



## S Chand And Company Limited

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Date: July 14, 2021

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

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



The Company had organized a conference call for the Analysts and Investors on Wednesday, June 23, 2021 at 1:00 P.M. to discuss the financial results for the quarter and year ended March 31, 2021. The transcript of the said conference call held with the Analysts and Investors is enclosed herewith.

The Company shall also disseminate the above information on the website of the Company - [www.schandgroup.com](http://www.schandgroup.com).

Request you to kindly take note of the same.

Thanking You.

For S Chand And Company Limited

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

End: as above

**S CHAND AND COMPANY LTD Q4FY21 INVESTOR CONFERENCE CALL**

**23<sup>rd</sup> June, 2021**

**Moderator**

Ladies and gentlemen, good day and welcome to S Chand And Company Limited Investor 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 – Prabhudas Lilladher Private Limited**

Yeah. Thank Aisha. On behalf of Prabhudas Lilladher, I welcome you all to the Q4 FY21 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 who is Head Investor Relations. I would now like to hand over the call to the management for opening remarks. And after that we can go for Q&A. Thank you and over to you sir.

**Mr. Himanshu Gupta – MD, S Chand & Company Limited**

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 fourth quarter and full year 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 difficult times.

FY21 has been a difficult year for all of us. The pandemic has impacted millions across the country. For the formal education sector, it began in March 2020 and continues to date. Schools, Colleges, Education institutes across the country were closed for most part of the Academic Year and continue to do so. The sector has had to adapt to the changing timelines of examinations, admissions and to online education. While Urban and semi-urban areas have largely adapted, the major impact has been borne by students who have no access or limited access to devices. As per reports millions of students have had no exposure to formal education during the year, and while they would be promoted to the next level, they would be impacted by this gap.

We have during the pandemic enabled schools and colleges with online resources, our Learnflix App was also provided to schools free to access during the initial months. Mylestone could ramp up immediately to providing online education to its user schools within April 2020 itself. We conducted various workshops and seminars for teachers to train them on to teaching online. We acquired majority stake in Edutor Technologies in August 2020, which

now forms the backbone of all our online learning solutions i.e. Mylestone, Learnflix, Educate360, along with its own Ignitor platform. We also launched Educate360 our Learning Management System in October, piloting it in 50 schools.

However, despite the various challenges faced like paper supplies, increase in paper prices during the last quarter, reduced engagement with schools and channel partners during the year, it has been a turnaround year for us in terms of reassessing and restructuring our business and making it more cost effective and working capital efficient which results in generating positive cash flows. We have been extremely successful during the year to this regard. The plan S Chand 3.0 envisaged in December 2018 has been completely implemented and Slide number 4 to 10 give a lot of details around the positive outcomes of this plan.

I am extremely happy to report key highlights on this front that while we have retained Revenues at the same level as per previous year, we have more than doubled our Operating Cash flows (OCF) on a YoY basis. We have also become Free Cash Flow positive after FY18 and reported a huge improvement in this metric.

On the Balance Sheet front, we have reduced our Net Debt by over Rs700m which led to our lowest net debt level for the group since September 2018. Our focus on reducing inventory also led to our Lowest Inventory levels in 5 years on a year ending basis.

On the P&L front, we return to positive EBITDA levels after FY18. Our Print business also returns to profitability on back of the full impact of our S Chand 3.0 program which led to a very strong reduction in Operating Expenses of over 46% over FY19. Saurabh, our CFO would give more details on these financial metrics in his remarks.

On the Ed-Tech front, we are taking strong strides and getting ready for increased adoptions of our digital solutions in a post covid world. Our most affordable learning app - Learnflix has over 2.3 Lakh downloads & over 21,000 paying subscribers. We expect schools which were provided with free usage during FY21 would convert to paying customers in FY22. We also have plans to launch Learnflix Bangla during the first half of this year. Our e-commerce sales now account for over ~10% of the company revenues which is an encouraging sign. Our total E-Book sales across B2C platforms and B2B sales to Institutions has also doubled over the last year during FY21. Madhubun Educate 360 - Our K12 Learning Management System got implemented in 15 schools post a successful pilot. We expect more schools to use this product as the year goes by.

We are in the process of transferring Mylestone and Learnflix, our school and student solution into an SPV - Convergia Digital Education Private Limited through a slump sale, with the view of raising capital separately for this business to grow exponentially. Various formalities for this are mostly done and we expect the process to be completed by July.

