

November 12, 2024

Q2FY25 Result Update

■ Change in Estimates | Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	322		312	
Sales (Rs. m)	8,723	9,508	8,723	9,508
% Chng.	-	-	-	-
EBITDA (Rs. m)	1,646	1,779	1,646	1,779
% Chng.	-	-	-	-
EPS (Rs.)	25.8	27.5	25.8	27.5
% Chng.	-	-	-	-

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	6,626	7,558	8,723	9,508
EBITDA (Rs. m)	1,098	1,348	1,646	1,779
Margin (%)	16.6	17.8	18.9	18.7
PAT (Rs. m)	566	693	910	969
EPS (Rs.)	16.1	19.7	25.8	27.5
Gr. (%)	72.4	22.4	31.4	6.5
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	1.4	1.4	1.4	1.4
RoE (%)	6.2	7.1	8.8	8.6
RoCE (%)	5.1	6.6	8.2	8.1
EV/Sales (x)	1.1	0.9	0.7	0.6
EV/EBITDA (x)	6.4	4.9	3.8	3.1
PE (x)	13.0	10.6	8.1	7.6
P/BV (x)	0.8	0.7	0.7	0.6

Key Data

	SCHA.NS SCHAND IN
52-W High / Low	Rs.335 / Rs.201
Sensex / Nifty	78,675 / 23,883
Market Cap	Rs.7bn/ \$ 87m
Shares Outstanding	35m
3M Avg. Daily Value	Rs.32.93m

Shareholding Pattern (%)

Promoter's	47.06
Foreign	6.15
Domestic Institution	3.82
Public & Others	42.95
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(4.5)	(9.1)	(16.0)
Relative	(1.2)	(16.0)	(30.3)

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All eyes on NCERT's new syllabus timeline

Quick Pointers:

- Aiming for double-digit growth in topline with EBITDA margin of 17-19% in FY25E

In a seasonally weak quarter, while SCHAND's topline was flat, GM improved to 53.1% (PLe 55.0%) aided by a content syndication deal. The management reaffirmed its FY25E guidance of double-digit revenue growth with EBITDA margin of 17-19% supported by 1) single-digit price hike, 2) RM cost stabilization, and 3) anticipated volume delta arising from phased rollout of the new NCF. Although adoption of NCF-aligned content has been gradual, with NCERT announcing new syllabus books only for grades 3 and 6 so far, further announcements during the course of the year will drive higher adoption rate and aid revenue. Backed by these factors, we expect sales/PAT CAGR of 12%/18% over FY25E-FY27E. SCHAND trades at attractive valuations of 8.0x/7.5x our FY26E/FY27E EPS estimates. We broadly maintain our estimates and retain 'BUY' with a revised TP of Rs322 (12x Sep'26EPS; no change in target multiple).

Topline remains flat: Revenue declined 1.5% YoY to Rs374mn (PLe Rs388mn) versus Rs380mn in 2QFY24.

GM stood at 53.1%: Gross profit increased 8.6% YoY to Rs199mn (PLe Rs213mn) with a GM of 53.1% (PLe 55.0%) aided by a content syndication deal.

EBITDA loss at Rs574mn: EBITDA loss widened to Rs574mn (PLe Rs511mn), as compared to EBITDA loss of Rs498mn in 2QFY24. The loss was driven by seasonality in the business and higher-than-expected other expenses of Rs358mn (PLe Rs317mn), up 13.3% YoY. Loss after MI stood at Rs517mn (PLe loss of Rs453mn), as against a loss of Rs403mn in 2QFY24.

Key highlights: 1) Revenue growth is expected to be in double digits in FY25E. 2) EBITDA margin is expected to be in the 17-19% band. 3) Single-digit price hike is expected for FY25E. 4) SCHAND's content licensing agreement with tech firms for generative AI large language models, has aided revenue and GM. 5) Total inventory stood at Rs1,818mn in 2QFY25. 6) Net working capital days stood at 136, reflecting efficiency in cash flow management. 7) SCHAND maintained a net debt-free position with a net cash balance of Rs93mn at the end of 2QFY25.

