

Rating: BUY | CMP: Rs192 | TP: Rs257

May 31, 2023

## Q4FY23 Result Update

Change in Estimates |  Target |  Reco

### Change in Estimates

	Current		Previous	
	FY24E	FY25E	FY24E	FY25E
Rating	BUY		BUY	
Target Price	257		228	
Sales (Rs. m)	7,010	7,783	6,723	7,256
% Chng.	4.3	7.3		
EBITDA (Rs. m)	1,273	1,461	1,281	1,389
% Chng.	(0.6)	5.2		
EPS (Rs.)	17.6	21.3	17.9	20.1
% Chng.	(1.5)	6.0		

### Key Financials - Consolidated

Y/e Mar	FY22	FY23	FY24E	FY25E
Sales (Rs. m)	4,809	6,103	7,010	7,783
EBITDA (Rs. m)	614	963	1,273	1,461
Margin (%)	12.8	15.8	18.2	18.8
PAT (Rs. m)	123	328	619	750
EPS (Rs.)	3.5	9.3	17.6	21.3
Gr. (%)	(319.4)	166.8	88.7	21.1
DPS (Rs.)	-	3.0	3.0	3.0
Yield (%)	-	1.6	1.6	1.6
RoE (%)	1.5	3.8	6.7	7.7
RoCE (%)	1.6	4.1	6.3	7.2
EV/Sales (x)	1.6	1.2	0.9	0.8
EV/EBITDA (x)	12.6	7.4	5.2	4.1
PE (x)	55.0	20.6	10.9	9.0
P/BV (x)	0.8	0.8	0.7	0.7

### Key Data

	SCHA.NS   SCHAND IN
52-W High / Low	Rs.235 / Rs.93
Sensex / Nifty	62,622 / 18,534
Market Cap	Rs.7bn / \$ 82m
Shares Outstanding	35m
3M Avg. Daily Value	Rs.58.57m

### Shareholding Pattern (%)

Promoter's	47.14
Foreign	0.85
Domestic Institution	4.71
Public & Others	47.29
Promoter Pledge (Rs bn)	-

### Stock Performance (%)

	1M	6M	12M
Absolute	(10.0)	0.9	70.7
Relative	(12.1)	1.7	51.4

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## Re-rating hinges on NCF roll out

### Quick Pointers:

- Guided revenue of Rs7,200-7,500mn with EBITDA margin of 16-18% for FY24E.
- Restored dividend at Rs3 per share after FY18.

*Though our FY24E EPS estimates are broadly intact, we increase our FY25E EPS estimates by 6% as full benefits of NEP implementation and benign paper prices will accrue over time. S Chand & Company (S Chand) reported decent performance in FY23 from working capital (188 days; best ever) and leverage (net debt of just Rs60mn) standpoint, but top-line was a miss at Rs6,103mn (management guidance of Rs6,400-6,500mn). For FY24E, management has guided top-line of Rs7,200-7,500mn with EBITDA margin of 16-18% backed by price hike, RM stabilization and increased volumes that would come from NCF roll-out. We expect sales/EBITDA CAGR of 13%/23% over FY23-FY25E and maintain 'BUY' on the stock with a revised TP of Rs257 (12x FY25E EPS). Volatile RM prices and delay in NCF roll-out is a key risk to our call.*

### Top-line increased 14.2% YoY with Gross/EBITDA margin of 62.4%/37.6%:

Top-line increased 14.2% YoY to Rs3,905mn (PLe Rs4,041mn). Gross profit increased 8.5% YoY to Rs2,436mn (PLe of Rs2,475mn) with a GM of 62.4% (PLe 61.2%) as against 65.7% in 4QFY22. Higher RM prices led to margin erosion of 330bps on YoY basis. EBITDA increased 3.1% YoY to Rs1,466mn (PLe Rs1,588mn) with a margin of 37.6%. PAT after MI decreased by 19.6% YoY to Rs1,030mn (PLe Rs1,072mn).

### WC metrics improved and S Chand became net debt free: NWC improved to

188 days in FY23, led by improvement in receivable days and S Chand became net debt free in April-2023. The company also restored dividend at Rs3 per share after FY18.

