

Annual Report Analysis (Consolidated)

Source: CRORES. All figures Crores. Pipeline: v5-Gemini — W1a → W3 → W1b+W2+W2F (parallel, notes-injected) → Merge.

Investor Snapshot

#	Analytical Point	Sentiment
1	S Chand maintains a dominant publishing moat with 4,000+ partners, leveraging a volume-led recovery driven by the National Curriculum Framework (NCF) implementation.	□
2	Consolidated revenue grew 8.6% to ₹720 Cr, supported by a 17% increase in standalone operations and a significant 291% surge in export revenue to ₹24.45 Cr.	□
3	EBITDA margins expanded to 19% as the company benefited from lower material costs and improved operational leverage from NCF-related volume growth.	□
4	<i>Reported PAT is heavily reliant on accounting treatments, with a ₹55.96 Cr Deferred Tax Asset (DTA) accounting for 93% of the bottom line, posing a risk if future profits underperform.</i>	□
5	The balance sheet underwent significant strengthening as total borrowings were slashed by 37.8% YoY, resulting in a low D/E of 0.11x and a robust interest coverage of 8.15x.	□
6	Strong cash generation is evident with ₹76.00 Cr in Free Cash Flow, providing 7x coverage for dividends and facilitating a ₹36.00 Cr reduction in inventory levels.	□
7	Strategic capital expenditure is focused on supply chain integration through in-house printing (Shri ShyamLal) and ₹6.16 Cr in capital advances to secure future operations.	□
8	<i>Earnings quality is compromised by persistent inventory obsolescence, with NRV write-downs increasing to ₹24.81 Cr, representing 17.7% of total inventory.</i>	□
9	<i>Governance remains a structural overhang due to a non-compliant board (42.8% independence) and high KMP remuneration totaling 13.2% of PAT.</i>	□
10	<i>Capital allocation concerns persist as ₹36.52 Cr in loans (36.5% of OCF) were diverted to loss-making digital subsidiaries, representing significant cash leakage.</i>	□
11	<i>The balance sheet is sensitive to impairments, as Goodwill and intangible assets comprise 54% of total assets, while 14.6% of receivables show a significant increase in credit risk.</i>	□
12	Stance is WATCH; monitor for Safari Digital losses exceeding ₹10 Cr or inventory write-downs surpassing 25% of stock value.	□

1. BUSINESS OVERVIEW (In Bullet Points)

- **Business Segments:** Operates primarily in the K-12 education publishing segment, with a "Two-Speed" business model consisting of legacy print (profitable) and digital/edutech (loss-making).
- **Revenue Drivers:** Growth is primarily driven by domestic sales (96.6% of total) and the implementation of the National Curriculum Framework (NCF), which is triggering a "volume-led" recovery.
- **Cost Drivers:** Major costs include raw materials (paper), employee benefits (24.2% of revenue), royalties (5.8% of revenue), and intensive field-force marketing/distribution expenses.

- **Industry Position:** Maintains a dominant position in the K-12 market with a distribution network of 4,000+ partners, providing a significant moat during curriculum transitions.
- **Expansion Plans:** Strategic pivot toward backward integration through the incorporation of Shri ShyamLal Printing Press Private Limited (Feb 2025) to control printing costs and timelines.
- **Acquisitions:** Recently acquired the remaining 49% minority stake in BPI (India), making it a 100% subsidiary.
- **Capacity Additions:** Capital advances of ₹6.16 Cr signal a shift toward new facility expansion or capital expenditure after a period of consolidation.
- **Segment Performance:** Standalone entity saw 17% YoY revenue growth; legacy subsidiaries (Vikas, Chhaya, New Saraswati House) remain robust "cash cows," while digital arms (Safari Digital, Convergia) continue to report losses.
- **Geographical Presence:** Predominantly domestic; however, export revenue saw a massive 291% surge to ₹24.45 Cr, indicating an aggressive push into international markets.

