

Navneet Education Ltd

Initiating Coverage

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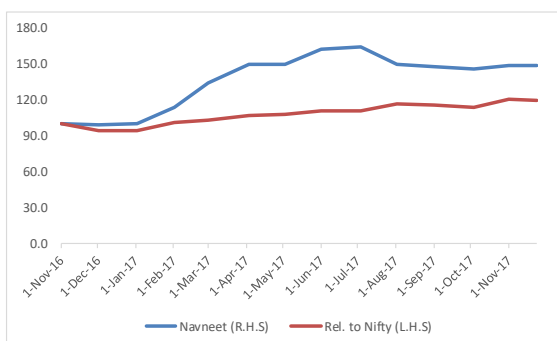
RECO:	BUY
CMP:	INR165
TP:	INR216
Upside:	31%

KEY DATA

Shares Outstanding (Cr)	23.36
Market Cap. (INR Cr)	3,854
52-W High/Low Range (INR)	193/102
Major Shareholders (as of Oct'17)	
Promoter (%)	61.78
Institutions (%)	24.28
Public & Others (%)	13.94
Avg Daily Turnover(3 months INRCr)	0.98
Value (INR cr)	0.75
1/3/12 Month Rel. Performance (%)	-2.7/2.4/'30
1/3/12 Month Abs. Performance (%)	1/9/'59

Source: Company, JMFS Research

Relative 1-Year Price Performance



Source: Company, JMFS Research

(INR Cr)	FY 16	FY 17	FY 18E	FY 19E	FY 20E
Sales	953	1181	1354	1605	1851
Growth(%)	-3%	24%	15%	19%	15%
EBITDA	206	281	330	395	446
Margin	21.7%	23.8%	24.4%	24.6%	24.1%
Net Profit	121	181	207	252	288
Growth	-7.8%	50.7%	14.3%	21.8%	14.1%
EPS	5.0	7.8	8.9	10.8	12.3
EV/EBITDA	19.1	14.2	12.0	9.9	8.6
ROE	20.6	26.1	25.1	25.6	24.7
ROCE	25.7	29.6	31.1	33.8	33.3
P/E (x)	33	21	19	15	13

Source: Company, JMFS Research

Navneet Education

INVESTMENT RATIONALE

Presence across the entire spectrum of the K-12 education ecosystem

The education industry encompasses a diverse set of products and services, including supplementary education material, textbooks, digital solutions, school stationery, educational institutions, etc. Navneet Education Ltd (NEL), one of the oldest & most prudent players in the fast-growing and under-tapped Indian private education industry, is spread across the entire gamut of the education space. It has expanded from publishing state board supplementary books to CBSE curriculum-based text books (Encyclopaedia Britannica). It also has significant presence in the school stationery segment, along with digital learning (E-sense) and K-12 school management (Orchid International).

Strong growth visibility in the publication segment aided by syllabus changes.

For past 6 decades, NEL has been an undisputed leader enjoying significant economies of scale in the state board supplementary publishing business in Gujarat & Maharashtra. Despite high dependence on syllabus changes, NEL's publishing revenue posted a CAGR of 11% over FY07-17 contributing ~50% of overall revenues in FY17. Going forward, with a slew of syllabus changes lined up in FY19-20, we expect its supplementary publishing segment to post a CAGR of 17.8% over FY17-20E.

Geared up to capture pan-India opportunity via Britannica Encyclopaedia (BE)

Britannica Encyclopaedia's India business is a perfect complement to NEL's supplementary publishing business. It not only provides it access to newer geographies but also assists NEL in diversifying its product portfolio and augmenting its presence in fast-growing curriculum based CBSE publishing. BE revenue posted a CAGR of 27% FY12-17 contributing 5.4% of overall revenues in FY17. We expect BE to grow at CAGR 28.3% FY17-20E which would be mainly driven by strong synergy benefits with NEL.

Higher export growth and strong brands to augur well for the stationery segment

NEL's stationery segment received a strong fillip from record shipments to the US, Latin America & Africa. Exports contributed ~47% to overall stationery segment revenues (28% CAGR over FY11-17). NEL has also created a strong portfolio of brands such as Youva, Boss, Ffunn for the domestic market with a pan-India distribution network. Stationery contributed 42% of overall FY17 revenues which are expected to post a CAGR of 12% over FY17-20E.

Valuation and View

In our view, the higher growth phase from FY18-20E is yet to be factored in. At 13.4x FY20E P/E and 8.6x FY20E EV/EBITDA, NEL appears to be attractively priced. Consistent FCF, high dividend payout (~40%) with stable margins(22%) & high return ratios (ROCE 29%) warrants a BUY rating, with a price target of INR 216 based on multiple of 18x FY20E (average EPS INR 12). For valuation purpose we are assigning equal weightage to the likelihood or not of state board syllabus changes in FY20.

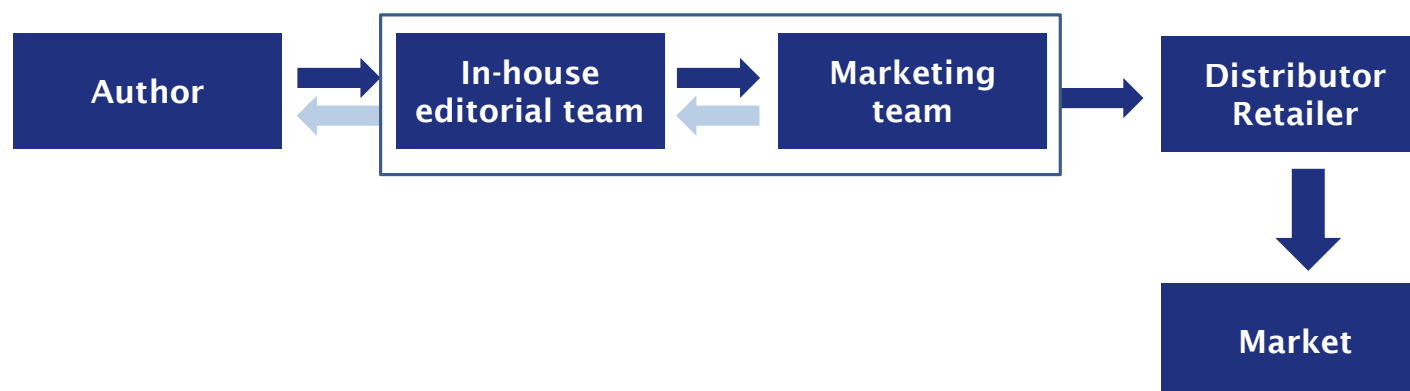
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Company Summary

NEL has a rich experience of over 6 decades in the K-12 supplementary publication space. It is a leading high-quality content provider for academic and ancillary education. Its solutions are aimed to increase student engagement, foster academic excellence and improve learning and professional development. NEL's state board, syllabus-based supplementary books include Digests (Guide), Workbooks, and 21 Most Likely Question Sets, most of which are published in five languages – English, Gujarati, Hindi, Marathi, and Urdu. It also publishes various non-syllabus children's & general books. Its recent acquisition of Encyclopedia Britannica has given it a pan-India presence in the fast-growing CBSE & ICSE curriculum-based learning products space.

Its manufacturing facilities are located in Dantali, Ranakpur (Gujarat), Silvasa & Palghar (near Mumbai).

