

April 22, 2024

Visit Update

■ Change in Estimates | ■ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY25E	FY26E	FY25E	FY26E
Rating	BUY		BUY	
Target Price	182		182	
Sales (Rs. m)	19,134	21,631	19,134	21,631
% Chng.	-	-	-	-
EBITDA (Rs. m)	3,614	4,203	3,614	4,203
% Chng.	-	-	-	-
EPS (Rs.)	9.6	11.1	9.6	11.1
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY23	FY24E	FY25E	FY26E
Sales (Rs. m)	16,968	17,510	19,134	21,631
EBITDA (Rs. m)	2,980	2,769	3,614	4,203
Margin (%)	17.6	15.8	18.9	19.4
PAT (Rs. m)	1,405	1,265	2,168	2,501
EPS (Rs.)	6.2	5.6	9.6	11.1
Gr. (%)	NA	(9.9)	71.3	15.3
DPS (Rs.)	2.6	2.1	2.3	2.7
Yield (%)	1.7	1.4	1.5	1.8
RoE (%)	13.0	10.3	15.7	16.0
RoCE (%)	19.8	15.2	18.7	19.7
EV/Sales (x)	2.2	2.0	1.8	1.6
EV/EBITDA (x)	12.3	12.9	9.7	8.3
PE (x)	24.3	26.9	15.7	13.6
P/BV (x)	3.0	2.6	2.3	2.1

Key Data

NAVN.BO | NELI IN

52-W High / Low	Rs.176 / Rs.100
Sensex / Nifty	73,649 / 22,336
Market Cap	Rs.34bn / \$ 409m
Shares Outstanding	226m
3M Avg. Daily Value	Rs.44.98m

Shareholding Pattern (%)

Promoter's	63.31
Foreign	3.54
Domestic Institution	12.41
Public & Others	20.73
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	8.0	(8.9)	31.9
Relative	6.8	(19.1)	6.8

Jinesh Joshi

jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria

stutiberia@plindia.com | 91-22-66322246

Publishing performance under radar

Quick Pointers:

- Delay in realization of NCF benefits is likely to put publishing growth under pressure.

We visited Navneet Education Ltd's (NELI) manufacturing plant at Khaniwade in Palghar district of Maharashtra. The plant is spread across 6 acres and had ~100 tons of paper inventory. Predominantly, stationary products get manufactured (paper & non-paper) at the plant while some area is dedicated for storage of publication books.

In the ensuing discussion post plant visit, NELI revealed it is still awaiting curriculum change announcement schedule for FY25E indicating publishing volumes would continue to remain under pressure. However, we expect stationary business to grow at a CAGR of 12% over FY24E-FY26E led by exports. While there are near term concerns on growth, NELI trades at an attractive valuation of 10x FY26E EPS (adjusting for K-12's valuation) with a PAT CAGR of 21% over FY23-FY26E. We maintain our estimates and retain BUY on the stock with a SOTP based TP of Rs182.

Key findings & observations from the plant visit: 1) Labor at the production unit operates in 2 shifts. 2) Majority of labor employed at plant is on pay-roll of NELI. 3) The plant had a multi-color offset printing machine. 4) There was frequent power outage but solar back-up was in place. Power restoration happened immediately and down time was not very high. 5) More than 300 SKUs are manufactured at the plant. 6) Roughly, 70% of the products manufactured at the plant are exported. 7) Frequent audits are undertaken by clients as export contribution from the plant is high. 8) Production of non-paper based stationary business (art materials) is outsourced and there are no major plans to expand in that category.

NCF benefits likely to be back ended: As syllabus change schedule for FY25E is still not published, we expect circulation of 2nd hand books to rise putting volume growth under pressure in near term. Consequently, we expect publishing business to grow by just 5% YoY in FY25E. Nonetheless, as NCF implementation gathers pace over time, top-line growth is expected to be in double-digits from FY26E onwards.