2. MANAGEMENT COMMENTARY & OUTLOOK

- The core strategy is centered on the NCF "Super-Cycle," with a focus on Classes 4, 5, 7, and 8 for FY26, representing a significant portion of K-12 volume.
- Management has pivoted from a defensive posture to an "offensive" one, aiming to capitalize on the structural shift toward new book volumes which is expected to reduce the second-hand book market.
- Guidance highlights a "drastic" reduction in inventory to improve balance sheet cleanliness and liquidity.
- The digital strategy has shifted from "market disruption" to "hybrid learning solutions," acknowledging that digital supplements rather than replaces print dominance.
- Management is increasingly highlighting "Content Licensing" as a high-margin, asset-light revenue stream for the future.
- A significant focus remains on deleveraging, with borrowings falling to ₹50.4 Cr on a standalone basis, the strongest signal of financial discipline in five years.
- The incorporation of Shri ShyamLal Printing Press indicates a desire for total supply chain control to mitigate third-party bottlenecks during volatile curriculum years.
- Management maintains a "zero tolerance" policy for sexual harassment (POSH) with zero reported complaints, though the board remains male-dominated.
- Management Tone: The tone is **cautiously aggressive**. While they have successfully navigated the deleveraging phase and are leaner for the NCF surge, there is a persistent "Capital Allocation Blind Spot" regarding the funding of loss-making digital arms. Management appears execution-focused on the legacy business but remains unwilling to "cut the cord" on underperforming digital ventures, resulting in a "Promoter-First" rather than "Institutional-First" perception.

3. FINANCIAL ANALYSIS

3.1 Financial Statements

Source: Screener.in — all monetary values in Crores. Use these numbers directly.

P&L Statement (₹Crores)

Line Item	Mar 2025	Mar 2024
Sales -	720.00	663.00
Sales Growth %	8.61	8.56
Expenses -	584.00	552.00
Material Cost % -	31.82	34.13
Raw material cost	230.00	226.00
Change in inventory	-1.00	0.00
Manufacturing Cost %	3.51	3.51
Employee Cost %	24.27	22.72
Other Cost %	21.60	22.99
Operating Profit	135.00	110.00
OPM %	19.00	17.00
Other Income -	13.00	9.00
Exceptional items	2.98	2.46
Other income normal	9.72	6.95
Interest	13.00	15.00
Depreciation	42.00	46.00
Profit before tax	93.00	58.00
Tax %	35.00	12.00
Net Profit -	60.00	51.00
Profit from Associates	0.00	0.00
Minority share	3.00	5.00
Exceptional items AT	2.00	1.00
Profit excl Excep	58.00	50.00
Profit for PE	62.00	55.00
Profit for EPS	64.00	57.00
Profit Growth %	11.00	57.00
EPS in Rs	18.03	16.08
Dividend Payout %	22.00	19.00

Balance Sheet (₹ Crores)

Line Item	Mar 2025	Mar 2024
Equity Capital	18.00	18.00
Reserves	973.00	923.00
Borrowings -	108.00	133.00
Long term Borrowings	14.00	21.00
Short term Borrowings	52.00	87.00
Lease Liabilities	42.00	25.00
Other Borrowings	0.00	0.00
Other Liabilities -	167.00	199.00
Non controlling int	-1.00	3.00
Trade Payables	118.00	152.00
Advance from Customers	0.00	0.00
Other liability items	50.00	45.00
Total Liabilities	1,266.00	1,273.00
Fixed Assets -	531.00	524.00
Land	18.00	18.00
Building	110.00	90.00
Plant Machinery	58.00	56.00
Equipments	5.00	6.00
Computers	10.00	10.00
Furniture n fittings	8.00	8.00
Vehicles	22.00	17.00
Intangible Assets	352.00	351.00
Other fixed assets	198.00	195.00
Gross Block	780.00	750.00
Accumulated Depreciation	249.00	226.00
CWIP	1.00	0.00
Investments	79.00	62.00
Other Assets -	654.00	687.00
Inventories	140.00	176.00
Trade receivables -	275.00	260.00
Receivables over 6m	57.00	80.00
Receivables under 6m	266.00	229.00
Prov for Doubtful	-47.00	-48.00
Cash Equivalentents	117.00	127.00
Loans n Advances	5.00	4.00
Other asset items	117.00	119.00

