



S Chand And Company Limited

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Date: November 18, 2022

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 – Q2FY23 - pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“Listing Regulations”)

The Company had organized a conference call for the Analysts and Investors on Monday, November 14, 2022 at 1:00 P.M. to discuss the financial results for the quarter ended September 30, 2022. 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.

Yours Sincerely,

For S Chand And Company Limited

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



Encl: as above

S Chand and Company Ltd. Q2FY23 Earnings Conference Call

14th November, 2022

Moderator:

Ladies and gentlemen, good day and welcome to S Chand and Company Limited Q2 FY23 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 this 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. Jinesh Joshi from Prabhudas Lilladher Private Limited. Thank you and over to you, Mr. Joshi.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Thanks, Neeraj. Good afternoon everyone. On behalf of Prabhudas Lilladher, I welcome you all to the Q2 FY23 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 of Investor Relations.

I would now like to hand over the call to the management for opening remarks and after that we can open the floor for Q&A. Over to you, Himanshu ji.

Mr. Himanshu Gupta -- Managing Director, 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 second quarter and half year results conference call for FY23 and thank you all for taking the time-out and joining us here today.

I am extremely happy to share that H1FY23 has been a record first half for S Chand in its history. We hit the following landmarks during this quarter-:

1. Highest ever H1 Sales in the company’s history.
2. Lowest ever H1 EBITDA Losses. H1 EBITDA losses reduced by 92% on a YoY basis.
3. Lowest ever H1 PAT Losses. Reduction in H1 PAT losses by 81% on a YoY basis.
4. Lowest Receivable days in H1 in the past 5 years.

5. Lowest Net Working Capital days in H1 in the past 5 years.

Saurabh will touch more about these in his comments.

As we have now firmly entered FY23, we see that Hybrid or Blended Learning is the way ahead for the education sector. We benefited in H1 from Schools and Colleges having fully reopened for classes in the physical mode and have been witnessing increased admissions. A lot of schools in smaller cities which had challenges of online learning due to the lack of infrastructure are seeing students back at school, which is spurring demand for books and stationery. Some of the schools which had closed during the Covid-19 pandemic have also reopened. Further, this has also improved the cash flow cycle of the schools, channel partners and distributors, which was severely disrupted for the past couple of years. This is reflected in the quicker realisation from the channel during H1FY23.

On the School Education front, we finally got the big launch of National Curriculum Framework or NCF covering classes from Kindergarten to Class 2nd in October, 2022. With this announcement, we look forward to more such announcements for other classes coming through over the next couple of quarters. We have already started creating new content and books based on the new curriculum for these classes and we shall see the sale of those happen during our upcoming sales season of January to March. From a number's perspective, K-2 contributes approx. 15%-20% of our school revenues.

On the higher Education front, there was a delay in college admissions this year due to the delayed Board exam results and CUET results. This impacted Quarter 2 for Higher Education as the session for colleges began only in Q3 as compared to Q2 normally, however we look forward to the start of new academic session for 1st year students in various engineering and commerce universities. This would lead to strong Higher Education Revenues for us in the 3rd quarter.

On the investments front, we made our first profitable exit from the sale of our stake in Testbook for approx. 180m in July. This translates into a 7.8x return over our initial investment. We continue to partner Testbook on Smartbooks.

On the Ed-Tech front, our S Chand Academy on Youtube continues to have phenomenal success in a short period of time. We have now launched over 700 videos focused on Higher Education topics covering Science, Engineering and Test Preparation so far and the channel has already notched up over 6million views. This further enables the promotion of our print content, spurring demand in that segment with the blended offering. This channel enables students to learn critical areas through top notch

educationists which may not be available in Tier 2 and Tier 3 colleges. We expect S Chand Academy to ramp up significantly and reach over 1,000 videos and 10m views over the next few months.

TestCoach, our test Prep and higher education app is seeing strong traction to cover over 100+ government vacancy tests which is a huge market. We expect an increase in government vacancies now that things are normalized post Covid and with the elections due in 2024 which would further spur demand.

