



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

Date: August 25, 2020

To Listing Department BSE Limited 25 th Floor, Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai, Maharashtra 400001	To Listing Department, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400051
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Dear Sir,

Re: Transcript of conference call for the Analysts and Investors

The Company had organized a conference call for the Analysts and Investors on Monday, August 17, 2020 at 2:00 P.M. to discuss the financial results for the quarter ended June 30, 2020. The transcript of the said conference call held with the Analysts and Investors is enclosed herewith.

The Company shall also disseminate the above information on the website of the Company-
www.schandgroup.com.

Request you to kindly take note of the same.

Thanking You.

For S Chand And Company Limited

Jagdeep Singh
Company Secretary & Compliance Officer
Membership No: A15028
Address: A-27, 2nd Floor,
Mohan Co-operative Industrial Estate,
New Delhi-110044

Encl: as above

**S. CHAND & CO. LIMITED Q1 FY 21 EARNINGS CONFERENCE CALL
HOSTED BY PRABHUDAS LILLADHER PRIVATE LIMITED
17th August 2020**

Operator:

Ladies and gentlemen, good day and welcome to S. Chand & Co. Limited Q1 FY 21 Earnings Conference Call hosted by Prabhudas Lilladher Private Limited. As a reminder, all participant lines will be in the listen only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing '*' then '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 Private Limited. Thank you and over to you sir.

Mr. Jinesh Joshi – Prabhas Lilladher Private Ltd:

Thank you so much, good afternoon everyone. On behalf of Prabhudas Lilladher I welcome you all to the Q1 FY 21 earnings call of S. Chand Limited. We have with us the management represented by Mr. Himanshu Gupta – MD, Mr. Saurabh Mittal – CFO and Mr. Atul Soni – Head Investor Relations, Strategy and M&A. I would now like to handover the call to the management for opening remarks and after that we can open the floor for Q&A. Thank you and over to you sir.

Mr. Himanshu Gupta – Managing Director, S. Chand & Co. Ltd:

Thank you. Good afternoon ladies and gentlemen. I am Himanshu Gupta, the Managing Director of S. Chand and Company Limited. I would like to welcome you all to our first quarter results conference call for FY21 and thank you all for taking the time-out and joining us here today. I trust each one of you and your loved ones are safe in these extremely difficult times

As you are aware, Q1 of this year was the time when the lockdown was going on during the country for a large part of the quarter. In spite of the challenges, we achieved 17% YoY growth in our revenues, we reported our first ever EBITDA level profit for Q1 on back of strong revenue growth and cost savings achieved and we also reduced our PAT losses by 72% during the quarter. Saurabh will discuss more about the same in his introductory remarks.

While schools remained physically closed during the quarter, we still have been able to recover a portion of the lost K-12 sales of 4QFY19 in Q1 as students have been enabled with book supplies at home by schools and channel partners. The Higher education segment and Test Preparation segment is still facing uncertainty around the timing of the start of their first semester of the new session. As per our channel checks, we expect colleges and schools to start physical operations in partial form by the end of the current

quarter. However, online education in schools continues and even higher education institutions are bracing up to start the semester online from August end. Additionally, competitive examinations are also expected to move 2-3 months from their original schedule.

The silver lining in this cloud was the strong interest that we got in our digital offerings across the group. We had launched our affordable digital learning solution - Learnflix in January which saw strong adoption and interest in these times. I am happy to report that Learnflix has already been downloaded over 80,000 times and we already have over 18,000 paying subscribers. The app has notched up a high review rating over 4.0 on the google play store. We expect the quality content along with the affordability for schools and students will augur well for Learnflix. Currently with content for classes 6-10, in Maths and Science, this will be further upgraded for other classes and subjects during the year.

During the lockdown period, we also focused on working with all the stakeholders including – students, teachers, and schools to ensure that the learning does not stop due to this epidemic. We reached out to over 4,500 schools providing them e-books, digital resources, videos, animations, presentations, teacher resources etc. to ensure teaching continuity during the months of April and May where physical books could not reach students. We conducted more than 60 webinars for teachers and schools to train them on digital learning methods which was attended by over 10,000 participants. These relationship building measures go a long way in deepening our connect with our various stakeholders.