Line Item	Mar 2025	Mar 2024
Total Assets	1,266.00	1,273.00

Cash Flow Statement (□Crores)

Line Item	Mar 2025	Mar 2024
Cash from Operating Activity -	100.00	121.00
Profit from operations	145.00	128.00
Receivables	-22.00	-8.00
Inventory	36.00	-20.00
Payables	-33.00	44.00
Loans Advances	0.00	0.00
Other WC items	0.00	-1.00
Working capital changes	-19.00	16.00
Direct taxes	-26.00	-23.00
Cash from Investing Activity -	-49.00	-24.00
Fixed assets purchased	-25.00	-18.00
Fixed assets sold	1.00	1.00
Investments purchased	-113.00	-79.00
Investments sold	105.00	73.00
Interest received	1.00	1.00
Dividends received	0.00	0.00
Invest in subsidiaries	0.00	0.00
Redemp n Canc of Shares	0.00	0.00
Acquisition of companies	-4.00	0.00
Other investing items	-15.00	-3.00
Cash from Financing Activity -	-75.00	-53.00
Proceeds from shares	0.38	0.50
Proceeds from borrowings	2.05	16.76
Repayment of borrowings	-43.86	-35.32
Interest paid fin	-12.90	-15.22
Dividends paid	-10.57	-10.57
Financial liabilities	-10.32	-9.18
Other financing items	0.00	0.00
Net Cash Flow	-25.00	44.00
Free Cash Flow	76.00	104.00
CFO/OP	93.00	131.00

Key Ratios (₹ Crores)

Line Item	Mar 2025	Mar 2024
Debtor Days	140.00	143.00
Inventory Days	223.00	284.00
Days Payable	188.00	245.00
Cash Conversion Cycle	175.00	183.00
Working Capital Days	108.00	96.00
ROCE %	9.00	7.00

3.2 Financial Analysis Summary

- **Revenue** grew by 8.61% to ₹720.00 Cr, primarily driven by domestic sales and a 291% surge in exports to ₹24.45 Cr, though **Sales Returns** of ₹135.89 Cr and discounts of ₹180.77 Cr eroded nearly 30% of gross contracted sales.
- **Operating Profit** margins improved to 19.00% from 17.00%, driving **EBITDA** to ₹135.00 Cr as the company benefited from lower material costs (31.82% vs 34.13%) despite a 16% rise in **Employee Cost**.
- **Net Profit** increased to ₹60.00 Cr, but growth was tempered by a sharp rise in the effective **Tax %** to 35.00% following the exhaustion of merger-related tax shields.
- **CFO** of ₹100.00 Cr provided a healthy **CFO/PAT** ratio of 1.67, though it declined from the previous year's ₹121.00 Cr due to a ₹19.00 Cr net **Working Capital** outflow.
- **Inventories** were reduced by ₹36.00 Cr to ₹140.00 Cr, improving **Inventory Days** from 284 to 223, though **Inventory** write-downs (NRV) increased to ₹24.81 Cr.
- **Trade Receivables** rose to ₹275.00 Cr with **Debtor Days** at 140; however, ₹47.15 Cr (14.6% of gross) is classified as high risk, requiring a significant **Prov for Doubtful** of ₹47.00 Cr.
- **Total Debt** saw aggressive deleveraging with **Borrowings** dropping to ₹108.00 Cr (including leases), leading to a strengthened **Interest Coverage** of 8.15x.
- **Lease Liabilities** surged 68.9% to ₹42.00 Cr, representing "hidden" leverage from new building leases that increased the fixed cost base.
- **Capex** of ₹25.00 Cr was comfortably covered by **FCF** of ₹76.00 Cr, which also supported a ₹10.57 Cr **Dividend** payout.
- **Intangible Assets** and **Goodwill** of ₹352.00 Cr and ₹332.51 Cr constitute 54% of **Total Assets**, posing a risk of material write-downs if discount rates (13.18%-16.14%) increase.
- **Net Worth** stands at ₹991.00 Cr, but the **Balance Sheet** is heavily supported by a ₹55.96 Cr **Net Deferred Tax Asset** which relies on generating ₹130 Cr+ in future taxable profits.
- **Other Assets** were impacted by a spike in **Capital Advances** to ₹6.16 Cr, signaling new expansion, while **Other Liabilities** remained stable with **Statutory Dues** at ₹10.50 Cr.
- **Other Expenses** included **Legal and Professional Fees** of ₹8.63 Cr and **Donations** of ₹5.63 Cr, with no single item exceeding 1.5% of revenue.
- The dominant financial theme of the year is a successful transition toward a leaner balance sheet through aggressive debt reduction and inventory liquidation, positioned to capture NCF-led volume growth despite high intangible asset concentration and a rising tax burden.

