

S CHAND AND COMPANY LTD

Issue Details	
Issue Opens	26-Apr-17
Issue Closes	28-Apr-17
Issue Size (Rs. Crore)	728
Face value (per equity share)	5
Price Band (Rs.)	660- 670
Lot Size (No of Share)	22
No of Shares on Offer (crore)	1.08
QIB (%)	50%
Non-Institutional (%)	15%
Retail (%)	35%
Commencement of Trading	09-May-17

Shareholding pattern	Pre Issue (%)	Post Issue (%)
Promoters and Promoter Group	58.33	47.43
Public (incl institutions and employees)	41.67	52.57
Total	100.0	100.0

Objects of the Issue

The object of the issue are:

1. Repayment of loans availed by the Company and one of their Subsidiaries, EPHL, which were utilized towards funding the acquisition of Chhaya.
2. Repayment/prepayment in full or in part, of certain loans availed of by the Company and their Subsidiaries, VPHPL and NSHPL.
3. General corporate purpose.

Issue Date: 26th Apr – 28th Apr 2017

Price Band (Rs.) : 660 – 670

Lot Size (No. of Share) : 22

Company Background

Incorporated in 1970, S Chand And Company Limited operates as an education content company in India. The company develops and delivers content, solutions, and services in the education K-12, higher education, and early learning segments. It offers 53 consumer brands across knowledge products and services. The Company believes that these brands have benefited by its strong brand management philosophy which embraces consistent efforts to upgrade content quality and to update content regularly.

Financials

Particulars	For the year/period ended (in Rs. Million)				
	FY-16	FY-15	FY-14	FY-13	FY-12
Total Assets	6,855	5,316	4,243	3,988	2,077
Total Revenue	2,823	2,358	2,300	1,923	1,713
Profit After Tax	165	77	109	72	89

Concerns

- Operates in a highly-competitive and fragmented industry.
- SCCL may not be able to retain or attract the key authors and content that it need to remain competitive and grow.
- Rely on paper and other raw material suppliers for its business and third parties for the printing and binding of a portion of its content.

Strengths

- Comprehensive consumer focused education content player with touch points across education lifecycle.
- Experienced management and leadership team.
- Strong brand equity & high customer recall with leader position in K-12 market.
- Pan-India sales & distribution network and strong integrated in-house printing & logistics capabilities.

Our View

On the upper price band of Rs.670 and on FY16 EPS of Rs.17, P/E ratio works out to 39x. Even based on last 3 years consolidated EPS of Rs.14.99, P/E ratio works out to be 44x. Means company is asking higher price band of Rs670 in the P/E ratio of 39x to 44x. There is listed peer Navneet Education which is trading at P/E ratio of 37x. Hence, the price is over priced.

However, accounting for the Chhaya merger, adjusted P/E appears at 34x FY16. Completion of Chhaya acquisition would further strengthen S Chand's leadership position in the K-12 segment, which would enable it to post 15% revenue CAGR in the near term. We have a SUBSCRIBE recommendation on the issue on the back of growth prospects.