



## S Chand And Company Limited

Registered Office: A-27, 2nd Floor, Mohan Co-Operative Industrial Estate, New Delhi - 110044, India.

P: +91 11 4973 1800 | F: +91 11 4973 1801 | E: info@schandgroup.com | [www.schandgroup.com](http://www.schandgroup.com)

Date: May 30, 2022

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 – Q4FY22 - pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)**

The Company had organized a conference call for the Analysts and Investors on Wednesday, May 25, 2022 at 1:00 P.M. to discuss the financial results for the quarter and year ended March 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](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 Ltd. Q4 FY22 earnings conference call

25<sup>th</sup> May, 2022

Prabhudas Lilladher

### **Moderator:**

Ladies and gentlemen, good day and welcome to S Chand And Company Limited, Q4 and FY22 earnings conference call hosted by Prabhudas Lilladher Pvt. Ltd. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing \* and 0 on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Jinesh Joshi from Prabhudas Lilladher Pvt. Ltd. Thank you and over to you, Mr. Joshi.

### **Mr. Jinesh Joshi – Prabhudas Lilladher:**

Thank you. On behalf of Prabhudas Lilladher I welcome you all to the Q4 FY22 earnings conference call of S Chand And Company Ltd. We have with us the management represented by Mr. Himanshu Gupta, MD, Mr. Saurabh Mittal who is the CFO, and Mr. Atul Soni who heads the Investor Relations. I would now like to hand over the call to the management for opening remarks after which we can open for Q&A. Thank you and over to you, sir.

### **Mr. Himanshu Gupta – MD, S Chand And Company Ltd:**

Thank you. Good afternoon, ladies and gentlemen. I am Himanshu Gupta, the Managing Director of S Chand And Company and Company Limited. I would like to welcome you all to our fourth quarter and full year results conference call for FY22 and thank you all for taking the time-out and joining us here today.

FY22 has been a culmination of our efforts across the past 3 years to make this company a much stronger and efficient company. When we started this journey of S Chand 3.0 in 2019, we did not know that we would also have to go through the worst pandemic of the last 100 years during this journey as well.

During FY22, we faced 2 serious covid waves of Delta variant in April-May, 21 and the Omicron variant in Jan, 2022. In spite of these, I am extremely happy to report that we grew Revenues 13% on a YoY basis to reach Rs4,809m, grew EBITDA to Rs757m and had a PAT profit of Rs80m. We are PAT profitable after 3 years.

Our focus over the last 3 years has been to focus on internal efficiencies since the external factors were not within our control. Working with quality channel partners, providing updated content and services, better production planning and credit control has resulted in an extremely strong financial position as compared to our competitors and peers. This advantage we take forward towards the implementation of NCF.

The biggest turn around this year has been in our working capital metrics. Our focus on reducing inventory also led to our Lowest Inventory levels in 5 years on a year ending basis. Our receivables are lower by Rs300m vs last year despite having Rs557m

incremental sales vs last year. All this lead to net working capital levels which were the lowest in the last 5 years as well. I am proud to share that we have reduced our Net Debt by over 61% since FY20 and currently stand at Rs721m which led to our lowest net debt level for the group since June, 2018.

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

As we start FY23, we see that Hybrid or Blended Learning is the way ahead. Schools and Colleges have reopened with a new vigour and admissions in schools are increasing. A lot of schools in smaller cities which had challenges of online learning due to the lack of infrastructure are seeing students back at school, which is spurring demand. No supply challenges were seen in Q4 or even in Q1 as compared to the previous 2 years where the start of the academic session was marred by lockdowns and supply bottlenecks. Schools and Colleges have adapted to the Hybrid/Blended approach which augurs well for any such natural calamities/pandemics.

On the Ed-Tech front, we continue to focus on providing students/teachers/educational institutions with digital solutions required in a post covid world. The EdTech industry is slowly also moving into the Hybrid/Blended learning era with physical centres opening up across India. Our Personalised Learning App Learnflix has over 3.2 Lakh downloads. We launched S Chand Academy (Youtube Channel) this year which has already notched up over 2million views so far and has been well appreciated by the learners. We expect S Chand Academy to ramp up significantly with new content being provided every week which will help the student understand concepts from the best faculty. In addition, we also relaunched TestCoach, our test Prep and higher education app during this year, with cumulative downloads of 170k, to cover over 100+ government examination tests. Madhubun Educate 360 - Our K12 Learning Management System is now implemented in over 55 schools and is being by approx. 1 lakh students. We have also taken a minority stake in iNeuron Intelligence in December 2021, which is seeing exponential growth in the Technology learning segment. We see a lot of synergies both on technology upgradation for S Chand and B2B business for their solutions.

