

Navneet Education Ltd. ₹ 55

21% Most Likely ! Accumulate



Dec 06, 2013

Company Background

Navneet Education Limited is an age old company engaged in education. Starting with a focus on educational materials for quick success and revision the current business of Navneet include Educational, Children & General books Publication, Scholastic Paper and Non-Paper Stationery products. It's products are sold under the brand names of 'Navneet', 'Vikas', 'Gala', 'FfUuNn' and 'Boss'. It's portfolio of Educational based Books include high quality supplementary books like Digests (Guide), Workbooks, and 21 Most Likely Question Sets, most of which are published in five languages. Navneet has a dominant market share of about 65% in Western India and significant presence across India. Navneet also publishes various titles in the Children and General books category, not based on Syllabus It has ventured in the area of exports of Paper Stationery products, non-paper stationery business. and eLearning is the most important addition in the current line. The company is also into managing and setting up of schools and pre-schools thus covering everything in the sector.

Key Highlights

- ➔ Navneet's Subsidiary eSense Learning Pvt. Ltd., has been able to spread its presence in more institutions and as on 31 March, 2013, its B2B product "TOPClass" was installed in 1,645 institutions in Maharashtra and Gujarat compared to 925 in FY12, a jump of 78% y-o-y. We expect a substantial rise in this number in FY14 as well. eSense's new B2C product "UTOP", a tablet for students, was soft launched & received a good response from students.
- ➔ Syllabus changes in the states of Maharashtra and Gujarat which started in FY12 will continue for another few years. The trend of using private publisher's text books by various English Medium Schools across India is increasing year after year. Navneet has started publishing and marketing text books for pre-primary and primary grades for private schools across India and is confident of reasonable growth for such books.
- ➔ The Company has been done exceedingly well in exports of its stationery products to various countries and the devaluating rupee would ensure its margins remain higher.

Key Financials

Year Ended 31 st	Mar 11	Mar 12	Mar 13
Revenue (INR mn)	5,538.7	6,287.7	8,069.2
Rev. growth (%)	4.67	13.52	28.33
EBITDA (INR mn)	1,338.3	1,504.7	1,977.7
Net profit (INR mn)	775.5	802.6	1,110.6
Shares outstanding (mn)	238.2	238.2	238.2
EPS (INR)	3.3	3.4	4.7
EPS growth (%)	14.08	3.49	38.38
P/E (x)	16.9	17.2	12.5
RONW (%)	24.3	22.3	27.0
ROCE (%)	20.6	17.4	19.5

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Info Codes

Reuters	: NAVN.BO
Bloomberg	: NELI@IN
NSE	: NAVNETEDUL
BSE	: 508989

Market Data

52 Wk Range (₹)	: 71 / 50
Shares in Issue (mn)	: 238.2
Mkt. Cap (₹ bn)	: 13.01
BSE 2 Wk Avg Vol	: 43000

Share Holding Pattern (%)

Promoters	: 61.80
DII's	: 11.07
FII's	: 5.99
Others	: 21.14

Investment Theme

Navneet is one of the oldest companies in India which ventured into the education publishing sector. Started with its initial offerings of guides digests and 21 most likely Question sets, the company has today come a long way covering most of the segments in education ranging from stationery, books, non-paper stationery, hobby kits etc. The company has also recently introduced e-Learning as its product. The company has also entered into management of schools and also has a few schools in its portfolio. Navneet has also entered into the pre-primary school segment, something which still remains un-regulated in terms of fees and can be a very good profit centre in the near future. With the importance of e-Learning on the rise and with a brand name like Navneet the expectations of the market have heightened. We therefore recommend an accumulate.

Everything in Education !

Financial Statements

Income Statement

(₹ mn)

Year end	Mar 11	Mar 12	% Chg	Mar 13	% Chg
Total Sales + Excise	5475.9	6229.1	13.75	8062.6	29.43
Other Income	82.1	85.2	3.78	43.1	(49.41)
Change in Stocks	32.0	69.1	115.94	425.2	515.34
Raw Material Con.	2701.1	3138.7	16.20	4365.8	39.10
Employee Exp.	477.1	540.8	13.35	626.3	15.81
Indirect Taxes	121.4	143.4	18.12	167.8	17.02
Other Exp.	952.1	1055.8	10.89	1393.3	31.97
Operating Exp.	4219.7	4809.6	13.98	6128.0	27.41
Operating Profit	1256.2	1419.5	13.00	1934.6	36.29
Total Interest	42.7	97.2	127.63	97.7	0.51
Gross Profit	1295.6	1407.5	8.64	1880.0	33.57
Net Dep.	116.1	184.9	59.26	219.3	18.60
Total Taxation	404.0	420.0	3.96	550.1	30.98
Net Profit/Loss	775.5	802.6	3.49	1110.6	38.38

4 Years Balance Sheet

(₹ mn)