Madhubun Educate 360 - Our K12 Learning Management System is now being implemented in over 55 schools and covers 100K students. Our Personalized Learning App Learnflix has over 330k downloads.

The Publishing business has had a couple of years of disruption which has impacted a lot of small and medium sized content providers. In the post covid world of supply chain disruptions, raw material shortages and price fluctuations, we are well placed to capitalize on our premium product range, brand, distribution network, relationships with educational institutions and customer service along with the financial strength of organization. I would like to highlight that this opens up an opportunity for us to increase market share and we are working tirelessly for this.

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 -- CFO, S Chand & Company Limited:

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

In terms of numbers for the 1st Half, our consolidated operating revenues came at Rs 1546 million versus Rs 877 million during the same time last year, registering a growth of almost 2 times the revenues vs the half last year. We maintained our gross margins at the same levels as last year in spite of the sharp increase in paper prices as realizations improved and older inventory got liquidated.

We reduced our EBITDA losses by 92% to Rs 30 million loss vs loss of Rs 380 million in the corresponding period last year in spite of undertaking salary hikes, higher travel spends etc during the half, spurred by higher volumes.

We also reduced our PAT losses by 81% to Rs 136 million loss vs loss of Rs 725 million in the corresponding period last year.

I would like to bring your attention to Slide no 8 to slide no 10 which showcases the results of the steps taken during the past three years towards building a cost effective and lower working capital organisation with focus on positive cash flows. We continue to focus on working capital rationalisation and product rationalisation for the coming year.

Trade Receivables reduced to Rs1,572m during Q2FY23 vs. Rs2,017m during Q2FY22. To understand the magnitude of this improvement, do keep in mind that receivables balance of Rs1,572m includes H1 sales of Rs1,546m. In terms of receivable days, it stood at 105 days (vs. 182 days in Q2FY22). This is the lowest receivable days in Q2 in the past 5 years.

Inventory increased to Rs1,941m (vs Q2FY22: Rs1,476m). This increase is driven by preponement of raw material purchases from Q3 to Q2 this year. Our inventory includes raw material paper inventory of Rs763m (vs. Q2FY22: Rs228m). Do note that FG inventory is lower than last year. In terms of inventory days, it stood at 294 days (vs. 295 days in Q2FY22).

Net Working Capital reduced to 171 days (vs. 250 days in Q2FY22) which is a reduction of 79 days over the previous year. This is the lowest net working capital days in Q2 in the past 5 years.

We ended the 1st Half of the year with Net Debt of Rs711m (vs. Rs1,365m in Q2FY22) and Gross Debt: Rs1,458m (vs. Rs1,952m in Q2FY22). Net Debt has reduced by Rs654m on a YoY basis.

As we continue into FY23, I would like to reiterate for this year-:

1. Firstly, we would be taking a price hike across our product portfolio upwards of 20% to mitigate increased paper prices.
2. Secondly, we reiterate that we are looking to do annual revenues of well over Rs 600 crores which translates into a 25% plus growth rate for the year. This is conservative guidance and we would like to see how the main sales season pans out.
3. Thirdly, an unprecedented hike in paper prices may put pressure on our gross margins to the tune of 100bps to 200bps. We are looking to counter paper prices through our price hike, improving realisations, internal efficiencies and continuing cost control through the year.
4. Fourthly, on the debt front, we are well on our way to becoming net debt free by the end of this year and further optimize working capital going ahead.

5. Fifth, the biggest growth driver for our print business could come from the introduction of the new syllabus post the announcement of the NCF for the remaining K3-K12 classes, which contribute almost 80% of our school education revenues. This should lead to strong revenue and profitability growth for the next 2-3 years period.

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

Moderator:

Thank you very much. We now begin the question and answer session. Anyone who wishes to ask the question may press “*” and “1” on their touchtone telephone. If you wish to remove yourself from the question queue, you will press “*” and “2”. Participants are requested to use handsets while asking a question. Ladies and gentleman, we will wait for a moment while the question queue assembles. Participants, you can press “*” and “1” to ask a question. The first question is from the line of Niteen Dharmavat from Aurum Capital. Please go ahead.

