



<b>Rating</b>	
<b>CMP</b>	<b>Rs 130</b>
<b>Target Price</b>	<b>Rs 159</b>
<b>Recommendation</b>	<b>BUY</b>

**Stock Info**

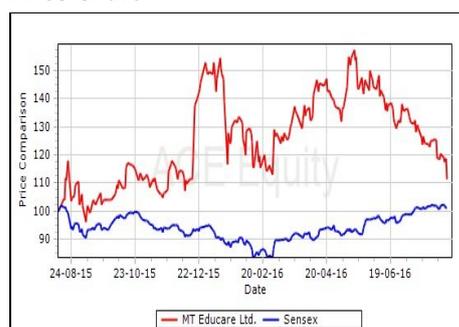
<b>BSE Group</b>	B
<b>BSE Code</b>	534312
<b>NSE Symbol</b>	MT EDUCARE
<b>Bloomberg</b>	MTEL IN
<b>Reuters</b>	MTED.BO
<b>BSE Sensex</b>	28,000
<b>NSE Nifty</b>	8,625

**Market Info**

<b>Market Capital</b>	Rs 586 cr
<b>Equity Capital</b>	Rs 40 cr
<b>Avg. Trading Vol.</b>	2,77,070
<b>52 Wk High/ Low</b>	114/200
<b>Face Value</b>	Rs 10

<b>Shareholding Pattern (%)</b>	<b>(Jun'16)</b>
<b>Promoters</b>	<b>42.8</b>
<b>Public</b>	<b>57.2</b>
<b>Others</b>	-
<b>Total</b>	<b>100</b>

**Price Chart:**



**Company Profile**

MT Educare is engaged in the business of providing education support and coaching services under the brand name “Mahesh Tutorials”. It has its presence in 163 locations across 13 states and union territories of India. The company operates under four main business verticals - School, Science, Commerce and Robomate+. It also conducts coaching for competitive exams which include Engineering and Medical entrance exam preparation, IIT test preparation, and MBA entrance test preparation as well as coaching for CA exams. It has a strong base of more than 1300 faculty. MT Educare leverages on result oriented quality coaching with technology based classrooms and digitized content.

**Investment Positives**

**Leading player:**

MT Educare is the one of the leading players in India’s educational coaching industry with diversified portfolio.

**Well recognized brand:**

By virtue of being one of the largest and oldest players in the coaching industry, Mahesh Tutorials enjoys a good brand image and is a household name in the Mumbai city, besides being a popular brand in other states. MT Educare, the corporate face of the Mahesh Tutorials brand, has established itself as a trusted Institution in education support and coaching services provider.

**Experienced faculties:**

Future growth potential, career opportunities, stock options and low attrition rate has contributed to a stable, committed and a passionate pool of experienced faculty members at MT Educare, which has led to a sustained growth of the Company.

