

MT Educare : Weak Issue ; Avoid IPO Note: Highly Competitive Market ; Low PAT Margin Ranking:*

Issue details

Price band (Rs)	Rs.74 - Rs.80
IPO Opening Date	27/06/11
IPO Closing Date	29/06/11
Issue Size	Rs.94-99 Crore

Valuations & Recommendation

The PAT margins for the company for the financial years 2009, 2010 and 2011 is 3.6%, 6.3% and 7.87% respectively. The basic EPS for the same period is Rs.0.80, Rs 1.50 and Rs 2.40. For FY2010 and FY2011 it reported net profit of Rs.5.23 crore and Rs.8.25 crore on sales of Rs.82.76 crore and 102.43 crore respectively. The company is in to coaching business which is fragmented and dominated by regional players.

Financial Summary

Particulars	FY2011	FY2010	FY2009
Sales	102.43	82.76	70.71
Net profit	8.25	5.23	2.62
PAT margin%	7.87	6.29	3.61

The company post IPO will have an equity around Rs 36Cr. At higher price band, annualized EPS stood at Rs.3.7 and PE more than 21.0 which is expensive. Hence we recommend to Avoid this IPO.

Website: www.mteducare.com

MT Educare : **AVOID**

Highlights:

- ◆ **MT Educare, provides educational coaching services for classes 9 and 10 (State board, CBSE and ICSE), classes 11 and 12, graduation (commerce), preparatory/entrance tests (engineering, medical and MBA) and professional courses such as chartered accountancy.**
- ◆ **Geographical concentration. Around 80 % the centers are located in Maharashtra particularly in Mumbai**
- ◆ **Fragmented and highly competitive market.**
- ◆ **The coaching sector the company operates is not regulated by any central or state legislation. The central or state governments may introduce laws regulating the coaching sector in the future, as happened in Micro finance segment.**

NEW PROJECTS

It has recently launched the MBA test preparatory coaching. It is also planning to launch UVA (university, vocational and affiliated) and internet based coaching for students below 9th standard. The company has also formed a joint venture with HT Education Ltd to offer school coaching in northern India to improve its visibility in the region. The other new projects include -Pre-university college, Interactive networked knowledge center and an, JV with HT Education Ltd.

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