Exhibit 1: Q1FY25 Result Overview (Rs mn)

Y/e March	2QFY25	2QFY24	YoY gr (%)	1QFY25	QoQ gr (%)	2QFY25E	% Var.	H1FY25	H2FY24	YoY gr (%)
Net Sales	374	380	(1.5)	1,107	(66.2)	388	(0.0)	1,481	1,491	(0.7)
Expenditure										
Raw Materials	176	197	(10.9)	304	(42.3)	175	0.0	480	544	(11.7)
<i>% of Net sales</i>	<i>46.9</i>	<i>51.9</i>		<i>27.5</i>		<i>45.0</i>		<i>32.4</i>	<i>36.5</i>	
Personnel	415	365	13.6	385	7.6	408	0.0	800	699	14.5
<i>% of Net sales</i>	<i>110.7</i>	<i>96.0</i>		<i>34.8</i>		<i>105.0</i>		<i>54.0</i>	<i>46.8</i>	
Selling, dist & Other Exp	358	316	13.3	333	7.4	317	0.1	691	611	13.1
<i>% of Net sales</i>	<i>95.6</i>	<i>83.1</i>		<i>30.1</i>		<i>81.6</i>		<i>46.7</i>	<i>41.0</i>	
Total Expenditure	948	878	8.0	1,023	(7.3)	899	0.1	1,971	1,853	6.3
EBITDA	(574)	(498)	NM	84	NM	(511)	NM	(490)	(362)	NM
<i>Margin (%)</i>	<i>(153.2)</i>	<i>(130.9)</i>		<i>7.6</i>		<i>(131.6)</i>		<i>(33.1)</i>	<i>(24.3)</i>	
Depreciation	101	120	(15.8)	102	(1.0)	110	(0.1)	203	228	(11.2)
EBIT	(675)	(617)	NM	(18)	NM	(621)	NM	(692)	(590)	NM
Interest	23	31	(26.2)	28	(17.2)	28	(0.2)	51	60	(14.3)
Other Income	22	14	55.7	30	(25.9)	25	(0.1)	51	42	22.7
Share of P/L in associates	-	-	NM	-	NM	-	NM	-	-	NM
Exceptional items	-	-	NM	-	NM	-	NM	-	-	NM
PBT	(676)	(635)	NM	(16)	NM	(623)	NM	(692)	(608)	NM
Tax	(148)	(217)	NM	14	NM	(156)	NM	(135)	(201)	NM
<i>Tax Rate (%)</i>	<i>NM</i>	<i>NM</i>		<i>NM</i>		<i>NM</i>		<i>NM</i>	<i>NM</i>	
Reported PAT	(528)	(418)	NM	(30)	NM	(468)	NM	(558)	(407)	NM
Minority interest	(11)	(15)	NM	(9)	NM	(15)	NM	(20)	(30)	NM
OCI	(5)	(7)		5	NM	-	NM	(1)	(4)	NM
Total comprehensive income	(533)	(425)	NM	(25)	NM	(468)	NM	(558)	(411)	NM
Reported EPS	(15.0)	(11.5)	NM	(0.6)	NM	(13.3)	NM	(15.3)	(10.7)	NM

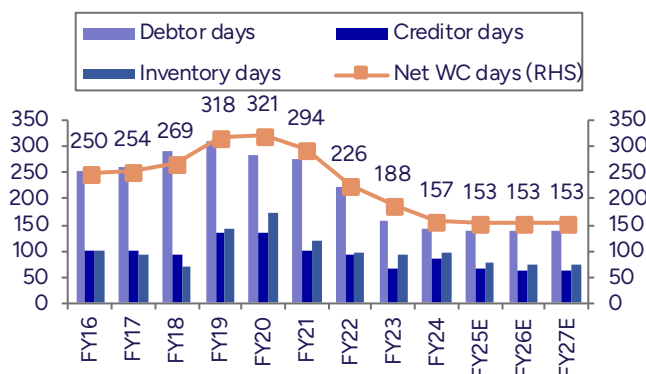
Source: Company, PL

Exhibit 2: OCF/EBITDA to be at 0.8x in FY27E

Particulars (Rs mn)	FY19	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E
OCF/EBITDA (x)	NM	NM	2.0	1.7	0.8	1.1	0.8	0.7	0.8
OCF	386	484	1,076	1,066	811	1,211	1,028	1,119	1,393
EBITDA	(312)	(220)	547	614	963	1,098	1,348	1,646	1,779