We also saw a larger number of users procure e-books during this period, where e-book sales more than doubled. Our catalogue has more than 4,000 e-books across School and Higher Education segment which are currently live across various platforms like Amazon, Google and Kopykitab. We have also seen interest from Higher Education institutes and colleges for subscription of e-books for this academic year.

Our curriculum solution Mylestone enabled almost 400 schools and 1.5 lac students continue education online, supported by our team which trained, assisted, and supported the schools to ensure that learning continued during these times.

On the digital front, I am happy to share that we are looking to launch “Educate 360”, our new online learning platform for schools which would deliver a holistic array of product features as we strive to Enable the School to conduct online classes, during the July- Sept quarter. Slide 13 of our investor presentation carries more details about this new platform. You will hear more about the same in the coming months from our side as we partner the educational institutions in delivering blended learning to the students during these difficult times.

We believe that we have a great opportunity in coming times for digital learning as a medium of education. We are confident of the value add that our digital solutions along with the strong content repository built over 8 decades will provide. We feel that these

products and services would be the future growth drivers for the Group in the coming years.

In addition, we saw the Union government adopt and finalize the New Education Policy 2020 in July, 2020. We view the NEP as a positive for us going ahead which should provide us with a strong runway of growth for at least 2-3 years. With this announcement, the next step would be the release of the New National Curriculum Framework or NCF by April-May of 2021. Do note that the NCF is being developed after a gap of 15 years so it would eliminate the impact of second-hand book market and would lead to strong growth for us in coming years.

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

Mr. Saurabh Mittal – Chief Financial Officer, S. Chand & Co. Ltd:

Good afternoon everyone and thank you for your time. I am Saurabh Mittal, CFO of S. Chand.

In terms of numbers for the 1st quarter, our consolidated operating revenues came at Rs714 million versus Rs613 million in the same quarter last year. Our Gross margins increased by 68% as a result of product rationalization and lower paper prices. On the back of our cost rationalization exercise, we saw operating expenses lower by 26% on a comparable basis last year. We reported our first ever EBITDA profit during Q1 of Rs88 million vs EBITDA loss of Rs276 million in the corresponding quarter last year. Our net loss also reduced by 72% to Rs105 million versus net loss of Rs378 million in the same quarter previous year.

In terms of working capital, debtors days have reduced by 46 days this quarter to 239 days vs 285 days at the end of Q4FY20. Our Net Working capital days also decreased by 23 days QoQ to 298 days (vs. 321 days in Q4FY20). Do keep in mind that this improvement is despite losing 45 days in the quarter.

In terms of debt, we ended the quarter with gross debt of Rs 2190 and Net debt of Rs1794 million.

Just to reiterate, during FY21, we expect paper prices to be lower than last year by 5%-10% giving us support on the gross margins this year. Incremental sales of e-books and our digital products and services will also help in improving Gross margins. We expect operating expenses to be lower by 15%-20% for this year. This should result in improved levels of profitability for FY21 on back of operating leverage and strong cost control going ahead. We do not anticipate any cost item to be higher than FY20 for the current financial year.

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

Operator:

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 your touchtone telephone. If you wish to remove yourself from the question queue you may press '*' and '2'. Participants are requested to hand set while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles.

A reminder to the participants anyone who wishes to ask a question may press '*' and '1' now. The first question is from the line of Deepan Shankar from Trustline PMS. Please go ahead.

Mr. Deepan Shankar – Trustline PMS:

Hi, good afternoon everyone, thanks for the opportunity and congrats for good set of numbers. First, just wanted to understand out of the 17% topline growth how much has been spillover the last quarter? And also do you expect higher sales from schools post opening up from next quarter onwards?

