S.CHAND GROUP

S Chand And Company Limited

Registered Office: A-27, 2nd Floor, Mohan Co-Operative Industrial Estate, New Delhi - 110044, India.

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Date: August 29, 2020

To	To
Listing Department BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai, Maharashtra 400001	Listing Department, National Stock Exchange of India Limited Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (E), Mumbai, Maharashtra 400051

Dear Sir,

Re: Intimation regarding Ratings Reaffirmed with revision in credit rating outlook -pursuant to Regulation 30 of The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Pursuant to Regulation 30 of the Listing Regulations, it is hereby informed that CARE Ratings Limited has reviewed and revised the credit rating of the Company as under:

Facilities	Amount (Rs. in crore)	Rating	Rating Action
Long Term Bank Facilities	80	**CARE A-; Negative [Single A Minus; Outlook: Negative]**	**Revised from CARE A; Negative (Single A; Outlook: Negative)**
Short Term Bank Facilities	3	**CARE A2+ [A Two Plus]**	**Revised from CARE A1 (A One)**
Total Facilities	**83 (Rupees Eighty Three Crores Only)**		

The revision in the ratings of the bank facilities of the Company takes into account the deterioration in its financial risk profile in FY20 (refers to period from April 1, 2019 to March 31, 2020) as reflected in the decline in its total operating income and lower than envisaged cash accruals and profitability. The revision in the ratings further factors in the seasonality of the business leading to long operating cycle, susceptibility of the profitability margins to volatility in raw material prices, competitive and fragmented industry, exposure to digital transformation and government regulations. The ratings, however, continue to derive strength from the wide experience of promoters, proficient management, established brand name in the publishing industry with long track record and long lasting relationships with eminent authors. The ratings also factor in the Q1FY21 (UA) performance of the company wherein the company has been able to recoup the partial loss of the sales that were deferred in Q4FY20 on account of COVID-19 pandemic and also on account of the continued cost rationalization measures undertaken by the S Chand Group.

The rating rationale issued by the rating agency is enclosed herewith.

Request you to kindly take note of the same.

Thanking You,

Yours sincerely,

For S Chand And Company Limited

S Chand And Company Limited New Delhi-44

Jagdeep Singh
Company Secretary and Compliance Officer
Membership No.: A15028
Address: A-27, 2nd Floor
Mohan Co-operative Industrial Estate
New Delhi- 110044

No. CARE/DRO/RL/2020-21/2010

Mr. Saurabh Mittal,
Chief Finance Officer,
S. Chand & Company Limited,
A-27, Mohan Co-operative Area Industrial Area,
New Delhi - 110044

August 27, 2020

Confidential

Dear Sir,

Credit rating for bank facilities

On the basis of recent developments including operational and financial performance of your company for FY20 (audited) and Q1FY21 (unaudited), our Rating Committee has reviewed the following ratings:

Facilities	Amount (Rs. crore)	Rating[1]	Rating Action
Long-term Bank Facilities	80	**CARE A-; Negative (Single A Minus; Outlook: Negative)**	**Revised from CARE A; Negative (Single A; Outlook: Negative)**
Short-term Bank Facilities	3	**CARE A2+ (A Two Plus)**	**Revised from CARE A1 (A One)**
Total Facilities	**83 (Rupees eighty three crore only)**		

2. Refer **Annexure 1** for details of rated facilities.

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

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CIN-L67190MH1993PLC071691

3. The rationale for the rating will be communicated to you separately. A write-up (press release) on the above rating is proposed to be issued to the press shortly, a draft of which is enclosed for your perusal as **Annexure-2**. We request you to peruse the annexed document and offer your comments if any. We are doing this as a matter of courtesy to our clients and with a view to ensure that no factual inaccuracies have inadvertently crept in. Kindly revert as early as possible. In any case, if we do not hear from you by August 28, 2020, we will proceed on the basis that you have no any comments to offer.

4. CARE reserves the right to undertake a surveillance/review of the rating from time to time, based on circumstances warranting such review, subject to at least one such review/surveillance every year.

