

**MT Educare Ltd****₹63****Coaching Through Digital...!!!****Buy**

Aug, 24 2017

**Company Background**

MT Educare Ltd is an education support and coaching services provider for students in the secondary and higher secondary school & for students pursuing graduation degree in commerce, preparing for various competitive examinations and undertaking chartered accountancy examinations. It was incorporated on August 19, 2006 as a private limited company with the name MT Educare Pvt Ltd at Mumbai. It has operations across the states of Maharashtra, Tamil Nadu, Karnataka and Gujarat, through 188 Coaching Centres in 170 locations. It has an experienced management team, consisting of senior professionals having a strong background in academics and administration. During the FY 2015-16, their strength of human capital stands at 2,500+ including over 1,300+ dedicated faculty members. Company primarily conduct its business operations under four business verticals – School, Science, Commerce/ UVA and Robomate. Its diversified product offerings cater to students, right from Std. VII to students appearing for Engineering and Medical Entrance Exams, exams for CA course and MBA. Company plans to construct pre-university college campus in Mangalore, Karnataka. And also plan to establish new coaching centres at 20 locations.

**Key Highlights**

- ➔ Company has 4 business segments namely, School Section, Science Section, Commerce Section/UVA and Robomate+, segment wise students are 27661, 28318, 80293 and 22890 respectively.
- ➔ During FY17, it coached around 159,162 students as compared to 153,646 in FY16. Commerce & UVA segment registered the growth of 71%, contributing around 34% of the total revenue.
- ➔ For the FY 2016-17 student admission are increased by 3.6% to 159162 on Year on Year basis.
- ➔ Revenue for the company grew by 1.54% to ₹ 2768.6 mn and other income increased by 45.9% to ₹ 119.80 mn for the year 2017.
- ➔ In 2016, it has launched 'Robomate+' App which contains recorded video lectures, and also available online, now it crossed 1.5 million downloads.

**Key Financials**

Year Ended 31 <sup>st</sup>	Mar 15	Mar 16	Mar 17
Revenue (INR mn)	2,262.7	2,726.7	2,768.6
Rev. growth (%)	12.34	20.51	1.54
EBITDA (INR mn)	451.7	516.1	629.1
Net profit (INR mn)	278.6	292.2	107.1
Shares outstanding (mn)	39.8	39.8	39.8
EPS (INR)	6.5	6.9	2.7
EPS growth (%)	25.63	6.96	(61.13)
P/E (x)	16.00	23.89	31.43
RONW (%)	23.24	21.53	7.10
ROCE (%)	33.53	29.58	12.82

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**Info Codes**

Reuters	: MTED.BO
Bloomberg	: MTEL IN
NSE	: MTEDUCARE
BSE	: 534312

**Market Data**

52 Wk Range (₹)	: 56/151
Shares in Issue (mn)	: 39.8
Market. Cap ( bn)	: 2.5
BSE 2 Wk Avg Vol	: 25000

**Share Holding Pattern (%)**

Promoters Holding	: 42.78
Public & Others	: 44.07
Corporate Holding	: 00.00
Foreign Institution	: 10.50
Institutions	: 02.65

**Investment Theme**

Coaching industry is set to grow at a steady pace over the next 5 years, posting an estimated 13% CAGR for 2020-21 to ₹ 3,280 bn, according to CRISIL Research. FDI inflow into the education sector in India stood at \$ 1.42 bn from April 2000 to March 2017. Under UVA segment, MT Educare undertakes government projects and free-coaching to many minority & underprivileged students. The steep increase in the UVA/Commerce segment on account of growing CA business in Chennai & UVA projects across various states in the country. Due to strong branding company is expanding its services by; tie up with local coaching classes in tier-II and tier-III Cities, Providing training to teachers and Appointing Franchisee across India. Company has good growth in UVA/Commerce segment in respect of no. of students and revenue.

