



IPO Note

Chetana Education Limited

Recommendation: **AVOID!**

Company Background -

- Originally incorporated as an LLP in the name "Chetana Publications (India) LLP" on December 30, 2017. The registered office is located at Lower Parel, Mumbai.
- The Company is engaged in specializing in educational book publishing for the CBSE/State Board curriculum catering to the K-12 segment.
- They provide access to educational software for learning videos (for teachers and Students) accessible through QR (Quick Response) codes.
- The company is currently catering to the needs of Maharashtra State Board and CBSE.
- The company had 408 employees as of March 31, 2024.

Objects of the Issue -

- Repayment of certain borrowing availed by the company, in part or full.
- Working Capital Requirements
- General Corporate Expenses.

Promoters Name -

Anil Jayantilal Rambhia, Rakesh Jayantilal Rambhia and Shilpa Anil Rambhia

Rationale for recommendation -

- ✓ Low performance compared to its peer.
- ✓ The education industry prospect is moderate.
- ✓ The industry is highly fragmented and there are many players in this sector.
- ✓ The company is majorly dependent on Maharashtra for its revenue.
- ✓ 2 criminal proceedings against the company.
- ✓ The company doesn't have enough experience in the industry.

IPO Details

Opening Date	July 24, 2024
Closing Date	July 26, 2024
Allotment Date	July 29, 2024
Listing Date	July 31, 2024
Stock Exchange	NSE SME
Lot Size	1,600 Shares
Issue Price Per Share	₹80 to ₹85
Issue Size	45.90 Cr.
Fresh Issue	45.90 Cr.
Offer for Sale	-
Application Amt	₹ 1,36,000 (1,600 shares)

KPI's	KPIs (In Lakhs)		
	FY 22	FY 23	FY 24
Revenue	4,309.05	7,555.71	9,350.55
EBITDA	613.68	1,389.29	2,117.61
Net Profit	168.05	685.47	1,203.46
RoCE	22.70%	44.73%	59.44%
ROE	8.63%	30.04%	47.67%
P/E	75.89	18.60	10.60

Promoter Share Holding Pattern

Pre-Issue	Post Issue
100.00%	73.53%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	8.02	24.33
BVPS	69.89	86.11
P/E	16.21	5.34
P/BV	1.86	1.51
Mkt Cap (In Cr)	46.96	64.31

Lead Managers -

Hem Securities Limited

Registrar -

Link Intime India Private Limited

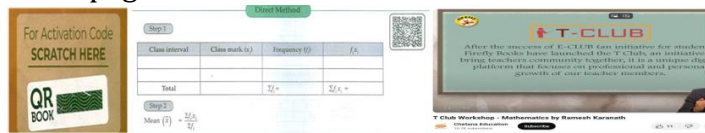
Business Overview -

Chetana Education was incorporated as an LLP in the name “Chetana Publications (India) LLP” on December 30, 2017. They purchased the publication undertaking from M/s Chetana Book Depot and Chetana Publication, a partnership firm was set up in 1997 and converted into Chetana Publication Private Limited in 2005. Their registered office is in Mumbai. They have established their presence across 18 states and Union Territories in India. The company has 408 employees as of March 31, 2024.

They company is engaged in specializing in educational book publishing for the CBSE/State Board curriculum catering to the K-12 segment. Additionally, they provide access to educational software for learning videos (for teachers and Students) accessible through QR (Quick Response) codes and have produced over 30,000 videos accessible through those QR codes. This has been achieved through a strategic partnership with Allern Enterprises Private Limited, an Edtech company.

They are currently focusing on serving the Maharashtra State Board and Central Board of Secondary Education (CBSE), covering the spectrum of education books from early pre-primary learning to K 12 course. They have established a portfolio of over 700 titles as of 2023 with 15 distinct brands. Some of the names in their lineup include Master Key, Self-Study, Firefly, Bright Buddies, My Skill Book, Grade Me, QR series etc.