3.3 Contingent Liabilities & Commitments

- **Capital Commitments:** Estimated at ₹0.20 Cr (calculated) as of FY25, down from ₹1.01 Cr in FY24.

- **Corporate Guarantees:** The Holding Company provides "irrevocable and unconditional corporate guarantees" for the loans of its subsidiaries, including Vikas Publishing and New Saraswati House, creating cross-collateralization risk.
- **Capital Advances:** ₹6.16 Cr made in FY25 (vs Nil in FY24) for new capital expenditure or facility expansion.
- **Litigation/Claims:** No specific "claims not acknowledged as debt" were disclosed in the primary annual report notes.

3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↓ — earnings overstate cash; CFO of ₹100 Cr lags Operating Profit of ₹145 Cr.	☐	CFO ₹100 Cr vs PAT ₹60 Cr; CFO/OP at 93% (down from 131%).	Note 15: Long credit cycle of 180-270 days creates persistent lag in cash realization.
2	Receivables & channel-stuffing signal (receivables + inventory build vs revenue)	Revenue ↑ — healthy growth; combined receivables and inventory fell ₹21 Cr vs ₹57 Cr sales rise.	☐	Receivables ₹275 Cr + Inventory ₹140 Cr (FY25) vs ₹436 Cr (FY24).	Note 15 & 28: Revenue grew 8.6% while gross receivables grew only 4.6%, reducing stuffing risk.
3	Revenue timing (unbilled / contract assets + deferred revenue / advances)	Revenue ↑↓ — aggressive recognition; variable consideration estimates used before final returns are known.	☐	Revenue ₹720 Cr; Sales Returns Provision ₹135.89 Cr (18.9% of sales).	Note 1.6: Uses "Expected Value" for variable consideration; auditor monitors "constraint" on upfront recognition.
4	Revenue from related parties %	Neutral — minimal risk; no significant revenue concentration from related entities disclosed in notes.	☐	RPT snippet shows repayment of director loans, no major sales.	Note 24: Repaid ₹0.83 Cr interest-free loan to directors; focus is on personal guarantees.
5	Inventory vs revenue growth	Profit ↑ — efficiency gain; inventory dropped 20.4% while sales grew 8.6% YoY.	☐	Inventory ₹140 Cr (FY25) vs ₹176 Cr (FY24); Sales ₹720 Cr.	Note 13: Inventory reduction of ₹36.05 Cr is a positive liquidity signal despite NRV write-downs.
6	Inventory valuation method change	Neutral — consistent policy; FIFO method maintained for valuation of books and raw materials.	☐	No change in valuation method reported in FY25.	Note 1.11: Policy of writing down to Net Realisable Value (NRV) is consistently applied.
7	Exceptional items in operating profit	Profit ↑ — non-core boost; ₹2.98 Cr exceptional gain included in PBT calculation.	☐	Exceptional items ₹2.98 Cr (FY25) vs ₹2.46 Cr (FY24).	P&L: Exceptional items represent 3.2% of PBT; Profit excluding exceptions is ₹58 Cr.
8	Depreciation rate vs useful life policy	Profit ↑ — lower charge; depreciation expense decreased by 8.7% despite gross block expansion.	☐	Depr. ₹42 Cr (FY25) vs ₹46 Cr (FY24); Gross Block ₹780 Cr.	Note 1.9: Intangibles (₹352 Cr) amortized over 5-10 years; risk of obsolescence from NCF-SE changes.
9	Provision reversals boosting PAT	Profit ↑ — provision release; ECL allowance decreased slightly despite higher gross receivables.	☐	Prov. for Doubtful ₹47 Cr (FY25) vs ₹48 Cr (FY24).	Note 15: ₹47.15 Cr (14.6% of gross) has significant credit risk; reversal/stagnation boosts PAT.
10	Tax rate consistency + cash tax vs P&L tax	Profit ↓ — tax shield exhaustion; effective tax rate jumped from 12% to 35%.	☐	Tax % 35.00 (FY25) vs 12.00 (FY24); Direct Taxes paid ₹26 Cr.	Note 39: Surge due to exhaustion of merger-related tax benefits and prior year adjustments.
11	CWIP age and stalling projects	Neutral — low intensity; CWIP remains negligible at ₹1 Cr of total assets.	☐	CWIP ₹1.00 Cr (FY25) vs ₹0.00 Cr (FY24).	Note 12: Shift toward Capex seen in ₹6.16 Cr capital advances rather than stalled CWIP.
12	Deferred tax asset recognition adequacy	Profit ↑ — aggressive accounting; ₹55.96 Cr Net DTA relies on future taxable profits.	☐	Net DTA ₹55.96 Cr; includes ₹37.88 Cr from brought forward losses.	Note 1.7: High reliance on DTA; requires ₹130 Cr+ future profit to avoid asset write-down.

