

Navneet Education

BSE SENSEX 37,582
 S&P CNX 11,110

CMP: INR106 TP: INR135 (+29%)

Buy

Motilal Oswal values your support in the Asiamoney Brokers Poll 2019 for India Research, Sales and Trading team. We request your ballot.



Bloomberg	NELI IN
Equity Shares (m)	234
M.Cap.(INRb)/(USD\$b)	24.2 / 0.3
52-Week Range (INR)	139 / 96
1, 6, 12 Rel. Per (%)	1/-2/-11
12M Avg Val (INR M)	12
Free float (%)	38.2

Financials & Valuations (INR b)

Y/E March	2019	2020E	2021E
Net Sales	14.5	16.5	18.8
EBITDA	2.7	3.1	3.6
NP	1.5	1.9	2.2
EPS (INR)	6.7	8.2	9.7
EPS Gr. (%)	22.5	22.3	18.5
BV/Sh. (INR)	34.6	41.0	48.6
RoE (%)	19.8	21.6	21.6
RoCE (%)	14.9	15.1	15.5
P/E (x)	15.7	12.9	10.9
P/BV (x)	3.0	2.6	2.2

Estimate change	↔
TP change	↔
Rating change	↔

In-line performance led by stationary/publication sales

- Healthy overall performance; PAT grows 17%:** 1QFY20 revenue grew 19% YoY to INR7,950m (v/s est. INR7,705m), primarily driven by 18%/19% YoY growth in stationary/publication revenues. EBITDA rose 17% YoY to INR2,314m (v/s est. INR2,250m), with margin contraction of 30bp YoY to 29% (in-line). Adj. PAT grew 17% YoY to INR1,474m (v/s est. INR1,454m).
- Publication revenues up healthy 18%; exports drive stationery growth:** Publication revenues grew 18% YoY to INR4,322m, while EBIT margins contracted 400bp YoY to 38% in 1QFY20. Stationery revenues grew a robust 19% YoY to INR3,625m, primarily driven by exports, which were up 27% YoY. Domestic stationery sales grew 6% YoY. Stationery EBIT margins expanded 400bp YoY to 22% in 1QFY20.
- Indiannica improves, K-12 PAT accretive, E-Sense finding its feet:** Indiannica reported revenues of INR72.9m (v/s INR70.5m in 1QFY19) and loss of INR78m (down from INR88m in 1QFY19). K-12 contributed INR55m to 1QFY20 PAT. E-Sense reported revenues of INR90.7m (v/s INR96.4m in 1QFY19) and PAT of INR108m (v/s INR413m in 1QFY19).
- Valuation view:** We maintain our estimates for FY20/FY21 and expect NELI to deliver sales/PAT CAGR of 14%/20% over FY19-21E. About 50% of our projected FY20 revenue estimate of INR16b has been achieved in 1QFY20 driven by (publication business) change in the Gujarat Board syllabus. We continue to value the stock at 14x FY21E EPS with target price of INR135/share and maintain **Buy** rating.

Standalone - Quarterly Earning Model

Y/E March									(INR Million)		
	FY19				FY20E				FY20	Var	
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE	FY20	%	
Net Sales	6,700	2,635	1,816	2,455	7,950	3,030	2,125	2,897	16,002	7,705	3
YoY Change (%)	18.5	43.7	4.1	15.5	18.7	15.0	17.0	18.0		15.0	
Total Expenditure	4,726	2,171	1,659	2,173	5,636	2,536	1,991	2,584	12,747	5,455	
EBITDA	1,974	463	157	282	2,314	494	134	313	3,255	2,250	3
Margins (%)	29.5	17.6	8.6	11.5	29.1	16.3	6.3	10.8	20.3	29.2	
Depreciation	57	60	62	65	80	68	70	72	290	62	
Interest	42	23	11	42	70	25	15	40	150	50	
Other Income	71	72	30	22	98	35	40	55	228	30	
PBT before EO expense	1,946	451	113	196	2,262	436	89	256	3,043	2,168	4
Extra-Ord expense	0	0	0	0	0	0	0	0	0	0	
PBT	1,946	451	113	196	2,262	436	89	256	3,043	2,168	4
Tax	683	162	38	49	788	153	29	90	1,059	759	
Rate (%)	35.1	35.9	33.5	25.1	34.8	35.0	33.0	35.0	34.8	35.0	
Reported PAT	1,263	289	75	147	1,474	328	105	211	2,118	1,454	1
Adj PAT	1,263	289	75	147	1,474	328	105	211	2,118	1,454	1
YoY Change (%)	15.2	73.9	-36.5	-2.8	16.7	13.5	38.6	43.7	19.4	15.1	
Margins (%)	18.9	11.0	4.2	6.0	18.5	10.8	4.9	7.3	13.2	18.9	

