PL Capital
PRABHUDAS LILLADHER

February 12, 2025

Q3FY25 Result Update

☑ Change in Estimates | ☑ Target | ■ Reco

Change in Estimates

	Current		Previous	
	FY26E	FY27E	FY26E	FY27E
Rating	BUY		BUY	
Target Price	305		322	
Sales (Rs. m)	8,598	9,369	8,723	9,508
% Chng.	*(1.4)*	*(1.5)*		
EBITDA (Rs. m)	1,626	1,776	1,646	1,779
% Chng.	*(1.2)*	*(0.2)*		
EPS (Rs.)	25.0	27.5	25.8	27.5
% Chng.	*(3.2)*	*0.1*		

Key Financials - Consolidated

Y/e Mar	FY24	FY25E	FY26E	FY27E
Sales (Rs. m)	6,626	7,455	8,598	9,369
EBITDA (Rs. m)	1,098	1,362	1,626	1,776
Margin (%)	*16.6*	*18.3*	*18.9*	*19.0*
PAT (Rs. m)	566	718	881	970
EPS (Rs.)	16.1	20.4	25.0	27.5
Gr. (%)	*72.4*	*26.8*	*22.7*	*10.1*
DPS (Rs.)	3.0	3.0	3.0	3.0
Yield (%)	*1.6*	*1.6*	*1.6*	*1.6*
RoE (%)	*6.2*	*7.4*	*8.5*	*8.6*
RoCE (%)	*5.1*	*7.2*	*8.2*	*8.3*
EV/Sales (x)	1.0	0.8	0.7	0.5
EV/EBITDA (x)	5.8	4.4	3.5	2.8
PE (x)	11.8	9.3	7.6	6.9
P/BV (x)	0.7	0.7	0.6	0.6

Key Data	SCHA.NS | SCHAND IN
52-W High / Low	Rs.292 / Rs.182
Sensex / Nifty	76,294 / 23,072
Market Cap	Rs.7bn/ $ 77m
Shares Outstanding	35m
3M Avg. Daily Value	Rs.11.91m

Shareholding Pattern (%)

Promoter's	47.06
Foreign	4.41
Domestic Institution	3.82
Public & Others	44.71
Promoter Pledge (Rs bn)	-

Stock Performance (%)

	1M	6M	12M
Absolute	(11.0)	(16.1)	(32.0)
Relative	(9.8)	(12.3)	(36.2)

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S Chand and Company (SCHAND IN)

Rating: BUY | CMP: Rs189 | TP: Rs305

Growth hinges on NCERT's new syllabus timeline

Quick Pointers:

- GM expands to 70.3%
- Aligning with NCF, 500 new titles are expected to be launched in FY25

SCHAND reported strong performance in 3QFY25 with GM of 70.3% (PLe 55.0%) and EBITDA loss of Rs192mn (PLe loss of Rs314mn) led by 1) introduction of semester system (aids in volume & realization) for grades 11th and 12th in West Bengal and 2) multiple content syndication deals. 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 K-to-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%/16% over FY25E-FY27E. SCHAND trades at attractive valuations of 7.5x/6.8x our FY26E/FY27E EPS estimates with FCFF yield of ~12%. We broadly maintain our estimates and retain 'BUY' with a TP of Rs305 valuing the stock at 11x (earlier 12x) as we roll forward our valuation to FY27E.

Topline up 31.2% YoY: Revenue increased 31.2% YoY at Rs1,002mn (PLe of Rs1,012mn) aided by introduction of semester system for grades 11th and 12th in West Bengal.

GM touches 70.3%: Gross profit increased 68.1% YoY to Rs704mn (PLe of Rs557mn) with a GM of 70.3% (PLe 55.0%) aided by content syndication deal and stable RM prices.

EBITDA loss at Rs192mn: EBITDA loss was at Rs192mn (PLe EBITDA loss of Rs314mn) as against an EBITDA loss of Rs403mn in 3QFY24. EBITDA loss was lower than our expectations due to strong GM performance. Loss after MI stood at Rs256mn (PLe loss of Rs312mn) for the quarter.

