



## S Chand And Company Limited

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

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Date: October 15, 2018

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
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Dear Sir,

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

The Company had organized a conference call with the Analysts and Investors on Friday, August 10, 2018 at 12:00 p.m. 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 & Compliance Officer  
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Encl: as above



## “S Chand and Company Limited Q1 FY19 Results Conference Call”

**August 10, 2018**

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. Email: [info@schandgroup.com](mailto:info@schandgroup.com)  
| [www.schandgroup.com](http://www.schandgroup.com) CIN: L22219DL1970PLC005400

**MANAGEMENT: MR. HIMANSHU GUPTA – MANAGING DIRECTOR  
MR. SAURABH MITTAL – CHIEF FINANCIAL OFFICER  
MR. SAMIR KHURANA – HEAD, STRATEGY &  
INVESTMENTS**

**MODERATOR: MR. ROHIT DOKANIA – IDFC SECURITIES LIMITED**

**Moderator:** Good day ladies and gentlemen and a very warm welcome to S. Chand & Company Limited Q1 FY19 Results Conference Call hosted by IDFC Securities Limited. As a reminder all participant lines will be in the listen-only mode. 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 touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rohit Dokania from IDFC Securities. Thank you and over to you sir.

**Rohit Dokania:** Thank you Ali. Good morning, everyone and welcome to the Q1 FY19 Results Conference Call of S. Chand & Company Limited. On behalf of IDFC I would like to thank the management for giving this opportunity to host this call. The management team today is represented by Mr. Himanshu Gupta – Managing Director, Mr. Saurabh Mittal – CFO and other senior management personnel. We will start the call with the commentary from the management and then move into the Q&A. Thank you everyone and over to you, Mr. Gupta.

**Himanshu Gupta:** Thank you. A very good afternoon to all of you. I am Himanshu Gupta, the Managing Director of S Chand and Company Limited. I would like to welcome you all to our Q1 results presentation of FY 2018-19 and thank you all for taking time to join us here today. The first quarter is the start of the academic session for schools in CBSC and ICSE and it is also the period where K12 sales cycle comes to an end for all of us. The company takes stock of the performance of the previous year and begins to chart the new publishing plans for the new academic session based upon the feedback from the market. Further, the higher education segment orders from channel partners for the first semester also begins to get executed during the last month of this quarter.

Of the few initiatives that we have taken over the last two years, the curriculum and services business of Mylestone has gained traction amongst schools and with increasing presence in other regional markets is expected to grow during this year. Further, the company is also expected to launch the NURI NORI, our pre-school curriculum in Q2 and online test platform ‘Test Coach’ would also be launched during this fiscal. VRX which is the virtual reality-based content which was launched in the Q4 of previous year has also been well accepted and appreciated by our customers.

This quarter is a lower revenue quarter which normally accounts for 7% to 8% of the annual revenues. We are presenting the consolidated financials for the quarter with revenue of Rs. 577 million which is lower by 5% over the corresponding previous period. The K12 revenues are Rs. 475 million similar to previous period and for higher education, the revenue is lower to at around Rs. 74 million.

We are also happy to announce that our board has given consent to partner with Chetana Publications (India) LLP, a Mumbai-based regional publishing company with strong presence in Maharashtra. The board has approved the investment of Rs. 585 million, for 51% beneficial

interest in the business. The company expects to close its transaction within this quarter. We look forward to working with the Chetana team.

Now I would like to hand over to Saurabh, our CFO to give you a brief of the financials for this quarter.

**Saurabh Mittal:** Good afternoon. Thank you Himanshu. Thank you for attending the conference call for Q1 for this year. I am Saurabh Mittal, the CFO. We are presenting the consolidated financials for the company for this quarter.

