

Rating:



Issue Summary:

Price band (Rs)	660-670
Face Value (Rs)	5
Opens	26 th April, 2017
Closes	28 th April, 2017
Issue Size (Rs)	325 cr
Listing	BSE, NSE

Issue Break Up:

QIB portion	50%
NIB portion	15%
Retail portion	35%

Book Running Lead Managers:

➤ JM Financial Institutional Securities Limited
➤ Axis Capital Limited
➤ ICICI Securities Ltd.

Registrar

➤ Credit Suisse Securities (India) Private Limited
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Company & Business Profile

S Chand And Company Limited ("S Chand") was incorporated as 'S. Chand & Co. Private Limited' on September 9, 1970. Company's operations comprises of publishing of educational books with product ranging from school books, higher academics books, competition & reference books, technical & professional books and children books.

On December 5, 2016, S Chand acquired 74% equity in Chhaya Prakashani Pvt. Ltd. (referred to as "Chhaya"), which has with effect from that date become a subsidiary of the Company. They are obligated to acquire the remaining 26% of the outstanding share capital of Chhaya Prakashani Private Limited on or after November 15, 2018.

Objects of the Issue:

The objects of the Offer comprise a Fresh Issue by company and an offer for sale by the selling shareholders. The Net Proceeds from the fresh issue will be utilized towards the following objects:

- Repayment of loans availed by Company and one of the company's Subsidiaries, EPHL, which were utilized towards funding the acquisition of Chhaya.
- Repayment/prepayment, in full or in part, of certain loans availed of by Company and Subsidiaries, VPHPL and NSHPL.

Business Model:

S Chand delivers content, solutions and services across the education lifecycle through their K-12, higher education and early learning segments. S Chand is the leading K-12 education content company in terms of revenue from operations in Fiscal 2016, The company offer 53 consumer brands across knowledge products and services including S. Chand, Vikas, Madhubun, Saraswati, Destination Success and Ignitor.

- In Fiscal 2016, S Chand sold 35.47 million copies of a total of 11,144 titles. Additionally, Chhaya sold 9.88 million copies of 433 titles in Fiscal 2016. The top ten best-selling titles accounted 2.96 million copies sales in Fiscal 2016 and 15 of their authors have each sold over 1 million copies of their titles during the last 5 fiscal years.
- The company has a contractual relationship with at least 1,958 authors (including co-authors) and additionally, Chhaya has contractual relationships with at least 24 authors (including co-authors) for over 5 years as on March 31, 2016.
- S Chand use their track record of progressing authors' careers and providing on-going editorial team support to authors for creating new products and solutions and refreshing existing products to help them retain and attract the best authors.
- As of December 31, 2016, company's distribution and sales network consisted of 4,932 distributors and dealers, and they had an in-house sales team of 838 professionals working from 52 branches and marketing offices across India.



Product	Offering	Brand Details
K - 12	Print/Hybrid	S Chand, Madhuban, Saraswati, Chhaya, IPP
	Digital	Destination Success, Mystudygear, Intellitab, Ignitor, Flipclass
Higher Learning	Test Preparation	S Chand, Testbook, Online Tyari
	Print/Hybrid	S Chand, Vikas
Early Education	Education Kit	BPI, Smartvity, RiseKids
	Pre-school activity	

Investment Positives:

- Comprehensive consumer focused knowledge content player with touch points across consumer lifecycles.
- Company has leading position in the K-12 market.
- Company has strong integrated in-house printing and logistic capabilities.
- Company has pan-India sales and distribution network driving deep market reach.

Concern:

- The Indian market for education content is highly competitive and fragmented, and any existing or new product launches could increase competition that could impact the company's revenue growth.
- The company's significant portion of revenue is derived from the top twenty authors. The loss of any such authors could adversely affect the business of SCCL, however the company has been able to retain top authors and has an in-house content development team.
- For the past two years, CBSE has issued an advisory circular advising CBSE schools to use only NCERT print content for all classes and may issue similar advisory circulars in the future. These circulars may reduce demand for its educational content amongst the CBSE affiliated schools and, accordingly, may adversely affect its business, results of operations, cash flows and financial condition.

**Outlook & Valuations:**

- We believe it's 7 decades legacy, leadership in K-12 education content market, strong margin & growth prospects have been captured well at the valuation of Rs 660-670 per share where the scrip would trade at 39x FY16 earnings. We have **"3 star"** rating for the issue.
- We recommend subscribing to the issue.

Financials (Rs. in Crs):

Particulars (Rs in Cr)	Mar-13	Mar-14	Mar-15	Mar-16	Dec-16
Reserves	291	368	394	599	494
Net worth	280	357	384	596	506
Long Term Borrowings	47	16	119	68	59
Short Term Borrowings	64	70	97	126	183
Revenue from Operations	279	370	477	538	150
Revenue Growth (%)	-	32.6%	28.8%	12.8%	-
EBITDA as stated	60	80	104	128	-84
EBITDA Margin (%)	21.5%	21.6%	21.8%	23.8%	-
Profit Before Tax	44	59	54	73	-126
Net Profit as restated	32	43	33	47	-88
Net Profit as % to revenue	11.5%	11.5%	6.9%	8.7%	-
EPS (Rs.)	17	18	11	17	-30
RoNW (%)	11.6%	11.9%	7.0%	7.8%	-17.7%
NAV Per Equity share (Rs.)	116	140	150	200	170
Source: RHP *Restated Consolidated ^ not annualised					



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