Stationary growth to be back in double digits in FY25E: We expect stationary top-line CAGR of 12% backed by strong growth in exports as mitigating measure to offset impact of anti-dumping levy by the US is already in place.

Outlook & valuation: Though there are near term concerns on publishing growth 1) turnaround in Indiannica business, 2) narrowing losses in Ed-Tech (burn of Rs450mn/Rs300mn in FY24E/FY25E) and 3) realization of impending benefits from NCF implementation is expected to result in sales/EBITDA CAGR of 11%/23% over FY24E-FY26E. Retain BUY with a SOTP based TP of Rs182.

Financials

Income Statement (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Net Revenues	16,968	17,510	19,134	21,631
YoY gr. (%)	52.3	3.2	9.3	13.0
Cost of Goods Sold	8,459	8,930	9,280	10,491
Gross Profit	8,509	8,580	9,854	11,140
Margin (%)	50.1	49.0	51.5	51.5
Employee Cost	2,322	2,554	2,758	2,979
Other Expenses	2,128	2,189	2,296	2,596
EBITDA	2,980	2,769	3,614	4,203
YoY gr. (%)	83.3	(7.1)	30.5	16.3
Margin (%)	17.6	15.8	18.9	19.4
Depreciation and Amortization	581	620	717	786
EBIT	2,399	2,149	2,897	3,417
Margin (%)	14.1	12.3	15.1	15.8
Net Interest	116	180	170	160
Other Income	147	120	150	180
Profit Before Tax	2,430	2,089	2,877	3,437
Margin (%)	14.3	11.9	15.0	15.9
Total Tax	942	794	639	866
Effective tax rate (%)	38.8	38.0	22.2	25.2
Profit after tax	1,488	1,295	2,238	2,571
Minority interest	(8)	0	0	0
Share Profit from Associate	(92)	(30)	(70)	(70)
Adjusted PAT	1,405	1,265	2,168	2,501
YoY gr. (%)	(4,434.9)	(9.9)	71.3	15.3
Margin (%)	8.3	7.2	11.3	11.6
Extra Ord. Income / (Exp)	641	682	-	-
Reported PAT	2,045	1,947	2,168	2,501
YoY gr. (%)	170.7	(4.8)	11.4	15.3
Margin (%)	12.1	11.1	11.3	11.6
Other Comprehensive Income	-	-	-	-
Total Comprehensive Income	2,045	1,947	2,168	2,501
Equity Shares O/s (m)	226	226	226	226
EPS (Rs)	6.2	5.6	9.6	11.1

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
Non-Current Assets				
Gross Block	6,283	6,913	7,543	8,173
Tangibles	5,036	5,636	6,236	6,836
Intangibles	1,247	1,277	1,307	1,337
Acc: Dep / Amortization	4,210	4,906	5,702	6,568
Tangibles	3,266	3,886	4,603	5,389
Intangibles	944	1,020	1,099	1,179
Net fixed assets	2,167	2,100	1,934	1,698
Tangibles	1,863	1,843	1,726	1,540
Intangibles	303	257	208	158
Capital Work In Progress	74	74	74	74
Goodwill	239	239	239	239
Non-Current Investments	3,258	3,277	3,299	3,322
Net Deferred tax assets	(375)	(375)	(375)	(375)
Other Non-Current Assets	284	296	309	322
Current Assets				
Investments	-	-	-	-
Inventories	6,247	6,716	7,444	8,593
Trade receivables	3,314	3,598	4,194	4,860
Cash & Bank Balance	275	824	1,358	2,128
Other Current Assets	457	526	605	695
Total Assets	16,567	17,948	19,808	22,351
Equity				
Equity Share Capital	452	452	452	452
Other Equity	11,051	12,530	14,178	16,078
Total Network	11,503	12,983	14,630	16,531
Non-Current Liabilities				
Long Term borrowings	4	4	4	4
Provisions	11	12	12	13
Other non current liabilities	-	-	-	-
Current Liabilities				
ST Debt / Current of LT Debt	2,875	2,523	2,500	2,876
Trade payables	645	672	786	889
Other current liabilities	1,122	1,348	1,469	1,630
Total Equity & Liabilities	16,565	17,948	19,809	22,350