Our revenues as Himanshu said are at Rs. 577 million versus Rs. 606 million in the last quarter of the previous year. Our EBITDA loss is at Rs. 498 million, our interest costs are lower at Rs. 54 million versus Rs. 87 million in the previous year. There is an exceptional loss of Rs. 58 million on account of a fire incident in one of our warehouses. We are covered under insurance for that and our net loss is at Rs. 498 million versus Rs. 370 million of the previous year. In terms of working capital we have improved our net working capital to 234 days versus 242 days of the previous year and our net debt is at 873 million for this quarter. Thank you.

**Moderator:** Thank you very much. Ladies and gentleman, we will now begin the question and answer session. The first question is from the line of Ashwin H from A&S Investments. Please go ahead.

**Ashwin H:** With the government announcement about reduction in syllabus by around 50%, what do you think is the long-term impact of this on your company ?

**Himanshu Gupta:** Government has not announced when it's going to get implemented because as we know, next year is the main central elections and there will be lot of changes that are going to happen so we don't know if this policy will be implemented next year or maybe the year after that. But as a company, we are all prepared for it and if there is a change in syllabus and the syllabus is reduced or increased, we will be coming out with the latest books at that time in the shortest period possible and that would have a positive impact on the company because whenever there is syllabus change, there are generally more sales because if there are some used books in the market, second hand books in the market, they automatically get removed and the new books are used in the school. So I think it will have only a positive impact at that time.

**Moderator:** The next question is from the line of Aditya Bagul from Axis Capital. Please go ahead.

**Aditya Bagul:** Wanted to know, there was a decline in our revenue as you mentioned in your opening comments, just wanted a little more color on that, which segments and subsidiaries contributed to this.

**Himanshu Gupta:** Basically we see the decline is very small because the quarter itself is not very large, 7% to 8% contribution of the revenues and the decline is 5%. So basically a lot of time what happens is as Quarter 4 and Quarter 1 are so interlinked to each other, so some of the revenues get shifted from Quarter 1 to Quarter 4 and that is because orders get delayed, the school orders get delayed so if we supplied in April, so that's booked in April and even that same thing happens in higher education. So this was the same case and then the previous year we had some government orders that happened in March last year, which didn't happen in this March which are actually happening later. So all those reasons have a decline on the higher education business which is a small decline which we should be able to cover in Quarter 2 and Quarter 3 cycles.

**Aditya Bagul:** If you can just split your revenue growth or absolute numbers in terms of your K12 early education and higher education piece, that would be helpful.

**Himanshu Gupta:** So K12 is around Rs. 477 million, Rs. 74 million is higher education and the rest small one is early learning, so early learning that is approximately about 2-3 million.

**Aditya Bagul:** We do believe that over the next 2-3 years a longer-term guidance of (+) 15% growth in organic way still stands, right?

**Himanshu Gupta:** We are maintaining our guidance we are not changing our guidance. Our guidance remains 14% to 15% organic growth for this current year and the acquisition of Chetana, the revenues will be consolidated because Chetana has a very heavy presence in the Quarter 1 revenue which is around 85% to 90% of the revenues coming in the Quarter 1 so that revenue will not be booked in our books in this financial year, it will be booked in the next financial year. So without that we will be looking at an organic growth of 14% to 15% and we are maintaining the guidance.

**Aditya Bagul:** If you can share a little on the working capital, so congratulations on the reduction on the working capital but if you can just share what we are doing? We talked about inventory rationalizations in the past, we talked about doing some sort of vendor financing. How have these initiatives shaped up and where do you see steady-state working capital?

**Saurabh Mittal:** As we had already specified during our analyst meet also, so we are working on three parts of it, one is of course the inventory. So inventory over a period of time if you see March and even now despite sales increase there has been no inventory increase. So number of days for inventory are pretty controlled because we continue to look at reducing the number of smaller SKUs that we are servicing and that's the way forward for us to concentrate on higher volumes from less SKUs so that's one part. On the supply side, we looked at vendor financing at a large level and as on today, we provide our suppliers with financing from various banks and financial institutions. Through debt financing, they have that much lower rates so they have been able to extend credit up to 180 days for that and as a result of that if you see despite the paper prices going up for competition, at a very high level we have been able to negotiate our paper prices at

4%-4.5% increase over last year whereas the competition would probably get it at about 8% to 9% this year. So that advantage is first in case of working capital also and also in the case of the prices of paper that is we have been able to get. And finally on receivables, there is almost a 188 crores collection during the first quarter that we have which is higher than the previous year's collections and we have been able to reduce the net working capital and we continue to focus on reducing the receivables by engaging with our distributors and channel partners. So that continuous push is on, we should see better numbers in Q2 and Q3.

