



S CHAND AND COMPANY LIMITED
Q3 & 9M Results Update
February 2017

empowering
YOUNG MINDS



Q3 & 9M FY18 RESULTS UPDATE

INDUSTRY OVERVIEW

COMPANY OVERVIEW

APPENDIX



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**Q3 & 9M FY18
RESULTS UPDATE**

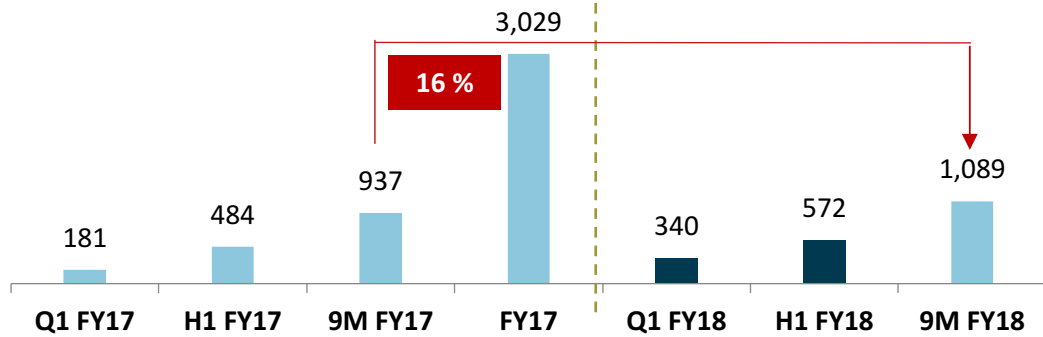


Q3 & 9M FY18 Results Update: Key Highlights *

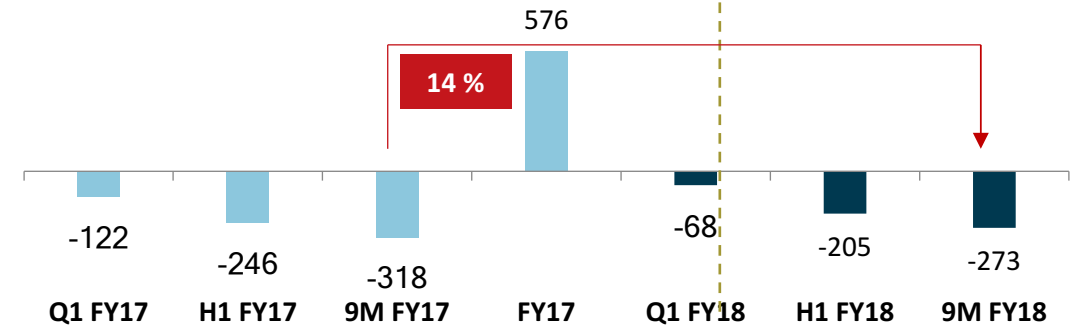
* Standalone Financials

In Rs Mn

Revenues

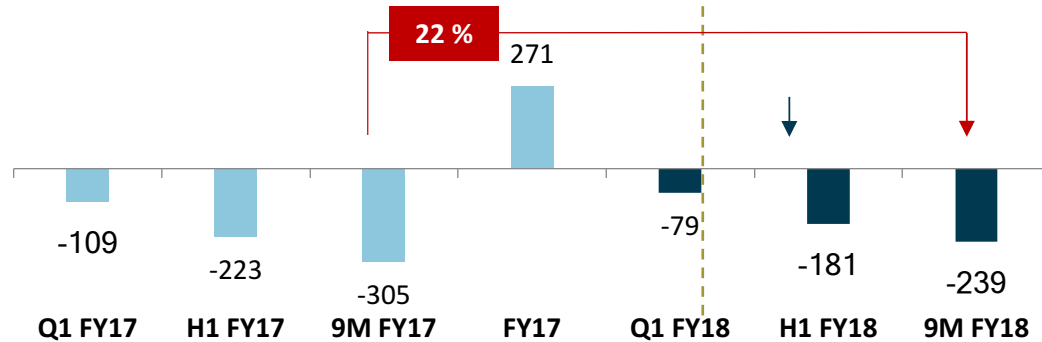


EBITDA



S Chand standalone revenues constitute around 45 % of group revenues

PAT



Ebitda / Profit After Tax for Q1, H1 and 9M period is negative due to seasonal nature of business (Q4 contributes ~ 80% annual revenues) and incidence of large proportion of costs on a monthly basis.

Q3 & 9M FY18 Results Update: Profit & Loss Statement *

* Standalone Financials

| S Chand and Company Ltd Particulars (Rs Mn) | Standalone | | | |
|--|--------------|-------------|------------|-------------|
| | 9M FY18 | 9M FY17 | Q3 FY18 | Q3 FY17 |
| Revenue from operations | 928 | 868 | 461 | 430 |
| Other income | 161 | 69 | 56 | 24 |
| Total Income | 1,089 | 937 | 517 | 453 |
| Material consumed, net of change in inventory | 477 | 437 | 268 | 211 |
| Publication expenses | 126 | 120 | 50 | 69 |
| Selling and distribution expenses | 154 | 133 | 61 | 45 |
| Employee benefit expenses | 387 | 335 | 133 | 117 |
| Other expenses | 219 | 230 | 73 | 84 |
| EBITDA | -273 | -318 | -68 | -73 |
| Depreciation and amortization | 25 | 50 | 8 | 22 |
| Finance costs | 74 | 91 | 16 | 43 |
| Profit before taxation | -372 | -460 | -92 | -138 |
| Tax expenses | -133 | -155 | -35 | -56 |
| Profit after taxation | -239 | -305 | -58 | -82 |
| Total comprehensive income for the period/year | -236 | -305 | -56 | -83 |
| Earnings per equity share (INR) (for continuing operations) | | | | |
| Basic | -6.98 | -10.21 | -1.63 | -2.74 |
| Diluted | -6.98 | -10.21 | -1.63 | -2.74 |

Q3 & 9M FY18 Results Update: Key Highlights *

* Standalone Financials

In Rs Mn

| Revenue Breakup – Segment wise | 9M FY18 | 9M FY17 |
|--|------------|------------|
| K-12 @ | 38 | 46 |
| Higher Education | 891 | 822 |
| Test Preparation | 496 | 455 |
| College and University/ Technical and Professional | 395 | 367 |
| Total Revenues from Operations | 928 | 868 |

| Revenue Share % - Segment wise | 9M FY18 | 9M FY17 |
|--|------------|------------|
| K-12 | 4% | 5% |
| Higher Education | 96% | 95% |
| Test Preparation | 53% | 52% |
| College and University/ Technical and Professional | 43% | 43% |

@ K-12 segment:

- K-12 sales cycle peaks in Q4 and tapers off in Q1 when new academic session begins in central curriculum (CBSE, ICSE) schools.
- K-12 business contributes to around 80% of group revenues on an annualized basis.

@ HE segment:

- Sales cycle commences in Q3, contributes to significant proportion of company revenues for the quarter.
- 8.4% revenue growth YOY for the nine month period ended 31.12..2017.

Q3 & 9M FY18 Results Update: Key Highlights

- I. Nine month revenues at Rs 1,089 Mn, higher by 16.2% YOY.**
 - 9M is a low revenue period for S Chand, contributed ~ 31% of annual revenues in FY17.
 - Bulk of sales registered in Q3 pertain to the HE segment.
 - Increase in other income has positively contributed to revenue growth for the period.
 - S Chand standalone revenues constitute around 45% of group revenues.

- II. Standalone EBITDA Loss at Rs 273 Mn vs Loss of Rs 318 Mn in H1 FY17.**
 - First three quarters of the financial year is negative EBITDA due to seasonal nature of business. (historical trend).
 - Benefit of revised product pricing will be visible in Q4.

- III. Standalone Net Loss (after taxes) at Rs 239 Mn vs Loss of Rs 305 Mn in H1 FY17.**
 - Lower depreciation and lower finance costs have reduced loss by Rs 42 Mn.

- IV. Equity funds of Rs 3,250 Mn raised in Q1 (IPO proceeds).**
 - Rs 2,550 Mn utilized to deleverage and reduce interest cost.
 - Rs 185 Mn towards general corporate purpose remains unutilized as on 31.12.2017.



Q3 & 9M FY18 Results Update: Business Updates

K-12 Segment

- ✓ Signed over 120 schools (including repeat customers) to implement curriculum product Mylestone in forthcoming academic session. Target over 150 schools by end of year. (vis-à-vis 68 schools signed last year).
- ✓ Chhaya K-12 sales season commenced in December, growth ~ 16% YOY as on 31.12.2017.