Now turning to more recent events, as for FY23, the cost of paper, which is our main raw material, has been increasing in cost on back of global supply chains / plastic ban / production capacity being limited and increased demand of paper post Covid. To mitigate the same, we are looking to take a 12%-15% price hike across our product portfolio along with improving terms with channel partners. In addition, we would be looking at driving further internal cost efficiencies in printing and continuing to exercise cost control measures to manage our internal costs. On the revenue front, we are looking to do revenues in excess of Rs600cr for FY23, which would represent a minimum growth of 25%. Our Q1 numbers are tracking very strongly and we are well on track to achieve revenues between Rs900 million to Rs1200 million vs. Rs358 million last year spurred by the reopening of schools across the country.

On the New Education Policy front, we are hopeful that the National Curriculum Framework or NCF would be launched this year. In Higher Education some of the states have already implemented the NEP, where we are seeing strong traction for our content. NTA has launched CUET which will become one of the most important

examinations for college admissions apart from IITJEE and NEET. To be on a conservative side at the start of the year, our current guidance does not include any impact of NCF announcement. Needless to say, our targets would be revised upwards if we get a timely announcement of the NCF.

With that, I would now request our CFO, Mr. Saurabh Mittal to apprise all of us on the financial performance of S Chand And Company .

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

Thank you, sir. 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 4809 million versus Rs 4252 million during the same time last year, registering a growth of 13% for the year gone by. We maintained our gross margins at the same levels as last year in spite of the sharp increase in paper prices during the latter half of the year as a result of product rationalisation, inventory reduction, partial distribution of e-specimens and timely ordering of paper inventory.

We reported EBITDA profits of Rs 757 million vs Rs 748 million in the corresponding period last year in spite of undertaking salary hikes, higher travel spends etc during the year.

Happy to share that we are PAT profitable after a period of 3 years with profits of Rs 80 million versus net loss of Rs 65 million in the same period last year. I would like to point out that this is despite the 2 covid waves during the year.

I would like to bring your attention to Slide no 5 to slide 9 which showcases the results of the steps taken during the past three years towards building a cost effective and lower working capital organisation with focus on positive cash flows. We continue to focus on working capital rationalisation and product rationalisation for the coming year.

In terms of working capital, Trade Receivables reduced to Rs2,921m during Q4FY22 vs. Rs3,221m during Q4FY21. This reduction is in spite of achieving incremental sales of Rs557m over last year. In terms of receivable days, it stood at 222 days (vs. 276 days in Q4FY21), a reduction of 54 days during FY22. This is the lowest receivable days in the past 5 years.

Inventory reduced to Rs1,276m (vs Q4FY21: Rs1,377m). This improvement in inventory is driven by various steps that we took in controlling print runs and optimizing book titles. Additionally, this inventory level includes raw material paper inventory of Rs277m (vs Q4FY21: Rs133m). Seeing the way paper prices were increasing, we had ordered for higher levels of raw material paper in March. In terms of inventory days, it stood at 216 days (vs. 261 days in Q4FY21), a reduction of 45 days during FY22. We are seeing more Inventory get liquidated in Q1FY23 and expect the Inventory levels to rationalise further.

Net Working Capital reduced to 226 days (vs. 293 days in Q4FY21) which is a reduction of 67 days during FY22. This is the lowest net working capital days in the past 5 years.

We ended the year with Net Debt of Rs721m (vs. Rs1,284m in Q4FY21) and Gross Debt of Rs1,572m (vs. Rs2,031m in Q4FY21). Our Net Debt has reduced by Rs850m on a QoQ basis (vs. Rs1,571m in Q3FY22). This is the lowest Net Debt level since June 2018.