**Con call highlights:** 1) Volume/value led growth was 9%/18% in FY23E. For FY24E, price hike is likely to be in the band of 6-8%. 2) Current RM inventory will suffice for 5-months and order for additional paper will be placed in June/July. 3) Imported paper formed ~35-40% of the RM cost in FY23 and the ratio is likely to rise to ~40-50% in FY24E (majority of imports are from Indonesia). 4) Sales and marketing spends will be in the range of 6-7% for FY24E (includes transportation cost). 5) For FY23, receivable days stood at 159 and the figure is likely to remain in the band of 120-150 days. 6) In FY23, Mylestone reported revenue and EBITDA loss of ~Rs160mn/~Rs20-30mn. For FY24E, revenue is expected to grow by 30% with positive EBITDA contribution. 7) OCF to be at Rs900-1,100mn in FY24E. 8) Direct sale to schools is ~5-7% as most of the business is conducted via channel partners.

**Exhibit 1: Q4FY23 Result Overview (Rs mn)**

Y/e March	4QFY23	4QFY22	YoY gr (%)	3QFY23	QoQ gr (%)	FY23	FY22	YoY gr (%)
<b>Net Sales</b>	<b>3,905</b>	<b>3,419</b>	<b>14.2</b>	<b>652</b>	<b>498.6</b>	<b>6,103</b>	<b>4,809</b>	<b>26.9</b>
<b>Expenditure</b>								
Raw Materials	1,469	1,399	5.0	207	609.7	2,207	2,151	2.6
<i>% of Net sales</i>	<i>37.6</i>	<i>40.9</i>		<i>31.7</i>		<i>36.2</i>	<i>44.7</i>	
Personnel	417	320	30.4	335	24.6	1,364	1,173	16.3
<i>% of Net sales</i>	<i>10.7</i>	<i>9.4</i>		<i>51.3</i>		<i>22.4</i>	<i>24.4</i>	
Selling, dist & Other Exp	552	277	99.0	439	25.6	1,569	872	79.9
<i>% of Net sales</i>	<i>14.1</i>	<i>8.1</i>		<i>67.3</i>		<i>25.7</i>	<i>18.1</i>	
Total Expenditure	2,439	1,996	22.2	981	148.5	5,141	4,196	22.5
<b>EBITDA</b>	<b>1,466</b>	<b>1,423</b>	<b>3.1</b>	<b>(329)</b>	<b>NM</b>	<b>963</b>	<b>614</b>	<b>56.9</b>
<i>Margin (%)</i>	<i>37.6</i>	<i>41.6</i>		<i>NM</i>		<i>15.8</i>	<i>12.8</i>	
Depreciation	135	115	17.7	109	24.1	464	421	10.2
<b>EBIT</b>	<b>1,331</b>	<b>1,308</b>	<b>1.8</b>	<b>(438)</b>	<b>NM</b>	<b>499</b>	<b>193</b>	<b>158.5</b>
Interest	68	72	(5.4)	56	20.9	207	274	(24.4)
Other Income	81	48	68.2	104	(22.1)	329	143	129.4
Share of P/L in associates	-	2	NM	-	NM	(1)	(5)	NM
Exceptional items	-	(12)	NM	-	NM	156	(12)	NM
<b>PBT</b>	<b>1,344</b>	<b>1,274</b>	<b>5.5</b>	<b>(391)</b>	<b>NM</b>	<b>777</b>	<b>46</b>	<b>1,601.7</b>
Tax	326	21	1,487.0	(86)	NM	201	(35)	NM
<i>Tax Rate (%)</i>	<i>24.3</i>	<i>1.6</i>		<i>NM</i>		<i>21.5</i>	<i>NM</i>	
<b>Reported PAT</b>	<b>1,017</b>	<b>1,253</b>	<b>(18.9)</b>	<b>(304)</b>	<b>NM</b>	<b>576</b>	<b>80</b>	<b>616.3</b>
Minority interest	(13)	(15)	NM	(43)	NM	(83)	(30)	NM
OCI	(21)	4	NM	1	NM	(21)	7	NM
<b>Total comprehensive income</b>	<b>996</b>	<b>1,257</b>	<b>(20.8)</b>	<b>(304)</b>	<b>NM</b>	<b>555</b>	<b>87</b>	<b>535.5</b>
<b>Reported EPS</b>	<b>29.0</b>	<b>35.8</b>	<b>(18.9)</b>	<b>(8.7)</b>	<b>NM</b>	<b>16.4</b>	<b>2.3</b>	<b>617.0</b>

