

## 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 domestic publishing position, poised to capture a multi-year volume "super-cycle" driven by the mandatory NCF 2023 textbook replacement.	□
2	Revenue grew 8.56% YoY to ₹663 Cr, though top-line quality is pressured by sales returns and discounts which consume 30% of gross billing.	□
3	<i>Operating margins expanded to 17%, yet reported PAT of ₹51 Cr was weighed down by lower other income and a ₹19.62 Cr inventory obsolescence charge.</i>	□
4	Financial health has significantly improved via aggressive de-leveraging, reducing total debt to ₹133 Cr with a healthy Interest Coverage of 4.87x.	□
5	Cash generation is a core strength, with Cash Flow from Operations (CFO) of ₹121 Cr representing 2.37x reported PAT.	□
6	The company is nearing a net-debt-free status, with cash and equivalents of ₹127 Cr nearly offsetting the total debt burden.	□
7	Capital allocation has shifted toward shareholder returns with a ₹10.57 Cr dividend payout, supported by robust Free Cash Flow of ₹104 Cr.	□
8	<i>Earnings quality is compromised by a 284-day inventory cycle and "High Risk" receivables growing at 27.7%, far outpacing revenue growth.</i>	□
9	<i>Governance remains a watchpoint due to board independence (43%) falling below the 50% threshold and KMP compensation exceeding 10% of PAT.</i>	□
10	<i>Capital leakage persists through ₹32.82 Cr in loans to loss-making digital subsidiaries, representing a 27% drain on operating cash flow.</i>	□
11	The medium-term outlook is anchored by regulatory tailwinds, though an unsustainable 12% effective tax rate suggests future earnings volatility.	□
12	Investment Stance: WATCH; monitor for inventory reduction below 240 days and stabilization of credit risks in the distribution network.	□

## FINAL RESEARCH SUMMARY: S Chand & Company Ltd (FY24)

### 1. BUSINESS OVERVIEW

- **Core Segments:** Operates across K-12 Education (brands: S Chand, Vikas, Madhubun, New Saraswati House), Digital & Blended Solutions (Mylestone, Learnflix, Educate360), and Competitive/Higher Education (TestCoach, Vikas).

- **Revenue Drivers:** Primarily domestic sales (99.06% of revenue) driven by the National Curriculum Framework (NCF) 2023 alignment, which mandates a 100% replacement cycle of textbooks.
- **Cost Drivers:** Paper is the primary raw material volatility factor; marketing is pivoting toward digital influence with 40 YouTube influencer partnerships aimed at Tier 2/3 markets.
- **Industry Position:** Transitioning from a traditional publisher to a "blended learning" provider; leveraging a "super-cycle" created by the NCF 2023 regulatory refresh.
- **Expansion Plans:** Focus on the "Next Half Billion" (NHB) via Learnflix and doubling influencer reach in FY25 to capture mass-market volumes.
- **Acquisitions & Investments:** Holds strategic stakes in Smartivity (16%, EBITDA positive) and ixamBee (4.3%) to capture STEM and government test-prep markets.
- **Structural Transformation:** Implemented a Composite Scheme of Arrangement in Sept 2023, amalgamating Blackie & Son and Nirja Publishers and demerging digital education businesses into the parent to simplify the corporate structure.
- **Geographical Presence:** Almost entirely domestic (99.06%), making the company highly sensitive to Indian educational policy changes.

## 2. MANAGEMENT COMMENTARY & OUTLOOK

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- Management views the NCF 2023 as a "runway of strong growth for the next 2-3 years," forcing a complete refresh of the backlist and 100% book replacement in schools.
- Strategy shift from high-burn standalone apps to "integrated" school solutions (Mylestone, Educate360) to create "sticky" B2B ecosystems.
- Clear mandate to achieve "Net Debt Free" status, moving from "growth at any cost" to "cash-flow backed growth."
- Reintroduction of dividends (₹/share) signals confidence in the stabilized balance sheet.
- Bullish outlook on the "Next Half Billion" mass market via volume-led, low-pricing digital strategies.
- Focus on "operational sweating" of content assets following the corporate simplification/merger.
- Management Tone: Confident, Transitional, and Opportunistic. Management has shifted from a "survival and de-leveraging" tone to an "offensive" posture, successfully executing a balance sheet clean-up while explicitly pegging future success to the NCF 2023 regulatory catalyst. The narrative has moved from "EdTech disruption" to a more predictable "Regulatory-led volume refresh."

