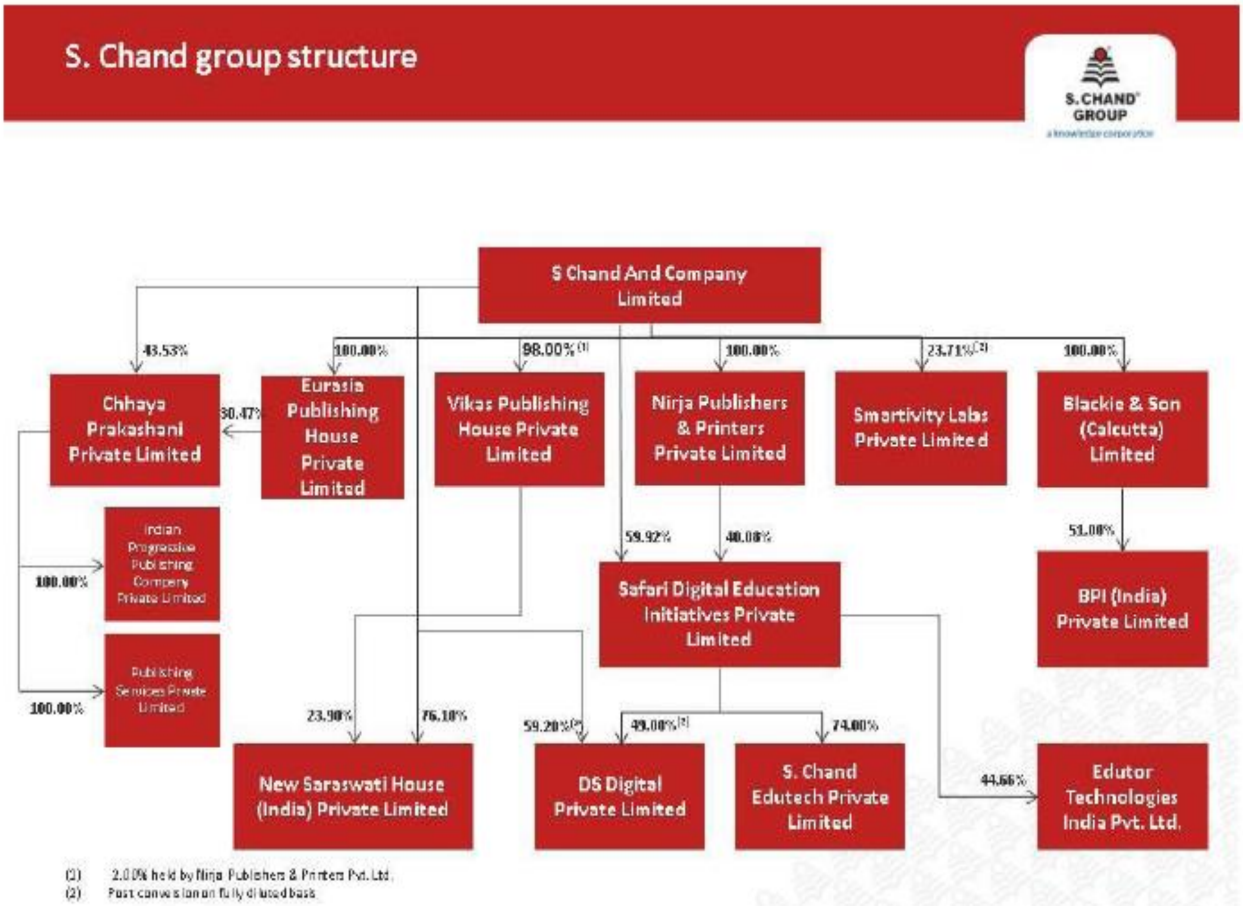
Analyst: Raj Bardhan Kumar Singh Vol: - IPO/2017/04/25/1.0 25th April 2017