Strategic Alliance with PDM Inc. (Affiliate of Sigong Media, South Korea)

- ✓ Foray into comprehensive curriculum market for Early Learning segment (pre-schools) in India.
- ✓ Formalized arrangement with Sigong Media, target launch before 2019 academic session.

Inorganic Opportunities

- ✓ In active discussion with leading content publishers in regional markets of West India and South India for joint venture/ acquisition.
- ✓ Expansion in these regional markets will help S Chand reduce excessive dependence on Q4 and improve print assets utilization.

Restructuring

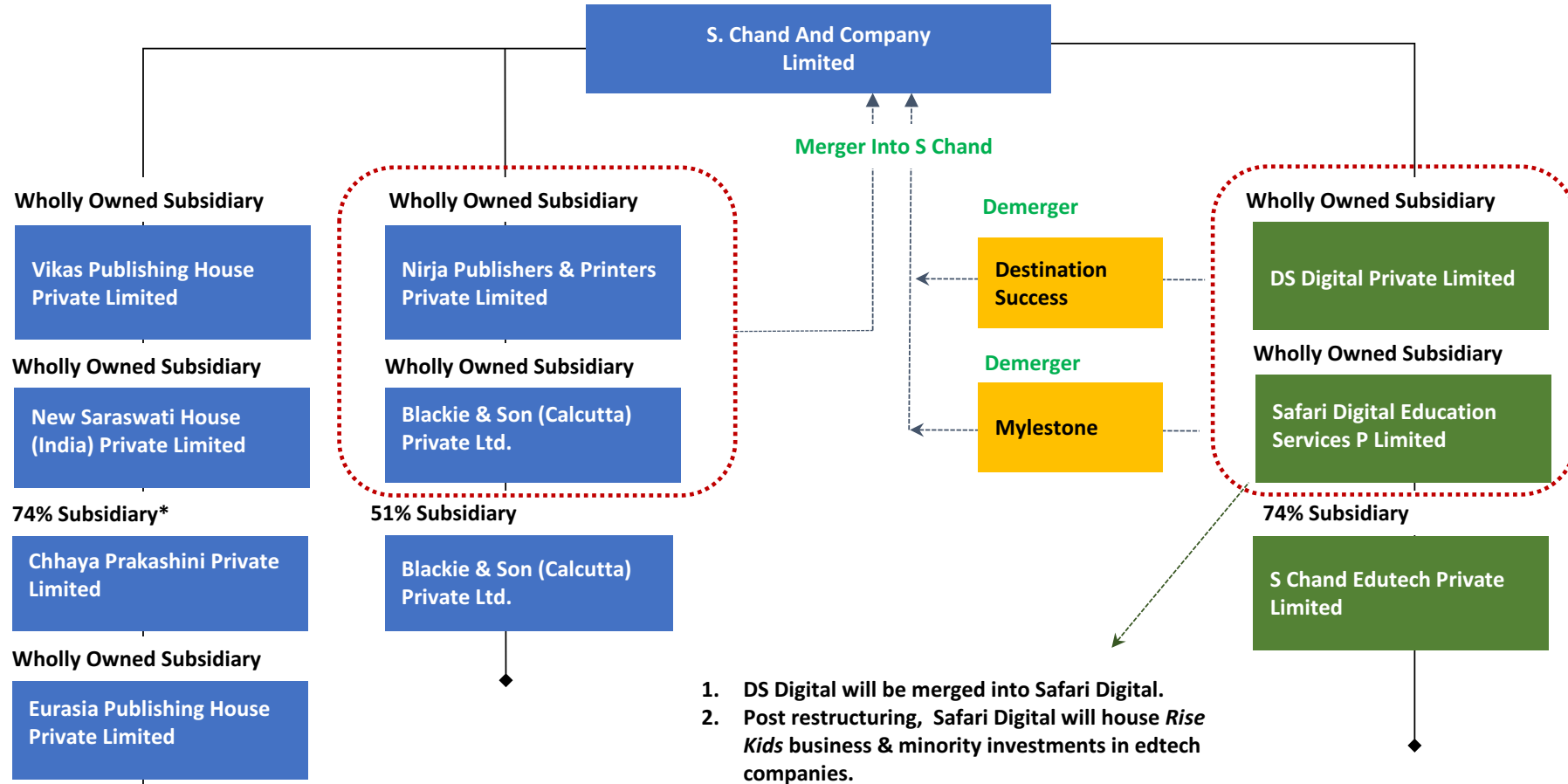
- ✓ Scheme of Arrangement (restructuring) as approved in last board meeting under implementation.
- ✓ Management has filed necessary documentation with relevant authorities including stock exchanges for necessary approval.

Budget 2018

- ✓ Group to benefit from reduced corporate taxation as two key subsidiaries meet the sub-250 Crores turnover criteria.

Q3 & 9M FY18 Results Update: Business Updates – Proposed Restructuring

Content
Digital Content / Services



* Agreement to purchase remaining 26% , price linked to reported EBITDA of FY18.

Reference to Chhaya Prakashani Private Limited includes its wholly owned subsidiaries IPPPL and PSPL.

S Chand has minority ownership in 5 edtech companies. These have been excluded from the above structure.

Utilization of IPO Proceeds

| Particulars | Amount Rs Mn | Utilized till December 2017 Rs Mn | Remarks |
|---|-----------------|---|---|
| Gross proceeds from IPO : Fresh Issue | 3,250 | | |
| Objects | | | |
| Repayment of loan availed by S Chand utilized towards funding acquisition of Chhaya | 1,000 | 1,000 | |
| Repayment of loan availed by Eurasia Publishing House Private Limited (wholly owned subsidiary of S Chand) utilized towards funding acquisition of Chhaya | 504 | 504 | |
| Repayment of loans availed by S Chand | 550 | 550 | |
| Repayment of loans availed by subsidiaries of S Chand | 496 | 496 | |
| General Corporate Purposes | 491 | 306 | Rs 185 Mn unutilized temporarily parked in fixed deposit with banks |
| Share issue expenses | 209 | 209 | |
| Total | 3,250 | 3,065 | |

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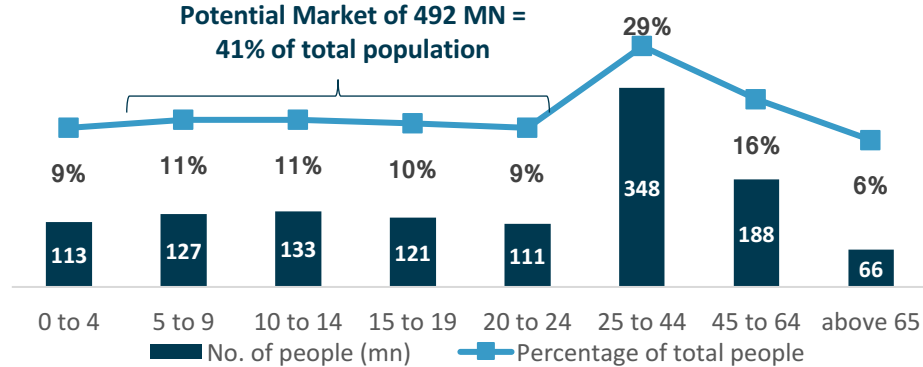
INDUSTRY OVERVIEW



Indian Education Sector : Inflection Point + Strong Potential

Age-wise population distribution in India : S Chand target market.

(Source: IBEF Report)



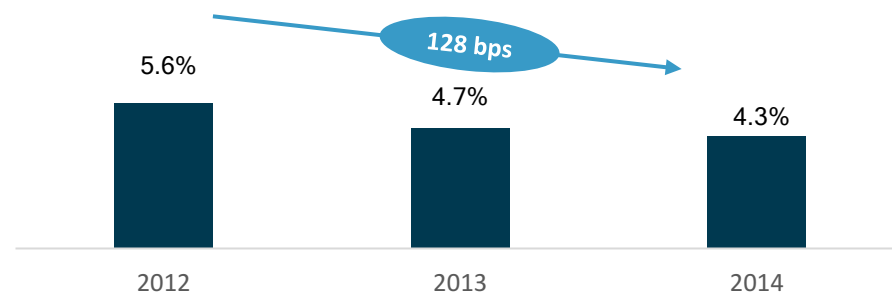
Literacy rate improving with higher participation from students.

