



## S Chand And Company Limited

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Date: June 05, 2023

To Listing Department BSE Limited 25 <sup>th</sup> 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 – Q4FY23 - pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)**

The Company organized a conference call for the Analysts and Investors on Wednesday, May 31, 2023 at 11:00 A.M. to discuss the financial results for the quarter and year ended March 31, 2023. 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](http://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, 2<sup>nd</sup> Floor,  
Mohan Co-operative Industrial Estate,  
New Delhi-110044



Encl: as above

# **S Chand And Company Limited Q4-FY23 Earnings Conference Call**

**May 31, 2023**

**Moderator:**

Ladies and gentlemen, good day and welcome to the S Chand And Company Limited Q4 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 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 Private Limited. Thank you and over to you, Mr. Joshi.

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

Thank you, On behalf of Prabhudas Lilladher, I welcome you all to the Q4 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, CFO; and Mr. Atul Soni, Head of Investor Relations, Strategy and the M&A Department. I would now like to hand over the call to the management for opening remarks. Over to you, Sir.

**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 fourth quarter and full year 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 FY23 has been a milestone year for S Chand on many parameters. I would like to highlight the following key points for the year gone by:-

1. We delivered the Highest operating revenues in 5 years, Up 27% on a YoY basis.
2. We delivered the Highest EBITDA in 5 years, Up 57% on a YoY basis.
3. We delivered the Highest PAT in 5 years, Up 616% on a YoY basis.
4. We are proposing a Dividend of Rs3/share.
5. We exited from our minority investment in Testbook with a 7.8x return during the year.
6. We exited from our minority investment in iNeuron with a 2.1x return during the year.
7. And to top it all, S Chand and Company became a net debt free company in April, 2023.

The biggest achievement for this year has been the improvement in our working capital metrics which are at historic lows. This unrelenting focus on working capital management has led us to significantly free up cash from the system and helped us to become Net Debt Free in April, 2023.

On the Cash flow front, we have maintained strong Operating Cash flows (OCF). We continued to be Free Cash Flow positive as well. Saurabh, our Group CFO would give more details on these financial metrics in his remarks.

As we start FY24, we see that the world has put covid firmly behind it. Schools and Colleges are open with new vigor and admissions in private schools are increasing as we are seeing children back to learning in classrooms.

On the National Curriculum Framework or NCF front, we saw the launch of NCF covering the Foundation Stage (classes Kindergarten to Class 2nd) last year in October 2022. We look forward to more such announcements for the other classes coming through over the next 6 months. The NCF opens up a large opportunity to provide engaging and innovative content to students, teachers and schools, to make learning more experiential. The NCF focusses on activity-based learning and provides for flexibility to students to choose between subjects. This will help more organized content providers to gain market share with their strong product portfolio. We expect to launch over 500 new SKUs in the school segment this year.

On the Higher Education front, in the last three years the academic cycle in various universities was disrupted during Covid/exam result delays with semesters starting as late as November. This year we have seen Board results being announced as per pre-covid timelines and CUET/JEE/NEET exams are also completed or nearing completion as we speak. This ensures that the new semester would begin in July/August and normal academic year would return. The NEP has been implemented in a few states where we are seeing strong traction for our products which are based on the NEP.

On the investments front, we made 2 very profitable exits in FY23 through the sale of our minority stake in Testbook and iNeuron. Additionally, we have taken a minority stake in iXambee in April, 23 by investing Rs30m for approx. 4.3% stake in the company. We believe iXambee is well suited to benefit from the rise in the competition segment in the future by helping graduates and undergraduates prepare effectively for Government examinations like banks, insurance companies, Railways etc. S Chand is already partnering iXambee and other Youtubers for examination-oriented products. Our other Investment, Smartivity Labs saw high volume growth and is now a well-accepted brand across the world and is finally cash positive.

On the Ed-Tech front, our Youtube Channel "S Chand Academy" continues to have phenomenal success. We have now launched over 1,200 videos focused on Higher Education topics covering Science, Engineering and Test Preparation so far and the channel has already notched up over 13 million views and 136k subscribers. This further enables the promotion of our 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 to add another 800 videos for both the School and College segment this year.

TestCoach, our test Prep 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 an increase in government vacancies now that things are normalized post Covid and with the elections due in 2024 which would further spur demand.

SmartK our pre-school curriculum which Activity based and is mapped to the NCF continues to gain traction across schools in India. Mylestone, our K-8 curriculum solution also continued to provide holistic learning to schools both in India and the Middle East.