S Chand and Company Limited

S Chand and Company Ltd (SCCL) is a leading Indian education content company in terms of revenue from operations in Fiscal 2016. It delivers content, solutions and services across the education lifecycle through its K-12, higher education and early learning segments. It is the leading K-12 education content company in terms of revenue from operations in Fiscal 2016 with a strong presence in the CBSE/ICSE affiliated schools and increasing presence in the state board affiliated schools across India. As of December 31, 2016, the company offered 55 consumer brands across knowledge products and services including S. Chand, Vikas,Madhubun, Saraswati, Destination Success and Ignitor. Further, in December 2016, it acquired 74% of the outstanding share capital of Chhaya Prakashani Private Limited and it now offers four Chhaya brands including Chhaya and IPP. Its textbooks and instructional materials are supported by its offering of technology driven methods of education and digital learning. It sells its knowledge products and services to schools and to students across their lifecycle through its extensive pan-India network of sales offices, distributors and dealers

In Fiscal 2016, SCCL 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. Its top ten best-selling titles accounted for sales in Fiscal 2016 of 2.96 million copies, and 15 of its authors have each sold over one million copies of their titles during the last five fiscal years. SCCL have a contractual relationship with at least 1,958 authors (including co-authors) for over five years as on March
31, 2016. Additionally, Chhaya has contractual relationships with at least 24 authors (including co-authors) for over five years as on March 31, 2016. SCCL uses its 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 us retain and attract the best authors.

SCCL has developed a robust supply chain by rationalizing and integrating procurement, manufacturing and logistic capabilities. In Fiscal 2016, over 85% of printing requirements were met by facilities located in Sahibabad and Rudrapur. Its print facilities and distribution networks are supported by its logistics network, which as on December 31, 2016, comprised 42 warehouses located in 19 states to allow coverage across India. Its paper purchases are integrated, which helps to achieve economies of scale and improves bargaining.
SCCL's operations cover the entire student lifecycle: early learning, K-12, and higher education over the last few years, it has focused on improving its digital offerings in each of its business segments.



Price Band	**Rs. 660 - 670 per Equity Share**
Issues Open	**Wednesday, Apr 26, 2017**
Issue Close	**Friday, Apr 28, 2017**
Issue Type	**100% Book Built Issue IPO**
Bid Lot	**22 Equity share and multiple thereafter Maximum Bid amount for Retail Rs, 2 Lacs**
Total Issue size	**1 08,73,982 Equity Shares (including fresh issue of 48,50,746 Equity Shares + offer for sale 60,23,236 equity shares)**
QIB*	**up to 50% equity share**
NIB*	**at least 35% equity share**
Retail Individual Bidders	**at least 15% equity share**
Mode of Payment	**ASBA Mandatory (No cheque will be accepted)**
Book Running Lead Managers	**JM Financial Institutional Securities Limited, Axis Capital Limited, Credit Suisse Securities (India) Private Limited.**
Face Value	**Rs. 5 per Equity Share**
Listing at	**NSE, BSE**
Registrar	**Link Intime India Private Limited**

Company has 12 Subsidiaries, as on the date of this Draft Red Herring Prospectus:

- Blackie & Son (Calcutta) Private Limited;
- BPI (India) Private Limited;
- Chhaya Prakashani Private Limited;
- DS Digital Private Limited;
- Eurasia Publishing House Private Limited;
- Indian Progressive Publishing Co. Private Limited;
- Publishing Services Private Limited;
- New Saraswati House (India) Private Limited;
- Nirja Publishers & Printers Private Limited;
- S Chand Edutech Private Limited;
- Safari Digital Education Initiatives Private Limited; and
- Vikas Publishing House Private Limited.

Objects of the Issue:

The Offer comprises a Fresh Issue by the Company and an Offer for Sale by the Selling Shareholders

The Offer for Sale

Company will not receive any proceeds from the Offer for Sale. It proposes to utilise the Net Proceeds from the Fresh Issue towards Repayment of loans availed by the Company and one of its Subsidiaries, EPHL, which were utilized towards funding the acquisition of Chhaya; Repayment/prepayment, in full or in part, of certain loans availed of by its Company and certain of its Subsidiaries, VPHPL and NSHPL; and General corporate purposes.

The Net Proceeds from the Fresh Issue will be utilized towards the following objects:

- Repayment of loans availed by our Company and one of our Subsidiaries, EPHL, which were utilized towards funding the acquisition of Chhaya.
- Repayment/prepayment, in full or in part, of certain loans availed of by our Company and our Subsidiaries, VPHPL and NSHPL; and
- General corporate purposes (collectively, the “Objects”).