## 3. FINANCIAL ANALYSIS

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### 3.1 Financial Statements

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

## P&L Statement (₹Crores)

Line Item	Mar 2024	Mar 2023
Sales -	663.00	610.00
Sales Growth %	8.56	26.91
Expenses -	552.00	513.00
Material Cost % -	34.13	36.16
Raw material cost	226.00	234.00
Change in inventory	0.00	-14.00
Manufacturing Cost %	3.51	3.78
Employee Cost %	22.72	22.39
Other Cost %	22.99	21.78
Operating Profit	110.00	97.00
OPM %	17.00	16.00
Other Income -	9.00	48.00
Exceptional items	2.46	35.76
Other income normal	6.95	12.02
Interest	15.00	21.00
Depreciation	46.00	46.00
<b>Profit before tax</b>	58.00	78.00
Tax %	12.00	26.00
<b>Net Profit -</b>	51.00	58.00
Profit from Associates	0.00	0.00
Minority share	5.00	0.00
Exceptional items AT	1.00	22.00
Profit excl Excep	50.00	35.00
Profit for PE	55.00	35.00
Profit for EPS	57.00	58.00
Profit Growth %	57.00	223.00
EPS in Rs	16.08	16.38
Dividend Payout %	19.00	18.00

**Balance Sheet (₹ Crores)**

Line Item	Mar 2024	Mar 2023
Equity Capital	18.00	18.00
Reserves	923.00	878.00
Borrowings -	133.00	152.00
Long term Borrowings	21.00	26.00
Short term Borrowings	87.00	101.00
Lease Liabilities	25.00	25.00
Other Borrowings	0.00	0.00
Other Liabilities -	199.00	173.00
Non controlling int	3.00	8.00
Trade Payables	152.00	108.00
Advance from Customers	0.00	4.00
Other liability items	45.00	53.00
<b>Total Liabilities</b>	<b>1,273.00</b>	<b>1,220.00</b>
Fixed Assets -	524.00	546.00
Land	18.00	18.00
Building	90.00	87.00
Plant Machinery	56.00	56.00
Equipments	6.00	7.00
Computers	10.00	20.00
Furniture n fittings	8.00	9.00
Vehicles	17.00	14.00
Intangible Assets	351.00	352.00
Other fixed assets	195.00	192.00
Gross Block	750.00	756.00
Accumulated Depreciation	226.00	210.00
CWIP	0.00	2.00
Investments	62.00	50.00
Other Assets -	687.00	623.00
Inventories	176.00	156.00
Trade receivables -	260.00	265.00
Receivables over 6m	80.00	56.00
Receivables under 6m	229.00	246.00
Prov for Doubtful	-48.00	-37.00
Cash Equivalentents	127.00	81.00
Loans n Advances	4.00	3.00
Other asset items	119.00	117.00

