

February 13, 2023

Q3FY23 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	228		220	
Sales (Rs. m)	6,723	7,256	6,600	7,123
% Chng.	1.9	1.9		
EBITDA (Rs. m)	1,281	1,389	1,250	1,357
% Chng.	2.4	2.4		
EPS (Rs.)	17.9	20.1	17.2	19.4
% Chng.	3.7	3.5		

Key Financials - Consolidated

Y/e Mar	FY22	FY23E	FY24E	FY25E
Sales (Rs. m)	4,809	6,240	6,723	7,256
EBITDA (Rs. m)	614	1,084	1,281	1,389
Margin (%)	12.8	17.4	19.0	19.1
PAT (Rs. m)	123	372	626	705
EPS (Rs.)	3.5	10.6	17.9	20.1
Gr. (%)	(319.4)	203.3	68.6	12.5
DPS (Rs.)	-	-	-	-
Yield (%)	-	-	-	-
RoE (%)	1.5	4.3	6.7	7.0
RoCE (%)	1.6	5.3	6.4	6.7
EV/Sales (x)	1.5	1.0	0.9	0.7
EV/EBITDA (x)	11.6	5.9	4.6	3.8
PE (x)	50.1	16.5	9.8	8.7
P/BV (x)	0.7	0.7	0.6	0.6

Key Data

SCHA.NS | SCHAND IN

52-W High / Low	Rs.205 / Rs.92
Sensex / Nifty	60,432 / 17,771
Market Cap	Rs.6bn/ \$ 74m
Shares Outstanding	35m
3M Avg. Daily Value	Rs.19.74m

Shareholding Pattern (%)

Promoter's	47.14
Foreign	0.50
Domestic Institution	5.58
Public & Others	46.78
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	1.4	24.1	53.3
Relative	1.2	22.1	47.5

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S Chand and Company (SCHAND IN)

Rating: BUY | CMP: Rs175 | TP: Rs228

Delivery eyed in 4QFY23

Quick Pointers:

- Aiming for revenue of Rs6,400-6,500mn with EBITDA margin of 16-17% for FY23E.
- Implemented a price hike of 20%+ across portfolio.

We increase our FY23E/FY24E/FY25E EPS estimates by 21%/4%/4% respectively as we upgrade our revenue assumptions on the back of strong 9MFY23 performance. Higher EPS swing in FY23E is aided by upward revision in GM estimates amid planned price hike of 20%+ across product portfolio. S Chand & Company (S Chand) reported a decent performance in non-seasonal quarter with revenues of Rs652mn (PLe of Rs601mn) and PAT loss of Rs305mn (PLe loss of Rs309mn) aided by one-off gain of ~Rs75mn from I-neuron's (EdTech investment) exit. We expect sales/PAT CAGR of 8%/38% over FY23E-FY25E and maintain BUY on the stock with a revised TP of Rs228 (12x Sep-24 EPS). As NCF for K-2 classes (forms ~15-20% of school education's top-line) has been announced in October 2022, it paves the way for subsequent announcements for higher grades in near future (2Q or 3Q of next financial year) and would act as a key growth lever, in long term. S Chand trades at 10x/9x our FY24E/FY25E EPS and valuations are undemanding for a business that commands FCFF yield of ~14-18% over FY23-FY25E. We retain BUY and S Chand remains our preferred pick in the education space.

Top-line increased 27.1% YoY with GM of 68.3%: Top-line increased 27.1% YoY to Rs652mn (PLe of Rs601mn). Gross profit increased 65.2% YoY to Rs445mn (PLe of Rs360mn) with a GM of 68.3% (PLe 60.0%) as against 52.5% in 3QFY22.

EBITDA loss at Rs329mn: EBITDA loss stood at Rs329mn (PLe loss of Rs252mn) as against a loss of Rs340mn in 3QFY22. EBITDA loss was higher than our estimate despite better GM due to higher other expenses of Rs439mn (PLe Rs300mn). Net loss stood at Rs305mn (PLe loss of Rs309mn) versus a loss of Rs447mn in 3QFY22 and was cushioned by a one-off gain of ~Rs75mn (included in other income) arising from exit in I-neuron (EdTech investment).

