



S Chand And Company Limited

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Date: February 17, 2023

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 – Q3FY23 - 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 Monday, February 13, 2023 at 1:00 P.M. to discuss the financial results for the quarter ended December 31, 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 Ltd. Q3-FY23 Earnings Conference Call

February 13, 2023

Moderator:

Ladies and gentlemen, good day and welcome to the S Chand And Company Limited Q3 FY23 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 this conference, 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 Private Limited. Thank you and over to you, Sir.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Thanks, Dorbin. Good afternoon everyone. On behalf of Prabhudas Lilladher, I welcome you all to the Q3 FY23 earnings call of S Chand And Company Limited. We have with us the management represented by Mr. Himanshu Gupta, who is the MD; Mr. Saurabh Mittal, who is the CFO; and Mr. Atul Soni, who is the head of Investor Relations, Strategy and the M&A Department.

I would now like to hand over the call to the management for opening comments and probably after that we can open the floor for Q&A. Over to you, Himanshu ji.

Mr. Himanshu Gupta -- Managing Director, 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 third quarter and nine months results conference call for FY23 and thank you all for taking the time-out and joining us here today.

I am extremely happy to share that 9MFY23 has been a record nine months for S Chand in its history. We would like to highlight the following key points for this period:-

- As you know, we are a seasonal business with majority sales coming from the Jan-March quarter. We are confident of our performance during the current sales season as we are witnessing strong demand in the current sales season of January, 23- March, 23. This is the 1st disruption free full sales season that we are seeing after 3years.

- We saw the highest ever 9M Sales in company's history.
- We saw the lowest ever 9M EBITDA Losses. 9M EBITDA losses reduced by 38% YoY.
- We saw the Lowest ever 9M PAT Losses. Reduction in 9M PAT losses by 62% YoY.
- We saw the Lowest Receivable days in 9M in the past 5 years.
- We saw One of the Lowest Net Working Capital days in 9M in the past 5 years.
- If we calculate PAT on a trailing 12 months basis, the company's PAT was Rs812m during calendar year 2022.

Saurabh will touch more about these in his comments.

On the School Education front, we got the big launch of National Curriculum Framework or NCF covering the Foundation Stage (classes Kindergarten to Class 2nd) in October, 2022. With this announcement, we look forward to more such announcement for other classes coming through over the next couple of quarters. We have already created new content and books based on the new curriculum for these classes and we shall see the sale of those happen during this ongoing sales season of January to March. From a number's perspective, K-2 contributes approx. 15%-20% of our school revenues.

On the higher Education front, it was business as usual for the segment as colleges were functional in physical mode for the new academic session in various engineering and commerce universities, though the session was delayed due to late Board results and CUET results. The NEP has been implemented in a few states where we are seeing strong traction for our products. We are expecting a strong finish to the year for the Higher Education segment on back of resumption of normal academic activities across colleges and universities of the country.

On the EdTech investments front, we made our second profitable exit this year from the sale of our stake in iNeuron for approx. 138m in December to Physicswallah. This translates into a 2.1x return over our initial investment which was done only in December 2021.

On the Ed-Tech front, our S Chand Academy on Youtube continues to have phenomenal success in a short period of time. We have now launched over 900 videos focused on Higher Education topics covering Science, Engineering and Test Preparation so far and the channel has already notched up approx. 10 million views and 100k subscribers. 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.

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 are adding additional features

apart from Mock Tests, there will be Concept Videos, Doubt clearing sessions etc. We expect increase in government vacancies now that things are normalised post Covid and with the elections due in 2024 which would further spur demand.

The Print content business has had almost three 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 and price fluctuations, 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.

We also see a lot of schools that had closed down or strength reduced during Covid, having higher admissions, which is further spurring demand. While EdTech has its place in the ecosystem, we are witnessing a rebound in school and college admissions with students eager to join classes physically rather than virtually.

I would like to highlight that the above opens up an opportunity for us to enhance our market share and we are working tirelessly for this.

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 first nine months, our consolidated operating revenues came at Rs 2198 million versus Rs 1390 million during the same time last year, registering a growth of 58% vs the same time last year. There has been an increase in our gross margins in comparison to last year in spite of the sharp increase in paper prices as volumes brought in economies of scale, realisations improved, sales returns were lower and existing inventory got liquidated.

