digitally enabled, so we're not really segregating that at this point of time.

Mr. Atul Soni, S Chand And Company Limited:

So, we might be able to charge either a higher price point or that might be a benefit which might accrue to a user by using S Chand books, but it will not be possible to do a clear bifurcation between what the digital is bringing and what traditionally coming from the book itself.

Ms. Rhea - Aequitas Investments:

Alright. Okay and where do we choose the paper from exactly like who would be our vendors or is it imported or domestic?

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

So, we import I would say 30%-35% paper from Indonesia a mill called Aprilfine and then we take paper from Indian mills like TNPL, West Coast, we take it from Shah, we take it from the Kuantum, we take it from around 10-12 mills we take paper from in India as well. So, around 60%-65% people we procure domestically.

Ms. Rhea - Aequitas Investments:

Alright and I think 85% of it is already covered for the current year's demand?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

So, we secured around 80%-85% paper we have secured, the rest 15%-20% paper we will secure soon.

Ms. Rhea - Aequitas Investments:

Right. My next question would be for NEP, so basically even new policy which is coming up, so in the political phase where is it right currently, like it has been passed by Rajya Sabha and what is the bottleneck here?

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

So, NEP is already passed by the government. NEP is already getting implemented. It is NCF which needs to now get approved by the government.

Ms. Rhea - Aequitas Investments:

Okay and that is at what stage?

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

As, I said earlier the stage is, we are not very sure which stage the government is working, but yes according to our sources the government is ramping up its pace and hopefully it should be out before the end of this calendar year.

Ms. Rhea - Aequitas Investments:

Okay and if it comes in the next year you would see revenue coming in FY24?

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

Yes, FY24 correct.

Ms. Rhea - Aequitas Investments:

That would be the last thing right?

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

Yes, that should be I would say the last thing. It should come before that hopefully, but maximum it should come out by FY24 maximum on the higher side.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

It should come out before

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

It should definitely come before the elections.

Ms. Rhea - Aequitas Investments:

Right, right, and I want to ask what will be a realization currently hovering around like I just reading the presentation that they are seen a 15% hike, so do we see similar kind of hikes coming around in the next quarters and is it just pass on of the incremental paper cost or are we seeing any margin improvement here also?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yes. –for our business, we do pricing of our products once in a year because again our catalog goes out to schools once in a year, so we don't do incremental price increases around the year except for maybe the Test Prep segment. So, you'll start seeing the realization coming in from quarter 3 onwards because the price realization changes from September onwards and since the session sales starts only from November-December onwards.

Mr. Atul Soni, S Chand And Company Limited:

And price hike is not the only lever that we have for either increasing or defending our margins. We have also reduced discounts in the channel so that also adds to our margin profile, so there will be some other internal efficiencies which we are planning to bring in this year, so I mean all these together will help us in our margins.

Ms. Rhea - Aequitas Investments:

Alright and what would be the full capacity of our current plant, so what kind of revenue can we generate?

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

Sorry.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

There is no capacity constraint as far as we are concerned, but again we have to be very prudent with whom we are selling. We have in fact over the last three years reduced the number of channel partners by almost 30%, which reflects well in our working capital. We do not want to be very aggressive with revenues because again we do not want to compromise in the quality of our sales because that impacts both realization, impacts cash flows, and overall even servicing of the schools plus anything extra that goes will come back as inventory, so it's pointless. While there is no capacity constraint, we will continue to run it prudently and ensuring that cash flows come in and we do a good margin business that's what we are focusing on keeping it simple.

Ms. Rhea - Aequitas Investments:

What are the accumulated losses we have currently for tax computation?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

It should be around Rs130 odd crores.

Ms. Rhea - Aequitas Investments:

130 crores, awesome. Thank you.

Moderator:

Thank you. Our next question is from the line of Akshay Kothari from Envision Capital. Please go ahead.

Mr. Akshay Kothari -- Envision Capital:

Thanks for the opportunity. Sir, I wanted to understand like when we studied, there was a famous book by the name of Wren and Martin, which belonged to your company.

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

Yes, yes.

Mr. Akshay Kothari - Envision Capital:

And it was very famous, so I studied from an ICSE Board, so I just wanted to understand that from a traction point of view or there are certain books which are very much what we can say sticky to the student and across the board for example in ICSE Board everyone used to use those books. So, when one of them was Wren Martin, so going forward for example are we having such sort of books in categories of NEET, JEE Mains wherein the student who actually want to purchase those books, so if you can explain regarding that any for that chartered accountancy, engineering, which are those categories which we are having?

