

Rating: BUY | CMP: Rs216 | TP: Rs312

August 13, 2024

Q1FY25 Result Update

Change in Estimates | Target | Reco

Change in Estimates

| | Current | | Previous | |
|----------------|---------|-------|----------|-------|
| | FY25E | FY26E | FY25E | FY26E |
| Rating | BUY | | BUY | |
| Target Price | 312 | | 307 | |
| Sales (Rs. m) | 7,558 | 8,723 | 7,558 | 8,723 |
| % Chng. | - | - | - | - |
| EBITDA (Rs. m) | 1,348 | 1,646 | 1,333 | 1,646 |
| % Chng. | 1.1 | - | - | - |
| EPS (Rs.) | 19.7 | 25.9 | 19.6 | 25.4 |
| % Chng. | 0.6 | 1.7 | - | - |

Key Financials - Consolidated

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|----------------|-------|-------|-------|-------|
| Sales (Rs. m) | 6,103 | 6,626 | 7,558 | 8,723 |
| EBITDA (Rs. m) | 963 | 1,098 | 1,348 | 1,646 |
| Margin (%) | 15.8 | 16.6 | 17.8 | 18.9 |
| PAT (Rs. m) | 328 | 566 | 693 | 911 |
| EPS (Rs.) | 9.3 | 16.1 | 19.7 | 25.9 |
| Gr. (%) | 166.8 | 72.4 | 22.4 | 31.4 |
| DPS (Rs.) | 3.0 | 3.0 | 3.0 | 3.0 |
| Yield (%) | 1.4 | 1.4 | 1.4 | 1.4 |
| RoE (%) | 3.8 | 6.2 | 7.1 | 8.8 |
| RoCE (%) | 4.1 | 5.1 | 6.6 | 8.2 |
| EV/Sales (x) | 1.3 | 1.1 | 0.9 | 0.7 |
| EV/EBITDA (x) | 8.2 | 6.6 | 5.1 | 3.9 |
| PE (x) | 23.1 | 13.4 | 11.0 | 8.3 |
| P/BV (x) | 0.8 | 0.8 | 0.8 | 0.7 |

Key Data

SCHA.NS | SCHAND IN

| | |
|---------------------|-----------------|
| 52-W High / Low | Rs.335 / Rs.191 |
| Sensex / Nifty | 78,956 / 24,139 |
| Market Cap | Rs.8bn / \$ 90m |
| Shares Outstanding | 35m |
| 3M Avg. Daily Value | Rs.20.91m |

Shareholding Pattern (%)

| | |
|-------------------------|-------|
| Promoter's | 47.06 |
| Foreign | 7.88 |
| Domestic Institution | 3.82 |
| Public & Others | 41.23 |
| Promoter Pledge (Rs bn) | - |

Stock Performance (%)

| | 1M | 6M | 12M |
|----------|--------|--------|-------|
| Absolute | (10.5) | (16.1) | 10.7 |
| Relative | (8.7) | (23.9) | (8.4) |

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

Dhvanit Shah

dhvanitshah@plindia.com |

NCERT's new syllabus announcement eyed

Quick Pointers:

- GM improves to 72.5% aided by content licensing partnership
- Aiming for double-digit topline growth in FY25E aided by NCF roll-out

In a non-seasonal quarter, S Chand & Co's topline was in line with our estimate, while GM of 72.5% (PLe 71.5%) was aided by a content syndication deal. For FY25E, the management is guiding for double-digit growth in topline with EBITDA margin of 17-19%, backed by price hike, RM stabilization and increased volumes that would come from NCF roll-out. S Chand has started launching new content based on NCF, but the adoption rate has been low as NCERT has announced new syllabus books only for grades 3 & 6 till now. We expect further announcements for additional grades during the year, which is likely to result in higher adoption rate of new syllabus books. Buoyed by NCF, we expect sales/EBITDA CAGR of 15%/22% over FY24-FY26E. We broadly maintain our estimates and retain BUY with a TP of Rs312 (12x FY26E EPS; no change in target multiple).

Topline remains static: Topline remained flat at Rs1,107mn (PLe Rs1,082mn) versus Rs1,111mn in 1QFY24.