Management – S. Chand & Co. Ltd:

It is very difficult to quantify how much is the spillover but I would estimate that most of it is the spillover of the last quarter. Normally our Q1 sales comprise of majorly higher education segment which has also got deferred to Q2. On your second question of K-12 sales to come in 2nd quarter, it is difficult to say at this point of time as we still don't have visibility on schools opening up even by September-October. In terms of opening of schools, this timeline is shifting every month. Even now we hear that the schools would open after September/October but there is no clear-cut advisory from the government around the same. But at the same time, students are studying online and the students are continuing to buy the books. It is not as if they are not buying. But yes, the same demand as it used to when the schools were running in the normal circumstances is still not there and we are not very sure when it is going to happen, when the schools will reopen again.

Mr. Deepan Shankar – Trustline PMS:

Okay, okay. So the thing I wanted to understand was during the last quarter we were discussing about 160 to 180 crores of sales we lost because of the lockdown and other things. So still we are expecting some of it to come in Q2 and Q3 or Q2, Q3 to be normal as compared to last year itself.

Management – S. Chand & Co. Ltd:

As compared to last year definitely Q2 will be much much better. We do have some large orders in the higher education segment from universities which are lined up for Q2 which we have to deliver. Additionally, there are some orders that we are still processing for schools but I won't say they are very large orders. But yeah, things are going steadily.

So there is always a pent up demand that is there for the books which people not have bought in March or April. You know people are buying books which used to be bought at a single time which has been scattered and has been split over like 2 or 3 quarters. So the sales will happen in Q2 and even go to Q3 as well, that is what we believe. But the quantum is very, very difficult to say at this time.

Mr. Deepan Shankar – Trustline PMS:

Okay, okay. And also we have been noticing that last two quarters we are seeing this provision for bad debts has been around Rs. 10-11 crores. So is this the normal trend or anything extraordinary and do we expect some more in future also considering the current situation?

Management – S. Chand & Co. Ltd:

Yeah, the provision for expected credit loss follows a simple formula of payment not being made within a year of the due date leading to a provision being created. But having said that I do not see a write off to that extent from the provision which has been created in the books. There are delays because of the pandemic also, the schools are not getting their fees and so there are delays but we have taken a very conservative provision which is of course higher than last year. But we don't expect such large write off. I mean there can be delays but there will not be defaults to that extent. So as on today I would say total provision for the doubtful debt stands at Rs55 crores. My real sense is that probably we will have maximum write off to Rs 15 – 18 crores at best so at least we are fairly covered for the delays and so I think it is more conservative accounting and nothing else.

Mr. Deepan Shankar – TrustLine PMS:

Okay, okay, lastly from my side what is the contribution of digital business during the current quarter?

Management – S. Chand & Co. Ltd:

It should be around Rs. 10 to 11 crores from the total reported revenues.

Mr. Deepan Shankar – TrustLine PMS:

Okay, okay, sure. Thanks a lot and all the best.

Management – S. Chand & Co. Ltd:

Thanks.

Operator:

Thank you. We would request the participants to please press '*' and '1' to ask a question. The next question is from the line of Bhavesh Chauhan from IDBI Capital. Please go ahead.

Mr. Bhavesh Chauhan – IDBI Capital:

Hello sir, congratulations on good set of numbers. So my question that with the NEP coming what sort of volume growth and growth in pricing should we expect from probably FY 22, I believe, any ball park number?

Management – S. Chand & Co. Ltd:

We expect the National Curriculum Framework (NCF) to come by April/May 2021 which should lead to creation of new curriculum books during the year and to be ready for the Jan-March 2022 sales season. This should lead to strong growth runway for a couple of years for the company. Very difficult to say how much growth but yes definitely I would say high, strong double digits growth will be there, especially for 2-3 years. And price as you are saying, price would be a different factor because there may be some kind of you know, changes in the books, number of pages goes up, goes down very difficult to say as of now. So pricing I cannot say right now but definitely there will be volume growth that will be there when the NEP comes in.

Mr. Bhavesh Chauhan – IDBI Capital:

Yeah, yeah. And sir, for the same NEP, do you expect our market share should go up? Any experience from the last NEP implementation?

Management – S. Chand & Co. Ltd:

The last NEP had come in 2005. It is almost 15 years ago and at that time when the NEP was there S. Chand was not a very big player in the school market. But today we are a much stronger and a much bigger player so we expect that through our quality content, distribution channels and our marketing networks we should be able to grow the market share. How much we will be able to grow, what we will be able to do it is very difficult to say as of now. But definitely we will try to definitely grow our market share through our content and through our distribution platforms.

