

Low Priced Scrip



HERE IS WHY

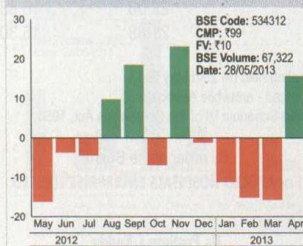
- It is a cash-rich, debt-free and generous dividend paying company
- An extensive presence which encourages conversion across the academic life of students
- Technology-driven approach, interactive delivery methods and value added services give it an edge

BEST OF LAST ONE YEAR

Name of Company	Reco.	CMP (₹)	Gain (%)
Finolex Industries	58.30	135.00	131.56
Manjushree Technopak	80.00	113.00	41.25
Syndicate Bank	97.30	132.00	35.66
Granules India	102.30	135.00	31.96
LT Foods	52.00	60.00	15.38
JSW Energy	55.15	60.00	8.79
Bank Of Maharashtra	54.00	58.00	7.41
Vimal Oil & Foods	99.60	102.00	2.41

CMP as on May 28, 2013

MONTHLY STOCK MARKET RETURNS



MT Educare

Chalking Up Profits

MT Educare is a leading player in the classroom-based coaching industry and operates under the brand name 'Mahesh Tutorials'. With an average revenue growth of 20 per cent in the last five years, negative working capital, 50 per cent dividend payout policy, zero debt and ensured improvement in profitability in the coming years, it is a good investment proposition.

The company operates under four divisions, i.e. school, science, commerce and others catering to students from 5th grade to post graduation. It runs 126 coaching centres in eight states across the country and has a humongous student base of 70828. Its technology-driven approach, concentration on the professor-driven nature of the industry, interactive delivery methods and value added services give the company a competitive edge over organised and unorganised players in the industry and allow it to command a premium.

MT Educare has seen tremendous growth in the last five years, with the average revenue growth at 21.17 per cent. There has also been impressive margins improvement, with the EBITDA margin up 18.63 per cent in FY13 from 12.57 per cent in FY09. Its net profit margin grew to 11.44 per cent in FY13 from 3.55 per cent in FY09.

One of the major reasons behind the consistent revenue growth is the company's tactful adjustment of volumes and pricing. For example, in FY13, MT Educare saw a growth of 9.15 per cent in the number of students in the commerce division. It increased the fees by 13.31 per cent to achieve revenue growth of 23.68 per cent. However, the science division saw its volumes decline of 6.97 per cent. Increasing the fees by 32.11 per cent saw its revenues grow by 22.89 per cent in FY13.

One of the major growth drivers for MT Educare is its extensive presence. While providing services to school-going students ensures a strong customer base, offering national level exam coaching brings scalability. Growth also comes from an inorganic approach. MT Educare has made several acquisitions in the last three years, which has brought synergy in its offerings and ensured geographic expansion. In 2012, the company acquired a 51 per cent stake in Lakshya Forum for Competitions. This acquisition eased its entry into the North Indian market and strengthened its offerings on account of Lakshya's specialisation in IIT entrance exam coaching.

An increase in volumes naturally causes an improvement in profitability. MT Educare is currently functioning at an average utilisation level of 50 per cent. This figure has been improving as the company opens new centres and expands its service offerings. Furthermore, the company is moving towards an asset-light model to improve profitability. It has started using a technology-based coaching model for school students, with a platform-based delivery model. This requires minimal infrastructure costs and provides for scalability at the same time. It is also tying up with colleges to provide coaching on a revenue sharing basis. Under this model, it is aiming at 30 tie-ups in the next five years and revenues of up to ₹90 crore.

As it charges fees in advance, the company operates on negative working capital. Also, the cash rich status of the company (cash and cash equivalents of Rs 39 crore as of FY13) and debt-free status make it fundamentally robust. Its strong past performance, visible future outperformance and available at a attractive TTM PE of 12.65x makes MT Educare a must-buy.

Note: The stocks recommended under this section are fundamentally strong stocks. However investors are advised to wait for the correct opportunity to enter these stocks considering the market sentiment right now.

SHAREHOLDING PATTERN (31/03/2013)		LAST FOUR QUARTERS (₹/CR)				
Promoters	42.88	Mar '13	Dec '12	Sep '12	Jun '12	
FII	5.16	33.86	38.96	45.14	36.17	
DII	4.31	Operating Profit	1.6	6.09	11.14	2.2
Others	47.65	Tax	0.77	2.24	3.42	1.06
Total	100	Net Profit	1.68	5.07	9.08	2.53
		Equity Capital	39.55	39.55	39.55	39.55

(The analyst does not hold any shares in the company. Wish to comment on this article? Send your feedback to comment@dsj.in)