Key highlights: **1)** Gross margins exceeded 70% mark in 3QFY25, driven by lower RM costs, further aided by content licensing revenue. **2)** S Chand has no plans to exit Smartivity (Ed-Tech investment). Revaluation will occur on next funding round. **3)** The adoption rate of new syllabus in schools was 10-15% in FY24, and is expected to reach 30-40% in FY25E, with higher uptake in North India. **4)** Paper prices began rising after 3QFY25, increasing by 10-15% from their lowest point. **5)** S Chand caters to ~45-50K schools across the country. **6)** NCF syllabus announcements for grades 4 to 5 and 7 to 12 are still awaited. **7)** K-to-8 accounts for ~80-85% of S Chand's school revenue. **7)** S Chand's content licensing partnership with leading tech firms for Gen AI-based large language models generated ~Rs200mn in revenue in 9MFY25. **8)** Mid-single digit price hike is expected across portfolio in FY25E. **9)** Investment budget for the CUET platform "TestCoach" is ~Rs15-20mn. **10)** NCERT holds an ~18-20% market share in all-India market.

Exhibit 1: Q3FY25 Result Overview (Rs mn)

Y/e March	3QFY25	3QFY24	YoY gr (%)	2QFY25	QoQ gr (%)	3QFY25E	% Var.	9MFY25	9MFY24	YoY gr (%)
Net Sales	**1,002**	**763**	***31.2***	**374**	***167.5***	**1,012**	***(1.0)***	**2,483**	**2,254**	***10.1***
Expenditure										
Raw Materials	298	345	*(13.5)*	176	*69.6*	455	*(34.6)*	778	888	*(12.4)*
% of Net sales	*29.7*	*45.2*		*46.9*		*45.0*		*31.3*	*39.4*	
Personnel	437	384	*14.0*	415	*5.5*	425	*2.9*	1,237	1,082	*14.3*
% of Net sales	*43.7*	*50.3*		*110.7*		*42.0*		*49.8*	*48.0*	
Selling , dist & Other Exp	458	438	*4.7*	358	*28.0*	445	*2.9*	1,149	1,049	*9.6*
% of Net sales	*45.8*	*57.3*		*95.6*		*44.0*		*46.3*	*46.5*	
Total Expenditure	1,193	1,166	*2.4*	948	*25.9*	1,326	*(10.0)*	3,164	3,019	*4.8*
EBITDA	**(192)**	**(403)**	***NM***	**(574)**	***NM***	**(314)**	***NM***	**(682)**	**(765)**	***NM***
Margin (%)	*NM*	*NM*		*NM*		*NM*		*NM*	*NM*	
Depreciation	103	109	*(5.6)*	101	*2.0*	101	*1.7*	305	337	*(9.4)*
EBIT	**(295)**	**(511)**	***NM***	**(675)**	***NM***	**(415)**	***NM***	**(987)**	**(1,102)**	***NM***
Interest	32	45	*(28.7)*	23	*37.2*	23	*38.4*	83	104	*(20.5)*
Other Income	16	49	*(68.1)*	22	*(29.3)*	22	*(29.5)*	67	91	*(26.1)*
Share of P/L in associates	-	-	*NM*	-	*NM*	-	*NM*	-	-	*NM*
Exceptional items	-	-	*NM*	-	*NM*	-	*NM*	-	-	*NM*
PBT	**(311)**	**(507)**	***NM***	**(676)**	***NM***	**(416)**	***NM***	**(1,003)**	**(1,116)**	***NM***
Tax	(55)	(144)	*NM*	(148)	*NM*	(104)	*NM*	(190)	(345)	*NM*
Tax Rate (%)	*NM*	*NM*		*NM*		*NM*		*NM*	*NM*	
Reported PAT	**(256)**	**(364)**	***NM***	**(528)**	***NM***	**(312)**	***NM***	**(813)**	**(771)**	***NM***
Minority interest	(9)	(15)	*NM*	(11)	*NM*	(10)	*NM*	(30)	(45)	*NM*
OCI	2	5		(5)	*NM*	-	*NM*	1	1	*NM*
Total comprehensive income	**(254)**	**(359)**	***NM***	**(533)**	***NM***	**(312)**	***NM***	**(812)**	**(770)**	***NM***
Reported EPS	**(7.0)**	**(9.9)**	***NM***	**(14.7)**	***NM***	**(8.9)**	***NM***	**(22.3)**	**(20.6)**	***NM***