In terms of Cash Flows, our strategy of focusing on the cash flows has yielded results over the past 3 years where we have almost tripled our OCF in the past 3 years. We ended the year with OCF of Rs1,066m in FY22 (vs. Rs386m in FY19) and have an OCF more than Rs.1000Mn for a second year in a row despite Covid, a trend we are keen to continue.

As we go into FY23, I would like to re-iterate for the coming year-:

- Firstly, we would be taking a price hike across our product portfolio to the tune of 12%-15% to partially mitigate increased paper prices.
- Secondly, we are looking to do annual revenues over Rs 6000 million which translates into a 25% growth rate for the year. We expect Q1 to be much stronger than previous years. We are looking to do revenues of Rs900 million to Rs1200 million during Q1FY23. In comparison, we did Rs358m in same time last year and Rs714million in the year before that.
- Thirdly, unprecedented hike in paper prices can put pressure on our gross margins to the tune of 100bps to 200bps. We are looking to counter paper prices through our price hike, improved terms with channel partners, internal efficiencies, and continuing cost control through the year.
- Fourthly, on the debt front, we target to become net debt free by the end of this year. and further optimize working capital going ahead.
- Fifth, the biggest growth driver for our print business could come from the introduction of the new syllabus post the announcement of the NCF. This should lead to strong revenue and profitability growth for 2-3 years period. We have not included the impact of NCF in our current revenue guidance but needless to say that if that comes through then it can greatly change our FY23 financials as well.

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

**Moderator:**

Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question may press \* and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, you may press \* and 2. Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Participants you may press \* and 1 to ask a question. Anyone who wishes to ask a question may press \* and 1.

The first question is from Deepak Shankar from Trustline PMS, please go ahead.

**Mr. Deepak Shankar – Trustline PMS:**

Good afternoon, everyone, thanks a lot for the opportunity and congrats for great set of numbers. So firstly, I would like to understand the number of schools which were there

with us during pre-Covid times as customers, so what proportion of them returned back to us during FY22. Also are we seeing significant drop in student numbers as compared to pre-Covid period.

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

Hi, this is Himanshu, I am just going to answer that question. We used to cover approximately at a group level 35,000 to 40,000 schools all over the country including the regional schools in West Bengal. And we have been covering similar number of schools as of now though there might be a slight dip because a lot of schools especially the affordable kind of schools got closed during the pandemic. So we were not able to cover that. But now we are seeing that some of new schools are reopening up and a lot of admissions are coming in the bigger schools. So for example, if a school strength had started from 100 plus per student class and dropped to 70 and now it has gone back to 100. So that admissions are coming back now so we are seeing that. And we believe that it will continue because obviously when education as you know is a very aspirational kind of thinking especially in Indian citizens, so they want their child to become a doctor or an engineer or do an MBA. So they need to put them into good schools. And we believe that trend will keep on continuing. What was the second part of your question, sorry, if you can repeat it again please.

**Mr. Deepak Shankar – Trustline PMS:**

On the student numbers only.

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

So student number I have just answered.

**Mr. Deepak Shankar – Trustline PMS:**

Yeah, basically I was trying to understand the volume number of books sold during FY18 and to current levels, so FY18 we have done something around Rs800 crores in top line. So when we will be able to reach that levels, so that's what I am trying to understand.

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

Okay, so obviously that number we have not still reached. And this year we will try to grow the company above Rs600 crores revenue but reaching that number will take some time. It is not going to happen this year. But we believe that the quality of the business that we are doing and the quality of customers that we are now servicing is much better than earlier. And that is what is going to reduce our bad debts, that's what is going to reduce our working cycle and reduce the inventory. So we are focusing on more I would say quality customers rather than only looking at sales. So that is more important to the company now because as the prices of paper have increased and we have to make sure that the margins do not get squeezed too much as Saurabh has earlier said 100bps to 200 bps is maximum that we can look at. And we want to focus our efforts towards good sales and quality sales.

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

Deepak, this is Atul here, just to add to what Himanshu said, see this year we are targeting Rs600 crores plus kind of a top line, and with the advent of NCF whenever that comes you know we are hopeful that once that is launched then we can see those kind of numbers.

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

Maybe not this year, maybe next year.