Con call highlights: 1) Current RM inventory on books is ~Rs859mn. 2) Paper prices have increased by Rs3-5 per kg due to increased demand as 120,000+ tons of state board government tenders have to be fulfilled before March 3) Cash balance stands at Rs400mn as of 3QFY23. 4) Working capital is unlikely to revert to previous levels as SKUs have been reduced, sales returns are under control and targets are in place to get the money back timely. 5) There is no price cap on books under NEP. 6) NCF announcement for balance grades (3rd to 12th) may happen in 2QFY24 or 3QFY24, in one go (all grades at a time). 7) Online sales amounts to ~Rs300-350mn for the entire year. 8) Typically, price hike for books ranges between ~7-8%. 9) A formal dividend policy might be adopted in near future. 10) GM expansion for 9MFY23 was on account of i) lower sales returns ii) liquidation of low cost inventory and, iii) shifting of printing operations of Chhaya to Kolkata which helped cut costs. 11) OCF in FY23E will most likely to be similar to last year.

Exhibit 1: Q3FY23 Result Overview (Rs mn)

Y/e March	3QFY23	3QFY22	YoY gr (%)	2QFY23	QoQ gr (%)	9MFY23	9MFY22	YoY gr (%)
Net Sales	652	513	27.1	473	38.0	2,198	1,390	58.1
Expenditure								
Raw Materials	207	331	(37.5)	181	14.7	738	555	33.0
% of Net sales	31.7	64.5		38.2		33.6	39.9	
Personnel	335	293	14.4	317	5.8	947	853	11.1
% of Net sales	51.3	57.0		67.0		43.1	61.3	
Selling , dist & Other Exp	439	229	91.8	270	62.7	1,017	792	28.4
% of Net sales	67.3	44.6		57.1		46.3	57.0	
Total Expenditure	981	853	15.0	767	27.9	2,702	2,199	22.9
EBITDA	(329)	(340)	NM	(294)	NM	(504)	(809)	NM
Margin (%)	NM	NM		NM		NM	NM	
Depreciation	110	103	6.6	109	0.5	328	306	7.4
EBIT	(438)	(442)	NM	(403)	NM	(832)	(1,115)	NM
Interest	56	65	(12.8)	41	37.8	138	201	(31.3)
Other Income	104	6	1,567.5	2	5,183.2	248	96	160.1
Share of P/L in associates	-	(5)	NM	-	NM	(1)	(8)	NM
Exceptional items	-	-	NM	(156)	NM	(156)	-	NM
PBT	(391)	(506)	NM	(286)	NM	(567)	(1,228)	NM
Tax	(86)	(58)	NM	(88)	NM	(126)	(55)	NM
Tax Rate (%)	NM	NM		NM		NM	NM	
Reported PAT	(305)	(447)	NM	(199)	NM	(441)	(1,173)	NM
Minority interest	(43)	5	NM	(21)	NM	(72)	(11)	NM
OCI	1	1	(35.9)	(3)	NM	(0)	3	NM
Total comprehensive income	(304)	(446)	NM	(201)	NM	(441)	(1,170)	NM
Reported EPS	(8.7)	(12.8)	NM	(5.7)	NM	(12.6)	(33.5)	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
CY22	Foundation stage (K-2) NCF announced in October-22
CY23E	Development of books based on the new curriculum
FY23 onwards	Complete impact of NCF to percolate into financials

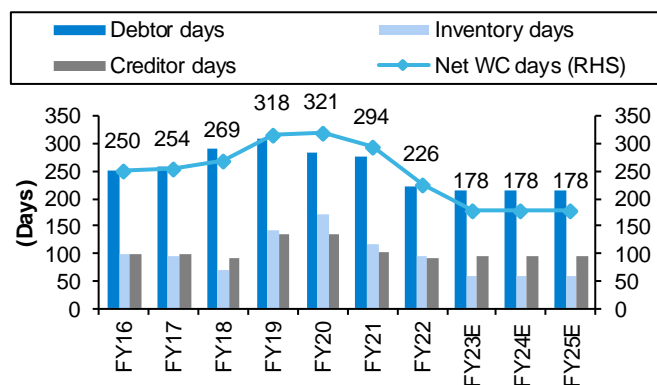
Source: Company, PL

Exhibit 3: OCF/EBITDA to be at 0.8x in FY25E

Particulars (Rsmn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E
OCF/EBITDA (x)	0.2	0.2	NM	NM	2.0	1.7	1.2	0.8	0.8
OCF	324	389	386	484	1,076	1,066	1,330	1,054	1,116
EBITDA	1,658	1,927	(312)	(220)	547	614	1,084	1,281	1,389