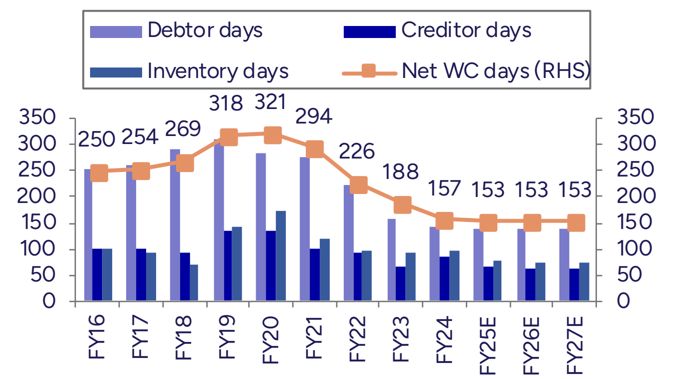
Source: Company, PL

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	1,047	1,071	1,379
EBITDA	(312)	(220)	547	614	963	1,098	1,362	1,626	1,776

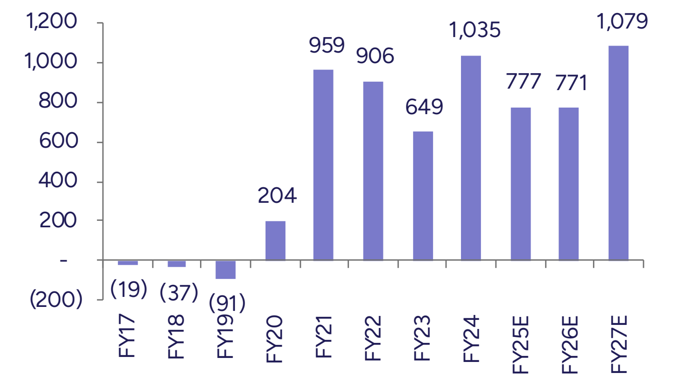
Source: Company, PL

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



Source: Company, PL

Exhibit 4: FCFF to be at Rs1,079mn in FY27E



Source: Company, PL

Financials

Income Statement (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
Net Revenues	**6,626**	**7,455**	**8,598**	**9,369**
YoY gr. (%)	*8.6*	*12.5*	*15.3*	*9.0*
Cost of Goods Sold	2,262	2,447	2,854	3,124
Gross Profit	4,364	5,007	5,745	6,245
Margin (%)	*65.9*	*67.2*	*66.8*	*66.7*
Employee Cost	1,503	1,677	1,849	2,014
Other Expenses	1,763	1,968	2,270	2,455
EBITDA	**1,098**	**1,362**	**1,626**	**1,776**
YoY gr. (%)	*14.1*	*24.0*	*19.4*	*9.2*
Margin (%)	*16.6*	*18.3*	*18.9*	*19.0*
Depreciation and Amortization	462	429	514	584
EBIT	**636**	**933**	**1,112**	**1,192**
Margin (%)	*9.6*	*12.5*	*12.9*	*12.7*
Net Interest	153	113	88	78
Other Income	99	100	120	150
Profit Before Tax	**582**	**920**	**1,144**	**1,263**
Margin (%)	*8.8*	*12.3*	*13.3*	*13.5*
Total Tax	71	232	288	318
Effective tax rate (%)	*12.2*	*25.2*	*25.2*	*25.2*
Profit after tax	**511**	**688**	**856**	**945**
Minority interest	(55)	(30)	(25)	(25)
Share Profit from Associate	-	-	-	-
Adjusted PAT	**566**	**718**	**881**	**970**
YoY gr. (%)	*72.7*	*26.8*	*22.7*	*10.1*
Margin (%)	*8.5*	*9.6*	*10.2*	*10.4*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**552**	**718**	**881**	**970**
YoY gr. (%)	*(13.4)*	*30.0*	*22.7*	*10.1*
Margin (%)	*8.3*	*9.6*	*10.2*	*10.4*
Other Comprehensive Income	(14)	-	-	-
Total Comprehensive Income	498	688	856	945
Equity Shares O/s (m)	**35**	**35**	**35**	**35**
EPS (Rs)	**16.1**	**20.4**	**25.0**	**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**	**4,420**	**4,970**
Tangibles	1,270	1,540	1,840	2,140
Intangibles	2,130	2,330	2,580	2,830
Acc: Dep / Amortization	**1,863**	**2,293**	**2,807**	**3,391**
Tangibles	472	657	887	1,155
Intangibles	1,391	1,636	1,919	2,236
Net fixed assets	**1,915**	**1,956**	**1,992**	**1,958**