Exhibit 1: Value chain



Source: Company, JMFS Research

Exhibit 2: Navneet Education Brand Portfolio

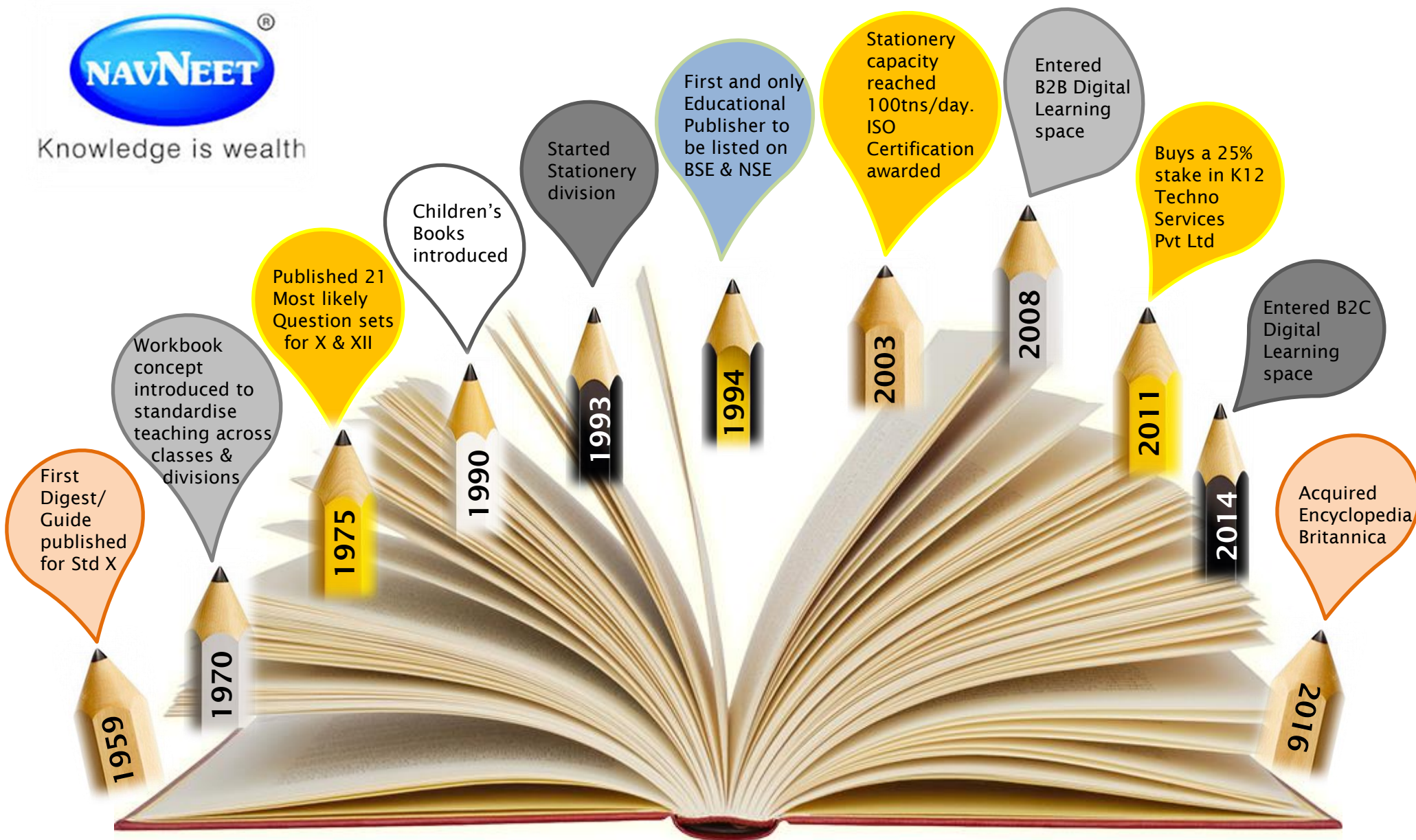


Source: Company, JMFS Research

Timeline Chart



Knowledge is wealth



Focus Charts

Exhibit 3: Revenue expected to post a CAGR of 16.1% over FY17-20E

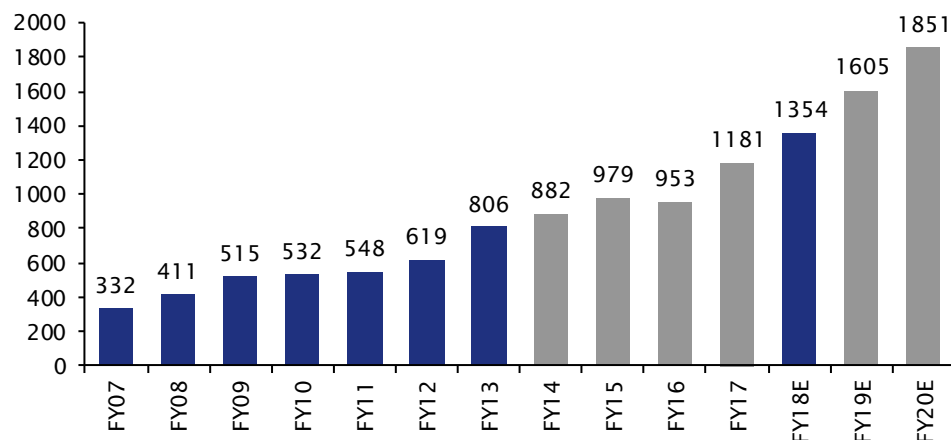


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Source: Company, JMFS Research

Exhibit 4: EBITDA expected to grow 16.6% of CAGR FY17-20E

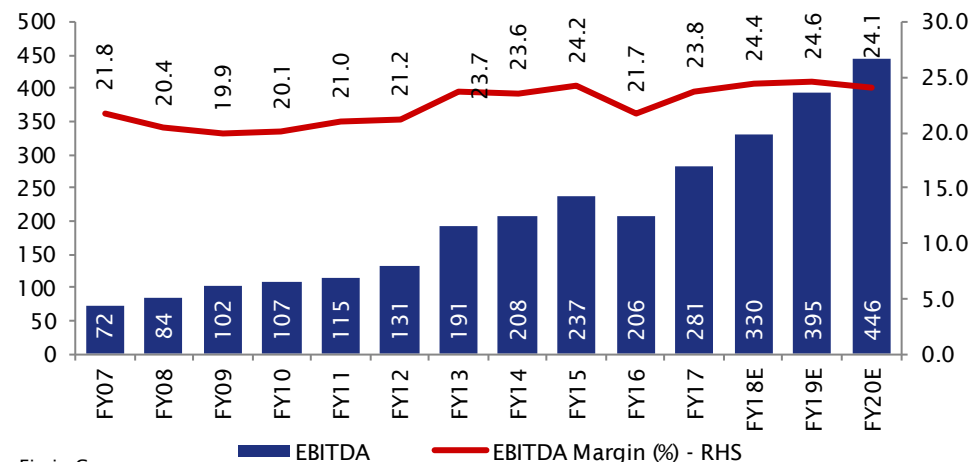
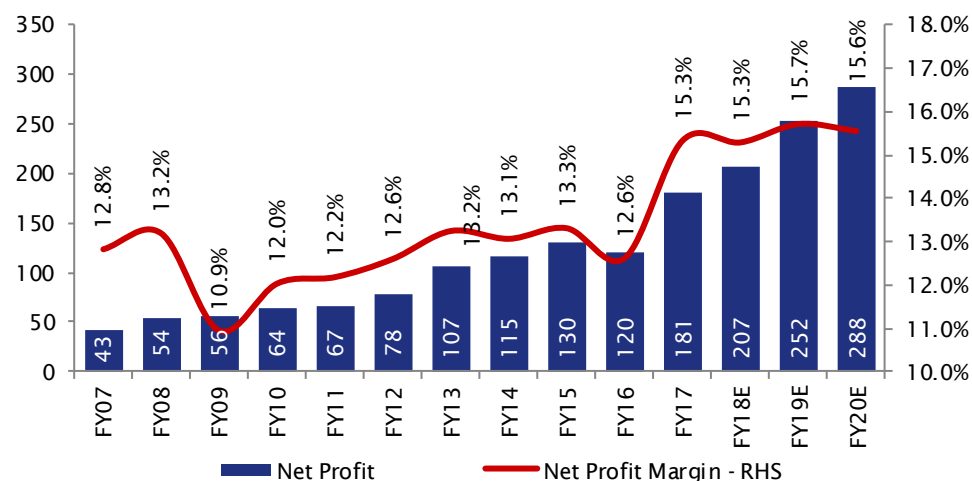


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Source: Company, JMFS Research

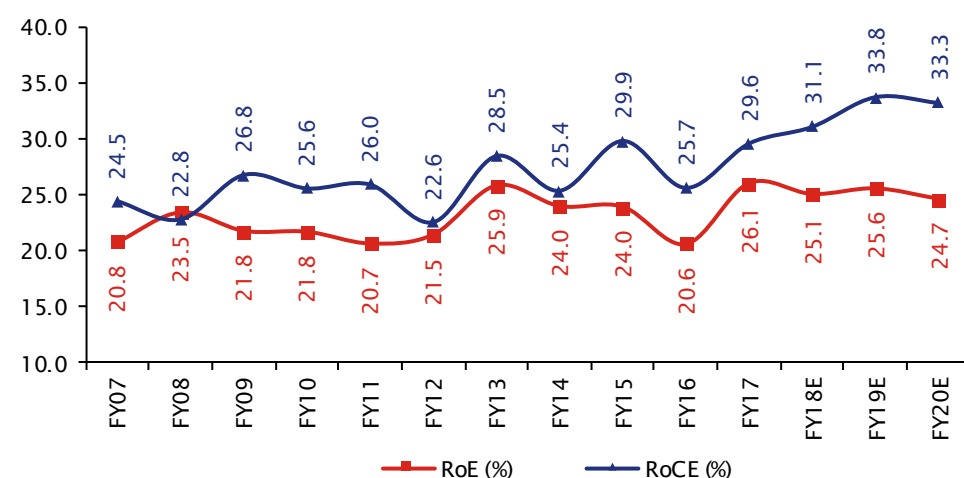
Exhibit 5: PAT expected to post a CAGR of 16.3% over FY17-20E



Source: Company, JMFS Research

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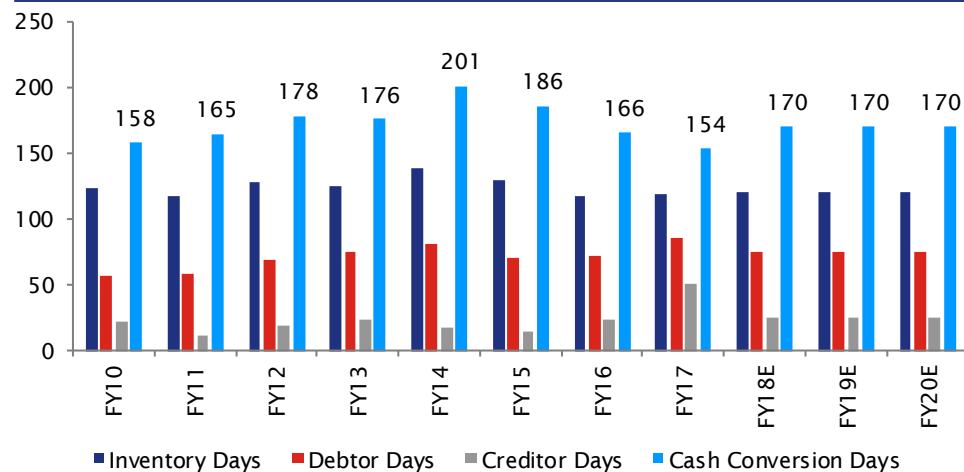
Exhibit 6: Improvement in Return Ratios