(Source: Technopak's Outlook on India Schooling Segment)

| Level of Education | Estimated Population | | | |
|----------------------------------|----------------------|-------------|-------------|-------------|
| | % 2017 (MN) | % 2022 (MN) | % 2017 (MN) | % 2022 (MN) |
| Illiterate | 20% | 269 | 18% | 250 |
| Literate but no formal schooling | 2% | 27 | 1% | 14 |
| School - Up to 5th standard | 35% | 471 | 36% | 501 |
| School - Up to 10th standard | 18% | 242 | 18% | 250 |
| School - Up to 12th standard | 11% | 148 | 11% | 153 |
| Some college but not graduate | 5% | 67 | 5% | 70 |
| Graduate | 6% | 81 | 7% | 97 |
| Postgraduate | 3% | 40 | 4% | 56 |
| Literate | 80% | 1076 | 82% | 1141 |
| Total | 100% | 1345 | 100% | 1391 |

Decrease in drop-out rates for primary education in India.

(Source: Nielsen Report)



S Chand well positioned to benefit from sector tailwinds.

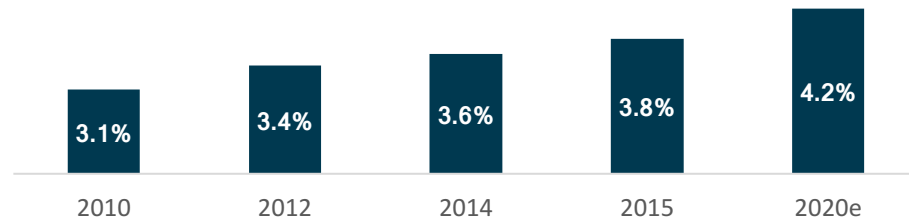
- ❖ Gross enrolment ratio and students completing primary & secondary education gradually improving in India.
- ❖ Falling dropout rates and increased girls participation led to improvement in literacy rate.
- ❖ Government promoting education through various schemes with budgetary support.

Increasing Household Expenditure On Education

Investment in India's Education Sector.

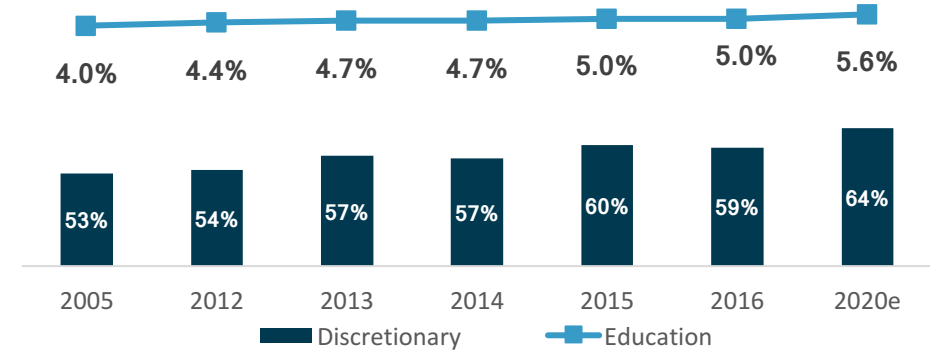
(Source: IBEF Report)

As a percentage of GDP



Higher share of education in discretionary spend.

(Source: Technopak Research Report)

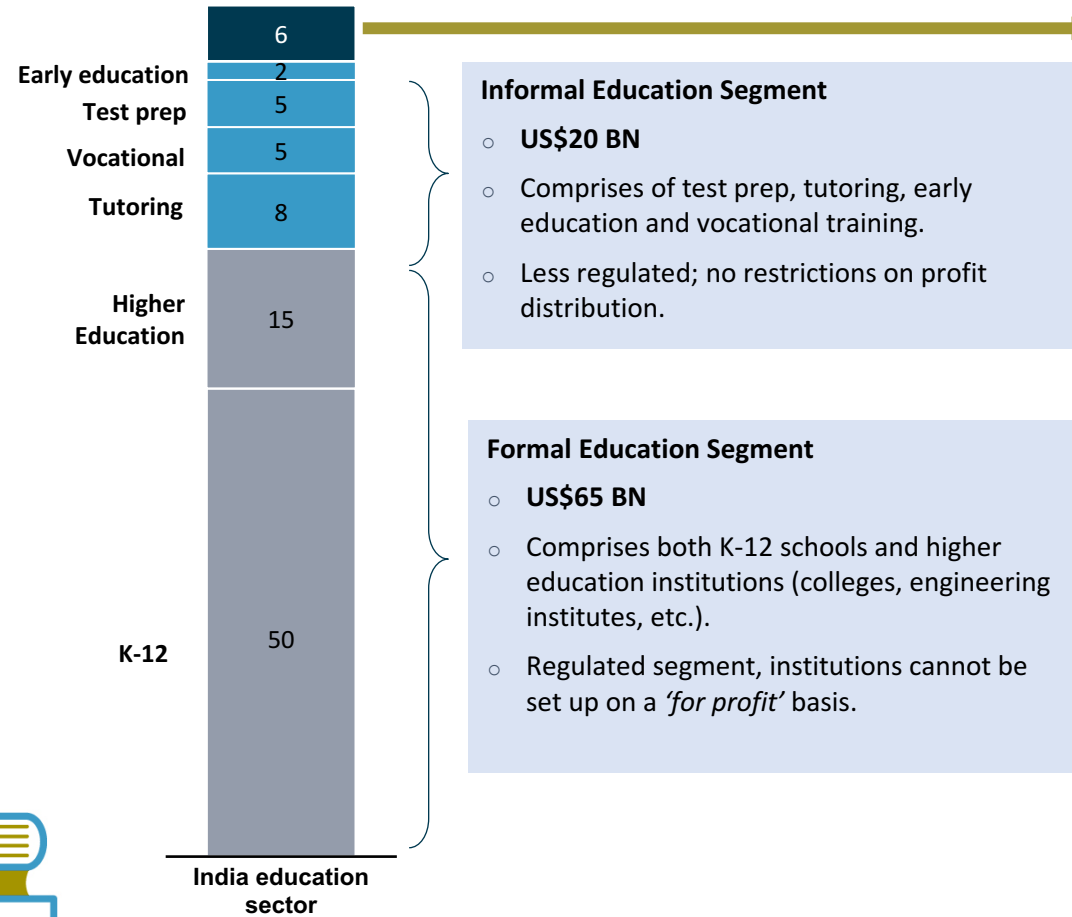


Education sector poised for sustainable growth for the long term.

- Education and related expenses gradually increasing with rising affluence and discretionary spend. Books and stationery constitute a small % of education spend.
- Allocation towards education @ 5.6 % of discretionary spend is amongst lowest in the world.
- Average price of education books in India significantly lower at around US\$ 3 vis-à-vis emerging economies.
- Inelastic demand for education content.

Large Addressable Opportunity

US\$90 Bn Market Size for the Indian Education Sector

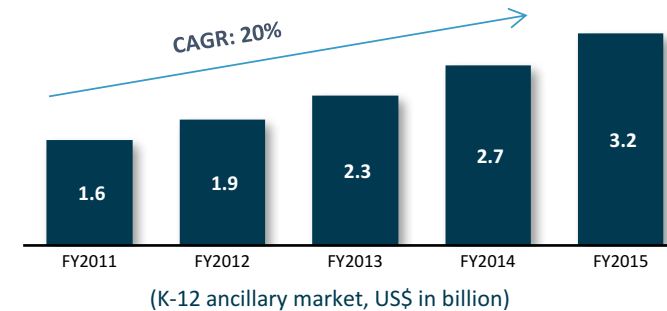


(Source: Technopak Research Report. Technopak Outlook on India's Schooling Segment June 2017. Nielsen: India Book Market Report 2015)

US\$6 BN Ancillary Education Segment

S Chand operates in this segment (K-12/ Higher Education content).