When I look back over the past 12 months, I see FY21 as the year in which we were extremely successful in doing a course correction on financial metrics which were internal to our company and in our control.

Now turning to more recent events, we saw the onset of wave 2 leading to schools and education institutions taking precautions and shutting down from mid-March onwards. Most of the institutes postponed their summer holidays from April onwards.

The current situation is that schools and colleges have remained closed from March end till June. We hope that given the lower number of cases currently, educational institutes would start to physically open from Q2 and Q3 onwards. Online classes have resumed in schools as summer holidays have at most places ended.

I would like to bring your attention to Slide no 4 to slide 10 which showcases the results of the steps taken during the past two years towards building a cost effective and lower working capital organisation with focus on positive cash flows. We continue to focus on working capital rationalization, product rationalization and growing margins for the coming year.

In terms of working capital, debtors days have reduced to 276 days vs 285 days at the end of Q4FY20. Our Net Working capital days also decreased to 293 days (vs. 321 days in Q4FY20). In terms of debt, we ended the quarter with gross debt of Rs 2,031million and Net debt of Rs1,284 million which is lower by Rs707m over Q3FY21. This is the lowest level of net debt seen since September 2018.

I am happy to report that in terms of Cash Flows, we saw massive improvement in operating cash flows coming through from the full implementation of S Chand 3.0 plan in the past 18 months. Our strategy of focusing on the cash flows has yielded results with more than doubling of Net cash generated from operations of Rs1,076m in FY21 (vs. Rs484m in FY20 and Rs386m in FY19). On an overall basis, there is a Rs828m improvement in free cash generated over last year in spite of the pandemic times. We also turned overall Free Cash Flow positive of Rs321m vs Negative Rs507m last year.

As we go into FY22, I would like to call out couple of things for the coming year-:

- Firstly, we would be taking a price hike across our product portfolio to the tune of 5%-10%.
- Secondly, we expect some portion of Q1 revenues to move to Q2 on back of school closures during most of Q1. Similarly, Q2 would see shifting of revenues from higher education segment on back of delayed college openings. Thus, Q2 and Q3 could be bigger quarters in comparison to previous years.
- Thirdly, with increased number of vaccinations and lower covid cases, we expect schools and colleges to gradually re-open and this can lead to a normal sales season during Jan, 2022 to March, 2022. Thus, if the covid situation holds up, then we can get the dual benefit of higher product prices and a normal sales season in FY22. Though it's very difficult to give a guidance number for revenues during pandemic times, but if the above-mentioned situation holds up then we can end the year with revenues upwards of Rs500cr with higher EBITDA margins.
- Fourthly, on the debt front, we aim to become net debt free in 2 years and further optimize working capital going ahead.
- Fifth, the biggest growth driver for our print business would come from the introduction of the new syllabus post the announcement of the National Curriculum Framework or NCF. This should lead to strong revenue and profitability growth for 2-3 years period. Our base case is that NCF should impact financials from FY23 onwards. An early announcement can greatly change our FY22 financials as well.

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

## **Moderator**

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

### **Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Good afternoon everyone and thanks a lot for the opportunity. Firstly, congratulations for the management team for a strong cost control and strengthening balance sheet and improvement in cash flows. My first question would be so earlier we were targeting Rs600 crores kind of revenue for FY21. So this lower revenue will be a loss of opportunity or we can make it up during the next two quarters?

### **Management – S Chand And Company Limited**

We were targeting Rs600 crores for the year provided we got a normal sales season As you know the 4th quarter accounts for 80% plus of annual revenues for us. However, the situation across the country with schools and colleges not opening remained very, very limited in terms of what we could do during the year. The rise of covid wave from Mid-March onwards also became an impediment to achieving higher sales during our most crucial sales period. During the year, most of the rural belt got impacted with few schools running at all, even online classes didn't happen there. And that's quite a portion of our sales. So instead of aggressively pushing into that segment, we saw what inventories are present in the market and we preferred not to supply in certain locations because that would not help at all. So we have tried to be as conservative as possible to ensure that we don't waste resources just for the heck of it. So yes, while revenues are much lower than expected but I think the result of making money on revenue is there and we have mostly targeted in terms of profit is quite there already.

### **Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay. So the assessment in terms of Q1, has it improved in terms of even online classes starting up and books ordering has improved or still we are seeing not improvement much?

### **Management – S Chand And Company Limited**

I think the first quarter this year has been deeply impacted because as you know the second wave and the lockdown hit us in the month of April and May. And you know that was the first Quarter. So our offices were also closed. Our warehouses and factories were also closed. So the first quarter has been impacted this year. We will still get to know the full results after the closing of the first quarter. But it has been impacted because of the second wave.