Source: Company, JMFS Research

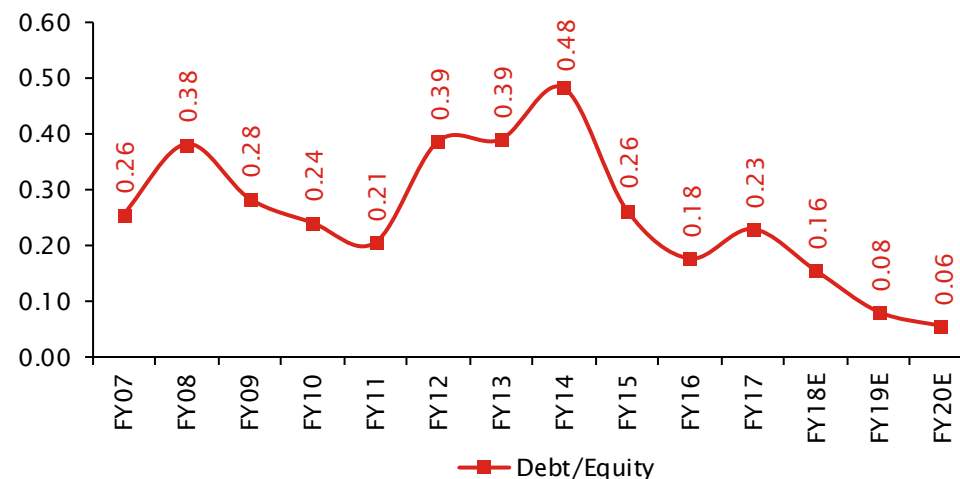
Focus Charts

Exhibit 7: Cash Conversion looks high due to Balance sheet seasonality



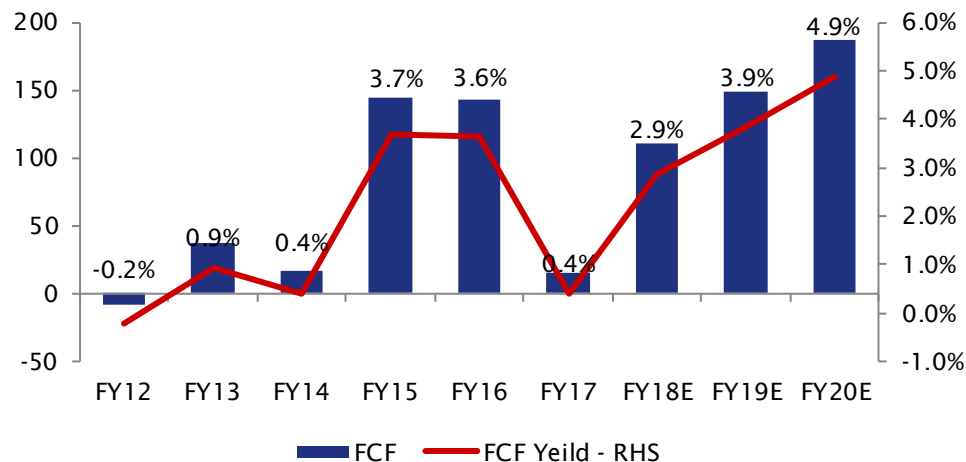
Source: Company, JMFS Research

Exhibit 8: Debt Equity & Interest Coverage to improve



Source: Company, JMFS Research

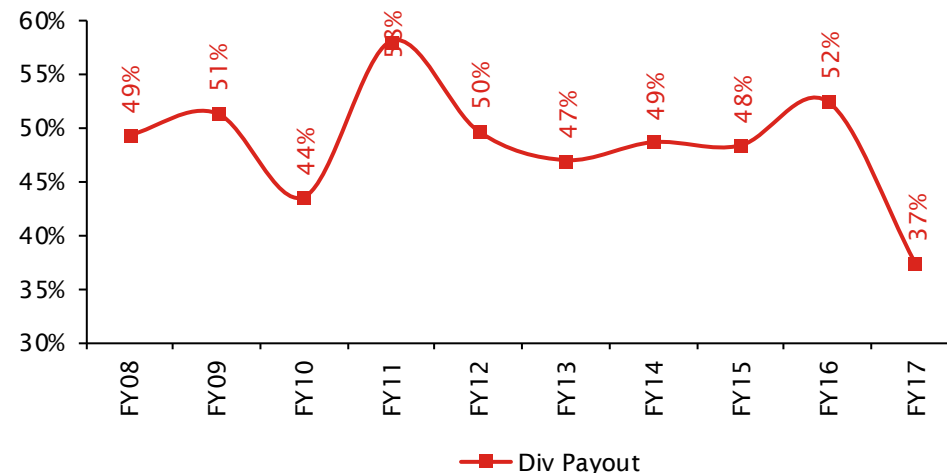
Exhibit 9: FCF Trend



Source: Company, JMFS Research

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Exhibit 10: Consistent high Dividend Payout



Source: Company, JMFS Research

Focus Charts

Exhibit 11: Publication segment revenue & EBITDA Trend

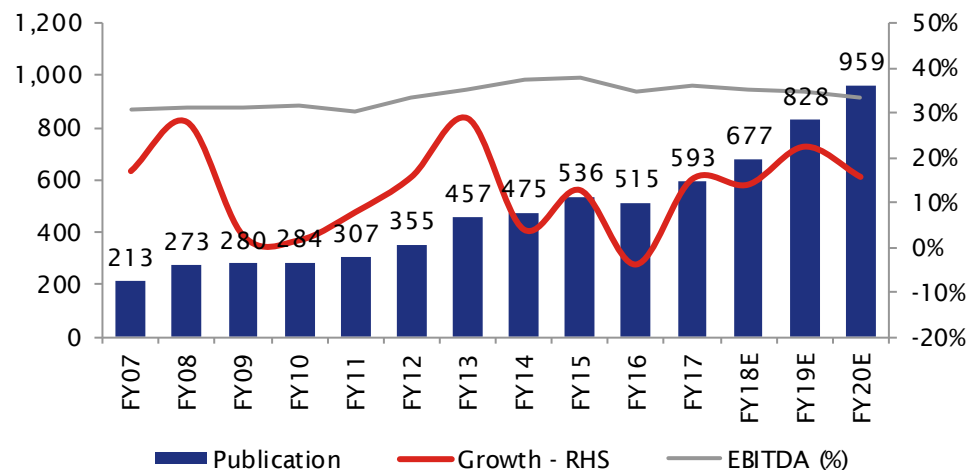


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Source: Company, JMFS Research

Exhibit 12: Stationery segment revenue & EBITDA Trend

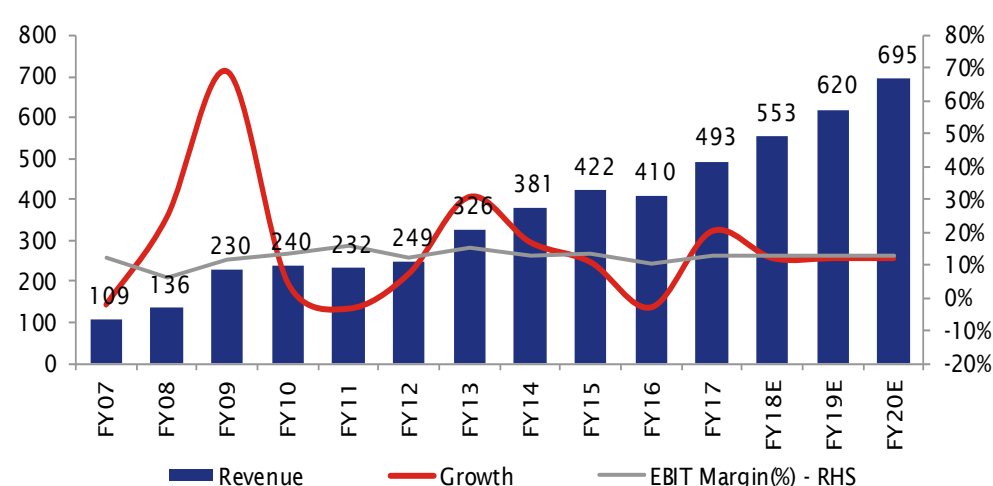
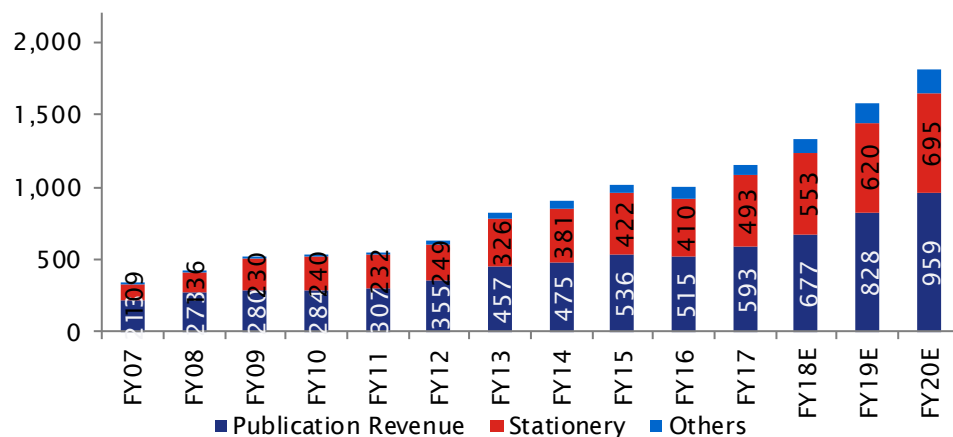