**Diversified portfolio:**

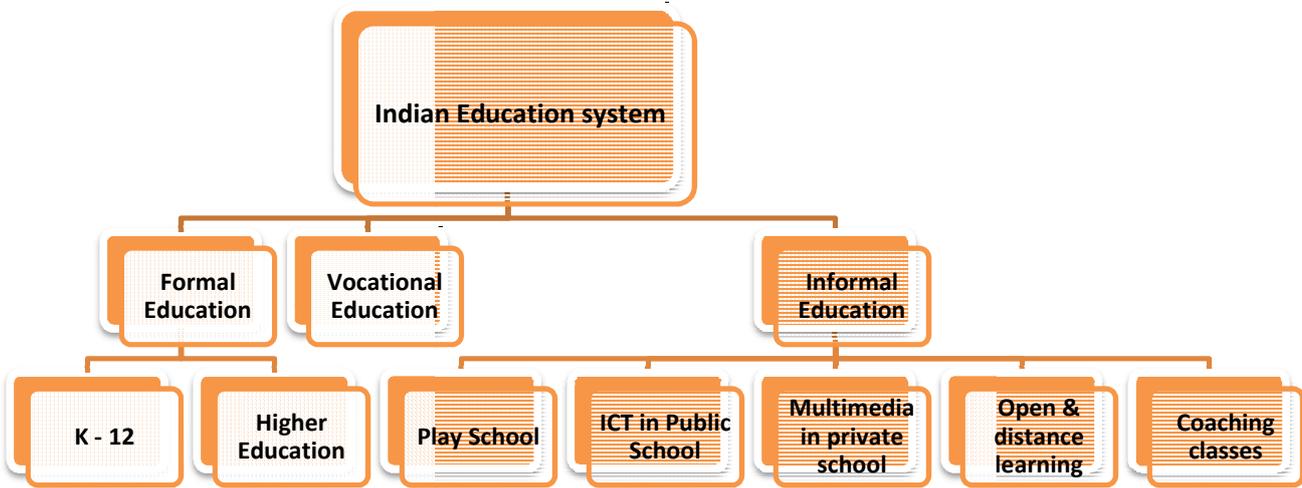
Company has evolved its product portfolio to cater to students from diverse backgrounds, thus expanding its outreach. The diversified portfolio enables it to optimally utilize its infrastructure by catering to timings of different schools and colleges for different classes throughout the day.

**Result-oriented coaching methods**

Company has developed scientific coaching methods and a system of imparting conceptual knowledge and analytical skills to address either subjective or objective tests and thus enable students to improve their accuracy levels and speed.



**Industry Overview:**



**Introduction:**

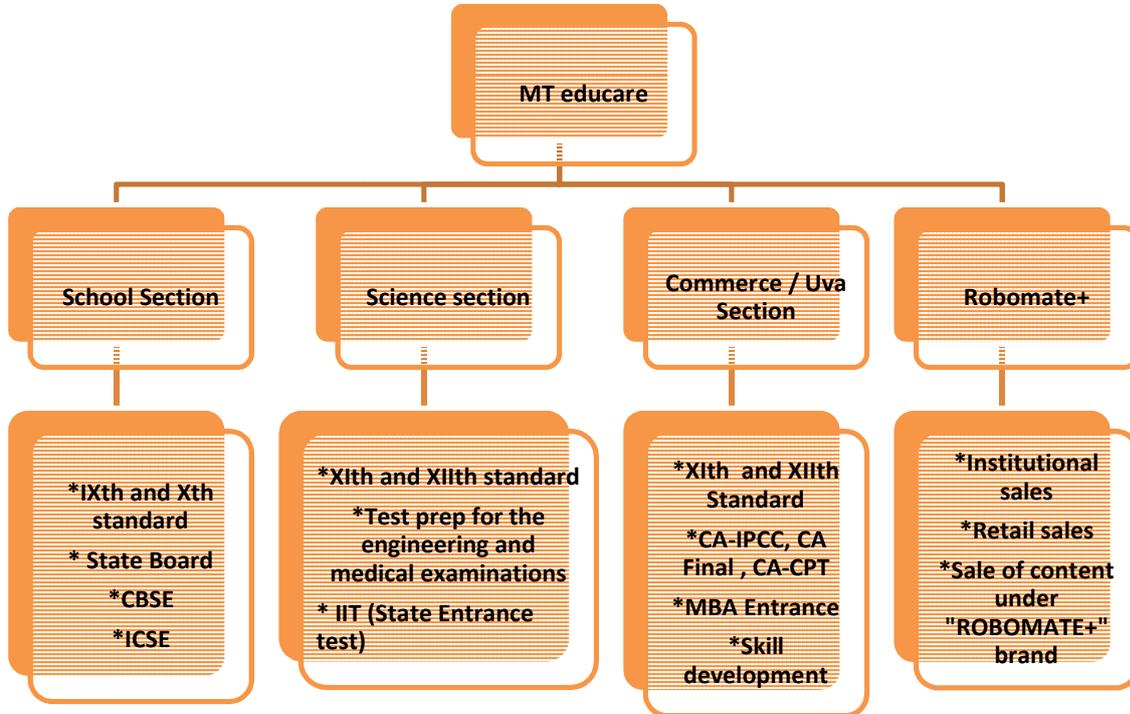
India holds an important place in the global education industry. The country has more than 1.4 million schools with over 227 million students enrolled and more than 36,000 higher education Institutes. India has one of the largest higher education systems in the world. However, there is still a lot of potential for further development in the education system. The distance education market in India is expected to grow at a Compound Annual Growth Rate (CAGR) of around 34 per cent during 2013-14 to 2017-18. 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.

