S Chand and Company Limited

January 25, 2017

Ratings

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	80 (enhanced from 65)	**CARE A+; Stable [Single A Plus; Outlook: Stable]**	Reaffirmed
Short-term Bank Facilities	3 (reduced from 10.50)	**CARE A1 [A One]**	Reaffirmed
Total Facilities	**83 (Rupees eighty three crore only)**		
Proposed Commercial Paper	20.00* (Rupees Twenty crore only)	**CARE A1 [A One]**	Reaffirmed

Details of instruments/facilities in Annexure-1

** Carved out of sanctioned working capital limits*

Detailed Rationale

CARE, while arriving at the rating of S. Chand & Company Limited (SCCL), has considered consolidated financials which includes SCCL and its subsidiaries, and associate companies which are under the same management.

The reaffirmation of the ratings assigned to the bank facilities of SCCL continues to derive strength from wide experience of the promoters and proficient management, established track record, consistent growth in the scale of operations including key acquisitions, favourable financial risk profile underpinned by high profitability and low gearing, established brand name and its strong market position. However, these rating strengths are partially offset on account of its exposure to volatile raw material prices, elongated operating cycle and fragmented industry structure.

Going forward, SCCL's ability to raise funds through Initial Public Offering (IPO) as envisaged to reduce acquisition debt, sustain growth in its operations, profitability and maintaining comfortable capital structure will be the key rating sensitivities.

Detailed description of key rating drivers

S. Chand & Company Limited (SCCL) is primarily engaged in publishing and distribution of educational textbooks. SCCL belongs to S. Chand Group, founded by Late Mr Shyam Lal Gupta has been operational in this segment for a few decades to become one of the leading book publishers in India. SCCL was incorporated as a private limited company on September 9, 1970. SCCL is now headed by Mr Himanshu Gupta who has rich experience in this industry. The management of the company comes with decades of experience in the Education industry.

SCCL has a strong presence in CBSE/ICSE affiliated schools and increasing presence in state board affiliated schools across India. The company has grown organically through development of subject best sellers and introducing new titles to fill portfolio gaps. The inorganic growth through key acquisitions including Vikas Publishing House P Ltd, New Saraswati HouseP Ltd and the latest Chhaya Prakashani Private ltd (CPPL) has enhanced the product offering thus broadening the target segment which has been ably supported through wide network of 4907 distributors and 58 branches spread across India.

SCCL has reported a growth (on a consolidated basis) of around 12% in the total operating income in FY16 with stable demand for K-12 books and wide geographical coverage and titles along with steady improvement in PBILDT margin. The capital structure of SCCL (consolidated) continues to be strong with the overall gearing improving to 0.55 times as on March 31, 2016 (PY: 0.97 times) and DER of 0.21 times (PY: 0.58 times) as on March 31, 2016. The company has a strong net-worth base which stood at Rs.373.37 crore as on March 31, 2016 (Rs.249.50 crore as on March 31, 2015).

SCCL's operating cycle continues to be long mainly due to long collection period. In line with industry trends, around 73% of sales occur in the last quarter, proceeds of which are realized in the next few months leading to high inventory holding and debtor days at the year end. The company largely caters to CBSE/ICSE board affiliated schools (as compared with the state board which witness surge in sales during Q1 and Q4 every year), the academic year of which starts from April of every. Thus the last quarter of every year witnesses significant rise in sales.

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[1]*Complete definition of the ratings assigned are available at www.careratings.com and other CARE publications*

Analytical approach followed: CARE, while arriving at the rating of S. Chand and Company Limited (SCCL), has considered consolidated financials which includes SCCL and its subsidiaries, and associate companies which are under the same management.