**Management – S Chand And Company Limited**

Deepen just to add, we have also mentioned in our presentation that we expect Q1 this year to be softer versus Q1 of last year and the revenue should get shifted to later quarters.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay, okay. So this whatever you were running sort of in FY21 how much would have been recoverable in coming quarters?

**Management – S Chand And Company Limited**

It is very difficult to say. Very difficult to say how much we will recover because sometimes the decision of the customer/school is postponed and sometimes even the parents or the children can get used books or they exchange the books with their friends or their neighbors or wherever. But we believe that it will all depend on when the schools reopen. Because the important part is school opening up. That we are still not sure.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay. And in terms of FY22 targeted revenues of more than Rs500 crores are we also incorporating some part of revenues coming from NEP as well?

**Management – S Chand And Company Limited**

Not as of now.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay. So what is the status of NEP? How are things moving over there?

**Management – S Chand And Company Limited**

The status is still not very clear. We are just thinking because as the schools are not opening thus bringing a new curriculum for the government and to train the teachers and to implement that in the schools would be a difficult task for the government. So, we believe that it might not happen this year, it might happen next year.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay.

**Management – S Chand And Company Limited**

So Deepan if you look through our investor presentation, we have mentioned there that for us now the base case is implementation of the National Curriculum Framework (NCF) in FY23.

That is what we have shared as our base case. Obviously if it happens earlier then it is positive for FY22 but that is not something that we are building in currently.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

So that way we are expecting FY22 to be organic revenue growth.

**Management – S Chand And Company Limited**

Yes.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay.

**Management – S Chand And Company Limited**

Please understand that this is a government matter. So it is very difficult for us to give a guidance on when it will be released. But yes, given the way the pandemic is going on and I mean the authorities are busy in handling the pandemic at this stage, so we do not have a lot of confidence in it being released within this year.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay, okay. And what are our growth targets for Learnflix? We have been discussing about 1 lakh paid subscribers over next year, right? FY22. So, does the target still remain with us?

**Management – S Chand And Company Limited**

The target remains. Unfortunately, we were targeting that because since schools are closed physically it is a loss of B2B sales for us which is our primary sales driver as of now. B2C sales requires a lot of marketing which at this point of time unless we have a fund raise, we will not go ahead with that. So we are still working on the B2B space. And once schools can operate normally, I am sure that will happen.

**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay, okay. And lastly our other intangible assets increased by 33 crores. Any specific reasons for that?

**Management – S Chand And Company Limited**

That is more of an accounting treatment. That is on account of Edutor becoming a subsidiary. We acquired additional stake in it in August last year and our holding increased to approx. 55% of the company. Not really cash outflow.



**Mr. Deepan Sankara Narayanan – TrustLine Holdings Pvt. Ltd.**

Okay. Okay, okay, thanks a lot and all the best.

**Management – S Chand And Company Limited**

Thank you.

**Moderator**

Thank you. A reminder to the participants, anyone who wishes to ask a question may press \* and 1 now. The next question is from the line of Ajay Sharma from Cycas Investment Advisors. Please go ahead.

**Mr. Ajay Sharma – Cycas Investment Advisors**

Hi. Thanks for taking my call. I just had a very broad question here. So as an investor is it best to think of this company as an Ed Tech company? And if it is how do you view the competition and consolidation that's happening right now in the Ed Tech space? How is the company changing its culture, its structure, its management strategy to be able to better deal with this competition?

**Management – S Chand And Company Limited**

I would not call ourselves an Ed Tech company as such. However, we are a content company and we provide content on different mediums whether it is the print medium or it is the digital medium. As far as competition is concerned, we are in the formal sector and we are not really in the supplementary education space. While most of the competition that you are talking about would all possibly be in the supplementary space. On the formal education front most of the players are doing the same thing and they are providing both print and digital content to the schools. And that is where we would continue to focus because that is what is core to us providing quality content to educational institutions on a B2B or B2C basis and that continues to be our focus.

**Management – S Chand And Company Limited**

Ajay when you say competition, do you mean Ed Tech competition the likes of Byju's and all or you mean publishing competition?

**Mr. Ajay Sharma – Cycas Investment Advisors**

I mean competition from the likes of Byju's and all because they are also expanding into content and they are also now dealing with schools. I am looking at the long term maybe like 5 or 10 years.