Line Item	Mar 2024	Mar 2023
<b>Total Assets</b>	1,273.00	1,220.00

### Cash Flow Statement (₹Crores)

Line Item	Mar 2024	Mar 2023
Cash from Operating Activity -	121.00	81.00
Profit from operations	128.00	111.00
Receivables	-8.00	24.00
Inventory	-20.00	-29.00
Payables	44.00	-11.00
Loans Advances	0.00	0.00
Other WC items	-1.00	5.00
Working capital changes	16.00	-11.00
Direct taxes	-23.00	-18.00
Cash from Investing Activity -	-24.00	-4.00
Fixed assets purchased	-18.00	-16.00
Fixed assets sold	1.00	0.00
Investments purchased	-79.00	-58.00
Investments sold	73.00	71.00
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	0.00	0.00
Other investing items	-3.00	-3.00
Cash from Financing Activity -	-53.00	-61.00
Proceeds from shares	0.50	0.91
Proceeds from borrowings	16.76	12.72
Repayment of borrowings	-35.32	-43.09
Interest paid fin	-15.22	-18.16
Dividends paid	-10.57	0.00
Financial liabilities	-9.18	-13.07
Other financing items	0.00	0.00
<b>Net Cash Flow</b>	44.00	16.00
Free Cash Flow	104.00	65.00
CFO/OP	131.00	103.00

## Key Ratios (₹Crores)

Line Item	Mar 2024	Mar 2023
Debtor Days	143.00	159.00
Inventory Days	284.00	258.00
Days Payable	245.00	178.00
Cash Conversion Cycle	183.00	239.00
Working Capital Days	96.00	104.00
ROCE %	7.00	6.00

### 3.2 Financial Analysis Summary

- **Revenue** grew by **8.56%** to **₹663.00 Cr**, primarily driven by domestic sales; however, the quality of **Revenue** is impacted by a significant "sale or return" model where sales returns of **₹135.57 Cr** and discounts of **₹153.21 Cr** consumed nearly **30%** of the gross contracted price of **₹951.35 Cr**.
- **Operating Profit** improved to **₹110.00 Cr** with **OPM %** expanding to **17.00%** from **16.00%**, despite a **59%** spike in advertisement and publicity expenses to **₹23.66 Cr** and a **10%** rise in **Employee Cost** to **₹150.29 Cr**, indicating operating leverage.
- **Net Profit** declined to **₹51.00 Cr** from **₹58.00 Cr**, largely due to a sharp drop in **Other Income** from **₹48.00 Cr** to **₹9.00 Cr** (FY23 was inflated by fair value gains), while the current year benefited from a lower effective tax rate of **12%** supported by a **₹82.86 Cr Deferred Tax** asset.
- **Working Capital** remains a significant consumer of liquidity, with **Inventory** increasing to **₹176.00 Cr** and **Inventory Days** stretching to **284 days**; this build-up includes a material inventory write-down of **₹19.62 Cr**, signaling obsolescence risks.
- **Trade Receivables** decreased slightly to **₹260.00 Cr**, but the ageing profile deteriorated as "Significant Increase in Credit Risk" receivables grew **27.7%** to **₹48.19 Cr**, necessitating a 4x increase in the **Provision for Doubtful Receivables** to **₹10.96 Cr**.
- **CFO** improved significantly to **₹121.00 Cr** from **₹81.00 Cr**, driven by a **₹44.00 Cr** boost from **Trade Payables** as **Days Payable** extended to **245 days**, resulting in a strong **CFO/PAT** ratio of **2.37**.
- **Total Debt** reduced to **₹133.00 Cr** from **₹152.00 Cr**, with the group shifting toward short-term working capital facilities (**₹76.53 Cr**) and maintaining a healthy **Interest Coverage** of **4.87x**, while **Cash Equivalents** of **₹127.00 Cr** nearly cover the entire debt obligation.
- **Fixed Assets** declined to **₹524.00 Cr** as **Depreciation** of **₹46.00 Cr** outpaced a modest **Capex** of **₹18.00 Cr**, while **Intangible Assets** of **₹351.00 Cr** remain dominated by **Goodwill**, which saw a minor impairment write-off of **₹3.06 Cr**.
- **Capital Allocation** focused on deleveraging and shareholder returns, with **₹35.32 Cr** used for **Repayment of borrowings** and **₹10.57 Cr** paid as dividends, resulting in a healthy **Free Cash Flow** of **104.00 Cr**, though **ROCE %** remains modest at **7.00%**.
- **Other Assets** include **Advances to Vendors** of **₹7.90 Cr** (up from **₹5.60 Cr**), while **Other Liabilities** are impacted by **Employee Related Liabilities** of **₹17.20 Cr**, suggesting significant accrued bonuses or commissions relative to the annual cost.
- **Other Expenses** were driven by a **23%** increase in **Legal & Professional fees** (**₹10.47 Cr**), likely linked to merger activities, and **Travelling & Conveyance** (**₹20.57 Cr**).
- **Overall Synthesis:** S Chand demonstrated resilient operational performance with improving **OPM %** and strong **CFO** generation, yet the business remains structurally challenged by an exceptionally long **Cash**

