

June 23, 2021

Q4FY21 Result Update

Change in Estimates | Target | Reco

Change in Estimates

	Current		Previous	
	FY22E	FY23E	FY22E	FY23E
Rating	BUY		BUY	
Target Price	146		127	
Sales (Rs. m)	5,009	6,321	6,294	7,427
% Chng.	(20.4)	(14.9)		
EBITDA (Rs. m)	845	1,446	1,228	1,494
% Chng.	(31.2)	(3.2)		
EPS (Rs.)	4.5	17.2	11.0	19.6
% Chng.	(58.6)	(12.2)		

Key Financials - Consolidated

Y/e Mar	FY20	FY21	FY22E	FY23E
Sales (Rs. m)	4,294	4,252	5,009	6,321
EBITDA (Rs. m)	(220)	547	845	1,446
Margin (%)	(5.1)	12.9	16.9	22.9
PAT (Rs. m)	(1,013)	(56)	158	601
EPS (Rs.)	(29.0)	(1.6)	4.5	17.2
Gr. (%)	NA	NA	NA	279.5
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	NA	NA	1.9	7.0
RoCE (%)	NA	1.0	3.4	7.6
EV/Sales (x)	1.5	1.4	1.1	0.9
EV/EBITDA (x)	NA	10.5	6.6	4.0
PE (x)	NA	NA	27.0	7.1
P/BV (x)	0.5	0.5	0.5	0.5

Key Data

SCHA.NS | SCHAND IN

52-W High / Low	Rs.134 / Rs.42
Sensex / Nifty	52,306 / 15,687
Market Cap	Rs.4bn / \$ 58m
Shares Outstanding	35m
3M Avg. Daily Value	Rs.33.02m

Shareholding Pattern (%)

Promoter's	47.39
Foreign	-
Domestic Institution	9.02
Public & Others	43.59
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	26.1	73.3	180.9
Relative	21.9	53.9	90.3

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Turnaround complete, eyeing growth

Quick Pointers:

- Management targets sales of ~Rs5bn in FY22E aided by price hike of 5-10%.
- OCF increased to Rs1,076mn in FY21 (Rs484mn in FY20).

While S Chand's results were below our estimates, BS & NWC metrics witnessed noteworthy improvement. In FY21, NWC declined to 294 days (321 days in FY20) while net debt reduced to Rs1.2bn (Rs1.8bn in FY20). After reporting losses in FY19 & FY20, break-even was finally achieved in FY21 (minor loss of Rs65mn) backed by successful implementation of S Chand 3.0 plan that focused on cost rationalization & improvement in working capital. As far as the outlook is concerned, management envisages to scale Rs5bn in top-line in FY22E aided by price hike of 5-10%. Consequently, we have realigned our FY22E estimates (earnings cut appears substantial as business lost in 4QFY21 due to 2nd wave may not be fully recouped in subsequent period). We maintain BUY on the company with a revised TP of Rs146 (Rs127 earlier) as we increase our target multiple to 8.5x (6.5x earlier; but still at a ~15% discount to Navneet) given successful implementation of S Chand 3.0 plan (turnaround is complete). Strong focus on digital offerings (target to increase Ed-Tech revenues to ~20-25% in 3 years) and NEP implementation (can result in volume/price delta) are additional positive levers.

Top-line declines 14.8% YoY: Consolidated top-line decreased 14.8% YoY to Rs2,827mn (PLe of Rs3,586mn) as 2nd COVID wave (delayed re-opening timeline of schools) coincided with the sales season (~80-85% revenue accrues in 4Q).

EBITDA declines 19.6% YoY but PAT rises due to lower tax rate: EBITDA declined 19.6% YoY to Rs1,243mn (PLe of Rs1,496mn). However, PAT increased 58.9% YoY to Rs977mn (PLe of Rs1,152mn) in 4QFY21 due to lower tax rate (13.1% in 4QFY21).