### **Management – S Chand And Company Limited**

So basically, Ajay our focus is mainly on the strength of our relationships that we have with the schools and the team that we have and the content that we have. We are more of a B2B2C kind of a player. So, we would like to focus our energies on the B2B2C segment where we believe a Learnflix kind of an app which is quite affordable, which is priced at Rs. 2500 per child per year, whereas a Byju or any other product in that category is priced at Rs. 40000-50000 per child per year. So, we are quite affordable. We believe that we could have done more if the schools would have opened. But whenever the schools start opening, we are already in touch with them. We will be able to do a lot of contracts with these schools and able to provide content in the form of personalized learning apps to these schools. So, we believe we want to play to our strengths and not try to follow others in that way.

### **Mr. Ajay Sharma – Cycas Investment Advisors**

Okay so in the next maybe 5 years, you are not so worried about potential competition from the Ed Tech space from the likes of Byju's and all that?

### **Management – S Chand And Company Limited**

In terms of the print business, I do not think Byju is going to enter the print business. That would be my assumption at this point of time. But if you want to say that the books will be replaced by digital only, we still believe that books, digital and books print will go hand in hand. And still, it is going hand in hand because students do need books. And we have seen also through the onset of COVID last 15-16 months if I can talk about my personal experiences, my kids, they are facing a lot of online education fatigue sitting on the computer the whole day long and doing their classes. And still they need books for reference. Books are still being used by children even when they are using online medium of education. But when the physical schools open, definitely the books' sales will increase.

### **Mr. Ajay Sharma – Cycas Investment Advisors**

Okay. Thank you very much.

### **Management – S Chand And Company Limited**

Thank you.

### **Moderator**

Thank you. We would request the participants to please press \* and 1 to ask a question. The next question is from the line of Devang Patel from NAFA Asset Management. Please go ahead.

**Mr. Devang Patel – NAFA Asset Management**

Sir first question was on the Ed Tech space. What kind of competition are you seeing in the B2B2C space? But in our space what kind of competition is there?

**Management – S Chand And Company Limited**

There would be different set of competitors for Learnflix and Mylestone. In terms of Mylestone the competition is would be with the likes of Xseed, Lead, IMAX etc. For Learnflix there are 2 or 3 players but they are not substantial players because the schools' affordable personalized learning app solutions is not a very old business. It is only started I think 1.5-2 years back. It is still a new proposition and no major player I have seen which have cracked the market because the schools have been closed for last 15-16 months already.

**Mr. Devang Patel – NAFA Asset Management**

Okay. Sir I had a question on the inventory on the audit of qualification. In the December results the qualification was not there. So, was it because it was a limited review of the numbers?

**Management – S Chand And Company Limited**

We do a half yearly inventory verification and last year we got it done in October-November. But this time normally what we do is we do it post season in end of April or first week of May. Last year also same thing happened and end of April was not possible. This time also end of April the whole of May it is practically impossible to do physical verification because warehouses were closed most of the time and we barely had people on the ground. We started our warehouses somewhere at the end of May because of the pandemic. So, we couldn't get it done and hence we are trying to do the physical verification in July. So, the qualification will be removed in the limited review of the next quarter.

**Mr. Devang Patel – NAFA Asset Management**

Okay. And when the new curriculum comes out is there any risk to our older inventory of books? Will there be some write off when the new curriculum is coming out?

**Management – S Chand And Company Limited**

We have already taken a provision for inventory across the group which is already factored into the financials. So last year it was around 10 crores. This year also it is around 10-12 crores. We have already taken that.

Having said that there is some risk. I am not saying there is no risk at all. However, as the National Curriculum Framework (NCF) comes out, the deployment happens over a period of 2-3 years., Our target for inventory reduction is to bring it down to around Rs80 crores by the end of current year. And a lot of the inventory that we have now is also including higher

education inventory and a lot of the general titles which do not have the same kind of risk. So, I would say it is not substantial and It is not a huge risk to the system. But it is there and most of it has been provisioned for.

**Mr. Devang Patel – NAFA Asset Management**

Just to clarify did you say inventory you are looking to bring down further to Rs80 crores next year?

**Management – S Chand And Company Limited**

That is our target. We brought it down from Rs200 crores to Rs137 crores this year. Our next target is to bring it down to around Rs80 crores.

**Mr. Devang Patel – NAFA Asset Management**

Right. Sir on the employee cost you have done very well in the last 2 years and you have reached levels of FY16. What kind of head cost reduction have we done? In which areas have we pulled down our head count?