**Conversion Cycle** and high sales returns, with current earnings quality being supported by **Deferred Tax** assets and aggressive payable management rather than high-velocity asset turnover.

### 3.3 Contingent Liabilities & Commitments

- **Litigation / Tax Disputes:** Not specifically disclosed in the provided AR snippet, however, the Group acknowledges that determining contingent liabilities is "inherently subjective."
- **Provision for Contingencies:** A provision of ₹3.35 Cr from FY23 was fully utilized or reversed in FY24, suggesting the resolution of a specific short-term liability.
- **Capital Commitments:** Not disclosed in the snippet; CWIP is currently zero.
- **Guarantees:** Extensive personal guarantees provided by directors for bank facilities (SBI, HDFC, RBL, Indian Bank).

### 3.9 Earnings Quality & Forensic Checks

#	Check	Impact	Status	Evidence	Notes Detail
1	PAT vs CFO trend	Profit ↑ — high cash conversion; CFO of ₹121 Cr significantly exceeds PAT of ₹51 Cr.	□	PAT ₹51 Cr, CFO ₹121 Cr	CFO/OP at 131% indicates strong cash generation from operations despite high working capital needs.
2	Receivables & channel-stuffing signal	Revenue ↑↓ — channel stuffing risk; inventory growth (12.8%) outpaces sales (8.6%) amid rising credit risk.	□	Inventory ₹176 Cr (up 12.8%), Sales up 8.56%	"Significant Increase in Credit Risk" receivables bucket grew 27.7% to ₹48.19 Cr, signaling collection stress.
3	Revenue timing (unbilled/ advances)	Revenue ↑↓ — high estimation risk; ₹110 Cr refund liability reflects significant "sale or return" model.	□	Refund Liability ₹110.04 Cr	Revenue recognized at "point in time" but subject to heavy returns (₹135.57 Cr) and discounts.
4	Revenue from related parties %	Neutral — limited direct RPT revenue; focus is on promoter guarantees for working capital.	□	RPT sales not material	Extensive personal guarantees by directors Mr. Himanshu Gupta and Mr. Dinesh Jhunjhuwala secure bank lines.
5	Inventory vs revenue growth	Profit ↓ — inventory build-up; stock growth outpaces sales, increasing risk of future obsolescence write-downs.	□	Inventory ₹176 Cr vs Sales ₹663 Cr	Inventory write-down to NRV increased to ₹19.62 Cr, reflecting risks from curriculum changes (NEP).
6	Inventory valuation method change	Neutral — consistent valuation; FIFO method applied consistently with ₹19.6 Cr write-down to NRV.	□	Note 2.12 / 2.29	Valued at lower of cost or NRV using FIFO; consistent application of obsolescence policy observed.
7	Exceptional items in operating profit	Profit ↑ — non-recurring gains; FY23 PAT was heavily inflated by ₹35.7 Cr exceptional items.	□	Exceptional items ₹2.46 Cr (FY24)	FY24 earnings are "cleaner" as exceptional items dropped from ₹35.76 Cr in the previous year.
8	Depreciation rate vs useful life policy	Neutral — stable depreciation; consistent ₹46 Cr charge despite minor changes in gross block assets.	□	Depreciation ₹46 Cr (FY24 & FY23)	Accumulated depreciation stands at ₹226 Cr against a gross block of ₹750 Cr; rates appear consistent.
9	Provision reversals boosting PAT	Profit ↓ — higher credit provisions; doubtful debt provision spiked 4x to ₹10.96 Cr, hitting PAT.	□	Provision for Doubtful ₹10.96 Cr	Provision for contingencies of ₹3.35 Cr was reversed/utilized, but offset by higher expected credit losses.
10	Tax rate consistency	Profit ↑ — low effective tax; 12% P&L tax rate driven by deferred tax asset utilization.	□	Tax Rate 12% vs 26% YoY	Cash tax paid (₹23 Cr) is higher than P&L tax charge due to deferred tax adjustments.
11	CWIP age and stalling projects	Neutral — minimal capital risk; CWIP reduced to zero, indicating completion of ongoing projects.	□	CWIP ₹0.00 Cr (FY24)	CWIP of ₹2 Cr from FY23 was capitalized or cleared, leaving no stalled capital projects.
12	Deferred tax asset recognition	Profit ↑ — DTA recognition; ₹82.8 Cr asset depends on future taxable profits to avoid write-offs.	□	Deferred Tax Asset ₹82.86 Cr	DTA primarily from brought forward losses (₹47.09 Cr); recoverability depends on sustaining current profitability levels.
13	RPT quantum and trend	Neutral — high promoter interdependence; extensive	□	Note 20/24 (Guarantees)	Reliance on promoter guarantees (SBI, HDFC, RBL)