Digital business to contribute ~20-25% of sales in 3 years: LearnFlix, S Chand's digital offering, is witnessing strong growth. So far, it has managed 230,000 downloads with 21,000 paid subscribers. The plan is to add English and SST subjects & launch the product for classes 11th & 12th, in near term. In addition, LearnFlix Bangla is expected to be launched by 2QFY22 in partnership with Chhaya. The digital business is expected to contribute ~20-25% of revenues in next 3 years as e-learning gains traction.

Con call highlights: 1) 1QFY22E revenue is likely to get spilled over to 2Q/3Q due to delay in opening of schools 2) Inventory is expected to be at Rs800mn odd in FY22E 3) Inventory obsolescence risk due to NEP is low as provisions have been taken in advance. 4) Employee cost is likely to rise by ~10% in FY22E 5) Further optimization in receivables is not possible (receivable days can be at 240-260 days) 6) Funds raised in Convergia will be utilized to build team & improve product offerings 7) Market size of second hand CBSE textbook markets is ~15-20%.

Exhibit 1: Q4FY21 Result Overview (Rs mn)

Y/e March	Q4FY21	Q4FY20	YoY gr (%)	Q3FY21	QoQ gr. (%)	FY21	FY20	YoY gr. (%)
Net Sales	2,827	3,318	(14.8)	346	717.5	4,252	4,294	(1.0)
Expenditure								
Raw Materials	1,142	1,221	(6.4)	268	326.8	1,929	2,030	(5.0)
<i>% of Net sales</i>	<i>40.4</i>	<i>36.8</i>		<i>77.4</i>		<i>45.4</i>	<i>47.3</i>	
Personnel	271	312	(13.2)	255	6.3	993	1,260	(21.2)
<i>% of Net sales</i>	<i>9.6</i>	<i>9.4</i>		<i>73.7</i>		<i>23.3</i>	<i>29.3</i>	
Selling , dist & Other Exp	170	239	(28.9)	176	(3.2)	784	1,224	(36.0)
<i>% of Net sales</i>	<i>6.0</i>	<i>7.2</i>		<i>50.8</i>		<i>18.4</i>	<i>28.5</i>	
Total Expenditure	1,583	1,772	(10.6)	698	126.8	3,705	4,514	(17.9)
EBITDA	1,243	1,547	(19.6)	(352)	NM	547	(220)	NM
<i>Margin (%)</i>	<i>44.0</i>	<i>46.6</i>		<i>NM</i>		<i>12.9</i>	<i>NM</i>	
Depreciation	129	137	(5.9)	95	35.9	416	408	2.1
EBIT	1,115	1,410	(20.9)	(447)	NM	131	(628)	NM
Interest	80	90	(10.6)	78	2.9	323	348	(7.1)
Other Income	97	54	78.6	22	345.4	201	94	113.2
Share of P/L in associates	(5)	16	NM	0	NM	(7)	(4)	NM
Exceptional items	2	102	(97.6)	-	NM	2	102	(97.6)
PBT	1,124	1,289	(12.8)	(503)	NM	(0)	(987)	NM
Tax	148	674	(78.1)	(39)	NM	65	128	(49.4)
<i>Tax Rate (%)</i>	<i>13.1</i>	<i>52.3</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Reported PAT	977	615	58.9	(464)	NM	(65)	(1,115)	NM
Minority interest	14	8	81.8	(14)	NM	(7)	(1)	NM
OCI	2	(7)	NM	4	(64.6)	17	(6)	NM
Total comprehensive income	978	608	60.9	(460)	NM	(48)	(1,121)	NM
Reported EPS	27.9	17.6	59.0	(13.3)	NM	(2)	(32)	NM

Source: Company, PL

Exhibit 2: Key timelines of National Education Policy (NEP) implementation

Dates	Event
May-19	Announcement of draft NEP
Jul-20	Adoption of NEP
CY2021/2022	Announcement of draft National Curriculum Framework (NCF) expected
CY2022	Development of books based on the new curriculum
FY23 onwards	Complete impact of NCF to percolate into financials