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Source: Company, JMFS Research

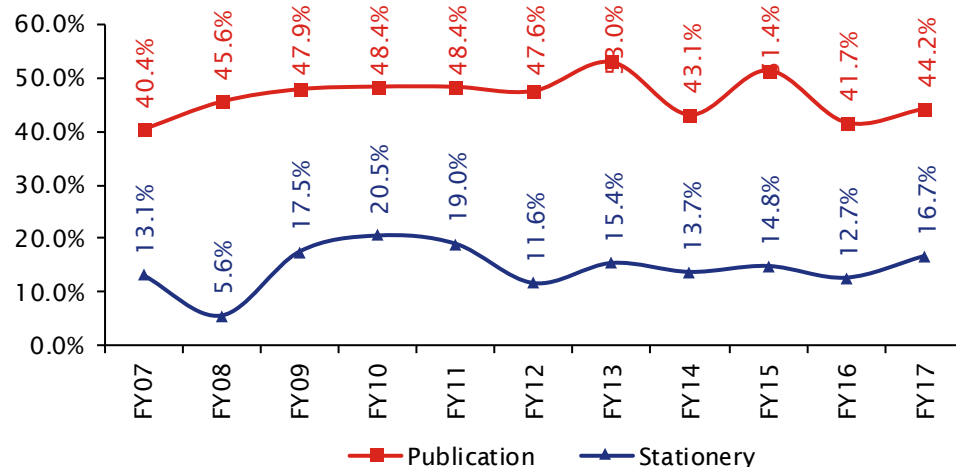
Exhibit 13: Segment-wise Revenue Trend



Source: Company, JMFS Research

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Exhibit 14: Segment-wise ROCE



Source: Company, JMFS Research

Strong revenue visibility in Publication segment aided by Syllabus changes in FY18E-FY19E

Exhibit 15: Publication revenue and growth trajectory

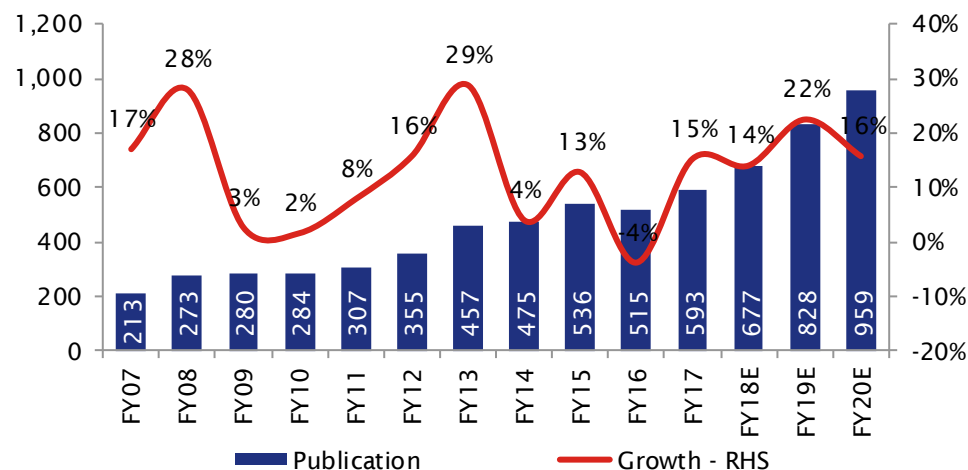
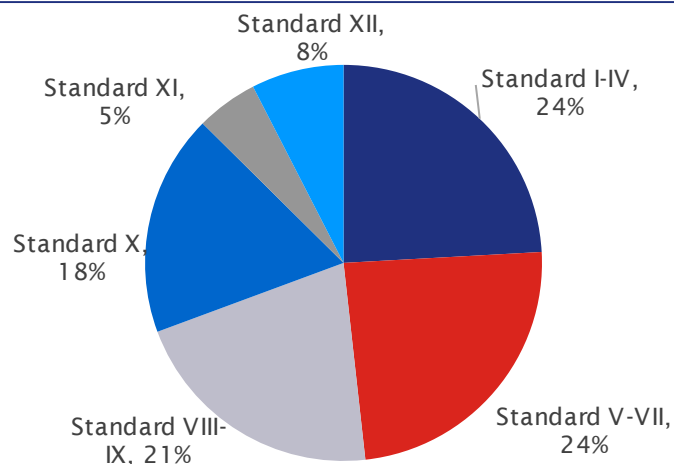


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Source: Company, JMFS Research

Standard Xth contributes 18% of publication revenues

Exhibit 16: Standard-wise revenue Bifurcation

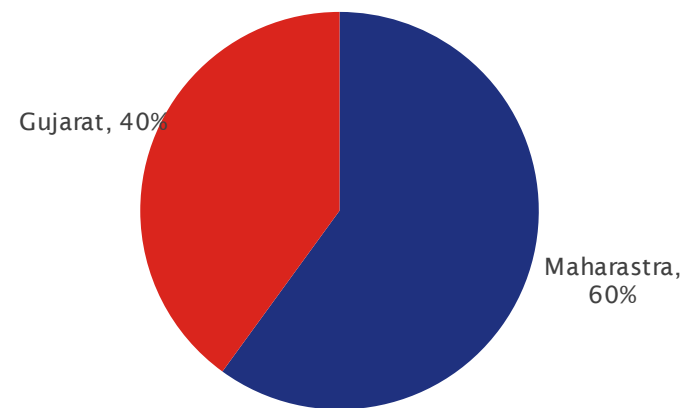


Source: Company, JMFS Research

- ❑ NEL is a pioneer in the states of Maharashtra & Gujarat in the K-12 supplementary publication segment. Its market share in Maharashtra & Gujarat is 65% & 70% respectively.
- ❑ Publication business follows a cycle that is very close to syllabus changes in state boards of Maharashtra & Gujarat, which changes every six years in tranches.
- ❑ Syllabus change of higher standard yields higher growth, while growth declines when there are no major syllabus changes. Barring standard X, no other standard contributes more than 10% of overall publication segment revenues.
- ❑ NEL currently has 5000+ titles and 225+ authors under its brands.

Maharashtra contributes 60% of publication revenues

Exhibit 17: State-wise revenue Break-up



Source: Company, JMFS Research

Strong revenue visibility in Publication segment aided by Syllabus changes in FY18E-FY19E

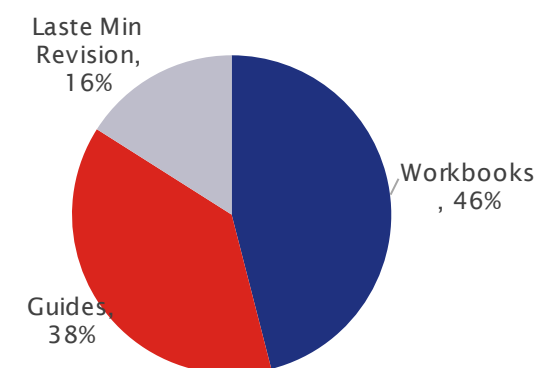
<i>Past Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2013-2014	I	All subjects (all medium)	VI
	II	All subjects (all medium)	VII
	X	History, Geography, Economics, EVS	VII
<i>Past Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2014-2015	III	All subjects (all medium)	I-V
	IV	All subjects (all medium)	
<i>Past Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2015-2016	V	All subjects (all medium)	I
			III-V
<i>Past Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2016-2017	VI	All subjects (all medium)	IX
	IX-X	Marathi & Hindi (Paper Pattern)	XI
<i>Current Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2017-2018	VII	All subjects (all medium)	X
	IX	All subjects (all medium)	XII
<i>Next Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
2018-2019	VIII	All subjects (all medium)	IX
	X	All subjects (all medium)	XI
<i>Next Academic Year</i>		<i>Maharashtra</i>	
	<i>Standard</i>	<i>Subject</i>	<i>Standard</i>
*2019-2020	I-IV	All subjects (all medium)	VI-VII

Source: Company, JMFS Research

* Probable syllabus change as per 6 year cycle

- ❑ Effecting syllabus changes remains one of the cornerstones of NEL's publishing business as it weeds out old and second hand books from the trade by prompting students to buy new books as per the revised syllabus by State Education Boards.
- ❑ The material that NEL publishes supplementary to the government textbooks includes Workbooks, Guides and 21-sets. Of these, guides, which contribute ~40% to curriculum publications sales, have an active second hand market.
- ❑ Going forward, a series of syllabus changes in FY18-20E provide strong visibility of growth in the publication segment. We expect revenues to post 17.3% CAGR over FY17-20E.