#	Check	Impact	Status	Evidence	Notes Detail
		personal guarantees secure nearly all major bank credit lines.			suggests a lack of standalone corporate credit strength.
14	Dividend paid vs FCF adequacy	Neutral — strong dividend coverage; FCF of ₹104 Cr comfortably covers the ₹10.6 Cr payout.	☐	Dividend ₹10.57 Cr, FCF ₹104 Cr	Dividend payout ratio of 19% is well-supported by free cash flow and healthy cash balances.
15	Goodwill Impairment Risk	Profit ↓ — asset quality deterioration; write-off of ₹3.06 Cr confirms past acquisitions are underperforming.	☐	Goodwill ₹332.52 Cr	Write-off due to obsolescence and competition; remaining balance is 35.6% of Equity.
16	Subsidiary Cash Leakage	Profit ↓ — cash diversion; ₹32.82 Cr in loans to loss-making digital subsidiaries (Convergja, Edutor, Edutech).	☐	Loans to Subs ₹6.55 Cr (FY24)	Nearly 27% of CFO is diverted to funding struggling digital ventures.

## 4. MANAGEMENT & GOVERNANCE

### A. Auditor Report & Key Audit Matters

- **Audit Opinion:** Unqualified.
- **KAM 1: Recoverability of Trade Receivables:** The auditor flagged the 180-270 day payment cycle and the subjectivity of the Expected Credit Loss (ECL) model. Management uses a provision matrix with forward-looking adjustments, but significant judgment is required given the sector's high returns and long credit periods.
- **KAM 2: Evaluation of Goodwill:** With ₹332.52 Cr in Goodwill (35.6% of Equity), the auditor focused on impairment testing using the DCF method. A write-off of ₹3.06 Cr was recognized in FY24 due to obsolescence and competition, signaling that past acquisitions are underperforming.
- **Auditor Fees:** Total remuneration of ₹1.48 Cr (2.90% of Consolidated PAT). Independence risk is considered low but monitorable.