The QR Code enabled books are having these on their cover page:



Product Portfolio -

- **Pre-Primary Education** – They cater to youngest customer market (age group 3 to 6 years). These books can be prescribed for CBSE, State Board & across all boards and are in sync to NEP Guidelines. The total titles are 174.
- **Primary Education** – They cater to students who are in the age bracket of 7-11 years. These books cover core subjects like English, Hindi, Marathi, Mathematics, Environmental Studies, etc. The total titles are 273.
- **Secondary Education** – They cater to students who are in the age bracket of 12-16 years. These books cover core subjects like English, Hindi, Marathi, Mathematics, Science, Social Science etc. The total titles are 267.
- **Higher Secondary Education** – They cater to the Maharashtra State Board students of grades 11th & 12th who are in the age group of 17-19 years. These books cater to Science & Commerce streams. The total titles are 33.



Conclusion -

The net proceeds of the company will be utilized for repaying certain borrowing availed by the company (Rs. 1,217 lakhs), working capital requirements (Rs. 2,000 lakhs) and to meet general corporate expenses.

Revenue Bifurcation geography wise -

(Amt in lakhs)

Particular	March 31, 2022	March 31, 2023	March 31, 2024
Export	0.16%	0.17%	0.08%
Domestic	99.84%	99.83%	99.92%

Competition -

The Education Industry is competitive where the key factors of competition primarily comprise quality of content, digital solutions, brand and reputation.

The company faces competition from organized as well as unorganized players in both domestic and international market.

The company has lower barriers to entry.

The company has high threat of substitutes.

The bargaining power is high with the suppliers.

The bargaining power is high with the customers.

Business Strategies -

Increase presence in Maharashtra State Board, CBSE and other state board: The company is planning to expand their presence in various state boards like Tamil Nadu and Gujarat. Also, expand their customer base in Maharashtra State Board.

Strengthening technology enables system including digital media: The company's focus is to be a comprehensive education content provider through all media and strengthen their QR Code based learning. Their strategy is to deliver end-to-end content solutions through existing and innovative digital technology.

Focus on talent acquisition: The company is focusing on actively scouting for educators and forming strong relationships within academic community through leveraging industry referrals, online platforms, recruitment agencies etc.

Diversification of product range: They are planning to expand their offering of Chetana QR Series for grade 1-4 as well. They are set to re-introduce their complete Marathi Medium Curriculum Books for Maharashtra State Board. They intend to create books for NEET, JEE and CUET as well.

Risk Factors -

The company derived its revenue from Maharashtra State Board which accounted to 61.69%, 66.12% and 64.83% for FY 2024, FY 2023 and FY 2022 respectively.

The company has 2 outstanding cases against it for criminal matters and 1 outstanding case against the company for taxation matters amounting to Rs. 30.20 lakhs.

1 outstanding case filed by the company for civil matters amounting to Rs. 327.85 lakhs.

The company has contingent liabilities amounting to Rs. 9.43 lakhs for FY 2023-24.

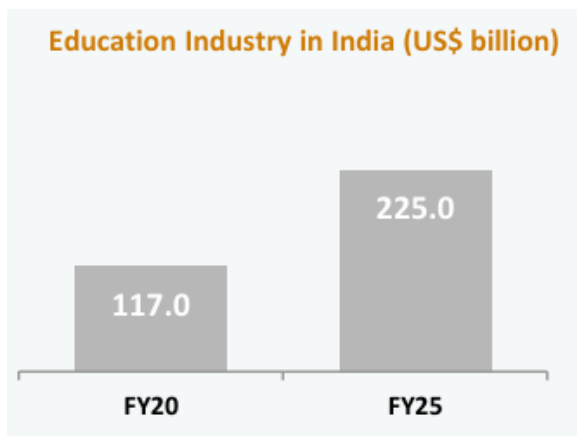
The company has unsecured loans amounting to Rs. 1306.21 lakhs.