**Aditya Bagul:** We had some amount of reverse charge on account of royalty last year if you can just spell out what that quantum was and whether that continues to remain in this year as well?

**Saurabh Mittal:** Yes that continues to remain but the full charge was about 6-6.5 crores last year.

**Moderator:** The next question is from the line of Sunil Kothari from Unique Investments. Please go ahead.

**Sunil Kothari:** Broadly if you can little bit explain this acquisition, its potential, what was the revenue last year full year I mean because it's very difficult but you've given next year talks about just 6-7 crores top-line and for 51% stake we are paying 58 crores, so little confused so please explain this.

**Samir Khurana:** This is Samir, I look at the investments. So basically the entity in which we have taken a partnership interest has consolidated the publishing business of the Chetana brand. On a current basis, based on the last season which has just completed, the annual run rate will be around 75 crores and the EBITDA margin profile of around 28% after normalizing for certain expenses that gets added post the transaction.

**Sunil Kothari:** So basically that is as per our guidelines of same maybe around 5x EBITDA or I am not yet able to catch.

**Samir Khurana:** So this transaction by the way is for 100% its not for 51%, 51% is now but the balance 49% we have the obligation to acquire it and that acquisition can happen anytime between 2022 and 2026. It is based on our certain discretion between us and them. So if I add both the transactions on an average, they should be close to around 6 times EBITDA.

**Sunil Kothari:** What is the EBITDA margin you said for Chetana?

**Samir Khurana:** 28%. But our estimates are that this will go up to 30% in the next 2 to 3 years.

**Sunil Kothari:** This money will go to Chetana, this partnership firm or it will be paid to promoter of Chetana?

**Samir Khurana:** We are investing in the partnership firm.

**Sunil Kothari:** So that money will remain with the partnership firm to grow the business, right?

- Samir Khurana:** We are investing in a partnership firm and in the partnership firm there is the utilization as agreed between them.
- Sunil Kothari:** In a very simple way what I'm asking is the 58 crores what we are paying will remain with this Chetana Publishing House only in which we are taking 51% stake?
- Samir Khurana:** Sunil there is a utilization that we have agreed with the Chetana management and we will utilize it as per the schedule that has been finalized. I cannot give you very specific details but we are putting money in the partnership. The partnership has an agreement of how the money will be utilized for various purposes. But the objective is to continue growing the business at around 18% to 20%.
- Sunil Kothari:** The material cost seems to be very high on a standalone and consolidated basis also, so please explain why compared to last year this is so high in terms of percentage?
- Saurabh Mittal:** You're talking about the COGS for this quarter?
- Sunil Kothari:** Yes.
- Saurabh Mittal:** So COGS for this quarter, it's Q1 versus Q1 last year while there is GST impact last year, there was no GST on printing charges for us, since we were doing it on unit cost basis plus there was no reverse charge for the first quarter. So there is an impact of about 30 million but over the period of next few months it will settle down. Also, there is some inventory rationalization that we are doing as an ongoing process because we need to relook at our inventories and see what we want to sell and we don't want to sell looking at our working capital cycle, so that rationalization happened but it's not a very significant amount. It's about 30-40 million which we have provided for which may or may not actually work out but over the period of time, that's what we do Annually every year. This year we plan to do it in the first quarter, normally we will do it in the second and third quarter. We will prepone that for this quarter and that's why it's just looking like that. The figure in absolute terms is not very large so we expect it to rationalize over the next 2 quarters.
- Sunil Kothari:** We have net debt of around 87 crores and finance cost quarterly was roughly 5 crores consolidated, so will it come down, will it further fall or how do you see interest cost?
- Saurabh Mittal:** Net debt for next September comes down because we continue to collect from our customers and from Q3 onwards, when we start printing for the next season, it starts to go up and peaks around Feb but will come down in March. So, Q3 is normally when it peaks.
- Sunil Kothari:** Is there any change in guidance of operating margin between 24%-26% which you guided at analyst meet?