## B. Related Party Transactions

Party	Relationship	Nature	Amount (Cr)	Concern
<b>Convergia Digital Education</b>	Wholly Owned Subsidiary	Loan Outstanding	10.80 Cr	<b>High cash leakage to loss-making digital arm</b>
<b>Safari Digital Education</b>	Subsidiary	Loan Outstanding	13.73 Cr	<b>Inter-company debt dependency</b>
<b>S. Chand Edutech</b>	Subsidiary	Loan Outstanding	6.71 Cr	<b>Continuous funding of struggling venture</b>
<b>Edutor Technologies</b>	Subsidiary	Loan Outstanding	1.59 Cr	<b>Inter-company debt dependency</b>
<b>Himanshu Gupta</b>	Managing Director	Personal Guarantee	Extensive	<b>Promoter skin-in-the-game for bank debt</b>
<b>D.K. Jhunjnuwala</b>	Whole Time Director	Personal Guarantee	Extensive	<b>Promoter skin-in-the-game for bank debt</b>
<b>Directors</b>	KMP	Unsecured Loan	0.83 Cr	Interest-free support

- **RPT Verdict:** Monitor □ While transactions are on an arm's length basis, the continuous cash drain to loss-making digital subsidiaries (27% of CFO) and heavy reliance on personal guarantees suggest structural financial interdependence.

## C. Shareholding

Shareholder Category	Mar 2024 (%)	Mar 2023 (%)
<b>Promoters</b>	43.91	43.91
<b>FII's</b>	6.13	4.45
<b>DII's</b>	2.53	2.53
<b>Public</b>	47.43	49.11

\* Pledged Shares: 0.00%

## D. Board Composition + KMP Compensation

- **Board Composition:** 7 Directors; 42.85% Independent (3/7). Note: Non-compliant with the 50% requirement for boards with an Executive MD.
- **Women Directors:** 2 (Ms. Archana Capoor, Ms. Savita Gupta).
- **KMP Compensation:**
  - **Himanshu Gupta (MD):** ₹2.28 Cr (-4.60% YoY).
  - **D.K. Jhunjnuwala (WTD):** ₹1.69 Cr (-7.14% YoY).
  - **Saurabh Mittal (CFO):** ₹1.74 Cr (+12.99% YoY).
- **Family Relations:** Himanshu Gupta (MD) is the son of Savita Gupta (Director). Gaurav Kumar Jhunjnuwala (Director) is the son of Dinesh Kumar Jhunjnuwala (WTD).
- **Analysis:** Total KMP compensation is growing slower than EBITDA (13.4% growth). MD and WTD pay is 46x and 34x the median employee salary, respectively.

## F. Capital Allocation & Capex

Action	FY Current (Cr)	FY Prior (Cr)	% of CFO	Signal
Dividends	10.57 Cr	0.00 Cr	8.74%	Positive return to shareholders
<b>Capex</b>	18.00 Cr	16.00 Cr	14.88%	<b>Maintenance heavy; low growth capex</b>
Net Debt Change	-19.00 Cr	-30.00 Cr	-15.70%	Continued de-leveraging
<b>Investments (Financial)</b>	79.00 Cr	58.00 Cr	65.29%	<b>High cash diversion to financial assets</b>
<b>Impairments / Write-offs</b>	22.68 Cr	17.29 Cr	18.74%	<b>High asset quality deterioration</b>

### • CAPEX Analytical Notes:

- **CFO Coverage of Capex:** CFO of ₹121.00 Cr provides **6.72x coverage** of the ₹18.00 Cr capex.
- **Nature of Capex:** Primarily maintenance and content development; **CWIP is zero**, signaling no major capacity expansion.
- **Deployment Efficiency:** Revenue grew 8.56% while Gross Block remained flat, suggesting improved asset sweating.

## H. Risks

#	Risk	Category	Description	Potential Impact	Severity
1	<b>Inventory Obsolescence</b>	Operational	NEP/NCF curriculum changes render old stock irrelevant.	<b>19.62 Cr write-down in FY24</b>	☐ High
2	<b>Credit Risk</b>	Financial	180-270 day payment cycles with distributors.	<b>48.19 Cr classified as high risk</b>	☐ High
3	<b>Regulatory (NEP 2020)</b>	Strategic	Transition to new National Curriculum Framework.	Revenue growth catalyst but increases execution risk.	☐ Medium
4	<b>Goodwill Impairment</b>	Financial	Underperformance of acquired subsidiaries.	<b>3.06 Cr write-off in FY24</b>	☐ Medium
5	<b>Promoter Dependency</b>	Governance	Personal guarantees for all bank debt.	Liquidity risk if promoter creditworthiness drops.	☐ Medium

