

Everonn Education

**Rs372
OUTPERFORMER**

RESULT NOTE

Mkt Cap: Rs5.6bn; US\$122m

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Result: Q4FY10

Comment: Ahead of estimates

Key financials

Rs Mn	Net sales	yoy chg(%)	Net profit	yoy chg (%)	EPS (Rs)	yoy chg (%)	EV/E (x)	PER (x)
FY08	916.4	113	138	240	10.0	152	15.7	37.3
FY09	1435.8	57	253	84	16.8	68	11.1	22.2
FY10	2939.3	105	455	80	30.1	80	6.3	12.4
FY11E	3895.4	33	624	37	41.3	37	4.5	9.0
FY12E	4786.2	23	818	31	54.1	31	3.3	6.9

Key Highlights of Q4FY10 and FY10 results post management interaction

- Everonn Education (ESIL) reported numbers ahead of estimates. For FY10, ESIL reported a consolidated revenue growth of 103% at Rs2.93bn, EBITDA growth of 97% at Rs1bn and PAT growth of 106% at Rs454m.
- During the quarter, ESIL reported a consolidated revenue growth of 192% at Rs1.04bn, EBITDA growth of 205% at Rs319m and PAT growth of 254% at Rs164m.
- During the year, VITELS (Virtual & Technology Enabled Learning Solutions) segment reported a revenue growth of 91% at Rs1.4bn and PBT growth of 114% at Rs480m.
- Aggregate schools under VITELS at the end the year stood at 1017 (150 added in Q4FY10; 460 added in FY10), colleges stood at 1567 (171 added in Q4FY10; 767 added in FY10) and Retail centers at 46.
- The management provided the geographical break up of schools and colleges presence. Schools – North (231), South (387), East (131) and West (268). Colleges – North (401), South (749), East (87) and West (330).
- Within VITELS, the schools business reported a 12% growth at Rs314m. Currently the management signs ~2.1 classrooms per school. During Q4, the average was 4 classrooms per school. This has been on the back of new schools as well as existing schools increasing the number of classes. Going forward, the management plans to increase their sales force from 100 to ~130 over the next few months.
- With regards the ICT segment, revenues grew by 46% at Rs690m and PBT grew by 35% at Rs140m. ESIL now has a presence in 8492 schools under its ICT projects.
- Overall debtor days stood at 196 days.
- During the year, Topper Tutorials (the subsidiary providing coaching within the IIT-JEE space), reported revenues at Rs131m, while trading revenues came in at Rs698m.

IDFC Securities Ltd.

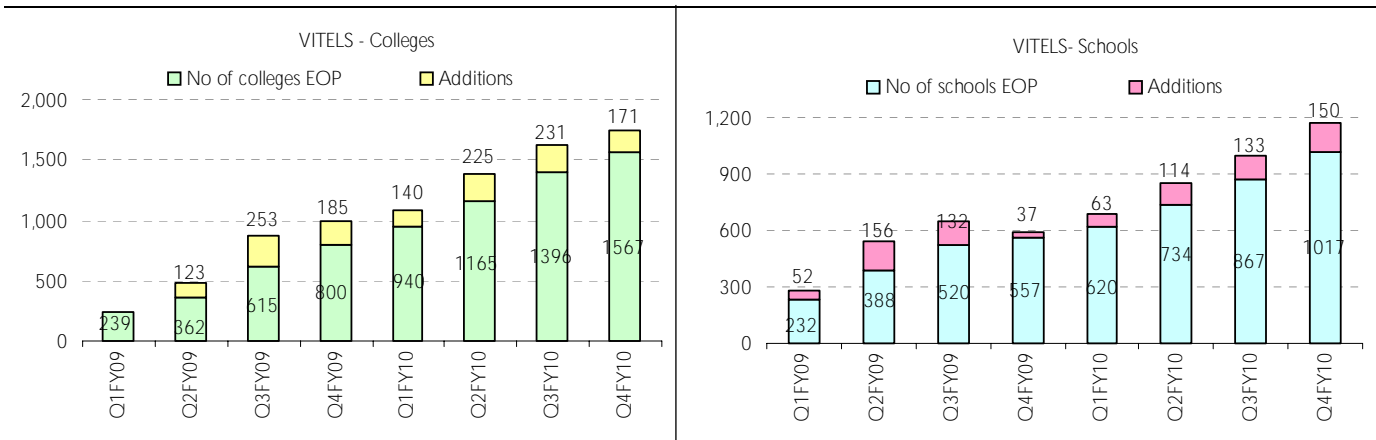
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- The management said it building its capabilities and tie ups in its more recent initiative – ‘Educating India’. The initiative marks ESIL’s foray into K-12 and Higher education segments as a ‘facilitator, aggregator and manager’. While ESIL does not plan to own any institutes, it expects to get 7% of the total project cost in addition to a management fee for managing the institutions. The management has indicated that it will announce its partnerships in 6-7 B-schools and 10 schools by June 2010.

ESIL continues to report a sustained traction within the VITELS (Virtual & Technology Enabled Learning Solutions) segment over the last few quarters. With robust additions within the schools business, coupled with introduction of a few compulsory courses in colleges, we expect the quality of earnings for the VITELS portfolio to improve. While we continue to remain cautious on the ICT space (L1 bidding and high debtor days remain key concerns), selective bids by the management have helped maintain margins (historically EBITDA margins have been at 35-45%). On the back of higher than expected additions in VITELS, we have upgraded earnings by 9% in FY11 and FY12 respectively. With increased visibility across the portfolio and a steady change in the revenue mix towards high margin/value creating businesses, we expect an EPS CAGR of 34% over FY10-FY12E (our numbers do not include any potential gains from the new initiative – ‘Educating-India’). With few proxies to play within the education space and a sharp discount to the largest (and virtually only other) player in the space, we believe there is value in the stock. At 7X FY12E, we maintain outperformer with a price target of Rs600.

Growth in VITELS



Source: Company, IDFC Securities Research

Rs mn	FY10	FY09	growth (%)
Revenue			
ICT	690.0	471.2	46.43
VITELS	1,420.0	742.6	91.22
PBT			
ICT	140.0	104.0	34.62
VITELS	480.0	223.9	114.39

Quarterly results

Rs Mn	Q4FY09	FY09	Q1FY10	Q2FY10	Q3FY10	Q4FY10	FY10E	FY11E	FY12E
Net Sales	358	1,447	359	731	799	1,045	2,939	3,895	4,786
%yoy	17	59	61	70	84	192	103	33	23
Operating profit	104	512	148	263	279	319	1,010	1,401	1,790
EBITDA (%)	29	35	41	36	35	31	34	36	37
Depreciation	46.4	158.6	56.3	62.7	67.98	65.5	253	381	464
EBIT	58	354	92	201	211	254	757	1020	1326
Interest	16.3	51.8	16.4	21.3	22.4	43.5	104	121	147
Other Income	5.7	39	2.5	1.127	1.063	0.01	4.70	4.70	4.70
Profit before tax	47.5	340.7	77.7	180.5	189.8	210.2	658.5	903.7	1,183.6
Tax	1.2	119.9	26.8	62.4	68.3	46.141	204	279	366
PAT	46.3	220.8	50.9	118.1	121.5	164.1	454.9	624.3	817.7
%yoy	(32)	60	66	81	54	254	106	37	31

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