5. CARE reserves the right to revise/reaffirm/withdraw the rating assigned as also revise the outlook, as a result of periodic review/surveillance, based on any event or information which in the opinion of CARE warrants such an action. In the event of failure on the part of the entity to furnish such information, material or clarifications as may be required by CARE so as to enable it to carry out continuous monitoring of the rating of the bank facilities, CARE shall carry out the review on the basis of best available information throughout the life time of such bank facilities. In such cases the credit rating symbol shall be accompanied by "ISSUER NOT COOPERATING". CARE shall also be entitled to publicize/disseminate all the afore-mentioned rating actions in any manner considered appropriate by it, without reference to you.

6. CARE ratings do not take into account the sovereign risk, if any, attached to the foreign currency loans, and the ratings are applicable only to the rupee equivalent of these loans.

7. Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

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8. Users of this rating may kindly refer our website www.careratings.com for latest update on the outstanding rating.

9. CARE ratings are **not** recommendations to sanction, renew, disburse or recall the concerned bank facilities.

If you need any clarification, you are welcome to approach us in this regard.

Thanking you,

Yours faithfully,

[Karishma Sethi]	**[Ravleen Sethi]**
Analyst	Senior Manager
karishma.sethi@careratings.com	ravleen.sethi@careratings.com

Encl.: As above

Disclaimer

CARE's ratings are opinions on the likelihood of timely payment of the obligations under the rated instrument and are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. CARE's ratings do not convey suitability or price for the investor. CARE's ratings do not constitute an audit on the rated entity. CARE has based its ratings/outlooks on information obtained from sources believed by it to be accurate and reliable. CARE does not, however, guarantee the accuracy, adequacy or completeness of any information and is not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by CARE have paid a credit rating fee, based on the amount and type of bank facilities/instruments. CARE or its subsidiaries/associates may also have other commercial transactions with the entity. In case of partnership/proprietary concerns, the rating /outlook assigned by CARE is, inter-alia, based on the capital deployed by the partners/proprietor and the financial strength of the firm at present. The rating/outlook may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor in addition to the financial performance and other relevant factors. CARE is not responsible for any errors and states that it has no financial liability whatsoever to the users of CARE's rating.

Our ratings do not factor in any rating related trigger clauses as per the terms of the facility/instrument, which may involve acceleration of payments in case of rating downgrades. However, if any such clauses are introduced and if triggered, the ratings may see volatility and sharp downgrades.

Annexure 1
Details of Rated Facilities

1. **Long-term facilities**
Fund Based limits sanctioned by banks

(Rs. crore)

Sr. No.	Name of Bank	Amount	Facility
1.	HDFC Bank	30.00	Cash Credit
2.	Standard Chartered Bank	15.00	Cash Credit
3.	Kotak Mahindra Bank	10.00	Cash Credit
4.	DBS Bank	15.00	Cash Credit
5.	Federal Bank	10.00	Vendor Bill Discounting
	TOTAL	**80.00**	

Total long-term facilities Rs. 80 cr

2. **Short-term bank facilities**

(Rs. crore)

S.No.	Bank	Bank Guarantee
1	HDFC Bank	3.00

Total short-term facilities Rs. 3 cr

Total Facilities Rs. 83 cr

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Annexure – 2
Press Release

S. Chand and Company Ltd.

Ratings

Facilities	Amount (Rs. crore)	Rating[2]	Rating Action
Long-term Bank Facilities (Fund-based)	80 (reduced from 170)	**CARE A-; Negative (Single A Minus; Outlook: Negative)**	**Revised from CARE A; Negative (Single A; Outlook: Negative)**
Short-term Bank Facilities (Non-fund based)	3	**CARE A2+ (A Two Plus)**	**Revised from CARE A1 (A One)**
Total Facilities	**83 (Rupees eighty three crore only)**		