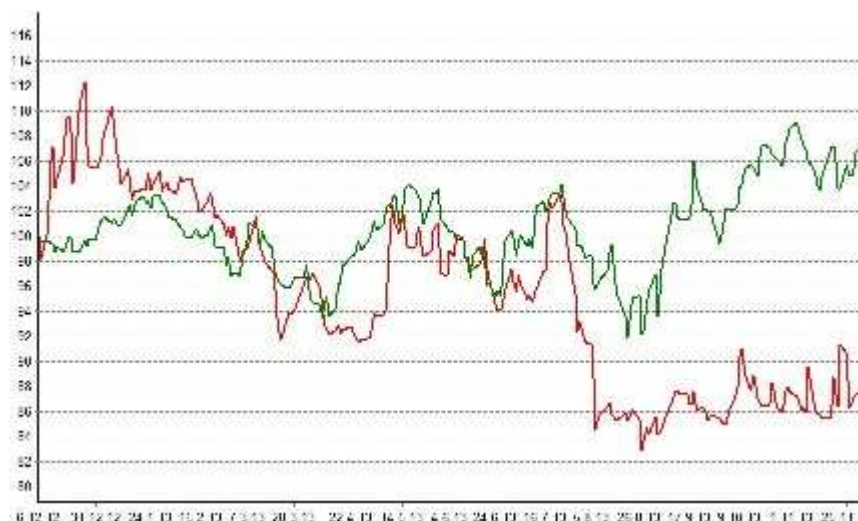
Balance Sheet as on 31 st	Mar 10	Mar 11	Mar 12	Mar 13
SOURCES OF FUNDS	3,597.0	3,950.2	5,259.9	6,115.5
Equity Share capital	476.4	476.4	476.4	476.4
Share Application Money	0.0	0.0	0.0	0.0
Preference Share Capital	0.0	0.0	0.0	3.4
Reserves & Surplus	2,529.7	2,917.8	3,331.6	3,948.7
Long Term Loans	283.0	206.0	132.4	507.0
Short Term Loans	307.9	350.0	1,319.5	1,180.0
USES OF FUNDS	3,597.0	3,950.2	5,259.9	6,115.5
Gross Block	1,933.9	2,318.9	2,895.8	3,172.3
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	1,071.5	1,175.7	1,295.9	1,477.0
Net Block	862.4	1,143.2	1,599.9	1,695.3
Capital Work in Progress	47.0	98.3	33.7	57.0
Investments	76.6	76.6	43.1	56.5
Current Assets	2,939.3	3,199.4	4,298.2	5,517.1
Less : Current Liabilities	328.3	567.3	715.0	1,210.4
Total Net Current Assets	2,611.0	2,632.1	3,583.2	4,306.7
Misc. Expenses not written	0.0	0.0	0.0	0.0
NOTE				
Bk Val Unquoted Investments	76.6	76.6	43.1	56.5
Mkt Val. Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	520.9	76.4	46.7	11.5
Dividend (%)	50	70	70	90

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Dec 12	Mar 13	Jun 13	Sep 13
Net Sales	1,250.20	1,661.90	3,957.40	1,440.10
Cost Of Sales	1,021.90	1,383.80	2,795.60	1,174.90
Operating Profit	228.30	278.10	1,161.80	265.20
Recurring Income	10.00	7.90	6.50	7.10
Adjusted PBDIT	238.30	286.00	1,168.30	272.30
Financial Expenses	8.70	20.10	41.60	16.10
Depreciation	49.20	55.90	51.50	54.40
Other Write Offs	0.00	0.00	0.00	0.00
Adjusted PBT	180.40	210.00	1,075.20	201.80
Tax Charges	68.00	77.00	365.10	66.60
Adjusted PAT	112.40	133.00	710.10	135.20
Non Recurring Items	0.00	0.00	0.00	0.00
Other Non Cash Adjust	0.00	0.00	0.00	0.00
Net Profit	112.40	133.00	710.10	135.20

52 Week Index Relative Percentage Appreciation



Navneet vs SENSEX

Risks Associated

Reading habits amongst people is a challenge for any publisher in today's times. Big names in the publishing industry are getting into digital business as the younger generation is more tech savvy. Navneet has to keep itself abreast of latest changes in the industry to keep itself ahead of competition.

The persisting inflationary pressure of rising paper prices etc. could certainly increase Company's input costs because its Navneet's policy to keep the prices of its products within affordable range of the masses, this could adversely affect Company's profits.

Appreciation of rupee may adversely affect Navneet's profitability and further orders.

Navneet relies on Intellectual Property Rights and Proprietary rights which may not be adequately protected under current laws. Further, in view of the kind of business in which it is it may be subjected to defamation suits, which may have adverse effect on its business. The company has also from time to time keep track of change in syllabus.

In a Nutshell

Navneet Education Limited is in the business of Educational, Children & General books Publication, Scholastic Paper and Non-Paper Stationery products. Over the years, it has built a strong brand and gained a leadership position. Since 1959, Navneet has been a major force in the dissemination of knowledge and a dominant player in the field of publishing with more than 5,000 titles in Indian and Foreign Languages. Over the decades, Navneet has emerged as a preferred brand for Educational Products among teachers and students in India. It's products are sold under the brand names of 'Navneet', 'Vikas', 'Gala', 'FfUuNn' and 'Boss'. It's portfolio of Educational based Books include high quality supplementary books like Digests (Guide), Workbooks, and 21 Most Likely Question Sets, most of which are published in five languages. Navneet has a dominant market share of about 65% in Western India and significant presence across India. Navneet also publishes various titles in the Children and General books category, which are not based on Syllabus, such as Coloring and Activity Books, Board Books, Story Books and Books on Health & Hygiene, Art & Artist & hobbies etc. Since 1993, it has ventured in the area of exports of Paper Stationery products, for which it now has the state-of-art manufacturing facilities. In 2006 it started off with its non-paper stationery business. In the academic year 2013-14, the Company launched its first retail product "UTOP" in Maharashtra and Gujarat in English and regional languages. UTOP is a complete education solution. Students can learn through Audio-visual content and evaluate themselves through multiple choice questions on each chapter. The learning and evaluation content packaged on a 7" Android tablet makes it a complete education solution.

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Rating Interpretation

Buy	: Expected to appreciate 20% or more over 12-months	Reduce	: Expected to depreciate up to 10% over 12-months
Accumulate	: Expected to appreciate 10% to 20% over 12-months	Sell	: Expected to depreciate 10% or more over 12-months
Trade Buy	: Expected to appreciate more than 10% over 45-days	Trade Sell	: Expected to depreciate more than 10% over 45-days

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