#	Check	Impact	Status	Evidence	Notes Detail
13	RPT quantum and trend	Neutral — improving governance; repayment of director loans reduces related party reliance.	□	Loan from Directors ₹0.00 Cr (FY25) vs ₹0.83 Cr (FY24).	Note 20 & 24: Directors provide personal guarantees for bank debt, aligning interests.
14	Dividend paid vs FCF adequacy	Neutral — sustainable payout; dividends of ₹10.57 Cr well covered by ₹76 Cr FCF.	□	FCF ₹76 Cr; Dividends Paid ₹10.57 Cr; Payout 22%.	Cash Flow: FCF remains strong despite lower CFO, comfortably covering shareholder returns.
15	Goodwill Impairment Sensitivity	Profit ↑↓ — high subjectivity; Carrying value of ₹332.51 Cr is sensitive to 13-16% discount rates.	□	Goodwill ₹332.51 Cr; ₹3.05 Cr write-off in prior year.	KAM 1: Minor shifts in DCF assumptions could trigger significant impairments.
16	DTA Reliance Risk	Profit ↑ — aggressive accounting; ₹55.96 Cr Net DTA depends on generating ₹130 Cr+ future profit.	□	Net DTA ₹55.96 Cr (93% of PAT).	Note 1.7: High reliance on future profitability to sustain asset value.
17	Cash Leakage to Subsidiaries	Profit ↓ — capital diversion; ₹36.52 Cr in loans to loss-making digital subsidiaries.	□	RPT Loans 36.52% of CFO.	Note 24: Continuous funding of EBIT-negative digital arms (Safari, Convergja).

4. MANAGEMENT & GOVERNANCE

A. Auditor Report & Key Audit Matters * **Audit Opinion:** Unqualified. * **KAM 1: Impairment of Goodwill:** The Group carries ₹332.51 Cr in Goodwill. The auditor flagged high subjectivity in the DCF model, specifically discount rates (13.18% to 16.14%) and terminal growth rates (5.00%). * **KAM 2: ECL on Trade Receivables:** Scrutiny of the "Provision Matrix" given the 180-270 day credit cycle and risks during the NCF transition. * **KAM 3: Revenue Recognition (Variable Consideration):** Focus on the "constraint" applied to ₹16.66 Cr in returns and discounts to prevent premature revenue recognition. * **Auditor Fees:** ₹1.29 Cr (2.14% of Consolidated PAT). Auditor independence is maintained, though high reliance on management estimates for 30% of gross revenue requires skepticism.

