



## S Chand And Company Limited

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

Registered Office: Ravindra Mansion, Ram Nagar, New Delhi - 110055, India.

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

Date: December 05, 2017

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

Dear Sir,

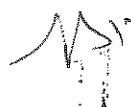
### Re: Transcript of conference call with the Analysts and Investors

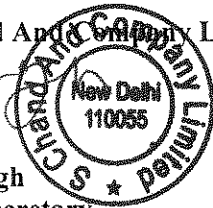
The Company has organized a conference call with the Analysts and Investors on Monday, November 20, 2017 at 12:30 hrs. The copy of the transcript of the said conference call held with the Analysts and Investors is enclosed herewith.

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.

For S Chand And Company Limited

  
Jagdeep Singh  
Company Secretary  
Membership No-A15028  
Add- A-27, 2<sup>nd</sup> Mohan Co-operative Industrial Estate,  
New Delhi-110044



**S Chand And Company Limited**  
**Q2 FY18 Results Conference Call**  
**November 20, 2017**

- **Operator**
- The conference is now being recorded.
- **Moderator**
- Ladies and gentlemen, good day and welcome to the S Chand And Company, Q2 FY18 earnings conference call hosted by Prabhudas Lilladher Pvt. Ltd.
- As a remainder 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, please signal an operator by pressing \* then 0 on your touch tone phone. Please note that this conference is being recorded.
- And I now hand conference over to Mr. Keyur Pandya from Prabhudas Lilladher. Thank you and over to you, sir.
- **Mr. Keyur Pandya - Prahudas Lilladher**
- Thank you. Good afternoon to all the participants. I welcome the management of S Chand And Company Limited represented by Mr. Himanshu Gupta, Managing Director and Mr. Saurabh Mittal, Chief Financial Officer. We will begin this call with opening remarks from Mr. Himanshu Gupta following which we will open the floor for an interactive session. Before we begin I would like to mention that certain statements in this call could be forward looking and are subject to risk and uncertainties which could cause actual results to differ materially from those anticipated. Such statements are based on management's belief as well as assumptions made by information currently available. I would like now to hand over the floor to Mr. Himanshu Gupta. Thank you and over to you, sir.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Thank you, thank you so much.

- A very good afternoon, ladies and gentlemen. I am Himanshu Gupta, Managing Director, S Chand And Company Limited. I would like to welcome you all to our second quarter and half yearly results presentation for financial year 2017-18, and thank you all for taking out the time to join us here today.
- The education sector in India is still at a very nascent stage. We strongly believe that the education sector in India is currently going through a transformative phase and headed for a long term secular growth over next several decades. The current trend in Indian education sector is showing an increasing shift towards private schools. Rising parental aspirations across the social economic pyramid of India is driving the preference for English medium private schools. This trend has benefited private publishing companies like ours.
- We have been in existence for over 8 decades and have established ourselves as a leading education content creator. Children have grown up reading our books and content through their entire education lifecycle and have been exposed directly or indirectly to the education material published by us making S Chand, a household name. The strength of our brand is backed by our 2400 author relationships, 9500+ book titles and 6000+ distributors across the country. Over last five years we have focused on both organic and inorganic growth. This has brought strong regional brands under the umbrella of S Chand brand and has helped up to build a dominating presence in core subject titles including Science, Mathematics, English grammar and Hindi.
- In addition to building dominance in print content we have also developed a sustainable digital strategy by pairing our physical book content with innovative technology driven digital solutions. As we are developing in-house digital solutions we also have strategic investments in early stage education companies to test the consumer preferences with innovative and disruptive technology driven solutions. We believe that technology is playing a larger role in the education sector as the digital portable devices are becoming increasingly common and consumption medium of content is evolving. We believe that the physical content supported by digital offerings will help us provide highly differentiated products offering to schools leading to higher brand loyalty and increased competitiveness compared to the regional and small time publishers.
- Today S Chand covers around 40,000 schools in India catering to more than 25 million students. We shall continue to drive our organic and inorganic growth strategy over the next five years with an aim to reach around 100,000 schools catering to more than 70 million children.