Our EBITDA losses reduced by 38% to Rs 504 million loss vs loss of Rs 809 million in the corresponding period last year in spite of undertaking salary hikes, higher marketing and travel spends etc during the half, spurred by higher volumes.

Our PAT losses reduced by 62% to Rs 441 million loss vs loss of Rs 1173 million in the corresponding period last year, on account of higher revenue and profits from the stake sale in Testbook and iNeuron over the past two quarters.

I would like to bring your attention to Slide no 9 to slide no 11 which showcases the results of the steps taken during the past three years towards building a cost effective and lower working capital organisation. We continue to focus on working capital rationalisation and product rationalisation for the coming year.

Trade Receivables reduced to Rs1,552m during Q3FY23 vs. Rs1,728m during Q3FY22. This is the lowest receivable days in Q3 in the past 5 years.

Inventory increased to Rs2,489m (vs Q3FY22: Rs1,763m). This increase is driven by advance raw material purchases and the corresponding earlier printing of books for the sales season this year where we are seeing a robust demand. Do keep in mind that a large portion of our increased inventory includes raw material paper inventory of Rs859m (vs. Q3FY22: Rs360m). In terms of inventory days, it stood at 371 days (vs. 340 days in Q3FY22).

Net Working Capital reduced to 189 days (vs. 221 days in Q3FY22) which is a reduction of 32 days over the previous year inspite of increased inventory levels. This is one of the lowest net working capital days in Q3 in the past 5 years.

We ended the third quarter of the year with Net Debt of Rs1224m (vs. Rs1,571m in Q3FY22) and Gross Debt: Rs1,808m (vs. Rs1,896m in Q3FY22). Net Debt has reduced by Rs347m on a YoY basis.

As we head into a strong sales season for this year, I would like to reiterate the following-:

- Firstly, we have taken a price hike across our product portfolio upwards of 20% to mitigate increased paper prices. This would provide a strong boost to our Q4 sales.
- Secondly, we reiterate that we are looking to do annual revenues of well over Rs 600 crores which translates into a 25% plus growth rate for the year. Do keep in mind that this is a conservative guidance from our part and we are on course to beating the guidance comfortably.
- 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 realisations, internal efficiencies, and continuing cost control, which for the first nine months has helped us maintain gross margins.
- 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 for the remaining 3-12 classes which contribute almost 80% of our school education revenues. This should lead to strong revenue and profitability growth for the next 2-3 years period.

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

Moderator:

Thank you very much. We will now begin with 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. The first question is from the line of Niteen S. Dharmavat from Aurum Capital. Please go ahead.

Mr. Niteen Dharmavat -- Aurum Capital:

Yeah. Thank you for the opportunity. I have a couple of questions. So, first is how many days of raw material i.e. paper inventory that we have now?

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

Raw material inventory is around Rs860 million, which was in December, so current right now I have to check up with my production team, but we will have inventory for not more than 20 to 30 days as of now.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay, okay. So, we'll be able to cover the ongoing or the upcoming you know session the books for that or will we required to add more paper for this?

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

So, we have ordered some more paper in January also Sir and we have ordered some in February also and we will be ordering as per requirement. We will be ensuring that we have optimum paper. We don't want to over buy also and not under buy also, so we'll be looking at optimum requirement. It's a very tough balancing act that we have to do because we don't want to over order or we don't want to have shortages in supply, so we will ensure we create that balance and whatever is required for that we will be ordering Sir, as per requirement.

Mr. Niteen Dharmavat -- Aurum Capital:

Got it. Sir, is there any correction in the paper prices now or they're stable what you see?

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

As a matter of fact they've started to increase in the last one month and paper prices have already shot up by depending on mill to mill between ₹3 to ₹5 already and that is happening because there's a lot of demand in the domestic market because of the state board government tenders which need to be fulfilled before the year end of 31st of March. So, there is more than 120,000 tons of all the state board tenders which are released and some more be released. So, paper mills are running at full capacity as of now as per our knowledge.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. This next question that I have is are we planning to make any new acquisition or if so, what will be the likely amount?