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	Look forward to more NCF announcements for remaining classes during CY23. Development of books based on the new curriculum
FY24-FY26	Complete impact of NCF to percolate into financials

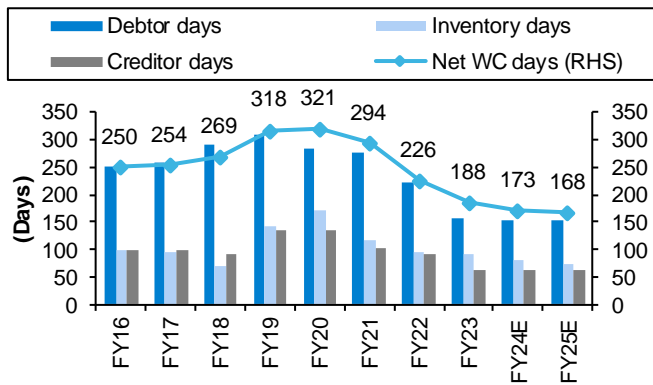
Source: Company, PL

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

Particulars (Rsmn)	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
OCF/EBITDA (x)	0.2	0.2	NM	NM	2.0	1.7	0.8	0.9	0.8
OCF	324	389	386	484	1,076	1,066	811	1,149	1,223
EBITDA	1,658	1,927	(312)	(220)	547	614	963	1,273	1,461