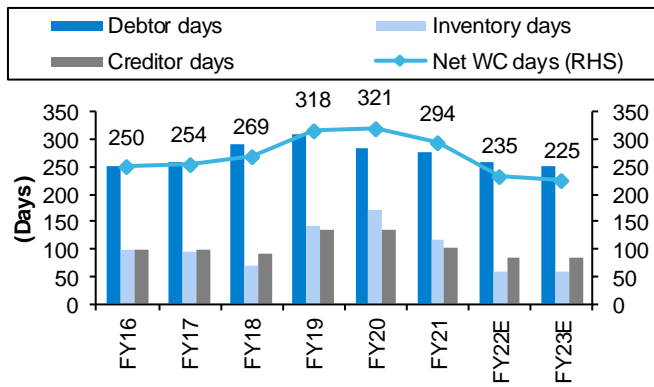
Source: Company, PL

Exhibit 3: OCF/EBITDA to bet at 0.4x in FY23E

Particulars (Rsmn)	FY17	FY18	FY19	FY20	FY21	FY22E	FY23E
OCF/EBITDA (x)	0.2	0.2	NM	NM	2.0	1.1	0.4
OCF	324	389	386	484	1,076	935	581
EBITDA	1,658	1,927	(312)	(220)	547	845	1,446

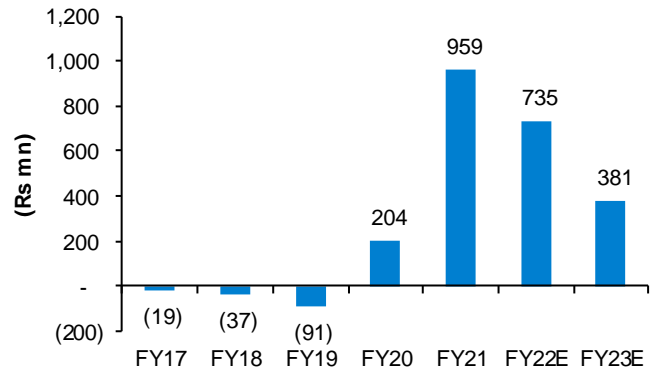
Source: Company, PL

Exhibit 4: NWC of S Chand to be at 225 days in FY23E

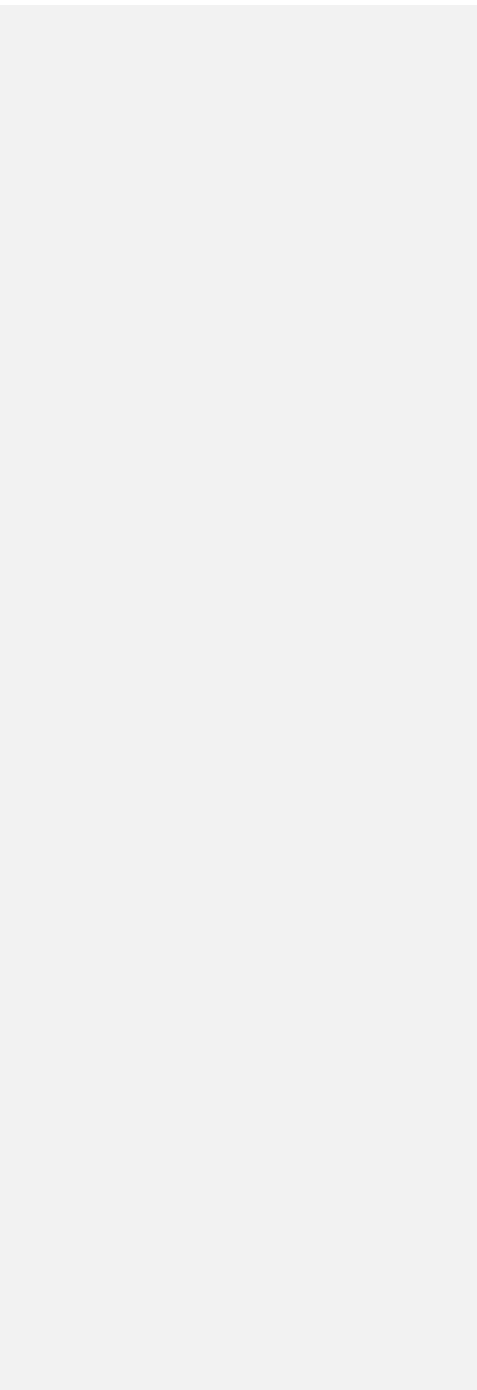


Source: Company, PL

Exhibit 5: FCFF yield to be at 8.9% in FY23E



Source: Company, PL



Financials

Income Statement (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Net Revenues	4,294	4,252	5,009	6,321
YoY gr. (%)	(17.7)	(1.0)	17.8	26.2
Cost of Goods Sold	2,030	1,929	2,226	2,732
Gross Profit	2,264	2,323	2,783	3,588
Margin (%)	52.7	54.6	55.6	56.6
Employee Cost	1,260	993	1,087	1,182
Other Expenses	632	488	501	537
EBITDA	(220)	547	845	1,446
YoY gr. (%)	NA	NA	54.5	71.1
Margin (%)	NA	12.9	16.9	22.9
Depreciation and Amortization	408	416	427	456
EBIT	(628)	131	418	990
Margin (%)	NA	3.1	8.3	15.7
Net Interest	348	323	327	327
Other Income	94	201	130	150
Profit Before Tax	(881)	9	221	813
Margin (%)	NA	0.2	4.4	12.9
Total Tax	128	65	56	205
Effective tax rate (%)	(14.5)	730.4	25.2	25.2
Profit after tax	(1,009)	(56)	165	608
Minority interest	-	(7)	-	-
Share Profit from Associate	(4)	(7)	(7)	(7)
Adjusted PAT	(1,013)	(56)	158	601
YoY gr. (%)	NA	NA	NA	279.5
Margin (%)	NA	NA	3.2	9.5
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(1,013)	(56)	158	601