Highest-ever GM recorded at 72.5%: Gross profit increased 4.9% YoY to Rs802mn (PLe Rs773mn) with a GM of 72.5% (PLe 71.5%) as against 68.8% in 1QFY24. GM expansion is led by an online content syndication deal.

EBITDA margin at 7.6%: EBITDA decreased 38.1% YoY to Rs84mn (PLe Rs101mn) with a margin of 7.6% (PLe 9.3%). EBITDA margin was lower than estimates despite better GM, due to higher-than-expected employee & other expenses. Loss after MI stood at Rs21mn (PLe loss of Rs1.1mn) for the quarter against a profit of Rs26mn in 1QFY24.

Con-call highlights: **1)** 40-50% of schools are expected to adopt the revised syllabus in FY25E, if NCERT books are released timely. **2)** Revenue growth is expected to be in double digits in FY25E. **3)** EBITDA margin is expected to be in the band of 17-19%. **4)** 6-8% price hike is expected across the product portfolio. **5)** S Chand's content licensing partnership with leading tech firms to support their GenAI-based large language models, is expected to generate an additional revenue of ~Rs250mn. **6)** Paper procurement is expected to be lower by 25-30% this year, as S Chand has sufficient RM inventory on the BS. **7)** Total inventory stood at Rs1,588mn in 1QFY25. **8)** Sales returns at 14-15% were lower compared to last year. **9)** Ratio of import/domestic mix for RM inventory is expected to be 50:50 in FY25E. **10)** The West Bengal subsidiary, "Chhaya" generated revenues of Rs1,150-1,200mn in FY24. **11)** Smartivity turned EBITDA positive and is very close to turning PAT positive.

Exhibit 1: Q1FY25 Result Overview (Rs mn)

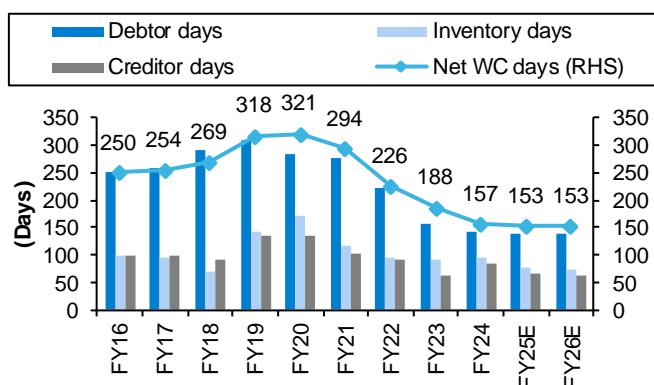
| Y/e March | 1QFY25 | 1QFY24 | YoY gr (%) | 4QFY24 | QoQ gr (%) | FY25E | FY24 | YoY gr (%) |
|-----------------------------------|--------------|--------------|---------------|--------------|---------------|--------------|--------------|-------------|
| Net Sales | 1,107 | 1,111 | (0.4) | 4,372 | (74.7) | 7,558 | 6,626 | 14.1 |
| Expenditure | | | | | | | | |
| Raw Materials | 304 | 346 | (12.1) | 1,373 | (77.8) | 2,537 | 2,262 | 12.2 |
| % of Net sales | 27.5 | 31.2 | | 31.4 | | 33.6 | 34.1 | |
| Personnel | 385 | 334 | 15.5 | 421 | (8.5) | 1,663 | 1,503 | 10.6 |
| % of Net sales | 34.8 | 30.0 | | 9.6 | | 22.0 | 22.7 | |
| Selling, s & Other Exp | 333 | 295 | 12.8 | 714 | (53.3) | 2,010 | 1,763 | 14.0 |
| % of Net sales | 30.1 | 26.6 | | 16.3 | | 26.6 | 26.6 | |
| Total Expenditure | 1,023 | 975 | 4.8 | 2,508 | (59.2) | 6,210 | 5,527 | 12.3 |
| EBITDA | 84 | 135 | (38.1) | 1,863 | (95.5) | 1,348 | 1,098 | 22.7 |
| Margin (%) | 7.6 | 12.2 | | 42.6 | | 17.8 | 16.6 | |
| Depreciation | 102 | 108 | (6.1) | 125 | (18.5) | 494 | 462 | 6.8 |
| EBIT | (18) | 27 | NM | 1,738 | NM | 855 | 636 | 34.3 |
| Interest | 28 | 28 | (1.2) | 48 | (41.9) | 98 | 153 | (35.7) |
| Other Income | 30 | 28 | 6.0 | 8 | 263.8 | 150 | 99 | 51.9 |
| Share of P/L in associates | - | - | NM | - | NM | - | - | NM |
| Exceptional items | - | - | NM | - | NM | - | - | NM |
| PBT | (16) | 27 | NM | 1,698 | NM | 906 | 582 | 55.6 |
| Tax | 14 | 16 | (13.7) | 416 | (96.7) | 228 | 71 | 221.6 |
| Tax Rate (%) | NM | 59.4 | | 24.5 | | 25.2 | 12.2 | |
| Reported PAT | (30) | 11 | NM | 1,282 | NM | 678 | 511 | 32.5 |
| Minority interest | (9) | (15) | NM | (10) | NM | (15) | (55) | NM |
| OCI | 5 | 3 | 72.2 | (15) | NM | - | (14) | NM |
| Total comprehensive income | (25) | 13 | NM | 1,267 | NM | 678 | 498 | 36.2 |
| Reported EPS | (0.6) | 0.7 | NM | 36.4 | NM | 19.8 | 14.5 | 36.3 |

