Prabhudas Lilladher
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Education

Jan-Mar'24 Earnings Preview

April 10, 2024

NEP benefits delayed

After the announcement of National Curriculum Framework (NCF), phased adoption of new books was expected in the upcoming academic session. However, given NCERT has published new books only for grades 3 and 6, adoption rate for revised curriculum is lower than expected. This is likely to impact volumes and consequently we expect S Chand and Navneet Education (NELI) to report a modest performance in this quarter. We believe since this was the maiden year of implementation, adoption rate was lower and as higher grades undergo a syllabus change over time volumes would rise. We maintain our positive bias on book publishers and S Chand remains our preferred pick with a TP of Rs315 (12x FY26E EPS).

NELI's top-line to increase by 6.3% YoY: We expect NELI's publishing topline to increase 15.0% YoY to Rs1,714mn in 4QFY24E led by Indiannica Learning Ltd (ILL) while stationery business is expected to grow by 3.0% YoY to Rs2,650mn with an EBIT margin of 9.0%. Overall, we expect top-line to increase 6.3% YoY to Rs4,350mn with an EBITDA margin of 15.7% in 4QFY24E. Retain 'BUY' on NELI with a SOTP based TP of Rs182 (unchanged).

S Chand's top-line to fall short of guidance: S Chand is likely to report an 11.6% YoY growth in topline to Rs4,357mn with an EBITDA margin of 42.8% in 4QFY24E. For FY24E, management was envisaging top-line of Rs7,200-7,500mn but we anticipate a shortfall given adoption rate for new curriculum is slower than expected as NCERT books of only class 3 and 6 have been published so far. Amid slow adoption rate, we cut our EPS estimates by 12.2%/11.9% for FY25E/FY26E but retain BUY on the stock with a revised TP of Rs315 (12x FY26E EPS; no change in target multiple).

Exhibit 1: PL Universe

Companies	Rating	CMP (Rs)	TP (Rs)
Navneet Education	BUY	142	182
S Chand and Company	BUY	245	315

Source: PL

Jinesh Joshi
jineshjoshi@plindia.com | 91-22-66322238

Stuti Beria
stutiberia@plindia.com | 91-22-66322246

Exhibit 2: Q4FY24 Result Preview – Education (Rs mn)

Company Name		Q4FY24E	Q4FY23	YoY gr. (%)	Q3FY24	QoQ gr. (%)	Remark
Navneet Education	Sales	4,350	4,090	*6.3*	2,588	*68.1*	We expect publishing topline to increase 15.0% YoY to Rs1,714mn while stationery business is expected to grow by 3.0% YoY. Overall, we expect top-line to increase 6.3% YoY to Rs4,350mn with an EBITDA margin of 15.7% and a GM of 51.9% for 4QFY24E.
	EBITDA	683	598	*14.3*	40	*1,595.3*	
	Margin (%)	*15.7*	*14.6*	*109 bps*	*1.6*	*1415 bps*	
	PBT	505	399	*26.5*	-129	*NA*	
	Adj. PAT	366	229	*59.8*	-225	*NA*	
S Chand and Company	Sales	4,357	3,905	*11.6*	763	*471.0*	For S Chand, an 11.6% YoY growth is expected in topline to Rs4,357mn. GM is expected to be at 66.3% in 4QFY24E. We expect EBITDA to grow by 27.2% YoY to Rs1,866mn with a margin of 42.8%. Net profit is expected to climb by 23.4% YoY to Rs1,255mn.
	EBITDA	1,866	1,466	*27.2*	-403	*NA*	
	Margin (%)	*42.8*	*37.6*	*527 bps*	*-52.8*	*9558 bps*	
	PBT	1,745	1,344	*29.9*	-507	*NA*	
	Adj. PAT	1,210	1,030	*17.5*	-349	*NA*	

Source: Company, PL

Exhibit 3: Valuation Summary

Company Names	S/C	Rating	CMP (Rs)	TP (Rs)	MCap (Rs bn)	Sales (Rs mn)				EBITDA (Rs mn)				PAT (Rs mn)				EPS (Rs)				RoE (%)				PE (x)			
						FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E	FY22	FY23	FY24E	FY25E
Navneet Education	C	BUY	142	182	32.2	16,968	17,510	19,134	21,631	2,980	2,769	3,614	4,203	1,405	1,265	2,168	2,501	6.2	5.6	9.6	11.1	13.0	10.3	15.7	16.0	22.9	25.4	14.9	12.9
S Chand & Company	C	BUY	245	315	8.6	6,103	6,612	7,896	8,984	963	1,101	1,519	1,733	328	484	792	917	9.3	13.8	22.5	26.1	3.8	5.3	8.2	8.8	26.3	17.8	10.9	9.4

Source: Company, PL *S=Standalone / C=Consolidated / Acc = Accumulate*

Exhibit 4: Change in Estimates

	Rating		Target Price			Sales						PAT						EPS					
						FY24E			FY25E			FY24E			FY25E			FY24E			FY25E		
	C	P	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*	C	P	*% Chng.*
Navneet Education	BUY	BUY	182	182	*0.0%*	17,510	17,510	*0.0%*	19,134	19,134	*0.0%*	1,265	1,288	*-1.8%*	2,168	2,168	*0.0%*	5.6	5.7	*-1.8%*	9.6	9.6	*0.0%*
S Chand & Company	BUY	BUY	315	357	*-11.9%*	6,612	7,128	*-7.2%*	7,896	8,517	*-7.3%*	484	616	*-21.4%*	792	903	*-12.2%*	13.8	17.5	*-21.4%*	22.5	25.7	*-12.2%*

Source: Company, PL *C=Current / P=Previous / Acc = Accumulate*

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	820	762
2	Indian Railway Catering and Tourism Corporation	Hold	825	929
3	Inox Leisure	BUY	587	502
4	InterGlobe Aviation	Accumulate	3,961	3,482
5	Lemon Tree Hotels	BUY	155	138
6	Navneet Education	BUY	182	153
7	Nazara Technologies	BUY	826	671
8	PVR Inox	Accumulate	1,663	1,385
9	S Chand and Company	BUY	357	262
10	Safari Industries (India)	BUY	2,271	2,045
11	V.I.P. Industries	BUY	603	465
12	Zee Entertainment Enterprises	Hold	164	150

PL's Recommendation Nomenclature

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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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

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