

MT Educare (Buy @ Rs83 with a target of Rs125)

Industry	Education
Company P/E	15x FY'14E
Market Cap. (Rs)	330crs
Dividend	15%

BSE/ NSE Code	534312 / MTEDUCARE
52 Week H/L (Rs)	142 / 67
Promoter Holding	43% (No Pledge)
Face Value (Rs)	10

The story so far

MTE (MT Educare) formerly known as Mahesh Tutorials set up in 1988 is today the only listed entity providing tuitions to School, Colleges and Professional courses. With Maharashtra & Karnataka emerging as the prime tutorial market, MTE has arrangements with 9 colleges in Mumbai and Karnataka and has an asset light business model which leverages its brand equity.

MTE raised Rs1bn through its IPO in March 2012 at a price of Rs80 per share of FV 10. The company has a stated policy of paying out 50% of its net profits by way of dividend to stakeholders. MTE derives 85% of its revenues from Maharashtra which itself has an addressable market opportunity of more than 16 lac students and presently services only about 33,000 students.

The story ahead

India has one of the largest student population in the world and MTE is at the forefront of the transformation happening in the education space by being among the first to shift from the traditional Blackboard to Technology Aided Teaching (TAT). Its unique teaching methodology makes use of interactive learning which leads to faster and precise understanding of concepts and increases retention among students through digitized classrooms. Given its vast talent pool of teachers, MTE's faculty empowerment model enables teachers to get trained in a same style and maintain quality standards.

MT Educare is now moving away from being a local player in Maharashtra to become a pan India player and is broad basing its model to include national level examinations such as CA, CS, IIT JEE, CAT & CMAT among others and its acquisition of LAKSHYA (a local leader in JEE in Punjab and Haryana) brings an added vertical to MTE.

The recent format change in the CET for IIT courses in our view is positive for the science division of MTE and we believe that the debt-free MTE would be able to sustain a NPM of 10% on a growing business with a growing business opportunity and the stock trading at 15x FY'14E earnings and 12x FY'15E earnings is a good investment bet in the education space and **we recommend a BUY on MTE with a one-year price target of Rs125**

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