- **Supports formal and informal education segments.**
 - Comprises of content, digital content & services like curriculum management.
 - Mostly caters to K-12 & higher education institutions.
- **Less regulated; no restrictions on profit distribution.**
- **K-12 ancillary market is fast growing with ~20% CAGR during 2011-15.**

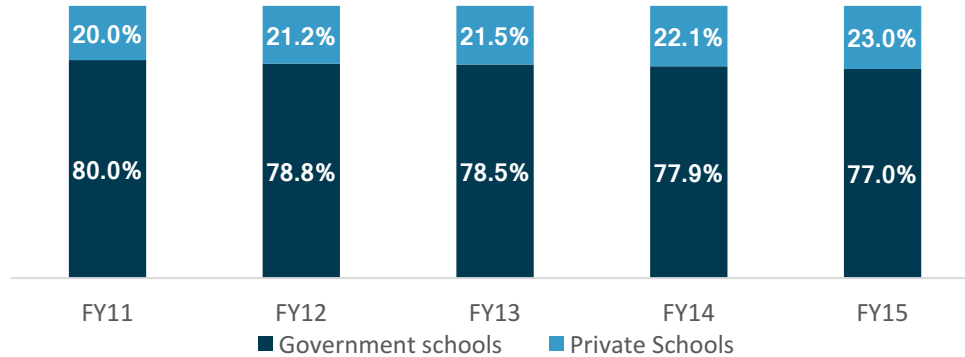


- **Robust growth drivers.**
 - Eligible K-12 population of about 296 MN students in age group 6 to 17 years.
 - Private unaided schools increased at average rate of 10.4% during 2011-15.
 - India has largest education system in the world with over 750 Universities & 35,000 colleges.
- **Highly fragmented segment providing room for growth.**

Preference Shifting Towards Private & Central Curriculum Schools

Private schools market share increasing every year

(Source: IBEF Report)



Indian K-12 education infrastructure

(Source: Technopak's Outlook on India's Schooling Segment)

| | |
|---|-----------------|
| Number of Schools: 1.5 MN | |
| Government: 1.1 MN | Private: 0.4 MN |
| Number of Students: 260 MN | |
| Government: 150 MN | Private: 110 MN |
| No. of Teachers: 9 MN | |
| Government: 5 MN | Private: 4 MN |
| Annual Intake: 18 MN | |
| Government: 10 MN | Private: 8 MN |
| Additional Capacity Required: 36 MN | |
| Additional Requirement of Teachers: 2 MN | |
| Additional Resources: USD 55 BN | |

CBSE & ICSE increasing faster amongst affiliated board schools

| Board | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 | 2015-16 | 2016-17 | CAGR |
|--------------|------------------|------------------|------------------|------------------|------------------|-----------|-----------|-----------|
| CBSE | 11,349 | 12,337 | 13,898 | 14,778 | 15,933 | 17,474 | 19,446 | 9.4% |
| ICSE | 1,461 | 1,565 | 1,678 | 1,798 | 1,927 | 2,181 | 2,295 | 7.8% |
| State Boards | 13,16,401 | 13,63,862 | 14,47,487 | 14,65,871 | 14,60,455 | NA | NA | NA |
| Total | 13,29,211 | 13,77,764 | 14,63,063 | 14,63,447 | 14,78,315 | NA | NA | NA |

(Source : Nielsen Research Report, School Board reports, DISE)

Preference towards private schools continue to rise

- Student share of private schools increasing consistently despite subsidised fees and free meals/ books in government schools.
- Government schools losing favour even amongst the rural and not so affluent population.
- CBSE and ICSE schools are preferred for their superior curriculum and better pedagogy.
- S Chand is a key beneficiary of increasing number of CBSE and ICSE schools, being the leading content provider to such schools amongst the private publishers.

COMPANY OVERVIEW



Leading Indian Education Content Company

Delivering content, services and solutions...

...across the education continuum

- Offerings spanning entire the education spectrum
 - Early learning
 - K-12
 - Higher education



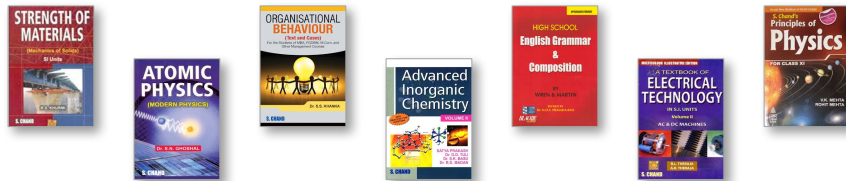
...with Pan India reach

- Pan-India sales and distribution network driving deep market reach.
- Presence in Central (CBSE, ICSE) and State Board affiliated schools across India.

- Long operating history of over seven decades.
- High brand equity across multiple brands.
- Strong author relationships.
- Keeping pace with time - transition from print into digital content and services.

| | | |
|---|--|---|
| 75+ Years of operating history ⁽¹⁾ | 9,500+ Active book titles ⁽²⁾ | 48 MN Books sold in FY2017 ⁽⁴⁾ |
| ~ 2,400 Author relationships ⁽³⁾ | 31% Revenue CAGR FY2012-17 | 55 TPD Print Capacity in number of sheets |

Strong content, multiple best-sellers.



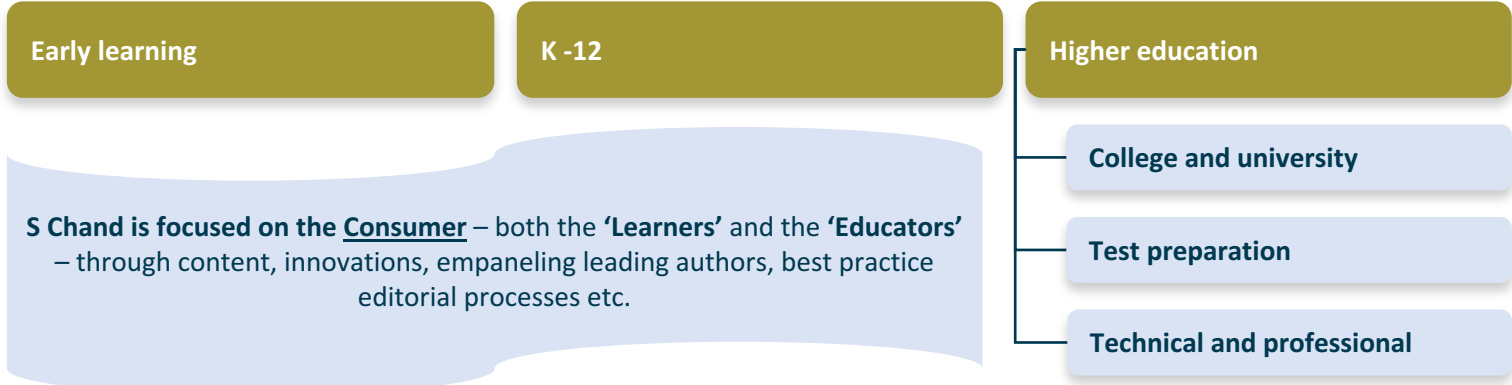
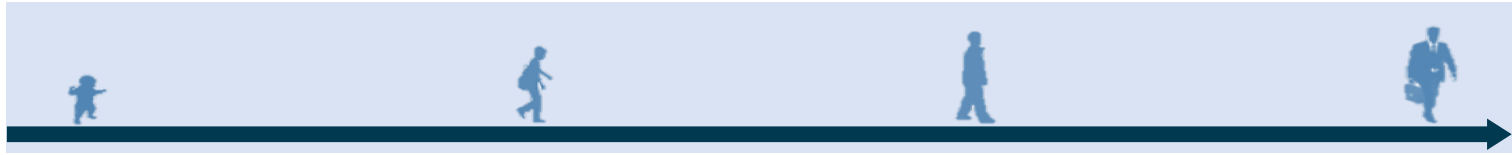
Portfolio of brands focused on print / digital content.



(1) S. Chand & Co. has been in operation since 1939 which was later taken over by S. Chand & Company Private Limited which was incorporated in 1970.
 (2) Includes Early learning, K-12 & higher education active titles.
 (3) Author relationships as on March 31, 2017
 (4) Denotes gross number of copies of all titles sold during the year.

Comprehensive Lifecycle Focused Education Content Player

Lifecycle stages addressed by S. Chand products



S Chand is focused on the **Consumer** – both the ‘Learners’ and the ‘Educators’ – through content, innovations, empanelling leading authors, best practice editorial processes etc.

Factors that allow S. Chand to be present across lifecycle

- 75+ years of operating history.⁽¹⁾
- 48+ million books sold in FY2017.⁽²⁾
- 2,434 author relationships.⁽³⁾
- Pan-India player in the education sector
- Bridging portfolio gaps through investments

Key benefits associated with lifecycle presence



















- ✓ Large addressable market
- ✓ Enhanced brand recall
- ✓ Long student lifetime value
- ✓ Lower customer acquisition cost due to high brand equity
- ✓ Strong consumer connection
- ✓ High revenue visibility

Generating recurring revenue - throughout students’ lives

(1) S. Chand & Co. has been in operation since 1939 which was later taken over by S. Chand & Company Private Limited which was incorporated in 1970
 (2) Denotes gross number of copies sold.
 (3) Author relationships as on 31.03.2017.