- Saurabh Mittal:** We expect to have a similar margin. It should not significantly changed because the paper prices this year we have seen, what we have contracted are not significantly higher so we feel margins would remain stable.
- Sunil Kothari:** My point is this new acquisition what we made, which I understand was going on and it has taken maybe little longer than what we were expecting. So wanted to understand what's the potential, what you are looking by acquiring this, any further qualitative details if you want to share.
- Samir Khurana:** Chetana is a well known brand in Maharashtra so they have around 60%-65% of their revenues coming in from Maharashtra. For us we decided to diversify into regional boards 2 years ago which is the first transaction was Chhaya, the second that we have done is Chetana. For us the logic of acquiring this is one, it's a very large market so Maharashtra today has over a 100,000 schools and there are players larger than Chetana in the market and they are substantially larger than Chetana, so for them the runway for growth is visible, it's there. They can easily grow this at above 20% year-on-year. Secondly, in terms of synergy there is a lot of integration that can happen. We will give them access to our resources whether it's distribution, printing. Digital content is still something that they haven't really experimented with. We are looking to ensure that the paper prices can improve. I think over and above that the fact that they have an April-May-June quarter which is 85% of their revenues, for us it is a very lean quarter so the fact that their Q1 is our lean quarter enables us to utilize our resources better and also ensure that we can concentrate on improving our Q1 revenues. So I think overall this is pretty much in line with the strategy that we have been following for the last 4-5 years now which is to grow inorganically in the publication or in the book publishing industry by acquiring content and acquiring assets.
- Moderator:** The next question is from the line of Aasim Bharde from IDFC Securities. Please go ahead.
- Aasim Bharde:** My first question is on Chetana Publications, so I would like to know the history of the company so firstly if you would explain to us that how has the growth profile of Chetana been over the past 4-5 years? What kind of revenue and EBITDA CAGR it has done and what kind of steady-state margins that's done historically?
- Samir Khurana:** Chetana is a 3 decade old business and it was actually housed in various entities. So I can only comment on the last 3 years, in the last 3 years the business during the course of this consolidation there was an impact on the revenue growth but very specifically last season which I just computed the growth is approximately 16%-17%. The margin profile historically on the EBITDA side has been about 30%. The reason why we are saying 28% is because there is a certain investment that they have made in office space and human resources to prepare for the next level of growth which currently has a 2% impact. But going forward as revenue grows up and these are fixed expenses we will come back to 30%.



- Aasim Bharde:** So the normalized margins that you mentioned of 28% that includes the one-time costs that are happening right now?
- Samir Khurana:** Basically there are expenses as I mentioned, human resource expenses and office infrastructure which has been ramped up which is why it is a recurring expense. So when we have looked at the valuation we have adjusted for the expenses. On the current base it is 28% because it is a fixed cost largely as the business increases its size, we will eventually go back to 30%.
- Aasim Bharde:** How is Chetana in the Maharashtra market, so I would assume Navneet would be top? Who are the other players and where does Chetana rank here?
- Samir Khurana (23:40):** The three well-known brands are Navneet, Jeevandeep and Chetana. I think Navneet is by far the leader but Chetana and Jeevandeep would probably be around the same size, I think Jeevandeep was slightly larger. In terms of the size of the market for them for Chetana, it's approximately 60% - 65% of the revenue. In fact it's probably 70% now.
- Aasim Bharde:** And how are we financing our acquisition?
- Saurabh Mittal:** It's a mix of debt and accruals.
- Aasim Bharde:** Because if I'm not mistaken you're going to acquire your balance Chhaya stake also this year, right?
- Samir Khurana:** Yes so Chhaya we have an obligation to acquire them somewhere between the mid of November to the end of December. There is exercise which will commence now to compute the valuation of the company as per the understanding we had and I think that will be funded from mix of debt and equity because there is again some fund that we have lying in various subsidiaries.
- Aasim Bharde:** By the end of the year where do you estimate your net debt to stand from current levels?
- Saurabh Mittal:** We would see our net debt at about 150 crores.
- Samir Khurana:** End of year is not the right way to look at it because my working capital is elevated.
- Aasim Bharde:** Actually my question was on where our long-term debt would be standing by the end of the year?
- Saurabh Mittal:** Long-term debt is not there as on today. The additional debt we have to take for these transactions would maximum be about 100 crores.
- Aasim Bharde:** Could you just explain this scheme of arrangement that you have put on the BSE yesterday between publishing services and Chhaya?