**Highlights:**

- India is the second most populous country in the world with average literacy levels of 74%.
- Over the last decade, with the rising focus on literacy and primary education, the centres outlay on education has risen at 17% CAGR , touching nearly Rs880 billion.
- Government expenditure on secondary school education has increased to nearly Rs97.9 billion from Rs16.2 billion. In the twelfth Five year plan, around 13% of the funds have been allocated for secondary education.
- The Government of India aims to increase digital literacy to at least 50 per cent of Indians from currently 15 per cent over a period of next three years.



**Business Model:**



**School Division:**

The company focused on developing the CBSE & ICSE business verticals as a pillar of strength to enable rapid scalability of operations in the school segment across various states in India.

**Science Division:**

IIT coaching business in Mumbai branded under 'Lakshya' is growing well and is gaining good traction. It has given spectacular results in science with 4<sup>th</sup> AIR in AIPMT and 7<sup>th</sup> AIR in JEE – Advanced and hoping to continue our excellence in the future.

**Commerce Division:**

The company is focusing on expanding its reach in the CA coaching market throughout India with Chennai being developed as a "Centre of Excellence" for CA for strategizing growth in South India market.

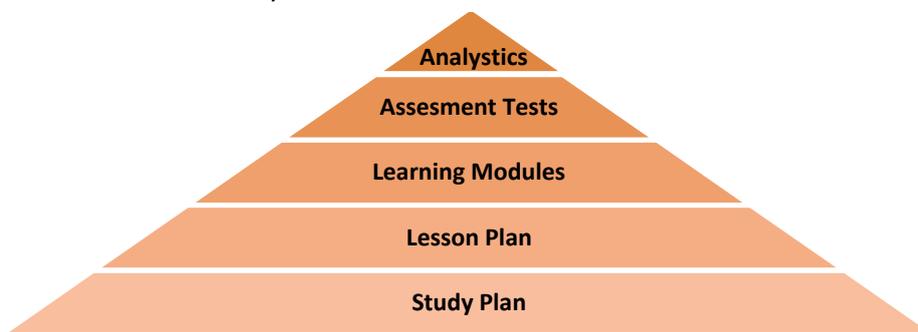
**Robomate+:**

Over the past few years, technology paved way in the lives of everyone in one way or other. Conventional 'Chalk and talk model' of teaching students is being replaced with technology enabled learning models and advanced teaching methodologies. Robomate+ is a 24\*7 digital content available to guide students with respect academics like video lecture, Questions and Answers (Q&A), Study Material, MCQs format testing, Understanding concepts and solving doubts, Revising anytime, everywhere. This Product shall help to overcome the disparities in quality of education in different parts of the country.



#### 📌 Studying by Robomate+:

- Visualization is better than reading. Therefore, in preparing “ROBOMATE+” is Preparation of Audio Visual Lecture.
- Each of the chapters, are further split into smaller modules. Each of the module made involves modules for teachings, test, Results of the test conducted as well as for revisions.
- It involves addition of audio effect to the Video. Audio Visual so prepared is recorded by Teachers in studios wherein any additional information pertaining to the particular chapter/ subject may be added. The entire module is recorded by the teacher, explaining the various diagrams, images, concepts, charts, etc.
- Robomate+ comprises of unique Learning Management System. The LMS comprises of: Study plan, Lesson Plan, Learning Modules, Assessment tests and analytics.