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

As of now, so we are not looking for any acquisition because we believe that the next two-three years is going to be good in terms because of the new NCF that will come for other classes from 3rd to 12th and we'll have a complete syllabus change from K to 12, so we believe next two to three years is a good runway and we should be able to focus our efforts there, but if we get something out of the extraordinary in the meantime, we are not looking for it as of now, but if we get something then we can discuss it internally, but as of now we are not searching for and looking for any acquisitions per say.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. Are there any plans to make new minority investments because two exits, we are already taken, so any new plans for minority investment in startups?

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

Yeah. So, maybe we are getting inbound queries quite a bit. We continue to meet people, but until the time that we see there is something which will create long-term value for us and we've got our own metrics on how we want to see each of these like it has to be near profitability, the size and valuation has to be to our liking so to that extent as and when something comes up we will definitely have a look at it and we do have inbound queries and we're probably getting two to three a week, but again some of them are quite outlandish, but we will look at those ones which are genuine and have a good runway ahead.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay and see regarding this YouTube channel that you mentioned and we have got good traction over there, so what do you want to achieve out of that? One is that indirectly you know pushing our published books, what is our ultimate objective out of this YouTube channel do we want to monetize this, where do you see this you know moving as we have more subscriber base in the YouTube channel?

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

So, we believe that there is good synergy between our book and the digital platform of YouTube and the children who have a doubt clearing or concept clarity problems, they can

visit the channel. Each chapter of our books now has a video lecture based on our books and the questions and everything is related to the book, so it's a good traction for the student and for us also because the student needs to purchase the book to actually go to the YouTube channel and understand that topic without that it will not be good for him to understand because the questions are pertaining to the book only, so that helps us in boosting our print sales that's Number 1. . Number 2, by getting the YouTube traffic, we make some sort of monetization, but right now it's very small amount. In the future, we can look at increasing that monetization through either we take on more advertisers or promote or you know we look from promotional activities or even we can look at offering some of our products at the premium which we can charge also, but as of now currently we are not looking at it. Currently, we are looking to increase the subscriber and the viewership base and the good news is we just reached yesterday 100,000 subscribers and which is a good number for the last 12-13 months we have been doing this activity and we believe this number is bound to grow a lot because more videos are coming in and even school videos we are going to add on this channel, so we believe this is going to be a good traction and let's see if we can monetize it to sometime later, we will look at that option also.

Mr. Niteen Dharmavat -- Aurum Capital:

Got it. And my final question is about the residual EBITDA guidance you mentioned in your commentary that we have got good traction now and we have taken a price hike and there is a possibility of overshooting or Rs600 crore revenue guidance that you had given, so can we expect somewhere close to what number that I wanted to know and also the EBITDA guidance if you can reiterate that?

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

Yeah. So, we should be reaching around anything between Rs640-Rs650 crores in sales by the end of this year and we are pretty confident of hitting that and EBITDA between 16% to 17% is something that we're targeting.

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

In terms of gross sales, what numbers I have, we are doing pretty okay. So, our sales is pretty okay on track and we're actually going to cross our budgets also in some of the companies. So, we are at a decent run rate I would say on a daily basis.

Mr. Niteen Dharmavat -- Aurum Capital:

Fantastic. All the best to you. Thank you so much.

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

Thank you, Sir. Thank you so much.

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

Thank you.

Moderator:

Thank you. Participants who wish to ask questions may please press "*" and "1". The next question is from the line of Raj from Arjav Partners. Please go ahead.

Mr. Raj – Arjav Partners:

I wanted to know how much cash we have as of Q3 end?

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

Cash at the end of Q3 was around 40 crores.

Mr. Raj – Arjav Partners:

40 crores yeah. And regarding F24, how do you think the growth to look like in terms of change and everything you know?

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

So, I think we will come to that at the end of FY23. I think that will be a good time to give a guidance or speak about FY24. Though broadly speaking, we are very confident of the numbers in FY24 because as and when the NCF comes out for other classes, so there is surely going to be a very strong growth momentum going through into FY24, but let's discuss more about that you know when we come out with our Q4 results.

Mr. Raj – Arjav Partners:

Yeah, sure. Thanks. Have a good day, Sir. bye.

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

Thank you.

Moderator:

Thank you. The next question is from the line of Kalpesh Parikh from JSM Advisory. Please go ahead.