- Samir Khurana:** Basically, Chhaya had 2 subsidiaries, these are wholly-owned subsidiaries and one of the subsidiaries was this company publishing services which was providing certain publishing-based services to Chhaya itself. So post the GST regime, the GST became an extra cost because even the products of Chhaya do not attract any GST so any cost that they were incurring by paying to a group company for their services ended up being the additional GST cost. By merging it we will actually save on the GST element and it was a 100% subsidiary so there is no impact in terms for the shareholders.
- Aasim Bharde:** My next question is on your general business; just remind me, does S Chand also cater to supplementary books for the existing K12 business alongside textbooks?
- Samir Khurana :** S. Chand on its own doesn't, S. Chand is primarily text book but both Chhaya and Chetana do. Saraswati might have a small portfolio of supplementary books but it's very minor, it's not a significant portfolio.
- Aasim Bharde:** Would you be keen on exploring a similar model for S Chand given the fact that you may probably not have to deal with schools directly in that case?
- Samir Khurana:** In CBSE and ICSE, textbooks is a more prescribed books market than supplementary books. Actually CBSE, ISCE supplementary books will not be a large business.
- Himanshu Gupta:** Supplementary books in Chetana you mean to say or S Chand?
- Himanshu Gupta:** S Chand has some supplementary books business, already it has. So main book business is textbook but we have some books but mainly we want to focus our energies more into textbooks in the core segment which is a bigger business than supplementary. As of now we are focusing more on that.
- Aasim Bharde:** Actually I was just thinking that maybe alongside textbooks if you would focus of course you guys know better than me but maybe if we push the supplementary books market on the S Chand's target schools, perhaps it could give us a chance to ease our working capital a bit, right? So that's why I wanted to ask.....
- Himanshu Gupta:** The supplementary books in this CBSE and ICSE is a very small business compared to the state boards. State board the business of textbooks is smaller and the supplementary books is much larger, here the supplementary books business is totally in the whole CBSE and ICSE would be anything between 10% to 15% only because the problem is the supplementary books are only used in CBSE and ICSE after the 8<sup>th</sup> Grade. Till 8<sup>th</sup> Grade, nobody use the supplementary books. People use only textbooks because textbooks are used mainly of private publishers. In the case of state board the normal core textbooks are used of the government publications in the state boards and the children buy supplementary books, which is the way. Basically I was saying that

as a core textbook publisher, our focus is there because we see more growth potential and the supplementary books is a very higher discount, higher trade discount kind of a market with high level of competition as of now. So we don't believe that we would be able to crack it as this is much smaller market so better to focus our energies in the core textbook markets where we feel it has a greater growth potential for a company like us.

**Aasim Bharde:**

Does Chetana have a digital content line up similar to what we have?

**Himanshu Gupta:**

As of now they are developing digital line up but the synergies that we will be providing as a S. Chand Group, we will be also giving them lot of digital content which they can customize and translate into local vernacular language that is Marathi in their case and they can give it with the supplementary books that they are selling in Maharashtra. So that will help them there. They are also developing some of their own, but we have a huge line-up of digital content and resources in S Chand.