- Our businesses are focused on education content for children for all ages. It's K12 content contributing around 80% of the group revenues. Within the K12 segment we primarily focus on content for CBSE and ICSE schools which follow an academic session beginning April and ending March. The second quarter July September coincides with the academic sessions of schools already in progress, and hence is the lowest revenue quarter for us in the K12 segment. During this quarter the focus of the management team is on finalizing content and catalogue for the next academic session including price revision, reconciling dealer discounts and adjusting our book returns and turnover discounts, formulating sales and distribution strategy for the commencing season, carrying out preventive maintenance at the printing facilities and printing book specimens for distribution for schools and teachers post Diwali. We also conduct a lot of teacher training seminars and workshops during this quarter, including familiarising them with the educational standards and techniques followed globally.
- While the second quarter is not significant from a revenue or contribution to bottom line perspective, it is a time when we prepare and strategize for the next academic session and helps create the framework for optimizing the sources and maximizing the opportunity in hand. In the last quarterly discussions, we mentioned about various new initiatives being taken up by the group to increase its presence in the education content market. Significant progress has been made to that end which I would like to highlight.
- 1) In the early learning segment we had discussed about the content curriculum for the pre-schools. Over the past few weeks our team has had extensive discussions with SIGONG Media for the NURI NORI curriculum products and also test marketed the product with a few schools and students. The pilot was successful and we have now taken approvals from the board to enter into strategic alliance with SIGONG Media for introducing this product to pre-schools and students in India. The pre-school market is a very large opportunity where we believe we can create an impact with our brand equity and distribution reach combined with the content capability of SIGONG Media. SIGONG Media is a specialized digital education enterprise based in South Korea, a market leader in its territory, especially in the pre-school and elementary school segment.
- 2) In the K-12 school segment we had mentioned about introducing virtual reality content or VRX as we call it, with our educational learning material. The VRX product is almost ready and we will be combining it with our books starting with science books for class 9<sup>th</sup> and 10<sup>th</sup>. We've recalled some of our science books from the market to modify the product and include the VRX content in these books, which impacted sales and margins in Q2. These modified books will be

redistributed to the market and the impact negated in the coming quarters. We expect VRX content to help improve learning for students and create a positive impact.

- 3) With regards to regional markets we have come across a couple of investments and acquisition opportunities in South and West India, these are companies providing educational content for state board curriculum schools. Talks are at a preliminary stage and we are yet to reach any formal agreement. As and when we reach a definite stage we will approach the board for necessary approvals. In addition, we also have an opportunity to invest in a content company providing learning materials to international curriculum schools. This too is at an early stage and as and when talks are more conclusive necessary approvals will be taken.
- 4) As a group we are restructuring our holding structure and have taken approval of the board to merge our digital businesses into S Chand. This will create synergy and help us to rationalize costs and allocate resources more efficiently and be more tax efficient. This restructuring and amalgamation exercise is in progress and we target to complete it by June of next year. We believe this will be beneficial for the group and shareholders as a whole.

We are geared up for the upcoming season and look forward to meeting our guidance, would now request my colleague Saurabh Mittal to apprise us on the financial performance of S Chand Q2 and first half of financial year 2017-18.

- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- Good afternoon everyone and thank you for your time. I am Saurabh Mittal, CFO of S Chand. As mentioned by Himanshu, the second quarter is the weakest quarter for the company and has minimal contribution to annual revenues. In the second quarter we reported revenues of Rs. 233 million and EBITDA loss of Rs. 137 million. Our loss after taxation for the quarter is 102 million. This quarter revenue was impacted by around 80 million for certain books which were recalled for distribution, from distributors for modification. These books will be supplemented with VRX content and redistributed in the coming quarters. This impact will be negated in the coming quarters. The first six months of the year we reported revenues of Rs. 572 million against Rs. 484 million, higher by about 18%. Our EBITDA loss for this period is Rs. 205 million as against Rs. 246 million in the first half of the last fiscal. Losses after taxation for this period is Rs. 181 million, an improvement around Rs. 42 million as compared to the last fiscal. As of 30<sup>th</sup> September our gross debt was Rs. 545 million and we have cash-in-cash equivalent of Rs. 685 million. We used the IPO proceeds to deleverage in May of

this year, however the full benefit of savings in interest cost will be visible more in the second half of the year.

- There are some other developments that have happened.
- The credit rating of S Chand has been upgraded by Care Ratings Limited to Care AMinus for long term bank facilities and upgraded to Care A1+ for short term bank facilities. This is also intimated to the Stock Exchanges on 8<sup>th</sup> November.
- We have received approval from the board for restructuring of our digital business and amalgamation of two publishing subsidiaries with S Chand. The scheme proposes to merge Nirja Publishers Printers Private Limited (Nirja) and Blackie & Son (Calcutta) Private Limited (Blackie) both wholly owned subsidiaries of S Chand. Nirja houses our print facilities in Uttarakhand and caters to in-house printing requirements. In addition the smart class business of DS Digital Private Limited and Mylestone, our curriculum business currently housed in Safari Digital Education Initiatives Private Limited will be demerged into S Chand. On completion of this transaction we will have 3 less subsidiaries and our digital business will become part of S Chand And Company Limited on a standalone basis. We expect this merger to be tax efficient in the coming years with one time positive tax impact. It will also help us rationalise cost and contribute positively to the Group margins. The effective date for this restructuring is proposed to be 1<sup>st</sup> April 2017.
- We can now progress with Q&A sessions and we will take up any questions that people will have.
- **Moderator**
- Sir, thank you very much. We will now begin with the question and answer session. Participants who wish to ask questions, may press \* and 1 on their touch tone telephone. If you wish to remove yourself from the question queue, press \*and 2. Participants are requested to use handsets while asking questions. Ladies and gentleman, we will wait for a moment while the question queue assembles.
- We have the first question from the line of Dimple Kotak, from SKS Capital & Research. Please go ahead.
- **Ms. Dimple Kotak – SKS Capital & Research**