Exhibit 18: Supplementary revenue break-up



Source: Company, JMFS Research

NEL geared up to capture Pan-India opportunity through Britannica Encyclopaedia acquisition

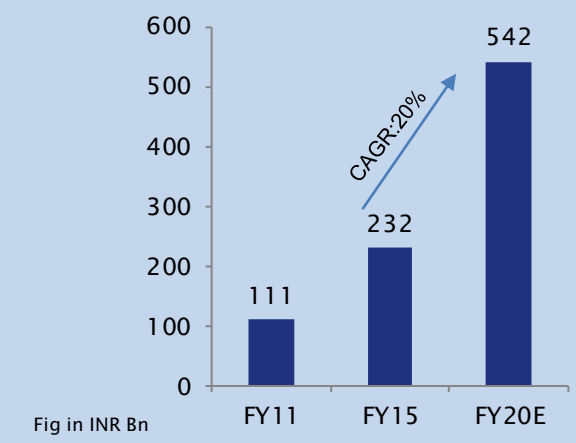
- Encyclopaedia Britannica is a 250-year-old global leader in the curriculum-based publication business for all age groups, operating across the US, Latin America, Japan, China, Brazil, Australia & India. In 1981, it published its first digital encyclopedia which created new wave of digital learning across the world. It began its publishing operations in India in 2009 with its extensive product portfolio comprising educational, instructional and information products & fully-integrated digital solutions.
- NEL recently acquired Britannica's India business which has presence across 6000+ schools (CBSE & ICSE) in India.
- India has one of the world's largest populations in the (school-going) age bracket 6 to 17 years (about 300Mn). The total size of K-12 segment is predicted to grow from USD 40Bn in 2016 to USD 100Bn in 2020. As at end-FY16 there were ~1.47Mn K-12 schools in India with a student base of ~250Mn. There are only 0.38Mn (Private aided 0.157Mn & private unaided 0.181Mn) privately held schools in India, of which only ~80,000 schools are English-medium.

Exhibit 19: Higher Growth in CBSE/ICSE schools

Education Boards	FY12	FY13	FY14	FY15	FY16	4-Yr CAGR
CBSE	12337	13898	14778	15933	17474	9.1%
ICSE	1565	1678	1798	1927	2181	8.7%
State Boards (Mn)	1.36	1.45	1.47	1.46	1.46	1.8%
Total (Mn)	1,373,902	1,465,576	1,486,576	1,477,860	1,479,655	1.9%

Source: DISE, School Board report, Nielson estimates

Exhibit 20: K-12 Publishing segment growth trend



Source: FICCI-Neilson Report, JMFS Research

Exhibit 21: Britannica Encyclopedia revenue trend

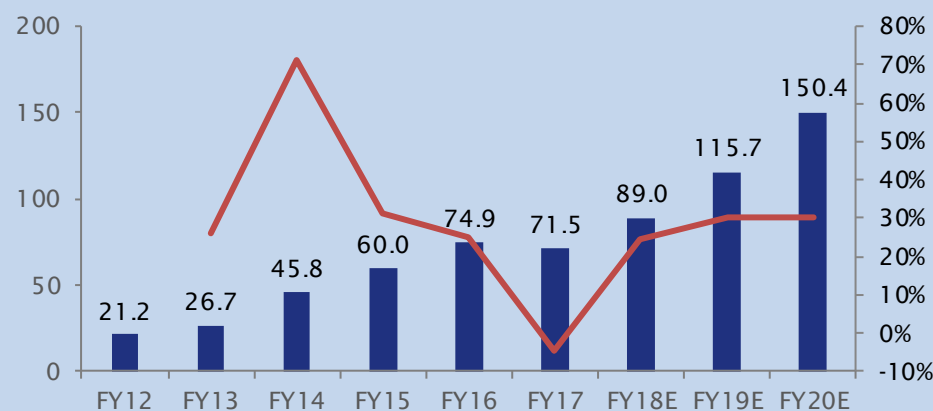


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■ Revenue — Growth(%)

Source: Company, JMFS Research

- There is a huge opportunity for the CBSE market which is currently estimated at ~INR 3000Cr, expected to post 25% CAGR over the next 5-6 years. NEL, with the acquisition of Encyclopedia Britannica, is well-poised to expand its footprint in the fast-growing CBSE curriculum-based publication industry.

NEL geared up to capture Pan-India opportunity through Britannica Encyclopaedia acquisition

❑ Synergy Benefits

- The EB acquisition has allowed NEL to diversify its geographical reach and will make it a Pan-India player with a strong foothold in the CBSE curriculum. The company will market Britannica's existing India-specific syllabus titles such as 'Know for Sure' and 'The English Channel' and publish text books for the CBSE board.
- NEL - with its 6 decade experience in the K-12 publishing business - is well-poised to capture the transition wherein private state boards schools are converting to CBSE & ICSE syllabus schools. State board schools currently comprise ~98% of overall schools in India.
- Access to the fast-growing CBSE curriculum segment will enable NEL to reduce its heavy dependence on Apr-Jun quarter revenues and state board syllabus changes. The Jan-Mar quarter is the strongest for Britannica, since 75-80% of revenues are generated then.
- NEL - for the last six decades - has been a dominant state board publisher in Maharashtra & Gujarat, which only contributes 2-3% of Encyclopedia Britannica's overall revenues. NEL is slated to be a key beneficiary of the strong trend in transition from state boards to CBSE & ICSE boards in the states of Maharashtra & Gujarat. It will also benefit from Britannica's presence in 25 states with a strong foothold in Delhi, Punjab, Rajasthan, Haryana and Uttar Pradesh.

Exhibit 22: Category-wise schools in Maharashtra & Gujarat

	Maharashtra	Gujarat
Govrnmnt School	67,294	33,843
Private Schools	30,383	10,205
Private Schools -Unaided	12,201	9,415
Private Schools- Aided	18,182	430
Total Schools	97,677	44,048

- NEL's in-house printing press facility can aid better operating efficiency for EB as it mainly outsources its manufacturing. Also, NEL could benefit from higher economies of scale and bargaining power with suppliers.
- NEL's digital learning product - 'E-Sense' - could also have strong synergy benefits from Britannica's digital technology capabilities.

Higher growth in exports and strong portfolio of brands to augur well for Stationery segment

Stationery a perfect complement to NEL's K-12 publication business

- Since NEL ventured in the paper stationery segment in FY93, it has been constantly focusing on establishing itself as a pan-India branded stationery player. Paper stationery currently contributes ~95% to its stationery revenues.
- Over the years, it has also expanded its offerings in the non-paper stationery space to include pencils, erasers, sharpeners, art & craft supplies, etc. These currently contribute ~5% to the stationery segment revenues.
- NEL currently has a strong distribution network of 1200 distributors, 16 C&F & 3 mother depots catering to ~85,000+ retailers spread across India.

Steadfast export growth, a key driver for the stationery segment

- NEL's stationery segment has been propelled by record export growth in its paper stationery business (28% CAGR over FY11-17).
- Its international products are exported to various geographies such as the US, Latam, Africa & Middle East. US alone contributes ~50% to total export revenue.
- NEL's In-house design, printing & product development team has helped transform it from a commoditised paper stationery player to a value-added & tailor-made supplier for large retailers like Walmart, Target, Office Depot etc.

Going forward, we expect the Stationery division to post a CAGR of 12% in FY17-20E.