Source: Company, PL

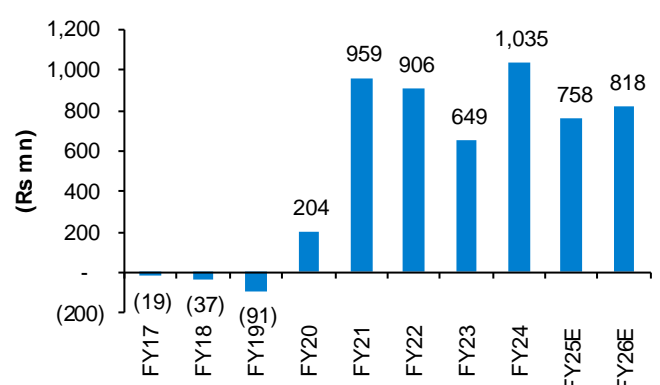
Exhibit 2: OCF/EBITDA to be at 0.7x in FY26E

| Particulars (Rsmn) | FY18 | FY19 | FY20 | FY21 | FY22 | FY23 | FY24 | FY25E | FY26E |
|--------------------|-------|-------|-------|-------|-------|------|-------|-------|-------|
| OCF/EBITDA (x) | 0.2 | NM | NM | 2.0 | 1.7 | 0.8 | 1.1 | 0.8 | 0.7 |
| OCF | 389 | 386 | 484 | 1,076 | 1,066 | 811 | 1,211 | 1,028 | 1,118 |
| EBITDA | 1,927 | (312) | (220) | 547 | 614 | 963 | 1,098 | 1,348 | 1,646 |