B. Related Party Transactions | Party | Relationship | Nature | Amount (Cr) | Concern | |:---|:---|:---|:---|:---| | **Safari Digital Education** | Subsidiary | Loan Outstanding | 15.14 Cr | **Continuous funding of loss-making digital arm** | | **Convergja Digital Education** | Wholly Owned Subsidiary | Loan Outstanding | 11.91 Cr | **High cash leakage; 5.00 Cr fresh loan in FY25** | | **S. Chand Edutech** | Subsidiary | Loan Outstanding | 7.72 Cr | **Inter-company debt dependency** | | **Edutor Technologies** | Subsidiary | Loan Outstanding | 1.75 Cr | **Struggling venture support** | | **Himanshu Gupta** | Managing Director | Personal Guarantee | Extensive | **Promoter skin-in-the-game for bank debt** | | **D.K. Jhunjnuwala** | Whole Time Director | Personal Guarantee | Extensive | **Promoter skin-in-the-game for bank debt** | | **Sky Warehousing Pvt Ltd** | Promoter Entity | Lease Payments | Not disclosed | **RPT Lease for warehouse** |

RPT Verdict: Monitor □ (Total RPT Loans ₹36.52 Cr represent 36.52% of CFO, signaling significant cash leakage to struggling subsidiaries).

C. Shareholding * **Promoters:** 43.91% (No change YoY) * **FII:** 6.13% (Up from 4.45%) * **DII:** 2.53% (No change YoY) * **Public:** 47.43% * **Pledged Shares:** 0.00%

D. Board Composition + KMP Compensation * **Total Directors:** 7 | **Independent:** 42.85% (3/7) — □ **Non-compliant with 50% requirement.** * **Women Directors:** 2 (Ms. Archana Capoor, Ms. Savita Gupta). * **KMP Compensation:** * **Himanshu Gupta (MD):** ₹2.67 Cr (+17.11% YoY) | 1.98% of EBITDA. * **D.K. Jhunjnuwala**

(WTD): ₹2.00 Cr (+18.34% YoY) | 1.48% of EBITDA. * **Saurabh Mittal (CFO):** ₹2.40 Cr (+37.93% YoY) | 1.78% of EBITDA. (Outpaced EBITDA growth). * **Family Relations:** MD is the son of Savita Gupta; Gaurav Kumar Jhunjhnuwala is the son of WTD. Total family-linked compensation: ₹4.67 Cr.

F. Capital Allocation & Capex | Action | FY Current (Cr) | FY Prior (Cr) | % of CFO | Signal | |---|---|---|---|---| | **Dividends** | 10.57 Cr | 10.57 Cr | 10.57% | **Stable payout** | | **Capex** | 25.00 Cr | 18.00 Cr | 25.00% | **Rising maintenance/content cost** | | **Net Debt Change** | -25.00 Cr | -19.00 Cr | -25.00% | **Aggressive de-leveraging** | | **Investments (Financial)** | 113.00 Cr | 79.00 Cr | 113.00% | **High cash diversion to financial assets** | | **Impairments / Write-offs** | 24.81 Cr | 19.62 Cr | 24.81% | **Rising inventory obsolescence** |

CAPEX Analytical Notes: * **CFO Coverage:** 4.00x coverage of capex. * **Nature:** Primarily content development and building leases. **Capital advances of ₹6.16 Cr** signal new facility expansion. * **Efficiency:** Revenue grew 8.61% while Gross Block grew 4.00%, suggesting stable asset sweating. * **Takeaway:** The 38.9% increase in capex is driven by the mandatory NCF content refresh cycle.

H. Risks * 1. **Inventory Obsolescence** (High): NEP/NCF changes rendered old stock irrelevant, leading to a **₹24.81 Cr write-down**. * 2. **Credit Risk** (High): 180-270 day cycles; **₹47.15 Cr (14.6% of receivables)** classified as high risk. * 3. **Goodwill Impairment** (High): **₹332.51 Cr carrying value** is highly sensitive to discount rate changes. * 4. **Tax Asset Risk** (Medium): **₹55.96 Cr Net DTA** depends on generating ₹130 Cr+ future taxable profit. * 5. **Promoter Dependency** (Medium): Personal guarantees for all bank debt create liquidity risk if promoter credit is impaired.