Mr. Bhavesh Chauhan – IDBI Capital:

Okay, thank you sir, that helped.

Operator:

Thank you. The next question is from the line of Prasant Desai from Everstone Capital. Please go ahead.

Mr. Prasant Desai – Everstone Capital:

Hi Himanshu. Some small clarifications. One is Saurabh could tell us what the other income of Rs. 68 million included?

Management – S. Chand & Co. Ltd:

Hi Prasant The other income comprises of usual interest income and certain one-time income including Rs 35 million from a settlement done with the erstwhile promoters of New Saraswathi House on account of breach of certain clauses as provided in the share purchase agreement, Rs7.55 million towards rent concessions received in Q1 and Rs7.85 million on account of deemed disposal on account of reduction in proportionate interest of the group in one of the associates.. You can see more details in the notes to consolidated financial accounts of the company.

Mr. Prasant Desai – Everstone Capital:

Okay, thank you. Second, we know from the presentation that we have obviously come down significantly on our cost base in comparison from the Rs. 240 odd crores last year. In that I was seeing that our other expenses is more or less same compared to last year, it was about Rs. 16 crores a quarter. Do you expect that to come down, or that would remain at that Rs. 16 crores a quarter kind of a number?

Management – S. Chand & Co. Ltd:

No if you look at the real cash expense it is actually quite lower. So, there is a provision for the doubtful debts which on account of the delays in payments of approx. Rs 10 crores. So we were expecting some payments that were going to come in March and April which would have knocked up the whole outstanding. But then because of this pandemic that has all got shifted. So there is an Rs. 10 crores provision for doubtful debts which has been included in the Rs. 16 crores of other expenses. So actually, that should be taken separately from the other expenses. On a YoY basis, last time the provisioning was about Rs. 3.6 crores and this time it is Rs. 10.2 crores. It is almost Rs. 7 crores additional provisioning.

Mr. Prasant Desai – Everstone Capital:

Okay, That is the broad sense I wanted to get. Also, we have already achieved significant cost reduction and we are also kind of guiding that we should be able to you know further extract another 15 to 20% reduction in the current year. Can you throw some light on that?

Management – S. Chand & Co. Ltd:

That 15%-20% is the target for FY21 cost reduction in operating expenses for us.

Management – S. Chand & Co. Ltd:

So Prasant, hi this is Himanshu here. So apart from operating expenses we will also be saving a lot of cost in terms of paper since the prices of paper have gone down. From last year in the price of paper, we will be looking at an 8% to 10% reduction in the price of paper and accordingly also we will be consuming a lot of existing stock. So, our printing this year would be substantially lower than last year.

Mr. Prasant Desai – Everstone Capital:

So that I get it Himanshu that there is a significant room for the gross margins to grow in our case. My question was more on the expense items after that. So our selling and distribution expenses for example, in the first quarter has come down by Rs. 6 crores. Our employee costs are now down to about Rs. 20 crores, Rs. 22 crores to quarter end. I am saying is there a room over here also further to come down or I think we have kind of achieved what we wanted?

Management – S. Chand & Co. Ltd:

See the employee costs I do not think so will be going down further. In fact, it will increase little bit going ahead because the quantum of salary cut that we had done in Q1 will not continue forever. We will have to stop the salary cuts in coming months otherwise we will lose good employees as well.

Mr. Prasant Desai – Everstone Capital:

Sure, of course yeah.

Management – S. Chand & Co. Ltd:

So employee expenses of Rs. 21 odd crores per quarter of course is not sustainable. From the employee expenses of Rs125 odd crores last year we should be down to around Rs100 crores.

Mr. Prasant Desai – Everstone Capital:

So essentially, I am getting the message that...

Management – S. Chand & Co. Ltd:

Prasant, I think it is better to look at a consolidated amount of operating expenses as a group, rather than calling out line by line item right now. So last year our operating expenses were around Rs. 250 odd crores which in our expectation would lower by 15%-20% on an annual basis.