Source: Company, PL

Exhibit 3: NWC of S Chand to be at 153 days in FY26E


Source: Company, PL

Exhibit 4: FCFF to be at Rs818mn in FY26E


Source: Company, PL

Financials

Income Statement (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|-------------------------------|--------------|--------------|--------------|--------------|
| Net Revenues | 6,103 | 6,626 | 7,558 | 8,723 |
| YoY gr. (%) | 26.9 | 8.6 | 14.1 | 15.4 |
| Cost of Goods Sold | 2,207 | 2,262 | 2,537 | 2,977 |
| Gross Profit | 3,896 | 4,364 | 5,021 | 5,746 |
| Margin (%) | 63.8 | 65.9 | 66.4 | 65.9 |
| Employee Cost | 1,364 | 1,503 | 1,663 | 1,849 |
| Other Expenses | 1,569 | 1,763 | 2,010 | 2,250 |
| EBITDA | 963 | 1,098 | 1,348 | 1,646 |
| YoY gr. (%) | 56.9 | 14.1 | 22.7 | 22.1 |
| Margin (%) | 15.8 | 16.6 | 17.8 | 18.9 |
| Depreciation and Amortization | 464 | 462 | 494 | 541 |
| EBIT | 499 | 636 | 855 | 1,105 |
| Margin (%) | 8.2 | 9.6 | 11.3 | 12.7 |
| Net Interest | 207 | 153 | 98 | 88 |
| Other Income | 329 | 99 | 150 | 180 |
| Profit Before Tax | 778 | 582 | 906 | 1,197 |
| Margin (%) | 12.7 | 8.8 | 12.0 | 13.7 |
| Total Tax | 201 | 71 | 228 | 302 |
| Effective tax rate (%) | 25.8 | 12.2 | 25.2 | 25.2 |
| Profit after tax | 577 | 511 | 678 | 896 |
| Minority interest | (83) | (55) | (15) | (15) |
| Share Profit from Associate | (1) | - | - | - |
| Adjusted PAT | 328 | 566 | 693 | 911 |
| YoY gr. (%) | 167.6 | 72.7 | 22.4 | 31.4 |
| Margin (%) | 5.4 | 8.5 | 9.2 | 10.4 |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | 638 | 552 | 693 | 911 |
| YoY gr. (%) | 443.8 | (13.4) | 25.4 | 31.4 |
| Margin (%) | 10.5 | 8.3 | 9.2 | 10.4 |
| Other Comprehensive Income | (21) | (14) | - | - |
| Total Comprehensive Income | 555 | 498 | 678 | 896 |
| Equity Shares O/s (m) | 35 | 35 | 35 | 35 |
| EPS (Rs) | 9.3 | 16.1 | 19.7 | 25.9 |

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|---------------------------------------|---------------|---------------|---------------|---------------|
| Non-Current Assets | | | | |
| Gross Block | 3,452 | 3,736 | 4,206 | 4,706 |
| Tangibles | 1,363 | 1,609 | 1,879 | 2,179 |
| Intangibles | 2,089 | 2,127 | 2,327 | 2,527 |
| Acc: Dep / Amortization | 1,737 | 2,199 | 2,692 | 3,233 |
| Tangibles | 554 | 811 | 1,084 | 1,385 |
| Intangibles | 1,183 | 1,388 | 1,609 | 1,849 |
| Net fixed assets | 2,101 | 1,915 | 1,892 | 1,851 |
| Tangibles | 1,195 | 1,176 | 1,174 | 1,173 |
| Intangibles | 906 | 739 | 718 | 678 |
| Capital Work In Progress | 20 | - | - | - |
| Goodwill | 3,357 | 3,325 | 3,325 | 3,325 |
| Non-Current Investments | 236 | 255 | 255 | 255 |
| Net Deferred tax assets | 914 | 829 | 787 | 748 |
| Other Non-Current Assets | 46 | 192 | 192 | 192 |
| Current Assets | | | | |
| Investments | 345 | 402 | 402 | 402 |
| Inventories | 1,562 | 1,761 | 1,615 | 1,792 |
| Trade receivables | 2,653 | 2,601 | 2,899 | 3,346 |
| Cash & Bank Balance | 807 | 1,273 | 1,527 | 1,852 |
| Other Current Assets | 119 | 142 | 149 | 157 |
| Total Assets | 12,201 | 12,734 | 13,084 | 13,962 |
| Equity | | | | |
| Equity Share Capital | 176 | 176 | 176 | 176 |
| Other Equity | 8,780 | 9,234 | 9,822 | 10,628 |
| Total Networkth | 8,956 | 9,410 | 9,998 | 10,804 |
| Non-Current Liabilities | | | | |
| Long Term borrowings | 422 | 386 | 386 | 386 |
| Provisions | - | - | - | - |
| Other non current liabilities | 94 | 111 | 111 | 111 |
| Current Liabilities | | | | |
| ST Debt / Current of LT Debt | 1,093 | 943 | 843 | 743 |
| Trade payables | 1,078 | 1,517 | 1,346 | 1,482 |
| Other current liabilities | 473 | 338 | 371 | 408 |
| Total Equity & Liabilities | 12,201 | 12,734 | 13,084 | 13,962 |