- Yeah. Hello sir. Sir, I want to understand first on the amalgamation part that post because digital business is having losses. What kind of savings do we expect on tax rates, on the tax, total tax paid?
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- On the both these business being initial businesses which are in digital segment it will help us rationalise the overall tax rates for the organisation. Currently we are not able to recognise deferred taxes in the digital company and not take benefit of losses that are there in those companies.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Yeah.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- So, once amalgamated we will get a benefit of past losses and also of future losses if any.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Yes sir. Could you just quantify what amount, by what rate your tax would be reduced to what amount?
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- Last year, we had a normally very high rate about 39 to 40%. We expect it to come down to 35-36%.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Okay, post amalgamation.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- Yeah.
- **Ms. Dimple Kotak – SKS Capital & Research**
- And sir, any benefit of margins do you expect from this post amalgamation.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**

- Not really for the publishing business but as you are aware under the new GST any cross charges across organisations, because it is a subsidiary, cross expenses that are paid are chargeable to GST. So, those kinds of expenses would be removed. So, you will have that benefit once we amalgamate.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Okay.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- Plus of course you will have the benefit of about 3 less subsidiaries and lesser compliance for these companies plus administratively the cost of three companies would come down. So that's a benefit for us.
- **Ms. Dimple Kotak – SKS Capital & Research**
- And sir, what is the guidance for the full year?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Guidance for full year in terms of revenues?
- **Ms. Dimple Kotak – SKS Capital & Research**
- Yes, sir, revenue and margins.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- So, revenues we will be, like last year our revenues in FY'17 was 685 crores on a consolidated basis.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Yeah.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- But that didn't account for the full year revenues for the acquisition that we had done for Chayya. So, that difference is around 26-27 crore revenue and was not accounted for, on a full year basis. So, the proforma revenue is around 712-713 crores. And this year we plan to grow organically by around close to 15%.
- **Ms. Dimple Kotak – SKS Capital & Research**



- Okay, sir and sir.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Margins are expected, the EBITDA margins are expected to be in line with previous year at 25%.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- Around 25%.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Okay, sir, okay. Okay, sir, that's all from my side. I believe, sir, just one question, the tax benefit will come from next year because this amalgamation is getting completed in June.
- **Mr. Saurabh Mittal, Chief Financial Officer, S Chand And Company Limited**
- No, as the effective date is 1<sup>st</sup> April, 2017, we are targeting approvals by May-June next year. The tax filing normally happens by next September. So, we hope to get benefits for the current fiscal also.
- **Ms. Dimple Kotak – SKS Capital & Research**
- Okay, sir, okay. Sir, thank you so much.
- **Moderator**
- Thank you. We take the next question from the line of Aditya Bagul from Axis Capital. Please go ahead.
- **Mr. Aditya Bagul – Axis Capital**
- Good afternoon, sir. Thank you for taking my question. First couple of book keeping questions, sir. Can you talk about what would be revenues and EBITDA and PAT for the quarter on a consolidated level?
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Half year, half yearly or this quarter?
- **Mr. Aditya Bagul – Axis Capital**
- This quarter.

- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- This quarter. Wait this quarter.
- **Mr. Aditya Bagul – Axis Capital**
- No, half yearly will also do.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Half yearly, yeah, half yearly we can tell you better. We can give you a broad guidance, of the numbers shared with the board. Our revenues are up by about 30%. The EBITDA is largely flat from last year. EBITDA loss for the first half year is also flat.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Revenue is close to 90 crores.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- And the PAT, the PAT loss is not more than last year. So, I will not be able to give you specific numbers but that the guidance
- **Mr. Aditya Bagul – Axis Capital**
- Okay, sir.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- And the total revenue is 90 crores.
- **Mr. Aditya Bagul – Axis Capital**
- This is including Chayya.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- This includes Chayya.
- **Mr. Aditya Bagul – Axis Capital**
- Okay. Can you, sir, secondly, what is the cumulative loss from the digital subsidiaries, probably if you can tell me as in what is the number as of September?

- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- See, Blackie is not a digital subsidiary, Blackie is a publishing company so it has to be definitely positive. Nirja again, we are into printing and publishing. So, that again is a positive in terms of the two companies that we are publishing. Digital would not be a very larger loss. It would be single digit, exact numbers we can't give you, but it is not very large. Not very large at all.
- **Mr. Aditya Bagul – Axis Capital**
- Sir, last question from my end. Can you talk a little bit about the GST impact both on the royalty and the paper cost, what have you seen in the first half and what do you expect for the full year?
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- So, GST on paper impacted us by additional 1 or 2%, earlier we were getting it about 10 to 12% under VAT, now its 12% and so that's not substantial. Of course the paper cost as general has gone up from last year which is there for everybody in the industry. What is your second question?
- **Mr. Aditya Bagul – Axis Capital**
- On the royalty, sir.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- On the royalty side, there is a partial impact but however we, we have discussed this matter with some of our authors and then there is a process of sharing the costs with the authors so that is something that we have not projected but that is being discussed.
- **Mr. Aditya Bagul – Axis Capital**
- Okay, no worry, sir. Just one last question from my end. If we exclude any acquisition, what could be the organic capex that we would have in this year?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Organic capex would be around what, 30-35 crores.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- 30-35 crores are budgeted for this year.