## 5. SCORECARD & VERDICT

### Part A: Scorecard

Dimension	Rating (1-5)	Delta	Key Evidence	One-line Rationale
Business Quality	3	→	99% domestic; NCF "super-cycle"	Stable demand from regulatory refresh but highly cyclical and commoditized.
Financial Health	4	↑	D/E 0.14x; CFO ₹121 Cr > PAT ₹51 Cr	Strong de-leveraging and excellent cash flow coverage of debt.
Earnings Quality	2	↓	Returns/Discounts 30% of Gross; 12% Tax	High estimation risk in revenue and reliance on DTA for PAT.
Management & Governance	3	→	43% Independent Board; High RPT Loans	Generally compliant but high promoter dependency and subsidiary cash drain.
Capital Allocation & Visibility	3	↑	Dividend resumed; FCF ₹104 Cr	Disciplined de-leveraging but capex is maintenance-heavy with low ROCE.

**BUSINESS POSITIVES** \* **Strong Cash Generation: CFO of ₹121 Cr** is 2.37x the reported PAT, indicating high-quality cash earnings. \* **De-leveraging:** Total borrowings reduced by ₹19 Cr to ₹133 Cr, with a healthy **Interest Coverage of 4.87x**. \* **Regulatory Tailwinds:** The **NCF 2023** provides a 2-3 year growth runway through mandatory textbook replacement. \* **Shareholder Returns:** Resumption of dividends with a ₹10.57 Cr payout (₹3/share). \* **Operational Efficiency: OPM %** expanded to **17%** despite a **59%** increase in marketing spend.

**BUSINESS NEGATIVES / CONCERNS** \* **Working Capital Stress: Inventory Days** stretched to **284 days** with a ₹19.62 Cr obsolescence write-down. \* **Credit Deterioration:** "High Risk" receivables grew **27.7%** to ₹48.19 Cr, far outpacing revenue growth. \* **Revenue Quality:** Sales returns and discounts consume **30%** of gross billing (₹288 Cr total adjustments). \* **Subsidiary Drain:** ₹32.82 Cr in outstanding loans to loss-making digital subsidiaries represents a significant cash leakage. \* **Asset Impairment:** ₹3.06 Cr Goodwill write-off signals underperformance of past acquisitions.

**OVERALL SCORECARD SUMMARY** S Chand is in a state of financial recovery, characterized by aggressive de-leveraging and strong operating cash flows. While the balance sheet is robust with low net debt, the core business model remains structurally challenged by long working capital cycles and high sales returns. Governance is stable but marked by high promoter interdependence and a continuous cash drain into struggling digital subsidiaries. The trajectory is **stable to improving** on a financial basis, but earnings quality requires close monitoring due to high inventory and credit risks.

## Part B: Governance Check Matrix

#	Check	Status	Evidence
1	Audit opinion clean?	<input type="checkbox"/>	Unqualified opinion (p.28)
2	Promoter pledge = 0?	<input type="checkbox"/>	0.00% pledged
3	KMP pay < 5% of PAT?	<input type="checkbox"/>	Total KMP pay ~₹5.58 Cr is >10% of PAT
4	RPT quantum < 5% of revenue?	<input type="checkbox"/>	4.95% of revenue
5	Board > 50% independent?	<input type="checkbox"/>	42.85% (3 out of 7)
6	At least 1 woman director?	<input type="checkbox"/>	2 Women Directors
7	No statutory dues outstanding?	<input type="checkbox"/>	No major defaults reported
8	No fraud reported?	<input type="checkbox"/>	None reported
9	Audit trail enabled?	<input type="checkbox"/>	Confirmed by auditors
10	Frequent Auditor change	<input type="checkbox"/>	No frequent changes noted