Mr. Niteen Dharmavat -- Aurum Capital:

Okay. My first question is we mentioned in earlier call and today also that we are going to become debt free by quarter 4, but I see that the net debt level has gone up on a quarter-on-quarter basis, so what is the reason and what is the trajectory that you will have in the next quarter on the debt front?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Hi. Thank you. So, I'll answer that question, net debt normally goes up in Q2 and Q3 because of course we procure paper from the market during this time. Since this year the availability of credit from paper suppliers is also low, so we had to be well within time or sometimes in advance to procure paper this year, so that is why the utilization has gone up, but if you compare to last year's, last year was at about Rs135 odd crores. Currently, we're still below the March 22 number. Do not that we can go up another Rs30-40 crores by December, but good collections in the fourth quarter will definitely allow us to reach a net debt free position.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited

And even if you see Sir, in this inventory as well we got around Rs76 crores of raw material (paper) versus Rs22 crores of raw material (paper) last year, which is more than Rs50-55 crores of raw material (paper) this year. Now if you see that paper is a raw material and where the price of paper is already increasing. So, if you see that and if you

minus the net debt then the net debt level is almost next to nothing. So, paper is a thing that we wanted to purchase a little earlier than what we normally do because we knew that the paper prices are increasing and the availability is becoming tougher and tougher and even now also the paper started increasing in November now and we anticipate the paper price will be increasing more, but we have already secured I would say more than 90% of the paper that is required for the company for this financial year, so we are well in our range to make sure the supply and the demand that we are able to fulfill to the market. So, those issues should not be there this year and as a group we would be able to have a better market share in the coming months for this year.

Mr. Niteen Dharmavat -- Aurum Capital:

Got it. Thank you. My next question is, we have given the guidance of revenues of Rs600 crore for the current financial year and you have guided earlier on the EBITDA range to be around Rs100-120 crores. So do we maintain that also for the financial year or is there any change in that?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Yeah that we maintain and I think that's pretty conservative as far as we are concerned. I'm sure we'll definitely reach that number. The trajectory is very good. If you look at our losses, we are already approx. Rs60 crores down from last year losses in H1, so we are well on our way for that, no challenges as that is concerned.

Mr. Niteen Dharmavat -- Aurum Capital:

Wonderful. My third and last question is about the NCF as you mentioned that it has already been launched for Kindergarten to 2nd standard, so what is the revenue impact we'll have? Second is what is the expectation for the subsequent classes and NCF based on any of the discussions that you might be having, so if any understanding about the subsequent classes NCF, and third and final part of this question is since we are taking a price hike around 15%, so what is the volume growth that you'll have along with this value or the price hike that we are taking?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

NCF is only launched up to 2nd standard as of now and the rest of the NCF, we are anticipating that it might come in the third or fourth quarter. Even then future NCF announcements would only impact financials from FY24 onwards. So, that we are not reconsidering as of now, we are only considering the impact until 2nd standard as I have mentioned in my opening remark that we have 15-20% of our school education sales through those books. So, net net, the major impacts will come in the next financial year

and normally NCF when it is launched we see that through our past experiences it takes two to three financial years or academic years to implement in the schools, it doesn't happen in the first year only. So, we will have a good runway I would say in the next two to three years also and what was your question last part?

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

Sir price hike is not 15%, it is now 20%.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

20% price hike we have taken in this financial year. So, that should be largely I would say offset the paper increase prices in this and sorry what was the last part?

Mr. Niteen Dharmavat -- Aurum Capital:

Volume growth.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

So, volume growth, we are anticipating, we have been very conservative, so we're not anticipating right now much volume growth but hopefully, if we are able to capture a bigger market share then the volume growth should be decent. So, it is very difficult to say as of now because you have taken conservative figures and we are starting the season for schoolbooks. The major season will start in the Q4, so it is very difficult as of now for us to predict what will happen, but I think this year is overall looking much better than the previous years.