Mr. Kalpesh Parekh -- JSM Advisory:

Yeah. Good afternoon, Sir. Good to see numbers coming in terms of top line, in terms of EBITDA after four or five years of your hard work in bringing back business you know streamlining it perfectly, but just I have a couple of questions. One on this NCF thing, which was announced in October NCF policy. Now, I believe that you know a lot of the school patterns and everything will change in the coming years as such, so now this is the moment what we have been waiting for last few years do you think so and what type of opportunities this will create for us that is second and third in terms of working capital, I just wanted to understand that you know you have made a lot of effort in bringing down your working capital cycle, now with this NCF policy coming in whether we will go back to again the old working capital days higher days or we are still committed to you know bring down the working capital cycle further? Thank you.

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

So, let me answer the first question, second question Of Working capital Saurabh will be able to answer better. So, the NCF would definitely help us in reduction of the used books and the second hand books which are there in the market and which all this persist that will be completely removed from the system and we will see a two to three years good runway of growth because of the new syllabus coming in and that will give us a good traction in the market and if NCF is going to be a big boost because NCF is coming after, last was in 2005, so almost a gap of 18 years you can say the NCF is coming out and that will be a big boost to the publishing industry especially to those people who have the financial willpower to you know put in extra resources in terms of content, in terms of ensuring proper sales and marketing activities, and ensuring the right supply, that will have bigger advantages and then as a group today we are financially strong. Our net debt after the fourth quarter might be almost next to zero, so that will help us - all these things will help us in you know riding the wave of the new curriculum and we should be able to take advantage of that activity and that should help us in next two to three years to have a good runway for growth and as for the working capital, Saurabh, I think you can answer better.

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

Yeah for in terms of working capital, I think we've changed how we were working earlier and I don't anticipate we ever go back to the earlier working capital, we have reduced the number of SKU's, so our inventory is going to be limited by the year end every year. We

are controlling all print runs ensuring that inventory is well controlled through the year. In terms of receivables also, we've become very strict in terms of what kind of partners we want to work with and we continue to focus on getting our monies back on time and not working with certain partners who would delay payments. Our returns are well in control and that is something that you will continue, so that also helps us. So, in terms of working capital, I don't think we'll ever go back to those earlier highs, whatever number that we are working on right now are sustainable and with the growth, these numbers can only get slightly finer. So, we are targeting better working capital rather than going back to the earlier days.

Mr. Kalpesh Parekh -- JSM Advisory:

Yes. Thank you. Just one question connected to this NCF thing, Sir in terms of NCF new regulation will there be any cap on the pricing for your books as such I mean just to other way of asking question is probably whether can we have a better pricing over the current syllabus as such or no it will be price determined by board only?

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

No, price is never determined by the government or any board for the private publishers. The price is only determined for the government books like NCERT or CBSE books. We have open pricing policy and we can keep pricing as per our internal system, so there is no cap on anything and we don't see that there will be any cap in the near future also and we will be pricing the books as for the need or as for the customer requirement in the market and making sure that the price or the books are not also overpriced also so that the customer does not have difficulty in paying for that, so we will keep the customer in mind before pricing any of our products and we will continue to do so in the future also.

Mr. Kalpesh Parekh -- JSM Advisory:

Wow, super. Sir, last question. Cash flow from operation was I mean for nine-month turned negative only because of the inventory issue, so in future we should expect cash flow from operation to be positive as we have seen in the past?

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

Yeah, full year cash flow from operation will always be positive. Q1 and Q2 is normally positive. Q3 will be negative consolidated because of course the paper inventory will always be higher the end of Q3 because the printing season is going on because supply starts only in January to most of the schools. So, that is a temporary phenomenon I think going forward. By the end of this year of course the cash flow will definitely be at least to the level of last year if not more.

Mr. Kalpesh Parekh -- JSM Advisory:

Wish you all the best Sir. thank you very much.

Moderator:

Thank you. We have the next question from the line of Devarsh Vakil from HDFC Securities. Please go ahead.

Mr. Devarsh Vakil -- HDFC Securities:

Yeah. Thank you for the opportunity. I have a question regarding the mechanism of these NCF work. So we already have - they have announced for standard one and two. We were hoping that the second tranche of Std. 3, 4, and 5 they should have announced, but it seems they have not come out with it yet. So, is there any procedure they follow or is it based on the discretion of the ministers of the government that they would come out as and when they are comfortable? What I'm trying to understand is, is there any risk that they may delay it for a year or two and then after election they will announce for 3rd, 4th and 5th. also, that's is not possible?