**Total: 7/10  — Governance Rating: 3**

## Part C: Investor Verdict

**THESIS:** A legacy publishing leader deleveraging its balance sheet to capture a 3-year regulatory-led volume "super-cycle" while struggling to pivot its digital arms to profitability. **OVERALL STANCE:** WATCH **RATIONALE:** Strong cash flows and low debt are offset by deteriorating receivable quality and high inventory obsolescence risk during the NCF transition. **RE-EVALUATE WHEN:** Inventory write-downs exceed ₹25 Cr or "High Risk" receivables cross 25% of total trade receivables. **BULL CASE:** NCF 2023 implementation leads to >20% volume growth and digital subsidiaries reach EBITDA break-even, driving ROCE above 12%. **BEAR CASE:** Paper price spikes combined with massive inventory write-offs of old curriculum books vaporize margins; distributors default on long-dated credit. **KEY MONITORABLE:** Inventory Days: 284 → Watch for reduction below 240.

## 7. YEAR-OVER-YEAR ANALYSIS

### 7.1 Changes

Metric / Theme	Summary A Status (FY23)	Summary B Status (FY24)	Forensic Takeaway
<b>Earnings Composition</b>	50% of PAT derived from non-core Other Income and Exceptional gains.	PAT is "cleaner" operationally but supported by an unsustainably low 12% effective tax rate.	The quality of earnings has shifted from reliance on asset sales to reliance on deferred tax asset utilization.
<b>Inventory Risk</b>	Inventory days at 258; stock build-up viewed as strategic hedging against paper inflation.	Inventory days stretched to 284 with a specific ₹9.62 Cr obsolescence write-down.	The transition to NCF 2023 is beginning to crystallize significant obsolescence risks in legacy textbook stock.
<b>Management Tone</b>	Focused on survival, operational recovery, and aggressive de-leveraging.	Offensive posture targeting a regulatory-led "super-cycle" and "Net Debt Free" status.	Management has pivoted from defensive balance sheet repair to aggressive, volume-led market capture.
<b>Receivable Quality</b>	Receivables fell 9% despite revenue growth; collection efficiency was a primary highlight.	"High Risk" receivables grew 27.7% to ₹48.19 Cr, significantly outpacing revenue growth.	Improving headline debtor days masks a deteriorating underlying credit profile within the distribution network.
<b>Liquidity Position</b>	Net Debt of ₹152 Cr with interest coverage at 4.71x.	Cash equivalents of ₹127 Cr nearly offset total debt of ₹133 Cr.	The company has successfully achieved a near-net-debt-free status, providing a significant margin of safety.

### 7.2 Persistent Patterns

- **High Revenue Reversal Risk:** Sales returns and discounts consistently consume **30-31% of gross contracted revenue**, indicating a structurally volatile "sale or return" business model.
- **Subsidiary Cash Leakage:** A significant portion of Operating Cash Flow (**27% to 45%**) is consistently diverted to fund loss-making digital subsidiaries via inter-corporate loans.
- **Promoter Interdependence:** The company remains unable to secure major bank credit lines on a standalone basis, requiring **extensive personal guarantees from directors** in both periods.
- **Aggressive Amortization Policy:** Management maintains a **10-year useful life for content development**, which risks future lumpy write-downs as curriculum cycles accelerate under NEP 2020.
- **Low Asset Turnover:** Despite operational improvements, **ROCE remains stagnant at 6-7%**, reflecting a heavy asset base (Goodwill/Intangibles) that is not yet generating high-velocity returns.
- **Governance Non-Compliance:** The Board of Directors remains **less than 50% independent (42.85%)** across both years, falling short of requirements for companies with executive chairs/MDs.
- **Maintenance-Heavy Capex:** Capital expenditure remains strictly limited to **maintenance and content refresh (₹16-18 Cr)**, with zero investment in major new capacity or infrastructure.