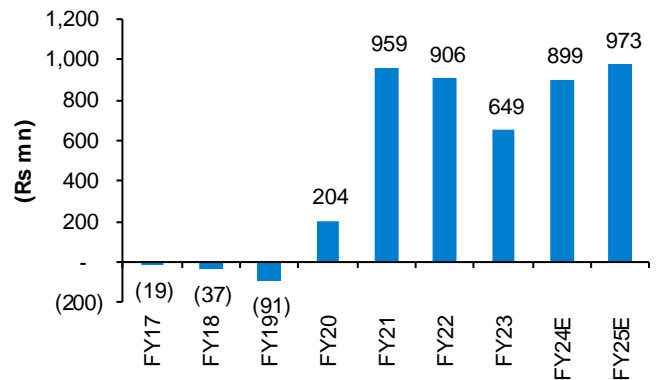
Source: Company, PL

**Exhibit 4: NWC of S Chand to be at 168 days in FY25E**

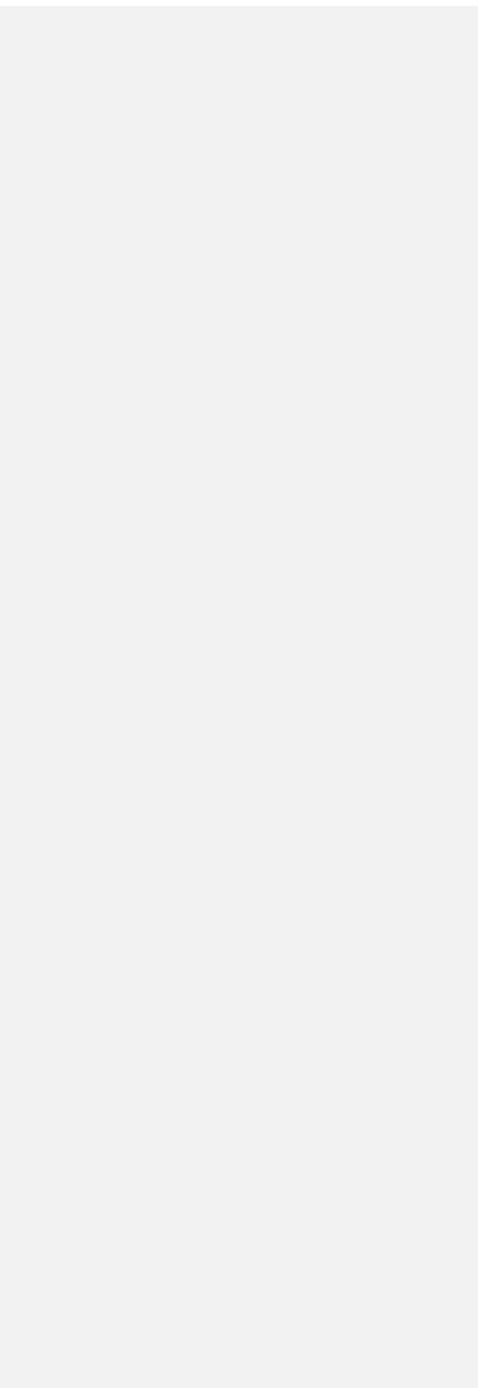


Source: Company, PL

**Exhibit 5: FCFF to be at Rs973mn in FY25E**



Source: Company, PL



## Financials

### Income Statement (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Net Revenues</b>	<b>4,809</b>	<b>6,103</b>	<b>7,010</b>	<b>7,783</b>
YoY gr. (%)	13.1	26.9	14.9	11.0
Cost of Goods Sold	1,729	2,207	2,463	2,710
Gross Profit	3,081	3,896	4,547	5,072
Margin (%)	64.1	63.8	64.9	65.2
Employee Cost	1,173	1,364	1,521	1,689
Other Expenses	1,294	1,569	1,753	1,922
<b>EBITDA</b>	<b>614</b>	<b>963</b>	<b>1,273</b>	<b>1,461</b>
YoY gr. (%)	12.2	56.9	32.3	14.7
Margin (%)	12.8	15.8	18.2	18.8
Depreciation and Amortization	421	464	487	500
<b>EBIT</b>	<b>193</b>	<b>499</b>	<b>787</b>	<b>961</b>
Margin (%)	4.0	8.2	11.2	12.4
Net Interest	274	207	139	139
Other Income	143	329	180	180
<b>Profit Before Tax</b>	<b>51</b>	<b>778</b>	<b>827</b>	<b>1,002</b>
Margin (%)	1.1	12.7	11.8	12.9
Total Tax	(35)	201	208	253
Effective tax rate (%)	(68.3)	25.8	25.2	25.2
<b>Profit after tax</b>	<b>86</b>	<b>577</b>	<b>619</b>	<b>750</b>
Minority interest	(30)	(83)	-	-
Share Profit from Associate	(5)	(1)	-	-
<b>Adjusted PAT</b>	<b>123</b>	<b>328</b>	<b>619</b>	<b>750</b>
YoY gr. (%)	(319.8)	167.6	88.7	21.1
Margin (%)	2.5	5.4	8.8	9.6
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>117</b>	<b>638</b>	<b>619</b>	<b>750</b>
YoY gr. (%)	(385.8)	443.8	(3.0)	21.1
Margin (%)	2.4	10.5	8.8	9.6
Other Comprehensive Income	7	(21)	-	-
Total Comprehensive Income	87	555	619	750
<b>Equity Shares O/s (m)</b>	<b>35</b>	<b>35</b>	<b>35</b>	<b>35</b>
<b>EPS (Rs)</b>	<b>3.5</b>	<b>9.3</b>	<b>17.6</b>	<b>21.3</b>

Source: Company Data, PL Research

### Balance Sheet Abstract (Rs m)

Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Non-Current Assets</b>				
<b>Gross Block</b>	<b>3,345</b>	<b>3,596</b>	<b>4,046</b>	<b>4,496</b>
Tangibles	1,304	1,574	1,824	2,074
Intangibles	2,041	2,022	2,222	2,422
<b>Acc: Dep / Amortization</b>	<b>1,417</b>	<b>1,881</b>	<b>2,368</b>	<b>2,867</b>
Tangibles	510	765	1,029	1,299
Intangibles	907	1,116	1,338	1,568
<b>Net fixed assets</b>	<b>2,308</b>	<b>2,101</b>	<b>2,064</b>	<b>2,014</b>
Tangibles	1,174	1,195	1,181	1,161
Intangibles	1,134	906	883	853
Capital Work In Progress	13	20	20	20
Goodwill	3,381	3,357	3,357	3,357
Non-Current Investments	135	236	236	236
Net Deferred tax assets	845	914	868	825
Other Non-Current Assets	65	46	46	46
<b>Current Assets</b>				
Investments	153	345	345	345
Inventories	1,276	1,562	1,536	1,599
Trade receivables	2,921	2,653	2,977	3,305
Cash & Bank Balance	675	807	1,367	2,001
Other Current Assets	113	119	125	131
<b>Total Assets</b>	<b>11,933</b>	<b>12,201</b>	<b>12,985</b>	<b>13,925</b>
<b>Equity</b>				
Equity Share Capital	175	176	176	176
Other Equity	8,139	8,780	9,294	9,939
<b>Total Networkth</b>	<b>8,314</b>	<b>8,956</b>	<b>9,470</b>	<b>10,115</b>
<b>Non-Current Liabilities</b>				
Long Term borrowings	819	422	422	422
Provisions	-	-	-	-
Other non current liabilities	66	94	94	94
<b>Current Liabilities</b>				
ST Debt / Current of LT Debt	1,002	1,093	1,093	1,093
Trade payables	1,215	1,078	1,191	1,322
Other current liabilities	358	473	526	585
<b>Total Equity &amp; Liabilities</b>	<b>11,933</b>	<b>12,201</b>	<b>12,880</b>	<b>13,715</b>