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

Yeah, as we have constantly reiterated that once the NCF comes we will see 2-3 years of very strong run rate of growth in double digits at least. So I think that particular number will be taken when the NCF is launched.

**Mr. Deepak Shankar – Trustline PMS:**

Okay, got it. Secondly you have guided for this Rs90crores to Rs120 crores revenues during Q1 versus last year of Rs36 crores. So this is mainly due to slippage of some revenues from Q4 or year after we are expecting Q1 like this.

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

So, hereafter we are expecting better Q1 like this. Last year of course was impacted by the Delta wave so that number is not really representative, the year before was about Rs71crores. There is no slippage as such there were some deferrals because paper availability became an issue in March so some of it is deferral but we feel that we will continue to have this kind of number in Q1 going forward.

**Mr. Deepak Shankar – Trustline PMS:**

Okay. And lastly are we facing any challenges in scaling up of this Learnflix paying customers. So I am seeing currently it is 21,600 versus 21,000 last year, so now schools have opened up so are we expecting some traction over these paying subscriber numbers.

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

To be honest, not really too much of a focus area at present. We are focusing on our print business because schools were reopening and even schools were focusing more on getting the kids in schools for physical learning. Online learning or apps have taken a slightly backseat if you can see or what all the other competitors Ed Tech is doing they are also opening up tuition centres across India. So I think we will relook at how we are going to market this in the coming year. We are focusing more on growing our core business which is getting us the margins even if we double the number of subscribers on Learnflix it doesn't add too much to my top line or bottom line. So while we continue to push that we would expect it to grow organically rather than doing too much of an aggressive marketing driven sale on that.

**Mr. Deepak Shankar – Trustline PMS:**

Okay, thanks a lot and all the best. I will join back in the queue.

**Moderator:**

Thank you.

Participants, you may press \* and 1 to ask a question. The next question is from the line of Sanket Baheti from GC Ventures, please go ahead.

**Mr. Sanket Baheti – GC Ventures:**

Thank you for the opportunity. Few questions from my side, so first question as you said for the previous participant that Rs90crores to Rs120 crores is the run rate that you are looking forward in Q1. So what has changed in Q1 this time versus last few years even in the pre-Covid we have not done such kind of top line in Q1 and you are telling that this will be a sustainable number going forward. What has changed actually in Q1 for the long run that it will be there in Q1.

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

Basically, as I said earlier to the last person who was asking the question is that a lot of school admissions are happening now. So what happened is that school admissions are as unexpected that the schools were expecting let's say 100 students they were getting 120 students per class, they were not expecting that. So, lot of schools are getting admissions at a very fast rate and they are reordering with us now. So, that reordering in this Quarter 1, we are seeing good traction happening in the market, and I would say, this is a good opening for the year which will boost our morale and motivate our people to continue to do this work. So, that's a very big reason that the schools have opened up. Pre-COVID and all it used to be a normal year. So, pre-COVID people never used to have that many unexpected admissions happening in the Q1 kind of scenario. So, that is why the numbers are slightly tweaked this year.

**Mr. Sanket Baheti – GC Ventures:**

Going forward, this number will get normalised from the next year onwards.

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

Just to add to that. See, pre-COVID and what we used to do earlier was that we used to do a lot of stock order supplies to the market, to distributors, etc, if you remember, and that used to be a cause of concern for a lot of sales returns. That kind of practice we have discontinued for last 3 years. We are only taking orders which are actual school-backed orders and those are coming subsequent in the 1<sup>st</sup> quarter. So, we are now focusing on all of that. Plus additionally, the 9th to 12th segment is something where sales happens in the 1<sup>st</sup> quarter, and that's a segment we're now focusing more on. So, 9th to 12th should grow faster in the next 2-3 years.

**Mr. Sanket Baheti – GC Ventures:**

Okay. And sir, the next question is on the working capital. Sir, what kind of sustainable inventory and debtors should we look at going forward, that the company is targeting



to maintain at? And, what will be the change if the new policy gets implemented? What will be the change in the working capital that will come in?