Mr. Prasant Desai – Everstone Capital:

Fair enough, I think it is a fair point. Just one small other thing for the benefit of everybody listening in, Himanshu I think, you know your last line talks about over the

next 3 years what all you guys are kind of currently wishing to achieve and the big statement is you want to be debt free by in the next three years. So if I take 22, 23, 24 by March 24 you want to be debt free and given that our net debt is about Rs. 180 crores, we are talking of almost Rs. 180 crores incremental operating cash to be generated over the next three years. I understand it is a wish list more than a guidance but just to kind of understand this slightly better big picture from your perspective, how much of this would be P&L level, how much of this do you think would be balance sheet linked?

Management – S. Chand & Co. Ltd:

Saurabh here. I mean even last year in FY20 if we had got actual full collections from March in normal operating session, we would have ended the year with Rs120-Rs130 crores net debt. But unfortunately, it got shifted by one year. So, I feel that from this business we need to generate atleast Rs50-60 crores of operating cash flows every year. And lot of our money is also getting invested into digital and some Capex. So, Capex is not really a priority as of now, because again, our printing is going to be limited for this year atleast. And in terms of digital, we spent a large amount in terms of content development, which is almost there. A little incremental happened, but not that much. So we expect that this year we should generate more cash flows in terms of the operating cash flows even after Capex. So, from publishing we'll continue to generate cash flows and from digital also we would like to eventually raise some money and stop the internal investments into that. So that cash out also at some point in time reduces.

Mr. Prashant Desai - Everstone Capital:

Sir I'm getting this, but I still don't understand would this be P&L led or balance sheet led? Over the next 3 years, are you expecting our working capital cycle to significantly come down or do you think because..

Management - S Chand & Co. Ltd:

Sorry. I missed that. In fact, in terms of our inventory also, we're expecting our inventory to come down by Rs60-70 crores by the end of this year. So that would also add to the cash flows.

Management - S Chand & Co. Ltd:

The big picture we are seeing today is that, today the revenue may be 90% to 10% in terms of print and digital in 2020. But going forward, we believe that in 2025, in 5 years, the revenue might look at 60% coming from print and 40% coming from digital. And maybe by 2030 we can look at a shift with digital overtaking the print revenue with a percentage of let's say 70%-30%. So in the future we believe that we are investing more of our energies and resources towards building better digital capabilities. Print business is going to be more of a cash generating business and that will continue to run. In digital we would be putting more resources towards backing those ventures that we have started. And hopefully they are yielding good results in the last 4,5,6 months that we are just seeing on a trial basis. But we are hopeful that this pandemic might have a silver lining of increasing the digital businesses.

Mr. Prashant Desai - Everstone Capital:

Fair enough. And the last question from my side is, Saurabh, this Rs180 odd crore to become debt free, generating that kind of free cash, would this be significantly backend or more or less evenly over the next 3 years?

Management - S Chand & Co. Ltd:

I think a large amount of it should come this year, provided of course, schools open up. Because the balance led stock reduction with less buying this year should generation more cash upfront this year. Next year of course there would be some Capex on the New Education Policy, there will be a lot of content development next year. The 1st and 3rd year should have more of this, the 2nd year should have less. But in the 2nd year we'll see more investments going into the development for NEP.

Mr. Prashant Desai - Everstone Capital:

Fair enough. That's it from my side. Thank you everyone.

Management - S Chand & Co. Ltd:

Thanks Prashant.

Operator:

Thank you. We would request the participants to please press * and 1 to ask questions. The next question is from the line of Kaustabh Dutta, and individual investor. Please go ahead.

Mr. Kaushtabh Dutta – Individual Investor:

Hi everyone and thanks for the good results. I have a couple of questions. First on the average cost of borrowing. Now I find that the total debt including your lease liabilities are around Rs219 odd crores. But I would like to know what is the average cost of borrowing and are these funds borrowed from banks and financial institutions or from somewhere else? That is question 1. Question 2 – you have told us about the mix in terms of digital products, which is essentially the Learnflix. I just wanted to understand the gross margins in such streams. And my third question is, you were calling it as the most affordable one in the market currently compared to your competitors. I mean, they are charging maybe ten times more. My question is, how are you taking down your cost? Is it that you already have the content and that's why you're able to offer a cheap rate in the market?