Business Segments

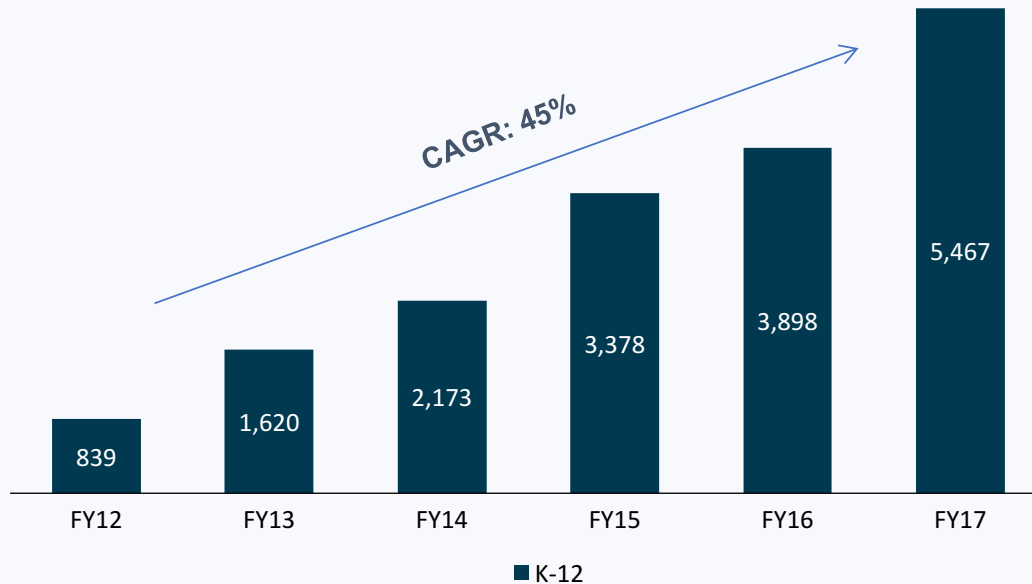
| | K-12 | Higher Education | Early Learning |
|-------------------------------|---|---|---|
| Revenue contribution | 80% of FY2017 revenues ⁽¹⁾ 45% revenue CAGR ⁽⁴⁾ | 18% of FY2017 revenues ⁽²⁾ 8% revenue CAGR ⁽⁴⁾ | 2% of FY2017 revenues ⁽³⁾ |
| Target Segment | School students (4 -18 years) | Test prep (>18 years) College students / professionals | Children (2-5 Years) |
| Description / Highlights | <ul style="list-style-type: none"> Schools affiliated to Central / State Board. Largest K-12 content player in India. <ul style="list-style-type: none"> Dominant presence in Central Board affiliated schools. Increasing presence in State Board affiliated schools. Offers print content (books) and digital / hybrid content and solutions. | <ul style="list-style-type: none"> Colleges and universities (arts, science & commerce degrees). Test prep for competitive exams (engineering, government jobs). Offers books, e-books, web and mobile delivery of content. | <ul style="list-style-type: none"> STEM based learning. Children books, educative games, activity based modules (<i>experiential learning</i>). Also operates 6 pre-schools under 'RiseKids' brand. |
| Digital / Hybrid Contribution | <ul style="list-style-type: none"> Around 25% revenue contribution from hybrid offerings and ~ 5% revenue contribution from pure digital offerings in FY2017. | | |
| Strategy | <ul style="list-style-type: none"> Consolidate leadership position in Central curriculum schools as preferred content partner. Increase presence in large regional markets. | <ul style="list-style-type: none"> Exam oriented content for test preparation. Institutional partnerships. | <ul style="list-style-type: none"> Focus on digital to expand reach and product offering. Complete presence across student lifecycle. |
| Brands |           |      |    |

(1) Financials do not consolidate Edutor & Flipclass.
 (2) Financials do not consolidate Edutor, Test book, OnlineTyari.
 (3) Financials do not consolidate Smartivity.
 (4) Revenue CAGR for the period FY2012 - 17



Strong Position In K-12 Segment

S. Chand's growth anchored by leadership in K-12 Segment.



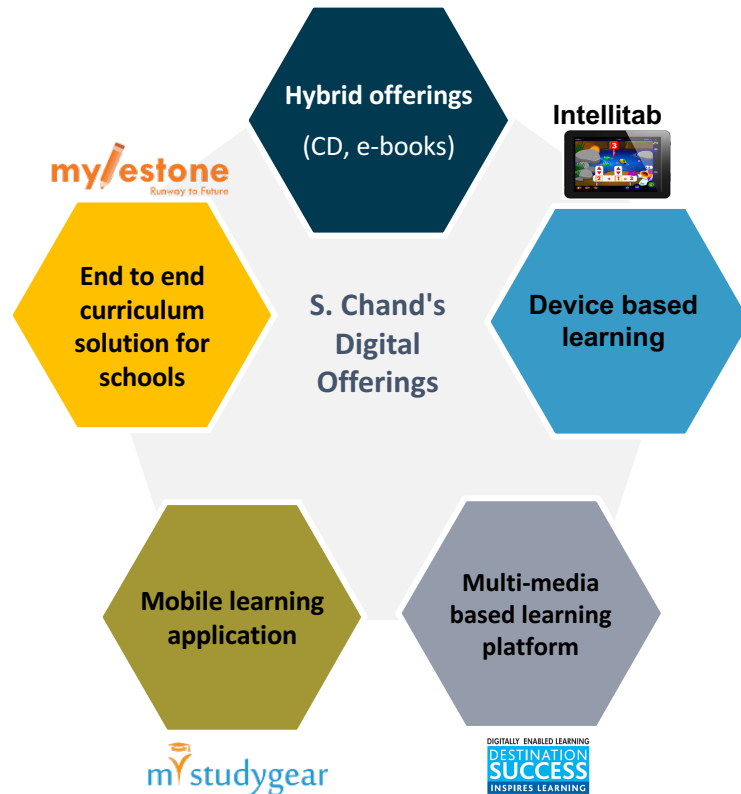
- ✓ Best selling titles in core subjects (mathematics, science, English, Hindi) .
- ✓ Hybrid offerings provide more value per unit to student compared to pure print content

Growth Strategy

- ❖ Consolidated leadership in CBSE/ ICSE schools as preferred content provider.
- ✓ More offerings in K-12 through multiple brands.
- ✓ Curriculum management.
- ❖ Geographical diversification in large regional markets/ state board schools.
- ✓ Acquisitions/ Joint Ventures.
- ❖ Higher share of education spend with enhanced content offerings.
- ✓ Digital/ hybrid offerings.
- ❖ Continuous content development

Digital & Services Platform : At Forefront of Innovative Education Delivery

In-house Digital/ Service Platforms



Digital Investments (Inorganic)

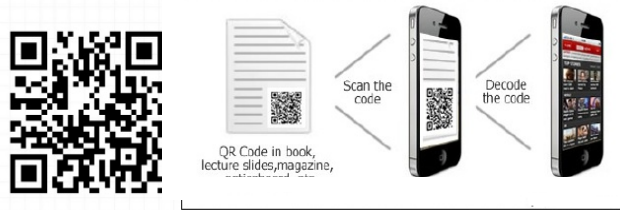


Growth in digital / services platform will supplement existing strength in K-12 and Test Prep domains.

Digital Enablement Has Become Our Key Differentiator

Learning material combined with digital support helps S.Chand differentiate its offerings vis-à-vis smaller unorganized publishers and increases customer stickiness and loyalty.

Short Multi-media / videos to better illustrate difficult topic to students.



- Extensive support to teachers for better understanding of particular topics.
- Teacher can seek support from S Chand.



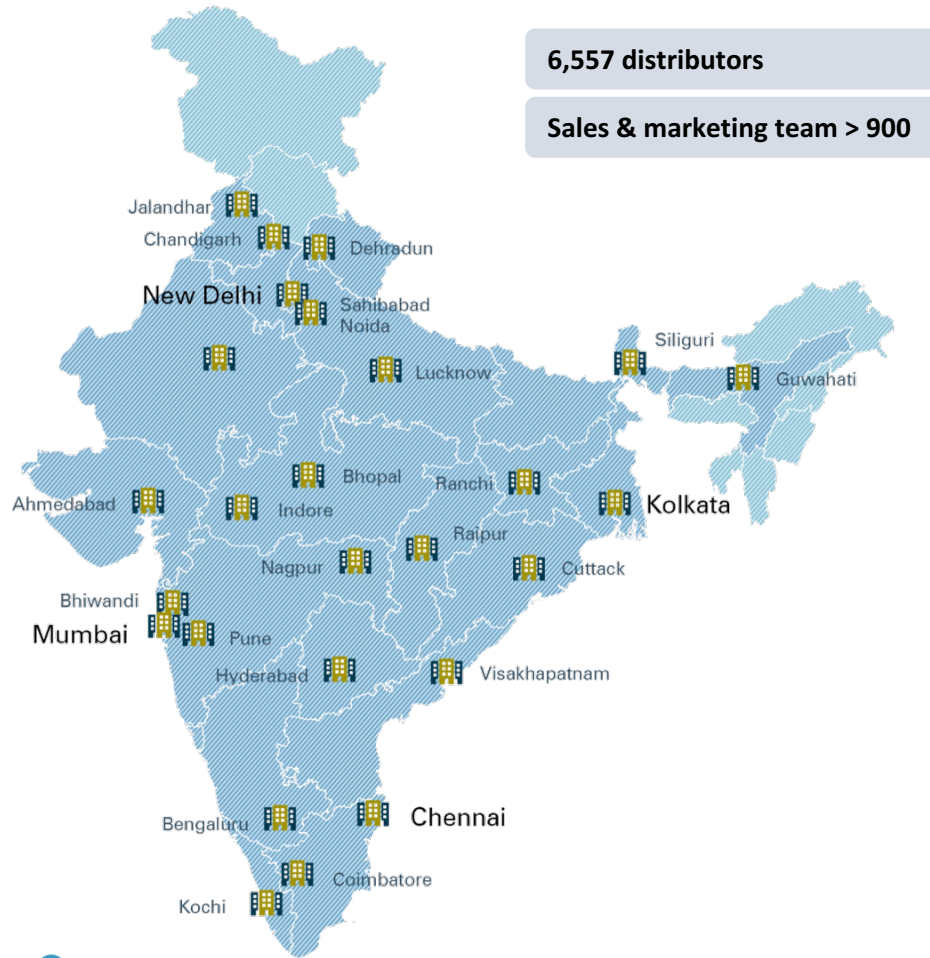
- Test preparation and simulated papers for learners to test their understanding.
- Students can gauge their performance and better prepare for exams.



