

**C.M.P:**  
Rs.774.50

**Target Price:**  
Rs.891.00

April 3, 2010

### 1 Year Comparative Graph



Educomp Solutions Ltd

BSE SENSEX

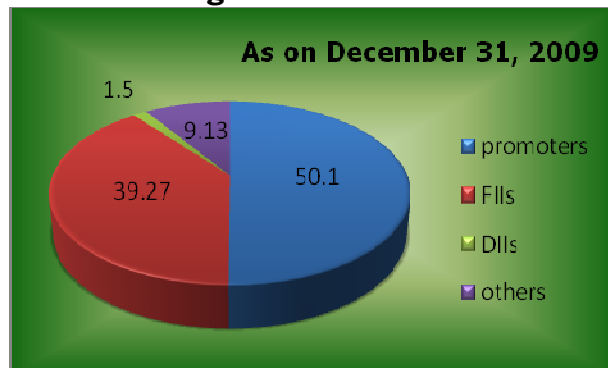
### SYNOPSIS

- Educomp Group reaches out to over 26,000 schools and 15 million learners and educators across the world. Company have 27 offices worldwide including an office in Canada, 20 in India, two in Singapore, one in Sri Lanka, and three in the United States.
- EISML, a subsidiary of Educomp Solutions, has entered into an agreement with Shri Educare (SEL) to set up five schools over the period of the next 2-3 years. The newly set up schools will be called The Shriram Millennium Schools.
- IndiaCan, a joint venture between India's Educomp and Pearson, plans to open 100 vocational training centres pan-India in the next two-months.
- Net sales and PAT of the company are expected to grow at a CAGR of 51% and 54% over 2008 to 2011E respectively.

### Stock Data

<b>Sector</b>	Education Sector
<b>Face Value</b>	Rs.2.00
<b>52 wk. High/Low (Rs.)</b>	Rs.1017.00/394.0
<b>Volume (2 wk. Avg.)</b>	232000
<b>BSE Code</b>	532696
<b>Market Cap</b>	73515.54

### Share Holding Pattern



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Financials	FY09	FY10E	FY11E
<b>Net Sales</b>	5011.7	7911.5	9098.2
<b>EBIDTA</b>	2876.9	4869.8	5484.4
<b>Net Profit</b>	1315.8	2259.6	2549.6
<b>EPS</b>	76.12	23.81	26.86
<b>P/E</b>	10.17	32.53	28.83

Financials	Dec09	Dec08	% Change
<b>Net sales</b>	2038.7	1452.7	40.34
<b>Net profit</b>	641.34	315.46	103.30
<b>EPS</b>	6.76	18.25	-

## Investment Rationale

### ✚ Stock Splits

The company has approved Sub-division of each of the existing Equity Shares of the face value of Rs. 10/- each fully paid-up in the share capital of the Company into five Equity Shares of the face value of Rs. 2/- each fully paid-up. The sub division would to improve the liquidity of the company's shares in the stock market and to make it affordable to the small investors.

### ✚ Allotment of shares

Company has allotted of 52,616 Equity Shares of the face value of Rs. 2/- each at a price of Rs. 791.79 /- per share (including a premium of Rs. 789.79/- per share) to Zaptive Internet Services Pvt Ltd. Total purchase consideration is Rs. 6.02 Cr out of which Rs. 4.17 Cr will be paid through preferential allotment of shares of Company and balance Rs. 1.85 Cr will be paid in cash.

### ✚ Launches vocational training

IndiaCan, a joint venture between India's Educomp and Pearson, plans to open 100 vocational training centres pan-India in the next two-months.

## Valuation

At the current market price of Rs.774.50, the stock is trading at 32.53 x FY10E and 28.83 x FY11E respectively. Price to Book Value of the stock is expected to be at 11.54 x and 8.24 x respectively for FY10E and FY11E. Due to change in face value from Rs.10.00 to Rs.2.00, Earning per share (EPS) of the company for FY10E and FY11E is seen at Rs.23.81 and Rs.26.86 respectively. We expect that the company will keep its growth story in the coming quarters also. We recommend 'BUY' in this particular scrip with a target price of Rs.891.00 for Medium to Long term investment.

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