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY23	FY24E	FY25E	FY26E
PBT	2,980	2,089	2,877	3,437
Add. Depreciation	581	620	717	786
Add. Interest	116	180	170	160
Less Financial Other Income	147	120	150	180
Add. Other	(588)	(72)	(90)	(108)
Op. profit before WC changes	3,089	2,817	3,674	4,275
Net Changes-WC	(2,638)	(581)	(1,181)	(1,656)
Direct tax	(667)	(744)	(589)	(816)
Net cash from Op. activities	(216)	1,492	1,904	1,803
Capital expenditures	(10,816)	(553)	(552)	(550)
Interest / Dividend Income	16	72	90	108
Others	9,940	(19)	(21)	(23)
Net Cash from Invt. activities	(860)	(501)	(483)	(465)
Issue of share cap. / premium	-	-	-	-
Debt changes	5,912	(352)	(23)	377
Dividend paid	(342)	(588)	(467)	(520)
Interest paid	(101)	(180)	(170)	(160)
Others	(4,458)	-	-	-
Net cash from Fin. activities	1,011	(1,120)	(660)	(304)
Net change in cash	(64)	(128)	761	1,034
Free Cash Flow	(725)	939	1,353	1,253

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Per Share(Rs)				
EPS	6.2	5.6	9.6	11.1
CEPS	8.8	8.3	12.8	14.5
BVPS	50.9	57.4	64.7	73.1
FCF	(3.2)	4.2	6.0	5.5
DPS	2.6	2.1	2.3	2.7
Return Ratio(%)				
RoCE	19.8	15.2	18.7	19.7
ROIC	18.0	15.4	18.2	18.8
RoE	13.0	10.3	15.7	16.0
Balance Sheet				
Net Debt : Equity (x)	0.2	0.1	0.1	0.0
Net Working Capital (Days)	192	201	207	212
Valuation(x)				
PER	24.3	26.9	15.7	13.6
P/B	3.0	2.6	2.3	2.1
P/CEPS	17.2	18.1	11.8	10.4
EV/EBITDA	12.3	12.9	9.7	8.3
EV/Sales	2.2	2.0	1.8	1.6
Dividend Yield (%)	1.7	1.4	1.5	1.8

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q1FY24	Q2FY24	Q3FY24	Q4FY24E
Net Revenue	7,915	2,658	2,588	4,350
YoY gr. (%)	14.1	(19.4)	(2.1)	6.3
Raw Material Expenses	4,227	1,314	1,296	2,093
Gross Profit	3,688	1,344	1,291	2,257
Margin (%)	46.6	50.6	49.9	51.9
EBITDA	2,089	(43)	40	683
YoY gr. (%)	6.9	(113.2)	(60.9)	14.3
Margin (%)	26.4	(1.6)	1.6	15.7
Depreciation / Depletion	130	146	164	180
EBIT	1,959	(189)	(124)	503
Margin (%)	24.8	(7.1)	(4.8)	11.6
Net Interest	75	39	36	30
Other Income	35	22	31	32
Profit before Tax	1,919	476	(129)	505
Margin (%)	24.2	17.9	(5.0)	11.6
Total Tax	542	161	38	53
Effective tax rate (%)	28.2	33.8	(29.5)	10.6
Profit after Tax	1,378	315	(167)	452
Minority interest	-	-	-	-
Share Profit from Associates	72	41	(58)	(85)
Adjusted PAT	1,449	(326)	(225)	366
YoY gr. (%)	(4.8)	1,386.8	(32.7)	59.8
Margin (%)	18.3	(12.3)	(8.7)	8.4
Extra Ord. Income / (Exp)	-	682	-	-
Reported PAT	1,449	356	(225)	366
YoY gr. (%)	(4.8)	(1,725.6)	(173.3)	59.8
Margin (%)	18.3	13.4	(8.7)	8.4
Other Comprehensive Income	17	(4)	16	(16)
Total Comprehensive Income	1,466	352	(209)	350
Avg. Shares O/s (m)	226	226	226	226
EPS (Rs)	6.4	(1.4)	(1.0)	1.6

