S Chand & Company Ltd — Rating update 1d Credit Rating Summary

Section	Details
Agency	CARE Ratings Ltd.
Rating Change	**Reaffirmed** at CARE A / CARE A1 (No notch change)
Outlook (Current vs Previous)	**Stable** vs **Stable**
Key Drivers of Change	1. **NCF Implementation:** Revenue grew to ₹798.75 Cr (FY26) from ₹719.66 Cr, driven by new syllabus rollout for K-8; Grades 9-12 to drive FY27-28 growth. 2. **AI & Digital Pivot:** Content licensing revenue for AI/LLM rose 60% to ₹31.80 Cr, providing high-margin diversification. 3. **Deleveraged Balance Sheet:** Overall gearing remains superior at 0.14x with term debt repaid (Term loan withdrawn). 4. **Cash Accruals:** Expectation of ₹125 Cr GCA in FY27 against negligible debt repayment of ₹6.30 Cr, strengthening liquidity.
Rated Instruments	1. **Cash Credit:** ₹100.00 Cr (Long Term)
Key Observations	• **Market Dominance:** Strong brand equity in CBSE/ICSE segments with a network of ~4,000 dealers and ~3,000 authors. • **Profitability:** PBILDT margins slightly moderated to 18.15% (from 18.82%) due to higher paper, logistics, and fuel costs. • **Working Capital Skew:** 70% of revenue is booked in Q4, leading to a peak operating cycle of ~300 days at year-end. • **Inventory Management:** Inventory days remained elevated at 92 days due to NCF-related stock-up. • **Strategic M&A:** Acquired CPD Singapore (~₹11.82 Cr) to expand IGCSE/IB curricula footprint. • **Regulatory Risk:** High dependence on NCERT/NCF timelines; shift to digital could threaten traditional print volumes. • **Seasonality:** Q1FY27 shows typical seasonal loss (₹18.73 Cr PAT loss) on TOI of ₹114.55 Cr.
Investor Impact	**Growth:** High visibility for FY27-28 as NCF rolls out for secondary grades. **Margins:** Susceptible to paper price volatility (RM is ~40% of TOI), but partly offset by improved realizations. **Leverage:** Extremely low; no credit-related dilution risk. **Cash Flow:** Strong CFO (₹75.78 Cr) supports inorganic growth without straining the balance sheet.
Agency / Cross Analysis	**Same Agency (FY26 vs FY25):** Rating maintained. The agency notes a "Consistent improvement in operational performance." While TOI grew 11%, the interest coverage remained stable (~10.3x). The primary shift is the **withdrawal of the term loan** following full repayment, signaling a transition to a near debt-free status. The outlook remains anchored to NCF tailwinds and management's success in reducing sales returns.
Final Inference	**Real Improvement.** The reaffirmation masks a strengthening credit profile driven by the repayment of term debt and successful capture of the NCF-led replacement cycle. The AI-content licensing growth (60%) is a significant equity tailwind, though the stock remains a "Q4-heavy" seasonal play with high working capital sensitivity.