Details of instruments/facilities in Annexure-1

Detailed Rationale & Key Rating Drivers

The revision in the ratings of the bank facilities of S Chand and Company Limited (SCCL) takes into account the deterioration in its financial risk profile in FY20 (refers to period from April 1, 2019 to March 31, 2020) as reflected in the decline in its total operating income and lower than envisaged cash accruals and profitability. The revision in the ratings further factors in the seasonality of the business leading to long operating cycle, susceptibility of the profitability margins to volatility in raw material prices, competitive and fragmented industry, exposure to digital transformation and government regulations. The ratings, however, continue to derive strength from the wide experience of promoters, proficient management, established brand name in the publishing industry with long track record and long lasting relationships with eminent authors. The ratings also factor in the Q1FY21 (UA) performance of the company wherein the company has been able to recoup the partial loss of the sales that were deferred in Q4FY20 on account of COVID-19 pandemic and also on account of the continued cost rationalization measures undertaken by the Group.

SCCL (along with its subsidiaries) has sought moratorium on some of its scheduled repayments & interest from its lenders as a part of the COVID-19 – Regulatory Package announced by the RBI on March 27, 2020 and May 22, 2020. As informed to CARE, the Group has paid all the outstanding dues for the month of March 2020 and has sought moratorium for the months of April to August 2020. The Group has received the formal approval from the lenders allowing for the deferment of the payments for the aforementioned months. CARE has not recognized this instance as a Default, as the same is permitted by the RBI as part of the relief measures announced recently. The non-recognition of default for the payment of interest in this

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

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case is as per the guidance provided by the SEBI circular SEBI/ HO/ MIRSD/ CRADT/ CIR/ P/ 2020/ 53 dated March 30, 2020.

Rating Sensitivities

Positive Factors

- Ability of the company to increase its scale of operations and enhance its profitability margins to 25-30% similar to the past trends while effectively controlling its operational cost on a sustained basis going forward.
- Ability of the company to reduce its dependence on the sales from the last quarter of the financial year and introduce strategies to combat the seasonality of business.
- Ability of the company to stabilize the business operations of the companies acquired and increase its exposure from the digital segment.

Negative Factors

- Inability of the company to achieve the envisaged revenue and profitability margins for FY21.
- Sustained pressure on the cash flows of the company and elongation of operating cycle due to the impact of COVID-19 leading to deterioration in its liquidity profile.
- Any sizeable capex or acquisition undertaken by the company adversely impacting the capital structure with the overall gearing exceeding 1x.

Outlook: Negative

The continuation of the negative outlook is on account of CARE's belief that SCCL's consolidated financial profile may weaken further on account of the slower off-take of sales and muted collections from the dealers amidst the continued uncertainty with respect to the opening of the schools and other educational institutions with the possible prolongation of COVID-19 pandemic. CARE believes that the operating cycle of SCCL may remain elongated in the near to medium term in view of the possible continued shutdown of the institutions and deferment of exams, which may have an adverse impact on the SCCL's credit profile and liquidity. The outlook may be revised back to Stable depending on the ability of the Group to recoup the deferred sales, receive timely collections from the distributors, increase the contribution from the digital segment amidst the pandemic and enhance its overall operating performance.

Detailed description of the key rating drivers

Key Rating Strengths

Long track record and proficient management

S Chand & Company Private Ltd (SCCL) belongs to S. Chand Group of companies which was started in 1937 by Late Mr. Shyam Lal Gupta and is one of the leading school book and technical book publishers in India. SCCL is primarily engaged in publishing and distribution of books for K-12 segment. It was incorporated as a private limited company on September 9, 1970 and has been operational in this segment for more than 8 decades. The day-to-day operations of the company are headed by Mr. Himanshu Gupta, Managing Director, who has been associated with the Group since 2000 and has over 15 years of experience in the knowledge products and services industry. Besides, the other key management personnel, namely, Mr. Dinesh Kumar Jhunjhnuwala (Whole Time Director) possess significant experience in the publishing industry. Further, the board is represented by Independent directors with rich experience in diverse industries. They are ably supported by a team of well-qualified professionals in the day to day affairs.