#### ❖ Study Plan:

- Study Plan is the sequence and manner in which the student is expected to view the Content and complete the Course. It indicates the Lesson Plan (Course Content) which is covered on a specific Date and Time.
- Teacher can modify the study plan anytime over the course duration based on the student performance.

#### ❖ Lesson Plan:

- Lesson plan represents the Course Structure such as subject, Chapter, Topic, Subtopic and Module.
- The entire course is broken into logical modules. Hence lesson plan is a grouping of Modules.

#### ❖ Learning Modules:

- Each Learning module contains 5-7 minute recorded AV videos. Short duration videos help students in retention of the concepts/ terms.
- Video Lecture is followed by a Module test. Video lecture has to be watched compulsorily for the entire duration for the first time so that the module test can be taken by student.

#### ❖ Assessment test:

- Assessment Tests comprises of Objective (MCQs) and subjective tests.
- Tests are available at module level as well as Chapter level.

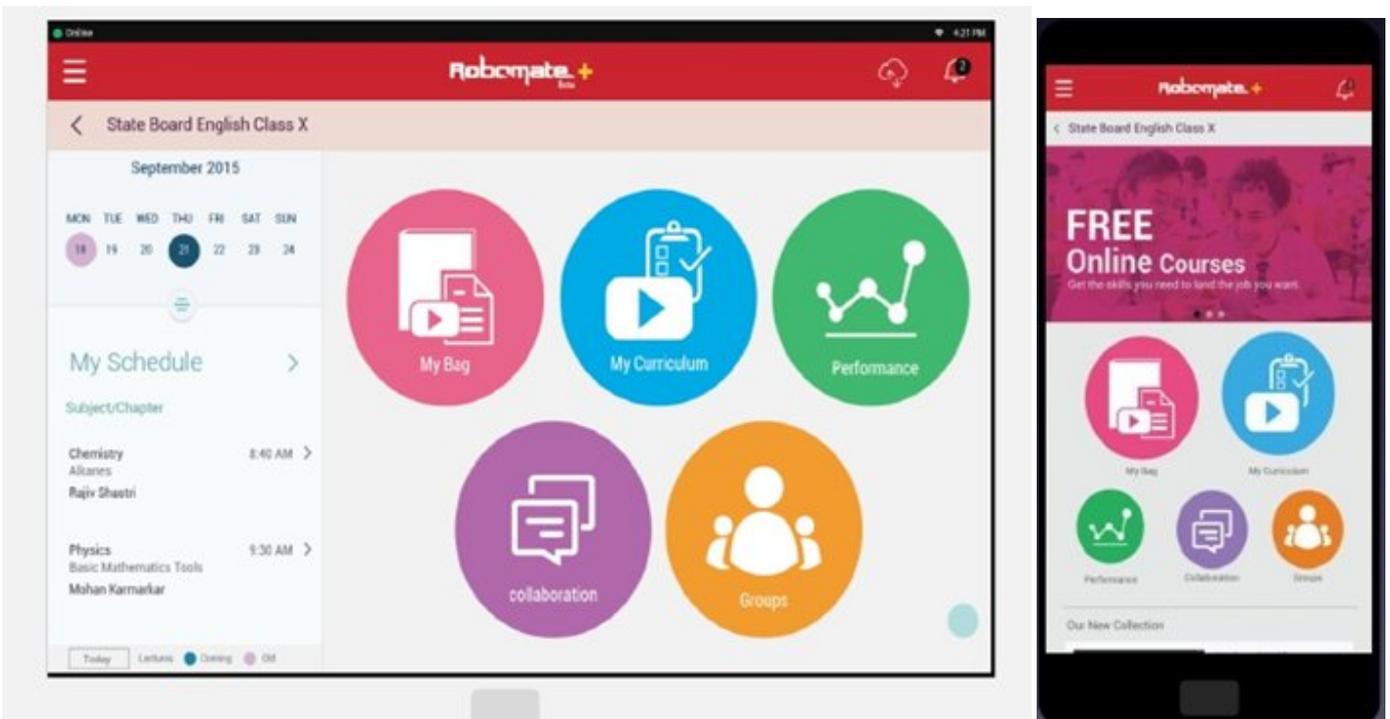
#### ❖ Analytics:

- The traditional methodology that is prevalent today lacks analysis of the learning pattern of the students. This is due to practical limitations on the teachers end to analyze the intellectual needs to each and every student.
- Analytics is the core of the ROBOMATE+.



**Robomate+ App – 850,000+ Registrations since launch in Dec'15**

**Available on iOS and Android Platform**



**Growth Strategy behind coaching a success story:****FOCUS ON NATIONAL LEVEL EXAMS**

Pan-India Strategy with focus on nationwide common entrance and professional examinations such as CA, IIT JEE Advanced, JEE Mains, CAT, CMAT, etc.

**ROBOMATE**

Technology driven growth through sale of digital content and Higher Scalability allowing the company to tap newer geographies across India.

**GEOGRAPHICAL & VERTICAL RISK MANAGEMENT**

Expansion outside Mumbai reducing geographical concentration future growth expected from Karnataka, rest of Maharashtra and North India Science & Commerce to increasingly contribute to total revenues.

**ASSET LIGHT COLLEGE TIE-UPS**

Entry and expansion into college tie-ups with test prep in college campuses Asset light with lower infrastructure speed than regular centres Helps attract large volumes.

**Growth to Unfold Opportunities in offing.....**

- **Household expenditure on education :**  
An Indian urban household spends ` 1,035 per month on education, in sharp contrast to only ` 293 spent per month in its rural counterpart. However, there is still ample headroom for growth, as the consumers are ready to spend more to access quality education.
- **Low gross enrolment ratio :**  
India witnesses 12% gross enrolment ratio, as against 60% in the US and 16% in China. It is less than the global average of 24%. This social trend signifies that there is considerable headroom for growth, provided the government and the policy makers take proper initiatives. India's government aspires to take the gross enrolment ratio to 30% by 2021 (Source: Economic times).



- **Infrastructure bottlenecks in education :**  
Despite the government's high spending on the education sector, there is a further demand for investments to the extent of US\$100 billion. These expenses are required to build infrastructure and provide education facilities, especially for the formal education system. India still requires around additional 800 universities and 35,000 colleges.
- **Large population :**  
Majority of India's population of around 1.25 billion are aged below 25 years. Hence, the education sector offers immense growth opportunities. India's urban and earning populations are expected to increase by 171 million and 170 million, respectively, over the next 15 years (Source: UN estimates). This trend is expected to lead to high demand for education.
- **Expanding market in national level test :**  
Preparation With more and more students appearing for national level test examinations, the opportunity for the education test-prep industry remains significant.

**Mitigation of Risk:**

- **Fixation in rentals :**  
Company mitigated the fluctuation of rentals by entering into fixed Rental contracts of 3years and above.
- **Competition Intensity:**  
Company's new innovative technology Robomate+ will lead to entry barriers for other players in the market.
- **Adapt to change of academic curriculum and examination patterns:**  
Company has proven its ability of adapting to changes in the curriculum and examination pattern at a short notice and keeping track of the changes with expert team of faculty.

**Valuation & Outlook:**

We expect to maintain 15-16% topline growth for FY17E. At CMP of Rs 130 company trades at a P/E multiple of 13 (x) to its FY 18 estimates. We have valued the stock at its FY 18E forward P/E of 16 (x) and arrived at a fair value of Rs 159 per share. We initiate coverage with "BUY" rating on the company.