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, Group CFO of S Chand And Company.

In terms of numbers for the whole year, our consolidated operating revenues came at Rs 6,103 million versus Rs 4,809 million during the same time last year, registering a growth of 27% for the year gone by. We have maintained our annual gross margins at 64%, which is the same levels as last year in spite of the sharp increase in paper and other raw material/consumable prices during the year.

We reported EBITDA profits of Rs 963 million vs Rs 614 million in the corresponding period last year in spite of undertaking salary hikes, higher travel spends etc. during the year.

I am happy to share that our PAT went up 616% with profits of Rs 576 million versus Rs 80 million in the same period last year. On back of strong profitability, we have recommended a Dividend of Rs3/share.

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

In terms of working capital-:

- Trade Receivables reduced to Rs2,653m during Q4FY23 vs Rs2,921m during Q4FY22. This is a Rs268m decrease in receivables in spite of achieving incremental sales of Rs1,294m over last year.
  - In terms of receivable days, it stood at 159 days (vs. 222 days in Q4FY22), a reduction of 63 days during FY23. This is the lowest Q4 receivable days in the company's history.

- Inventory increased to Rs1,562m (vs Q4FY22: Rs1,276m). This increase in inventory is due to the unprecedented price hike seen in the raw paper prices during the year. Additionally, this inventory level includes raw material paper inventory of Rs436m (vs Q4FY22: Rs277m).
- In terms of inventory days, we improved over last year at 208 days (vs. 216 days in Q4FY22), a reduction of 8 days during FY23.
- Net Working Capital reduced to 188 days (vs. 226 days in Q4FY22) which is a reduction of 38 days during FY23. This is the lowest Q4 net working capital days in the company's history.

In terms of Cash Flows, our strategy of focusing on the cash flows has yielded solid results. We ended the year with OCF of Rs811m in FY23. The healthy cash flows have enabled us to reduce debt, negotiate better terms and focus on marketing our products and services better.

In terms of Debt, the greatest achievement has been the company becoming Net Debt free in April, 2023. Our Net Debt as on March 2023 was Rs. 60 Mn.

As we go into FY24, I would like to reiterate for the coming year-:

- Firstly, we are looking to do annual revenues between Rs 7,200 million and Rs 7,500 million which translates into a 18%-22% growth for the year.
- Secondly, we would be taking a single digit price hike across our product portfolio.
- Thirdly, Gross margins can increase in case paper prices stabilize/decline during the year.
- Fourthly, we are targeting EBITDA margin band of 16%-18%.
- Fifth, we look forward to the announcement of the NCF for more classes in CY23 which will help in volume expansion. This should lead to strong volume, 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 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 questions queue assembles. Participants you may press "\*" and "1" to ask the question. The first question is from the line of Niteen Dharmavat from Aurum Capital. Please go ahead.

**Mr. Niteen Dharmavat -- Aurum Capital:**

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

**Moderator:**

Yes, you are.

**Mr. Niteen Dharmavat -- Aurum Capital:**

Okay, yeah. So, my question is regarding the guidance that we have given does it include the increase in volume due to the implementation of NCF, if yes? Then how much, is it with an understanding that it will be implemented in a staggered manner or it will be implemented in one go in this year itself?

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

Yeah, hi. So basically, we believe that the NCF would be implemented by this next academic year in 24-25, but the results you will see in FY24 for us because we sell the books before the season and we believe that the NCF would be taking around 2-3 years to implement. In the first year, we believe that 50%-60% of the schools will implement the NCF in their schools. Second year maybe 75% to 80% and third year will be 100% of the schools will go for the NCF and because of this reason we believe next two to three years is a good runway for our growth and next year we believe that we should do revenues in the range of between Rs720 crores to Rs750 crores in FY24.

**Mr. Niteen Dharmavat -- Aurum Capital:**

Okay. These projections include the NCF implementation. Our assumption is that it will be implemented and that has been included in our projection?

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

Yes, yes, yes.

**Mr. Niteen Dharmavat -- Aurum Capital:**

Okay. My second question is about Smartivity. So, what percentage we are holding as of today and is there any next round of fund they have raised and what is the valuation which is there?

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

Yeah. I'll answer that. We hold around 15% in Smartivity. They have turned cash flow positive and they grew about 50%-60% last year and they are getting interest for future rounds of funding, but I don't think that anything has come through yet for their next round of funding. My understanding is that the last round that was raised was at about 100 crores valuation. My sense is that this time they're looking at more like Rs160 crores - Rs175 crores valuation for fundraise if and when it comes in.