Well established market position and strong brand recognition with long lasting relationships with eminent authors

S. Chand Group, with its existence in the publishing industry for around 8 decades, has developed good and robust relations with schools over the years. The books published and distributed by S. Chand Group are generally used/ recommended by the school faculty ensuring high acceptance among students and parents. The Group also takes utmost care to ensure superior quality content in order to maintain confidence of teachers and parents in its products by ensuring minimum errors and continuous efforts towards content development by collecting regular feedback from teachers. This has enabled it to successfully build the brand of “S. Chand” in a competitive CBSE segment. The company has arrangements with multiple best-sellers and has ~2400 author relationships, which ensures good quality content of the books according to the specific requirements of the students. The Group is one of the market leaders in K-12 segment catering to books and other publications (primarily core subject offerings like mathematics, science etc.) in accordance with CBSE/ICSE curriculum. SCCL has a well-established market position supported by a strong marketing team, who stay in regular touch with school principals and teachers by conducting teacher conferences and conclaves. The company caters to ICSE/ CBSE schools, competitive examination market and higher education institutions through a pan India network of more than 5000 dealers. The Group also conducts regular dealer meets, events, awards etc. to continuously engage the channel partners.

Strategic acquisitions over the years to consolidate existing K-12 publishing segment and expansion of product portfolio through digital learning solutions

SCCL has a strong presence in CBSE/ICSE affiliated schools along with state board affiliated schools and currently covers around 40,000 schools across India. The product offering comprises 55 consumer brands in its repertoire including S.Chand, Vikas, Madhubun, Saraswati, Destination Success and Ignitor. 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 Private Ltd (VPHPL), New Saraswati House (India) Private Ltd. (NSHIPL) and the recent 100% acquisition of Chhaya Prakashani Pvt. Ltd (CPPL) etc. has enhanced the product offering thus broadening the target segment. SCCL sold around 50 million copies of more than 10,000 active titles across its various brands during FY20. All the acquisitions made by the company thus far have augmented its product portfolio and marketing reach.

SCCL also offers digital learning solutions for government & private schools and engineering colleges. With the advent of digital media, SCCL has also increased its digital offerings during the recent years. The in-house digital and services platforms include Mylestone (end to end curriculum solution for schools), Mystudygear (Mobile learning application), Destination Success (Multi-media based learning platform), and Intellitab (device based learning). The company has also made strategic investments in key digital platforms which include brands like Smartivity (STEM and activity based learning for young children), OnlineTyari (Online test preparation platform), Testbook (Online test preparation platform) and Ignitor (device based learning and content provider). The company is also developing a pre-school curriculum for preschools under the brand SmartK and an online test preparation platform TestCoach. During January

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2020, the Group has also launched Learnflix application, an affordable digital learning platform, which has witnessed 80,000 downloads and has ~18,000 paid subscribers till June 2020.

Adequate Liquidity

The liquidity profile of S. Chand Group is adequate with current ratio of 1.59x (PY: 1.80x) and unencumbered cash and liquid investments of Rs. 26.43 cr as on March 31, 2020 comprising of ~Rs. 10 cr as cash and bank balances and remaining as mutual fund balances. The Group is proactively reducing its operational cost and augmenting its liquidity with no major capex commitments in the near term. Further, SCCL and its subsidiaries have availed moratorium on some of the scheduled payments from its lenders as part of COVID-19 - Regulatory Package announced by the RBI on March 27, 2020 and further extension on May 22, 2020. The Group has duly paid all the dues outstanding for the month of March 2020 and has sought moratorium on some of its debt obligations for the months of April to August 2020. The operating cycle of the Group remains elongated with the seasonal nature of business and the Group witnessing more than 80% of its annual sales in Q4, whereby the inventory piles up in H1 as the Group needs to undertake printing and other manufacturing activities upfront and the receivables peak in H2 leading to substantially stretched operating cycle at the end of the financial year. However, with the recent management strategy to limit the supplies in the market and dealing with the preferred channel partners with established track record of making timely payments, the Group has been able to reduce its reliance on the working capital borrowings. The working capital borrowings stood at Rs. 110.26 cr as on March 31, 2020 as compared to Rs. 139.86 cr as on March 31, 2019. As discussed with the management, with the easing of the lockdown restrictions and opening of the bookshops during Q1FY21, the company has been able to liquidate its inventory and receive collections from the distributors. The Group has cash and bank balances of ~Rs. 5 cr and mutual fund balances of ~Rs. 25 cr as on June 30, 2020. Further, the consolidated repayments of SCCL after availing the moratorium are Rs. 15.80 cr for FY21. The average utilization of the working capital limits also stood moderate at 64% with the maximum utilization of 68% in the last 12 months ending June 2020, further aiding the liquidity profile of the Group.