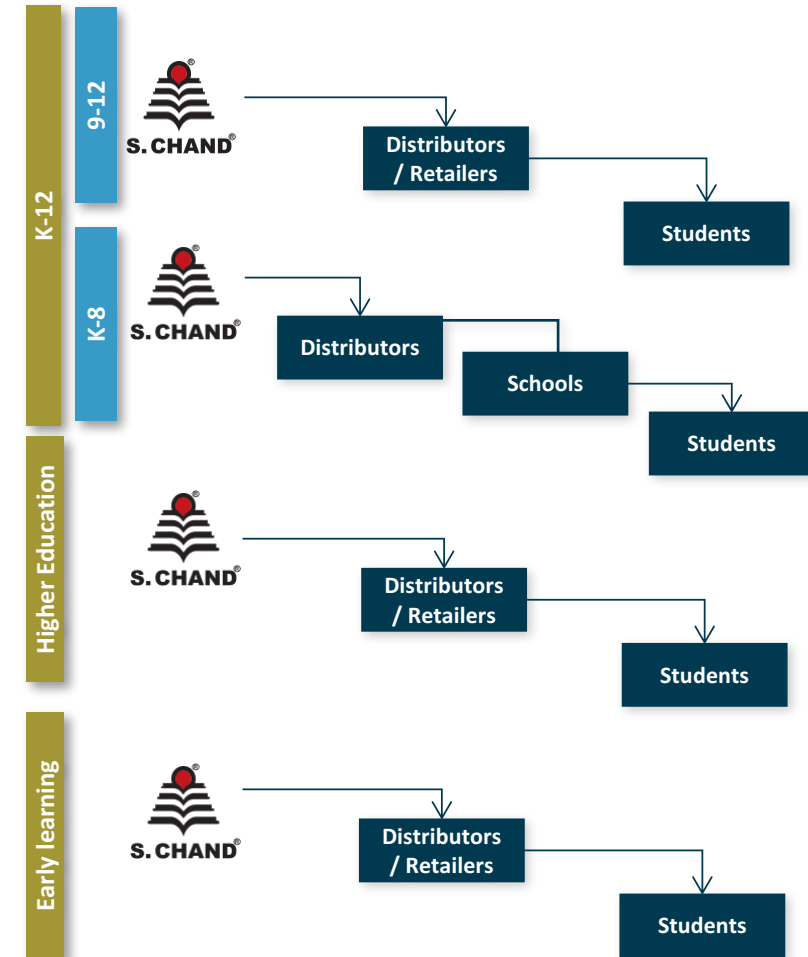
- More content in form of animations/ videos through digital media/ device apps.
- Online digital library accessible to students.

Wide Geographical Reach Across the Country

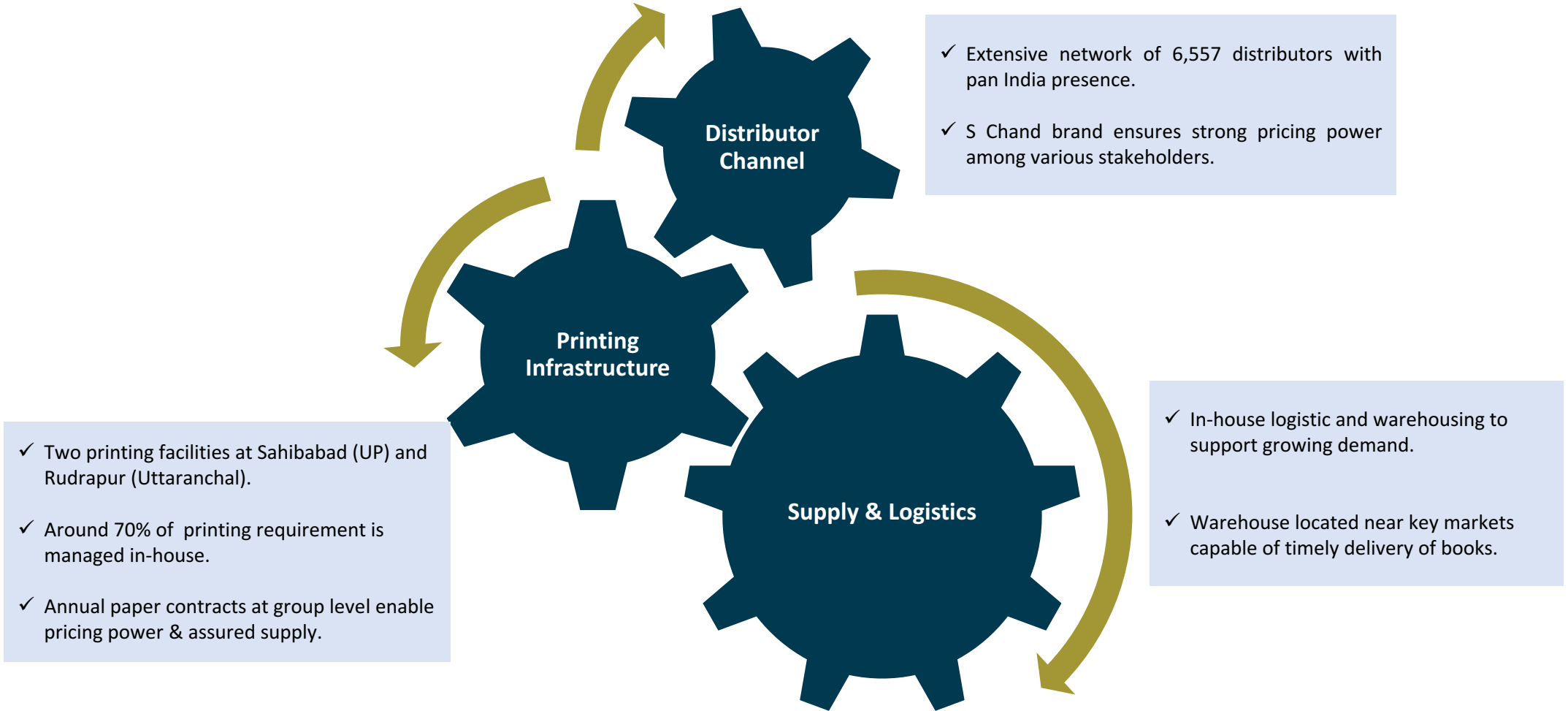
Pan-India presence of sales and distribution network