**Mr. Niteen Dharmavat -- Aurum Capital:**

Okay. Thank you and wishing you the best.

**Moderator:**

Thank you. Ladies and gentlemen, you may press "\*" and "1" to ask the question. The next question is from the line of Riya from Equitas Investments. Please go ahead.

**Ms. Riya – Equitas Investments:**

Thank you for providing me with the opportunity to ask a question and congratulations on good set of results. My first question is in regards with the current year growth of FY23, what would be the volume net growth and what would be the value net growth?

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

Volume growth would be about 9% and the remaining about 18% is value led.

**Ms. Riya – Equitas Investments:**

And this will be for the quarter or this full year?

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

This is for the full year. See quarterly, I mean we don't really track quarterly because we are a very seasonal business, so we'd rather have it for the full academic session as a whole because sometimes it changes from one quarter to the other because again it's one whole academic session, so one month here and there sometimes makes a difference.

**Ms. Riya – Equitas Investments:**

And in terms of FY24 when we say we're looking at single digit value growth, so what kind of values would we like from 18% to 20% growth which you're talking about or how much would be led by price hikes and how much would be volume led for FY24?

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

Price should be in the range of 6% to 8% and the remaining would come in from volumes.

**Ms. Riya – Equitas Investments:**

Okay and so basically what would be the variable fixed cost percentage in our other expenses and which would not increase in line with our increasing turnover?

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

I would say about 60% is fixed and 40% of the selling distribution expenses are variable.

**Ms. Riya – Equitas Investments:**

Okay. I think we've done excellent inventory management this year, so with current inventory of Rs156 crores around our raw material is around Rs43 crores, I just wanted to have brief understanding in how our inventory management happens, so what I am aware that we have already procured inventory for the next year, so if we I read in your presentation at lower bracket in all in the year the prices are decreasing which according to me they are, how will it benefit for us in the March quarter coming by?

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

So, we haven't procured paper for the whole year. We just have paper for probably the first four to five months for the current financial year and as and when paper prices stabilize or they go lower we will increase our purchase of paper for the rest of the year which would help us in our gross margins.

**Ms. Riya – Equitas Investments:**

So, for next season how much of the inventory have you already procured?

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

We haven't procured anything for the next season's inventory. Whatever inventory we have is good enough for 4-5 months probably you can say like Q1 to a large extent and we typically will enter into discussions now over the next one or two months and then the inventory purchase starts to happen somewhere after August you can say.

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

So basically, we will place the orders by June or July and we will get the inventory - start getting inventory from August and then we will need the paper inventory that will keep on going on for the next 7-8 months.

**Ms. Riya – Equitas Investments:**

And how are the paper prices panning out, Sir I have heard that the import prices have fallen rapidly?

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

So, as per our discussion paper prices are a little soft and we believe by June end they'll be softer and then we will start placing the orders at that time, June end on July maybe.

**Ms. Riya – Equitas Investments:**

Right and almost 80% of our orders are imported right?



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

No, we don't import 80% paper. Last year we did around I would say 35% to 40% imported paper. This year also we're looking at around 40% to 50% of imported paper.

**Ms. Riya – Equitas Investments:**

Because the domestic prices are, I think, more or less on the same consolidating levels if not going down, so we can shift our mix towards import or is there any particular mix that we have to maintain?

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

So, basically to procure paper, the imported paper is a little higher grammage, but when we procure from domestically, it is a lower grammage, so we have to have a mix of both for our books and that's what we do. So, for lower grammage paper we don't import, we procure from India and higher grammage we import from outside, mainly Indonesia I would say.

**Ms. Riya – Equitas Investments:**

Okay. So, domestic prices are not seeing any softening, right?

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

The domestic is also getting softer and that's good for us and we will see by June end or July, we will because domestic producers have a lesser turnaround time. We can even place orders in July end or something to get in August, but for imported paper, the turnaround time is almost 60 days to 75 days. So, you have to place it a little bit earlier.

**Ms. Riya – Equitas Investments:**

Right, right. Okay. I think that's it from my side. I will join the question queue for more questions.

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

Thank you.

**Moderator:**

Thank you. Participants you may press "\*" and "1" to ask the question. Next question is from the line of the Vikas Kasturi from Focus Capital. Please go ahead.