Mr. Niteen Dharmavat -- Aurum Capital:

Thank you so much. If I have any additional questions, I'll come back.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Please, thank you.

Moderator:

Thank you. Participants you may press "*" and "1" to ask the question. The next question is from the line of Jiten Parmar from Aurum Capital. Please go ahead.

Mr. Jiten Parmar --Aurum Capital:

Yeah. So, some of the questions Nitin has already asked. My question is basically on this quarter, if you see in depth of price hike and all, so our volumes have degrown for this current quarter it seems. So, what is the reason for that that is my first question?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Yeah, for the current quarter if you look at comparative last year there were two issues. One was last year the first quarter got wiped out because of the COVID-19 pandemic, the delta wave, so all the business that happened last year for the school business got shifted to the Q2 last year. So, This year Q1 was a normal year thus the school business this year we have already done whatever we had to do in the first quarter itself and we've got all the orders processed during that period. So, those orders which were there last year for the school business in Q2 did not happen in Q2 this year as they had already been done in Q1.

The second part of it is of course also as already specified in the opening remarks with the delay in the examination results and the introduction of CUET, which there was quite a lot of confusion in terms of how the marks would be used by the colleges for admissions, the delay in admission in colleges. If you see in Delhi University has just started classes in the month of November. That impacted Higher Education Sales during Q2 this year.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Most of the college classes are starting in November 15th also.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

So, where the demand got shifted from Q2 mostly in higher education to Q3 which should have come in Q2. So, I think the delta there is about Rs20-25 crores and had that come in this quarter it would have been much, much higher, but so these two impacts are there. Actually, we've grown in Q2 as compared in the higher education business for almost 30-35%, but because the K12 business actually happened in quarter one, so that impact is not really comparable.

Mr. Jiten Parmar --Aurum Capital:

Okay and what is the margin guidance for the year?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

We are expecting gross margins should be around between 53% to 55%. There may be 1%-2% dip over last year and EBITDA guidance should be around 15% to 17%. Of course, with our interest costs being much lower than last year, I think we will do much better.

Mr. Jiten Parmar --Aurum Capital:

Okay and are we in a position to give guidance for next year for the EBITDA margins?

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

It totally depends on how the paper prices move, so I think that's the biggest variable.

Mr. Jiten Parmar --Aurum Capital:

Okay.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Of course, we will always be targeting that 18% plus for next year also.

Mr. Jiten Parmar --Aurum Capital:

Okay, okay, perfect. Thank you. That's all I have. Thank you.

Moderator:

Thank you. Participants you may press "*" and "1" to ask the question. The next question is from the line of Deepanshu Shankar from Trustline Holding. Please go ahead.

Mr. Deepanshu Shankar -- Trustline Holding:

Good afternoon everyone and thanks a lot for the opportunity and congratulations for a good set of numbers. So, firstly we wanted to understand the guidance of this Rs600-crore full year revenue, so if we back calculate, so the H2 could be only 13% kind of growth we are seeing and we are talking about 20% price increase taken also, so are we expecting them substantial volume drop?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

No, we are not expecting any volume de-growth. We are being conservative with the number to be honest.

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

Deepan, The guidance is more than Rs600 crores and not only Rs600 crores. It is just that considering the way things are moving, we do not want to kind of go ahead aggressively and give a higher number sitting right now in November. I think when we have our next call in Feb, things will be clearer by that time, but you shouldn't assume when we say more than Rs600 crores, we only mean Rs600cr. Also, if you look at it from a different perspective, last year we did Rs480 crores and this year if you are calculating with Rs600 crores, then we have already achieved I think around Rs70-80 crore more than last year in the first half itself. Surely, we should see normal sales in Q4 with 20% price hike built in our product. So, that is just the conservative approach to a number from our side.

Mr. Deepanshu Shankar -- Trustline Holding:

Okay, okay, okay.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

See in the Q4, we will definitely see our sales, which we will see uptick of 20% from pricing side itself. Now you can make those assumptions based on this particular package.