- **Mr. Aditya Bagul – Axis Capital**
- Okay.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- This includes the content creation in the digital business which is around 15 crores.
- **Mr. Aditya Bagul – Axis Capital**
- Okay. 35 crores out of it 15 crores will be for content creation.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yeah.
- **Mr. Aditya Bagul – Axis Capital**
- Great.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Printing would be about 5-6 crores that's it.
- **Mr. Aditya Bagul – Axis Capital**
- Okay. Thank you. So the cumulative amount would be about 40 crores, 35 crores.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- No, including that.
- **Mr. Aditya Bagul – Axis Capital**
- Okay, great. That's it from my end. Thank you and congratulations.
- **Moderator**
- Thank you. The next question is from the line of Nitin Agarwal from JM Financial. Please go ahead.
- **Mr. Nitin Agarwal – JM Financial**
- Yes, sir. Thank you for giving me the opportunity. Sir, would it be possible to share the Net Sales, EBITDA and PAT for Chayya for the quarter or 1H?

- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Total sales of Chayya. For the half yearly or quarter. Chayya sales would be close to
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- 25 crores.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Yeah, 25 odd crores.
- **Mr. Nitin Agarwal – JM Financial.**
- Okay.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- For the half year.
- **Mr. Nitin Agarwal – JM Financial.**
- This one is for H1, okay, and EBITDA PAT?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- For this we cannot give you a specific number but it is positive.
- **Mr. Nitin Agarwal – JM Financial.**
- Okay. Positive both EBITDA and PAT.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yeah, there is not much in difference between EBITDA and PAT and they don't have a interest cost and very negligible depreciation, only Taxation.
- **Mr. Nitin Agarwal – JM Financial.**
- Okay.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Around 4 Crores EBIDTA

- **Mr. Nitin Agarwal – JM Financial.**
- Thank you very much.
- **Moderator**
- Thank you. Before we take the next question. We would like to remind participants that you may press \* and 1 to join the question queue. The next question is from the line of Sunil Jain from the Nirmal Bang. Please go ahead.
- **Mr. Sunil Jain – Nirmal Bang**
- Hello. Yeah, good afternoon, sir, and thank you for this opportunity. Sir, post this merger, now we have around 45% of revenue in standalone. So, post this merger how much revenue will be there in this standalone?
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- We will add around another 5 to 7%.
- **Mr. Sunil Jain – Nirmal Bang**
- My question is sir, why we are not merging other companies to the main company, right.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- That is one of the discussions that currently is happening but we are discussing how to keep the brand, sub-brands separately. So that discussion would take some time, it is being discussed. Maybe the next phase of we would look at merging all companies with the parent company as well but that will come in the next phase. So first phase is to merge digital companies and maybe the second phase, we will look at merging all the publishing companies as well.
- **Mr. Sunil Jain – Nirmal Bang**
- Okay, do you expect, what was the loss in digital companies in the last year and how do you expect this to be in the current year.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- The total loss in the digital companies in the last year the ones that are consolidated is about approximately I think about 8 crores or something. Give me a minute. We will give you the exact number. Any other question you have?

- **Mr. Sunil Jain – Nirmal Bang**
- Apart from that how is it likely to behave in the coming period?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- So the losses in the digital companies we believe would be there but we believe that losses would reduce and eventually in the next two to three years digital companies will show profits. But because these digital companies require more capital and investments at the early stage. And then it will come to profitability. And the digital companies we also require strategically for the Group in education area because we don't want to be only having our foothold in the print business and have nothing in the digital space. So it is very, very important and critical for us strategically also to get the digital side of business. Saurabh, have you got the number.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yes, the number is Rs. 9.7 crores without any deferred tax credit which we would get, so we expect this year the number to be lower.
- **Mr. Sunil Jain – Nirmal Bang**
- Okay, and sir, our process of business is seasonal so what could be the peak loan which we can expect in the current year.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- The peak loan is limited to the working capital facility that we have which is approximately about Rs. 150 crores but we expect to utilize about 80% of those maybe maximum gross would be about Rs. 120 Crores going into December end-January, that will be kind of the, peak of the raw material, and then onwards of course by March it would be definitely lower, as we would get a large chunk of our collections in the first, and in the last quarter also.
- **Mr. Sunil Jain – Nirmal Bang**
- Right Sir, so by year end it could be even less than Rs.100 crores.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Definitely less than Rs. 100 crores.
- **Mr. Sunil Jain – Nirmal Bang**