**Mr. Vikas Kasturi -- Focus Capital:**

Okay, okay, thank you. Sir, I wanted to understand your sales organization a little bit. So, are your salespeople aligned by brand or are they aligned by say geography?

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

So basically, we have 3-4 main companies. The standalone entity is S. Chand & Company which has got two divisions, one is the School Division and one is Higher Education division. The school division has its own team of approx. 200 salespeople which are spread across the country and the higher education division has around 60-70 people, they are also spread all across the country. Then we have Vikas (brand Madhubun) which also caters to the school division, it has around 160-170 salespeople, they are also spread across the country. Then we have New Saraswati House, which has around 170 odd people, which is also spread across the country and then we have Chhaya Prakashini, which is state board focused company which is the West Bengal Board Publishing business which has 70 salespeople which are concentrated mainly in the state of West Bengal.

**Mr. Vikas Kasturi -- Focus Capital:**

Okay. Thank you, Sir. My second question was about the nature of the business, so I understand that there is some sort of stickiness in the business as in once the school decides to go with a certain publisher they are unlikely to change the publisher for many years, so just I'm saying this as a parent also, so I noticed that my children has the same publisher for many years, so I'm guessing the schools are unlikely to change the publisher for many years, once they go with the publisher, is my understanding correct?

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

Yeah, so this is a sticky business, but there are all kinds of schools in the country. Some schools prefer to continue the book for many years, some schools might even change it in two or three years, there are some schools which change every year also, so there are different kind of schools depending on their requirement and we always try to give quality products to the school with good content, good quality production, and we have good relations with the schools over the long period time with a good brand recognition and our author base is also very strong and some of our authors are brand in themselves, so their stickiness is high in the business because of these reasons and we see that we are able to retain I would say more than 70% to 80% of our clients every year and that is what we're going to continue to do that. So, there's a stickiness in the business, but as I said earlier there are all kinds of schools in India.

**Mr. Vikas Kasturi -- Focus Capital:**

Okay. Hence for the schools that change publishers, Sir what is the primary motivation for that?

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

So, sometimes it is the content, sometimes the school or the teachers or the students are not liking it or there's some better content available from other publishers or sometimes the schools also looks at higher discounts or better commercial terms, so there are mix of factors I would say in this decision making.

**Mr. Vikas Kasturi -- Focus Capital:**

Alright Sir. A related question is Sir, how does S. Chand for example replace an incumbent in a particular school, Sir would make a school go with you instead of one of your competitors?

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

I think mainly the content has to be of good quality as I said and the production quality has to be good, also the paper quality has to be good and which we have good relations with the school from a long time, so that helps in influencing the decision. We are, I would not say the highest player in terms of commercials, we are not the lowest either, we are somewhere in the mid mark in terms of commercials and we try to convince the school that we give better services to the school including after sales service. We also impress upon them that we are giving additional features in the books in terms of digital content, in terms of doing assessment etc, plus we do a lot of workshops with the schools, so all these factors combination of these factors do affect the decision-making of the school.

**Mr. Vikas Kasturi -- Focus Capital:**

Alright, Sir. So, my next question is what are the growth drivers in place Sir, is it like more salespeople, more school outreach, what are the growth drivers in your organization?

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

So, we have not added I would say many salespeople so far though this year we might add some more salespeople because we plan to do more promotion and marketing activity, so this year we might add, but normally on a consistent basis as I said earlier the more we try to keep it consistent more or less, but we should try to reach more market this year. We are also seeing that the smaller players are getting affected financially because of the corona over the last 2-3 years, so the bigger players will have an edge in the market in the near term and where they will be able to gain more market share and because we are doing better in our product quality in terms of our content and everything, so that will have an edge over the other smaller players I would say and that will help us gain more market share.

**Moderator:**

Vikas, I will request you to join the queue for a follow up question. The next question is from the line of Bharat from Moneybee Investments. Please go ahead.

**Mr. Bharat Mani – Moneybee Investments:**

Yeah. So, the first question is, can you just tell me what is the sales and promotion budget that you have for FY24 and how much we expect on spending in promotion as you said that you are planning to increase this kind of process and promotion?

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

So, while the budgeting process is on as of now because we have just concluded the season, but in terms of sales and marketing spend is usually around 6% to 7% annually so it's not a very large amount that we spend on marketing. Its a B2B kind of product, so the major marketing spends that we do is on people going and visiting schools to demonstrate the product to the teachers and the stakeholders and apart from that we do a lot of workshops. So, workshops are our biggest marketing tool that we have. We do a lot of webinars and workshops at schools, so we don't spend a very large amount to be honest. Total spend on that would not even be a percentage of our total revenues.