Source: Company Data, PL Research

Cash Flow (Rs m)

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|--------------------------------------|--------------|--------------|--------------|--------------|
| PBT | 777 | 582 | 906 | 1,197 |
| Add. Depreciation | 464 | 462 | 494 | 541 |
| Add. Interest | 207 | 153 | 98 | 88 |
| Less Financial Other Income | 329 | 99 | 150 | 180 |
| Add. Other | (342) | 84 | 49 | 47 |
| Op. profit before WC changes | 1,105 | 1,281 | 1,547 | 1,873 |
| Net Changes-WC | (112) | 162 | (291) | (453) |
| Direct tax | (183) | (232) | (228) | (302) |
| Net cash from Op. activities | 811 | 1,211 | 1,028 | 1,118 |
| Capital expenditures | (158) | (169) | (270) | (300) |
| Interest / Dividend Income | - | - | - | - |
| Others | 114 | (72) | (200) | (200) |
| Net Cash from Inv. activities | (44) | (241) | (470) | (500) |
| Issue of share cap. / premium | 9 | 5 | - | - |
| Debt changes | (304) | (186) | (100) | (100) |
| Dividend paid | - | (106) | (105) | (105) |
| Interest paid | (182) | (127) | (98) | (88) |
| Others | (131) | (117) | - | - |
| Net cash from Fin. activities | (607) | (530) | (303) | (293) |
| Net change in cash | 160 | 440 | 255 | 325 |
| Free Cash Flow | 649 | 1,035 | 758 | 818 |

Source: Company Data, PL Research

Key Financial Metrics

| Y/e Mar | FY23 | FY24 | FY25E | FY26E |
|----------------------------|-------|-------|-------|-------|
| Per Share(Rs) | | | | |
| EPS | 9.3 | 16.1 | 19.7 | 25.9 |
| CEPS | 22.5 | 29.2 | 33.7 | 41.2 |
| BVPS | 254.8 | 267.2 | 283.9 | 306.8 |
| FCF | 18.5 | 29.4 | 21.5 | 23.2 |
| DPS | 3.0 | 3.0 | 3.0 | 3.0 |
| Return Ratio(%) | | | | |
| RoCE | 4.1 | 5.1 | 6.6 | 8.2 |
| ROIC | 3.4 | 5.2 | 5.8 | 7.3 |
| RoE | 3.8 | 6.2 | 7.1 | 8.8 |
| Balance Sheet | | | | |
| Net Debt : Equity (x) | 0.0 | 0.0 | (0.1) | (0.1) |
| Net Working Capital (Days) | 94 | 60 | 75 | 78 |
| Valuation(x) | | | | |
| PER | 23.1 | 13.4 | 11.0 | 8.3 |
| P/B | 0.8 | 0.8 | 0.8 | 0.7 |
| P/CEPS | 9.6 | 7.4 | 6.4 | 5.2 |
| EV/EBITDA | 8.2 | 6.6 | 5.1 | 3.9 |
| EV/Sales | 1.3 | 1.1 | 0.9 | 0.7 |
| Dividend Yield (%) | 1.4 | 1.4 | 1.4 | 1.4 |

Source: Company Data, PL Research

Quarterly Financials (Rs m)