YoY gr. (%)	NA	NA	NA	279.5
Margin (%)	NA	NA	3.2	9.5
Other Comprehensive Income	(6)	17	-	-
Total Comprehensive Income	(1,019)	(39)	158	601
Equity Shares O/s (m)	35	35	35	35
EPS (Rs)	(29.0)	(1.6)	4.5	17.2

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
Non-Current Assets				
Gross Block	2,792	3,449	3,849	4,249
Tangibles	1,356	1,490	1,690	1,890
Intangibles	1,436	1,959	2,159	2,359
Acc: Dep / Amortization	915	1,331	1,758	2,213
Tangibles	397	620	840	1,067
Intangibles	518	710	918	1,147
Net fixed assets	2,500	2,599	2,572	2,516
Tangibles	1,583	1,350	1,330	1,303
Intangibles	918	1,249	1,241	1,213
Capital Work In Progress	26	25	25	25
Goodwill	3,383	3,381	3,381	3,381
Non-Current Investments	293	118	120	122
Net Deferred tax assets	541	674	843	969
Other Non-Current Assets	301	76	76	76
Current Assets				
Investments	167	258	258	258
Inventories	2,014	1,377	823	1,039
Trade receivables	3,349	3,221	3,568	4,329
Cash & Bank Balance	98	419	625	476
Other Current Assets	156	99	114	131
Total Assets	12,908	12,359	12,526	13,457
Equity				
Equity Share Capital	175	175	175	175
Other Equity	8,010	8,008	8,166	8,768
Total Network	8,185	8,183	8,341	8,943
Non-Current Liabilities				
Long Term borrowings	974	1,009	1,009	1,009
Provisions	-	-	-	-
Other non current liabilities	69	65	65	65
Current Liabilities				
ST Debt / Current of LT Debt	1,240	1,159	1,159	1,159
Trade payables	1,582	1,179	1,166	1,472
Other current liabilities	829	575	597	621
Total Equity & Liabilities	12,908	12,359	12,526	13,457

