

16<sup>th</sup> September 2010

## Career Point Infosystems Limited

Recommendation: **Subscribe**

## Issue Summary

Price Band (Rs)	295	310
Bid Lot	20 shares	
Face Value	Rs.10	
Opens on	16 <sup>th</sup> Sept.'10	
Closes on	21 <sup>st</sup> Sept.'10	
Total no of shares to be raised	1150 lacs	

Pre-issue share capital	Rs. 13.88 crs	
Post-issue share capital	Rs. 128.88 crs	
Fresh Issue Size	Rs. 3392.5 crs	Rs. 3565.0 crs
Post Issue Market Cap	Rs. 4094.6 crs	Rs. 4302.8 crs
P/E on 9M Annualized FY10	20.05	21.07

## Book Running Lead Managers:

- Centrum Capital Ltd.
- JM Financial Pvt. Ltd.
- Link Intime Pvt. Ltd.

## Company &amp; Business Profile

Career Point was incorporated to impart quality education to students preparing for various competitive examinations by Mr.Pramod Maheshwari. With the sky-high ideals and commitment to excellence, now Career Point has taken a shape of vibrant, dynamic and responsible institute of the country.

Career Point has to its credit a team of outstanding faculty members including IITians, NITians and Doctors, added with the complete & finest study material, excellent coaching methodology and a stimulating academic environment.

From its quiet beginning with just bunch of students and a handful of faculty, the Career Point has grown a multi fold. Today Career Point has taken a shape of a vibrant, dynamic and a successful IIT-JEE, AIEEE, Pre-Medical and NTSE, KVPY, Science Olympiad examination training institution in the country. It has a faculty strength of 231 members in addition to the franchisee faculties.

Career Point runs its educational activities at various building with in walking distance of 50-100 meters in Shakti Nagar, Kota. The infrastructure facilities of Career Point are the biggest and best of all coaching institute in India

For educational activities viz. classes, tests, problem desk, seminars, R&D and administration; it has distinct infrastructure so that students get a very congenial environment.

Career Point is one of the Institute in the country with an educational research & development cell. Its team of course designers is continuously studying the latest examination trends, student's learning habits & examiners mind. Based on these findings, the R & D cell consistently refines, makes innovative modifications and contributes significantly to their teaching methodology. In addition to this, the R & D cell of the institute ensures that Career Point's study material and teaching methodology remain most suitable, relevant and always ahead of others.

## Objects of the Issue

Particulars	Total Estimated Cost (Rs in cr)
Construction and development of an integrated campus facility	682.5
Expansion of classroom infrastructure and office facility	164.86
Acquisitions and other strategic initiatives	150.00
General Corporate Purposes	[*]
<b>Total</b>	<b>[*]</b>

## Investment Positives

- **Huge potential in the education market:**  
The size of the potential education market in India is estimated to comprise of approximately 1.3 million schools and approximately 237 million students in the primary, secondary and higher secondary segment. The company can increase student enrolment by entering new geographic.
- **New courses to increase profitability:**  
The company is coming out with new course offerings which will help it to achieve higher number of student's enrolment. It will also help the company to achieve higher level of profitability.

## Concerns

- **Severe competition:**  
The number of newer players entering the education market has increased over the years. Even foreign players are also looking at the Indian market with lots of interest. This may result in its market share getting constrained and may also result in high attrition of its employees especially its teaching staffs.

## Profit & Loss Account

(Rs. in crs)

Paticulars	FY 2010	FY 2009	FY 2008
Total Income	658.4	478.5	410.2
Total Expenditure	378.5	237.1	175.2
EBITDA	279.9	241.4	235.1
<i>EBITDA (%)</i>	42.5	50.5	57
Depreciation	6.6	4.2	4.0
Interest	0.33	1.83	0.47
Profit Before Tax	273.0	235.4	232.6
Provision for Tax	95.1	82.5	78.9
Profit after Tax	177.9	149.8	152.6
<i>PAT (%)</i>	27.0	31.3	37
<b>EPS (Pre Issue)</b>	<b>13.17</b>	<b>12.42</b>	<b>12.77</b>

## Valuations & Recommendation

*We recommend our investors to "SUBSCRIBE" to the issue with a medium to long term view in mind.*

Considering the P/E valuation, the company is trading at a P/E of 22.39x times on the lower side and 23.16x times on the higher side of its FY10 EPS of Rs. 13.17. A nearby comparable company would be Educomp Solution whose trailing P/E is at 24.33x. Therefore, we believe that the IPO is fairly priced. Looking at the growth potential of the Indian education sector, we believe CareerPoint Infosyatem has the potential to come out with better results in the future.

**We therefore recommend our investors to SUBSCRIBE to the issue with a medium to long term view in mind.**

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