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

Okay, so basically school category is divided again into 3 categories - ICSE, CBSE, and then the state board. ICSE compared to CBSE is only 10% of the market and CBSE we are leaders in lot of products like Lakhmir Singh in science, we are leaders in Maths, we are leaders in Hindi, we are leaders in Sanskrit, we are leaders in French, we are leaders in physical and health education plus if you talk about ICSE, Wren and Martin is used both in ICSE and CBSE space. We are again leaders in Math there and ICSE plus we are leaders in higher education space.

We have a series by the author name of R.S. Aggarwal which is also a very famous author and again we are leaders in accounts Shukla and Grewal in CA. We're leaders in engineering space. We have Thareja, Khurmi, V.K. Mehta, lot of good books there. We have some good books in management as well.

So, these are lot of spaces that we are leading in through our offerings and through our books and through our brands and these are some of the categories which I have mentioned, there are many more, the list is quite long, I can't fill it out right now, but yes definitely S Chand as a group is leading in lot of spaces. We are also leading in Bengal as a state board Chhaya which is a very popular brand, like Navneet is in Maharashtra and Gujarat, Chhaya is in Bengal and that is one of the most popular books there and it's a biggest brand and the biggest publisher in that part of the country and we're leading there as well. So, these are some of the categories I just mentioned.

Mr. Akshay Kothari - Envision Capital:

Now till the time we were in school, we used to use a lot of your books, but when we came to -- I joined started accountancy course and all these things, so I joined classes and all those things and institute curriculum is also there, similarly for engineering and all, so I don't think there would be much penetration or what is your view regarding the penetration of these books in the professional courses, which we are offering?

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

Professional course is the books that we are normally selling our course textbooks. So, when you're preparing for the examination, we have books which are popular, but there are other books also, other companies also which are popular in that category, and when you join the CA institute or an engineering college, you use some of our books, I will not say all the books because it depends on the category of engineering institute that you join. If you join in IIT it's different category, if you join the local private college, so different books they use, so it depends again where you are studying and children are using the books and definitely they're using it, but some of the children are photocopying also, some of the children are also getting some notes from some institutes and all, which is not a part of any publishing business as a matter of fact, not ours not others also, and that is happening and some people are also doing online, they are getting e-books of our books or some other books like getting online for free, which is again it's like an online piracy, which is legally not allowed, but people are still using that in India and we try to stop that as much as possible.

So, all these things are definitely being used and people are using it and going forward we feel and we had launched some books for higher education for students last 1½ years back and we're seeing good traction in the market, which are called low priced student edition and which are priced much lower than normal books or normal book was priced at let's change engineering book of ₹800, we're pricing this student edition at ₹500 and that the student buys it for one semester and uses it so basically the idea is read and throw kind of idea. So, you don't need to keep that book for long, maybe you use it for only one semester, but that book because it's cheaper than it reduces the chance of photocopy and online piracy in the market.

Mr. Akshay Kothari -- Envision Capital:

Okay, got it and Sir your

Moderator:

I am sorry to interrupt you. Can I request you to come back in the question queue?

Mr. Akshay Kothari -- Envision Capital:

Yeah, sure.

Moderator:

Thank you. Participants are requested to ask two questions per participant. If time permits please come back in the question queue for a follow up question. Next question is from the line of from Shubham Ajmera from Sai Ventures LLP. Please go ahead.

Mr. Shubham Ajmera -- Sai Ventures LLP:

Hello. yeah. Hi Sir, thanks for providing me the opportunity. Sir I joined a bit late, so sorry things are already discussed. So, I had a question of sale of TestBook stake, so I just wanted to know like have we took the full exit from the textbook like sale of equity as well as preferential and also are we planning to exit from other investments as well in near future like Smartivity, Gyankosh, and others?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, so we've taken a complete exit from TestBook stake. As far as Smartivity is concerned, as and when we feel there is an opportunity and it's the right valuation with the kind of way they're growing, I'm sure it will only multiply and probably since our investment is a very, very early stage investment in Smartivity, I feel much larger than what we had in our TestBook. With regard to the others, I think the other two smaller investments are already written off in our books because those things have gone to zero. So, some of them will of course not make money at in the longer run that we've already provided for a return of in our books. Smartivity, yes it will definitely at some point of time give us some excellent exit, much larger than what we got in TestBook.

Mr. Shubham Ajmera -- Sai Ventures LLP:

Okay. So, any idea of core valuations if you had done for the Smartivity like current valuation of that investment?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

So, the last round happened at about Rs100 crores last year in June and then the revenues have only multiplied 2X-3X since then, so I mean currently I don't know whether they're going in for funding because they finally, they're also cash flow positive from first quarter and very well and they've had a huge first quarter this year, so they are doing exceedingly well. Till the time they actually need capital, they will not tap the market, so my chance is they're going well and they should probably do Rs50 odd crores plus revenues probably this year or by mid next year. That has been going good and great set of people in that so I think long term it'll take my sense is that it will take about a year and a half or two years to get something from there.

