



Organized player in Unorganized Industry!

17th November, 2016

Rating	
CMP	Rs 120
Target Price	Rs 139
Recommendation	Accumulate

Stock Info

BSE Group	B
BSE Code	534312
NSE Symbol	MT EDUCARE
Bloomberg	MTEL IN
Reuters	MTED.BO
BSE Sensex	26,508
NSE Nifty	8,205

Market Info

Market Capital	Rs 586 cr
Equity Capital	Rs 40 cr
Avg. Trading Vol.	2,83,510
52 Wk High/ Low	109/200
Face Value	Rs 10

Shareholding Pattern (%)	(Sep'16)
Promoters	42.8
Public	57.2
Others	-
Total	100

Price Chart:



➤ **Q2FY17 Net Revenue** at Rs87.16 crores was in line with our expectations. Total revenue for H1FY17 stood at Rs171.41 crores against 157.75 crores in H1FY16. Mainly revenue was contributed by 28% from school section, 35% from science section, 32% from commerce section and 5% from Robomate+. In H1FY17, Company has hiked fees in school section by 13% and reduced fees in Science and commerce section by 14%.

➤ **Q2 FY17 Operating EBITDA** at Rs24.86 crores in Q2FY17 against Rs22.36 crores in Q2FY16. In Q2FY17, EBITDA margin stood at 28.52% against 26.98% YoY, this was mainly due to reduction in direct expenses to 45% against 44% YoY and other expenses to 14% against 17% YoY.

➤ **Q2FY17 Reported PAT** at Rs12.4 crores in Q2FY17 against Rs13.5 crores YoY. In current quarter, profit was down by 8% on YoY basis. This was mainly due to increase in finance cost of Rs1.8 crores against Rs0.56 crores YoY.

➤ **Geographical Presence**

Company had expanded geographical presence to 174 locations in Q1FY17 against 161 locations in FY16. Currently, company has presence in Maharashtra, Gujarat, Karnataka, Chandigarh, Haryana, Punjab, Tamilnadu, Kerala, Assam, Uttar Pradesh, Andhra Pradesh and Telangana.

➤ **Valuation**

We expect to maintain 15-16% topline growth for FY17E & FY18E. We value the stock at 14x FY18 EPS, and assign a price target of Rs139 with “**Accumulate**” rating on the stock.

➤ **Financial Snapshot**

Y/E March, (in Rs cr)	FY15	FY16	FY17E	FY18E
Net Sales	227	287	332	388
yoy%	12%	26%	16%	17%
Operating EBITDA	47	58	57	70
EBITDA Margin	21%	20%	17%	18%
PAT	30	32	36	40
EPS	7.6	8.1	9.1	9.9
P/E (x)	20	22	13	12



Quarterly Results:

Partculars (In Cr)	Q2FY17	Q2FY16	y-o-y%	Q1FY17	Q-o-Q%
Revenue from operation (Net)	87	83	5.1%	84	3.5%
Total Expenditure	62	61		73	
EBITDA	25	22	11%	12	112%
EBITDA Margin (%)	28.5%	27.0%		13.9%	
Depreciation	5	4		4	
Interest	2	1		1	
Other Income	3	2		3	
PBT	21	20	3%	9	127%
Tax expense	9	7		2	
PAT before minority interest	12	13		7	
Minority Interest	0	-0.2		0	
Net Profit	12	14	-8%	7	82%
EPS	3.12	3.4		1.71	



Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
Revenue from operation (Net)	227	287	332	388
Direct expenses	113	142	173	190
Personnel expenses	29	37	43	58
Other expenses	37	48	56	66
Total expenses	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	-	-	-	-
Profit before tax	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)
Net Profit	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				
Profit Before Tax	41	47	48	56
Non cash / Non-operating items	8	3	14	17
Total	49	50	63	73
Tax Paid	(11)	(15)	(13)	(17)
Changes In working Capital	(20)	(19)	(28)	(26)
Cash From Operating Activities	17	16	22	30
Investing Activities				
Changes in investing activities	(32)	(19)	(12)	(6)
Capex	27	(21)	(48)	(32)
Cash Flow from Investing Activities	(5)	(39)	(60)	(37)
Financing Activities				
Dividends + Tax paid	(9)	(10)	(4)	(5)
Change in non current liabilities	1	30	37	15
Cash from Financing Activities	(8)	21	32	11
Opening Cash & Cash Equivalents	9	14	11	6
Changes during the year	5	(3)	(5)	3
Closing Cash & Cash Equivalent	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
Reserves and surplus	86	109	153	183
Shareholders fund	126	149	193	223
Total Non - current Liabilities	9	7	8	7
Total Current Liabilities	78	122	146	168
Total - Equity and Liabilities	213	278	346	398
Assets				
Non-current assets				
Total Fixed Assets	55	67	79	91
Total Non Current Assets	101	131	162	180
Current assets				
cash and cash equivalents	14	11	6	9
Total Current Assets	57	79	105	127
Total	213	278	346	398

Ratio Analysis				
	FY15	FY16	FY17E	FY18E
Profitability				
Revenue growth	12%	26%	16%	17%
Operating EBITDA%	21%	20%	17%	18%
PAT%	13%	11%	11%	10%
PAT Growth %	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
ROE	23%	19%	18%	16%
Other Ratios				
Current Ratio	0.7	0.7	0.7	0.8
Long Term Debt / Equity	0.0	0.0	0.0	0.0
EPS	7.6	8.1	9.1	9.9
DPS	2.7	2.0	0.9	1.0
Dividend Payout ratio	0.3	0.2	0.1	0.1
P/E	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

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

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