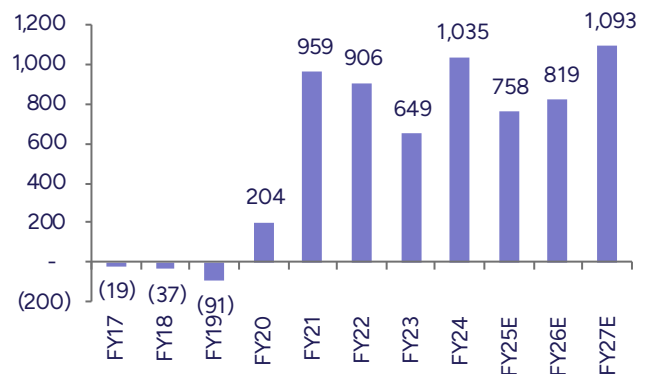
Source: Company, PL

Exhibit 3: NWC of SCHAND to be at 153 days in FY27E



Source: Company, PL

Exhibit 4: FCFF to be at Rs1,093mn in FY27E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	6,626	7,558	8,723	9,508
YoY gr. (%)	8.6	14.1	15.4	9.0
Cost of Goods Sold	2,262	2,537	2,977	3,212
Gross Profit	4,364	5,021	5,746	6,296
Margin (%)	65.9	66.4	65.9	66.2
Employee Cost	1,503	1,663	1,849	2,044
Other Expenses	1,763	2,010	2,250	2,472
EBITDA	1,098	1,348	1,646	1,779
YoY gr. (%)	14.1	22.7	22.1	8.1
Margin (%)	16.6	17.8	18.9	18.7
Depreciation and Amortization	462	494	541	605
EBIT	636	854	1,105	1,174
Margin (%)	9.6	11.3	12.7	12.3
Net Interest	153	98	88	78
Other Income	99	150	180	180
Profit Before Tax	582	906	1,197	1,276
Margin (%)	8.8	12.0	13.7	13.4
Total Tax	71	228	302	322
Effective tax rate (%)	12.2	25.2	25.2	25.2
Profit after tax	511	678	895	954
Minority interest	(55)	(15)	(15)	(15)
Share Profit from Associate	-	-	-	-
Adjusted PAT	566	693	910	969
YoY gr. (%)	72.7	22.4	31.4	6.5
Margin (%)	8.5	9.2	10.4	10.2
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	552	693	910	969
YoY gr. (%)	(13.4)	25.4	31.4	6.5
Margin (%)	8.3	9.2	10.4	10.2
Other Comprehensive Income	(14)	-	-	-
Total Comprehensive Income	498	678	895	954
Equity Shares O/s (m)	35	35	35	35
EPS (Rs)	16.1	19.7	25.8	27.5

Source: Company Data, PL Research

Balance Sheet Abstract (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Non-Current Assets				
Gross Block	3,400	3,870	4,370	4,870
Tangibles	1,270	1,540	1,840	2,140
Intangibles	2,130	2,330	2,530	2,730
Acc: Dep / Amortization	1,863	2,357	2,898	3,503
Tangibles	472	696	950	1,245
Intangibles	1,391	1,661	1,948	2,258
Net fixed assets	1,915	1,892	1,851	1,746
Tangibles	1,176	1,223	1,269	1,274
Intangibles	739	669	582	472
Capital Work In Progress	-	-	-	-
Goodwill	3,325	3,325	3,325	3,325
Non-Current Investments	255	255	255	255
Net Deferred tax assets	829	787	748	710
Other Non-Current Assets	192	192	192	192
Current Assets				
Investments	402	402	402	402
Inventories	1,761	1,615	1,792	1,954
Trade receivables	2,601	2,899	3,346	3,647
Cash & Bank Balance	1,273	1,527	1,853	2,462
Other Current Assets	142	149	157	165
Total Assets	12,734	13,084	13,962	14,901
Equity				
Equity Share Capital	176	176	176	176
Other Equity	9,234	9,822	10,626	11,490
Total Networkth	9,410	9,998	10,802	11,666
Non-Current Liabilities				
Long Term borrowings	386	386	386	386
Provisions	-	-	-	-
Other non current liabilities	111	111	111	111
Current Liabilities				
ST Debt / Current of LT Debt	943	843	743	643
Trade payables	1,517	1,346	1,482	1,615
Other current liabilities	338	371	408	449
Total Equity & Liabilities	12,734	13,083	13,960	14,899