Mr. Atul Soni, S Chand And Company Limited:

They also bought some marquee investors on board in their last round. I think Mr. Ashish Kacholia and Mr. Mahendra Kothari also joined them.

Mr. Shubham Ajmera -- Sai Ventures LLP:

Got it. Understood Sir. My second question is on NCF implementation like we have discussed multiple times that post NCF our revenue will grow, but I had a question on that, but since the new course was introduced and the syllabus would change, so then we need to hire more authors as well our employee costs will also increase substantially, so our bottom means I just wanted to know like since we are planning for after NCF implementation we are guiding for 20% to 25% revenue growth, so this revenue growth will also come in the bottom line as well because of this author costs and all our bottom line may not increase substantially, but in medium term range will make good money in the bottom line as well?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

We believe the bottom line will definitely increase with the increase in sales and the content creation costs will not be much including the authors and all we already have on board including the editorial team, we already have on board, maybe some part we need to spend to create new content, but it will not be very substantial. So, it will be a small part of it, yes, the only major cost that will come in is obviously to produce the new books and to sample the new books. So, more than the content creation cost, the cost will be there of the sampling in the marketing part of the business. So, which I feel will be covered through the sales of the books, so I don't feel that that should be a major concern in regarding the profitability.

Mr. Shubham Ajmera -- Sai Ventures LLP:

Okay, okay.

Mr. Atul Soni, S Chand And Company Limited:

Also, one thing around numbers. We are a turnaround company to that extent that you will see a much higher percentage jump in profitability versus last year or versus the last two or three years. So, for example last year we did a topline of Rs480 crores and I think our PAT was around Rs8 crores, now obviously this year we are saying we will do Rs600 crores plus which means that it is a 25% hike okay, but your profit growth will not be 25%, I mean it will be multiples of that number because operating leverage kicks in. So that ways. Without giving a profit guidance here, I'm saying that percentage on the top

line will not translate into directly into bottom line, it will be many, many, times more than that because of the fact that we are in a turnaround phase of our life cycle of the company

Mr. Shubham Ajmera -- Sai Ventures LLP:

Understood and last question if I can pitch in for the last one question as well, so just wanted to know can you give us the revenue mix from the CBSE or ICSE and State Board as well like if you had any idea on those?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah. The CBSE sales would be the majority of the sales for the group and CBSE would be doing around I would say close to 60%-65% should be coming from CBSE and then I would say 15%-20% coming from ICSE and 15%-20% coming from state boards. This is of the school business, this is for only school business, I am talking about.

Mr. Atul Soni, S Chand And Company Limited:

For the overall company, K12 business accounts for almost 80% of the overall, approx 15% comes from higher education.

Okay. Got it. Thank you. Thank you so much.

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

Thank you.

Moderator:

Thank you. I request to all the participants please restrict to two questions for participant. The next question is from the line of Saurabh Kumar from Scientific Investing. Please go ahead.

Mr. Saurabh Kumar -- Scientific Investing:

Hello Sir. Firstly, congratulations on good numbers and there is a tremendous improvement we can see on the balance sheet side and the working capital improvement.

Moderator:

Saurabh, sorry to interrupt you, can I request you to speak little clearly a little louder please?

Mr. Saurabh Kumar -- Scientific Investing:

Sure. Sir, congratulations for the good result and we can see a lot of improvement in the working capital and on the balance sheet. My question is where do you see the optimum working capital that is one and given this is structural, we hope there will be more cash which is going to be generated, so what is your plan in terms of capex, I am not asking for next year, but let's say if this is a structural story on an average how much percentage of the cash flow will go in capex and then what is going to happen with post capex cash which is there, will you have a dividend policy and all and sorry if this has been addressed because I joined a bit late?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah. No, I think we haven't taken that up earlier. Thank you for the question. I would say a maximum of 10% to 15% would go in capex not very large amount because we're not building any further capacity especially on the print side because there's enough capacity available in terms of printing outside and again content development is not such a big high cost. We should have good cash flows by the end of this year and definitely decide on the dividend policy.

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

We would like to return back to our shareholders. We will see in which form it is done and that's something which the Board will also decide at the opportune time.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

We have a dividend policy which is there. I think the Board can take a call on that once the full year numbers come in.

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

But as you ask the question, there's no major I would say capital requirement in the near term.

