

## CL Educate Ltd : Average Issue IPO Note : Very Competitive Business Segment, Low growth : Ranking\*\*



### Issue details

Price band (Rs)	Rs.500-502
IPO Opening Date	20/03/17
IPO Closing Date	22/03/17
Issue Size	Rs. 238.95 Cr.

### Recommendation

Total revenue grew at a CAGR of 10.14% from Rs.222.07 Cr for the FY 2013 to Rs.296.68 Cr for FY 2016 and Net Profit grew at a CAGR of 14.17% in the same period. For the six months ended on 30.09.16, it has earned net profit of Rs.12.91 cr. on a turnover of Rs.160.69 cr. If we annualize the latest earnings and attribute it on fully diluted equity capital of Rs.13.16 crore, the EPS works out to Rs19.62 then **asking price Rs.502 is at a P/E of 25+**. As per RHP, There are listed peer like MT Educare and Zee Learn. The stocks of the MT Educare and Zee Learn are trading at a PE of 25 and 50 respectively. **Currently it has debt of Rs 70 crores. The Average Net Profit margin is around 7.50% since last three years. Its topline is also growing at a CAGR of 10% since FY2013. The stock will be listed in the 'T' group category (settled on a trade-to-trade basis as a surveillance measure).**

### Highlights

- The company is a diversified and integrated technology-enabled provider of education products, services, content and infrastructure, with a presence across the education value chain. It has diversified operations across six business segments, spanning the education value chain
- As on September 30, 2016, it had a network of 151 test prep centers in 87 cities across India, with 45 owned test prep centers (of which three were temporary Smart Career Centers) and 106 test prep centers operating under a partnership model.
- In addition, it currently have 4 owned test prep centers in the UAE.
- As on September 30, 2016, it had a network of 635 dealers and distributors, across India, for the sale of titles under brand GK Publications

### Company Introduction

Incorporated in 1996, CL Educate Ltd is engaged in providing various educational products and services. They operates through two segments, Education and Training Programme (Including Sale of Study Material) and Vocational Training.

The Company's Education and training program (including sale of study material) segment includes coaching for higher education entrances. The Company's Vocational training segment includes specific projects undertaken (including government projects).

CL Educate offers test preparation courses and services under the Career Launcher brand, publishing and content development services under the brand GK Publications and event management, marketing support, customer engagement, and managed manpower and training services under the Kestone brand name.

They also provides integrated solutions to educational institutions and universities, including business advisory and outreach support services under the CL Media brand, as well as



[www.cleducate.com](http://www.cleducate.com)

### Financial Summary (Rs. In Crore)

Particulars	Six month ended Sep. 2016	FY2016	FY2015	FY2014
Total Income	160.69	296.68	285.07	229.8
Net Profit	12.91	21.67	21.23	15.34
EPS (Rs)	9.81*	16.46	16.13	11.65

\*EPS not annualize

Source: RHP and ACE Equity

### RANKING METHODOLOGY

WEAK	*
AVERAGE	**
GOOD	***
VERY GOOD	****
EXCELLENT	*****

research incubation and support services under the brand Accendere brand. In addition, the company operates K-12 schools under the Indus World School brand name. As on September 30, 2015, they had 146 test-prep centers spread over 86 cities in India, 8 K-12 schools spread across 6 cities & 28 vocational training centers and offices.

### Company Promoters:

1. Satya Narayanan R
2. R Gautam Puri
3. Nikhil Mahajan

### The object of the issue

- Funding Working Capital requirement of the Company
- Acquisitions and other strategic initiatives
- Pre payment of outstanding amount of a debt
- General corporate purposes.

### IPO Issue Proceed

To pre-pay some of its outstanding amount of debt, funding for working capital requirement, acquisitions and other strategic initiatives and for general corpus purpose, the company is coming out with a maiden IPO of fresh equity issue as well as offer for sale to mobilize Rs.239 crore (at the upper price band). Fresh issue will be for Rs. 109.44 crore and the rest will be the offer for sale. For fresh issue, company is issuing 21.80 lakh equity shares and it will offer 25.80 lakh shares in the offer for sale. This issue is via book building route and the price band is Rs. 500-502. Issue opens for subscription on 20.03.17 and will close on 22.03.17. Minimum application is to be made for 29 shares and in multiples thereon, thereafter.

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