Key Rating Weaknesses

Moderate financial risk profile marked by continued deterioration in financial performance during FY20 albeit comfortable capital structure

During FY20, S. Chand Group's total operating income witnessed a decline of ~18% to Rs. 434.50 cr from Rs. 528.14 cr during FY19 primarily on account of the lost sales owing to the outbreak of COVID-19 in India, which was followed by the shutdown of the educational institutions during Q4FY20 (peak season for the Group). The Group received orders from the channel partners till mid-March and the plants and warehouses remained in operations till March 21, 2020 across the country fulfilling the orders. However, due to the complete lockdown, the order book in hand afterwards for schools and higher education could not be fulfilled during FY20. The decline in the operating income led to operational losses of Rs. 16.60 cr incurred by the company during FY20 with negative PBILDT margin of ~4%. However, the operational losses were lower by ~17% when compared to FY19's operational losses at Rs. 4.59 cr despite achieving lower operating income. This is attributed to the various cost optimization measures undertaken by the company during FY20 pertaining to the rationalization of employee costs, selling and distribution expenses and other rental expenses, which is expected to support the margins going ahead as well. These measures together led to ~18% y-o-y decline in the total cost with ~Rs. 55 cr of the cost savings achieved by the Group during FY20. However, on account of the operational losses incurred by the Group and

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lower than envisaged cash accruals during FY20, it availed additional debt during the year and used the existing cash and bank balances to meet the existing debt obligations and other operational expenses.

During Q1FY21, the Group witnessed a y-o-y growth of ~23% on account of the recoupment of the partial deferred sales of Q4FY20. With the government's directive to open the bookshops during late April 2020, the Group was able to partially mitigate the impact of the lockdown with the channel partners able to liquidate the inventory and also fulfill already received orders by making home delivery of books to students. This coupled with the continued cost rationalization measures of the Group with less promotional, rental, employee and travelling cost due to pandemic resulted in operational profits of ~Rs. 9 cr for the Group during Q1FY21 as compared to losses of ~Rs. 27 cr during Q1FY20. However, the regular sales made by the Group during Q1 mainly pertaining to the higher education and test preparation segments are further expected to be deferred to H2FY21 with the postponement of examinations on account of COVID-19 pandemic. Thus, the financial profile of SCCL remains susceptible to slower off-take of sales and muted collections from the dealers amidst the continued uncertainty with respect to the opening of the schools and other educational institutions with the possible prolongation of COVID-19 pandemic. CARE will continue to monitor the developments in this regard going forward.

The overall gearing of the Group increased to 0.36x as on March 31, 2020 as compared to 0.29x as on March 31, 2019 on account of the recognition of lease liabilities as long term debt due to the adoption of IND AS 116 and also due to reduction in net worth to adjust for the losses incurred during FY20. However, with the measures undertaken by the management for the better working capital management, the working capital borrowings outstanding reduced to Rs. 110.26 cr (PY: Rs. 139.86 cr) despite the impact of COVID-19 at the year end. The long term loans outstanding with the Group stood at Rs. 103.79 cr (PY: Rs. 107.03 cr) as on March 31, 2020 and was higher than the envisaged levels on account of the additional debt availed by the Group in order to prepay some of the existing debt obligations.