Exhibit 23: Stationery segment expected to post 12% CAGR over FY17-20E

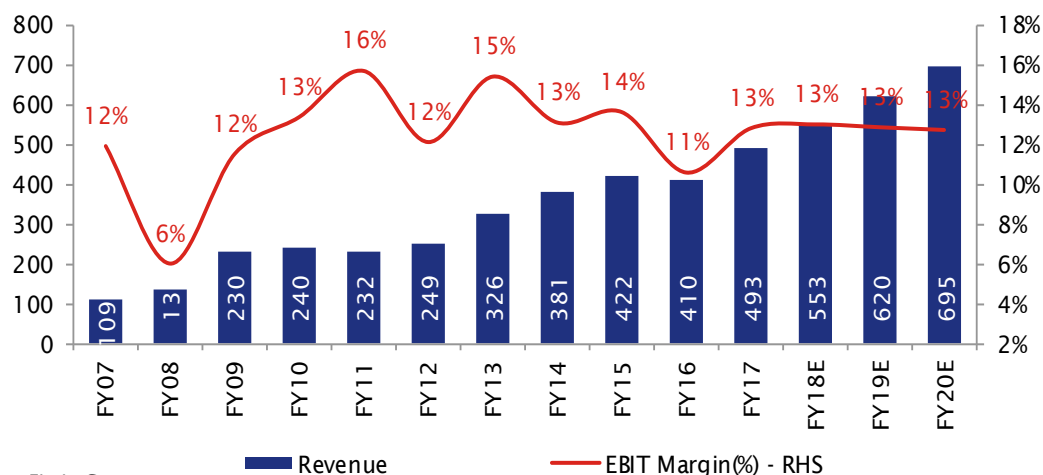


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Source: Company, JMFS Research

Exhibit 24: Domestic & export revenue trend

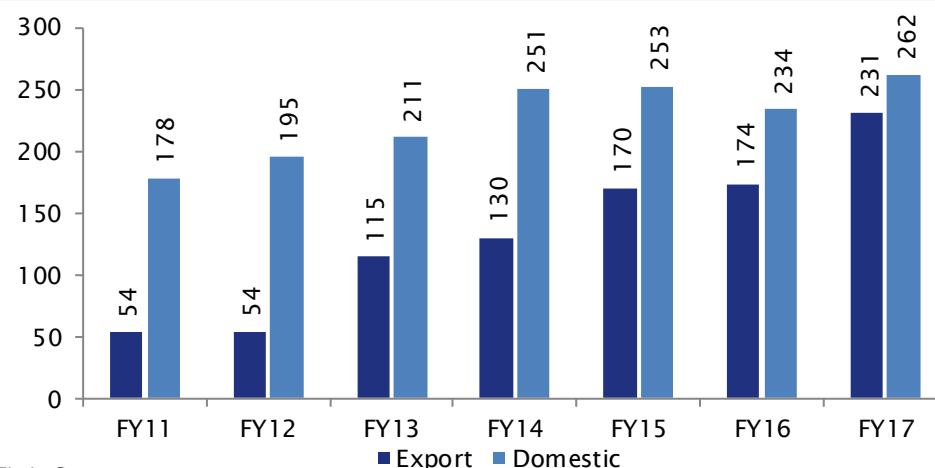


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Source: Company, JMFS Research

Digital learning & K-12 school management a huge potential

❑ **Digital technology-enabled learning, huge potential**

- Digital technology-enabled learning has gradually become a vital and fundamental requirement for teaching and has gained momentum mainly due to strong emphasis laid by the Indian middle class on high-quality education.
- There is huge potential in this segment as there is a very strong transformation in the entire teaching process. Traditionally, only high-end private schools were the target audience for digital-enabled smart boards, but there is a clear trend visible across private schools adopting the digital way of teaching, which helps simplify & stimulate the entire learning process.

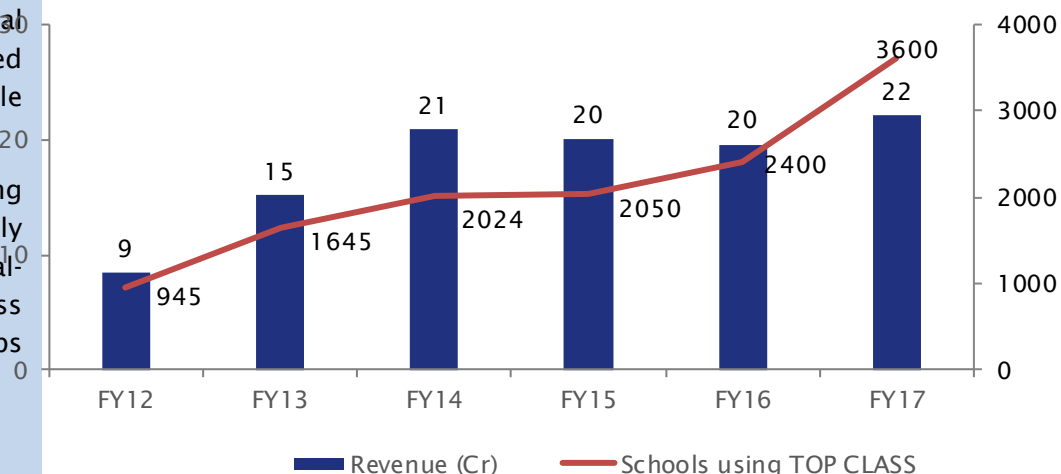
❑ **'Top Class' aimed at transforming teaching process**

- NEL forayed in the digital education business in FY09 through its digital classroom product 'Top-class'. Its major focus was to capitalise on the fast-growing transformation in the school teaching process from traditional boards to smart classrooms. There are currently ~3600+ schools using Top-class as a preferred product.
- After FY14, NEL started selling 'Top-Class' only as a content provider which was initially sold with hardware (laptop & speakers). Its cost structure mainly includes content & marketing costs.

❑ **Direct education a large un-addressable market**

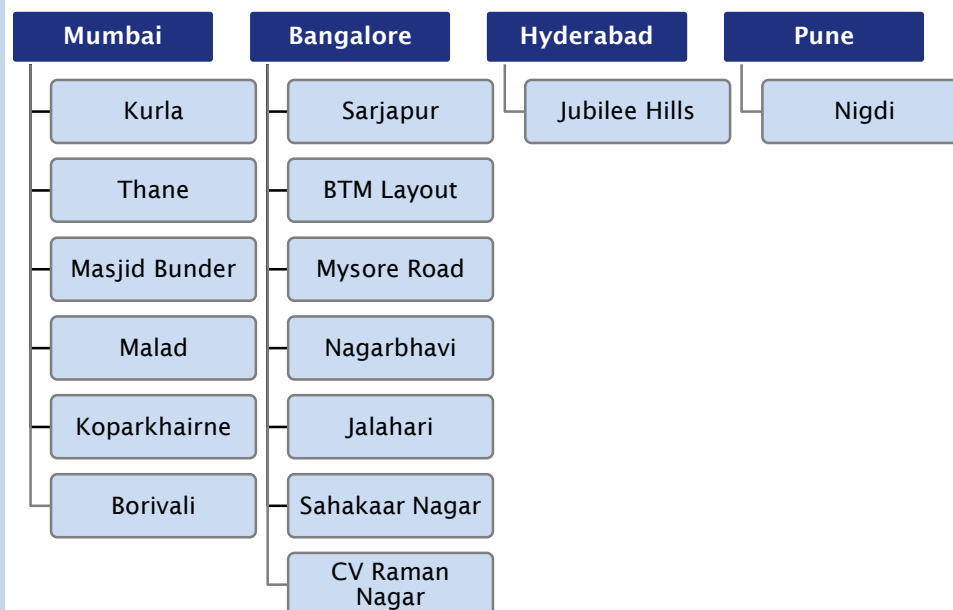
- Through its collaboration with K-12 Techno services, NEL aims to capitalise on this large un-tapped opportunity. NEL has invested ~INR 45Cr for a 35% stake in K-12 Techno Services, which manages CBSE affiliated schools under the banner 'Orchid International'. It currently has 15 schools, of which 12 are operational with 13,500 students. It invests in state board schools with old, dilapidated infrastructure, redevelops them into state-of-the-art schools and changes the curriculum from state boards to CBSE. K-12 Techno operates an asset-light business model under a 30-year lease agreement. It plans to add ~12 new schools over the next 2 years.

Exhibit 25: E-sense revenue and network trend



Source: Company, JMFS Research

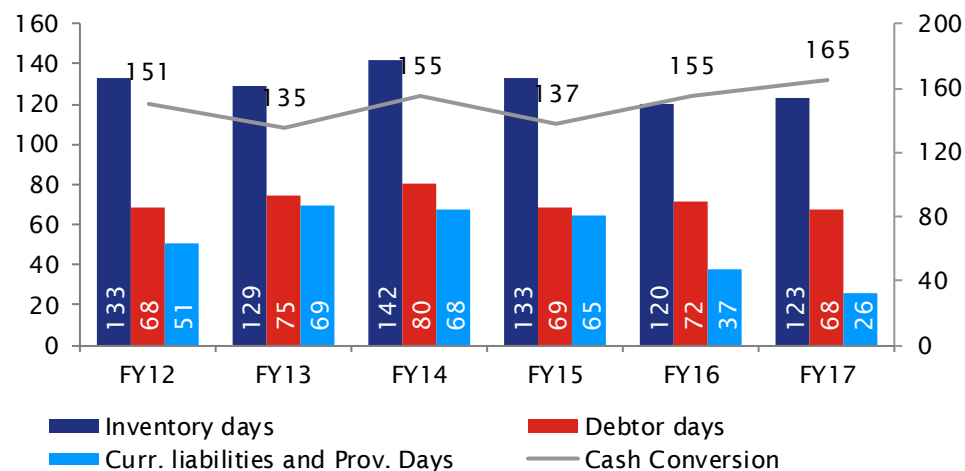
Exhibit 26: K-12 Techno services school network



