

## Apr-Jun'23 Earnings Preview

July 5, 2023

### Exhibit 1: PL Universe - Education

Companies	Rating	CMP (Rs)	TP (Rs)
Navneet Education	BUY	125	152
S Chand and Company	BUY	191	257

Source: PL

### High paper prices act as a dampener

*Education companies under our coverage universe are expected to report 12.2% YoY growth in top-line amid expected fillip in volumes as students have started returning back from government schools to private schools post COVID. However, EBITDA margins will remain under pressure due to higher paper prices (WPI for printing & writing paper is up 8% YoY excluding the data for June 2023 which is not published as yet).*

*We believe book publishers are at the cusp of entering a golden era as pre-draft of National Curriculum Framework (NCF) for school education was released recently and final recommendations will be ready by end of June. NCF implementation will make second hand books market redundant and result in significant price and volume delta for both Navneet Education (NELI) and S Chand & Co (S Chand). We prefer S Chand at current levels as business has turned turnaround and there is no overhang of EdTech losses (NELI will be seeding losses of Rs650mn in FY24E) that can negate NEP delta. We expect S Chand to report sales/EBITDA CAGR of 13%/23% over FY23-FY25E and maintain 'BUY' on the stock with a TP of Rs257 (12x FY25E EPS).*

**NELI's publishing business to stage a comeback:** We expect NELI's consolidated publishing business to grow 18% YoY to Rs4,343mn in 1QFY24E buoyed by rising volumes. However, publishing EBIT margin is expected to decline 230bps YoY to 34% amid higher paper prices. Stationary division is expected to grow by 10% YoY to Rs3,572mn with an EBIT margin of 15%. We expect EBIT loss of Rs180mn in the EdTech business. Overall, we expect top-line growth of 14.4% YoY with an EBITDA margin of 23.5% for 1QFY24E. Retain 'BUY' on Navneet with a SOTP based TP of Rs152.

**S Chand's top-line likely to be at par with 1QFY23:** S Chand is likely to report 2.0% YoY decline in top-line to Rs1,052mn in 1QFY24E. However, GM is likely to be at 61.0% (67.4% in 1QFY23) amid higher paper prices. We expect EBITDA/PAT loss of Rs63mn/Rs133mn for the quarter. Retain 'BUY' on S Chand with a TP of Rs257.

**Sector re-rating hinges on NCF roll-out; implementation time-line eyed:** With pre-draft already released and final recommendations expected to be ready by end of this month, we believe NCF implementation for higher grades (3rd to 12<sup>th</sup> standard) is around the corner. This is likely to result in significant price and volume delta for 2-3 years and re-rate book publishers. S Chand remains our preferred pick in the education space.

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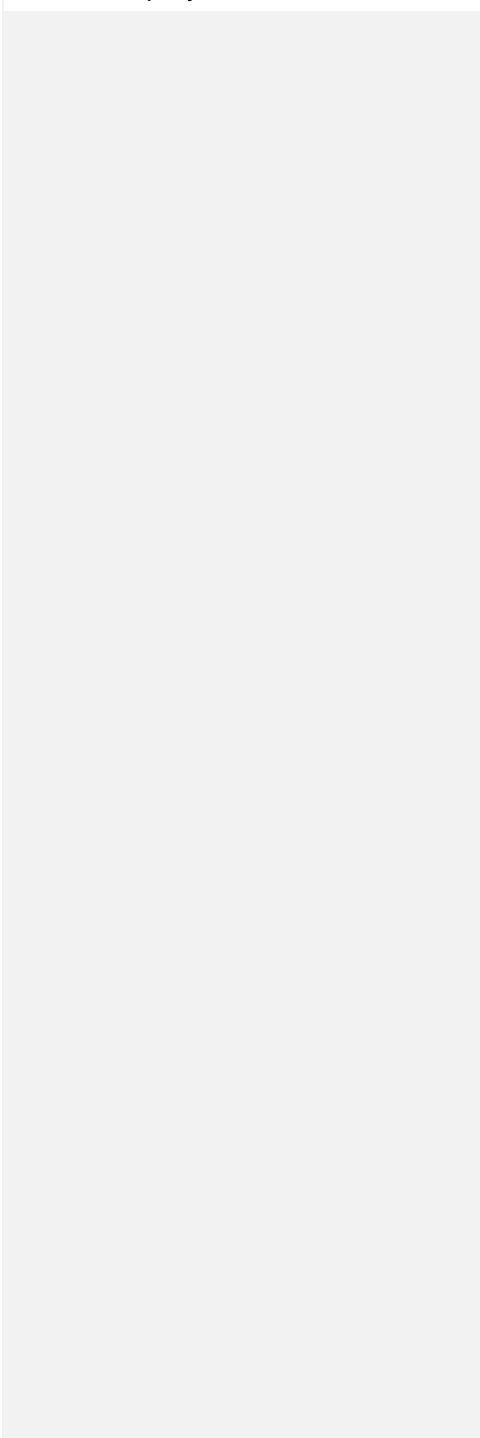
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## Exhibit 2: Q1FY24 Result Preview – Education (Rs mn)