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

So, we are targeting year end receivables of 180 to 210 days going forward. And in terms of inventory, anywhere between Rs80 crores to Rs90 crores at the end of this year. Whatever we are selling in Quarter 1 should be the kind of inventory that we have at the end of the year. So, we will try to be as inventory light as possible, because again, with changes in the education policy we have been very stringent in terms of the print runs. We may have lost certain orders because we didn't want to go for large print runs, but that's something that is acceptable to us rather than having inventory at the end of the year, because that's cash block for the complete year.

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

Also, we have sustainably seen Q1 revenues to be in a Rs100 crore kind of level. So, that kind of Q4 ending inventory will be required to suffice for those orders.

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

And it's getting liquidated, no? The Q4 inventory in Q1?

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

Yeah.

**Mr. Sanket Baheti – GC Ventures:**

Okay, got your point. And once the New Education Policy gets implemented, there can be increase in the debtor base for some limited portion of time so as to gain the market share or something like that?

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

No, that's nothing that we're focusing on. We'll continue to follow our rigorous credit controls and collection policies. We will not dilute that.

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

We will not go that path. That is something that we're focused on.

**Mr. Sanket Baheti – GC Ventures:**

Got it. And sir, in the net debt free target, the company has been targeting by in FY23 end, and we have also mentioned that we will be monetising of assets. So, does that also include the cash flow for the net debt figure?

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

Yes it does.

**Mr. Sanket Baheti – GC Ventures:**

Okay. Can you quantify what can be the revenue from that?

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

Revenue for what?

**Mr. Sanket Baheti – GC Ventures:**

The monetisation of assets, whatever we're planning to do?

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

It's about Rs15 crores to Rs20 crores.

**Mr. Sanket Baheti – GC Ventures:**

And sir, last one booking keeping question. The depreciation what we report is post IND AS 116. Can you just quantify what is the cash component of that depreciation?

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

Cash component in terms of?

**Mr. Sanket Baheti – GC Ventures:**

Post IND AS 116 the rent gets bifurcated in depreciation and interest cost.

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

Yeah. So out of Rs42 crores, approx. Rs15 crores is from that.

**Mr. Sanket Baheti – GC Ventures:**

Okay, thank you sir.

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

If you look at the cash flow, it will tell you that. The cash flow has that figure. Rs156 million was the lease rent liability.

**Mr. Sanket Baheti – GC Ventures:**

Okay. Ideally the reported EBITDA should be lower by around that Rs15 crore mark so that you get pre-IND AS 116 EBITDA broadly.

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

Yeah yeah, if you want to compare it that way.

**Mr. Sanket Baheti – GC Ventures:**

Yeah, sure. That's it. Thank you sir, thank you so much.

**Moderator:**

Thank you. Participants may press \* and 1 to ask a question. The next question is from the line of Purshottam, individual investor. Please go ahead.

**Mr. Purshottam – Individual Investor:**

Hi, good afternoon. Thank you for this opportunity. My question is with regard to Himanshu's comment which he just made about the Learnflix paid subscription numbers which don't seem to be doing well. I heard him saying, even if that number goes up, it doesn't affect much of our revenues. So, I wanted to understand, is there a change in our strategy and focus towards the digital business? Because as I understand, you have been continuously investing in that. You have just launched Learnflix Bangla also and then you plan to add some subjects. We thought that it is quite a scalable and high promising business which will continue to grow. So, is there a change in terms of strategy. That's the first question I have.

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

Of course, there is a slight change in strategy because what we have seen from schools and from students is, the cost of acquisition is very high for that business, and the whole EdTech industry is realising that the cost of acquisition is high. They are not able to ramp up quickly. You'll start seeing the impact of no incremental funding coming into various companies. You can see the number of people being fired across EdTech. So, we are real to that. Our investments are there, but we are not investing highly into that segment. We would want to grow it organically with lower cost of acquisition. And inorganic growth is driven by pure marketing where the cost of marketing is higher than the revenue growth. So, we are real to making money in that business, not really burning money which the rest of the industry is doing.

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

And as far as Learnflix Bangla is concerned, the investment that we had done was only of translation into Bangla and I would say was a very small cost. And, now Learnflix Bangla is getting incorporated with our physical books. So, our idea is, even if the app platform, we're not able to sell directly in a large number, we're going to integrate it with a book and give it as a part of the book, a book plus kind of a model. So, that will help us making sure that we increase the number of unit sales of that book, and that will give us better traction in the market. So, in case of Learnflix Bangla also, we'll be doing it this year. But, if the unit sales increases, let's say even by 8-10% due to this effort, that would be a substantial increase and that can help us monetise these kinds of apps.