Management - S Chand & Co. Ltd:

Thank you. My average cost of borrowing anyway is between 10-10.5%. Of course, the finance cost includes some lease cost which is a portion...

Operator:

We would request the management to speak a little louder please. We are unable to hear you sir.

Management - S Chand & Co. Ltd:

Sorry. So the average cost of borrowing is between 10% to 10.5% and almost 60% is from banks and 40% is from financial institutions in terms of term debt. So that is one. In terms of gross margin, of course, gross margins from the e-book business is higher. But for the digital business, again, it will be slightly higher than the normal cost margins since there is no cost of production. But, the cost of servicing, the costs on that business is definitely higher. In terms of affordability of the app, the content is already existing with us, that is why we are able to give our product at such affordable pricing. Plus of course, we always want to give affordable products to the market, so that's why we've kept it at a limited price.

Management - S Chand & Co. Ltd:

So basically, the product is affordable because quite a bit of the content is made in-house. But the question is, the product is cheap and affordably priced because we wanted to cater to a larger customer base through the B to B to C channel. So we understand that the school business that we have relationships with more than 40,000-45,000 schools all over the country that we have been dealing with since so many years, we have opened a service for them at an affordable price. All our competitors who are currently there including the big players in the market, the price range for their product is anything between Rs. 25,000-40,000 per child per year, and we are offering it around Rs. 2,000-2,500 per child per year. So, I would say, there is substantial 10-15X difference in that. Also, our customer acquisition cost is lower because we are focusing more of our energies in B to B to C segment. The only problem which has come in in the last 2-3 months is that the parents are not paying up the fees of the school. So, the schools want to adopt the product because they feel the product in terms of quality is good, in terms of affordability is good. But right now, the fees in lot of schools in the B and C category schools, getting fees from the parents is a big challenge. So, we believe that in the next quarter or so, that challenge should be overcome by the schools, and that will open up the channel of B to B to C again for a Learnflix kind of product for us. And we will also be looking at doing some marketing efforts in the B to C channels as well.

Operator:

Thank you. Kaustubh we would request you to come back to the question queue for any follow up questions. The next question is from the line of Jinesh Joshi from Prabhudas Lilladher. Please go ahead.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt Ltd:

Sir, in the opening remarks you mentioned that we want to take the share of digital higher to approximately 40% by 2025. So, can you just highlight what steps are we taking exactly apart from Learnflix and this new product Educate 360 that we have. So, any other highlight which you would like to just mention with respect to digital? And

also, if you can throw some light on this particular product of Educate 360, that would be really helpful.

Management - S Chand & Co. Ltd:

There's Product no. 1, Learnflix which is already in the market. Educate 360 is getting launched in this quarter, that's product no. 2. That is also in the school segment. We have launched a product called SmartK, which is for the pre-school segment, which is from ages 2 ½ to 5 ½ years old; basically, those who are in the pre-school segment. We are hopeful that product should garner some market share in the coming years. We have not yet launched our 4th product, but we are planning to launch a higher education product which will comprise of e-books plus a lot of other things that the student needs in the higher education space, in both the competition space as well as the college segment space. So, we believe that these are the 4-5 products that we will be offering in the next 1-2 years. And plus going forward, we're really looking at more products in the digital space. So, we believe through all these activities, we should be able to increase our reach to customers and increase our revenues and size of our business. And in print we grow on a normal basis. Plus, with the NEP coming in, yes, we will look at 2-3 years of good growth in double digit numbers. But that growth will eventually slow down, it will not continue to grow forever in that area. But we believe digital has a big potential because in India if you see today, there are close to only 1.2 million paid subscribers of all the school going apps, including all the big names like Byju's, Vedantu and all those things. So 1.2 million students are right now using it in a paid way. In 2023 they say the base will increase to 12 million. So in 3 years, the base of digital people paying up, I'm talking about paid subscribers, they would be going up 10X in 3 years. So every company is looking to expand, I would say, the digital enablement of the products, and we are looking at the same. But we have an advantage where we have a large school relationships of B to B to C, plus S Chand has a good brand name, plus S Chand has some great authors on their network which we'll be using and all those things. As for Educate 360, you had asked about getting more detail on the product. So should I talk more about the product?

