



**S Chand and Company Ltd. : Strong brand equity in content and publishing - "SUBSCRIBE" 25th April, 2017**

Incorporated on September 9, 1970, S Chand and Company Ltd ("S Chand") is the leading Indian education content company in terms of revenue from operations in Fiscal 2016 according to Nielsen *Research Report*, with a strong presence in the CBSE/ICSE affiliated schools and increasing presence in the state board affiliated schools across India. S Chand delivers content, solutions and services across the education lifecycle through their K-12, higher education and early learning segments. 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. The company offers 53 consumer brands across knowledge products and services including *S.Chand, Vikas, Madhubun, Saraswati, Destination Success* and *Ignitor*.

In December 2016, S Chand acquired Chhaya Prakashani Pvt. Ltd. ("Chhaya"), and the company now offer 4 Chhaya brands including *Chhaya* and *IPP*. The company has set up their printing facility at Sahibabad and Rudrapur. These printing facilities have 18 printing presses and handled 85.56% of their printing requirements in Fiscal 2016. 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 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. K-12 segment contributes ~72.5% to the revenue and the balance is from Higher education and others segments.

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.

Today, the Company boasts of being a market leader with a share of ~13%. The company's closest peers Oxford Publication & Orient Black Swan have a market share of ~6% each. Its immediate listed peer Navneet is affiliated to State Board of Maharashtra and Gujarat and not affiliated to ICSE and CBSE Board. To improve its competitiveness, S Chand is also increasing its presence in State Board affiliated schools in order to further boost its revenue from the school segment. Over the period FY12-16, the Company's topline witnessed a CAGR of 33 percent CAGR and bottomline clocked CAGR of 36 percent.

**Investment Rationale and Recommendation**

At the upper end of the price band of Rs. 670, the IPO is valued at 50x at FY16 post issue EPS which appears quite high. However, post merger with Chhaya growth prospects would improve and debt to be repaid post IPO. On accounting earnings growth, debt repayment, S Chand would trade at ~35x P/E which is quite reasonable considering the following factors like a) comprehensive consumer focused knowledge content player with touch points across consumer lifecycle, b) strong brand equity with high consumer recall, c) leading position in K12 market, d) contractual relationship with atleast 1,958 authors (including co-authors) for over five years as on Mar. 31, 2016, e) In Fiscal 2016, the Company sold 35.47 mn. Copies of its titles and 67 of its titles sold at least 50,000 copies each, strong integrated in-house printing and logistic capabilities; f) pan-

Issue date	April 26 – 28, 2017			
Type of issue	Fresh Issue: Rs. 3.25 bn Offer for sale: 6.02 mn shares (Rs. 4.03 bn)			
Face Value	Rs. 5			
Price Band	Rs. 660 – Rs. 670 per share			
Lot size	22 equity Shares & multiple of 22 equity shares thereafter			
Equity shares pre/post issue	29.8/34.7 mn equity shares at upper end of price band			
Issue structure	QIB: 50% Retail: 35% Non – Institutional: 15%			
Post issue market cap	Rs.23.2 bn at upper price band			
Book Running Lead Managers	JM Financial, Axis Capital, Credit Suisse			
Registrar to the issue	Link Intime India Pvt. Ltd.			
Shareholding	Promoters 47 % (post issue) Public and others 53% (post issue)			
Y/e 31 Mar (Rs. mn)	9MFY16	FY16	FY15	FY14
Revenue	1,495	5,378	4,767	3,700
EBITDA	(823)	1,253	1,022	788
OPM (%)	-	23.3	21.4	21.3
PAT	(885)	466	268	423
PAT (%)	-	8.67	5.6	11.4
Equity Capital	149.22	2.02	2.17	2.17
Post issue EPS (Rs.)*	-	13.4	7.7	12.2
Networth (Rs. mn)	5092	5,992	3,944	3,677
Total debt	2426	1,937	2,150	855
Debt/equity (x)	0.48	0.32	0.55	0.23
P/E (x) at Rs. 670	-	50	87	55
RoE (%)	-	9.4	7.0	12.9

Source: RHP, Ajcon Research

India sales and distribution network driving deep market reach; g) focused digital and technology platform, we recommend investors to "SUBSCRIBE" the issue. Post repayment of debt, Company's earnings would improve and would be reflected in improving return ratios. We believe that the shortage of Pan India quality leading content and publishing house on domestic bourses would give S Chand and Company an added advantage. Hence, investors can expect listing gains owing to scarcity premium enjoyed by the Company.



## Objects of the issue

a) Offer for sale of 6,023,236 equity shares by selling shareholders – Private Equity Player - Everstone Capital offering 4,814,736 equity shares and balance by promoters

b) The net proceeds from the fresh issue are proposed to be used in accordance with the details provided in the following:

Sr. no.	Particulars	Estimated Amount
a)	Repayment of loans availed by the Company and one of its subsidiaries, EPHL, which were utilized towards funding the acquisition of Chaya	1,504
b)	Repayment/prepayment, in full or in part, of certain loans availed by the Company and certain of its Subsidiaries, VPHPL and NSHPL	1,046
c)	General Corporate purposes	-

## Company and Promoters' background

S Chand And Company Limited ("S Chand") was incorporated as 'S.Chand & Co. Private Limited' on September 9, 1970. The company was converted into a public limited company on September 8, 2016. 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.

Mr. Desh Raj Dogra is the Chairman and Independent Director of the company. He has over 38 years of experience in financial sector and credit administration. He has been associated with the company since 2016.

Mr. Himanshu Gupta is the Managing Director of the company. He has been associated with the company since 2000 and accordingly, has over 15 years of experience in the knowledge products and services industry. He was the vice president (south) of the Federation of Indian Publishers for the year 2012-2013. He is a recipient of 'Young Publisher Award' by the Federation of Educational Publishers in India for the year 2011.

Mr. Dinesh Kumar Jhunjnuwala is an Executive Director of the company. He has been associated with the company since 2004 and accordingly, has over 11 years of experience in the knowledge products and services industry.

Mr. Gaurav Kumar Jhunjnuwala, Ms Savita Gupta, Mr. Deep Mishra are the Non-Executive Directors and Ms Archana Capoor, Mr. Sanjay Bhandarkar are the Independent Directors of the company and has over 20 years of experience in respective field.



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