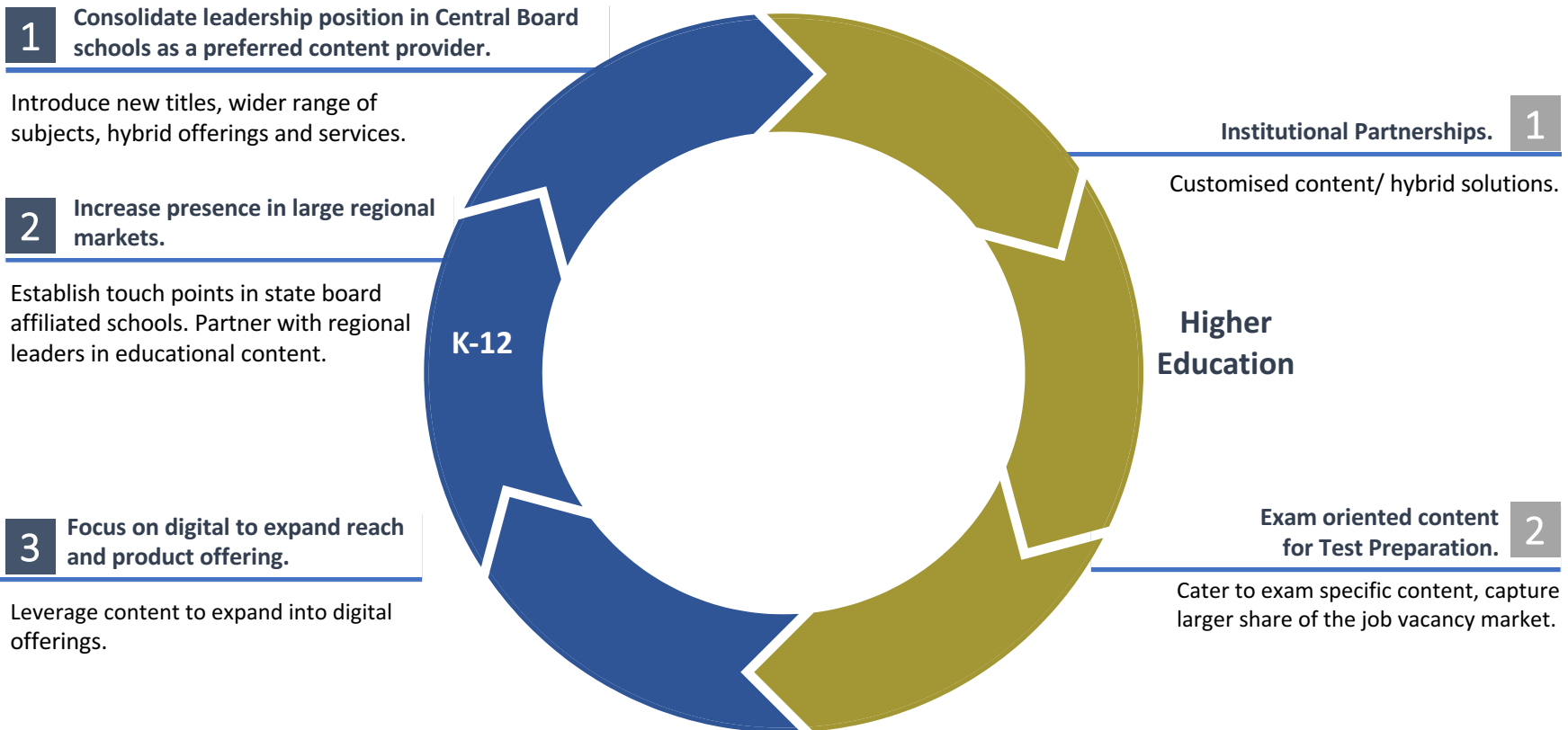


Distribution channel / sales



Robust Infrastructure To Cater Growing Demand



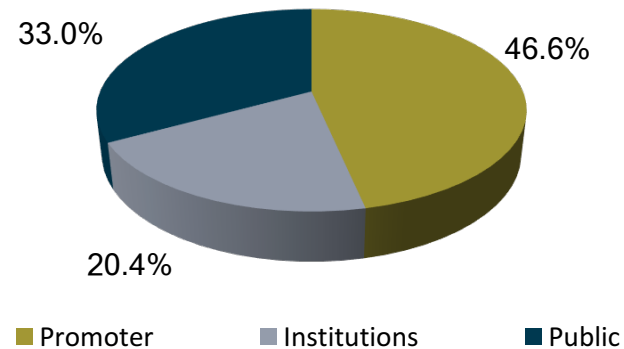


Shareholding Pattern

| Market Data | On 09.02.2018 |
|--------------------------------|---------------|
| Market Capitalization (Rs Mn) | 16,434 |
| No. of shares outstanding (Mn) | 34.95 |
| Face Value (Rs.) | 5.0 |
| 52 week High-Low (Rs.) | 425 - 707 |

(Source: www.bseindia.com)

Ownership As On December 2017



(Source: www.bseindia.com)

| Key Institutional Investors - December 2017 | % Holding |
|---|-----------|
| Everstone Capital Partners II LLC | 9.5% |
| International Finance Corporation | 8.1% |
| HDFC Prudence fund | 6.5% |
| Aditya Birla Sun Life Small & Mid Cap Fund | 2.4% |
| Volrado Venture Partners Fund | 2.7% |
| Aadi Financial Advisors LLP | 1.4% |
| Sundaram Balance Fund | 1.6% |
| Indus India Fund | 1.5% |

(Source: www.bseindia.com)

APPENDIX



Quarterly Business Cycle

**7% - 8% Revenues
Negative WC**

Q1 April - June

- Last leg of K-12 sales for new academic session and delivery of books to distributors/ schools.
- New academic session commences in April for CBSE/ ISCE schools.
- Annual paper contracts negotiated.
- Finalisation of titles catalogue for next academic year (new titles/ revisions).
- Sales performance review. (regional/ branches)
- HE (college/ technical content) sales builds up.

**4% - 5% Revenues
Negative WC**

Q2 July - September

- Content revision/ development by editorial team in collaboration with authors.
- Engagement with schools & teachers. (training sessions, workshops, etc.).
- Sample distribution. (September)
- Return of unsold stock from distributors as per contractual agreement.
- Test preparation sales based on government vacancy examinations.

**8% - 9% Revenues
Peak Inventory**

Q3 October - December

- Sample distribution and evaluation by schools.
- Printing of back list and best seller titles.
- Final reconciliation and closure of distributor accounts before commencement of season sales.
- Order visibility from schools starts building up.
- Significant sales quarter for HE segment.

**77% - 80% Revenues
Peak Receivables**

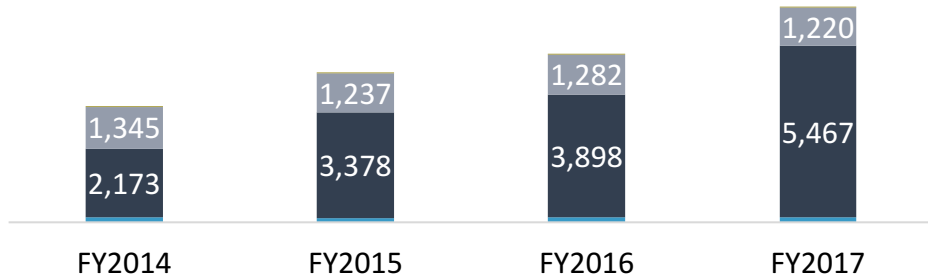
Q4 January - March

- Printing of front list titles.
- Additional printing runs for back list / best seller titles based on demand.
- K-12 season sales and delivery to distributors/ schools. (Peak Season)

Historical Performance Trend

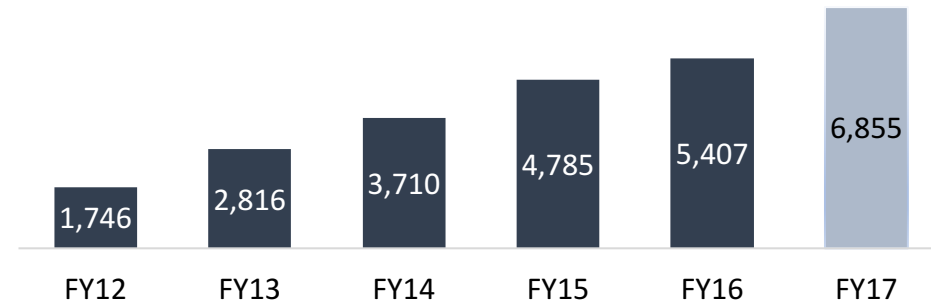
Contribution of K-12 to Group Revenues Increasing ...