**Management – S Chand And Company Limited**

Our employee expenses have been coming down since FY19 on back of right sizing of our work force. Some of the reduction during FY21 was also linked to pay cuts that we had to introduce last year. Most of them have been rolled back and I do not see employee cost going forward reducing as such. It should be maintained at current levels to a 10% higher level as a percentage of Revenue.

We have reduced our head count by about 15-20% over the last 2 years. And largely this is into backend operations. Front end of course we have not reduced by that quantum where it would be approx. 5-7% only. I mean on the sales and editorial front; we have really retained most of the people and backend we have consolidated our locations into a few locations. So largely supply is being centralized. We have less locations, less people to handle it and that is also helping us on the inventory side. We are seeing deflation of inventory at multiple places. We have reduced the number of warehouses from 18-19 locations to 4 in our parent company. So that is helping us on the inventory side, both in terms of number of SKUs and costs of managing it. In addition, we also took steps to consolidate our number of offices and that helped in reduced overhead manpower and costs.

**Mr. Devang Patel – NAFA Asset Management**

Okay. On capex, what kind of capex have we done this year and in which area?

**Management – S Chand And Company Limited**

So total capex is about Rs12-15 crores and it is largely around content development.

**Mr. Devang Patel – NAFA Asset Management**

Okay. And sir you have about 14 subsidiaries and associates all put together. Other than the digital subsidiaries do it make sense to merge the larger ones and take the benefit of taxation?

**Management – S Chand And Company Limited**

The smaller ones we are already merging and still in process. I think we should be reducing four subsidiaries by the end of next year. The larger ones we have not planned on as of now. But maybe going forward we will have a relook at the structure. Since all of them have different operating cycles and a niche kind of product line, so far, the front end team and the content team has been kept separate so that the culture of that company remains. Because a lot of these are acquired entities. We will bring it down to about 8-9 entities over a period. But as of now, we have not planned for anything more than that.

**Mr. Devang Patel – NAFA Asset Management**

Okay. Sir on this 3.0 initiative what further could we expect both on margins and working capital?

**Management – S Chand And Company Limited**

S Chand 3.0 is complete for us. But now we are focusing more on 4.0 which we will share soon. We will look at our digital initiatives how to move them on. We will be looking at a lot of data points and developing our other initiatives. So currently cost side I do not see too much that we can do from these levels. We have reduced more than Rs150 crores operating cost over 2 years. I mean there is not much more you can do in that. So I mean in 2 years we have gone from Rs330 odd crores of operating expenses to Rs177 crores this year.

**Mr. Devang Patel – NAFA Asset Management**

Right. And lastly on the fund raise from the Ed Tech businesses, has there been any delay or push back in the time of COVID?

**Management – S Chand And Company Limited**

I mean so we still have engagements ongoing with investors and we are discussing with 2-3 of them. Very, very preliminary stage. We can't disclose anything as of now but we are still at it.

**Mr. Devang Patel – NAFA Asset Management**

Right sir. I will come back...

**Management – S Chand And Company Limited**

Having said that, our own cash flows have improved. We have not been very aggressive on the fund raise. But now it looks that we can manage a lot of things from our own internal cash flows without diluting at this point of time.

**Mr. Devang Patel – NAFA Asset Management**

A push from a B2B focus to a B2C would only come after fund raise, is it?

**Management – S Chand And Company Limited**

Yes, B2C of course we will not be investing till the time we have a fund raise. In the meanwhile, our focus on B2B continues currently. Since Mylestone is almost break even in terms of EBITDA so we feel we can continue to run it ourselves.

**Moderator**

Thank you. We would request the current participant to please come back to the question queue for any follow up questions as we have several participants waiting for their turn. The next question is from the line of KR Senthil Nathan from NAFA Asset Management. Please go ahead.

**Mr. KR Senthil Nathan – NAFA Asset Management**

Sir thank you for the opportunity. Sir if NEP comes, how much do we have to spend for our content? And already we have started spending for that, one. And number two, and if NEP comes, I mean will you be taking the price hike and how much that would be.

**Management – S Chand And Company Limited**

So currently we haven't started spending for content creation for NEP since the National Curriculum Framework (NCF) is yet to be released which would have the new curriculum on which new books will be created. See content development is a function of a good author base which we already have and pay royalties to them. So upfront spend is not very large. On the whole, I would say at the max we probably would end up spending about Rs10-15 crores on the implementation of the NCF over a two-year period.

