

S Chand & Company Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline **One-line:** The thesis remains firmly intact as management successfully navigated an extreme Q4 revenue concentration to hit FY26 targets, while structurally de-risking the business through high-margin AI dataset licensing and international expansion.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance	Inline	Delivered ₹800 Cr revenue exactly as guided, requiring a massive ~₹585 Cr Q4 (~73% of annual sales).	□
Earnings Quality	High	PAT grew 21% YoY; CFO/PAT ratio stands at 1.02x despite geopolitical delays in Middle East collections.	□
Guidance Confidence	Neutral	FY27 revenue growth (10-15%) is realistic, but EBITDA margin guidance (17-19%) is a 100bps walk-back due to RM inflation.	□
Management Credibility	Strong	Hit the "uphill" Q4 target and maintained Net Debt Free status with ₹104.8 Cr net cash.	□
Business Quality Signal	Improving	AI Dataset licensing grew 60%+ YoY; the shift toward "annuity-like" period licenses (70% of mix) improves predictability.	□
Key Q&A Exchange	Q2 (AI Licensing)	Mgmt revealed ~90% margins on in-house content licensing and 100% customer retention so far.	□
The Street's Primary Anxiety	RM Inflation	Sharp focus on paper prices (expected +10-15%) and the ability to pass costs through to schools.	□
Capital Cycle Stage	Harvesting / M&A	Transitioning cash flow from debt repayment to strategic M&A (CPD Singapore) and potential buybacks.	□
Margin Trajectory	Stable/Soft	FY27 EBITDA margin band (17-19%) reflects paper/fuel cost headwinds despite digital growth.	□
Pricing Power	Moderate	6-8% price hikes planned against 10-15% paper inflation; reliance on volume growth to protect margins.	□
FCF Conversion	Strong	Delivered ₹74.7 Cr OCF despite ₹16.5 Cr in delayed digital collections and Middle East war impacts.	□
Competitive Moat	Stable	"Bag share" strategy via multiple brands (Mylestone, Zen) prevents competitors from displacing S. Chand easily.	□
Balance Sheet Strength	Strong	Net Cash of ₹104.8 Cr; provides ample headroom for the planned ₹20 Cr capex and further M&A.	□
Working Capital	Stable	NWC days (164) increased vs YoY (151) but remained controlled during the NCF transition.	□
Mgmt Guidance Track Record	Reliable	Consistent delivery on year-end revenue and debt targets over the last 3 fiscal years.	□
Key Vulnerability	NCF Pacing	The "evolutionary" (5-6 year) rollout of NCF vs historical "revolutionary" (3-year) shifts mutes windfall potential.	□
Management Tone	Confident	Bullish on "volume-driven growth" and the long-term scalability of the AI Dataset vertical.	□

Sentiment: □Positive

Key Takeaways (Positives & Negatives): * **Positives:** S. Chand successfully cleared the exceptionally high execution hurdle for Q4, hitting the ₹800 Cr revenue mark. The AI Dataset licensing vertical is no longer "emerging"—at ~₹32 Cr revenue with 90% gross margins on in-house content and 70% recurring/period-based contracts, it is a material valuation re-rating driver. The CPD Singapore acquisition provides a necessary beachhead into the premium International School segment (1,000+ schools in India). * **Negatives:** The "New Syllabus" windfall is being diluted by a slower NCERT rollout pace (Classes 9-12 only coming in FY27-28). RM headwinds are real; management expects a 10-15% rise in paper prices, which will likely outpace their planned 6-8% price hikes, forcing a reliance on "internal efficiencies" to protect the 17-19% EBITDA margin band. * **Forward Watchpoint:** The normalization of Middle East receivables and the conversion of the "AI content pipeline" into contracts worth >₹40 Cr in FY27.