■ Early learning ■ K12 ■ Higher Education ■ Other Revenue



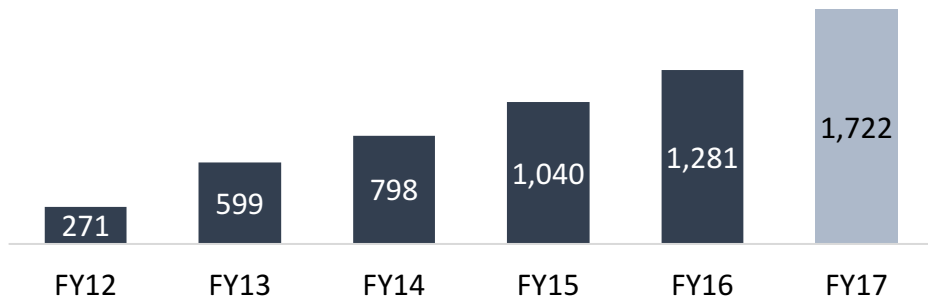
Revenue Growth = Mix of Organic + Acquisitions

5 Year CAGR : 31%



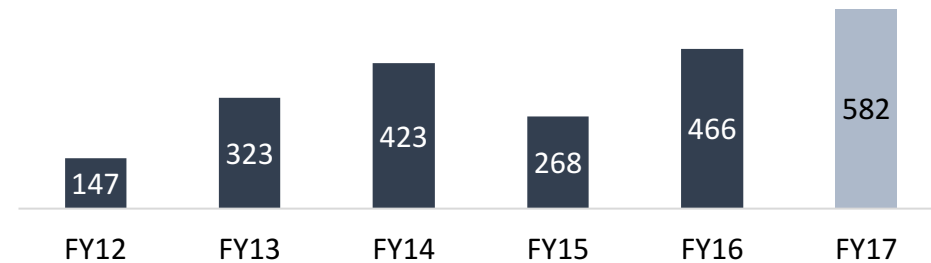
EBIDTA Growing At Faster Pace

5 Year CAGR : 45%



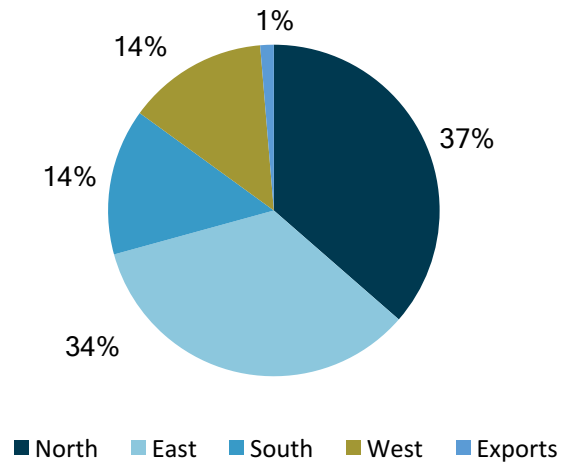
Net Profit (After Minority) Growth

5 Year CAGR : 32%

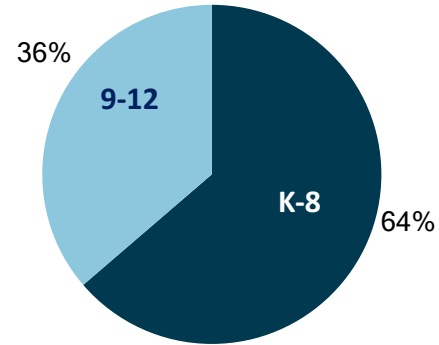


Fiscal 2017 Revenue Analysis

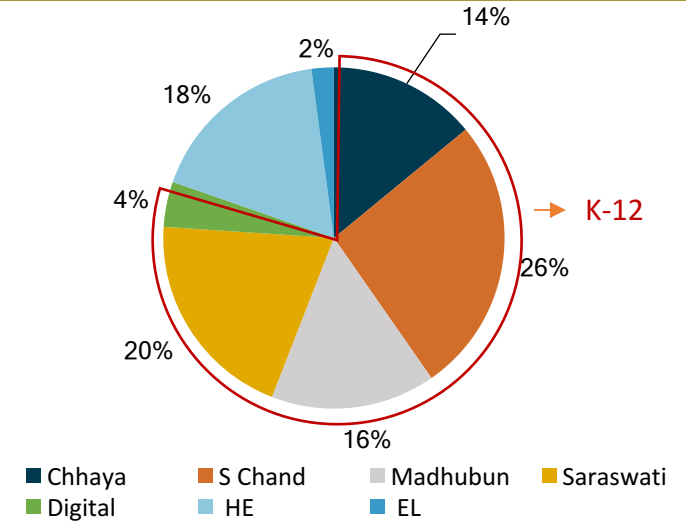
Group Revenues : Geography



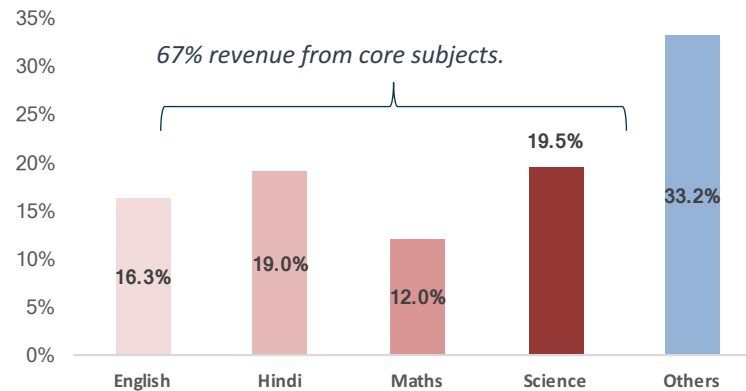
K-12 Revenue : Primary vs Secondary



Group Revenues : Segmental

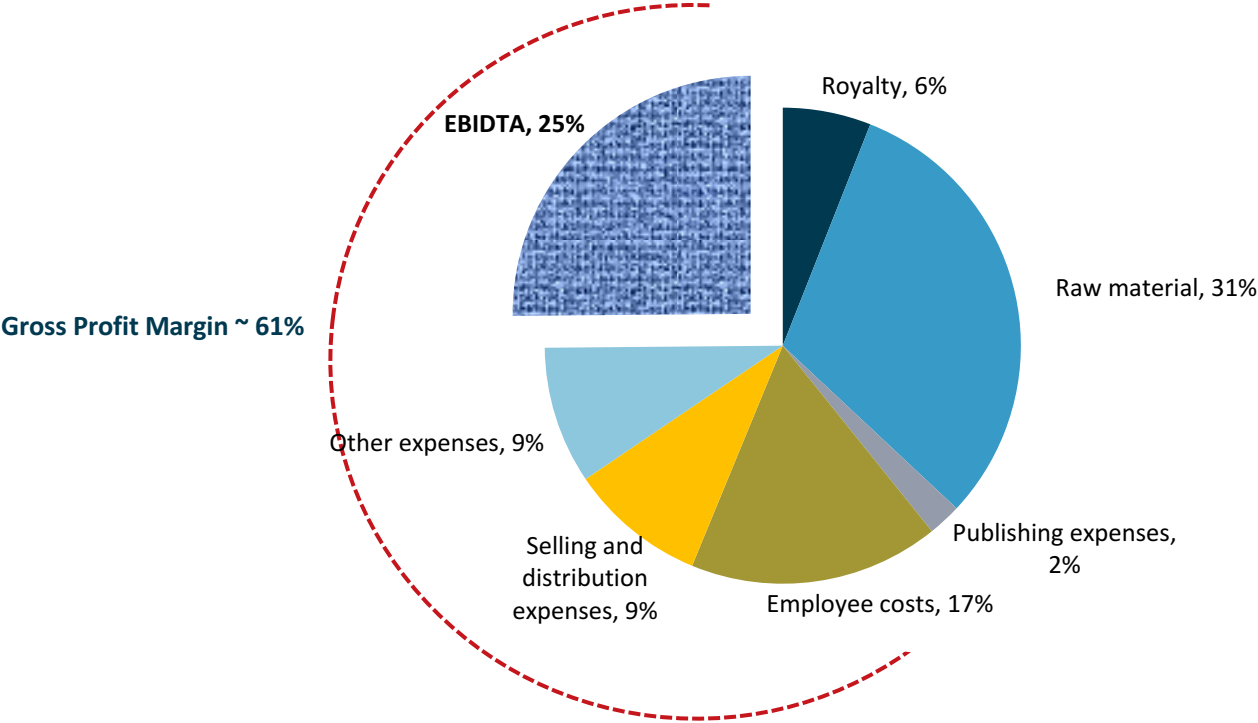


K-12 : Revenue from Core Subjects



Fiscal 2017 Margin Analysis

Positive Impact On Ebidta Margins With Increasing Contribution of K-12 Revenues



- Paper is the key raw material , constitutes ~ 22% of net revenues.
- Royalty costs have reduced to 6% (structural change) on account of lower royalty from new titles and increasing contribution from in-house titles.
- EBIDTA impacted by digital business which is at a growth stage with negative (net) margins.

For Further Queries -



Samir Khurana

Group Head (Strategy & Investments)

Contact No : + 91 11 4973 1800

Email : skhurana@schandgroup.com

Saurabh Mittal

Chief Finance Officer

Contact No : + 91 11 4973 1800

Email : smittal@schandgroup.com

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