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

It's our belief and though our industry sources that we have knowledge from is that they would be releasing the NCF in the next couple of quarters. They should release it before the elections because it's long overdue, and we believe that it should come out. The rest is on the government at the end of the day, we cannot control the government policy. But even 1% let's imagine the NCF doesn't come out, still also we believe that the company will have a strong traction next year also. And if the NCF comes out, there will be a stronger traction. But, if it doesn't come out, then it will also have a strong traction because our system of sales & marketing and relationship building with the schools is quite good and our products are quite well accepted in the market. So, we are on track to having higher growth next year also. But obviously, if the new curriculum comes out, then it will be much better for the industry and for the company.

Mr. Devarsh Vakil -- HDFC Securities:

Okay. So any unofficial or soft guidance you've got from the government and when they are planning to go from step 1 to step 2? And will it be for Std. 3, 4 and 5, or is that not fixed?

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

No, it will be from 3rd grade to 12th grade, all the classes.

Mr. Devarsh Vakil -- HDFC Securities:

All the classes at one go now?

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

Yeah yeah, that's what we're hearing.

Mr. Devarsh Vakil -- HDFC Securities:

No, I understand.

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

... but we feel that it should come out in the 2nd or 3rd quarter.

Mr. Devarsh Vakil -- HDFC Securities:

Right. So once that comes from Std. 3rd and onwards, then in the past they had followed a policy of releasing for some standard and then going to the next standard. This time the thinking is a little changed and now they are thinking of going ahead with the complete change, and that would be one big boost whenever it happens. Is my understanding correct sir?

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

Yeah, this now we feel is going to happen in one shot. The change of syllabus will impact us in FY24 probably, and for the school-going children in the academic year 2024-25 they will have the new syllabus with them. We believe it will be a one shot thing.

Mr. Devarsh Vakil -- HDFC Securities:

Okay sir. Thank you and all the best.

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

Thank you.

Moderator:

The next question is from the line of Tariq Hussain from Gringotts Capital. Please go ahead.

Mr. Tariq Hussain - Gringotts Capital:

Hi, thank you for the opportunity. I just wanted to ask, do we sell our books through any online channels like Amazon, Flipkart? And the reason I ask is, I tried buying S Chand books last quarter, and I could only find third party sellers for S Chand books but nothing from our own store.

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

Yes, so we have our own website, but of course, the traffic is limited there because we do not do individual selling and we do not encourage individual selling to that extent. However, we do have partners who do a large chunk of our sales online. I think the total business online for us should be about Rs30 crores to Rs35 crores, if I'm not mistaken, for the full year.

Mr. Tariq Hussain - Gringotts Capital:

Okay, because I believe if we can have our own store front, a lot of these in tier 1 cities lot of books are bought online. And, I see lot of third party sellers kind of cannibalising our sales there. That's my feedback on that.

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

We did have an account Cloudbtail directly earlier. Now of course, since they have closed down, we are seeing whether the new entity will take it over. Till that time of course, third parties continue to provide because it requires warehousing and supplies all over the country. We only have a central warehouse in NCR, so that's one of the challenges for supplying around the country. So, we prefer to do it through partners and it really doesn't impact much of our margins if we do it directly or through partners.

Mr. Tariq Hussain - Gringotts Capital:

Thank you, that was all.

Moderator:

Thank you. The next question is from the line of Manan Patel from Airavat Capital. Please go ahead.

Mr. Manan Patel – Airavat Capital:

Thank you for the opportunity sir. Am I audible?

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

Yes.

Mr. Manan Patel – Airavat Capital:

Congratulations for the good numbers. Sir, my first question is, I am new to the company. So, I just wanted to understand, paper prices in general have been cyclical in the past and have been going up for few years now. So, what are your views on paper prices in the let's say the next 2-3 years? And if and when paper prices fall down, what is our ability to hold on to the price hike that we have taken? If you could throw some light on that?