2. BUSINESS PERFORMANCE

2A. KEY METRICS *Data Source: PPT Primary, Concall for commentary. Figures converted to ₹ Crore.*

Metric	Current Qtr (FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (Full Year)	800.0	↑ 11%	↑ 700% (Est)	↑	Driven by strong volume growth in K-12 and 60% + growth in AI Datasets.
Gross Margin (%)	68.0%	→ 0bps	↑ Recovery	→	Sustained despite GST hike in paper; aided by favorable product mix.
EBITDA	144.9	↑ 7%	↑ (Seasonal)	↑	Record absolute EBITDA; margins slightly lower YoY due to cost escalations.
EBITDA Margin %	18.1%	↓ 90bps	↑ (Seasonal)	↓	Guided 17-19% for FY27 due to 10-15% expected RM inflation.
PAT	73.1	↑ 21%	↑ (Seasonal)	↑	Strong bottom-line growth despite higher interest costs earlier in the year.
Cash Flow (OCF)	74.7	↓ 25.3%	↑ (Seasonal)	↓	Impacted by ₹16.5 Cr receivable shift in Digital and Middle East delays.
Net Debt / (Cash)	(104.8)	↑ 1.2%	↑ (Q3: 35.9 Debt)	↑	Net debt free for year-end; targeting ₹130 Cr+ net cash next year.
Receivable Days	160	↓ 20 Days	↑ (Seasonal)	↓	Higher YoY (140) due to Digital business contract shifts and war in Middle East.
Inventory Days	232	↓ 9 Days	↓ (Seasonal)	↓	Higher YoY (223) as company carries both old and new syllabus stock.
Net Working Capital	164 Days	↓ 13 Days	↓ (Seasonal)	↓	Increased from 151 YoY due to the seasonal NCF rollout inventory needs.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
K-12 (Physical)	~760.0	↑ 9%	~17%	→	Inline	Volume-led growth; 1,500+ schools adopted new curriculum brands.
AI Datasets	~32.0	↑ 60%+	~90% (In)	↑	High	5 clients currently; targeting ₹40 Cr+ in FY27. 70% recurring revenue.
Higher Education	~8.0	↓ (Heavy)	Low	↓	Low	"Students are not buying books"; piracy and digital shifts impacting.
CPD Singapore	~5.0	New	N/A	↑	High	1st international acquisition; filling the IB/IGCSE gap.

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Revenue	10%-15% growth for FY27.	Requires ~₹80-120 Cr incremental sales; feasible via Classes 9-12 NCF.	Met FY26 target of ₹800 Cr.	Low
Guidance	Margins	17%-19% EBITDA margin.	Requires tight cost control as paper/fuel costs rise 10-15%.	Hit 18.1% vs 18-20% guidance.	Moderate
Strategy	Digital	₹40 Cr+ AI Dataset revenue.	Needs ~25% growth; high visibility via 2 new client additions.	Grew 60% in FY26.	Low
Strategy	M&A	Evaluate inorganic gaps.	Contingent on "settling" of geopolitical uncertainty.	Completed CPD Singapore Jan 2026.	Low
Capex	Printing	₹20.0 Cr for new plant.	To be funded by internal accruals; focus on Print-on-Demand (POD).	Capex of ₹36.2 Cr in FY26.	Low
Balance	Debt	Remain Net Debt Free.	Targeting ₹130-135 Cr Net Cash by end of FY27.	Delivered Net Cash of ₹104.8 Cr.	Low

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
1	4.5	Niteen Dharmawat / Aurum	Mgmt Outlook	What is the NCF implementation status and its impact on revenue?	NCF K-8 is complete and 9-12 is expected this year, with full adoption supporting growth over the next 2 years. This confirms the NCF tailwind is a multi-year structural driver rather than a one-time spike.	None	4.0	Directional with evidence
2	5.0	Niteen Dharmawat / Aurum	Business Overview	How big is the AI content potential and is it recurring?	AI licensing is 70% period-based (annuity-like) and 30% one-time, with management targeting ₹100 Cr revenue in the medium term. This vertical provides 90%+ margins on in-house content, drastically improving the Group's FCF profile.	None	5.0	Clear and quantified
3	4.0	Niteen Dharmawat / Aurum	Capex & Allocation	Why only a ₹4 dividend and no buyback given the high cash?	Management is waiting for war situations to settle and paper price volatility to stabilize before committing to a buyback. This suggests cash is being hoarded as a defensive buffer, delaying the capital return thesis.	None	3.0	Hedged / Defensive
4	4.5	Niteen Dharmawat / Aurum	Financials	How are paper prices shaping up and can you pass them on?	Paper is expected to rise 10-15%, but the company can only pass on 6-8% through	None	4.5	Specific cost risk