Tangibles	1,176	1,262	1,332	1,364
Intangibles	739	694	661	594
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	1,593	1,767	1,925
Trade receivables	2,601	2,859	3,298	3,594
Cash & Bank Balance	1,273	1,531	1,759	2,305
Other Current Assets	142	149	157	165
Total Assets	**12,734**	**13,090**	**13,936**	**14,874**
Equity				
Equity Share Capital	176	176	176	176
Other Equity	9,234	9,846	10,622	11,486
Total Networth	**9,410**	**10,023**	**10,798**	**11,662**
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	1,328	1,461	1,591
Other current liabilities	338	371	408	449
Total Equity & Liabilities	**12,734**	**13,090**	**13,935**	**14,872**

Source: Company Data, PL Research

Cash Flow (Rs m)

Y/e Mar	FY24	FY25E	FY26E	FY27E
PBT	582	920	1,144	1,263
Add. Depreciation	462	429	514	584
Add. Interest	153	113	88	78
Less Financial Other Income	99	100	120	150
Add. Other	84	64	57	55
Op. profit before WC changes	1,281	1,526	1,803	1,981
Net Changes-WC	162	(248)	(444)	(283)
Direct tax	(232)	(232)	(288)	(318)
Net cash from Op. activities	**1,211**	**1,047**	**1,071**	**1,379**
Capital expenditures	(169)	(270)	(300)	(300)
Interest / Dividend Income	-	-	-	-
Others	(72)	(200)	(250)	(250)
Net Cash from Invt. activities	**(241)**	**(470)**	**(550)**	**(550)**
Issue of share cap. / premium	5	-	-	-
Debt changes	(186)	(100)	(100)	(100)
Dividend paid	(106)	(105)	(105)	(105)
Interest paid	(127)	(113)	(88)	(78)
Others	(117)	-	-	-
Net cash from Fin. activities	**(530)**	**(318)**	**(293)**	**(283)**
Net change in cash	**440**	**259**	**227**	**546**
Free Cash Flow	1,035	777	771	1,079

Source: Company Data, PL Research

Key Financial Metrics

Y/e Mar	FY24	FY25E	FY26E	FY27E
Per Share(Rs)				
EPS	16.1	20.4	25.0	27.5
CEPS	29.2	32.6	39.6	44.1
BVPS	267.2	284.6	306.6	331.1
FCF	29.4	22.1	21.9	30.6
DPS	3.0	3.0	3.0	3.0
Return Ratio(%)				
RoCE	5.1	7.2	8.2	8.3
ROIC	5.2	6.4	7.3	7.6
RoE	6.2	7.4	8.5	8.6
Balance Sheet				
Net Debt : Equity (x)	0.0	(0.1)	(0.1)	(0.1)
Net Working Capital (Days)	60	75	78	78
Valuation(x)				
PER	11.8	9.3	7.6	6.9
P/B	0.7	0.7	0.6	0.6
P/CEPS	6.5	5.8	4.8	4.3
EV/EBITDA	5.8	4.4	3.5	2.8
EV/Sales	1.0	0.8	0.7	0.5
Dividend Yield (%)	1.6	1.6	1.6	1.6