E: MOFSL Estimates

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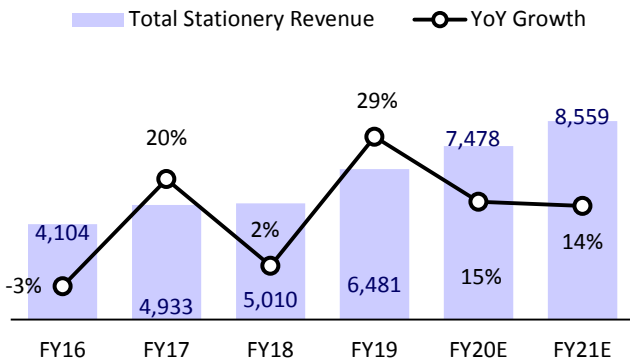
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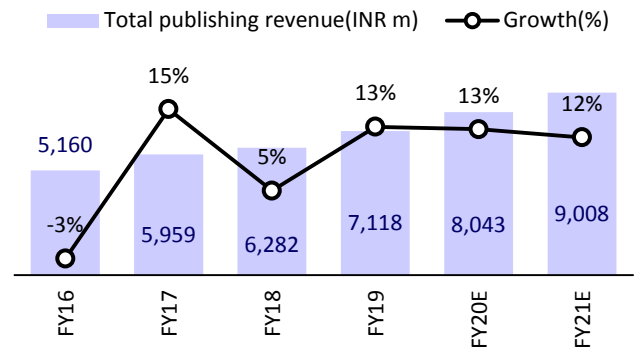
Story in charts