Seasonality of business leading to high operating cycle

As SCCL predominantly caters to the education sector, it witnesses maximum demand during the Q4 of the financial year (which precedes start of an academic year in CBSE/ICSE affiliated schools). Consequently, more than 80% of SCCL's annual revenue comes in the last quarter itself. Thus, the borrowing levels also remain elevated as on the balance sheet date which subsequently tapers down during ensuing quarter/next financial year as the company start realizing the payments. During FY20, with the strategy of the management to limit the supplies of books in the market in accordance with the existing demand and not providing for any stock orders to the dealers beforehand led to reduced inventory blockage. In addition to this, the Group printed and published books only for the specific orders received resulting in lower production and thus reduced inventory requirements for paper and books. Moreover, the Group also made efforts to deal only with the preferred channel partners, who have an established track record of less sales return and making timely payments. In order to reduce the collection cycle, the Group launched dealer loyalty programs and reduced the credit period advanced for its bestselling titles. This led to reduction in the collection days to 326 days during FY20 as compared to 371 days for FY19. Thus, the better inventory and debtor management led to fewer blockages of funds in the operating cycle resulting in higher cash flow generation for the Group and reduced dependence on the cash credit limits despite of the lower sales achieved during FY20. However, the improvement in the working capital cycle through better management was lower than the projected as it was offset by the inability of the company to deliver the orders received during Q4FY20 on account of the shutdown of schools subsequent to the outbreak of COVID-19, leading to piling up of the inventory and delayed

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realizations of debtors towards the end of the year. However, as discussed with the management, with the easing of the lockdown restrictions and opening of the bookshops during Q1FY21, the Group has been able to liquidate its inventory and receive collections from the distributors with the dealers also making arrangements to make home delivery of the books to the students.

Susceptibility of profitability margins to volatility in raw material prices

The main raw material for the Group is paper, whose prices have been volatile. The raw material cost (including purchase of traded goods) accounts for around 35%-45% of the total operating income. Thus, the profitability margins of the Group remain susceptible to the prices of paper, the production of which is highly dependent on agro cultivation of pulp and paper being the global commodity is also affected by global demand supply mismatch. The average price of pulp in FY20 stood at 1142 USD per tonne (1167 USD per tonne in FY19). Further, the paper prices are expected to remain muted in FY21 given a benign raw material price environment due to global demand slowdown on account of COVID-19 pandemic. In addition to this, the Group also has an integrated procurement process for paper and other raw materials which enable it to achieve economies of scale with better bargaining power with the domestic suppliers, with whom it has long term relationships. The Group enters into annual paper contract with its suppliers in July every year and accordingly the customers are billed on a cost plus basis.

Competitive and fragmented industry

*S*CCL's primary segment is K-12 which accounts for around 80% of the operating income for the group. However, this segment is diverse and intensely competitive due to presence of various state boards and Central Board of Secondary Education (CBSE) and the Indian Certificate of Secondary Education (ICSE). A separate body governing each board with a different syllabus provides opportunity to regional, state and local content providers to cater to the respective affiliated schools. There are other established content providers like National Council of Educational Research and Training (NCERT) and the State Council of Educational Research and Training (SCERT) which also publish subsidized books which are prescribed by schools, especially government schools. The Group has been able to expand its share organically through robust and wide distribution network and inorganically through strategic acquisitions. Moreover, in the past decade the industry has witnessed shift in enrolment from government schools to private schools, which is likely to benefit the Group as its penetration level is relatively high with established distribution network and pan India presence and augurs well for the future growth prospects.

Exposure to Digital transformation and government regulations

The digital transformation requires a significant change in content distribution and the content provider's position between retailers and authors. The digital segment is highly dynamic and the exact trajectory of movement remains uncertain. The inability of SCCL to adapt to the transition faster than its competitors may render its products obsolete or it may lose its competitive edge and market share. Further, free or relatively inexpensive educational products are becoming increasingly accessible, particularly in digital formats and through the internet and some governmental and regulatory agencies have increased the amount of information they make publicly available for free. Moreover, with the outbreak of COVID-19 crisis, major innovation and behavior changes are observed with schools increasingly adapting to digital content and classrooms, given the uncertainty regarding the classroom learning opportunity at the beginning of the new academic year. Consequently, increased efforts and measures are being undertaken by SCCL to promote its affordable learning application called Learnflix launched during January 2020 to