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

Because of the Corona times the paper prices were quite low and we had a benefit of that. But, after Corona last year, they started increasing from January, almost a year back, and they have kept on increasing the whole year. But, they got stabilised, I would say, in October-November-December i.e. Quarter 3, and from Quarter 4 they have started increasing again. But, we believe that paper prices should stabilise or should even go down after Quarter 1. At that time we do our main purchasing, so we should get the benefit of that. How much they will go down, how much we get the benefit, is a difficult question to answer. But, we have increased the prices, and normally in book prices when you increase them, we've seen that they don't go down. But, this year has been a substantial increase of book prices by 18-20%, even higher in some cases. But, going ahead in the future, we don't foresee that we'll be increasing prices on these levels every year. The normal book value increase is 7-8%, that's a normal year. But, this year has been exceptional. And we believe that going ahead in the normal year, we should be looking at the normal increase of prices, until and unless the paper prices increase substantially. But, we do not perceive as of now, the paper prices to increase substantially in the next 12 months. After that, getting a long-term prediction for paper is very difficult because there's a war happening in Ukraine and all those things happening all around the world. So, it's very difficult to answer that question.

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

I mean, it's a global commodity. So obviously, the headwinds and tailwinds are very different.

Mr. Manan Patel – Airavat Capital:

Understood sir. Would it be safe to assume that if paper prices stay here or go down, our gross margins can expand from these levels? Is that a safe assumption?

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

See, gross margins, to an extent are pretty decent in terms of 55-56%. I don't see them moving north of 60% because again, when prices are there, we have to hold certain prices, we may have to reduce prices of certain books because affordability does become an issue at some point of time. So, we would like to ensure it remains decent. 55-56% is the sweet spot. Beyond that, I'm not sure it will be very easy to take on, because schools also are very wary of the prices of books, so we'll have to have a fine balance between that. One off year we may have a jump, but on a sustainable basis, I think we have a decent gross margin.

Mr. Manan Patel – Airavat Capital:

Okay understood. Sir, the second question is regarding our capital allocation strategy over the longer term. So, last few years we have been trying to reduce working capital and

reduce debt. Now, we are already close to becoming net debt free. So, would it be prudent to assume that you would think about dividend policy or buyback policy going down the line, because as you mentioned, the working capital should remain steady and we will be generating substantial cashflow from operations. So, would you be thinking on those lines?

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

Yeah, definitely. Dividend is something that we're thinking of. Once we close this this year, we would be giving it some allocation. And going forward, again, depending on whether there's an investment opportunity or an acquisition opportunity, if not, we're happy to have a dividend policy in place to allocate whatever earnings we get.

Mr. Manan Patel – Airavat Capital:

That's great sir. Wish you all the best and hope for better results in the coming quarter. Thank you.

Moderator:

Thank you. Participants who wish to ask a question may press * and 1. The next question is from the line of Ankur Kumar from Alpha Capital. Please go ahead.

Mr. Ankur Kumar – Alpha Capital:

Hello sir, thank you for taking my questions. Sir, on the guidance you spoke about, Rs650 crore type revenue and 16%-17% EBITDA for the whole year. That would mean Rs160 crore type EBITDA in the 4th quarter. So, we expect that kind of number? Am I right on those numbers?

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

Yeah, that calculation is correct. That's fine.

Mr. Ankur Kumar – Alpha Capital:

And sir, in terms of growth, if the New Education Policy doesn't come, then what are our growth drivers for FY24 sir?

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

So, regular growth is always there, because our student numbers, the population increases in India and more students are now back to private schools which had gone to government schools in the COVID period. So that's one. And secondly, our company is having, I would say, a stronger sales team, a stronger marketing effort and a stronger network in the market than before that will help us move the sales. And, there is a regular volume growth also which happens in the market in a normal year. 2-3 years were disruption because of Corona,

that's a separate issue. But, in a normal year, there is a growth of 4-5% on unit sales plus the price increase. And, smaller players in the market are right now facing some financial headwinds because of 2-3 years of disruption. So, we would be able to take more market share from these smaller players. That will help us in improving our market share in the India market. And if the NCF happens, then it obviously will be a big boost.

Mr. Ankur Kumar – Alpha Capital:

Sir, can we expect double-digit growth if it doesn't happen?

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

I would say so. I would say low double-digit numbers if the NCF doesn't come in. And if the NCF comes in, then it will be higher double-digit numbers.

Mr. Ankur Kumar – Alpha Capital:

Sure sir. And in terms of seasonality, cyclicity, Q4 is much better than all other quarters. So are we thinking about anything in terms of reducing this number? Is it possible to do that or not?