The only challenge we are seeing is, now because when the schools were in lockdown for 2 years, they were looking at some solutions. But now after the schools have opened up, we are seeing that the schools are more focused towards buying printed books, which is good for us. If after the summer holidays, let's say in July, the schools reopen and we see there is a possibility of getting business in Learnflix, we will definitely try to do that for sure.

**Mr. Purshottam – Individual Investor:**

Okay, great. A related question to that is, somewhere in the PPT you have mentioned monetisation of digital business. So, are we already in advanced discussions with some people and when do you see this monetisation happening?

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

One of our investments is getting monetised this quarter. Beyond that I cannot say because we are under a non-disclosure. One of the investments is getting monetised in this quarter itself.

**Mr. Purshottam – Individual Investor:**

Great, thank you. Thanks for answering this question.

**Moderator:**

Thank you. Participants, you may press \* and 1 to ask your question. The next question is from the line of Devang Patel from NAFA Asset Managers. Please go ahead.

**Mr. Devang Patel – NAFA Asset Managers:**

Hi sir. Our working capital and debt levels are going back to pre 2018 levels, but on the EBITDA margins we are still below the 20% plus margins that we were making earlier. So, when do we see us going back to 20% plus EBITDA margins and what do we need to do from hereon to get there?

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

For this year it's a bit difficult considering the kind of paper price increases that are coming in which is beyond our control. Of course, the prices of books cannot go up beyond a point. But regarding your comment on the margin, I think we would rather focus on our cash flow from operations that are coming in. Even pre-COVID in 2018, our cash flow from operations on Rs800 crores revenues was only Rs38 crores. And now we are doing Rs100 crores plus on cash flow from operations, which is far more critical to us than just having an EBITDA number which does not translate into cash. So, our focus is converting all the EBITDA that we get into cash. And, currently last 2 years, with 75 crores of EBITDA we're converting into 100 crores of cash, that gives us more satisfaction in terms of having a healthy balance sheet, having lower debt. And going forward, if the raw material prices stabilise and we're able to drive more efficiencies and more operating leverage with the NCF coming in, our EBITDA margins would definitely go up.

**Mr. Devang Patel – NAFA Asset Managers:**

From a sustainable basis, what would our margins be now?

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

See, our gross margins would be anywhere between 53% to 55%, which is what we're looking at. And EBITDA margins about 16% to 18%.

**Mr. Devang Patel – NAFA Asset Managers:**

And the reported numbers would include some drive on the digital business? What was the burnt rate last year and how is it trending?

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

Last year we were about Rs25-26 crores in the digital business. This year we're trying to bring it down to under Rs15 crores. So, that would definitely help in the current year.

**Mr. Devang Patel – NAFA Asset Managers:**

Sir, in the presentation last year the EBITDA for digital business was north of 7 crores. Is that a like-to-like number when you say it's 25 crores burn?

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

No no, it would be much higher this year. I think, the negative EBITDA from the digital business should be north of Rs14 odd crores.

**Mr. Devang Patel – NAFA Asset Managers:**

Sir, on the NCF side, any updates? We were expecting some development by August or October. So, is it along those lines or are you hearing of more delays?

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

So, we are hearing that there might be an announcement by the government by July or August regarding the NCF, and we are waiting and crossing our fingers. If it happens in August, then there might be a syllabus change happening for the next academic year, and that will affect the financial year FY23 in a positive manner. If it happens late, if it happens in February or March, then it will be difficult to implement next year, then it will happen in the following year. So, it depends. Again, we are crossing our fingers. We don't know when the government is going to announce. But yes, we are hearing that in July-August they might announce.

**Mr. Devang Patel – NAFA Asset Managers:**

Okay. That's all from my side. Thank you so much.