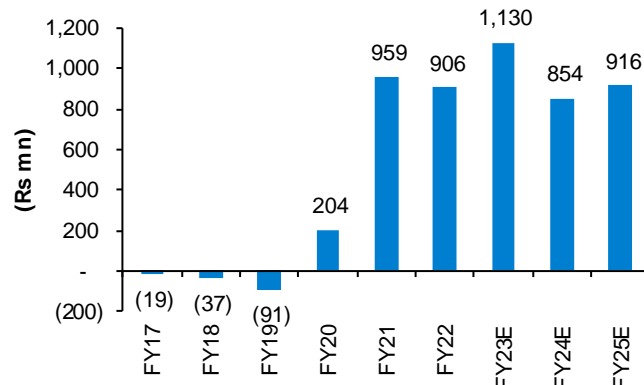
Source: Company, PL

Exhibit 4: NWC of S Chand to be at 178 days in FY25E



Source: Company, PL

Exhibit 5: FCFF to be at Rs916mn in FY25E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Net Revenues	4,809	6,240	6,723	7,256
YoY gr. (%)	13.1	29.7	7.8	7.9
Cost of Goods Sold	1,729	2,304	2,417	2,602
Gross Profit	3,081	3,935	4,306	4,654
Margin (%)	64.1	63.1	64.0	64.1
Employee Cost	1,173	1,323	1,412	1,524
Other Expenses	1,294	1,529	1,614	1,741
EBITDA	614	1,084	1,281	1,389
YoY gr. (%)	12.2	76.6	18.1	8.4
Margin (%)	12.8	17.4	19.0	19.1
Depreciation and Amortization	421	436	449	452
EBIT	193	648	832	936
Margin (%)	4.0	10.4	12.4	12.9
Net Interest	274	177	137	137
Other Income	143	280	150	150
Profit Before Tax	51	907	845	949
Margin (%)	1.1	14.5	12.6	13.1
Total Tax	(35)	228	213	239
Effective tax rate (%)	(68.3)	25.2	25.2	25.2
Profit after tax	86	678	632	710
Minority interest	(30)	(30)	-	-
Share Profit from Associate	(5)	(5)	(5)	(5)
Adjusted PAT	123	372	626	705
YoY gr. (%)	(319.8)	203.3	68.6	12.5
Margin (%)	2.5	6.0	9.3	9.7
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	117	703	626	705
YoY gr. (%)	(385.8)	499.1	(10.9)	12.5
Margin (%)	2.4	11.3	9.3	9.7
Other Comprehensive Income	7	-	-	-
Total Comprehensive Income	87	673	626	705
Equity Shares O/s (m)	35	35	35	35
EPS (Rs)	3.5	10.6	17.9	20.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
Non-Current Assets				
Gross Block	3,345	3,745	4,145	4,545
Tangibles	1,304	1,504	1,704	1,904
Intangibles	2,041	2,241	2,441	2,641
Acc: Dep / Amortization	1,417	1,853	2,302	2,755
Tangibles	510	732	956	1,165
Intangibles	907	1,122	1,347	1,589
Net fixed assets	2,308	2,272	2,223	2,171
Tangibles	1,174	1,153	1,129	1,119
Intangibles	1,134	1,119	1,094	1,051
Capital Work In Progress	13	13	13	13
Goodwill	3,381	3,381	3,381	3,381
Non-Current Investments	135	135	135	135
Net Deferred tax assets	845	803	762	724
Other Non-Current Assets	65	65	65	65
Current Assets				
Investments	153	153	153	153
Inventories	1,276	991	1,068	1,153
Trade receivables	2,921	3,675	3,960	4,274
Cash & Bank Balance	675	1,000	1,517	2,095
Other Current Assets	113	118	124	131
Total Assets	11,933	12,656	13,453	14,347
Equity				
Equity Share Capital	175	175	175	175
Other Equity	8,139	8,842	9,469	10,173
Total Networth	8,314	9,017	9,644	10,348
Non-Current Liabilities				
Long Term borrowings	819	643	643	643
Provisions	-	-	-	-
Other non current liabilities	66	66	66	66
Current Liabilities				
ST Debt / Current of LT Debt	1,002	750	750	750
Trade payables	1,215	1,624	1,750	1,889
Other current liabilities	358	397	442	492
Total Equity & Liabilities	11,933	12,656	13,453	14,347

Source: Company Data, PL Research



Cash Flow (Rs m)