Source: Company, JMFS Research

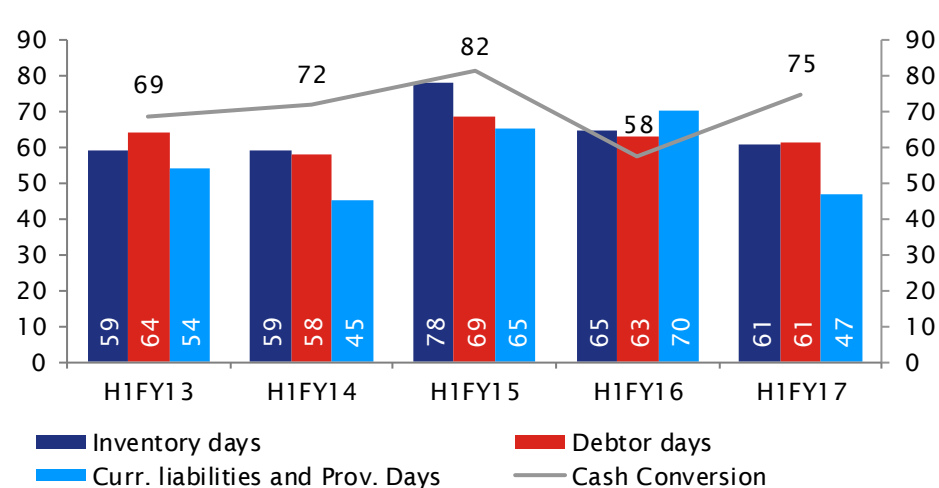
Higher working capital on year end due to seasonality

Exhibit 27: Cash conversion days at end of financial year



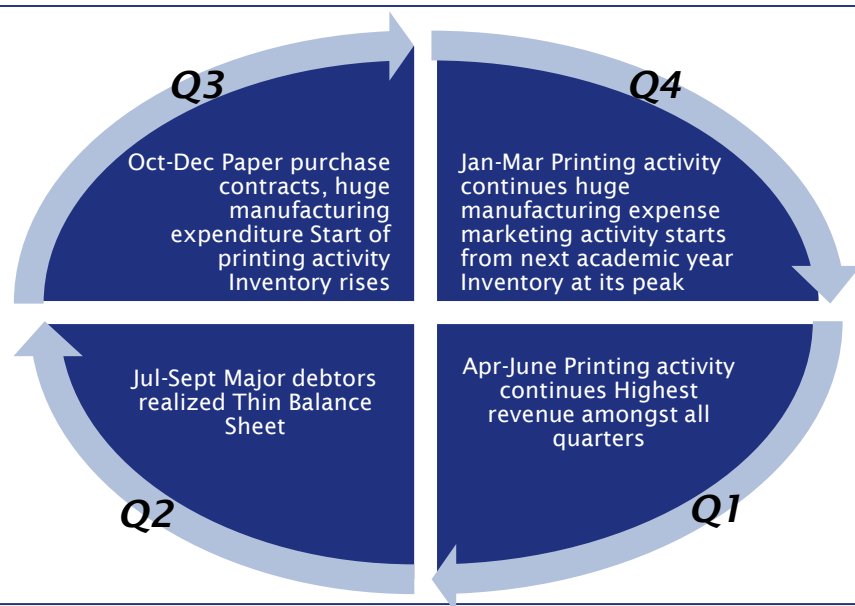
Source: Company, JMFS Research

Exhibit 28: Cash conversion days in 1st half of the financial year



Source: Company, JMFS Research

Exhibit 29: Quarters Activities during the quarter Effect on P&L and Balance Sheet



Source: Company, JMFS Research

Impact of quarterly activity on P&L & Balance sheet

- Q4 Jan-Mar contributes the least (~10%) to revenues of the publication segment. Its working capital requirement is at its peak with highest inventory and short-term balance sheet debt.
- Q3 Oct-Dec contributes ~15% to publishing revenues. NEL procures its major raw material paper and starts manufacturing from Q3.
- Q2 July-Sep contributes ~20% to publishing revenues. In this quarter NEL's balance sheet becomes debt free as most of the receivables are cleared, resulting in payment of all its working capital loans.
- Q1 April-Jun is the main quarter for the publication business which contributes ~56% to overall yearly revenues.

Investment Risk & Concerns

Syllabus changes a key trigger for growth of the state board publication business

The publishing segment is a cash cow for NEL, highly dependent on state board syllabus changes that are cyclical in nature. Any government policy changes which results in syllabus changes not on time or increase the tenure of changes would be a big risk for NEL's publication segment.

Stiff competition for curriculum-based CBSE publication business

NEL has ventured in the CBSE curriculum based business through the acquisition of Encyclopedia Britannica (EB). This segment is mainly dominated by well-established large players such as Macmillan, Pearson, Oxford, S Chand, etc. EB is a relatively small player in the INR 30Bn CBSE publication industry. In case EB fails to endure & excel in the foreseeable future, it could impede NEL's plan of expanding in fast growing CBSE publishing market.

Stationery segment dependent on exports for growth

The domestic stationery market is mainly dominated by large players such as ITC, which have strong financial muscle with a large distribution network & presence across the entire value chain. NEL's stationery segment has been mainly driven by record growth in the export business. Any slowdown in exports and extreme volatility in currency could be a negative for the segment.

Rural demand contraction due to poor monsoons

NEL's state board supplementary segment has significant demand from rural & semi-urban regions of Maharashtra & Gujarat, which are mainly dominated by state board schools. In case of drought or other adverse situations in these states, there is a big slowdown in demand.

Raw material prices

Any prolonged volatility in raw material prices - along with the inability to pass on higher prices due to stiff competitive intensity - could impact overall profitability.

Valuation & Recommendation

- ❑ Initiate Coverage with a Target Price of INR 220 offering potential upside of 33 %.
- ❑ PAT CAGR of 16.3%; driven by Revenue CAGR of 16.1% & EBITDA growth of CAGR 16.6% FY17-20E.
- ❑ Stable business model with clean balance sheet & improving return ratio provides comfort

NEL is likely to report healthy revenue growth, driven by a strong uptake in the supplementary publishing segment, which would be mainly driven by high-standard syllabus changes for the next 2-3 years syllabus. We expect its core supplementary segment to post a CAGR of 17.3% over FY17-20E.

Stationery segment is expected to post a CAGR of 12% over FY17-20E, led by strong momentum in its export business.

CBSE curriculum-based publishing segment (Encyclopedia Britannica) is slated to be the catalyst for NEL's future growth. We expect this segment to register post a CAGR of 28% over FY17-20E.

At 13.5x FY20E P/E , stock looks attractive

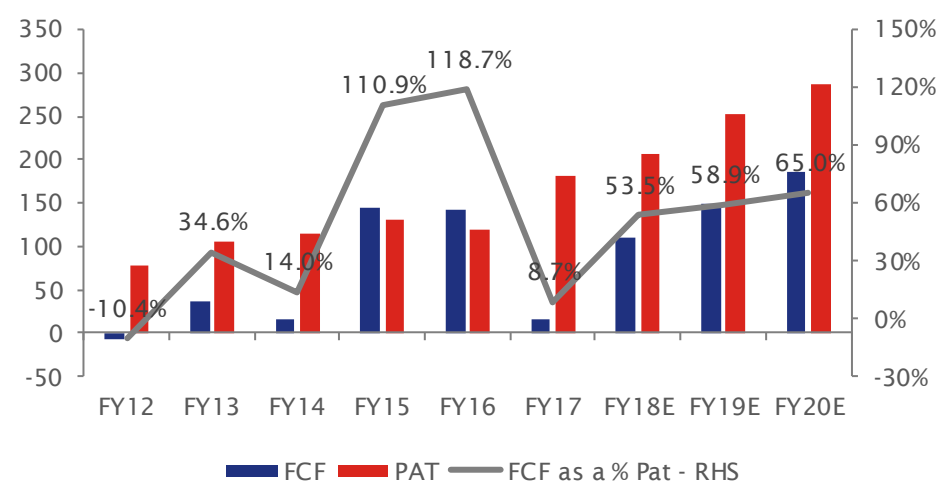
In our view, a higher growth phase from FY18-20E is yet to be factored in. At 13.5x FY20E P/E and 8.7x FY20E EV/EBITDA, NEL appears to be attractively priced. Consistent FCF, high dividend payout (~40%) with stable margins(22%) & high return ratios (ROCE 29%) warrants a BUY rating with a price target of INR 216 assigning a multiple of 18x FY20E (average EPS INR 12). For valuation purpose we are assigning equal weightage to the likelihood or not of state board syllabus changes in FY20E.