<b>Valuation :</b>	
EPS	9.9
P/E	16.0
Target Price	159
Current Market Price	130
Upside %	22%



Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
<b>Revenue from operation (Net)</b>	227	287	332	388
Direct expenses	113	142	173	190
Personnel expenses	29	37	43	58
Other expenses	37	48	56	66
<b>Total expenses</b>	180	229	275	318
EBITDA	47	58	57	70
depreciation and amortization	9	16	17	19
other income	7	9	12	10
Finance cost	4	3	4	4
Exceptional Items	-	-	-	-
<b>Profit before tax</b>	41	47	48	56
Total Tax Expenses	12	15	13	17
Profit/(Loss) for the year	29	32	36	39
Minority Interest	(1)	(0)	(0)	(0)
<b>Net Profit</b>	30	32	36	40
EPS	7.6	8.1	9.1	9.9

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
Operating Activities				
<b>Profit Before Tax</b>	41	47	48	56
Non cash / Non-operating items	8	3	14	17
<b>Total</b>	49	50	63	73
Tax Paid	(11)	(15)	(13)	(17)
Changes In working Capital	(20)	(19)	(28)	(26)
<b>Cash From Operating Activities</b>	17	16	22	30
Investing Activities				
Changes in investing activities	(32)	(19)	(12)	(6)
Capex	27	(21)	(48)	(32)
<b>Cash Flow from Investing Activities</b>	(5)	(39)	(60)	(37)
Financing Activities				
<b>Dividends + Tax paid</b>	(9)	(10)	(4)	(5)
Change in non current liabilities	1	30	37	15
<b>Cash from Financing Activities</b>	(8)	21	32	11
Opening Cash & Cash Equivalents	9	14	11	6
Changes during the year	5	(3)	(5)	3
<b>Closing Cash &amp; Cash Equivalent</b>	14	11	6	9

Balance Sheet, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
Liabilities + Equity				
Share Capital	40	40	40	40
<b>Reserves and surplus</b>	86	109	153	183
Shareholders fund	126	149	193	223
<b>Total Non - current Liabilities</b>	9	7	8	7
Total Current Liabilities	78	122	146	168
<b>Total - Equity and Liabilities</b>	213	278	346	398
Assets				
Non-current assets				
<b>Total Fixed Assets</b>	55	67	79	91
Total Non Current Assets	101	131	162	180
Current assets				
cash and cash equivalents	14	11	6	9
<b>Total Current Assets</b>	57	79	105	127
<b>Total</b>	213	278	346	398

Ratio Analysis				
	FY15	FY16	FY17E	FY18E
Profitability				
Revenue growth	12%	26%	16%	17%
<b>Operating EBITDA%</b>	21%	20%	17%	18%
PAT%	13%	11%	11%	10%
<b>PAT Growth %</b>	42%	7%	11%	10%
Du Pont ROAE breakup				
PAT / Sales	13%	11%	11%	10%
Sales / Avg Total Assets	1.0	0.9	0.9	0.9
Avg Total Assets / Avg Eqty	1.7	1.8	1.8	1.8
<b>ROE</b>	23%	19%	18%	16%
Other Ratios				
<b>Current Ratio</b>	0.7	0.7	0.7	0.8
Long Term Debt / Equity	0.0	0.0	0.0	0.0
<b>EPS</b>	7.6	8.1	9.1	9.9
DPS	2.7	2.0	0.9	1.0
<b>Dividend Payout ratio</b>	0.3	0.2	0.1	0.1
<b>P/E</b>	19.8	21.5	15.5	14.1
BVPS	31.6	37.3	48.6	56.0
P/BV	4.7	4.7	2.9	2.5

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**Stock Rating Scale**

	<b>Absolute Return</b>
Buy	> 20%
Accumulate	12% to 20%
Hold	5% to 12%
Neutral	-5% to 5%
Reduce	< -5%

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