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt Ltd:

Yes.

Management - S Chand & Co. Ltd:

Okay. I will tell you what the product is all about. The product is a mix of print + digital + training + analytics + live classes. So what happens is that schools will adopt some of our textbooks. Let us say, from Madhubun he adopts 4-5 textbooks English, Maths, Science, Social Science, Hindi. We will be giving the physical textbook to the student. Plus, what we will do is, we will be giving the app version and we will have lot of features on the app for the student plus the teacher that would be teaching. And the teacher can also teach through a camera or smartphone. The way we see this is that let us say there are 40 students in a class, when the schools open up, they would not want all 40 students to come to class at the same time. So, what they would want is, 20 students come on Monday and 20 students come on Tuesday, but the teacher is going to take the class

once only. Let us say she's teaching Algebra to students in the class. So, 20 students have come on Monday and 20 students are sitting at home and learning. So simultaneously, the teacher will be teaching 20 students physically and 20 students online through the app with the live classes. And on Tuesday, those 20 students who were at home would come to school and the 20 students who had come to school on Monday will sit at home and study the same way. So that will continue. So, we will be providing a complete one-stop solution including print, including digital, including assessments, including live classes, including analytics as a one-stop solution to the school. So the school does not need to look at 3-4 vendors that normally the school does. The school has vendors for print books separately, the school has vendors for digital products separately, the school has vendors for smart school and live classes separately. We are going to give the school a one-stop solution through Educate 360, that's the basic idea.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt Ltd:

What kind of investment are we envisaging in digital for the next couple of years?

Management - S Chand & Co. Ltd:

That depends on the kind of strategy that we are looking at. We expect that digital spending would be in the range of Rs 80-120 crores depending upon the kind of fund raise we can do for our digital businesses. . In case we are able to raise higher amounts then we can invest more in these businesses. If not, then we will have to do with what we have. So overall, it depends on the kind of money we are able to raise for the digital business.

Mr. Jinesh Joshi – Prabhudas Lilladher Pvt Ltd:

Okay, thanks a lot.

Operator:

Thank you. We would request the participants to please press * and 1 to ask a question. The next question is from the line of Aditi Agarwal from Kotak Mahindra Bank. Please go ahead.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Good afternoon everyone. My question is regarding the other income. As you mentioned, a part of it, approximately 3 crores is on account of settlement with the promoters of New Saraswati for breach of some agreement. Can you please highlight that a little more? Can you give some details on what exactly is the breach and what was the agreement about?

Management - S Chand & Co. Ltd:

I can only disclose to a limited extent Aditi. There is a non-disclosure there. We have already informed the stock exchanges when the breach happened and also when the settlement happened. It is all filed with the stock exchanges. There was a certain non-

compete breach by the previous promoters prior to their non-compete period ending in May 2019. So for that period, whatever breach was there, there's a settlement that has been done and we've agreed upon a certain amount. Of course, now their non-compete period is over. So, they can continue to compete now.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Thank you. So is this the full amount or is there some pending amount left?

Management - S Chand & Co. Ltd:

What happened was that, there was a bank guarantee of Rs. 10 crores that we had invoked and encashed and we have settled to give back Rs. 7 crores over a period of time. So that is the crux of it. It is a one-time income that we've recognised.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Sir, I am sorry I missed the last part. So, there was a bank guarantee of Rs. 10 crores. Can you please repeat that part?

Management - S Chand & Co. Ltd:

So, there was a bank guarantee of Rs. 10 crores that we had invoked in March 2019 when the non-compete period was unexpired. And subsequent to that, of course, it went into a discussion and this July we agreed to settle the amount for Rs. 3 crores as compensation and Rs. 7 crores we are returning to them.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Okay, thanks a lot. Also, I wanted to know a little more about, in the consolidated financials, in the notes one-point mentions regarding income arising out of deemed disclosure/disposal on account of reduction of proportionate interest in one of the group entities. What is this point exactly referring to?