Exhibit 30: Valuation Parameters

	FY15	FY16	FY17	FY18E	FY19E	FY20E
P/E (x)	30.2	32.5	21.3	18.6	15.3	13.4
EV/EBITDA (x)	16.8	19.1	14.2	12.0	9.9	8.6
EV/Sales (x)	4.1	4.1	3.4	2.9	2.4	2.1
ROCE	29.9	25.7	29.6	31.1	33.8	33.3
ROE	24.0	20.6	26.1	25.1	25.6	24.7

Source: Company, JMFS Research

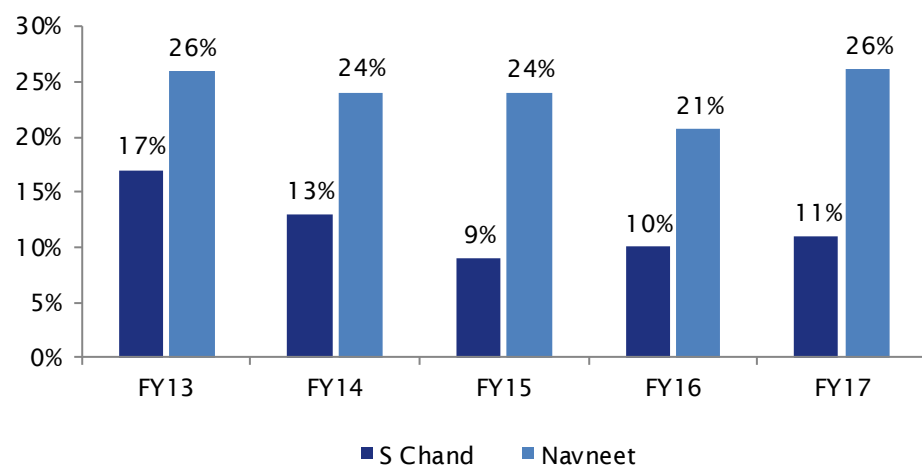
Exhibit 31: FCF as a % of Net Profit



Source: Company, JMFS Research

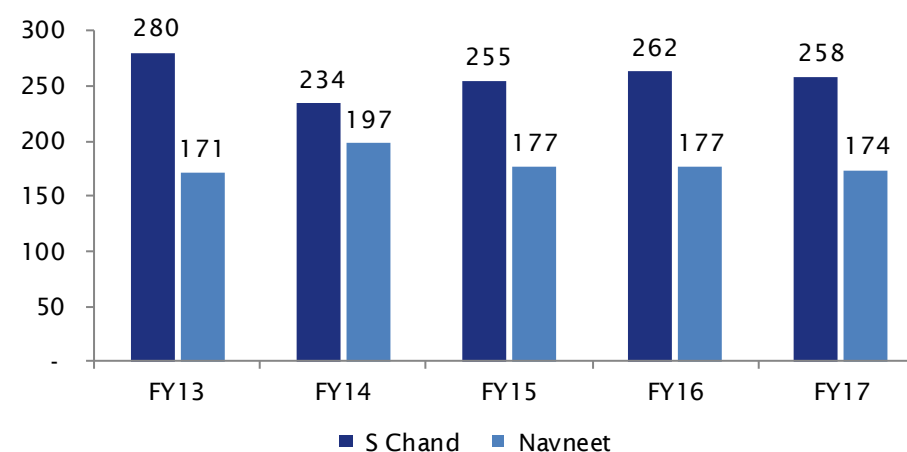
Valuation & Recommendation

Exhibit 32: Conservative growth strategy with consistent high ROE



Source: Company, JMFS Research

Exhibit 33: Net working Capital Days



Source: Company, JMFS Research

Exhibit 34: Peer Comparison

	Mcap (INR Cr)	Revenue (INR Cr)	EBITDA Margin	P/E(x)		EPS CAGR(%)	EV/EBITDA(x)		ROE
				FY18E	FY19E	FY17-FY19E	FY18E	FY19E	FY18E
Navneet	3,868	1,181	23.8%	18.6	15.3	16.7%	12.0	9.9	25.1%
S Chand	1,650	685	25.0%	17.9	14.0	13.0%	9.1	7.8	11.8%
Zee Learn	1,450	1,450	34.8%	31.8	23.4	16.5%	19.8	15.2	14%
MPS	980	290	30.8%	14.7	13.4	5.2%	8.4	7.3	19%
Fig in USD Mn									
Pearson Inc	7,942	6,169	15%	14.1	12.4	6.9%	10.9	9.8	9%
John Wiley & Sons	3,012	1,718	20.0%	18.1	16.3	7.2%	10.4	9.4	15%
Scholaristic Corp.	1,344	1,741	7.0%	30.7	24.8	8.7%	9.7	7.7	NA
Capella Education	945	429	21.0%	22.9	20.2	6.7%	8.2	7.6	17%

Source: Company, JMFS Research

Profit and loss statement (INR Crore)				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Total operating Income	1,181	1,354	1,605	1,851
Growth (%)	24%	15%	19%	15%
Raw Material Expenses	545	640	754	870
Employee Expenses	119	129	148	167
Manufacturing Expenses	66	82	97	112
Selling & Distribution Expenses	59	62	74	93
Admin & Other Expenses	112	111	137	164
Total Operating Expenditure	900	1,024	1,210	1,405
EBITDA	281	330	395	446
Growth (%)	36.3	17.5	19.5	13.0
Depreciation	28	34	35	37
EBIT	253	297	360	409
Interest	4	4	2	2
Other Income	15	16	19	22
PBT	264	309	376	430
Total Tax	83	102	124	142
PAT	181	207	252	288
Growth (%)	51	14	22	14
EPS (₹)	7.8	8.9	10.8	12.3

Source: Company, JMFS Research

Balance Sheet (INR Crore)				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Liabilities				
Equity Capital	47	47	47	47
Reserve and Surplus	647	777	937	1,119
Total Shareholders funds	694	824	984	1,166
Total Debt	159	129	80	65
Deferred Tax Liability	-	-	-	-
Minority Interest / Others	-	-	-	-
Total Liabilities	853	953	1,064	1,231
Assets				
Gross Block	458	483	503	523
Less: Acc Depreciation	251	285	321	357
Net Block	207	198	183	166
Capital WIP	3	4	6	10
Total Fixed Assets	209	202	189	176
Investments	24	24	23	23
Other Non-Current Assets	57	57	58	58
Inventory	384	445	528	609
Debtors	278	278	330	380
Loans and Advances	28	47	56	65
Other Current Assets	30	31	31	32
Cash	10	13	21	87
Total Current Assets	730	815	966	1,173
Creditors	76	44	52	60
Provisions	38	47	56	65
Other Current Liabilities	54	54	64	74
Total Current Liabilities	168	145	172	198
Application of Funds	853	953	1,064	1,231

Source: Company, JMFS Research

Cash Flow Statement (INR Crore)				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Profit before Tax	253	309	376	430
Add: Depreciation	28	34	35	37
(Inc)/dec in Current Assets	(181)	(82)	(143)	(141)
Inc/(dec) in CL and Provisions	67	(22)	27	26
Taxes Paid	(77)	(102)	(124)	(142)
Others	(14)	-	-	-
CF from operating activities	77	137	171	210
Capex	(62)	(26)	(22)	(23)
FCF	16	111	149	187
Inc(-)/Dec in Investment	7	0	1	1
Others	(23)	(0)	(0)	(0)
CF from Investment activities	(77)	(26)	(22)	(23)
Inc(-)/Dec in Capital	(58)	-	-	-
Inc(-)/Dec in Loans	56	(31)	(48)	(15)
Dividend + Tax thereon	-	(68)	(81)	(95)
Others	(4)	9	(11)	(11)
CF from Financial activities	(6)	(90)	(141)	(122)
Inc/(Dec) in Cash	(6)	21	8	66
Opening Cash	(2)	(8)	13	21
Closing Cash	(8)	13	21	87

Source: Company, JMFS Research

Ratio Analysis				
(Year-end March)	FY17	FY18E	FY19E	FY20E
Per share data (₹)				
EPS	7.8	8.9	10.8	12.3
Cash EPS	9	10	12	14
BV	30	35	42	50
DPS	2.5	3.0	3.5	3.5
Cash Per Share	0.4	0.6	0.9	3.7
Operating Ratios				
EBITDA Margin (%)	23.8%	24.4%	24.6%	24.1%
PBT Margin (%)	22.3%	22.8%	23.4%	23.2%
PAT Margin (%)	15.3%	15.3%	15.7%	15.6%
Inventory days	118.7	120.0	120.0	120.0
Debtor days	85.9	75.0	75.0	75.0
Creditor days	50.9	25.0	25.0	25.0
Return Ratios (%)				
RoE	26.1	25.1	25.6	24.7
RoCE	29.6	31.1	33.8	33.3
RoIC	31.9	33.3	35.9	35.2
Valuation Ratios (x)				
P/E	21.3	18.6	15.3	13.4
EV / EBITDA	14.2	12.0	9.9	8.6
EV / Net Sales	3.4	2.9	2.4	2.1
Market Cap / Sales	3.3	2.8	2.4	2.1
Price to Book Value	5.6	4.7	3.9	3.3
Solvency Ratios				
Debt/EBITDA	0.6	0.4	0.2	0.1
Debt / Equity	0.2	0.2	0.1	0.1
Current Ratio	4.3	5.5	5.5	5.5
Quick Ratio	2.0	2.5	2.4	2.4

Source: Company, JMFS Research

Annexure: Promoters & Management Profile

Gnaesh Gala, MD :

Mr. Gnanesh Gala has been the Managing Director of Navneet Education Limited since 1 June 2013. He has been President (Finance) at Navneet Publications (India) Limited for more than 30 years and has been instrumental in accelerating Navneet Publication's top-line and bottom-line growth..

Anil Gala, Executive Director:

Promoter with 37+ years of experience in content creation & marketing.

Bipin Gala, Executive Director:

Promoter with 30+ years of experience.

Raju Gala, Executive Director:

Promoter with 30+ years of experience; key person controlling the company's manufacturing operations.

Shailendra Gala, Executive Director:

Promoter with 20+ years of experience; spearheads NEL's stationery segment.

Deepak Kaku, CFO:

Mr Kaku has been designated as CFO of NEL from Aug 2015.

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