Competitive Strengths:

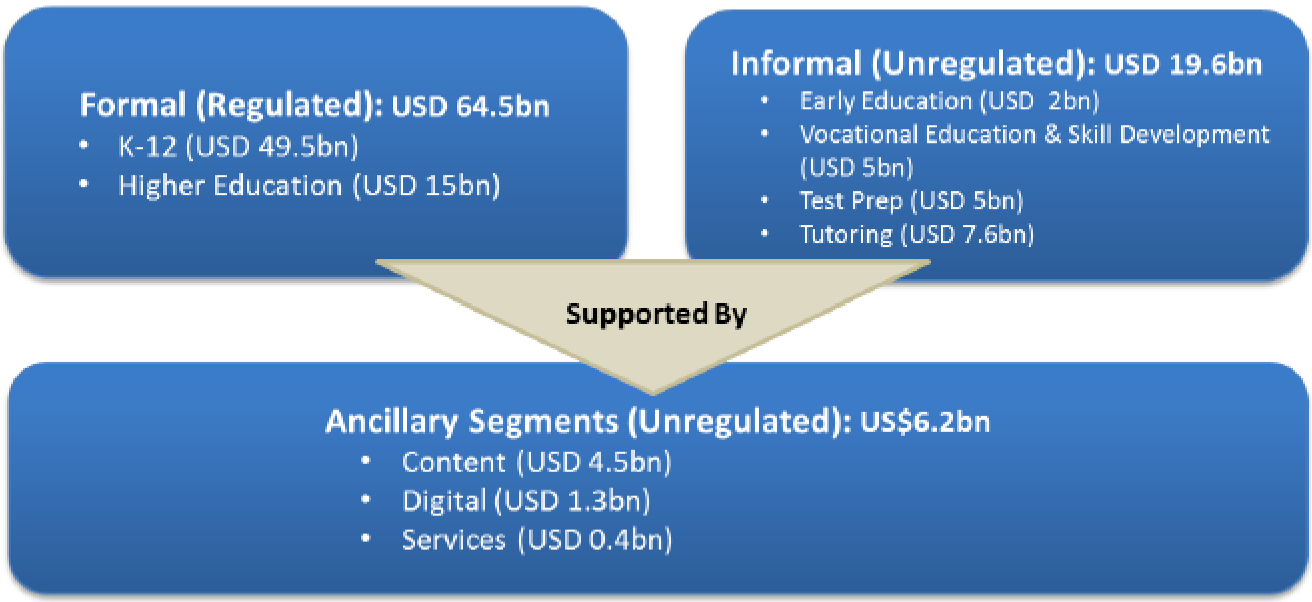
- Comprehensive consumer focused education content player with touch points across education lifecycle.
- Strong brand equity with high consumer recall
- Leading position in the K-12 market
- Strong integrated in-house printing and logistic capabilities
- Pan-India sales and distribution network driving deep market reach
- Focused digital and technology platform
- Experienced management and leadership team

Key Strategies:

- Expand our leadership in the K-12 market
- Increase our share of the content spend by CBSE/ICSE schools
- Increase our presence in state board markets
- Expand our presence in the test preparation market of our higher education business
- Focus on being comprehensive education content provider for our customers through all media including digital
- Enhance our existing engagement for K-12 business by providing additional services to students, educators and institutions

Industry:

As presented in the chart below, the education sector in India is broadly classified into formal and informal segments, both of which are supported by the ancillary segment.



The formal education segment comprises both K-12 schools (including secondary and senior secondary schools) and higher education institutions (colleges, higher education institutes). Whether government or privately owned, this segment is governed by the 'not for profit' diktat, meaning that such educational institutions in India cannot be operating on a 'for profit' basis.

The informal segment comprises test preparation, tutoring, early education and vocational/skill-based training segments. The informal segment does not have restrictions on operating on a 'for profit' basis and does not have restrictions on profit distribution.