Mr. Deepanshu Shankar -- Trustline Holding:

Okay, okay, okay, okay. So, last year calls, we have been talking that lot of small towns schools, private schools have shut down, so are we seeing some increase in these schools and also enrollment also are we seeing improvement in schools considering last year?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Yeah, very much Sir and the students who are shifted to government schools are now slowly coming back to private schools, basically affordable private schools I would say and the schools which have shut down in the COVID period slowly and gradually we are seeing a lot of schools also reopening. So, I would say in the next year or so the whole business should come back to normal and we would see that the children will again go

back to their own schools where they had started before the COVID and I think now it's getting more normalized. It is almost I would say 80-90% normalized, whereas 10-20% will happen over the next 12 months.

Mr. Deepanshu Shankar -- Trustline Holding:

Okay, okay, good to hear that and lastly from my side, so this S Chand Academy YouTube channel so we have seen substantial traction there, so what kind of revenues currently it is contributing and what kind of plan we have to scale up that?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Sir revenue is a very, very miniscule as of now but the idea behind the YouTube channel is that basically what we want to give as a child is additional digital online support that the child was not getting earlier from us and so basically if you see to the YouTube from basically our popular books which are popular in higher education, which is test Prep as well as college, we have converted one chapter of every book into a video based lecture. So, if you have 10 chapters in a book for example you will have 10 lectures of that particular book given by a known educationist on the YouTube channel for free. So, there is some part of our ad revenue which we generate because of the number of views you, but the revenue as of now is very miniscule, nothing to talk about, but in the future we believe that this will be a more blended learning approach where it will help us in selling our more books and keeping retention of our books in the customers mind and even maybe in this channel has a large views and a large number of subscriber base then there might be decent amount of revenue coming from YouTube, but as of now we have not planned any revenue kind of a budget, so that is not the case as of now, but it is yet it is definitely a good digital support that we are offering to the students and the education community as a whole.

Mr. Deepanshu Shankar -- Trustline Holding:

Okay sure. Thanks a lot. I'll come back in the queue.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited

Thank you.

Moderator:

Thank you. Participants you may press "*" and "1" to ask the question. The next question is from the line of Jinesh Joshi. Please go ahead.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Yeah, I have some book keeping questions. I think there were some audit qualifications which was given at this time on the results, so if you can just explain what its related to. I think it is related to our investments in DS Digital, so that is one and secondly given the fact that we have some past accumulated losses what will be the projected tax rate for this year?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Yeah. Jignesh the qualification that you're talking about has been there since December 2021 right, so it's not a new qualification it's been there for the last four quarters now and it's largely around the investment made in DS Digital where the exposure is only about Rs30-35 crores, but two things A – The impact is only on the standalone financials. There is absolutely no impact on the consolidated financials or performance of the company because the losses of the subsidiary have already been accounted for in the consolidated financial, so as far as consolidated financials are concern, it will have absolutely no impact. Some impact on standalone financials may be there, but, however, we have already provided to the auditor's evaluation of the IPR that is already lying in that company – D S Digital. Unfortunately, with two years of pandemic with most physical school happening the smart class business which used to be there in that company they take a back seat, but having said that we are seeing there is a demand coming back and the in classroom digital business there is still quite a lot of demand coming back into the business, so we hope that it'll come back.

The other thing is also that there is already an application for merger of education businesses of DS Digital and Safari Digital along with the companies Blackie and Nirja Publishers which is already been filed with the NCLT since 2017 and this merger should have been approved long back, but for the pandemic. We expect that to be approved in the current month since there is a hearing that is supposed to happen and post that there will be no impact on standalone financials because DS Digital would anyway get merged with the parent company. So, overall, in terms of performance no impact on balance sheet on the consolidated basis. Standalone basis even after the merger, there will be no impact.

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

So, I hope that has clarified your doubt Jinesh?