Also, a lot depends on what comes under NCS. So, I mean depending on the number of changes, see I mean you will appreciate that for subject like math and science, basic things don't change, maybe the ordering of the topics in a subject can change. The way they are being brought about or taught can change. But a lot of this content is there and it will continue to be used in future years. So for subject like languages things can change. So I mean we need to see what the contours of the NCS are to be able to give you a firm answer to that.

And secondly the price will also depend on the number of pages that the book will contain after NCF comes in. If the book becomes much thicker the price will increase and if the book becomes thinner the price might remain same or decrease also. So that also we don't know till the time the book is ready to print in the market.

**Mr. KR Senthil Nathan – NAFA Asset Management**

Okay. Okay. And how much would be the secondary sale market sir in the entire curriculum?

**Management – S Chand And Company Limited**

What do you mean by secondary sales market sir?

**Mr. KR Senthil Nathan – NAFA Asset Management**

Second's sales market. Because like if the curriculum comes, everyone must buy the new curriculum. Whereas how already used books would be in circulation. So how much would be the number?

**Management – S Chand And Company Limited**

So you are referring to the second hand sales market In the normal situation when COVID was not there, we would assume the second hand books market to be around 15%-20% of the sales. But after the new curriculum that number will be 0% in the starting years. So that increase in sales in units should come in. We would expect the implementation to take 2-3 years for the new curriculum. So the first 2-3 years we will see a good runway in growth in terms of sales. And unit sales also at that time.

**Mr. KR Senthil Nathan – NAFA Asset Management**

So this runway growth will be more or less to the extent of 20% sir? Is that will be the right assumption towards moving growth sir?

**Management – S Chand And Company Limited**

In terms of volume growth, we should have a good number as the price part we still do not know. So defining that number will be difficult. But yes unit wise growth would be good for sure.

**Mr. KR Senthil Nathan – NAFA Asset Management**

Okay, okay. Thank you, sir.

**Moderator**

Thank you. The next question is from the line of Aniruddh Jain from HU Consultancy. Please go ahead.

**Mr. Aniruddh Jain – HU Consultancy**

Sir just wanted to understand your broader view on this digital business. In the coming let's say 3 to 5 years, what is the percentage of revenue, marketing spends, capex we are expecting from that segment?

**Management – S Chand And Company Limited**

In terms of marketing spend it again depends on the kind of fund raise that we do if we have to go to the B2C route. For us, B2B continues to be the same. We do not really have too much of spend in marketing except for the people that would remain on the ground. So what is the other part of your question?

**Management – S Chand And Company Limited**

See currently digital is almost 6-7% of our consolidated revenues and we target this could reach upwards to 20-25% over a 3-5-year period.

**Mr. Aniruddh Jain – HU Consultancy**

Okay, okay. And sir what is the percentage revenue we are looking from the digital business in the coming 3-5 years?

**Management – S Chand And Company Limited**

20-25%. Because see the print business as of now is almost 90% plus. So that is not going to vanish over the next 2 years, right? So that business will stay and with NCF coming through that also becomes stronger.

**Mr. Aniruddh Jain – HU Consultancy**

Okay, okay. And sir what is the active users for Mylestone and Learnflix?

**Management – S Chand And Company Limited**

About 1.40 lakh – 1.50 lakh students on Mylestone. And out of that I think 60-70% are using the digital platforms which is going through the Mylestone app. Learnflix we have a total of 200k downloads plus active users I think we have 35,000-40,000.

**Mr. Aniruddh Jain – HU Consultancy**

Okay, okay. And sir last question is on Convergia. Once the fund raise happens, how we are thinking to utilize that fund? Whether it will be used by Convergia for expansion or there will be some upselling to S Chand.



**Management – S Chand And Company Limited**

So for Convergia we will use the money raised for three purposes. One is to drive aggressive growth by enhancing the team. Current team is small in our opinion. Secondly, we must do a lot of product development in terms of the platform itself to add further features to the platform. And third of course is the content development required to make Learnflix a complete K-12 solution. Currently it is a Class 6<sup>th</sup> -Class 10<sup>th</sup> Math and Science solution. We are adding social studies this year. But it must be a K-12 solution for it to have a wider spread.

**Management – S Chand And Company Limited**

Just to give a clarification the funds raised will be purely used by Convergia and for Convergia. It will not be used by the publishing business.

**Mr. Aniruddh Jain – HU Consultancy**

Okay, okay.

**Mr. Aniruddh Jain – HU Consultancy**

Okay, okay. And is there any expectation on the maximum stake we want to dilute?