**Teachers + Technology =  
Toppers...!!!**

## Financial Statements

### Income Statement

(₹ mn)

Year end	Mar 15	Mar 16	% Chg	Mar 17	% Chg
Net Sales	2,192.1	2,644.6	20.6	2,648.8	0.2
Other Income	70.6	82.1	16.3	119.8	45.9
Change in Stocks	0.0	0.0	0.0	0.0	0.0
Raw Material Con.	8.7	0.0	(100.0)	0.0	0.0
Employee Exp.	255.3	331.0	29.7	384.1	16.0
Indirect Taxes	0.0	0.0	0.0	0.0	0.0
Other Exp.	1,482.5	1,766.6	19.2	1,896.8	7.4
Operating Exp.	1,746.5	2,097.6	20.1	2,280.9	8.7
Operating Profit	516.2	629.1	21.9	487.7	(22.5)
Total Interest	41.0	32.8	(20.0)	135.7	313.7
Gross Profit	475.2	596.3	25.5	352.0	(41.0)
Net Dep.	82.9	146.5	76.7	172.9	18.0
Total Taxation	113.7	157.6	38.6	72.0	(54.3)
Net Profit/Loss	278.6	292.2	4.9	107.1	(63.3)

### 4 Years Balance Sheet

(₹ mn)

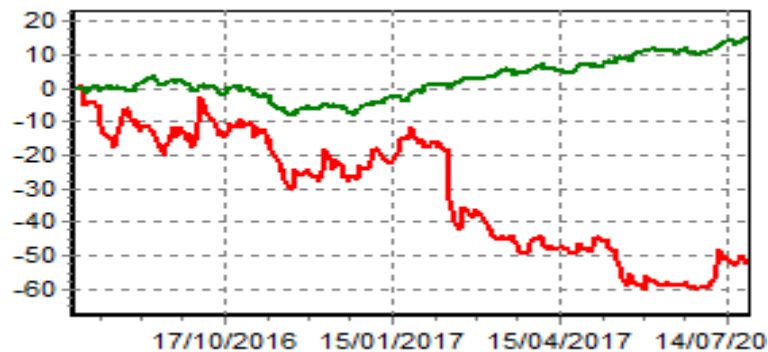
Balance Sheet as on 31 <sup>st</sup>	Mar 14	Mar 15	Mar 16	Mar 17
<b>SOURCES OF FUNDS</b>	<b>1,196.1</b>	<b>1,388.1</b>	<b>1,874.8</b>	<b>3,039.8</b>
Equity Share capital	397.8	397.9	398.2	398.2
Equity Application Money	0.0	0.0	0.0	0.0
Equity Share Warrants	0.0	0.0	0.0	0.0
Reserves & Surplus	741.5	860.5	1,057.3	1,164.4
Secured Loans	0.0	49.6	349.9	1,244.3
Unsecured Loans	56.8	80.1	69.4	232.9
<b>USES OF FUNDS</b>	<b>1,196.1</b>	<b>1,388.1</b>	<b>1,874.8</b>	<b>3,039.8</b>
Gross Block	1,335.1	1,027.0	1,208.3	1,391.5
Less : Revaluation Reserves	0.0	0.0	0.0	0.0
Less : Accumulated Depreciation	480.2	557.1	685.8	785.2
Net Block	854.9	469.9	522.5	606.3
Capital Work in Progress	60.8	40.0	87.5	32.7
Investments	261.5	172.4	176.0	176.0
Current Assets	393.0	529.4	682.3	1,538.5
Less : Current Liabilities	619.7	675.9	748.7	644.1
Total Net Current Assets	(226.7)	(146.5)	(66.4)	894.4
Misc. Expenses not writtenoff	245.6	852.3	1,155.2	1,330.4
<b>NOTE</b>				
Book Value of Unquoted Investments	195.8	172.4	176.0	176.0
Market Value of Quoted Investments	0.0	0.0	0.0	0.0
Contingent Liabilities	14.8	190.3	256.1	255.4
Dividend (%)	22.5	26.5	20.0	0.0

Quarterly Income Sheets

(₹ mn)