**Moderator:**

Thank you. Participants, you may press \* and 1 to ask your question. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

**Mr. Jinesh Joshi – Prabhudas Lilladher:**

I need one small clarification. We are guiding for a minimum 25% kind of a top line growth in FY23. And, given that 12%-15% price hike is envisaged, which effectively implies that the volume growth which we are targeting is somewhere in the region of 10%. But, in the opening remarks you mentioned that the reach in terms of number of schools is more or less intact at about 35,000 to 40,000. So, I would just want your thoughts on how you would plan to achieve this 10% volume growth with our reach in the number of schools remaining intact.

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

So, the school coverage this year will increase; that was for last year you're talking about. And plus, the number of students per school or per class is going to increase. That

is going to help us achieve. Plus, we're seeing the market is getting consolidated because as the raw material prices are increasing and there is no credit available from the paper mill side, so that will affect a lot of smaller players in the market. So, there will be demand and supply shortage. So, that will also help us increase the volume numbers. So, all these factors should give us, I would say, 10-12% additional volume than last year, plus the price increase.

**Mr. Jinesh Joshi – Prabhudas Lilladher:**

Fair enough. And sir, in this financial year in terms of volumes, are we similar to the pre-COVID number or are we lower than that, given the fact that we took a 5-10% price hike in FY22?

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

We're almost there. There might be a 3-4% gap from pre-COVID. But, of course, we're not chasing too much of the volume numbers, to be honest, Jinesh. Again, as we said, we're focusing on quality and margins all through the last 2 years and that is what is reflecting in our cash flows. Again, organic growth as it comes, rather than pushing too much through so, the bottom line and the cash flow should look much better going forward.

**Mr. Jinesh Joshi – Prabhudas Lilladher:**

Sure sir. And, one question on the digital side. If I look at our Mylestone reach, it has come down in FY22 with the number of schools coming down to 250. I understand that we have changed our strategy during the year whereby we are focusing on bigger schools which give us a business of about Rs5 lakhs per annum. So, any specific reason as to what has led to this change of stance because now the reach may get impacted. So, your thoughts on that.

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

Yeah so, that was a conscious call that we took because a lot of the smaller schools were facing financial stress in the last 2 years and were unable to pay and they were returning products. So, we took that conscious call of working with larger schools. Also, since it's a service business where you need to service the school throughout the year, we took a conscious call on that. And, that's why the number on Mylestone maybe slightly lower last year. Having said that, we are now going to integrate that with our existing publishing business, and there will be more people selling Mylestone in the coming years. From the present 25 odd people it will probably go up to 70-80 people selling Mylestone. So, we expect that number to almost go double in the current period.

**Mr. Jinesh Joshi – Prabhudas Lilladher:**

Sure. One last booking keeping question from my side. What are our targeted capex spends for FY23? And, if you could guide us with the tax rate because the tax rate fluctuates quite a bit during the quarter.

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

Yeah. There is no substantial capex planned for this year except for a Rs5 crore capex for our print facility. We have done no capex for the last 2-3 years. So, that we would be upgrading to ensure that our facilities are in line. Apart from that, only if the NCF comes, of course, the capex may go up in content development. Otherwise, the total capex will probably be between Rs15 crores and Rs20 crores.

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

On similar lines as last year.

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

And, in terms of your second question on tax rate, see, tax rate, because of the various mergers and the restructuring that is in place that is happening, it's very difficult to give you a tax rate through the year. But, we would expect to guide around a 25% average tax rate. And in terms of cash outflow that would be the tax rate. What comes under deferred tax and what is reversed as deferred tax, that becomes a bit complicated because that is more of a call that is taken at the year-end based upon the performance of each of the individual subsidiaries. Whether it is profitable, whether deferred tax can be recognised, that's a challenge that we also have.

**Mr. Jinesh Joshi – Prabhudas Lilladher:**

Sure sir. That answers my question. Thank you so much.

**Moderator:**

Thank you very much. Participants, you may press \* and 1 to ask your question. A reminder to all participants, you may press \* and 1 to ask your question. I now hand the conference over to the management for closing comments.

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

So, thanks everyone for your time and your patience. And, hope that everyone is safe at their homes. We wish and we hope that the COVID wave no. 4 doesn't hit India and the schools remain open, the colleges remain open and the business happens as usual. We hope to give better quality business and a more margin oriented and a better cash flow-oriented business this year to our investors. Thanks a lot for joining in. thank you.

**Moderator:**

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

***END OF TRANSCRIPT***