**Management – S Chand And Company Limited**

Maximum about 25-30%.

**Mr. Aniruddh Jain – HU Consultancy**

Okay. That is it from my side. Thank you so much.

**Moderator**

Thank you. The next question is from the line of Rahul Ramakrishnan from Invest Easy. Please go ahead.

**Mr. Rahul Ramakrishnan – Invest Easy**

Sir congratulations on a good set of numbers. I wanted to ask about Mylestone sir. Because see what I have noticed is that just as you have Mylestone a lot of other people are also offering this learning management systems. So how much pressure are you kind of facing from schools to – I mean not pressure I would say but how much competition is there really for people to push this?

**Management – S Chand And Company Limited**

So Mylestone is in its 5<sup>th</sup> year and it is a good product. It solves the problem because it goes to the affordable private schools where they have a problem of quality teachers. So it gives

them a complete 360 degree benefit of you know telling them what to teach, how to teach, when to teach. So there is a complete blueprint on what the school needs to do. And currently apart from Lead School which is the one which is quite aggressive in the market. Apart from that we have been growing well in the last 4-5 years. And this has been well-accepted and appreciated across the schools.

**Mr. Rahul Ramakrishnan – Invest Easy**

Okay sir just a follow-up to that. When you offer Mylestone, does that also kind of ensure stickiness for the content that S Chand has? At the same time does Mylestone also offer content on other publishers as well?

**Management – S Chand And Company Limited**

Sir, I think you are mixing a Curriculum Business (e.g Mylestone) with a Learning Management System (e.g. Educate360). So Mylestone is a complete curriculum for K-8 all subjects. It has its own curriculum. In this, S Chand content has not been used but it has been reviewed by the S Chand experts. And it is completely independent content which goes to the schools. There is no other publisher content which goes in Mylestone. I mean the entire content in all the subjects in a particular class is Mylestone IPR.

On the other hand, a LMS can have different books by different publishers on their platform.

**Mr. Rahul Ramakrishnan – Invest Easy**

Right sir, right sir. And sir is it possible in the future presentations to just like explain the revenue model of Mylestone? Because I understand you will not have enough time on this concall. But is it possible in future presentation for us to just understand the you know revenue model of Mylestone versus Educate 360. Because to a layman it just seems the same. You are not able to understand the difference between an Educate 360 offerings versus a Mylestone.

**Management – S Chand And Company Limited**

So what I suggest is that let's do a call separately and we can explain it more in detail to you. Also, sir, please have a look at pages 34-52 of our investor presentation which has a lot of details of our Digital initiatives – Mylestone, Learnflix and Educate 360.

**Mr. Rahul Ramakrishnan – Invest Easy**

Perfect sir, perfect. That would be great. I will connect to you afterwards.

**Management – S Chand And Company Limited**

Yeah.

**Mr. Rahul Ramakrishnan – Invest Easy**

Thank you, thank you.

**Moderator**

Thank you. A reminder to the participants, anyone who wishes to ask a question may press \* and 1 now. The next question is from the line of Deepak Mehta an individual investor. Please go ahead.

**Mr. Deepak Mehta – Individual Investor**

Sir thank you for taking my question and a great set of numbers. Sir my question is around the onset of the costs, we see raw material such as paper prices has been increased. So how long will it take you to pass that cost to the customers?

**Management – S Chand And Company Limited**

Last year COVID situation had set in and we decided to help the students and the schools management by not increasing our prices. But as the paper prices have increased strongly last year, we have no option but to increase our product price as well. Though we are seeing the paper prices to soften a bit in the past weeks after the strong increase last year. We normally do annual paper contracts which makes our paper prices quite stable. But last year was an exceptional year where the price increase was 30 to 40%. Normally the price increase happens 5 to 10% which is in the contracts. And this year we are going to pass on the paper prices in the books where we are going to increase the paper prices through 5 to 10% depending on book to book. So that should be able to help absorb the paper price increase.

**Mr. Deepak Mehta – Individual Investor**

Okay. And my last question is around the digital content. So you are targeting the revenue of around 25%. So how much overall growth you are expecting from digital content and you said that 20% value growth we can expect over next 3 years overall revenue right sir?

**Management – S Chand And Company Limited**

No sir currently digital is around 6 to 7% of our total revenues. We target it to become 20-25% over the next 3 years.

**Mr. Deepak Mehta – Individual Investor**

Okay. And at the same time what will be the growth in our print publishing business.