**Aasim Bharde:**

Finally for Chetana, 70% of revenue comes from Maharashtra, the balance 30% comes from which market?

**Himanshu Gupta:**

Tamil Nadu, Karnataka and so basically it is CBSE, ICSE books also. They are quite a strong player in the pre-primary segment which is like Upper KG, Lower KG, Nursery and Kindergarten.

**Aasim Bharde:**

But most of it is still in the Maharashtra market is what you are saying?

**Himanshu Gupta:**

70% comes from Maharashtra, 30% comes from outside Maharashtra which is Tamil Nadu, Karnataka, Gujarat, some parts of North India also but that's more fragmented, the revenue.

**Moderator:**

The next question is from the line of Rohit Khatri from Religare Broking. Please go ahead.

**Rohit Khatri:**

I just saw your results wherein the overall consolidated revenue has actually declined, could you throw some light on that?

**Himanshu Gupta:**

Basically in the initial comments, we had said that the revenues from this quarter are normally in the range of 7-8% of the consolidated revenues of the whole year. So it's not a very peak quarter rather slow quarter for us and the revenue normally between Quarter 4 and Quarter 1 have some kind of all spillover effect. Sometimes Quarter 4 revenue goes in Quarter 1, Quarter 1 comes to Quarter 4 that normally happens in school and college business. But if you see our school business, this quarter revenue has been similar to the last quarter business of the same financial year same period but there was little dip in the college revenue which was because last year, we had some good government orders in the Quarter 4 in March last year. This time we didn't have it now. We might cover it in the Q2 and Q3. So we believe basically the business

that we are predicting is the same as we were saying earlier. So we believe in the organic growth of around 14% to 15% for this financial year 2019 and we continue to have the same guidance on that.

**Rohit Khatri:** What about the margins, you mentioned earlier also that we are expecting better margins because 2 operational efficiencies, can we expect the margins to somewhere around 25%?

**Himanshu Gupta:** Yes so we are expecting similar margins at 25% as you said and we will strive and continue to get those margins in our financial year.

**Rohit Khatri:** One more thing on the effective tax rate, can you give an outlook on what is the ideal level? Because I think some of our subsidiaries come under the bracket of under 500 crores revenues, so could you tell us what could be our effective tax rate and could it reduce from what it was in 2018 which is I think 33%?

**Saurabh Mittal:** The effective tax rate for this year would reduce on account of 2 of our subsidiaries being sub 250 crores. So they won't be eligible for the lower taxation at about 29%, plus of course approval for the restructuring comes in, there is an additional tax benefit for the digital entities that we have. So overall yes we are expecting a lower tax rate of about 50 to 100 bps.

**Rohit Khatri:** What could be our cash balance at the end of Q1?

**Saurabh Mittal:** Our net debt is 873 million.

**Moderator:** The next question is from the line of Rishabh Chudgar from Enam Holdings. Please go ahead.

**Rishabh Chudgar:** This is just regarding the receivable amount that you mentioned; you mentioned that you've collected like around 180 crores of receivables. But if I'm looking at your presentation on the quarterly working capital cycle that you have shown, it says that debtors have reduced from 631 crores to 503 crores so that's just the 130 crores reduction so what's the mismatch or have I heard something wrong?

**Saurabh Mittal:** Revenues for this quarter also, Rishabh. So we were talking about the March receivables.

**Samir Khurana:** Average credit for any sales is at least 90 to 120 days. That's the highest for the fastest selling products. So any sales which happens in April-May-June that's only due in Q2 and Q3. So any receivables collected this quarter is against March, which is why we are targeting Q1, we will have to reduce current year sales so that will come around 440-450.

**Rishabh Chudgar:** So you are saying that the additional 50 crores receivables has come in because of the sales of this quarter?