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Yeah, yeah on the taxes side for this year.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

On the taxes side we should be around 26% on average.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

But despite having accumulated losses the tax rate will be in the tune of 25-26% is that what you're saying?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

No because whether you have accumulated losses or not, for accumulated loss accounting is done under with deferred tax, so on a net impact basis whatever losses are already impact has been taken and in the tax. There may be a slight extra impact because with New Saraswati performance improving and some deferred tax not recognized in the previous year, so they might reduce it by 100 to 200 bps, but I don't see any major impact. Yes, with the merger of DS and Safari, there might be some lower tax post-merger, but then you can't really quantify it as of now. So that might be a one-time item. It's not a regular item, so regular should be around 26%.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

And lastly with respect to NCF, we have given the breakdown with respect to what sections contributes to what proportion of our offline in one of the slides, but can you explain I mean how big is the second hand book market especially on the CBSE and the ICSE side because once NCF comes in, I think that portion of the market will become redundant, so any broad number which you would want to give?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Sir, second hand market in the CBSE and ICSE is not very large because the students have to supposedly take the set of the books from the school so it's not very large I would say as compared to the state board schools, but yes there is a small percentage where the child may use second hand or maybe used books and Corona times we saw a lot of exchange of books happen between each other in terms of neighbors or in terms of schools also, but we don't see any of that impact happening after the corona, hopefully it's over, and going forward we do not see much happening there, but yes there will be some kind of a stock inventory which we may not be able to fully liquidate after the new curriculum, but that will not be a very large inventory I would say, that will not be very large impact on the company that it should be a small inventory, but overall the road ahead looks much better than before.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Sir one last question from my side and that is on paper crisis, so how do you see the trend shaping up going ahead giving the fact that we have, we stock a lot of paper inventory I believe and that gives an indication that prices are expected to rise and in that context how are the smaller players managing their inventory cycle especially the ones from the unorganized market are they able to make payments on time and do we see any kind of liquidity crunch on their side would lead us to get additional business from them?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

So, I believe that as I said in my earlier remarks that we have to procure or secured I would say close to 90% of our inventory requirements for the year, rest also 10-15% requirement if comes in, we will be able to secure it, but as for other players in the market as the competition we believe lot of unorganized and small players are finding it tough to get the paper inventory and even medium sized players who have the money or who have the financial capacity procuring paper slowly and gradually, but I do not foresee that they will be able to procure full paper inventory for this year. They may be able to procure 70-80%, but there still might be a gap of 20 to 30%, but the smaller players or the very small players will have a tough time going ahead. So that should opens up an opportunity for us as in terms of market share, but as I said earlier, we are very focused on the quality of the sales, so we want to increase the market share definitely, but we don't want to increase that by having non quality customers. So, the customer quality is good and he is making us payment on time and we have the margins in that order, we definitely will take up that order, but you know we feel that there is not much margin there. We are willing to leave that order, so there will be I would say both sides to the system here in this year because we want to be very, very focused on the quality of the sales -- of the business.

Mr. Jinesh Joshi -- Prabhudas Lilladher Private Limited, Analyst:

Got that. Thank you so much.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Thank you.

Moderator:

Thank you. The next question is from the line of Jayesh Shroff from CSK capital. Please go ahead.

Mr. Jayesh Shroff -- CSK Capital:

Hi, good afternoon. I have a couple of questions. So, first in terms of you're talking of taking the 20% price hike, so do you think that there is going to be any impact on volume, so primarily your confidence in terms of volume means that the market is absolutely inelastic to pricing.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

From our market information, most of the publishers who have released their price list for this year have increased price in 20-25% range, so we are in line with the market expectation in terms of the price increase. As for the volume growth, we expect volume growth, how much is very difficult should you answer as of now, but as I said earlier we would be trying to get a bigger chunk of the market share, but only if the quality of the sales is good then only we will be able to do it. We will not go ahead and decrease the quality of the sales process and the customers, so we are very clear on that part. So, just to increase volume we are not going to get all or any order in the system.