Source: Company Data, PL Research

**Cash Flow (Rs m)**

Y/e Mar	FY22	FY23	FY24E	FY25E
PBT	46	777	827	1,002
Add. Depreciation	421	464	487	500
Add. Interest	274	207	139	139
Less Financial Other Income	143	329	180	180
Add. Other	110	(342)	40	37
Op. profit before WC changes	850	1,105	1,493	1,678
Net Changes-WC	333	(112)	(135)	(202)
Direct tax	(117)	(183)	(208)	(253)
<b>Net cash from Op. activities</b>	<b>1,066</b>	<b>811</b>	<b>1,149</b>	<b>1,223</b>
Capital expenditures	(132)	(158)	(250)	(250)
Interest / Dividend Income	-	-	-	-
Others	104	114	(200)	(200)
<b>Net Cash from Inv. activities</b>	<b>(28)</b>	<b>(44)</b>	<b>(450)</b>	<b>(450)</b>
Issue of share cap. / premium	5	9	-	-
Debt changes	(459)	(304)	-	-
Dividend paid	-	-	-	-
Interest paid	(238)	(182)	(139)	(139)
Others	(156)	(131)	-	-
<b>Net cash from Fin. activities</b>	<b>(848)</b>	<b>(607)</b>	<b>(139)</b>	<b>(139)</b>
<b>Net change in cash</b>	<b>190</b>	<b>160</b>	<b>560</b>	<b>634</b>
Free Cash Flow	906	649	899	973

Source: Company Data, PL Research

**Key Financial Metrics**

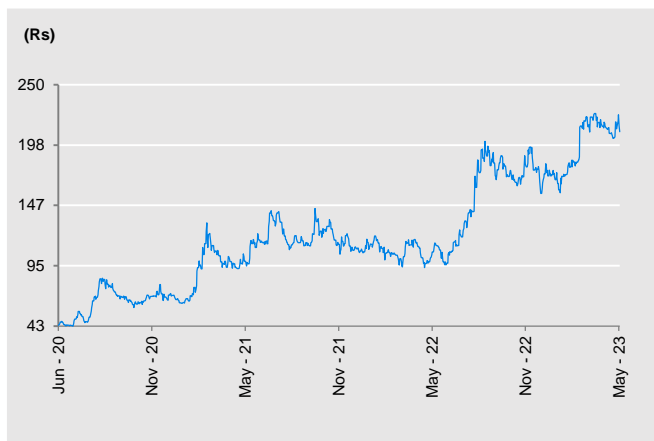
Y/e Mar	FY22	FY23	FY24E	FY25E
<b>Per Share(Rs)</b>				
EPS	3.5	9.3	17.6	21.3
CEPS	15.5	22.5	31.4	35.5
BVPS	237.3	254.8	269.4	287.7
FCF	25.9	18.5	25.6	27.7
DPS	-	3.0	3.0	3.0
<b>Return Ratio(%)</b>				
RoCE	1.6	4.1	6.3	7.2
ROIC	2.9	3.4	5.4	6.6
RoE	1.5	3.8	6.7	7.7
<b>Balance Sheet</b>				
Net Debt : Equity (x)	0.1	0.0	0.0	(0.1)
Net Working Capital (Days)	129	94	93	93
<b>Valuation(x)</b>				
PER	55.0	20.6	10.9	9.0
P/B	0.8	0.8	0.7	0.7
P/CEPS	12.4	8.5	6.1	5.4
EV/EBITDA	12.6	7.4	5.2	4.1
EV/Sales	1.6	1.2	0.9	0.8
Dividend Yield (%)	-	1.6	1.6	1.6