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

Reducing which number?

Mr. Ankur Kumar – Alpha Capital:

As in, Q4 is much higher than rest of the 3 quarters combined. So, can we do something in terms of reducing that dependency?

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

Unfortunately, it's a seasonal business, because as you understand, children go to next classes in CBSE and ICSE schools normally from the month of April and the children and parents buy the books in March. So, this seasonality is not in our hands. Until and unless the schools changes the academic year and changes the month the student goes to class, it's unfortunately not going to be in our hands.

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

Having said that, Q1 has become quite significant in terms revenues during this year and we hope to maintain that in the coming years. That is one change that happened during this year.

Mr. Ankur Kumar – Alpha Capital:

Sure sir. Thank you and all the best.

Moderator:

Thank you. Ladies and gentlemen, to ask a question you press * and 1 at this time. The next question is from the line of Niteen S Dharmawat from Aurum Capital. Please go ahead.

Mr. Niteen S Dharmawat – Aurum Capital:

Thank you. Sir, you mentioned something about the next round of NCF. When are you expecting that to come? Sorry, I missed that while you were talking about it.

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

So we expect it to maybe come in the 2nd or 3rd quarter.

Mr. Niteen S Dharmawat – Aurum Capital:

2nd or 3rd quarter of the next financial year?

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

Yes sir.

Mr. Niteen S Dharmawat – Aurum Capital:

Got it. Thank you so much.

Moderator:

Thank you. The next question is from the line of Purushotam Savlani, and individual investor. Please go ahead.

Mr. Purushotam Savlani – Individual Investor:

Thanks for the opportunity. Congratulations for better looking numbers. My question is predominantly from a longer-term perspective. Are we thinking of adding some business clients which, one takes care of the seasonality of the business what we have where Q4 becomes much bigger? And also, with NCF one may understand that we may hit 25-30% kind of revenue growth year on year, but without that we go back to say around 10-12%. So, are we thinking of adding some additional business lines besides publishing business, so that we get on to our normal 25-30%? I mean, I'm talking from an education field adding some other products or services or something of that sort?

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

Obviously, we do have college and higher education business. That is not a Q4 dependent business. Mainly that business happens in Q1 and Q4. Test prep business continues for all 12 months, but the total numbers of that in terms of revenues are 15-20%, so it's not a very

large number. We are right now not looking to add any new product lines to compensate on the seasonality because we believe next 2-3 years will have a good runrate for growth, and we will be concentrating more of our efforts and energies in making sure that we are able to take a bigger chunk of the market. So we are putting all our energies there. Seasonality is not in our hands, and right now we're not looking to expand our product portfolio into any different lines. Yes, digital we are doing some bits here and there in terms of YouTube and we are making some apps. That is basically just to make sure that the books have some kind of a hybrid or blended learning approach towards it. But, in terms of new product lines, as of now, we are not looking into expanding anywhere.

Mr. Purushotam Savlani – Individual Investor:

I was just talking from a different... I was going through some of your competitors, maybe global also, they have multiple lines of other businesses which they have added and have grown. So I thought maybe I'd ask if you have any such plans.

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

Not as of now sir. Not as of now.

Mr. Purushotam Savlani – Individual Investor:

Okay, thank you.

Moderator:

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

Mr. Akshay Kothari – Envision Capital:

Thanks for the opportunity. I just wanted to know whether the industry has structurally changed somehow, because with the onset of all these online classes...

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

Excuse me, you are not very audible. Can you please speak a bit louder or come closer to the mic?

Mr. Akshay Kothari – Envision Capital:

Am I audible now?

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

Yeah, better.

Mr. Akshay Kothari – Envision Capital:

With the onset of online coaching classes, structurally many students are enrolling more for tuitions right now. What I've seen is, generally these tuitions classes or online coaching classes also provide books with them. So, whether students are, on a full-basis, buying our books or buying it as a compulsion because the school suggests the books?

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

Basically what happens is, when you go to the Test Prep business segment, people who take tuitions or are taking online tuitions, get their set of books from some of the players and players like Physicswallah are doing it and other players are also doing it. But we have seen that that happens mainly for vacancy markets which are dedicated towards one vacancy or one job opportunity. What books we sell for the Test Prep market is basically for general market where you can buy our books and use that book that 20, 30, 40 vacancies. So normally, that's the purpose of selling our books.