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increase the enrollment rate and subscription base by providing easy access to educational content to the students amidst the lockdown. The Group is also in the process of launching other digital applications in order to leverage the increased adoption of digital mediums by schools and students amidst the pandemic.
In addition to this, SCCL's operations continue to be affected by the changes in the educational policies and regulations of the government. The government circulars in the recent past to reduce the bag weight for children, increased pressure of schools to adopt NCERT books and reduction in certain non-core subjects may continue to impact the Group's revenue and profitability. In addition to this, as discussed with the management, with the announcement of New education Policy (NEP) in July 2020, it is envisaged that since the new curriculum is being developed after gap of 15 years, thus it would eliminate the impact of the second-hand book market and may lead to strong growth for the Group in the near to medium term.
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Industry Outlook
India's education industry offers a huge market opportunity to private players making it one of the largest markets for education in the world. In India, the education industry is highly competitive and fragmented in nature with presence of several private schools, colleges and institutes all over India. Importantly, over the years, the role of private sector in education has increased with the setting-up of institutes especially in the K-12 and Higher Education segment. Moreover, with rising income levels, rapid urbanization, increasing number of working women along with increasing awareness about importance of quality education will result in robust growth of the Indian education sector which in turn will help in the growth of educational books. With the emergence of coronavirus pandemic in India during mid-March 2020 and the subsequent shutdown of educational institutes has also led to major innovation and behavior changes with schools adapting to digital classrooms, given the uncertainty regarding the classroom learning opportunity. The digital education offerings are increasingly being seen as an important medium to supplement existing education content for both the formal and the informal education segments. The digital education market in India has witnessed rapid growth in the last few years and educational services are increasingly being consumed digitally especially with the emergence of COVID-19 making it a necessity. Along with COVID-19, several other factors are also responsible for this phenomenon — rise in ownership of mobile phones and electronic gadgets, especially among the young age group, increased parent spending on child's education, governmental efforts, growing preference for practical and hands on learning and an enabling ecosystem with ever decreasing prices of both hardware and internet. Usage of digital classroom solutions, tablets and virtual simulators has risen tremendously in schools leading to an increased dependency on technology in teaching methods. With competitive exams going online in the recent years, students have started preferring online and blended coaching as well as test preparation models.

Analytical approach
Consolidated - The rating is based on the consolidated financials of S Chand Group along with its 11 subsidiaries owing to strong operational & business linkages and also under a common management. The list of group companies and subsidiaries considered for consolidated financial statements in FY20 are as under:

S. No.	Subsidiary	SCCL's Stake (directly or indirectly)

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S. No.	Subsidiary	SCCL's Stake (directly or indirectly)
1	Blackie and Sons Private Limited (BSPL)	100.00
2	Nirja Publishers & Printers Private Limited (NPPPL)	100.00
3	Eurasia Publishing House Private Limited (EPHPL)	100.00
4	Vikas Publishing House Private Limited (VPHPL)	100.00
5	Safari Digital Education Initiative P Ltd (SDIPL)	100.00
6	S Chand Edutech P Ltd (SCEPL)	100.00
7	BPI India P Ltd (BPI)	51.00
8	DS Digital P Ltd (DSDPL)	99.93
9	New Saraswati House India Pvt. Ltd	100.00
10	Chhaya Prakashani Pvt. Ltd	100.00
11	Indian Progressive Publishing Co P Ltd	100.00

Applicable Criteria
Criteria on assigning 'outlook' and 'credit watch' to Credit Ratings
CARE's Policy on Default Recognition
Financial Ratios - Non-Financial Sector
Liquidity Analysis of Non-Financial Sector Analysis
Rating Methodology - Manufacturing Companies
Criteria for Short term Instruments
Rating Methodology - Consolidation and Factoring Linkages in Ratings

About the Company
SCCL belongs to the S. Chand Group of companies which was 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 academic books and other educational services through its subsidiaries. SCCL sells products in the following categories- competitive exams & reference books, technical & professional books, KG to 12th school books, higher academic books, educational CDs and also invested in startups offering digital solutions in test preparations. The main product offering of SCCL is primarily in K-12 segment primarily towards the schools affiliated with Central Board of Secondary Education (CBSE). SCCL, over the years, has also grown inorganically by executing various key acquisitions to expand its product offerings and also enhance its digital learning solutions for government, private and engineering schools.