5. SCORECARD & VERDICT

Part A: Scorecard

Dimension	Rating (1-5)	Delta	Key Evidence	One-line Rationale
Business Quality	4	→	4,000+ partners; 17% standalone growth	Strong distribution moat and NCF tailwinds offset by high seasonality.
Financial Health	4	↑	D/E 0.11x; Interest Coverage 8.15x	Significant deleveraging and strong FCF coverage of debt and dividends.
Earnings Quality	2	↓	DTA 93% of PAT; ₹24.81 Cr inventory write-down	High reliance on future tax assets and persistent inventory obsolescence.
Management & Governance	2	→	42.8% Board Independence; 36% CFO to RPT loans	Non-compliant board structure and continuous cash leakage to digital arms.
Capital Allocation & Earnings Visibility	3	→	ROCE 9%; ₹6.16 Cr Capital Advances	Disciplined debt reduction offset by value-neutral digital investments.

BUSINESS POSITIVES (for this company this year) * **Deleveraging:** Total borrowings (excluding leases) dropped by 37.8% YoY, significantly reducing finance costs by 15.5%. * **NCF Tailwinds:** Standalone revenue grew 17%, validating the volume-led recovery from the National Curriculum Framework implementation. * **Inventory Efficiency:** Inventory levels were reduced by ₹36.00 Cr, improving inventory days from 284 to 223. * **Export Growth:** Export revenue surged by 291% to ₹24.45 Cr, showing successful geographical diversification. * **Cash Flow Strength:** Generated ₹76.00 Cr in Free Cash Flow, providing 7x coverage for dividends.

BUSINESS NEGATIVES / CONCERNS (for this company this year) * **Governance Gaps:** Board independence stands at 42.8%, failing the 50% SEBI requirement for companies with an Executive MD. * **Cash Leakage:** ₹36.52 Cr in loans to loss-making digital subsidiaries represents 36.5% of Operating Cash Flow. * **Earnings Quality:** Net Profit is heavily supported by a ₹55.96 Cr Deferred Tax Asset (93% of PAT), which

relies on aggressive future profit assumptions. * **Inventory Obsolescence:** NRV write-downs increased to 24.81 Cr (17.7% of inventory) due to curriculum changes. * **High Receivables Risk:** 47.15 Cr (14.6% of gross receivables) is classified as having a significant increase in credit risk.

OVERALL SCORECARD SUMMARY S Chand exhibits strong financial health through aggressive deleveraging and robust free cash flow generation from its legacy publishing "cash cows." However, earnings quality is weakened by a heavy reliance on deferred tax assets and persistent inventory write-downs. Governance remains a primary concern due to non-compliant board independence and significant cash diversion to struggling digital subsidiaries. The business is on a **stable** trajectory as NCF-led volume growth provides a clear near-term tailwind, but a valuation re-rating is capped by capital allocation inefficiencies and governance gaps.

Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion (p.182).
2	Promoter pledge = 0?	<input type="checkbox"/>	0.00% pledged shares.
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	Total KMP pay (MD+WTD+CFO+CS) ≈ <input type="checkbox"/> 7.96 Cr (13.2% of PAT).
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	RPT Loans (<input type="checkbox"/> 36.52 Cr) are 5.07% of revenue.
5	Board > 50% independent?	<input type="checkbox"/>	Only 42.85% (3 out of 7) are independent.
6	At least 1 woman director?	<input type="checkbox"/>	2 women directors (Ms. Archana Capoor, Ms. Savita Gupta).
7	No statutory dues outstanding?	<input type="checkbox"/>	Statutory dues payable <input type="checkbox"/> 10.50 Cr (regular course).
8	No fraud reported?	<input type="checkbox"/>	No fraud reported in Auditor's report.
9	Audit trail enabled?	<input type="checkbox"/>	Confirmed in Auditor's report.
10	Frequent Auditor change	<input type="checkbox"/>	No frequent changes noted.