- Saurabh Mittal:** Yes.
- Rishabh Chudgar:** And how are you seeing this going forward, like how are you expecting this to reduce in the coming quarters?
- Saurabh Mittal:** 30% first quarter and another 30%-35% in this quarter itself.
- Rishabh Chudgar:** So you are saying another 35% in Q2 and 35% in Q3?
- Saurabh Mittal:** Yes.
- Rishabh Chudgar:** Coming to the margins you have mentioned that you will be able to maintain the margins at current levels of 25% odd but do you expect some kind of pressure on those margins mainly because of the acquisition that you have done because since 85% of Chetana's revenues have already happened in Q1 which won't be getting reported on our financial but the cost for the next 3 quarters will come in, so does that create any margin pressure for us?
- Saurabh Mittal:** On the reported financial yes but if you look at the pro forma for the full-year, no.
- Rishabh Chudgar:** So how much margin pressure we can expect from this acquisition?
- Samir Khurana:** It's an incorrect way to look at it because we are consolidating 15% of revenues and approximately 50% or 55% of fixed cost. This is why it is not the right way to look at it. On a pro forma basis, Chetana has an EBITDA profile which is superior to S. Chand by 200 to 300 basis points so you will see that benefit in our numbers going forward. I think it can be more transparent next financial year when you see the first quarter next year.
- Rishabh Chudgar:** The 58 crores is for the 51% stake so for the remaining 49%, you will have to check at that time what amount you will be paying, right?
- Saurabh Mittal:** Yes it's linked to the EBITDA for that trailing 12 months of the year onwards where we need to buy out the balance and the buyout can be anywhere between 4 to 8 years from now.
- Moderator:** The next question is from the line of Manish Jain, an individual investor. Please go ahead.
- Manish Jain:** My question was regarding receivables. Basically I wanted to understand first, who are our customers, schools and distributors right, so what is the ratio between them? And second is how much is the credit period which we offer to them?
- Saurabh Mittal:** In terms of our customers, direct selling to school is not really too much, it is about 5% to 10%. 90% is channel partners because we do about 40,000 schools. Opening individual accounts is not something that is practically possible. We have a set of about 5,000-6,000 distributors which

we work with. And in terms of your credit period, again in the higher education cycle it works at about 120 to 150 days, in terms of the school cycle there is an outer limit of about 180 days but we keep getting collections as and when the schools get the distributors we get the collection. So it starts from March itself, we receive about 10% to 15% in March and then another 20%-25% in the first quarter and then second and third quarter. The payments are spread, it's not a fixed credit period that is defined in that.

**Manish Jain:** It means that we collect as they sell basically, we finance them?

**Saurabh Mittal:** Not as and when, so we have how much we need to collect. In each quarter, we have a fixed percentage depending upon the channel partner and depending upon the region that he serves in. Each region has its own various intricacies so depending upon that we fix is going to pay to us in March, how much in the first quarter, how much in the second, how much in the third quarter.

**Manish Jain:** One more follow-up question on this. Basically, if we look at it our brands have a strong pull like S. Chand all that and Madhubun and all that are well known brands. Any particular reason why we offer such a long credit period when we compare with other publishers and are we having a plan to reduce this credit period?

**Saurabh Mittal:** It's always good to look at a lower credit period however considering like the industry is competitive at this point of time, we have looked at reducing credit period on certain SKUs that we offer, but across the other SKUs, sometimes it's not practically possible for us to reduce the credit period. But it is always our endeavor to not increase the credit period.

**Moderator:** Thank you. As there are no further questions, I now hand the conference over to Mr. Rohit Dokania for closing comments.

**Rohit Dokania:** Thank you very much. Mr. Gupta would you want to make any closing comments?

**Himanshu Gupta:** Thank you all and we are happy and excited about this new acquisition that we have made, and we hopefully will like to take it to the next level. S Chand Group is always endeavoring to give quality education for the last 80 years as the founder of the company, Mr. Shyam Lal Gupta – my grandfather had that vision and we continue to do so and continue to deliver good quality content and services and education and grow the business and maintain our margin profiles and maintain our guidance for this year. Thank you.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities Limited that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.