Exhibit 1: Stationary to grow at 14% CAGR over FY19-21E



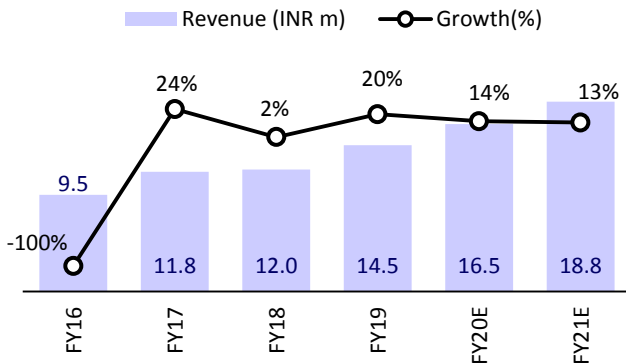
Source: MOFSL, Company

Exhibit 2: Publishing to grow at 12% CAGR over FY19-21E



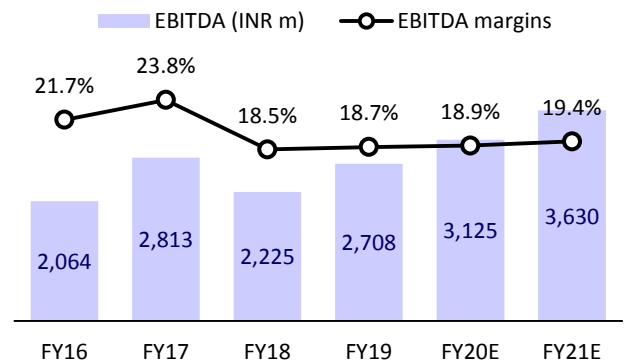
Source: MOFSL, Company

Exhibit 3: 14% CAGR expected in revenues in FY19-21E



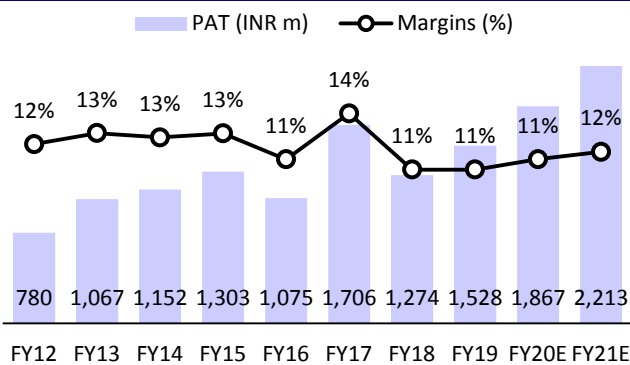
Source: MOFSL, Company

Exhibit 4: EBITDA margin trend



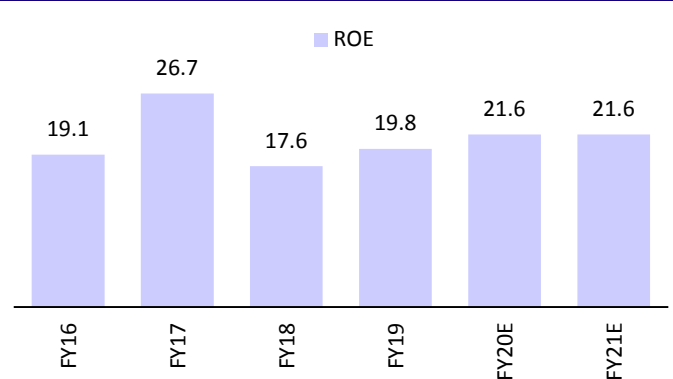
Source: MOFSL, Company

Exhibit 5: PAT to grow at 20% CAGR over FY19-21E



Source: MOFSL, Company

Exhibit 6: ROE trend



Source: MOFSL, Company

Financials and Valuations

Consolidated - Income Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Income from Operations	8,221	9,002	9,977	9,526	11,813	12,040	14,450	16,547	18,770
Total Income from Operations	8,221	9,002	9,977	9,526	11,813	12,040	14,450	16,547	18,770
Change (%)	29.9	9.5	10.8	-4.5	24.0	1.9	20.0	14.5	13.4
EBITDA	1,922	2,080	2,367	2,064	2,813	2,225	2,708	3,127	3,632
Margin (%)	23.4	23.1	23.7	21.7	23.8	18.5	18.7	18.9	19.4
Depreciation	235	258	308	297	284	307	327	353	384
EBIT	1,688	1,822	2,060	1,768	2,529	1,918	2,381	2,774	3,248
Int. and Finance Charges	88	100	91	36	43	77	153	202	236
Other Income	37	35	28	167	152	260	169	178	187
PBT bef. EO Exp.	1,637	1,757	1,996	1,899	2,638	2,100	2,397	2,749	3,199
EO Items	-13	0	0	0	0	0	0	0	0
PBT after EO Exp.	1,623	1,757	1,996	1,899	2,638	2,100	2,397	2,749	3,199
Current Tax	547	594	699	694	865	825	925	1,061	1,234
Deferred Tax	3	11	-7	4	-39	0	0	0	0
Tax Rate (%)	33.9	34.4	34.7	36.7	31.3	39.3	38.6	38.6	38.6
Less: Minority Interest	6	1	1	127	104.7	1.4	-56.1	-180	-250
Reported PAT	1,067	1,152	1,303	1,075	1,706	1,274	1,528	1,868	2,214
Adjusted PAT	1,076	1,152	1,303	1,075	1,706	1,274	1,528	1,868	2,214
Change (%)	37.9	7.1	13.2	-17.5	58.7	-25.4	20.0	22.3	18.5
Margin (%)	13.1	12.8	13.1	11.3	14.4	10.6	10.6	11.3	11.8

Consolidated - Balance Sheet

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Equity Share Capital	476	476	476	476	467	467	458	458	458
Preference Capital	3	3	0	0	0	0	0	0	0
Total Reserves	3,712	4,307	4,956	5,354	6,471	7,053	7,451	8,934	10,653
Net Worth	4,192	4,787	5,433	5,831	6,938	7,520	7,909	9,392	11,111
Minority Interest	1	1	1	1	1	2	4	4	4
Deferred Liabilities	64	73	41	41	-1	0	0	0	0
Total Loans	1,687	2,337	1,436	1,035	1,594	2,253	3,374	3,374	3,374
Capital Employed	5,943	7,197	6,909	6,907	8,532	9,775	11,288	12,770	14,490
Gross Block	3,316	3,673	3,741	4,147	5,145	5,018	5,301	5,851	6,251
Less: Accum. Deprn.	1,574	1,798	2,042	2,338	2,622	2,929	3,256	3,609	3,992
Net Fixed Assets	1,742	1,874	1,699	1,809	2,523	2,089	2,045	2,242	2,258
Goodwill on Consolidation	0	0	0	0	0	457	457	457	457
Capital WIP	57	45	40	8	28	41	167	0	0
Total Investments	310	475	492	451	360	458	671	1,171	1,771
Curr. Assets, Loans&Adv.	4,982	6,042	5,995	5,426	7,297	8,490	9,814	11,022	12,371
Inventory	2,752	3,337	3,484	3,074	3,843	4,282	5,513	6,120	6,942
Account Receivables	1,659	1,961	1,886	1,868	2,781	3,181	2,924	3,219	3,600
Cash and Bank Balance	35	69	55	59	97	68	207	373	362
Loans and Advances	536	675	571	425	576	959	1,170	1,311	1,468
Curr. Liability & Prov.	1,163	1,253	1,317	788	1,676	1,761	1,888	2,143	2,389
Account Payables	585	643	586	683	760	753	839	989	1,120
Provisions	577	610	731	105	916	1,008	1,049	1,154	1,269
Net Current Assets	3,819	4,789	4,678	4,639	5,621	6,729	7,926	8,879	9,982
Appl. of Funds	5,943	7,197	6,909	6,907	8,532	9,775	11,288	12,770	14,490