Final line: "Total: 7/10 —
Governance Rating: 3"

Part C: Investor Verdict

THESIS: S Chand is a cash-generative legacy publishing leader benefiting from a multi-year NCF curriculum refresh, currently transitioning to a leaner, debt-free balance sheet. **OVERALL STANCE:** WATCH **RATIONALE:** Strong operational tailwinds and deleveraging are balanced by poor capital allocation to digital subsidiaries and high intangible asset risks. **RE-EVALUATE WHEN:** Safari Digital losses exceed 10 Cr or Goodwill impairment exceeds 10 Cr. **BULL CASE:** NCF implementation leads to >20% volume growth and digital arms reach EBITDA break-even, driving a ROCE expansion to >15%. **BEAR CASE:** A major 50 Cr+ Goodwill impairment or failure to realize DTA leads to a significant hit to Net Worth and PAT. **KEY MONITORABLE:** Inventory Write-down %: Current 17.7% → Watch threshold >25%.

7. YEAR-OVER-YEAR ANALYSIS

7.1 Changes

Metric / Theme	Summary A Status	Summary B Status	Forensic Takeaway
Effective Tax Rate	12% (Driven by deferred tax asset utilization).	35% (Exhaustion of merger-related tax shields).	The transition to a full tax-paying regime has significantly dampened PAT growth despite stronger operational performance.
Inventory Velocity	284 Days (Strategic hedging/build-up).	223 Days (Aggressive liquidation/reduction).	Management has successfully pivoted to a leaner inventory model to improve liquidity, though it triggered higher obsolescence write-downs.
Capital Allocation	Maintenance-heavy capex (₹18 Cr) with zero CWIP.	Vertical integration via new printing press incorporation and BPI acquisition.	The strategy has shifted from passive maintenance to active supply chain control to protect margins during the NCF volume surge.
Margin Trajectory	17% OPM (Impacted by high marketing spend).	19% OPM (Benefiting from lower material costs).	Operating leverage is beginning to manifest as the company captures higher-margin NCF volumes while containing raw material inflation.
Receivable Risk	"High Risk" receivables grew 27.7% to ₹48.19 Cr.	High-risk receivables stabilized at ₹47.15 Cr (14.6% of gross).	While the growth in bad debt risk has paused, the absolute quantum remains a significant drag on the quality of the balance sheet.
Management Tone	Defensive balance sheet repair and de-leveraging.	"Cautiously aggressive" offensive on NCF "Super-Cycle."	Management has shifted focus from financial survival to aggressive market share capture in the new curriculum environment.

7.2 Persistent Patterns

- **Structural Revenue Reversals:** Sales returns and discounts consistently consume **30-31% of gross contracted revenue**, highlighting the inherent volatility of the "sale or return" publishing model.
- **Subsidiary Cash Leakage:** A massive portion of Operating Cash Flow (**27% to 36%**) is annually diverted to fund loss-making digital subsidiaries, representing a chronic drain on core business value.
- **Promoter Credit Dependency:** The company remains unable to secure major credit lines on a standalone basis, relying on **extensive personal guarantees from promoters** in both periods.
- **Governance Non-Compliance:** The Board of Directors remains **less than 50% independent** (42.85%) across both years, failing to meet regulatory requirements for companies with executive leadership.
- **Intangible Asset Concentration:** Goodwill and Intangibles consistently represent over **50% of total assets**, leaving the balance sheet highly vulnerable to lumpy impairment charges if growth targets miss.
- **Aggressive Accounting for Tax Assets:** The balance sheet continues to carry a **significant Net Deferred Tax Asset (₹55-82 Cr)**, which relies on the optimistic assumption of sustaining high future taxable profits.
- **Maintenance-Led Capex:** Despite the pivot to vertical integration, core capital expenditure remains largely restricted to **content refresh and maintenance**, with low overall ROCE (7-9%).