Y/e Mar	FY22	FY23E	FY24E	FY25E
PBT	46	907	845	949
Add. Depreciation	421	436	449	452
Add. Interest	274	177	137	137
Less Financial Other Income	143	280	150	150
Add. Other	110	61	29	27
Op. profit before WC changes	850	1,581	1,459	1,565
Net Changes-WC	333	(23)	(193)	(210)
Direct tax	(117)	(228)	(213)	(239)
Net cash from Op. activities	1,066	1,330	1,054	1,116
Capital expenditures	(132)	(200)	(200)	(200)
Interest / Dividend Income	-	-	-	-
Others	104	(200)	(200)	(200)
Net Cash from Invt. activities	(28)	(400)	(400)	(400)
Issue of share cap. / premium	5	-	-	-
Debt changes	(459)	(428)	-	-
Dividend paid	-	-	-	-
Interest paid	(238)	(177)	(137)	(137)
Others	(156)	-	-	-
Net cash from Fin. activities	(848)	(605)	(137)	(137)
Net change in cash	190	325	517	578
Free Cash Flow	906	1,130	854	916

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY22	FY23E	FY24E	FY25E
Per Share(Rs)				
EPS	3.5	10.6	17.9	20.1
CEPS	15.5	23.1	30.7	33.0
BVPS	237.3	257.3	275.2	295.3
FCF	25.9	32.2	24.4	26.1
DPS	-	-	-	-
Return Ratio(%)				
RoCE	1.6	5.3	6.4	6.7
ROIC	2.9	4.3	5.5	6.0
RoE	1.5	4.3	6.7	7.0
Balance Sheet				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	129	120	120	120
Valuation(x)				
PER	50.1	16.5	9.8	8.7
P/B	0.7	0.7	0.6	0.6
P/CEPS	11.3	7.6	5.7	5.3
EV/EBITDA	11.6	5.9	4.6	3.8
EV/Sales	1.5	1.0	0.9	0.7
Dividend Yield (%)	-	-	-	-

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY22	Q1FY23	Q2FY23	Q3FY23
Net Revenue	3,419	1,073	473	652
YoY gr. (%)	20.9	199.4	(8.8)	27.1
Raw Material Expenses	1,174	350	181	207
Gross Profit	2,245	723	292	445
Margin (%)	65.7	67.4	61.8	68.3
EBITDA	1,423	119	(294)	(329)
YoY gr. (%)	14.4	NA	NA	NA
Margin (%)	41.6	11.1	NA	NA
Depreciation / Depletion	115	110	109	110
EBIT	1,308	10	(403)	(438)
Margin (%)	38.2	0.9	NA	NA
Net Interest	72	41	41	56
Other Income	48	143	2	104
Profit before Tax	1,271	112	(286)	(391)
Margin (%)	37.2	10.4	NA	NA
Total Tax	21	48	(88)	(86)
Effective tax rate (%)	1.6	43.2	30.6	22.1
Profit after Tax	1,251	63	(199)	(305)
Minority interest	(15)	(7)	(21)	(43)
Share Profit from Associates	2	(1)	-	-
Adjusted PAT	1,280	(29)	(333)	(262)
YoY gr. (%)	32.7	NA	NA	NA
Margin (%)	37.5	NA	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	1,272	71	(180)	(261)
YoY gr. (%)	32.0	NA	NA	NA
Margin (%)	37.2	6.6	NA	NA
Other Comprehensive Income	4	2	(3)	1
Total Comprehensive Income	1,257	64	(201)	(304)
Avg. Shares O/s (m)	35	35	35	35
EPS (Rs)	36.5	(0.8)	(9.5)	(7.5)

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	06-Jan-23	BUY	220	173
2	14-Nov-22	BUY	220	164
3	06-Oct-22	BUY	234	187
4	10-Aug-22	BUY	185	137
5	07-Jul-22	BUY	156	115
6	25-May-22	BUY	156	102
7	08-Apr-22	BUY	159	114

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	474	357
2	Entertainment Network (India)	Hold	189	149
3	Indian Railway Catering and Tourism Corporation	Hold	694	644
4	Inox Leisure	BUY	587	502
5	Music Broadcast	Hold	23	27
6	Navneet Education	Accumulate	148	105
7	Nazara Technologies	BUY	898	592
8	PVR	BUY	1,983	1,678
9	S Chand and Company	BUY	220	173
10	Safari Industries (India)	BUY	2,553	1,889
11	V.I.P. Industries	BUY	1,014	700
12	Zee Entertainment Enterprises	BUY	309	238

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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