PEER ANALYSIS

Particulars	Chetana Education Limited			S Chand and Company Limited			Navneet Education Limited		
	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24	FY 22	FY 23	FY 24
NP Margin	3.9%	9.1%	12.9%	1.9%	9.4%	7.7%	6.2%	12.0%	14.4%
EBITDA Margin	14%	18%	23%	12%	24%	18%	16%	22%	21%
RoCE	23%	45%	59%	3%	10%	7%	15%	26%	23%
ROE	9%	30%	48%	1%	6%	5%	8%	18%	19%
EPS (INR)	1.12	4.57	8.02	3.20	18.81	14.53	3.32	9.04	11.12
P/E	75.89	18.60	10.60	32.05	11.82	16.01	28.27	10.55	12.39

Indian Education Sector -

With 26.31% of India's population in the age group of 0-14 years, India's education sector provides numerous opportunities for growth. The education market in India is expected to amount to US\$ 225 billion by FY25. The edtech space has attracted private equity investments of over US\$ 4 billion over the last five years.



(source: www.ibef.org)

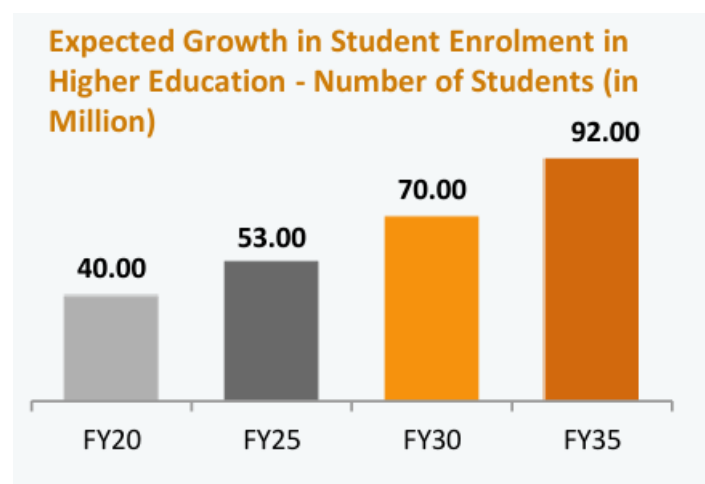
According to Union Budget 2023-24:

- The government allocated Rs. 68,804.85 crore (US\$ 8.3 billion) for the Department of School Education and Literacy, compared with Rs. 59,819.37 crore (US\$ 8 billion) in the Union Budget 2022-23, a 13.06% YoY increase.
- Allocation towards the Samagra Shiksha Scheme increased by around 20.3%, from Rs 31,050.16 crore (US\$ 4.16 billion) in FY22 to Rs. 37,383.36 crore (US\$ 5.01 billion) in FY23.
- Government of India's target of Gross Enrolment Ratio (GER) of 50% by 2035 for students in the 18-23 age group is expected to drive investments in the education space. In 2020-21, GER stood at 27.3%.
- According to KPMG, India has also become the second largest market for E-learning after the US.
- The online education market in India is expected to grow by US\$ 2.28 billion during 2021-2025, growing at a CAGR of almost 20%. The market grew by 19.02% in India in 2021.
- The Indian edtech market size is expected to reach US\$ 30 billion by 2031, from US\$ 700-800 million in 2021.

Government Initiatives-

- In September 2023, a three-year partnership called "Education to Entrepreneurship: Empowering a Generation of Students, Educators, and Entrepreneurs" was launched by the Ministry of Education and the Ministry of Skill Development and Entrepreneurship, and Meta in New Delhi.
- In February 2022, the Central Government approved the "New India Literacy Programme" for the period FY27, to cover all the aspects of adult education to align with the NEP 2020 and Budget Announcements 2022-23.
- The NEP, which will be fully implemented over the course of this decade starting from 2021-22, will have a strong focus on high-quality vocational education.

Trends and Strategies -



- Various operating models like a mix of franchise and owned- schools are being used by private players to ensure their economic viability.
- With increasing awareness, private Indian players are collaborating with international brands to provide an international standard of education.
- By 2024, ~47% learning management tools are expected to be enabled by AI capabilities.
- With cutting-edge technologies such as AI, ML, IoT and blockchain, India's education sector will redefine itself in 2022. It has also embraced the Education 4.0 revolution, which promotes inclusive learning and increased employability.

