

Organized player in Unorganized Industry!

16th February, 2017

Rating	
CMP	Rs 102
Target Price	Rs 109
Recommendation	HOLD

Stock Info

BSE Group	B
BSE Code	534312
NSE Symbol	MT EDUCARE
Bloomberg	MTEL IN
Reuters	MTED.BO
BSE Sensex	28,182
NSE Nifty	8,735

Market Info

Market Capital	Rs 402 cr
Equity Capital	Rs 40 cr
Avg. Trading Vol.	1,80,040
52 Wk High/ Low	100/200
Face Value	Rs 10

Shareholding Pattern (%) (Dec'16)

Promoters	42.8
Public	57.2
Others	-
Total	100

Price Chart:



➤ **Q3FY17 Net Revenue** at Rs 41.59 crores was below our expectations. Total consolidated revenues of Rs 235 crores for 9MFY17 as compared to Rs 228.4 crores in the corresponding period last year, a growth of 3%. Mainly revenues were contributed by 27% from school section, 34% from science section, 31% from commerce section and 8% from Robomate+. The company received very good response across market segments.

➤ **Q3 FY17 Operating EBITDA before Advertisement expenses stood** at Rs 62.11 crores in 9MFY17 against Rs 64.94 crores in 9MFY16. In Q3FY17, Reported EBITDA margin stood at 2.06% against 22.5% YoY, this was mainly due to increase in Advertisement expenses to 22% against 3% YoY and other expenses to 15% against 11% YoY. In this quarter, Company has incurred the expense of Rs 11.5 crores for marketing and promotion activities for Robomate+.

➤ **Q3FY17 Reported Loss** at Rs 4.4 crores against profit of Rs 7.8 crores in Q3FY16. In current quarter, Company has reported loss. This was mainly due to increase in Advertisement cost of Rs 11.5 crores against Rs 2.56 crores YoY. We are expecting that it is temporary impact on bottomline and going forward we can expect things to be normalised.

➤ **Geographical Presence**

Company had expanded geographical presence to 293 locations in Q3FY17. 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 stagnant topline growth for FY17E. We value the stock at 11x FY18 EPS, and assign a price target of Rs109 with “**HOLD**” rating on the stock.

➤ **Financial Snapshot**

Y/E March, (in Rs cr)	FY15	FY16	FY17E	FY18E
Net Sales	227	287	282	388
yoy%	12%	26%	-2%	38%
Operating EBITDA	47	58	48	70
EBITDA Margin	21%	20%	17%	18%
PAT	30	32	25	40
EPS	7.6	8.1	6.2	9.9
P/E (x)	20	22	19	12



Quarterly Results:

Particulars (In Cr)	Q3FY17	Q3FY16	y-o-y%	Q2FY17	Q-o-Q%
Revenue from operation (Net)	64	71	-10.1%	87	-27.1%
Total Expenditure	62	55		62	
EBITDA	1	16	-92%	25	-95%
EBITDA Margin (%)	2.1%	22.6%		28.5%	
Depreciation	5	4		5	
Interest	5	1		2	
Other Income	3	2		3	
PBT	-6	13	-143%	21	-127%
Tax expense	-1	5		9	
PAT before minority interest	-4	8		12	
Minority Interest	0	0.0		0	
Net Profit	-4.44	7.84	-156.6%	12	-136%
EPS	-1.11	1.97		3.12	

Normalised EBITDA - 9MFY17		
Particulars (Rs in Crs)	9MFY17	9MFY16
Revenue	235.0	228.4
Operating expenses	117.3	113.5
Employee expenses	32.9	27.2
Other expenses	22.7	22.8
EBITDA Before Advt. Expenses	62.1	64.9
Advt Expenses(Excl Robomate+ promotion campaign)	11.3	16.4
Normalised EBIDTA	50.8	48.5
*Normalised EBIDTA excludes the Robomate+ promotional campaign in FY17 till date.		



Profit and Loss Account, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
Revenue from operation (Net)	227	287	282	388
Direct expenses	113	142	147	190
Personnel expenses	29	37	37	58
Other expenses	37	48	48	66
Total expenses	180	229	233	318
EBITDA	47	58	48	70
depreciation and amortization	9	16	14	19
other income	7	9	10	10
Finance cost	4	3	11	4
Exceptional Items	-	-	-	-
Profit before tax	41	47	33	56
Total Tax Expenses	12	15	9	17
Profit/(Loss) for the year	29	32	24	39
Minority Interest	(1)	(0)	(0)	(0)
Net Profit	30	32	25	40
EPS	7.6	8.1	6.2	9.9

Cash Flow Statement, Year Ending March				
Particulars, in Rs crore	FY15	FY16	FY17E	FY18E
Operating Activities				
Profit Before Tax	41	47	33	56
Non cash / Non-operating items	8	3	19	17
Total	49	50	52	73
Tax Paid	(11)	(15)	(9)	(17)
Changes In working Capital	(20)	(19)	(28)	(26)
Cash From Operating Activities	17	16	16	30
Investing Activities				
Changes in investing activities	(32)	(19)	(18)	(6)
Capex	27	(21)	(48)	(32)
Cash Flow from Investing Activities	(5)	(39)	(65)	(37)
Financing Activities				
Dividends + Tax paid	(9)	(10)	-	-
Change in non current liabilities	1	30	45	15
Cash from Financing Activities	(8)	21	45	15
Opening Cash & Cash Equivalents	9	14	11	7
Changes during the year	5	(3)	(4)	8
Closing Cash & Cash Equivalent	14	11	7	15

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	146	181
Shareholders fund	126	149	186	221
Total Non - current Liabilities	9	7	18	18
Total Current Liabilities	78	122	146	168
Total - Equity and Liabilities	213	278	349	406
Assets				
Non-current assets				
Total Fixed Assets	55	67	82	94
Total Non Current Assets	101	131	162	180
Current assets				
cash and cash equivalents	14	11	7	15
Total Current Assets	57	79	105	132
Total	213	278	349	406

Ratio Analysis				
	FY15	FY16	FY17E	FY18E
Profitability				
Revenue growth	12%	26%	-2%	38%
Operating EBITDA%	21%	20%	17%	18%
PAT%	13%	11%	9%	10%
PAT Growth %	42%	7%	-24%	61%
Du Pont ROAE breakup				
PAT / Sales	13%	11%	9%	10%
Sales / Avg Total Assets	1.0	0.9	0.9	0.7
Avg Total Assets / Avg Eqty	1.7	1.8	1.9	1.9
ROE	23%	19%	15%	14%
Other Ratios				
Current Ratio	0.7	0.7	0.7	0.8
Long Term Debt / Equity	0.0	0.0	0.1	0.0
EPS	7.6	8.1	6.2	9.9
DPS	2.7	2.0	0.0	0.0
Dividend Payout ratio	0.3	0.2	0.0	0.0
P/E	19.8	21.5	19.4	12.1
BVPS	31.6	37.3	46.8	55.4
P/BV	4.7	4.7	2.6	2.2

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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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