Source: Company Data, PL Research

**Quarterly Financials (Rs m)**

Y/e Mar	Q1FY23	Q2FY23	Q3FY23	Q4FY23
<b>Net Revenue</b>	<b>1,073</b>	<b>473</b>	<b>652</b>	<b>3,905</b>
YoY gr. (%)	199.4	(8.8)	27.1	14.2
Raw Material Expenses	350	181	207	1,469
Gross Profit	723	292	445	2,436
Margin (%)	67.4	61.8	68.3	62.4
<b>EBITDA</b>	<b>119</b>	<b>(294)</b>	<b>(329)</b>	<b>1,466</b>
YoY gr. (%)	(158.1)	11.5	(3.2)	3.1
Margin (%)	11.1	(62.3)	(50.4)	37.6
Depreciation / Depletion	110	109	110	135
<b>EBIT</b>	<b>10</b>	<b>(403)</b>	<b>(438)</b>	<b>1,331</b>
Margin (%)	0.9	(85.3)	(67.2)	34.1
Net Interest	41	41	56	68
Other Income	143	2	104	81
<b>Profit before Tax</b>	<b>112</b>	<b>(286)</b>	<b>(391)</b>	<b>1,344</b>
Margin (%)	10.4	(60.5)	(60.0)	34.4
Total Tax	48	(88)	(86)	326
Effective tax rate (%)	43.2	30.6	22.1	24.3
<b>Profit after Tax</b>	<b>63</b>	<b>(199)</b>	<b>(305)</b>	<b>1,017</b>
Minority interest	(7)	(21)	(43)	(13)
Share Profit from Associates	(1)	-	-	-
<b>Adjusted PAT</b>	<b>(29)</b>	<b>(333)</b>	<b>(262)</b>	<b>1,030</b>
YoY gr. (%)	(90.7)	(17.5)	(42.1)	(19.6)
Margin (%)	(2.7)	(70.5)	(40.1)	26.4
Extra Ord. Income / (Exp)	-	-	-	-
<b>Reported PAT</b>	<b>71</b>	<b>(180)</b>	<b>(261)</b>	<b>1,009</b>
YoY gr. (%)	(123.5)	(55.6)	(42.2)	(20.7)
Margin (%)	6.6	(38.0)	(40.0)	25.8
Other Comprehensive Income	2	(3)	1	(21)
<b>Total Comprehensive Income</b>	<b>64</b>	<b>(201)</b>	<b>(304)</b>	<b>996</b>
Avg. Shares O/s (m)	35	35	35	35
<b>EPS (Rs)</b>	<b>(0.8)</b>	<b>(9.5)</b>	<b>(7.5)</b>	<b>29.4</b>

Source: Company Data, PL Research

**Price Chart**
**Recommendation History**


No.	Date	Rating	TP (Rs.)	Share Price (Rs.)
1	11-Apr-23	BUY	228	219
2	10-Apr-23	BUY	228	228
3	13-Feb-23	BUY	228	175
4	06-Jan-23	BUY	220	173
5	14-Nov-22	BUY	220	164
6	06-Oct-22	BUY	234	187
7	10-Aug-22	BUY	185	137
8	07-Jul-22	BUY	156	115

**Analyst Coverage Universe**

Sr. No.	Company Name	Rating	TP (Rs)	Share Price (Rs)
1	Chalet Hotels	BUY	504	401
2	Entertainment Network (India)	Hold	180	126
3	Indian Railway Catering and Tourism Corporation	Hold	679	644
4	Inox Leisure	BUY	587	502
5	InterGlobe Aviation	BUY	2,565	2,257
6	Music Broadcast	Hold	18	11
7	Navneet Education	BUY	152	113
8	Nazara Technologies	BUY	804	566
9	PVR Inox	BUY	1,879	1,435
10	S Chand and Company	BUY	228	219
11	Safari Industries (India)	BUY	2,790	2,415
12	V.I.P. Industries	BUY	900	623
13	Zee Entertainment Enterprises	BUY	240	179

**PL's Recommendation Nomenclature (Absolute Performance)**

<b>Buy</b>	: > 15%
<b>Accumulate</b>	: 5% to 15%
<b>Hold</b>	: +5% to -5%
<b>Reduce</b>	: -5% to -15%
<b>Sell</b>	: < -15%
<b>Not Rated (NR)</b>	: No specific call on the stock
<b>Under Review (UR)</b>	: Rating likely to change shortly



## ANALYST CERTIFICATION

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