Source: Company Data, PL Research

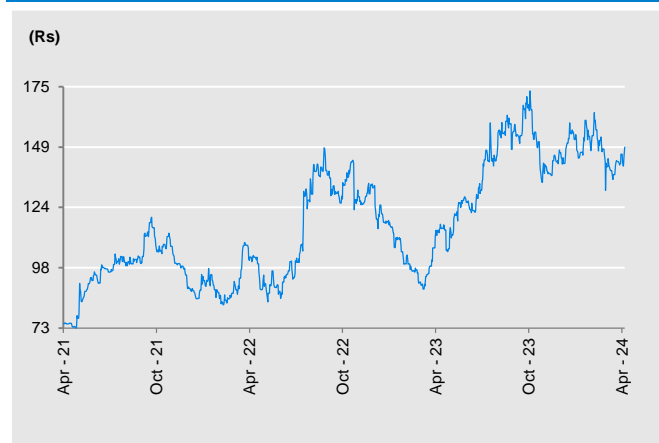
Key Operating Metrics

Y/e Mar	FY23	FY24E	FY25E	FY26E
Segment Revenues				
Publishing	6,718	6,785	7,124	8,193
Stationery	9,471	9,870	11,053	12,344
EBIT				
Publishing	2,222	1,357	1,995	2,622
Stationery	1,182	987	1,492	1,728

Source: Company Data, PL Research

Price Chart

Recommendation History



No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Apr-24	BUY	182	142
2	09-Feb-24	BUY	182	153
3	08-Jan-24	BUY	206	155
4	08-Nov-23	BUY	195	140
5	07-Oct-23	BUY	205	166
6	06-Aug-23	BUY	192	144
7	05-Jul-23	BUY	152	125
8	17-May-23	BUY	152	113

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	888	860
2	Indian Railway Catering and Tourism Corporation	Hold	825	1,023
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	4,079	3,795
5	Lemon Tree Hotels	BUY	153	141
6	Navneet Education	BUY	182	142
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,663	1,385
9	S Chand and Company	BUY	315	245
10	Safari Industries (India)	BUY	2,268	1,971
11	V.I.P. Industries	BUY	603	540
12	Zee Entertainment Enterprises	Hold	164	150

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

ANALYST CERTIFICATION

(Indian Clients)

We/I, Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Stuti Beria- MBA Finance Research Analysts, authors and the names subscribed to this report, hereby certify that all of the views expressed in this research report accurately reflect our views about the subject issuer(s) or securities. We also certify that no part of our compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

(US Clients)

The research analysts, with respect to each issuer and its securities covered by them in this research report, certify that: All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and No part of his or her or their compensation was, is or will be directly related to the specific recommendation or views expressed in this research report.

DISCLAIMER

Indian Clients

Prabhudas Lilladher Pvt. Ltd, Mumbai, India (hereinafter referred to as "PL") is engaged in the business of Stock Broking, Portfolio Manager, Depository Participant and distribution for third party financial products. PL is a subsidiary of Prabhudas Lilladher Advisory Services Pvt Ltd. which has its various subsidiaries engaged in business of commodity broking, investment banking, financial services (margin funding) and distribution of third party financial/other products, details in respect of which are available at www.plindia.com.

This document has been prepared by the Research Division of PL and is meant for use by the recipient only as information and is not for circulation. This document is not to be reported or copied or made available to others without prior permission of PL. It should not be considered or taken as an offer to sell or a solicitation to buy or sell any security.

The information contained in this report has been obtained from sources that are considered to be reliable. However, PL has not independently verified the accuracy or completeness of the same. Neither PL nor any of its affiliates, its directors or its employees accepts any responsibility of whatsoever nature for the information, statements and opinion given, made available or expressed herein or for any omission therein.