Key Management -

Key Management Persons Name -	Anil Jayantilal Rambhia
Age	55
Designation and No. of years of experience	Promoter, Chairman and Managing Director, 30 Years of experience
Qualification	Bachelor of Commerce (B. Com)
Roles and Responsibility	Responsible for overall management, project handling and tender bidding process of the company.
Other Directorships	Chetana Publications Private Limited, Chetana Social Welfare Foundation and Achera Enterprises LLP.

Key Management Persons Name -	Rakesh Jayantilal Rambhia
Age	52
Designation and No. of years of experience	Promoter and Whole-Time Director, 25 years of experience
Qualification	Bachelor of Commerce (B. Com)
Roles and Responsibility	Responsible for overall management, finance and internal controls systems of the company.
Other Directorships	Chetana Publications Private Limited, Chetana Social Welfare Foundation, Achera Enterprises LLP and Learning Leap LLP.

Key Management Persons Name -	Shilpa Anil Rambhia
Age	55
Designation and No. of years of experience	Promoter and Non-Executive Director, 6 years of experience
Qualification	Bachelor of Arts (B. A)
Roles and Responsibility	-
Other Directorships	Egyaan Edutainment LLP and Learning Leap LLP

Key Management Persons Name -	Punit Saxena
Age	67
Designation and No. of years of experience	Independent Director, 36 years of experience
Qualification	Bachelor of Science in Engineering, MBA, Master of valuation (Real Estate) and passed examination in the Asset Class: Land and Buildings
Roles and Responsibility	-
Other Directorships	Flair Writing Industries Limited, UTI Infrastructure and Services Limited and Baroda BNP Paribas, Trustee India Private Limited

Key Management Persons Name -	Shrenik Bakulesh Kotecha
Age	42
Designation and No. of years of experience	Independent Director, 24 years of experience
Qualification	MA in Economics, MBA, MPhil in Psychology and PhD in Entrepreneurship & Education Business Management.
Roles and Responsibility	-
Other Directorships	Education Ssabhi Ko LLP

FINANCIAL SNAPSHOT
Statement of Profit and Loss
Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Revenue from Operations	4,309.05	7,555.71	9,350.55
Other Income	3.15	5.07	16.51
Total Income	4,312.2	7,560.78	9,367.06
Expenses			
Cost of Materials Consumed	2,086.52	4,053.20	4,496.67
Changes in Inventories of finished goods, work-in-progress and stock-in-trade	-110.33	-349.08	-499.58
Employee Benefit Expenses	999.60	1,495.16	1,846.16
Finance Cost	292.12	267.13	356.93
Depreciation and Amortisation	38.18	42.03	77.90
Other expenses	719.58	967.14	1,389.69
Total Expenses	4,025.67	6,475.58	7,667.77
EBITDA	613.68	1,389.29	2,117.61
EBITDA Margin	14.24%	18.39%	22.65%
Profit/(Loss) before tax	286.53	1,085.20	1,699.29
Tax Expense			
Current tax	115.13	396.55	489.42
Deferred Tax Expenses/(credit)	3.35	3.18	6.41
Total Tax	118.48	399.73	495.83
Profit/(Loss) for the year	168.05	685.47	1,203.46
Net Profit Margin	3.90%	9.07%	12.87%

Statement of Assets and Liabilities
Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	1,947.33	2,281.92	1,500.00
Reserves and surplus	-	-	1,024.55
Total Shareholder's Fund	1,947.33	2,281.92	2,524.55
3. Non-current liabilities			
Long-term borrowings	540.00	669.12	835.69
Long-term provisions	23.17	32.89	36.43
Deferred Tax Liability	25.16	28.34	34.75
Total Non-current liabilities	588.33	730.35	906.87
4. Current liabilities			
Short -term borrowings	3,336.03	3,630.38	4,293.04
Trade Payables			
Total outstanding dues of MSME	-	-	908.33
Total outstanding dues of creditors other than MSME	1,183.27	1,027.68	395.13
Other Current Liabilities	367.66	405.78	273.36
Short-term provisions	183.20	238.96	173.80
Total Current liabilities	5,070.16	5,302.80	6,043.66
Total Liabilities	5,658.49	6,033.15	6,950.53
Total Equity and Liabilities	7,605.82	8,315.07	9,475.08
ASSETS			
1. Non-current assets			
Tangible Assets	67.94	209.13	168.97
Intangible Assets	33.06	34.42	33.57