Applicable Criteria
[CARE's Criteria on assigning Outlook to Credit Ratings]
[CARE's Policy on Default Recognition]
[CARE's criteria for Short Term Instruments]
[CARE's methodology for Factoring Linkages in Ratings]
[Rating Methodology – Manufacturing Companies]
[Financial ratios – Non-Financial Sector]

Company Background
SCCL belongs to the S. Chand Group of companies which founded by Late Mr Shyam Lal Gupta and is one of the leading school book and technical book publishers in India. SCCL was incorporated as a private limited company in 1970. SCCL is engaged in the publishing of mainly educational textbooks.

SCCL sells products in the categories of KG to 12^{th}, Higher Education (Technical, Professional, Higher Academic and Competition books) and Early learning (Children). SCCL, through its subsidiaries Safari Digital Education Initiatives Private Limited and DS Digital Private Limited, also offers curriculum and digital learning solutions for private schools.

SCCPL had a total income of Rs.536.37 crore with PAT of Rs.46.58 crore on a consolidated basis in FY16 (refers to the period April 1 to March 31) as compared with an operating income of Rs.480.72 crore with a PAT of Rs.33.37 crore in FY15.

Status of non-cooperation with previous CRA: Not Applicable
Any other information: Not Applicable
Rating History (Last three years): Please refer Annexure-2
Note on complexity levels of the rated instrument: *CARE has classified instruments rated by it on the basis of complexity. This classification is available at www.careratings.com. Investors/market intermediaries/regulators or others are welcome to write to care@careratings.com for any clarifications.*

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About CARE Ratings:
CARE Ratings commenced operations in April 1993 and over two decades, it has established itself as one of the leading credit rating agencies in India. CARE is registered with the Securities and Exchange Board of India (SEBI) and also recognized as an *External Credit Assessment Institution (ECAI)* by the Reserve Bank of India (RBI). CARE Ratings is proud of its rightful place in the Indian capital market built around investor confidence. CARE Ratings provides the entire spectrum of credit rating that helps the corporates to raise capital for their various requirements and assists the investors to form an informed investment decision based on the credit risk and their own risk-return expectations. Our rating and grading service offerings leverage our domain and analytical expertise backed by the methodologies congruent with the international best practices.

Annexure 1

Details of Instruments/Facilities:-

Name of the Instrument	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. crore)	Rating assigned along with Rating Outlook
Fund-based - LT-Cash Credit	-	-	-	17.50	CARE A+; Stable
Non-fund-based-Short Term	-	-	-	3.00	CARE A1
Fund-based - LT-Cash Credit	-	-	-	62.50	CARE A+; Stable
Commercial Paper	-	-	-	20.00	CARE A1

Annexure 2

Rating History for last three years:-

		Current Ratings			Chronology of Rating history for past three years			
Sr. No.	Name of the Instrument/Bank Facilities	Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2016-2017	Date(s) & Rating(s) assigned in 2015-2016	Date(s) & Rating(s) assigned in 2014-2015	Date(s) & Rating(s) assigned in 2013-2014
1.	Commercial Paper	ST	10.00	CARE A1				
2.	Fund-based - LT-Cash Credit	LT	17.50	CARE A+; Stable	1)CARE A+ (20-04-2016)	1)CARE A+ (13-04-2015)	1)CARE A (07-04-2014)	
3.	Non-fund-based-Short Term	ST	3.00	CARE A1	1)CARE A1 (20-04-2016)	1)CARE A1 (13-04-2015)	1)CARE A1 (07-04-2014)	
4.	Fund-based - LT-Cash Credit	LT	62.50	CARE A+; Stable	1)CARE A+ (20-04-2016)	1)CARE A+ (13-04-2015)	1)CARE A (07-04-2014)	
5.	Fund-based - ST-Term loan	ST	7.50	CARE A1	1)CARE A1 (20-04-2016)	1)CARE A1 (13-04-2015)	1)CARE A1 (07-04-2014)	
6.	Commercial Paper	ST	20.00	CARE A1	1)CARE A1 (20-04-2016)	1)CARE A1 (13-04-2015)	1)CARE A1 (07-04-2014)	1)CARE A1 (26-09-2013)

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