**Mr. Bharat Mani – Moneybee Investments:**

Okay. So, my next question is on the receivable days. So, currently the receivable days are around 159 days, so how do you see it shaping in year ahead in FY24, do you expect some reduction in the receivable days?

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

If you have seen the presentation and how it has moved over the last 4-5 years, we are also very positively surprised that all our efforts to bring it down have really brought it to this level considering that all our sales, 80% of our sales happens in the last 3 months and it is credit sales that practically that happens. So, 159 days as on today is a very good number but we would also like to bring it further down, overall target is to bring it down to 120 days. So the efforts continue to do it in that direction but traditionally this has been around 280 to 300 days, and considering the kind of efforts we have done plus the quality of channel partners we have chosen over the last 2 or 3 years to work with, this is being brought down to 159. So, it should be in the range of 120 to 150 going forward.

**Mr. Bharat Mani – Moneybee Investments:**

Okay. On the employee costs, how do you see the employee costs shifting ahead, are you planning on adding more employees I guess it is 22% currently so how you see it shaping ahead.

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

Overall, as a percentage I don't see it shifting much, maybe half a percentage here or there because employees are a key part of this business, it is a very employee intensive business in terms of sales and marketing and this year critically in the next 2 years because of NCF, the content team would definitely need to be ramped up so we don't see many people being added on the sales marketing side. But we see a lot of people getting added on the

content development side. But a lot of that will be just one-time kind of addition. I mean we will have some contractual people coming on board for next one year. And then of course, we will be adding some more people in editorial not very large but then that's where it is. Overall cost as a percentage will move maximum half percent here or there, that's it.

**Mr. Bharat Mani – Moneybee Investments:**

Okay, so as you said the NCF policy for K-2 came in October, so in Q4 can you just tell me in terms of revenue how much was it in Q4?

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

So, it came very late in October, and the new content according to the NCF I am not sure if there was anything significant.

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

This particular segment contributes around 10 to 15% of our overall sales so as of now we don't have the breakup of how much the new NCF based books would have contributed. But that is the overall contribution is for K-2 segment.

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

This year the implementation of K-2 of new books are quite less and the schools are waiting to get the complete syllabus for all the classes and then they will change it next year. So, this year the contribution was not substantial.

**Mr. Bharat Mani – Moneybee Investments:**

Okay. So, a question on the P&L side, the content costs are there, new content so do you capitalize it or is it separate to P&L?

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

It is a mix I mean largely the inhouse team cost we don't capitalize much, external cost where we get content developed outside that we capitalize, it is not much I mean maximum in a year it is about Rs7 crores to Rs8 crores or Rs10 crores at max.

**Mr. Bharat Mani – Moneybee Investments:**

That's it from my side, thank you.

**Moderator:**

Thank you. Next question is from the line of Shikhar Mundra from Vivog Commercial, please go ahead.

**Mr. Shikhar Mundra – Vivog Commercial:**

I want to understand about Mylestone, right, how much is it contributing in revenues now?

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

Last year it was about Rs16 odd crores.

**Mr. Shikhar Mundra – Vivog Commercial:**

Okay. And what is the EBITDA contribution from Mylestone?

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

I think it is negative Rs2 crores to Rs3 crores as of now. This Mylestone earlier had revenues which were slightly higher at about Rs20 crores -Rs 22 crores. But considering that it was targeting the smaller cities and schools where there was a gap in terms of the quality of teachers, it was a biggest hit during covid. And now with last year being the first year of operations, currently we are expecting it to grow another 30 odd percent this year. So, we are looking at having sustainable growth in that, we will probably grow from Rs15 crores - Rs16 crores to Rs22 crores - Rs23 crores this year. And this year we should be EBITDA positive.

**Mr. Shikhar Mundra – Vivog Commercial:**

Okay, so we are spending roughly Res20 crores per year. So, what are we exactly spending in Mylestone, is it marketing cost or is it building the app?

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

We are not spending around Rs20 crores. We are spending about, last year we spent about Rs10 crores on that. Over and above, and largely around marketing and this year we will have some cost on content development because we are coming up with a new curriculum also in that segment. We are having another premium content coming in that segment. So, there will be two brands not just one, one will be Mylestone, the other one we have not decided a name yet. But we are working on a new curriculum solution also that will target the more higher end premium schools. So, that is something that we are looking at this year.