Source: Company Data, PL Research

Quarterly Financials (Rs m)

Y/e Mar	Q4FY24	Q1FY25	Q2FY25	Q3FY25
Net Revenue	**4,372**	**1,107**	**374**	**1,002**
YoY gr. (%)	*11.9*	*(0.4)*	*(1.5)*	*31.2*
Raw Material Expenses	1,373	304	176	298
Gross Profit	2,998	802	199	704
Margin (%)	*68.6*	*72.5*	*53.1*	*70.3*
EBITDA	**1,863**	**84**	**(574)**	**(192)**
YoY gr. (%)	*27.1*	*(38.1)*	*15.3*	*(52.3)*
Margin (%)	*42.6*	*7.6*	*(153.2)*	*(19.2)*
Depreciation / Depletion	125	102	101	103
EBIT	**1,738**	**(18)**	**(675)**	**(295)**
Margin (%)	*39.8*	*(1.6)*	*(180.1)*	*(29.4)*
Net Interest	48	28	23	32
Other Income	8	30	22	16
Profit before Tax	**1,698**	**(16)**	**(676)**	**(311)**
Margin (%)	*38.8*	*(1.5)*	*(180.5)*	*(31.1)*
Total Tax	416	14	(148)	(55)
Effective tax rate (%)	*24.5*	*(83.2)*	*21.9*	*17.8*
Profit after Tax	**1,282**	**(30)**	**(528)**	**(256)**
Minority interest	(10)	(9)	(11)	(9)
Share Profit from Associates	-	-	-	-
Adjusted PAT	**1,292**	**(21)**	**(517)**	**(246)**
YoY gr. (%)	*25.5*	*(178.9)*	*28.2*	*(29.4)*
Margin (%)	*29.6*	*(1.9)*	*(138.0)*	*(24.6)*
Extra Ord. Income / (Exp)	-	-	-	-
Reported PAT	**1,277**	**(21)**	**(517)**	**(246)**
YoY gr. (%)	*26.6*	*(171.6)*	*26.1*	*(28.4)*
Margin (%)	*29.2*	*(1.9)*	*(138.0)*	*(24.6)*
Other Comprehensive Income	(15)	5	(5)	2
Total Comprehensive Income	**1,267**	**(30)**	**(528)**	**(256)**
Avg. Shares O/s (m)	35	35	35	35
EPS (Rs)	**36.7**	**(0.6)**	**(14.7)**	**(7.0)**

Source: Company Data, PL Research

Price Chart

Recommendation History

No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	09-Jan-25	BUY	322	205
2	12-Nov-24	BUY	322	209
3	04-Oct-24	BUY	312	211
4	13-Aug-24	BUY	312	216
5	09-Jul-24	BUY	307	245
6	30-May-24	BUY	307	238
7	09-Apr-24	BUY	315	245

Analyst Coverage Universe

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	1,064	767
2	Delhivery	Hold	340	315
3	DOMS Industries	BUY	3,370	2,637
4	Imagicaaworld Entertainment	BUY	108	71
5	Indian Railway Catering and Tourism Corporation	Hold	835	770
6	InterGlobe Aviation	BUY	5,246	4,162
7	Lemon Tree Hotels	BUY	175	145
8	Mahindra Logistics	Hold	399	354
9	Navneet Education	Hold	150	140
10	Nazara Technologies	BUY	1,201	985
11	PVR Inox	Hold	1,215	1,090
12	S Chand and Company	BUY	322	205
13	Safari Industries (India)	BUY	2,783	2,383
14	TCI Express	BUY	1,021	791
15	V.I.P. Industries	BUY	463	374
16	Zee Entertainment Enterprises	Hold	137	121

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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