Q#	Relevance	Analyst / Firm	Category	Underlying Concern	Management Response & Investment Implication	Evaded	Credibility	Verdict
					price hikes. This creates a margin squeeze risk that must be offset by volume growth or internal efficiency.			
5	3.5	Praneeth / SJ Inv.	Business Overview	What percentage of IP is licensed and will customers buy it twice?	30-40% of IP is currently licensed, and since mathematics or primary content doesn't change, the same content can be licensed to multiple LLM developers. This highlights the "zero marginal cost" scalability of the digital segment.	None	4.0	Moat re-confirmed
6	4.0	Praneeth / SJ Inv.	Financials	Why did digital margins drop this year?	Digital margins were lower because the mix shifted from 80% in-house content to 70% sourced content. This indicates the digital segment's profitability will remain volatile depending on the "aggregator" vs "owner" mix.	None	4.5	Margin mix clarity
7	4.5	Keshav Garg / Counter Cyclical	Governance	Why is the stock at 4x EBITDA and why not do a buyback to fix perception?	Management pushed back, suggesting other industry buybacks haven't moved share prices and that K-8 remains a stable, non-dying business. This reveals a management team more focused on cash	None	2.5	Deflected

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					preservation than immediate market valuation optics.			
8	4.0	Keshav Garg / Counter Cyclical	Business Overview	What happened to the Higher Education segment?	Higher education dropped from 20% of revenue to 8% because students are simply not buying books, preferring piracy or digital alternatives. This marks the permanent structural decline of the college segment in S. Chand's portfolio.	None	5.0	Clear admission
9	3.5	Manpreet Arora / Aurora	Business Overview	Do schools switch publishers every 3 years?	Retentions are ~70% as switching cost is high and brands are "sticky" within school ecosystems. This reinforces the "bag share" moat and the importance of relationship management over pure pricing.	None	4.0	Stickiness confirmed
10	4.0	Praneeth / SJ Inv.	Financials	Can you ever return to 25% EBITDA margins?	Management prefers the current ~18% margin with high cash generation over high margins that trap cash in working capital. This is a definitive signal that the company will not chase high-margin growth if it compromises the balance sheet.	None	5.0	Strategy reset

PATTERN FLAGS & SENTIMENT * **The Buyback Tension:** Analysts (led by Counter Cyclical) are clearly frustrated with the 4x EBITDA valuation and the management's reluctance to use ₹100 Cr+ cash for a buyback. Management's stance is defensive, citing global uncertainty and RM volatility as reasons to hold cash. This remains a significant point of friction. * **AI Dataset Monetization:** This has moved from a "gimmick" to a core profit engine. The revelation of 90% margins on in-house content and 100% retention/renewal of period-based licenses provides a concrete path to the ₹100 Cr segment goal. * **The "New Normal" for Growth:** The transition to a 10-15% volume-led growth model with 17-19% margins is the new reality. Analysts have largely accepted that the higher-margin "Higher Education" pie is gone and the K-12 physical business is a volume game.

Analyst Sentiment Verdict: Analysts were impressed with the revenue delivery but skeptical of the conservative margin guidance for FY27. The strongest friction occurred around capital allocation (buybacks vs. cash hoarding). Overall, credibility is high on operational execution but "wait-and-see" on whether the company will ever bridge the valuation gap through aggressive shareholder payouts.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Opening) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | **Margins** | FY26 Margin Guidance was 18-20%. | FY27 Guidance is 17-19%. | 100bps reduction in the floor. | **Moderate:** RM inflation is outpacing pricing power. | | **Digital Mix** | Digital is a high-margin growth engine. | Digital margins fell this year due to sourcing. | Reliance on external content dilutes digital profitability. | **Low:** Still accretive to overall mix. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3FY26)	This Quarter (FY26 / Q4)	Direction
Revenue Target	"Uphill task" to hit ₹800 Cr.	₹800 Cr delivered exactly.	↑ (Execution)
Digital Mix	Predominantly in-house content.	Shifted to 70% sourced content.	↓ (Margin quality)
Debt Position	Net Debt of ₹35.9 Cr.	Net Cash of ₹104.8 Cr.	↑ (BS Strength)
Digital Visibility	Pipeline of 4-5 clients.	5 clients active; 2 more adding.	↑ (Growth)
Margin Outlook	Stable at 18-20%.	Softened to 17-19% for FY27.	↓ (Cost headwinds)
International	Acquisition just completed.	USD 0.5m revenue base established.	↑ (Expansion)
OCF Generation	Trailing average ₹100 Cr.	FY26 actual ₹74.7 Cr.	↓ (WC delays)

STOP HERE.