Mr. Saurabh Kumar -- Scientific Investing:

Sure Sir and in terms of our working capital have we reached to the optimum level or you see there is further scope of improving it?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah. There's definitely further scope of improving it especially on the inventory side and we will continue to work on that. I think the market is getting especially with the way paper prices are going and supply is going to be a challenge for other people in the industry, we'll take advantage of that and squeeze as much as possible out of the market. So, I think we are 80% there, another 20%-25% we can further push.

Mr. Saurabh Kumar -- Scientific Investing:

Sure, and Sir one last question, do we have any kind of revenue concentration like in terms of geography. I mean I just want to know, are we concentrated anywhere in terms of revenue?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

No, not at all.

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

We are not concentrated, but yes North India is the largest market because North India has largest chunk of schools and larger chunk of population in a region.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, but having said that I think the question you're coming from is in terms of risk. I don't think any customer or any school accounts for more than 0.5% of my revenue, so I mean that risk is not really not there in terms of customer concentration.

Mr. Saurabh Kumar -- Scientific Investing:

Great, great. Thanks a lot Sir.

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

There's no big customer as such. I mean I don't think there's a customer exceeding even 1 crore.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, I don't think so, maybe one or two chains of schools, but nothing major.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Yeah, so it's pretty evenly spread across.

Moderator:

Thank you. The next question is from the line of Chintan Sheth from Samiksha Capital. Please go ahead.

Mr. Chintan Sheth -- Samiksha Capital:

Now, am I audible? hello.

Moderator:

Yes, go ahead, go ahead.

Mr. Chintan Sheth -- Samiksha Capital:

Congratulations for the great set of numbers. I just wanted to check on the pricing you said 15% is driven by the paper prices broadly, but haven't we seen historically does that prices get reversed when the prices tends to normalize, I don't think I've seen books prices revising lower?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Not to my knowledge. The book prices do not go down. The book prices have only increased, so basically this year it is abnormal increase of 15% maybe 16% of increase in book prices, but under normal circumstances price increases by approx. 8%-9% annually.

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

Yeah, 70%-80% depending on the product to product category.

Mr. Chintan Sheth -- Samiksha Capital:

Right

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

We are seeing growth this year. Also, we are expecting that the change in the market scenario which is getting the quality customers that we're dealing with and cleaning up the market space that will definitely have a long-term impact on the business in the positive way and that should help us in getting better margins in the future and improving our cash flows, improving our EBITDA margins etc. Everything it will have a positive impact. It is just this year it has been very abnormal price hike in paper prices. This is not a normal phenomenon.

Mr. Chintan Sheth -- Samiksha Capital:

But in that context do we have faced historically that when things reverse, the competition kind of push down prices?

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

No, I haven't seen any publisher bringing down the prices till now. They might not increase or they might slightly increase that is a possibility, but I haven't seen publishers bringing down prices ever.

Mr. Chintan Sheth -- Samiksha Capital:

But discounts might increase, which might incentivize dealer or channel partner to move from publisher to publisher?

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

It is not only about the margin to the dealer. See the dealer definitely wants his margin, but obviously from the brand also on the product which is selling in the market. If he gets a higher discount and he takes up the product and keeps the product upward and if it does not sell, it is no use to him. So, he also wants to rotate his inventory very fast and he also wants to sell those things which are selling in the market.

Mr. Chintan Sheth -- Samiksha Capital:

Correct, correct and secondly on the allocation and I will join back in queue. What is the corpus, that you will like to keep aside for this EdTech investments that as an investor we should expect that this is kind of the buffer you will keep for any opportunity if not then it will stay in cash, but that one can expect that the investment go out of the cash will go out of cash flows from the company?

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

At max Rs10 crores to Rs 15 crores and that's also a huge thing, we just done one in the last three years. We have to find the right one, I mean it may not only happen during any year, but at max Rs10 crores to Rs15 crores, that's also a stretch. We'll always do the first series, we will never do a follow-on series, we will never do valuations in excess of 50 crores, so we've got all that inside and we will not invest beyond a certain point.

Mr. Chintan Sheth -- Samiksha Capital:

Sure, sure. That's all from me. Thank you. Thank you and all the very best.

Mr. Saurabh Mittal – CFO, S Chand And Company Limited:

Thank you.

Moderator:

Thank you very much. I now hand the conference over to the management for closing comments.

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

Thank you and thanks everyone for your questions and thanks so much for the good wishes and hope we continue on this growth path and the path to profitability and margins and as we said earlier, we are hoping to be a debt free company by the financial year end and we continue to give good quality products and services to all of our customer and will continue to do so. We have been doing for more than eight decades and we will now continue to do so as well and we wish you a happy Rakshabandhan and happy Independence Day in advance. Thank you so much.

Moderator:

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

End of Transcript