

S Chand & Company Ltd — Rating update 5 Aug 2025 Credit Rating Summary

As an equity-focused credit analyst, I have distilled the S. Chand and Company Limited (SCCL) rating report into the following strategic summary.

Section	Details
Agency	CARE Ratings Ltd. (August 05, 2025)
Rating Change	CARE A- → CARE A (1-notch upgrade for Long-Term Facilities); A2+ → A1 (Short-Term)
Outlook	Stable (Current) vs. Positive (Previous)
Key Drivers of Change	<ol style="list-style-type: none"> Margin Expansion: PBILDT margins rose 205 bps to 18.82% (FY25) driven by lower paper costs and reduced sales returns/discounts. Debt De-leveraging: Overall gearing improved to 0.18x (vs. 0.25x PY) due to term debt repayment and zero reliance on CC limits. Working Capital Efficiency: Operating cycle sharp reduction to 131 days (from 178 days) via faster collections (107 days vs 143 days). NCF Visibility: High revenue certainty for FY26-27 following CBSE's roll-out of new curriculum for four additional grades (4, 5, 7, 8).
Rated Instruments	<ul style="list-style-type: none"> • Cash Credit: ₹100.00 Cr (CARE A; Stable) • Vendor Financing: ₹12.50 Cr (CARE A; Stable / CARE A1) • Working Capital Limits: ₹8.31 Cr (CARE A; Stable) • Term Loan: ₹2.45 Cr (CARE A; Stable)
Key Observations	<ul style="list-style-type: none"> • (+) Solvency: Exceptional Interest Coverage at 10.50x (vs. 7.28x) and TD/GCA at 0.98x. • (+) Cash Rich: Unencumbered cash of ₹130 Cr (June 2025) significantly exceeds ₹6.72 Cr debt repayment for FY26. • (+) Market Reach: Access to ~40,000 schools with ~70% revenue from the sticky K-8 segment. • (-) Seasonality: Critical risk; >80% of revenue is concentrated in Q4 (Jan-Mar). • (-) Transition Risk: Risk of old curriculum inventory write-offs as NEP/NCF fully kicks in. • (-) Input Volatility: Margins remain sensitive to global paper/pulp price cycles (30-38% of TOI).
Investor Impact	<ul style="list-style-type: none"> • Growth: NCF roll-out acts as a structural catalyst for volume growth in FY26-27. • Margins: Higher sales of new editions reduce the "second-hand book" market, boosting realizations. • Dilution Risk: Nil; upcoming capex of ₹148 Cr for FY26-27 is fully funded by internal accruals. • Efficiency: Significant improvement in debtor management improves "Quality of Earnings."
Agency / Cross Analysis	<p>Same Agency (CARE): The transition from "Positive Outlook" to an "Upgrade" confirms that the management has successfully met the agency's previous "Positive Factors." Specifically, the company demonstrated the ability to scale while structurally reducing the collection period and inventory levels.</p> <p>Conclusion: Structural Improvement. The upgrade reflects a shift from a debt-dependent seasonal publisher to a self-sustaining, cash-positive educational content leader.</p>
Final Inference	Real Improvement. This is a fundamental "de-risking" signal. The reduction in the cash conversion cycle and the zeroing out of working capital debt make S. Chand highly resilient to interest rate cycles and well-positioned to capture the multi-year NCF growth wave.