| Y/e Mar | Q2FY24 | Q3FY24 | Q4FY24 | Q1FY25 |
|-----------------------------------|---------------|---------------|--------------|--------------|
| Net Revenue | 380 | 763 | 4,372 | 1,107 |
| YoY gr. (%) | (19.6) | 17.0 | 11.9 | (0.4) |
| Raw Material Expenses | 197 | 345 | 1,373 | 304 |
| Gross Profit | 183 | 419 | 2,998 | 802 |
| Margin (%) | 48.1 | 54.8 | 68.6 | 72.5 |
| EBITDA | (498) | (403) | 1,863 | 84 |
| YoY gr. (%) | NA | NA | 27.1 | (38.1) |
| Margin (%) | NA | NA | 42.6 | 7.6 |
| Depreciation / Depletion | 120 | 109 | 125 | 102 |
| EBIT | (617) | (511) | 1,738 | (18) |
| Margin (%) | NA | NA | 39.8 | NA |
| Net Interest | 31 | 45 | 48 | 28 |
| Other Income | 14 | 49 | 8 | 30 |
| Profit before Tax | (635) | (507) | 1,698 | (16) |
| Margin (%) | NA | NA | 38.8 | NA |
| Total Tax | (217) | (144) | 416 | 14 |
| Effective tax rate (%) | 34.2 | 28.3 | 24.5 | (83.2) |
| Profit after Tax | (418) | (364) | 1,282 | (30) |
| Minority interest | (15) | (15) | (10) | (9) |
| Share Profit from Associates | - | - | - | - |
| Adjusted PAT | (403) | (349) | 1,292 | (21) |
| YoY gr. (%) | NA | NA | 25.5 | NA |
| Margin (%) | NA | NA | 29.6 | NA |
| Extra Ord. Income / (Exp) | - | - | - | - |
| Reported PAT | (410) | (344) | 1,277 | (21) |
| YoY gr. (%) | NA | NA | 26.6 | NA |
| Margin (%) | NA | NA | 29.2 | NA |
| Other Comprehensive Income | (7) | 5 | (15) | 5 |
| Total Comprehensive Income | (425) | (359) | 1,267 | (30) |
| Avg. Shares O/s (m) | 35 | 35 | 35 | 35 |
| EPS (Rs) | (11.5) | (10.0) | 36.7 | (0.6) |

Source: Company Data, PL Research

Price Chart
Recommendation History


| No. | Date | Rating | TP (Rs.) | Share Price (Rs.) |
|-----|-----------|--------|----------|-------------------|
| 1 | 09-Jul-24 | BUY | 307 | 245 |
| 2 | 30-May-24 | BUY | 307 | 238 |
| 3 | 09-Apr-24 | BUY | 315 | 245 |
| 4 | 07-Feb-24 | BUY | 357 | 262 |
| 5 | 08-Jan-24 | BUY | 362 | 311 |
| 6 | 13-Nov-23 | BUY | 338 | 248 |
| 7 | 07-Oct-23 | BUY | 338 | 280 |
| 8 | 28-Aug-23 | BUY | 338 | 249 |
| 9 | 14-Aug-23 | BUY | 260 | 198 |

Analyst Coverage Universe

| Sr. No. | Company Name | Rating | TP (Rs) | Share Price (Rs) |
|---------|---|------------|---------|------------------|
| 1 | Chalet Hotels | Accumulate | 887 | 836 |
| 2 | Imagicaaworld Entertainment | BUY | 116 | 79 |
| 3 | Indian Railway Catering and Tourism Corporation | Reduce | 811 | 1,026 |
| 4 | Inox Leisure | BUY | 587 | 502 |
| 5 | InterGlobe Aviation | Accumulate | 4,958 | 4,493 |
| 6 | Lemon Tree Hotels | BUY | 159 | 126 |
| 7 | Navneet Education | Accumulate | 167 | 156 |
| 8 | Nazara Technologies | Hold | 878 | 919 |
| 9 | PVR Inox | Hold | 1,474 | 1,430 |
| 10 | S Chand and Company | BUY | 307 | 245 |
| 11 | Safari Industries (India) | BUY | 2,476 | 2,237 |
| 12 | V.I.P. Industries | Hold | 454 | 451 |
| 13 | Zee Entertainment Enterprises | Hold | 157 | 149 |

PL's Recommendation Nomenclature (Absolute Performance)

| | |
|--------------------------|-----------------------------------|
| Buy | : > 15% |
| Accumulate | : 5% to 15% |
| Hold | : +5% to -5% |
| Reduce | : -5% to -15% |
| Sell | : < -15% |
| Not Rated (NR) | : No specific call on the stock |
| Under Review (UR) | : Rating likely to change shortly |

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3rd Floor, Sadhana House, 570, P. B. Marg, Worli, Mumbai-400 018, India | Tel: (91 22) 6632 2222 Fax: (91 22) 6632 2209

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