- Sir, how much is the revenue from state board right now.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- State board is Chhaya, so Chhaya the full year last year was 102 crores and this year we expect about 125 crores.
- **Mr. Sunil Jain – Nirmal Bang**
- That is the only piece which is related to state board, apart from that there is no state board.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- We do business in state boards through our publishing companies in the schools but those are mostly done in English medium privately run state boards. Chhaya does basically more business at the vernacular level. So at vernacular level that business is done by Chhaya only as of now. But we believe in the future, there are some investments and acquisition opportunities where we will be involved in the vernacular medium state board schools as well.
- **Mr. Sunil Jain – Nirmal Bang**
- Sir, last time you said that the total price increase you might have to take is around 8 to 10%. And apart from that if I see that your total revenue growth of is sort of say 15%. So the volume growth what we were expecting is around 5%.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- So volume growth will be anywhere around the region of 6 to 7% and on a total group level, total school business will have a more higher volume growth, so school business we hope to grow by around 18 to 20% and the higher education business which is only 20% of total business will grow at I would say 8 to 9%. Total average volume growth if you take, because school will be 6 to 7% and the higher education will be more flattish, so average yes, would be 5 to 6% volume growth.
- **Mr. Sunil Jain – Nirmal Bang**
- And all this higher education and all are you able to take this type of price increase.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**



- So price increase in higher education would be around 6-7%.
- **Mr. Sunil Jain – Nirmal Bang**
- And sir, last thing is our business gets built up with the addition of these schools and how much schools you reach. So anything you can track on that way means you can give information that how much more schools you have added in the current six months because we don't have a figure for the consolidated level so there are limited pieces we can track.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- We as of now do not disclose how many schools that we track in the first half year but I can give you a basic understanding that the company believes to grow the business organically and we have planned, we always add more coverage of schools. So this year we will be, like last year we were covering around 40,000 schools and institutions. This year we will add around 8 to 10% more reach in terms of the schools. So approximately I would say 44-45,000 schools we will reach by this year. But the school promotion season normally starts after the second quarter. And now we are in the peak promotion season and the sales season will start in the last quarter from January. So the promotion season will end by December or January and then the sales season will start.
- **Mr. Sunil Jain – Nirmal Bang**
- And sir, last thing you had mentioned something about equity, since something there on the target and all. So how could be the, what we had seen few acquisitions in the last years, so the size could be more of a similar or it can be even bigger than that.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- I would say the size would be similar because we are looking at a couple of acquisitions, but one acquisition that we are looking at in Western India would be a similar price to the last one. And one acquisition that we are talking with the international school's curriculum business that is outside India will be a much smaller acquisition in terms of size. But that will be more important strategic thing for us because we believe the international school business is also growing in India and even internationally. And we do not have any products or any reach in those schools. So while looking at an opportunity of acquisitions here or strategic partnership with the company we believe that we will also have an opportunity with international schools.

- **Mr. Sunil Jain – Nirmal Bang**
- Thank you, all the best.
- **Moderator**
- Thank you very much. The next question is from the line Manish Poddar from Renaissance Investments. Please go ahead.
- **Mr. Manish Poddar – Renaissance Investments**
- Hi, can you just highlight what is that the increase in the loans, you know, loans and financial assets from Rs.15 crores to Rs. 115 crores.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- So on a standalone basis what you are looking at is the loans that are given to our subsidiaries to repay loans to banks which were as part of our prospectus we had outlined that we would give loans to subsidiaries so that they could repay loans to banks out of which 50 crores has been given to Eurasia Publishing for repayment of Axis finance , which was the loan taken for the Chhaya transaction and another 46 crores to Vikas Publishing for their term loans as part of the objects of the issue. And of course, around 3 crores to New Saraswati for payment of loans again taken for the acquisitions. So total subsidiaries we have given Rs. 100 crores for repayment of debt. So once you consolidate of course that will not look in that.
- **Mr. Manish Poddar – Renaissance Investments**
- Could you just detail what is the strategic alliance which we are looking with the South Korean entity?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Can you repeat?
- **Mr. Manish Poddar – Renaissance Investments**
- Just detail what is the strategic alliance with PDM, so is there any equity investment and what is the plan with this entity.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- I am not able to hear, with regard to?

- **Mr. Manish Poddar – Renaissance Investments**
- Yes, I am just trying to understand could you detail what is the strategic alliance with PDM which we have done and would it entail any equity investment for us.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- It entails an initial equity investment of about Rs. 1.5 crores towards the initial first set up in 50 odd pre-schools and of course there is no equity investment from their side. We are taking a licence from SIGONG Media for their content. There is no minimum guarantees to that.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- And a 10 year contract.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- And a 10 years agreement with the 5 years look-in period to that, that's the broad contours of the discussion.
- **Mr. Manish Poddar – Renaissance Investments**
- Okay, and the revenue model is finally per school basis or per student basis, how is that?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Basically the business is, it is basically pre-school business where we approach the non-branded the unorganized sector. So, there are around 80% schools as per our reports that are non-branded, which are not under any brand like Kidzee or you know, Shemrock you know, all these schools. And we believe that these schools are mainly like mom and pops shop schools which are normally run by housewives in their homes, which is having two classrooms, three classrooms, having 40-50 kids. So, basically we have come to a revenue model which is a per student model. So, we will charge for per student. We have not finalised it but it will be between the range of anything from 300 to 400 rupees per student per month. And there will be different products offering that we will be giving with this. So, the child will not only get digital but he will get activities, he will get books. The teacher will get teacher training, assessments, apps for the parents and the schools to use apps. There will be 7 or 8 different offerings that will come with this product.