Quarter Ended	Jun 16	Sep 16	Dec 16	Mar 17
Net Sales	568.0	476.1	329.6	304.3
Cost Of Sales	609.1	523.8	517.9	463.4
Operating Profit	(41.1)	(47.7)	(188.3)	(159.1)
Other Income	139.1	345.0	190.1	249.9
Adjusted PBDIT	98.0	297.3	1.8	90.8
Financial Expenses	10.7	18.6	48.7	57.6
Depreciation	38.9	43.8	44.9	45.3
Other Write Offs	0.0	0.0	0.0	0.0
Adjusted PBT	48.4	234.9	(91.8)	(12.1)
Tax Charges	17.1	87.1	(32.9)	0.9
Reported Profit	31.3	147.8	(58.9)	(13.0)
Extra Ordinary Items	0.0	0.0	0.0	0.0
Other Non Cash Adjust	0.0	0.0	0.0	0.0
Adjusted Net Profit	31.3	147.8	(58.9)	(13.0)

52 Week Index Relative Percentage Appreciation



MT Educare vs SENSEX

Risks Associated

- Competition Risk: The coaching business has large number of small and medium sized players due to its low capital intensive and high payback nature it leads to high competition.
- Attrition Risk: There is a constant threat of attrition among good teachers being lured by the competitors impacting the business.

Scope of Growth

- India has become the second largest market for e-learning after the US. The sector is currently pegged at \$ 2 bn and is expected to reach \$ 5.7 bn by 2020.
- The distance education market in India is expected to grow at a CAGR of around 11 % during 2016-2020. Moreover, the aim of the government to raise its current gross enrolment ratio to 30 per cent by 2020 will also boost the growth of the distance education in India.
- The education market in India is currently valued at \$ 100 bn and is expected to nearly double to \$ 180 bn by 2020.
- Currently, the school segment is valued at \$ 52 bn and contributes 52% to the education market in India, higher education contributes 15% of the market size, text-book, e-learning and allied services contribute 28% and vocational education in manufacturing and services contributes 5%.
- The total FDI inflow into the education sector in India stood at \$ 1.42 bn from April 2000 to March 2017, according to data released by Department of Industrial Policy and Promotion.



**In a Nutshell**

MT Educare is established in 1988 and headquartered at Mumbai, it is among India's leading education service companies in the arena of providing education support and coaching services. It provides the secondary and higher secondary school and for students pursuing graduation degree in commerce, preparing for various competitive examinations and undertaking chartered accountancy examinations. The company plans to construct pre-university college campus in Mangalore, Karnataka. And also, plan to establish new coaching centres at 20 locations. At present in 170 locations across 13 states and union territories of India. Company primarily conduct its business operations under four business verticals – School, Science, Commerce/ UVA and Robomate, Operation wise revenues are -24%, -6%, 71% and -50% respectively for the FY 2016-17, approx 159162 lakh students get the service. Using the new Learning Management System, the company is now introducing its Flipped Classroom model in 2015. In 2012 the company acquired 51% stake in Lakshya Forum for Competitions Private Limited. In its 25th year of existence, it was awarded as one of the 'Top 200 Forbes Asia Best under a Billion' Company. Forbes Asia's "Best under a Billion" list highlights 200 of the best small and mid-sized listed companies in Asia Pacific with an annual revenue under \$1 billion. Today, MT Educare is a national player with a multi-state presence and a diverse product portfolio. MT Educare took its first steps towards adopting technology in the classroom by setting up Audio-Visual aided teaching. It introduced Technology-Aided-Teaching and evaluation in the classrooms to promote engaged learning. Overall the company is having good plans and technology for future growth.

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**Rating Interpretation**

**Buy** : Expected to appreciate 20% or more over 12-months

**Accumulate** : Expected to appreciate 10% to 20% over 12-months

**Trade Buy** : Expected to appreciate more than 10% over 45-days

**Reduce** : Expected to depreciate up to 10% over 12-months

**Sell** : Expected to depreciate 10% or more over 12-months

**Trade Sell** : Expected to depreciate more than 10% over 45-days

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