**Mr. Shikhar Mundra – Vivog Commercial:**

And are we planning to raise any private equity or any funds for Mylestone?

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

Not at all, I think our cash flows are sufficient enough and there is no point of raising any funds for that at the moment. We have enough internal cash flows coming in. We are generating almost Rs80 crores to Rs100 crores annually, plus we are practically debt free so there is no reason to raise debt from outside or equity from outside.

**Mr. Shikhar Mundra – Vivog Commercial:**

And for Madhubun Educate 360 what is the volume we are doing right now, what are the revenues?

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

Revenues on Educate 360 are negligible because again now a lot of these platforms have become support platforms for schools. The monetization is through books only, it becomes a supporting tool because it has become a hybrid solution for schools. All the sales happen through books and this just adds flexibility to schools to hold classes, to hold assessments, to send messages to the parents and all that. So, it becomes a support system. We are not charging any premium for that. We are allowing schools to use it and it helps the business to become more sticky with the customer. And of course, we do generate some data in terms of how students are actually using the content and all that. So, that is the only the monetization that we have.

**Mr. Shikhar Mundra – Vivog Commercial:**

Okay. And we had another income of Rs32.9 crores this year, what was that exactly?

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

The other income was [a] we had a revaluation of shares of Smartivity Labs which was approx. 12.5 crores, because earlier it was at book value, but it was de-recognized as an associate, so we had to do it at fair value. So based on the last round of Rs95 crores to Rs100 crores it was revalued in our books. Then there was a gain of Rs7.5 crores from iNeuron and then other income, interest income and other income that's there.

**Mr. Shikhar Mundra – Vivog Commercial:**

So, Rs13 crores was roughly the interest income and income on investments, okay.

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

There was also a large reversal of provisions for doubtful debts that was reversed I think almost Rs5-6 crores has been reversed, considering the quality of receivables have improved. Whatever some amounts that were provided earlier on account of doubtful provisions, money was received from those customers so that again was added. To be honest it should not appear under other the income, it should be part of operating income, but that is the classification that we had to work with.

**Moderator:**

Thank you, sorry to interrupt you, Shikhar, I would request you to join the queue for follow up questions. I request all the participants to please restrict to 2 questions per participant. The next question is from the line of Deepan Sankara Narayanan from Trustline PMS, please go ahead.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Good morning, everyone and thanks for the opportunity. Firstly, this 18 to 23% kind of growth guidance you have given for FY24. We have assumed NEP for another couple of classes or full implementation for all classes?

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

So, NEP we believe that NEP should come out for all the classes this year. But as I said earlier in one of the questions that NEP will not implement in all 100% of the schools in the country but it will be a gradual implementation so it will take 2-to-3-year period we believe. What we are taking into account is that NEP will be available, because the NCF, the draft NCF is already out from 3<sup>rd</sup> grade to 12<sup>th</sup> grade. So, we believe it will be implemented.

But even if it is not implemented, we would be coming out with new books based on the draft curriculum that has already been out by the government from the 3<sup>rd</sup> grade to 12<sup>th</sup> grade. So, the new books in any case would be out but if the NCF is finally, the final draft comes we will modify the books accordingly.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay. And also do we expect all states implementation or some delay in non-centre ruled states for the NEP implementation particularly south market I wanted to understand.

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

So, basically CBSE schools are all over the country and CBSE schools follow the same curriculum all over the country wherever they are, even in the south. And then implementation will happen in all the CBSE schools and ICSE schools will also make the changes. And where the government is of non-BJP, we believe implementation might take some time. But all the states of BJP would definitely surely implement it.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay. And K-2 which has not contributed majorly for FY23 as you said. So, do we expect that some revenues will come in Q1 or it will be completely shifted to Q4 for next year only.

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

The books the child needed to buy for K-2 is already bought and now the next window of opportunity will be coming in Q4 only.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Q4 okay. So, lastly from my side with lower paper prices in the current year so what kind of improvement can we expect in the gross margin for us?

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

We have captured that in the EBITDA margin band that we have given. Obviously, we are looking at some amount of improvement in the gross margin. It is difficult to quantify because this is something we feel if it will play out over the next 6 months.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay.



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

We don't want to spell it out right now because I think the EBITDA margin band quantifies that.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay.