The ancillary segment consists of industries related and supplementary to the formal and informal education segments. As is the case with the informal education segment, ancillary education does not have restrictions on operating on a 'for profit' basis and does not have restrictions on profit distribution. The ancillary segment includes content/publishing, digital content and services such as curriculum management, facilities management among others.

It is believed that ancillary or peripheral services are taking on an increasingly 'central'role in education. The ancillary segment is expected to increase the overall quality of education provided in India and stands to benefit from the large-scale growth in the formal and informal education segments. Increase in investment in the ancillary segment is projected given the ability to operate on a 'for profit' basis in India.

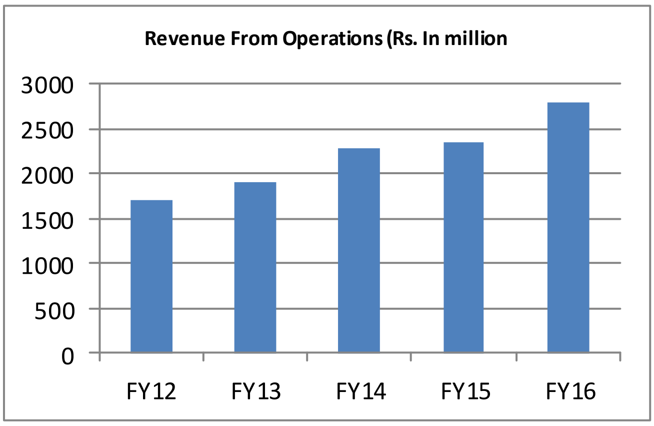
The formal, informal and ancillary segments are collectively estimated at US$90 billion as of 2015 and expected to reach US$188 billion by 2020. India has a large population in the education age bracket, consisting of students aged 5-24, which stood at approximately 520 million as of 2016. This is expected to grow to approximately 534 million in 2020. In addition to the growing population, the reduction in drop-out rates is expected to contribute to increase in market size.

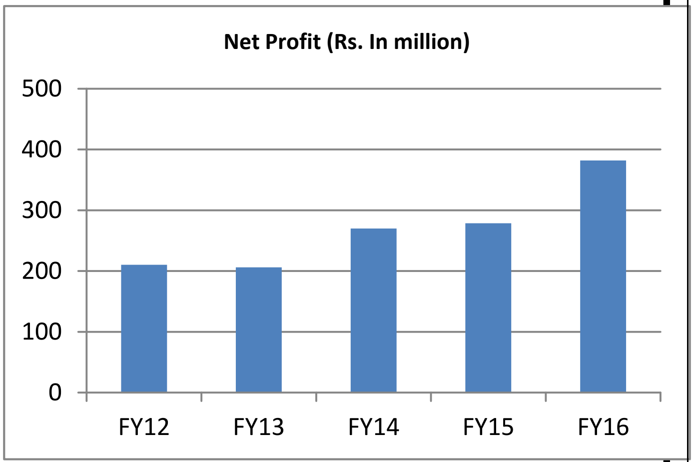
Growth Drivers

The estimated overall growth in the Education Content market size is attributable to the following factors:

- Growing Literacy Rate: The literacy rate in India has shown a significant improvement over the last decade, increasing from 64.8 per cent in 2001 to 74 per cent in 2011, and it is projected to reach 90 percent by 2020. (Source: Census 2011)
- Growth in the number of schools: Schools have grown at a CAGR of 2.5%, with their numbers increasing from 1.25 million in 2007–08 to 1.44 million in 2013–14
- Growth in enrolment: Enrolment has grown at a CAGR of 1.5%, with its number increasing from 236 million in 2007-08 to 259 million students in 2013–14
- Improving Gross Enrolment Ratio (GER): The GER at the primary level is high (99.3 per cent),with somewhat lower rates at the upper primary level (87.4 per cent), secondary (73.6 per cent) and senior secondary (49.1 per cent). There is however a consistent upward trend in student enrolments (as per U-DISE report 2013-14)
- Decline in drop-out ratios: Drop-out rates have shown a decline from 2010–11 across all levels, indicating a positive trend. Yet another positive development in the K-12 school sector is the relatively lower drop-out rate observed among girls compared to boys in both 2012–13 and 2013–14.
- Growth in the number of private institutions: India had 320,020 private K-12 schools in 2013–14. This segment grew at a CAGR of 4.6% from the period 2007–08 to 2013-14 Government spending on education: According to the Twelfth Five Year Plan report, aggregate public spending on education during the Eleventh Five Year Plan period is estimated at USD$ 194.4 billion for both the Central and State Governments taken together. About 43 per cent of the public expenditure on education was incurred for elementary education, 25 per cent for secondary education
- Growth in urbanization: The rise of small towns (Middle India) in India offers various opportunities for the educational sector, as well as those publishers associated with the K-12 and higher education market. Increasing urbanization in India over the years has resulted in a larger pool of population being exposed to global trends, especially in the fields of employment and education. This has increased the incidence of people opting for higher education in graduate and postgraduate courses as well as vocational training for specific skill enhancement