Management - S Chand & Co. Ltd:

Where is this?

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Sir, in the consolidated financials, point no. 14 – Note to consolidated financial results.

Management - S Chand & Co. Ltd:

Okay, so one of the associates had raised more money and our shareholding in that associate - Smartivity Labs has reduced by 1% -1.5%. And there was some existing loss. So when you recognise a percentage of that cumulative losses, that gets adjusted. So that is recognised as deemed income.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

And which entity is this referring to?

Management - S Chand & Co. Ltd:

This is Smartivity Labs Pvt Ltd which raised money in March from one of the investors.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Thank you sir. Also, I understand that this year the printing would be much lower and we would be more cautious about the printing cost, and that would depend on the demands coming up. Usually, I believe our printing starts somewhere around Q3. So, this year what is our plan in percentage terms? Can you give an approximate idea of how much lower are we planning the printing to be basis our demand expectation? And also considering, this is the last time we would be printing this curriculum, with the new curriculum being effective, probably there would be changes in the curriculum. So, all the books may get revised.

Ms. Aditi Agarwal – Kotak Mahindra Bank:

Aditi hi, Himanshu here. So basically, for printing we would be definitely reducing our printing volume this year and using the existing stock as much as possible. The exact number is very difficult to give before the demand season and seeing what sales return, we get from our dealers. We normally starting school printing by September, but this year we would be starting by October-November end and we would be printing in more smaller lots. So let's say if we used to print 20,000 books in 2 lots of 10,000, we would be printing in 4 lots of 5,000 this time and we would be very careful in printing. And I envisage we would be printing around 20-25% less number of books in terms of volume of books from last year, and we would try to utilise the existing stock as much as possible at the same time. But it's very difficult to predict as of now because again, it depends on the opening of the schools, the starting of the new session. Overall, it is very difficult to say as of now, but that is what we are planning as of now.

Management - S Chand & Co. Ltd:

Additionally, please note that the implementation of the NEP normally happens over a 2-3 year period. So, you can't assume that all the stock that we have will not be usable in the next subsequent years also.

Management - S Chand & Co. Ltd:

Implementation of the curriculum takes time, because again, implementing the whole policy for all the classes is not very easy in just one year. It normally happens over a period of 2-3 years.

Operator:

Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Mr. Deepak Poddar – Sapphire Capital:

Thank you very much for the opportunity. Sir I just wanted to understand, lot of your revenue would have got lost in the last couple of quarters. Some of that revenue you

might be looking to recoup in this current year. So overall, what sort of revenue range might we be looking at?

Management - S Chand & Co. Ltd:

Revenue range in terms of full year?

Mr. Deepak Poddar – Sapphire Capital:

Yes.

Management - S Chand & Co. Ltd:

It is very difficult to say, but conservatively speaking we are targeting around Rs600 to 625 crores for this full year.

Mr. Deepak Poddar – Sapphire Capital:

Fair enough. And in terms of digital, you mentioned the 3 years to 5 years rate. But more on the nearer term i.e. in the next 1-2 years what sort of range you might be targeting on the digital front?

Management - S Chand & Co. Ltd:

This year we're targeting revenues between Rs50 to 60 crores and next year it should be more like Rs75 to 80 crores.

Mr. Deepak Poddar – Sapphire Capital:

Fair enough. That is it from my side. Thank you.

Operator:

Thank you. As there are no further questions, I would now like to hand the conference over to the management for closing comments.

Management - S Chand & Co. Ltd:

Thanks everyone for your questions. We are hopeful that everybody is taking care of their families and themselves. Be safe in this epidemic. We are trying our best efforts to make sure that every parent and every child in every school is being serviced through us and our channel partners. And the situation is so dynamic and it is changing so fast and quickly and every state has its own systems now. So, we are trying to get the best out of it. We will be keeping the market and investors updated as and when things change. Thanks a lot, and have a great afternoon. Thank you so much.

Operator:

Thank you. On behalf of Prabhudas Lilladher, that concludes today's concall. Thank you for joining us, and you may now disconnect your lines.

END OF TRANSCRIPT