Recipients of this report should be aware that past performance is not necessarily a guide to future performance and value of investments can go down as well. The suitability or otherwise of any investments will depend upon the recipient's particular circumstances and, in case of doubt, advice should be sought from an independent expert/advisor.

Either PL or its affiliates or its directors or its employees or its representatives or its clients or their relatives may have position(s), make market, act as principal or engage in transactions of securities of companies referred to in this report and they may have used the research material prior to publication.

PL may from time to time solicit or perform investment banking or other services for any company mentioned in this document.

PL is a registered with SEBI under the SEBI (Research Analysts) Regulation, 2014 and having registration number INH000000271.

PL submits that no material disciplinary action has been taken on us by any Regulatory Authority impacting Equity Research Analysis activities.

PL or its research analysts or its associates or his relatives do not have any financial interest in the subject company.

PL or its research analysts or its associates or his relatives do not have actual/beneficial ownership of one per cent or more securities of the subject company at the end of the month immediately preceding the date of publication of the research report.

PL or its research analysts or its associates or his relatives do not have any material conflict of interest at the time of publication of the research report.

PL or its associates might have received compensation from the subject company in the past twelve months.

PL or its associates might have managed or co-managed public offering of securities for the subject company in the past twelve months or mandated by the subject company for any other assignment in the past twelve months.

PL or its associates might have received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months.

PL or its associates might have received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months

PL or its associates might have received any compensation or other benefits from the subject company or third party in connection with the research report.

PL encourages independence in research report preparation and strives to minimize conflict in preparation of research report. PL or its analysts did not receive any compensation or other benefits from the subject Company or third party in connection with the preparation of the research report. PL or its Research Analysts do not have any material conflict of interest at the time of publication of this report.

It is confirmed that Mr. Jinesh Joshi- MS(Finance) and CFA, Ms. Stuti Beria- MBA Finance Research Analysts of this report have not received any compensation from the companies mentioned in the report in the preceding twelve months

Compensation of our Research Analysts is not based on any specific merchant banking, investment banking or brokerage service transactions.

The Research analysts for this report certifies that all of the views expressed in this report accurately reflect his or her personal views about the subject company or companies and its or their securities, and no part of his or her compensation was, is or will be, directly or indirectly related to specific recommendations or views expressed in this report.

The research analysts for this report has not served as an officer, director or employee of the subject company PL or its research analysts have not engaged in market making activity for the subject company

Our sales people, traders, and other professionals or affiliates may provide oral or written market commentary or trading strategies to our clients that reflect opinions that are contrary to the opinions expressed herein, and our proprietary trading and investing businesses may make investment decisions that are inconsistent with the recommendations expressed herein. In reviewing these materials, you should be aware that any or all of the foregoing, among other things, may give rise to real or potential conflicts of interest.

PL and its associates, their directors and employees may (a) from time to time, have a long or short position in, and buy or sell the securities of the subject company or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the subject company or act as an advisor or lender/borrower to the subject company or may have any other potential conflict of interests with respect to any recommendation and other related information and opinions.

US Clients

This research report is a product of Prabhudas Lilladher Pvt. Ltd., which is the employer of the research analyst(s) who has prepared the research report. The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account.

This report is intended for distribution by Prabhudas Lilladher Pvt. Ltd. only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a 6(a)(2). If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person, which is not the Major Institutional Investor.

In reliance on the exemption from registration provided by Rule 15a-6 of the Exchange Act and interpretations thereof by the SEC in order to conduct certain business with Major Institutional Investors, Prabhudas Lilladher Pvt. Ltd. has entered into an agreement with a U.S. registered broker-dealer, Marco Polo Securities Inc. ("Marco Polo").

Transactions in securities discussed in this research report should be effected through Marco Polo or another U.S. registered broker dealer.

Prabhudas Lilladher Pvt. Ltd.

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

www.plindia.com