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

I also want to add, Deepan, you had a question about K to 2, the thing is that a lot of K to 2 sales have happened from the old syllabus itself. So, it is not opportunity lost for us. I mean I just want to give the impression because what I sensed from your question was that whether we have seen a loss in our opportunity for K to 2 or not. Instead of buying new syllabus books, schools have gone ahead with buying old syllabus books. So, for us it is still a sale.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay, got it. I was not coming from that lost opportunity side, but I am coming from the point that Q1 and Q2 could get some more revenue.

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

The schools would follow the regular academic cycle I mean obviously we will have Q1 sales like the way we have, but it is not because of any kind of delay of syllabus or books.

**Mr. Deepan Sankara Narayanan – Trustline PMS:**

Okay, thanks a lot, all the best.

**Moderator:**

Thank you. Participants, please restrict to two questions per participant. The next question is from the line of Jayesh from SaaS Capital, please go ahead.

**Mr. Jayesh – SaaS Capital:**

I just wanted to know what are your views on AI tools like chat GPT and all, do you think that it has any repercussions for our business.

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

Considering that we are largely a K-12 company which provides content to schools through books. And we are still assessing what impact that could have for us to be honest. On the higher education side, yes, there could be some opportunity there for us and that is what we are trying to assess. In terms of content development yes, that will help us in terms of improving the turnaround time for our products. That's the initial assessment that we have, but on the ground in terms of revenues from schools I don't see an impact at all. Higher education we are already seeing some challenges in the last couple of years, and also the Test Prep segment but that with the elections coming around next year, we hope that will

also get sorted. That's the initial assessment, of course. Going forward as and when we have any other assessments, we will definitely let people know.

**Mr. Jayesh – SaaS Capital:**

The we have not seen have you seen impact in terms of Test Prep segment, at least for maybe standard 8 and above?

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

Not really, I mean, the Test Prep segment again has been disrupted by the YouTubers in the last 2-3 years, and that is something that is going on in the market, I mean there are multiple content creators who are going out and teaching kids at very reasonable prices. We had Physicswallah disrupt the whole segment in terms of the NEET and the JEE segment. So, we have seen a lot of disruption there in terms of Test Prep. But having said that our focus is largely around the government exams, SSCs, etc. So, we are looking into that segment since it contributes only 5% of our revenue so it is not such a big challenge for us.

**Mr. Jayesh – SaaS Capital:**

All right, thank you, sir.

**Moderator:**

Thank you. next question is from the line of Punit Mittal from Global Core Capital please go ahead.

**Mr. Punit Mittal – Global Core Capital:**

Thanks for the opportunity. Just a couple of questions, what is the cost of debt that we have on the books now?

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

Our average cost of debt is around between it is around 9.5 to 10% at the moment, it was slightly lower last year. But, of course, with the Repo hikes in the last quarters it has gone up. Earlier we were at 8 to 9%, now we are 9.5 to 10% at the moment.

**Mr. Puneet Mittal – Global Core Capital:**

Okay, do you plan to reduce gross debt

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

Yeah, so our gross debt in terms, our term debt is down to very low levels in fact. We have repaid most of our long-term debts down to limited amount. Short term debt is working capital debt so that is very seasonal.

**Mr. Punit Mittal – Global Core Capital:**

My next question is how much operating cash flow we expect next year and I see the maintenance capex was about 10 crores this year. Would you put the same figure for next year?

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

Yeah, we continue to be asset light. There will be slightly higher spend on content development but again that might be another 5 crores over and above that so I don't see any problem there. We are expecting around the same between 90 to 110 crores bracket in terms of operating cash flows.

**Mr. Punit Mittal – Global Core Capital:**

So, the final question is what the capital allocation plan for is going forward given we are debt free and this year I think you have restored dividend about 20% pay out I would reckon. So, how do you, what is the strategy and plans for allocation going forward.

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

We will stick to the 20 to 25% EPS pay out as dividend. Our cash flows have stabilized over the last two years. That has enabled us to distribute dividend in the current year. And going forward as and when in case we have an exit from any investment that we have, of course, we can top that off as and when that happens. So, since we don't have any large investment plans in terms of capex or on any major acquisitions we will continue to do some small EdTech or Education related investments, those will be very small ticket sizes as we have been doing in terms of taking minority stakes what is working for us. So, yes, based on that we will have surplus cash every year and we will of course, share 20 to 25% as dividend.