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	582	906	1,197	1,276
Add. Depreciation	462	494	541	605
Add. Interest	153	98	88	78
Less Financial Other Income	99	150	180	180
Add. Other	84	49	47	45
Op. profit before WC changes	1,281	1,547	1,873	2,004
Net Changes-WC	162	(291)	(453)	(289)
Direct tax	(232)	(228)	(302)	(322)
Net cash from Op. activities	1,211	1,028	1,119	1,393
Capital expenditures	(169)	(270)	(300)	(300)
Interest / Dividend Income	-	-	-	-
Others	(72)	(200)	(200)	(200)
Net Cash from Invt. activities	(241)	(470)	(500)	(500)
Issue of share cap. / premium	5	-	-	-
Debt changes	(186)	(100)	(100)	(100)
Dividend paid	(106)	(105)	(105)	(105)
Interest paid	(127)	(98)	(88)	(78)
Others	(117)	-	-	-
Net cash from Fin. activities	(530)	(303)	(293)	(283)
Net change in cash	440	255	325	610
Free Cash Flow	1,035	758	819	1,093

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	16.1	19.7	25.8	27.5
CEPS	29.2	33.7	41.2	44.7
BVPS	267.2	283.9	306.7	331.2
FCF	29.4	21.5	23.2	31.0
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	5.1	6.6	8.2	8.1
ROIC	5.2	5.8	7.3	7.6
RoE	6.2	7.1	8.8	8.6
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.2)
Net Working Capital (Days)	60	75	78	78
Valuation(x)				
PER	13.0	10.6	8.1	7.6
P/B	0.8	0.7	0.7	0.6
P/CEPS	7.2	6.2	5.1	4.7
EV/EBITDA	6.4	4.9	3.8	3.1
EV/Sales	1.1	0.9	0.7	0.6
Dividend Yield (%)	1.4	1.4	1.4	1.4

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q3FY24	Q4FY24	Q1FY25	Q2FY25
Net Revenue	763	4,372	1,107	374
YoY gr. (%)	17.0	11.9	(0.4)	(1.5)
Raw Material Expenses	345	1,373	304	176
Gross Profit	419	2,998	802	199
Margin (%)	54.8	68.6	72.5	53.1
EBITDA	(403)	1,863	84	(574)
YoY gr. (%)	NA	27.1	(38.1)	NA
Margin (%)	NA	42.6	7.6	NA
Depreciation / Depletion	109	125	102	101
EBIT	(511)	1,738	(18)	(675)
Margin (%)	NA	39.8	NA	NA
Net Interest	45	48	28	23
Other Income	49	8	30	22
Profit before Tax	(507)	1,698	(16)	(676)
Margin (%)	NA	38.8	NA	NA
Total Tax	(144)	416	14	(148)
Effective tax rate (%)	28.3	24.5	(83.2)	21.9
Profit after Tax	(364)	1,282	(30)	(528)
Minority interest	(15)	(10)	(9)	(11)
Share Profit from Associates	-	-	-	-
Adjusted PAT	(349)	1,292	(21)	(517)
YoY gr. (%)	NA	25.5	NA	NA
Margin (%)	NA	29.6	NA	NA
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	(344)	1,277	(21)	(517)
YoY gr. (%)	NA	26.6	NA	NA
Margin (%)	NA	29.2	NA	NA
Other Comprehensive Income	5	(15)	5	(5)
Total Comprehensive Income	(359)	1,267	(30)	(528)
Avg. Shares O/s (m)	35	35	35	35
EPS (Rs)	(10.0)	36.7	(0.6)	(14.7)

Source: Company Data, PL Research

Price Chart



Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	04-Oct-24	BUY	312	211
2	13-Aug-24	BUY	312	216
3	09-Jul-24	BUY	307	245
4	30-May-24	BUY	307	238
5	09-Apr-24	BUY	315	245
6	07-Feb-24	BUY	357	262
7	08-Jan-24	BUY	362	311
8	13-Nov-23	BUY	338	248

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	Accumulate	921	845
2	Delhivery	Accumulate	430	417
3	DOMS Industries	BUY	3,349	2,924
4	Imagicaaworld Entertainment	BUY	110	74
5	Indian Railway Catering and Tourism Corporation	Hold	833	829
6	InterGlobe Aviation	Accumulate	4,919	4,366
7	Lemon Tree Hotels	BUY	159	121
8	Mahindra Logistics	Hold	496	444
9	Navneet Education	Hold	164	143
10	Nazara Technologies	BUY	1,185	953
11	PVR Inox	Hold	1,598	1,621
12	S Chand and Company	BUY	312	211
13	Safari Industries (India)	BUY	2,989	2,235
14	TCI Express	Accumulate	1,119	977
15	V.I.P. Industries	Hold	494	472
16	Zee Entertainment Enterprises	Hold	145	132

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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