- **Mr. Manish Poddar – Renaissance Investments**
- Okay, fine. Thank you.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Thank you.
- **Moderator**
- Thank you. The next question from the line of Nishna Biyani from Prabhudas Lilladher. Please go ahead.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Thank you, sir. I, sir just wanted to understand two things. And is the working capital you know half yearly it is the first time we are seeing a half yearly working capital cycle. So, is this the normal state, you know, every half year, is this the normal state of working capital requirement?
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yeah, Nishna, so this working capital at the moment is a bit stretched but will get better at the end of March. Our receivables has been reduced about 60% both at the standalone at the group level. Channel liquidity was a bit slow in Q2 but things have improved in October-November with collections coming in and inventory level fortunately are at the same level last year and considering that we had higher last year in terms of number of days, the inventory has actually come down. So, that is a real positive for us.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- The end of year, you know, the target which you had, you know highlighted during your IPO rounds is that you know, the end of year 15-20 days, you know working capital looking down, is that the right direction.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yes, that is the right direction because we have taken a few steps towards that in terms of the way that we are looking at bringing more money in the Q3 and there are certain policy changes internally. And looking at our creditors and the period which has been extended a bit this next year. So, net working capital will be lower by should be lower by about 15 days.

- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Thanks. And, you know, one more question I had, you know, in the opening remarks, you know, Himanshuji, you know, have mentioned that you are looking at the pre-school market in a very big way over the next two, three years. So, what is the opportunity and what are the offerings, you know, which S Chand is looking at that market?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- So for the market industry size there is no conclusive report how many schools are there. But estimated numbers that we know around 75 to 80,000 pre-schools are currently there which are growing at anything between 15 to 20% in terms of students, student strength every year. And we believe that is a very big opportunity where there are around 30 million to 40 million students currently going to the pre-school business. And our target is that we need to look at the market opportunity of having around 1 million students that we want to reach in next 4 to 5 years in the pre-school business. And if we reach 1 million students that will give us a big opportunity in that space. And because we want to be more of a curriculum partner and academic partner to the pre-schools. And specially the non-branded schools in the market.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- So, here you know what I understand is that you are looking at franchisee kind of partner, and you are not going to invest, you know, in terms of any school set up or you know, not much investments needed from S Chand's side.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yeah, we will not be looking at any franchisee business, we will not be looking at opening any new pre-schools. What we will be doing is we will become the academic partner or curriculum partner or learning partner or whatever you want to call us with these pre-schools. And the pre-schools will be running independently as they were. But we will be helping them and supporting them with the content, service and training related activities and in that we will charging on the per student basis. We have similar business that we do with K12 schools, we will be doing with the pre-schools, curriculum management basically.
- **Mr. Nishna Biyani – Prabhudas Lilladher**

- Sir, normally you know, when you look at this particular segment which is the pre-school, you know, it normally happens say in Feb kind of say enrolment starts, right.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Correct.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- So, this year do you expect some contribution from this segment or FY'19 is the, you know.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- FY'18, we are not looking at any contribution currently. We will be launching the product only in the market in first quarter of FY'19. And FY'19, we are looking at some revenues. But we don't expect too huge revenue contribution here. But we believe next two to three, next three years this business will be looking at some decent contribution to us. And we will be opening up a new opportunity with the pre-school market. Because right now as per our market survey there is no concrete player which is providing them with all the curriculum and the learning solutions to the pre-schools. So, they are only getting their own, making their own content or buying books from somebody and they don't have any teacher training program. They don't have any activity based learning for kids. So, all those we will be giving to them and we have tested it right now in NCR Pilot schools. And we are getting good response from there. So, that is why we feel quite, you know, excited about this whole thing.
- **Mr. Nishna Biyani – Prabhudas Lilladher**
- Thank you.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Thank you.
- **Moderator**
- Thank you. Before we take our next question a remainder to our participants, that you may press star \* 1, to join the question queue. We have the next question from the line of Sunil Kothari from Unique Investment Consultancy. Please go ahead.

- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Yeah, thank you very much, sir. Sir, I joined late, sir, can you explain the reason of the revenue de-growth.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Revenue?
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Degrowth.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- See, in quarter 2 the revenue you have seen de-growth is Q2 is the lowest quarter for us normally. During the quarter we don't have any sales in the K12 segment. The academic session for the CBSE and the ICSE is already in progress. Secondly, we receive returns from schools and distributors during this quarter for which we provision at the time of sale. Thirdly, during the quarter this time we have recalled some books from the market which we intend to supplement with our virtual reality content and a question bank. These books will be re-circulated to the market in the coming quarter and then that will nullify the negative effect for the full year basis. The impact of this on the revenue for this quarter is around Rs. 80 million. The business contribution during this quarter is marginal. The revenue for the segment are at par with the corresponding period of last fiscal. Specifically on the test preparation segment sales depend on the examination calendar as well. Several governments where exams are scheduled in the next few months and we expect the sales to pick up in the second half of the year.
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Sir, my second question is you just now have given some numbers per student per month revenue is Rs. 300 to 400, right.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Correct. That is for the pre-school business.
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Right, okay. And overall if you can give some numbers, total combined.

- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- For the group level revenue that has happened in the first half of the year is close to Rs. 90 crore and which is the growth of close to 30% year on year versus H1, FY'17 and that has been also possibly impacted by the acquisition of Chayya. The revenue was around close to 25 crores of Chayya in the first half of the year.
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Sir, my question is more related to during last 2-3 year or maybe over the next 2-3 years, what is the change you are trying to do per student content improvement. That means content for per student whatever we were distributing or supplying to them or now onwards what we want to. Is there major shift can we do or are we planning to do?
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- No, there is no major shift, the per student which I was telling you about, the thing was about the pre-school business. That is still in the pilot stage that still has not been launched. But our publishing business, our printing business does not have revenue of per student basis. That revenue is for the per book basis, how many students will buy the books. Books are bought on two basis, one is on the adoption strategy with the school. Second, is over the counter books that are sold through the bookstores and retailers all over the country. And these two strategies the books are sold on a per book basis, not on a per student basis.
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- And, sir, any change in outlook for current and next year whatever you have given during the first con-call.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- So we believe that the projections that we have given earlier this year is regarding our revenues and margins and EBITDA and PAT. We are maintaining those numbers as well going forward. And we are hopeful that the coming sales season that is starting in January should give us the main I think by mid, I would say late January or mid-February we will be able to estimate better on how we are trending. But we are hoping that we will be able to achieve our guidance.
- **Mr. Sunil Kothari – Unique Investment Consultancy**



- Great, and the last question is when should we expect consolidated numbers quarterly basis.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- By next year, Saurabh.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Since we have already informed the Stock Exchanges this year that we would be doing standalone, so this year of course we cannot make a change. However, as per our policy for Q1 2019 we will start giving consolidated quarterly numbers. This year of course, we did have a challenge of Ind AS implementation of group companies plus listing in the first quarter. So we will have sufficient bandwidth to give quarterly consolidated numbers from the first quarter of the next fiscal.
- **Mr. Sunil Kothari – Unique Investment Consultancy**
- Thank you very much.
- **Moderator**
- Thank you. Before we take the next question a reminder once again to the participants, that you may press \* and 1 to join the question queue. Next we have a follow up question from the line of Aditya Bagul from Axis Capitals. Please go ahead.
- **Mr. Aditya Bagul – Axis Capitals**
- Thank you for taking my question. Just two small questions, one, I know that Saurabh had highlighted a bit on this, but can you highlight a little more on what we are doing to reduce our working capital both on the inventory and on printing assets and debtors.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- So, on the inventory side if you see we are already on track, our inventories are relatively the same as of last year by the end of the H1. We also are looking at reducing the number of SKUs which are not performing and doing away with the tail list which is of course, not contributing to margins. So that's the first strategy we are looking at.
- In terms of the receivables, we are relooking at some of our schemes that we have in the first quarter. Unfortunately we will not be able to specify that on the

call but we have looked at a couple of schemes which would help us bring in collections in the first quarter. And apart from that on the payable side we have also spoken, we also agree with most of our vendors considering they are seasonal vendors, we would be paying them over a period of 180 days because we procure in September to December we collect only in March, April and July so we are looking at extending that facility with our suppliers and the paper suppliers have fortunately agreed to that period, so that will help us reduce the networking capital by 31<sup>st</sup> March.

- **Mr. Aditya Bagul – Axis Capitals**

- Secondly, on the printing assets if I remember correctly, Chhaya had the entire printing outsourced. With the consolidation of Chhaya into our business do you think that we will be in a position to spread those assets better and there would be some positive on the Chhaya margin going forward?

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

- So we have already made the printing plan with Chhaya and this year, last year we started the printing from financial year because we acquired the company in December so last year we didn't print much last year. But this year we plan to print around 50 to 60% of their total printing requirement internally. And by next year we believe we will be able to consolidate most of their printing requirements internally. Even for internally that S Chand Group we do around 75% to 80% printing internally this year. So we believe we will be able to spread the assets better. But sometimes what happens is because of the seasonality of the businesses as such that we will not be able to 100% of the printing because some books clash with our season also. But products which do not clash with our season that we can definitely print.

- **Mr. Aditya Bagul – Axis Capitals**

- Sure, that's quite helpful. Just one last thing if I am not mistaken, Saurabh you mentioned that the gross debt as it stands today is about 120 crores, am I right?

- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**

- Gross debt as on today, yeah it should be mostly around that.

- **Mr. Aditya Bagul – Axis Capitals**

- This is on a standalone level or consolidated?

- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Consolidated.
- **Mr. Aditya Bagul – Axis Capitals**
- Net basis is less?
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- On a standalone basis it is about how much...
- **Mr. Aditya Bagul – Axis Capitals**
- 60 crores is net....
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- On a standalone basis it is about 61.
- **Mr. Aditya Bagul – Axis Capitals**
- Right, so what I was trying to get at is our plan to be net cash positive by the end of the year still remains more or less.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yeah, as long as we don't deploy the funds that we have....
- **Mr. Aditya Bagul – Axis Capitals**
- Sir, thank you and best of luck.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Thanks.
- **Moderator**
- Thank you. The next question is from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead. Mr. Pandya you may go ahead with your question, your line is on talk mode.
- **Mr. Keyur Pandya - Prahudas Lilladher**

- So, on the inorganic front, we are looking for opportunities south and west, and in international curriculum, so can you throw some more light, I mean, you identified something especial on the international front what can be the arrangement, I mean.

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

- So, basically we have identified the opportunities already and we are in talks with a couple of them at a, I would say at advanced level and we believe that one of the opportunities we should be able to close before the end of the financial year. And these opportunities, international school opportunities right now are small in terms of the revenue contribution. It may be around close to 10-12 crores only in Indian revenue but the advantage is the person who has got this publishing company outside India has got good products. And it is endorsed by the curriculum abroad and we believe that we can take this company to the next level through the help of sales and marketing network that we have in India. Plus we are going to expand the sales network abroad as well. That will help us getting into international schools. And western opportunity basically we feel is a good opportunity because the state run, state board business, regional business is something very similar to Chhaya business that we have in the east. And that will help us getting inroads in the western markets especially the Maharashtra markets.

- **Mr. Keyur Pandya - Prabhudas Lilladher**

- Thank you, sir.

- **Moderator**

- Thank you. The next question is from the line of Manish Poddar from Renaissance Investments, please go ahead.

- **Mr. Manish Poddar – Renaissance Investments**

- Sir, just one clarification. Even I add this 8 odd crore revenue loss which we have had, this 1H the revenue growth is about 25% on standalone basis and on consolidated basis you are saying about 30%, so why we are guiding from let's say only 15% organic growth, sir.

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

- Because the revenues in the second and first quarter are not very significant. The total revenue in 1H last year was 16% of the total revenue, and the total including

the Q3 as well, the three quarter revenue of the total business is around 20%. So we believe the major revenue will come that is 80% will come at the last quarter and we believe organically the company will be able to manage comfortably only 15%, higher growth projections we don't believe that we want to give, that will be what our targets will be.

- **Mr. Manish Poddar – Renaissance Investments**

- Are we being conservative on that, that is the only thing, right.

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

- I think that...

- **Mr. Manish Poddar – Renaissance Investments**

- Do you have visibility at least on Q4 revenues as of now, any visibility on that front?

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

- Very difficult to say because Q4 revenues will only start from the January, so they have not started till now. So I think we will be able to have more clarity on the revenue front at end of January or early February. So when we probably do a third quarter call that we will be planning to do in mid-February, I think that time we will be able to guide our investors much better.

- **Mr. Manish Poddar – Renaissance Investments**

- In terms of this, this is a conservative number, if I get that right.

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

- This would be more of a realistic number.

- **Mr. Manish Poddar – Renaissance Investments**

- Okay, thanks.

- **Moderator**

- Thank you, next we have a follow up question from the line of Keyur Pandya from Prabhudas Lilladher. Please go ahead.

- **Mr. Keyur Pandya – Prabhudas Lilladher**

- As you mentioned you cannot tell exact numbers, consolidated numbers, but can you just tell the growth both in revenue EBITDA and PAT, I mean all the three, you mentioned Rs. 90 crores of revenue, 30% year on year, but sir, can you repeat the EBITDA and PAT growth if any.
- **Mr. Saurabh Mittal - Chief Financial Officer, S Chand And Company Limited**
- Yes, EBITDA is about almost the same level with the previous year the loss, and the PAT loss is lower by about a couple of percentage points.
- **Mr. Keyur Pandya – Prabhudas Lilladher**
- Okay, no problem, thank you, sir, that's it.
- **Moderator**
- Thank you very much. That was the last question in the queue. As there are no further questions I would like to hand the conference back to the management for any closing comments.
- **Mr. Himanshu Gupta – Managing Director, S Chand And Company Limited**
- Thank you for asking us these questions and we will be happy to answer any more, if you have please send us an email and we will be happy to answer to that, and thank you so much for your time, very good afternoon again, and thank you and take care.
- **Moderator**
- Thank you very much. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference, thank you for joining us, ladies and gentlemen. You may now disconnect your lines, thank you.