Covenants of rated instrument / facility: *Detailed explanation of covenants of the rated instruments/ facilities is given in Annexure-3*

Brief Financials (Consolidated Rs. crore)	FY19 (A)	FY20 (A)
Total operating income	528.14	434.50
PBILDT	-24.27	-16.60
PAT	-66.92	-111.47
Overall gearing (times)	0.29	0.36
Interest coverage (times)	NM	NM

A: Audited; NM: Not Meaningful

Status of non-cooperation with previous CRA: Not Applicable

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Any other information: Not Applicable

Rating History for last three years: Please refer Annexure-2

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	-	-	-	39.50	CARE A-; Negative
Non-fund-based - ST-Bank Guarantees	-	-	-	3.00	CARE A2+
Fund-based - LT-Cash Credit	-	-	-	40.50	CARE A-; Negative

Annexure-2: Rating History of last three years

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating history			
		Type	Amount Outstanding (Rs. crore)	Rating	Date(s) & Rating(s) assigned in 2020-2021	Date(s) & Rating(s) assigned in 2019-2020	Date(s) & Rating(s) assigned in 2018-2019	Date(s) & Rating(s) assigned in 2017-2018
1.	Fund-based - LT-Cash Credit	LT	39.50	CARE A-; Negative	1)CARE A; Negative (07-May-20)	1)CARE A; Stable (06-Feb-20) 2)CARE A; Stable (22-Jul-19) 3)CARE A; Stable (06-Jun-19)	1)CARE AA-; Stable (31-Dec-18)	1)CARE AA-; Stable (07-Nov-17)
2.	Non-fund-based - ST-Bank Guarantees	ST	3.00	CARE A2+	1)CARE A1 (07-May-20)	1)CARE A1 (06-Feb-20) 2)CARE A1 (22-Jul-19) 3)CARE A1 (06-Jun-19)	1)CARE A1+ (31-Dec-18)	1)CARE A1+ (07-Nov-17)
3.	Fund-based - LT-Cash Credit	LT	40.50	CARE A-; Negative	1)CARE A; Negative (07-May-20)	1)CARE A; Stable (06-Feb-20) 2)CARE A;	1)CARE AA-; Stable (31-Dec-18)	1)CARE AA-; Stable (07-Nov-17)

CARE Ratings Ltd.

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						Stable (22-Jul-19) 3)CARE A; Stable (06-Jun-19)		
4.	Commercial Paper	ST	-	-	1)CARE A1 (07-May-20) 2)Withdrawn (26-Aug-20)	1)CARE A1 (06-Jun-19)	1)CARE A1+ (31-Dec-18)	1)CARE A1+ (07-Nov-17)

Annexure-3: Detailed explanation of covenants of the rated instrument/facilities

Name of the Instrument	Detailed explanation
A. Financial covenants	
Cash Credit	The security for the limits include the following: • First pari passu charge over entire existing and future current assets • First pari passu charge over entire existing and future moveable fixed assets • Personal guarantee of Mr. Himanshu Gupta and Mr. Dinesh Jhunjhunwala
	The margin for the limits is 25% on inventory and book debts (debtors beyond 90/180 days to be excluded)
B. Non-financial covenants	
1. Bank Guarantee	The purpose of the bank guarantee to be issued is for the normal course of business with the cash margin to be maintained at 10% of the BG value in the form of FD.

Annexure 4: Complexity level of various instruments rated for this company

Sr. No.	Name of the Instrument	Complexity Level
1.	Fund-based - LT-Cash Credit	Simple
2.	Non-fund-based - ST-Bank Guarantees	Simple

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.

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