Mr. Jayesh Shroff -- CSK Capital:

No, so my question was more in terms of overall market whether the market will shift to second hand book or something because of such a steep price hike in a years' time?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

I don't foresee that because as the school business specially CBSE and ICSE schools, the schools have a larger say in which books to use and the children normally we have seen do buy those kind of books, the parents basically and in the last two years what happened was a lot of people also exchanged and they used the old book or the second hand used books, but we don't foresee that happening in this coming year because a lot of schools are changing their school book list also. So, if the book list changes, from the last 2-3 years the book list were not changing because of corona, now the book lists are going to change this year, so we see better opportunities this year and we don't believe that the used book market is going to matter as much.

Mr. Jayesh Shroff -- CSK Capital:

Okay. My second question is on similar lines, now that the new National Curriculum Framework is likely to be announced in maybe in another 8-9 months or 8 to 12 months' time, you think that overall people or your distribution segment would be vary of actually placing large orders because you know in a years' time whatever you sell today will become a more or less redundant.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

So, even if they are wanting to place orders, we are still very cautious when we take the orders, which a person is ordering 100 books for example for a class, we normally want to understand how many students are in that particular school and we normally tend to rationalize that order by around 20% or so, so we don't give more than 75%-80% to that customer and this year we will be more careful. Last year we had made a policy that we do not want school books return on more than 15%. This year we already circulated the policy that we don't want the returns of more than 12% from this year and starting next year we will be fixing it 10% going forward. So, we are very careful and taking returns from these customers and as I said earlier also that it takes normally two to three years for the fully the national curriculum from implemented in all the schools. So, as I said, we do not foresee a very large inventory being stuck up in the system where it will not be sold. Some small part of the inventory yes would be remaining unsold, but I don't see that being a very large number.

Mr. Jayesh Shroff -- CSK Capital:

Okay. So, you said as a policy you will take back 10% of the inventory from your customers is that?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Yeah, next year, starting next year. This year it is going to be 12%.

Mr. Jayesh Shroff -- CSK Capital:

Okay. Yeah, so this is the policy, what is the actual returns that you have taken over last two-three years?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

So, earlier years we used to take a little bit higher returns, exact numbers all of you have the number. Saurabh do you have the numbers?

Mr. Jayesh Shroff -- CSK Capital:

No, just give me some benchmark.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

See benchmark earlier used to be around 17-18%, which went up to about 25-26% during the pandemic. This year I think we're down to pre-pandemic levels already if not

less and we continue to be strict and I think by next year if you're targeting about 12, we will be around 12%-13%-14%, that's the maximum that we will do so that's where we are placed and that has an impact on our gross margin also because you don't have to resell the inventory again. So, that's definitely a benefit.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Basically, we come to know what is the market situation, how many books are in the market, if you get the returns in time then we can plan our production also in the proper way.

Mr. Jayesh Shroff -- CSK Capital:

Sure, sure. That's it from my side. Thank you, Sir.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Thank you.

Moderator:

Thank you. The next question is from the line of Devang Patel from NAFA Asset Managers. Please go ahead.

Mr. Devang Patel - NAFA Asset Managers:

Yes, hi Sir. We've done very well on working capital, my question was what is the level of sustainable working capital, is there any pushback to our revised terms and what is the target for receivables for the September period?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

September is also already reported and our working capital in terms of receivable days should be much better by December end. Our target is to be around where we are right now, but I mean we also did not expect the kind of results that we got and it's just getting better because you'll be able to push and it just gets better by the day. So, we're happy with where we are. Inventory rationalization will happen by the end of this year. Of course, currently we're building inventory, but on the receivable cycle, we are very happy to bring it down to 105. Ideally, we should of course, but this will change by March because the major Sales would happen by March, but on year-on-year basis we should be definitely improving going ahead and that is the discipline you would like to maintain.

Mr. Devang Patel - NAFA Asset Managers:

Sir, in the slide you've given all the Q2 comparison, therefore I was asking that for Q2 period only next year will we see further fall from 105 levels and where would you like that number to be?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

See ideally yeah, I mean if we can bring it lower to about 90 is fine, 90-100, I think this is the don't remember it to be lower than this.