E: MOFSL Estimates

Financials and Valuations

Ratios

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
Basic (INR)									
EPS	4.5	4.8	5.5	4.5	7.3	5.5	6.7	8.2	9.7
Cash EPS	5.5	5.9	6.8	5.8	8.5	6.8	8.1	9.7	11.4
BV/Share	17.6	20.1	22.8	24.5	29.7	32.2	34.6	41.0	48.6
DPS	1.8	2.0	2.2	2.2	2.5	1.4	1.0	1.4	1.8
Payout (%)	47.0	48.4	48.4	58.7	41.2	30.9	18.0	20.6	22.4
Valuation (x)									
P/E		21.7	19.2	23.3	14.4	19.3	15.7	12.9	10.9
Cash P/E		17.7	15.5	18.2	12.3	15.5	13.0	10.8	9.2
P/BV		5.2	4.6	4.3	3.5	3.3	3.0	2.6	2.2
EV/Sales		3.0	2.6	2.7	2.2	2.2	1.9	1.7	1.5
EV/EBITDA		12.9	10.9	12.4	9.3	12.0	10.2	8.8	7.6
Dividend Yield (%)	1.7	1.9	2.1	2.1	2.4	1.3	1.0	1.3	1.7
Return Ratios (%)									
RoE	27.6	25.7	25.5	19.1	26.7	17.6	19.8	21.6	21.6
RoCE	20.8	18.7	19.5	17.8	23.9	14.4	14.9	15.1	15.5
RoIC	21.1	19.7	20.8	17.6	24.1	13.5	15.0	15.9	16.9
Working Capital Ratios									
Inventory (Days)	122	135	127	118	119	130	139	135	135
Debtor (Days)	74	80	69	72	86	96	74	71	70
Creditor (Days)	26	26	21	26	23	23	21	45	45
Working Cap. Turnover (Days)	168	191	169	175	171	202	195	188	187
Leverage Ratio (x)									
Current Ratio	4.3	4.8	4.6	6.9	4.4	4.8	5.2	5.1	5.2
Debt/Equity	0.4	0.5	0.3	0.2	0.2	0.3	0.4	0.4	0.3

Consolidated - Cash Flow Statement

(INR Million)

Y/E March	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20E	FY21E
OP/(Loss) before Tax	1,636	1,757	1,996	1,899	2,638	2,100	2,397	2,749	3,199
Depreciation	235	258	308	297	284	307	327	353	384
Interest & Finance Charges	-1	0	0	-19	-12	0	0	0	0
Direct Taxes Paid	-520	-607	-651	-743	-766	-825	-925	-1,061	-1,234
(Inc)/Dec in WC	-658	-889	-100	511	-1,140	-1,137	-1,058	-788	-1,114
CF from Operations	692	519	1,553	1,945	1,004	445	741	1,254	1,234
Others	48	72	69	-140	-126	77	153	202	236
CF from Operating incl EO	740	591	1,622	1,806	878	522	895	1,456	1,470
(inc)/dec in FA	-363	-430	-176	-264	-553	113	-409	-383	-400
Free Cash Flow	377	162	1,446	1,542	325	636	486	1,073	1,070
(Pur)/Sale of Investments	-315	-163	-11	37	37	-99	-213	-500	-600
Others	-21	-24	106	188	-256	-754	0	0	1
CF from Investments	-699	-617	-81	-40	-771	-739	-621	-883	-999
Issue of Shares	12	-1	-3	0	-582	0	-750	0	0
(Inc)/Dec in Debt	240	658	-901	-401	562	659	1,121	0	0
Interest Paid	-86	-97	-93	-36	-43	-77	-153	-202	-236
Dividend Paid	-221	-501	-557	-1,262	0	-394	-275	-386	-496
Others	0	0	0	-63	-5	0	-89	180	250
CF from Fin. Activity	-56	59	-1,555	-1,762	-68	188	-147	-408	-482
Inc/Dec of Cash	-15	34	-14	4	38	-29	127	165	-12
Opening Balance	50	35	69	55	59	97	81	208	373
Closing Balance	35	69	55	59	97	68	208	373	362

Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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