Company Name		Q1FY24E	Q1FY23	YoY gr. (%)	Q4FY23	QoQ gr. (%)	Remark
Navneet Education	Sales	7,937	6,937	14.4	4,090	94.0	We expect Navneet's publishing top-line to increase by 18% YoY to Rs4,343mn while stationary business is expected to grow by 10% YoY to Rs3,572mn. We expect GM of 48% (50.1% in 1QFY23) amid higher paper prices while EBITDA margin is expected to be at 23.5% for the quarter.
	EBITDA	1,865	1,953	(4.5)	598	212.0	
	Margin (%)	23.5	28.2		14.6		
	PBT	1,710	1,856	(7.9)	399	328.3	
	Adj. PAT	1,229	1,386	(11.3)	229	435.7	
S Chand and Company	Sales	1,052	1,073	-2.0	3,905	(73.1)	For S Chand, we expect top-line to decrease by 2% YoY to Rs1,052mn. GM is expected to be at of 61% (67.4% in 1QFY23) amid higher paper prices. Consequently, we expect an EBITDA/PAT loss of Rs63mn/Rs133mn for the quarter.
	EBITDA	-63	119	NA	1,466	NA	
	Margin (%)	NA	11.1		37.6		
	PBT	-178	112	NA	1,344	NA	
	Adj. PAT	-133	-29	NA	1,030	NA	

Source: Company, PL



**Exhibit 3: Valuation Summary - Education**

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	125	152	28.4	11,143	16,968	19,053	21,073	1,626	2,980	3,391	3,829	-32	1,405	1,888	2,153	-0.1	6.2	8.3	9.5	-0.3	13.0	15.5	15.7	-875.5	20.2	15.0	13.2
S Chand & Company	C BUY	191	257	6.7	4,809	6,103	7,010	7,783	614	963	1,273	1,461	123	328	619	750	3.5	9.3	17.6	21.3	1.5	3.8	6.7	7.7	54.7	20.5	10.9	9.0

Source: Company, PL

S=Standalone / C=Consolidated / Acc = Accumulate

**Exhibit 4: Change in Estimates - Education**

	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	152	152	0.0%	19,053	19,053	0.0%	21,073	21,073	0.0%	1,888	1,888	0.0%	2,153	2,153	0.0%	8.3	8.3	0.0%	9.5	9.5	0.0%
S Chand & Company	BUY	BUY	257	257	0.0%	7,010	7,010	0.0%	7,783	7,783	0.0%	619	619	0.0%	750	750	0.0%	17.6	17.6	0.0%	21.3	21.3	0.0%

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	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	257	192
11	Safari Industries (India)	BUY	3,202	2,884
12	V.I.P. Industries	BUY	913	621
13	Zee Entertainment Enterprises	BUY	240	179

**PL's Recommendation Nomenclature**

<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

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