Particulars	FY 22	FY 23	FY 24
Non-Current Investments	0.13	0.13	0.13
Long Term Loans and Advances	7.45	7.14	10.08
Total Non-Current assets	108.58	250.82	212.75
2. Current assets			
Inventories	2,124.81	2,460.79	3,242.54
Trade Receivables	3,526.76	4,285.66	5,256.91
Cash & Cash equivalents	390.67	186.03	369.72
Short term loans and advances	1,400.32	955.75	213.93
Other Current Assets	54.69	176.03	179.25
Total Current assets	7,497.25	8,064.26	9,262.35
Total Assets	7,605.83	8,315.08	9,475.10

Cash Flow Statement Amt in Lakhs.

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	550.41	166.26	693.37
Net Cash Flow from Investing Activities	-5.66	-179.46	-27.17
Net Cash Flow from Financing Activities	-208.18	-191.45	-482.51

Key Ratios

<u>Per Share Data</u>	FY 22	FY 23	FY 24	<u>Valuation Ratios (x)</u>	FY 22	FY 23	FY 24
Diluted EPS	1.12	4.57	8.02	EV/EBITDA	8.85	4.60	3.44
BV per share	12.98	15.21	16.83	Market Cap / Sales	4.02	2.29	1.85
<u>Operating Ratios</u>				P/E	75.89	18.60	10.60
EBITDA Margins	14.24%	18.39%	22.65%	Price to Book Value	6.55	5.59	5.05
PAT Margins	3.90%	9.07%	12.87%	<u>Solvency Ratios</u>			
Inventory days	179.98	118.88	126.57	Debt / Equity	1.99	1.88	2.03
Debtor days	298.74	207.03	205.20	Current Ratio	1.48	1.52	1.53
Creditor days	234.30	106.71	111.99	Quick Ratio	1.06	1.06	1.00
<u>Return Ratios</u>				Asset Turnover	0.57	0.91	0.99
RoCE	22.70%	44.73%	59.44%	Interest Coverage Ratio	1.97	5.04	5.71
RoE	8.63%	30.04%	47.67%				

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Hem Securities Limited. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Hem Securities Limited –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Ganesh Green Bharat Limited	125.23	190.00	July 12, 2024	460.65
2.	Aimtron Electronics Limited	87.02	161.00	June 06, 2024	552.70
3.	Vilas Transcore Limited	95.26	147.00	June 03, 2024	469.35
4.	Aztec Fluids & Machinery Limited	24.12	67.00	May 17, 2024	102.50
5.	Premier Roadlines Limited	40.36	67.00	May 17, 2024	135.95
6.	Energy-Mission Machineries (India) Limited	41.15	138.00	May 16, 2024	331.90
7.	TGIF Agribusiness Limited	6.39	93.00	May 15, 2024	91.48
8.	Amkay Products Limited	12.61	55.00	May 08, 2024	74.51
9.	Blue Pebble Limited	18.14	168.00	April 03, 2024	266.05
10.	Aspire & Innovative Advertising Limited	21.97	54.00	April 03, 2024	107.35

The company has handled 46 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 20th July 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation -

The company has been in the industry since 2017 and doesn't have enough experience in the industry. The management overview of the company is satisfactory.

The P/E on a post-IPO and annualised basis is around 5.34 times which makes it fairly priced by looking at the performance of the company and sector. The Sector P/E 15.36 is times.

The company has seen an increase in the top line for FY 2024. Also, bottom line of its financials and profitability margins have seen an increase in for FY 2024 and has seen exponential growth.

But there isn't much growth in the education industry. The industry is highly fragmented and there are many players already operating in this sector. The company is majorly dependent on one state i.e Maharashtra for its revenue. Also, the company has not performed well compared to its peer company.

The company also has 2 criminal proceedings against them under section 138 (Dishonour of cheques) amounting to Rs 18,32,865 and Rs. 5,00,000.

Thus, investors can **AVOID** to this IPO keeping in mind that it is for a long-term investment.

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