Graphical Representation of Performance





Management

Name of board members	Designation
Mr. Desh Raj Dogra	Chairman and Independent Director
Mr. Himanshu Gupta	Managing Director
Mr. Dinesh Kumar Jhunjhunwala	Executive Director
Mr. Gaurav Kumar Jhunjhnuwala	Non-Executive Director
Ms. Savita Gupta	Non-Executive Director
Mr. Deep Mishra	Non-Executive and nominee Director
Ms. Archana Capoor	Independent Director
Mr. Sanjay Bhandarkar	Independent Director

Summary statement of Balance Sheet

Annexure I – Restated unconsolidated summary statement of assets and liabilities

(Amount in Rupees millions)

Particulars	Annexure	As at June 30, 2016	As at March 31, 2016	As at March 31, 2015	As at March 31, 2014	As at March 31, 2013	As at March 31, 2012
Equity and Liabilities							
I. Shareholders' funds							
Share capital	VI	149.22	2.02	2.17	2.17	2.08	1.45
Reserves and surplus	VII	4,579.67	4,837.98	2,976.64	2,901.74	2,447.95	781.16
		4,728.89	**4,840.00**	**2,978.81**	**2,903.91**	**2,450.03**	**782.61**
II. Share application money pending allotment		-	-	-	-	-	12.51
III. Non-current liabilities							
Long term borrowings	VIII	308.36	308.37	660.38	24.59	375.55	47.14
Deferred tax liabilities (net)	IX	-	-	-	0.53	-	-
Trade payables	X	3.15	2.56	0.20	-	-	-
Long term provisions	XI	9.61	7.68	8.87	5.11	3.68	2.54
		321.12	**318.61**	**669.45**	**30.23**	**379.23**	**49.68**
IV. Current liabilities							
Short term borrowings	XII	471.34	496.81	352.78	334.57	349.80	417.50
Trade payables	X						
- Total outstanding dues of micro enterprises and small enterprises		0.13	1.18	-	-	-	-
- Total outstanding dues of creditors other than micro enterprises and small enterprises		727.89	1,072.19	1,104.09	894.26	711.69	733.45
Other current liabilities	XIII	42.80	76.91	210.85	79.52	84.44	72.26
Short term provisions	XI	7.41	49.19	0.00	0.33	12.86	8.87
		1,249.57	**1,696.28**	**1,667.72**	**1,308.68**	**1,158.79**	**1,232.08**
Total (I+II+III+IV)		**6,299.58**	**6,854.89**	**5,315.98**	**4,242.82**	**3,988.05**	**2,076.88**
Assets							
V. Non-current assets							
Fixed assets							
Property, Plant and Equipment	XIVA	148.24	140.38	190.25	190.19	125.85	106.33
Intangible assets	XIVB	110.82	115.91	77.36	43.27	49.81	53.79
Capital work-in-progress		-	0.11	0.02	23.40	-	15.71
Intangible assets under development		7.48	-	-	-	-	-
Non-current investments	XV	3,540.42	3,530.41	2,714.72	1,885.78	1,884.25	231.37
Deferred tax assets (net)	IX	62.82	10.89	3.13	-	12.41	4.85
Loans and advances	XVI	93.66	79.01	62.95	33.12	32.42	43.27
Other non current assets	XVII	9.19	9.37	14.42	14.37	10.63	-
		3,972.63	**3,886.08**	**3,062.85**	**2,190.13**	**2,115.37**	**455.32**
VI. Current assets							
Current investments	XVIII	162.42	162.32	42.36	1.29	3.11	4.47
Inventories	XIX	581.15	596.25	485.13	501.47	450.83	418.23
Trade receivables	XX	1,339.36	1,913.81	1,482.58	1,370.35	973.51	706.32
Cash and bank balances	XXI	35.11	99.52	57.22	33.99	32.00	28.58
Loans and advances	XVI	207.34	195.34	183.59	144.47	413.23	455.37
Other current assets	XVII	1.57	1.57	2.25	1.12	-	8.59
		2,326.95	**2,968.81**	**2,253.13**	**2,052.69**	**1,872.68**	**1,621.56**
Total (V+VI)		**6,299.58**	**6,854.89**	**5,315.98**	**4,242.82**	**3,988.05**	**2,076.88**