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

See Devang one way to look at this receivable number in absolute sense is that essentially whatever pending at the end of March, we have collected all of it and the current receivable balance is actually our first half sales. Now in an industry where you give credit periods of a couple of months, this already shows that you know it's down I mean it's going down quite a bit. As of now it is obviously one would want it to get better by another 10 odd days or so, but the thing is that you know given the way the numbers are right now, next year it will be difficult to call out. I mean if you're looking for an exact number where it would be we would not be able to provide that as of now.

Mr. Devang Patel - NAFA Asset Managers:

But broadly these number 90 to 105 days is where you would want to

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

Yes, that is something we would love to sustain.

Mr. Devang Patel - NAFA Asset Managers:

Okay. Sir second question was on the minority investments, now you've booked profit in one, and you've given the principles on which you would invest, could you talk about how you are contributing in the operations of the other companies or even in the case of textbook what has essence contribution been other than just the financial investment in operations?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

So, in terms of Textbook we had actually helped them distribute better because we had printed their voucher in our bestselling books that had gotten a lot of traction. We are also doing smart books along with them so there is a content collaboration also going on

which had a QR code for their application that helped them. So, those are the kind of things that we did with textbooks.

We have a couple of other investments also which are currently running. In Smartivity Labs where we had initially helped them with a lot of -- we had got VRX developed through them, and we had some other work with them and we continue to support them on various other backend matters and stuff. We would probably like to collaborate with them for post NCF School development.

Currently, for iNeuron, we are already doing some B2B with certain universities, so that we have already signed one agreement for their courses in university, so we continue to provide both back end and even some B2B connect to all of them.

Mr. Atul Soni -- Head Investor Relations, S Chand & Company Limited:

So, Devang, I mean we have one of the oldest companies in this industry right, so the biggest help that one can give us in terms of industry feedback and contacts that is something which one cannot quantify, but that is where for a new startup to get access to our relationships that matters a lot. So, I think that will be the biggest one. Secondly, you will have on content whether it is content or whether it's common content development or around their content, I think that is where these kinds of investment get maximum benefit from us.

Mr. Devang Patel - NAFA Asset Managers:

Right Sir. Sir the next question was where Learnflix and Mylestone are kind of plateauing is incrementally more attention on the YouTube channel now?

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

We believe that you know going forward if you see even the digital apps that are available, even the BYJU's and the Unacademy in all those places, we believe that these apps are getting less traction and now more traction is getting built on the YouTube. If you see Physicswallah and all those YouTube channels they are doing much better and there's a lot of lot of interest in the YouTube because YouTube is really accessible to every person and YouTube videos are coming for free or very, very subsidized rates. Going forward, in my opinion, YouTube will be a better medium to promote your digital online offerings and apps would be there, I'm not saying apps wouldn't be there, but more I would say traction is coming through YouTube.

Mr. Devang Patel - NAFA Asset Managers:

Roughly, what would be your annual expenditure if you could share that on YouTube channel?

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

YouTube channel is not a very expensive proposition in making content and digital promotion. I would say maybe close to a crore or a crore and a half the whole year for the group.

Mr. Devang Patel - NAFA Asset Managers:

Thanks Sir. That's all from my side. Thank you so much.

Moderator:

Thank you. Participants you may press "*" and "1" to ask the question. A reminder to all the participants you may press "*" and "1" to ask the question. As there are no further questions, I now hand the conference over to the management for closing comments.

Mr. Himanshu Gupta -- Managing Director, S Chand & Company Limited:

Thank you all for being there and attending the conference call and I wish you all the best of health and a good -- all the things in the festival that we have and I hope that the group also achieves new heights and be a debt free company by the end of fourth quarter and we are at the process of improving our sales quality and getting more market shares and definitely we will catch up soon. Thank you so much.

Mr. Saurabh Mittal -- CFO, S Chand & Company Limited:

Thank you so much.

Moderator:

Thank you very much. On behalf of Prabhudas Lilladher Private Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.

End of Transcript