**Mr. Punit Mittal – Global Core Capital:**

I think, it is just a request - you will generate substantial amount of cash over the next 2-3 years and naturally it is a cash generating business. So, instead of piling up cash in the books it would be very prudent if you can have, of course, create and share EBITDA capital allocation strategy because as you know investors are very wary of companies piling up cash on the books. So, that's just a request from our side, if you can consider that. Thank you so much.

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

Sure, thanks for your feedback.

**Moderator:**

Thank you. The next question is from the line of Niteen Dharmawat from Aurum Capital please go ahead. Niteen, may I request you to unmute yourself.

**Mr. Niteen Dharmawat – Aurum Capital:**

My question is the guidance that we have given just wanted to reconfirm that it is based on the operating revenue and not any, you know, additional revenue or any revenue realized through the sale of minority stake and the investments that we have made.

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

Yes, Its Rs720 crores to Rs750 crores from operating revenues.

**Mr. Niteen Dharmawat – Aurum Capital:**

Okay, thank you.

**Moderator:**

Thank you. The next follow up question is from the line of Riya from Aequitas Investment, please go ahead.

**Ms. Riya – Aequitas Investment:**

My question is with regard to the NCF which is final and which is left pending. By when do we expect that? The guidance which we have given considers the new till K-2 or till K-12.

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

Let me take that. So, NCF as a draft which is out, we expect the final draft to be out maybe in the next 2 to 3 months depending on the government's policy. We cannot completely 100% guarantee that. And secondly, the books that we will bring out maybe from K to 12 this year. We already have the draft NCF so we will be making books according to that. And if the NCF is out we will modify the changes and there will be final books. If the NCF is not out or delayed we will bring the books as per plan. And we believe the new books will be out not only by us but by other competitor players also, and children will get new books in the upcoming session that will I think boost up the revenues.

**Ms. Riya – Aequitas Investment:**

Okay. My next question is with regard to the competition, so I think Navneet have also come out with their CBSE books and they are going pretty well there. So, is that our market share is increasing or something with that, in that? Or they are taking it away from us?

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

Navneet is not a very significant player in the CBSE space, there are much bigger players in the CBSE space, and they have taken out books last year. We have also taken out last year new books. But the main set of books which will be the new books which will have a substantial we believe competition in sales will happen this year because all the K to 12 books will be recommended by schools and the new books will be recommended by schools this year rather than last year.

**Ms. Riya – Aequitas Investment:**

Okay.

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

Just to add, Riya, Navneet CBSE business is only 65 crores. They are a large player in Gujarat and Maharashtra State Board where they are leaders. But we are in a totally different segment, you know.

**Ms. Riya – Aequitas Investment:**

Right, they have just recently started a year or so back Indiannica I think, so that commentary was that they are growing double digit growth of 20-25%.

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

That is for I think the Indiannica business which is only 65 crores top line this year.

**Ms. Riya – Aequitas Investment:**

And my second question would be how much of the guidance is coming from the new curriculum?

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

I don't think we split it like that but obviously the volume growth that you are looking at I mean it will be divided between new and old, we are not splitting it like that.

**Ms. Riya – Aequitas Investment:**

Okay, thank you so much.

**Moderator:**

Thank you. Next follow up question is from Vikas Kasturi from Focus Capital please go ahead.

**Mr. Vikas Kasturi – Focus Capital:**

Sir, I have only one question, so the receivables that you have are they receivables from the schools?

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

No, a very insignificant part would be from schools, direct sales to schools would be limited to 5 to 7% of total revenues. Most of our receivables is from channel partners because practically since we cover about 40,000 schools, we cannot have direct school accounts, we work through channel partners who work also with other publishers. This is largely from channel partners.

**Mr. Vikas Kasturi – Focus Capital:**

Got it and thank you, sir.

**Moderator:**

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

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

Thank you. It has been a great year for us and we are hoping that the next year will be better. We are now a debt free company and we will strive to do so and increase our cash flows, and try to increase our EBITDA margins. Thank you all for joining in this call and looking forward to talk to you again.

**Speaker – Prabhudas Lilladher Pvt. Ltd:**

Thank you everyone. Okay we can close the call.

**Moderator:**

Thank you, on behalf of Prabhudas Lilladher Pvt. Ltd. that concludes this conference. Thank you for joining us, you may not disconnect your lines.

**End of transcript**

*Note - This transcript is edited for factual errors. In case of discrepancy, the audio recordings uploaded on the Company's website will prevail.*