### **Management – S Chand And Company Limited**

The print publishing business depending again on the COVID situation as Saurabh has earlier mentioned we like to cross Rs500 crores revenue this year. And when the new curriculum comes in, then the growth part and the sales growth will be more aggressive. And we will see a much better double digit number growth at that time. But till that time, we would be looking at normal organic growth.

### **Mr. Deepak Mehta – Individual Investor**

Okay so the curriculum changes are going to happen in next 3 years.

### **Management – S Chand And Company Limited**

Impact will happen over the next 2 to 3 years. We expect the syllabus might come in during FY23. We were hoping for it to come this year but it looks difficult because the school might not like to change the syllabus in these COVID times.

### **Mr. Deepak Mehta – Individual Investor**

Thanks, I will come back sir.

### **Moderator**

Thank you. The next question is from the line of Jinesh Joshi. Please go ahead.

### **Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd.**

Yeah thanks. Sir two questions from my side. First is on the revenue front. Obviously, we were flat in this year because of COVID. But can you highlight how has our peers done in FY21 had they seen such kind of a flattish number in the sales side? Or have they seen some kind of erosion in sales? And also given the fact that last 2 years have been very bad for the publishing industry, are we going to witness any kind of reduction in the number of players going ahead?

### **Management – S Chand And Company Limited**

To answer that question there is only one listed company on this stock exchange which is Navneet which does almost similar kind of revenue in terms of publishing. And they have a stationery business as well. So what we have seen is the reduction in terms of the sales number in publishing. And as for the other players in the market that we have come to know, there is a phase of consolidation because lot of people are facing difficulties on the financial front. And especially the small and medium players are facing difficulties. The phase the market is going, now has started to go through a phase of consolidation and in next 2 to 3 years there will be lesser players in the market. But the player that will remain will be bigger and more serious players in the market. And that is good for people like us.

Once the new syllabus comes in then lesser number of players will be able to come out with books catering to that new syllabus. It will take some time for the smaller players to develop the content or copy the content either way. I mean that will also accelerate this process of the big becoming more bigger like we are seeing in many other industries.

**Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd.**

Sure, sure. And secondly on the receivables side I mean I see that our receivables are at Rs320 crores odd. On inventory front we mentioned that we intend to bring it down to Rs80 crores. Any kind of optimization possible on the receivable side as well.

**Management – S Chand And Company Limited**

Jinesh, see you have to also take into account that most of our sales happens in Q4 and the academic sessions starts only in March-April. So till the time the school gets the books and they are able to sell the books, then the money will come in to us. I don't see a substantial movement in the receivables at the end of March. But having said that, subsequently this number will change. If you look at Q1, we will probably end up with collections close to Rs100 crores. We are getting better in terms of quarter-on-quarter numbers subsequently. So in terms of receivables, we probably should look at our numbers by the end of Q2 and Q3 to really assess if there has been an improvement. March would not really represent any underlying change in the quality of the receivables. Infact, theoretically speaking if our sales increases then our Q4 receivables should also increase as well. But having said that, in terms of quality of receivables, last year despite the pandemic we have seen better collection come in and our older collections come in and even our provision for doubtful debt has been reversed in this year. We have actually gone ahead and recovered a lot of our old receivables despite the situation. I don't know if we can do – but we can target about at the end of March between 240 to 260 days of receivables at best.

**Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd.**

Fair enough. Sir one last question. Any target you would like to share on the cash flow front? Because our OCF in FY21 was probably the best we had ever reported. Any specific target you have in mind for FY22?

**Management – S Chand And Company Limited**

Again see the situation is difficult but we continue to work according to this. And with the reduction in inventory that we are looking at and receivables I think we should target a similar or slightly higher number for next year.

**Mr. Jinesh Joshi – Prabhudas Lilladher Pvt. Ltd.**

Okay sir thank you so much.

**Management – S Chand And Company Limited**

Thanks.

**Moderator**

Thank you. That was the last question. I would now like to hand the conference over the management for closing comments.

**Management – S Chand And Company Limited**

Thanks a lot everyone and this has been a complete turnaround journey. And we will continue on this path where we will try to conserve capital, conserve cash, and focus on how to grow our cash flow. At the same time, we will also look at new growth opportunities whenever they are available to us and focus our energies on the digital front as well. And just like to say that please be safe, your family should be safe, take care of yourselves and have a good day. Thank you.

**Management – S Chand And Company Limited**

Thank you so much.

**Moderator**

Thank you. On behalf of Prabhudas Lilladher, that concludes this conference. Thank you everyone for joining us.