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY20	FY21	FY22E	FY23E
PBT	(987)	0	221	813
Add. Depreciation	408	416	427	456
Add. Interest	338	313	327	327
Less Financial Other Income	94	201	130	150
Add. Other	207	13	(190)	(150)
Op. profit before WC changes	(34)	742	785	1,446
Net Changes-WC	648	236	206	(660)
Direct tax	(129)	99	(56)	(205)
Net cash from Op. activities	484	1,076	935	581
Capital expenditures	(259)	(108)	(200)	(200)
Interest / Dividend Income	-	-	-	-
Others	82	(68)	(202)	(202)
Net Cash from Inv. activities	(177)	(176)	(402)	(402)
Issue of share cap. / premium	-	-	-	-
Debt changes	(327)	(156)	-	-
Dividend paid	-	-	-	-
Interest paid	(347)	(266)	(327)	(327)
Others	(141)	(157)	-	-
Net cash from Fin. activities	(815)	(579)	(327)	(327)
Net change in cash	(506)	321	206	(149)
Free Cash Flow	204	959	735	381

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY20	FY21	FY22E	FY23E
Per Share(Rs)				
EPS	(29.0)	(1.6)	4.5	17.2
CEPS	(17.3)	10.3	16.7	30.2
BVPS	234.0	234.0	238.5	255.7
FCF	5.8	27.4	21.0	10.9
DPS	-	-	-	-
Return Ratio(%)				
RoCE	NA	1.0	3.4	7.6
ROIC	NA	NA	2.7	6.0
RoE	NA	NA	1.9	7.0
Balance Sheet				
Net Debt : Equity (x)	0.2	0.2	0.2	0.2
Net Working Capital (Days)	150	175	175	165
Valuation(x)				
PER	NA	NA	27.0	7.1
P/B	0.5	0.5	0.5	0.5
P/CEPS	NA	11.9	7.3	4.0
EV/EBITDA	NA	10.5	6.6	4.0
EV/Sales	1.5	1.4	1.1	0.9
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY21	Q2FY21	Q3FY21	Q4FY21
Net Revenue	714	365	346	2,827
YoY gr. (%)	16.5	37.3	259.1	(14.8)
Raw Material Expenses	266	253	268	1,142
Gross Profit	449	112	78	1,684
Margin (%)	62.8	30.6	22.6	59.6
EBITDA	19	(363)	(352)	1,243
YoY gr. (%)	(106.5)	NA	NA	NA
Margin (%)	2.7	NA	NA	44.0
Depreciation / Depletion	96	97	95	129
EBIT	(76)	(461)	(447)	1,115
Margin (%)	NA	NA	NA	39.4
Net Interest	83	81	78	80
Other Income	68	14	22	97
Profit before Tax	(92)	(528)	(503)	1,129
Margin (%)	NA	NA	NA	39.9
Total Tax	10	(54)	(39)	148
Effective tax rate (%)	(11.0)	10.2	7.8	13.1
Profit after Tax	(102)	(474)	(464)	981
Minority interest	(2)	(4)	(14)	14
Share Profit from Associates	(3)	1	-	(5)
Adjusted PAT	(102)	(469)	(450)	962
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	34.0
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(102)	(469)	(450)	962
YoY gr. (%)	NA	NA	NA	NA
Margin (%)	NA	NA	NA	34.0
Other Comprehensive Income	6	6	4	2
Total Comprehensive Income	(97)	(463)	(445)	964
Av g. Shares O/s (m)	35	35	35	35
EPS (Rs)	(2.9)	(13.4)	(12.9)	27.5

Source: Company Data, PL Research

Price Chart
Recommendation History


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	07-Apr-21	BUY	127	109
2	16-Feb-21	BUY	89	68
3	11-Jan-21	BUY	86	70
4	12-Nov-20	BUY	86	65
5	09-Oct-20	BUY	89	66
6	17-Aug-20	BUY	87	70
7	08-Jul-20	Accumulate	57	51
8	01-Jul-20	Accumulate	57	45

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Dish TV India	NR	-	74
2	Entertainment Network (India)	Hold	193	185
3	Indian Railway Catering and Tourism Corporation	BUY	2,179	1,707
4	Inox Leisure	BUY	368	276
5	Music Broadcast	Hold	23	24
6	Navneet Education	Accumulate	92	85
7	PVR	BUY	1,429	1,319
8	S Chand and Company	BUY	127	109
9	V.I.P. Industries	Hold	376	366
10	Zee Entertainment Enterprises	BUY	278	192

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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