And, in the school business, if you see, people who take tuitions, normally the tuition centres do not provide the books to the students in the school business, they are being provided either by the school up to 8th std, and above 8th std. the children choose the books as per the need of the student and as per the recommendation of the peers. So that is doing well for us, that's not a problem I see in the near future.

Mr. Akshay Kothari – Envision Capital:

Okay, thanks a lot.

Moderator:

Thank you. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher Pvt. Ltd. Please go ahead sir.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd, Analyst:

Yeah, two questions from my side. First is with respect to our gross margins. I think in the PPT we have stated that there is some pressure on gross margins due to higher paper prices. But if I look at our 9 month performance, we were at about 66% odd and this is about 600 bps higher than the comparable 9 month period. So first of all, what is the reason for this gross margin expansion despite high paper prices? And how do you see Q4 pan out in that regard?

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

Thanks Jinesh. We had given a guidance considering the big jump in paper prices this year. However, there have been certain factors which have enabled us to maintain and slightly

improve margins. Of course, the improvement of 600 bps may not last for the full year, because again, that's from a very small base, and considering that 80% of our revenue is yet to come so I would not say that the full year guidance is of 66%. Of course, we had some opening inventory with us plus we had liquidated lot of previous inventory to ensure that our margins are better. So, there are 2-3 factors why our margins have improved. One is, we had lower sales return. That is coming to us during this year considering we have changed our policy and we have restricted the amount of sales returns that have come back. Second is, with the volumes going up as compared to last year in the first 9 months itself. Of course, a lot of economies of scale do come in that have helped us improve. Third of course, a large portion of this 9 months sales is from Chhaya where we have seen good traction and improved margins because we have shifted our printing operations for Chhaya to Kolkata. So, we save some costs there. So, we are working on multiple ways of keeping our gross margins there. So, the guidance may not last for the full year, I mean, we may not see a dip in the gross margins, we are conservative; that is the worst case scenario that we had. But, having said that, we should be around 60% for the year, I would assume.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd, Analyst:

Sure sir. And the second question is with respect to NCF. Given the fact that it has already been announced till classes 2, any feedback in terms of product acceptance, how many schools have we reached out to with respect to the new syllabus that we may have published, and any specific feedback which you would want to kind of give on that front?

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

We have taken out books as per the new NCF up to 2nd std in all the companies, and we are getting good traction and good response from the market. But, the whole response we will get from the market is next year only when the complete syllabus is out. Lot of schools have not accepted part syllabus; they want to change the books only when they get the full syllabus out. So, some schools have taken it, some schools have not take it, so it's a mixed response. But, when the whole syllabus is out, we are quite hopeful that most of the schools or a large number of schools in India will accept the new syllabus. So, that is the way the schools normally work.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd, Analyst:

Sure. One last question. In the earlier reply which was given, it was stated that the sales return is lower this time around. So, can we assume that provision for this financial year will be significantly lower than what it was earlier? And also, if you can give out some indicative number with respect to provisioning, that would help.

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

I'm not sure we would go in for a very aggressive lower provisioning, to be honest. We will be conservative in our provisioning. Considering it's a full year that schools are open, lot of orders are coming in. So, we will do an average of what we have been getting in the last 2-3 years. So, we will not do too low, but again, we will be conservative in terms of that.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd, Analyst:

Sure sir. Thanks and all the best.

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

I just want to give a clarification here. In an earlier question we were discussing EBITDA numbers. So as Saurabh had mentioned, Rs160 crores EBITDA was for the 4th quarter. And, for the annual year we are talking of Rs640-Rs650 crores topline at 16-17% EBITDA margins. So, I just wanted to make that clarification in case there is any confusion there.

Operator, you can carry on with any more questions.

Moderator:

Thank you. Sir, that was the last question for today. I would now like to hand the conference over to the management for their closing comments. Over to you sir.

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

Thank you so much. I thank everyone for taking out their time and thank you for being there. And, hope we have a good year and a better year in the future as well. As I said earlier, we are on the path to zero debt and we should be doing that by the end of Quarter 4. Thank you all for your support and your good wishes. Thank you so much.

Moderator:

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

END OF TRANSCRIPT