Summary statement of Profit & Loss

Annexure II - Restated unconsolidated summary statement of profits and losses

(Amount in Rupees millions)

Particulars	Annexure	For three months period ended June 30, 2016	For the year ended March 31, 2016	For the year ended March 31, 2015	For the year ended March 31, 2014	For the year ended March 31, 2013	For the year ended March 31, 2012
I. Income							
Revenue from operations	XXII	195.95	2,795.57	2,348.34	2,293.69	1,914.47	1,701.41
Other income	XXIIIA	2.16	26.96	9.54	6.63	7.25	11.80
Total revenue		**198.11**	**2,822.53**	**2,357.88**	**2,300.32**	**1,921.72**	**1,713.21**
II. Expenses							
Cost of raw materials and components consumed	XXIV	68.09	1,162.24	827.35	903.85	654.69	762.06
Publication expenses	XXV	21.96	326.75	458.55	476.41	381.72	340.45
Purchase of traded goods		16.53	252.28	153.42	148.18	154.22	134.98
(Increase)/decrease in inventories of finished goods	XXVI	14.39	(143.94)	(10.00)	(50.60)	9.27	(94.17)
Selling and distribution expenses	XXVII	41.36	199.25	160.33	165.28	127.86	114.31
Employee benefit expenses	XXVIII	99.85	373.16	302.85	236.22	200.78	161.70
Other expenses	XXX	69.22	270.74	186.70	151.02	187.01	83.53
Total expenses		**331.40**	**2,440.48**	**2,079.20**	**2,030.36**	**1,715.55**	**1,502.86**
III. Restated earnings before interest, tax, depreciation and amortization (EBITDA) (I-II)		**(133.29)**	**382.05**	**278.68**	**269.96**	**206.17**	**210.35**
Depreciation and amortisation expense	XIV	15.46	74.04	80.44	53.92	34.37	25.57
Interest income	XXIIIB	(18.63)	(89.78)	(73.90)	(5.31)	(3.12)	(0.77)
Finance costs	XXIX	23.50	139.28	156.61	48.32	62.46	58.16
IV. Restated profit/(loss) before tax		**(153.62)**	**258.51**	**115.53**	**173.03**	**112.46**	**127.39**
V. Tax expenses							
Current tax		-	101.47	42.34	51.48	48.36	46.57
Deferred tax charge/(credit)		(51.93)	(7.76)	(3.66)	12.93	(7.55)	(7.71)
Total tax expenses		**(51.93)**	**93.71**	**38.68**	**64.41**	**40.81**	**38.86**
VI. Restated profit/(loss) for the period/year (IV-V)		**(101.69)**	**164.80**	**76.85**	**108.62**	**71.65**	**88.53**

Just Trade Securities Limited (Formerly "Bajaj Capital Investor Services Limited), CIN No.: U67120DL2004PLC130803, Regd Office: Bajaj House 97, Nehru Place, New Delhi – 110019 Tel: (91-11) 41693000. Fax: (91-11) 66608888 E-mail: info@justtrade.in Website: www.justtrade.in; National Stock Exchange of India Ltd. SEBI Regn. No. : INB 231269334/ INB 231269334, Bombay Stock Exchange Ltd. SEBI Regn. No.:INB011269330/ INF011269330; SEBI RA Regn.:- INH000002862.
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