

## EQUITY RESEARCH

Education Sector

INDIA

Market Cap  
Rs.6070.1mn

**C.M.P: Rs.401.45**  
**(As on Feb 15th, 2010)**

**BUY**

**Target Price: Rs.465.00**  
**(Medium to Long Term)**

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**everonn**  
Everonn Education Limited

## EVERONN EDUCATION LIMITED

- Everonn is India's second-largest technology-aided knowledge services company, offering comprehensive learning solutions across the education value chain.
- The company provides Education Service for several State Governments in India, for their Computer Education, Computer Literacy, Computer Aided Learning and Teachers Training projects.
- Everonn has the technological capabilities to stream relevant educational content simultaneously and seamlessly through VSAT, Broadband and the 3G Spectrum (Mobile). Everonn currently operates live and interactive sessions through over 13 studios at Chennai and New Delhi.
- The revenue of the company for the quarter ended on Dec 31<sup>st</sup> increased 83.5 % YoY while profit increased 54%.
- The topline of the company are expected to grow at a CAGR of 51% over 2008A to 2011E.



**EVERONN EDUCA** **BSE SENSEX**

Key	FY08	FY09	FY10E	FY11E	Key Data	
Net Sales					Face Value(Rs)	10.00
(Rs.mn)	916	1446	2728	3137	Shares	
EBIDTA					Outstanding(mn)	15.12
(Rs.mn)	349	551	984	1131	Exchange	BSE
Margin %	38	38	36	36	52 wk. High/ Low(Rs.)	479.80/ 79.30
PAT					2 wk avg. volume (lakh)	0.97
(Rs.mn)	138	220	414	465	BSE Code	532876
Margin %	15	15	15	15		

## Peer Group Comparison

Name of the Company	52 week High/Low(Rs)	C.M.P(Rs)*	EPS(Rs.)	P/E (x)
Everonn Systems Limited	479.80/79.30	401.45	21.64	18.55
NIIT Limited	79.05/14.30	68.25	1.96	34.8
Jetking Info	233.00/92.40	138.55	15.4	8.99
Educomp Solutions	1017.00/294.72	654.40	21.6	30.2

\*As on 15/2/2010

## Company Updates

### ▪ Results Updates (Q3 FY10)

The bottomline of the company for the quarter increased at 54% yoy that is Rs.121.45mn from Rs.78.86mn of same period of last year. Total revenue for the third quarter stood at Rs.799.17 mn from Rs.435.51 which is 83.5% increased than that of a year ago period. EPS for the quarter stood at Rs.8.03 per equity share of Rs.10.00 each.

Expenditure of the company increased 98% YoY to Rs.520.11mn from Rs.263.27mn of same period of last year. Interest expenses for the quarter stood at Rs.22.42mn. OPM & NPM for the quarter stood at 35% and 15% respectively.

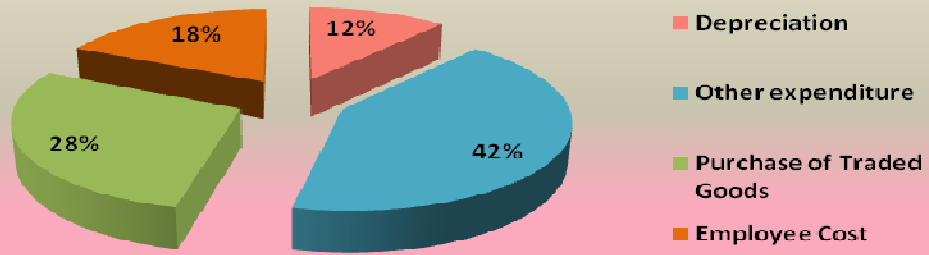
Quarterly Results - Consolidated (Rs in mn)			
As at	Dec - 09	Dec - 08	%Change
Net Sales	799.17	435.51	83.5
Net Profit	121.45	78.86	54
Basic EPS	8.03	5.17	55
Equity Capital	151.2	152.6	



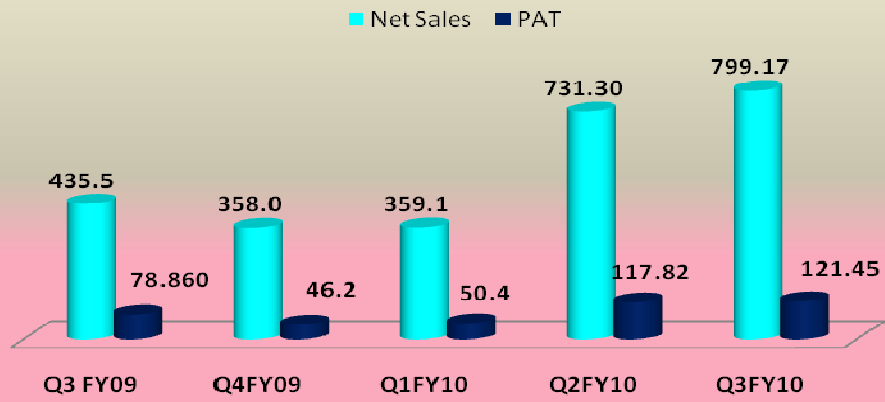
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(KPO Division Of Firstobject Technologies Ltd.)

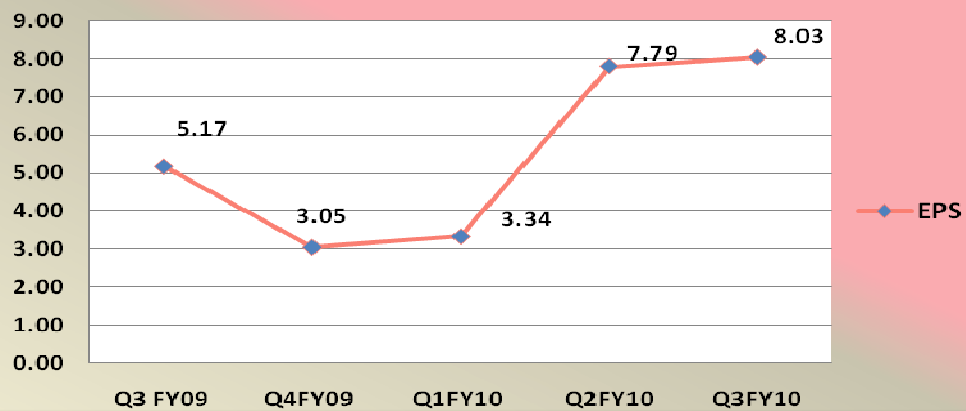
### Break-up of Expenditure

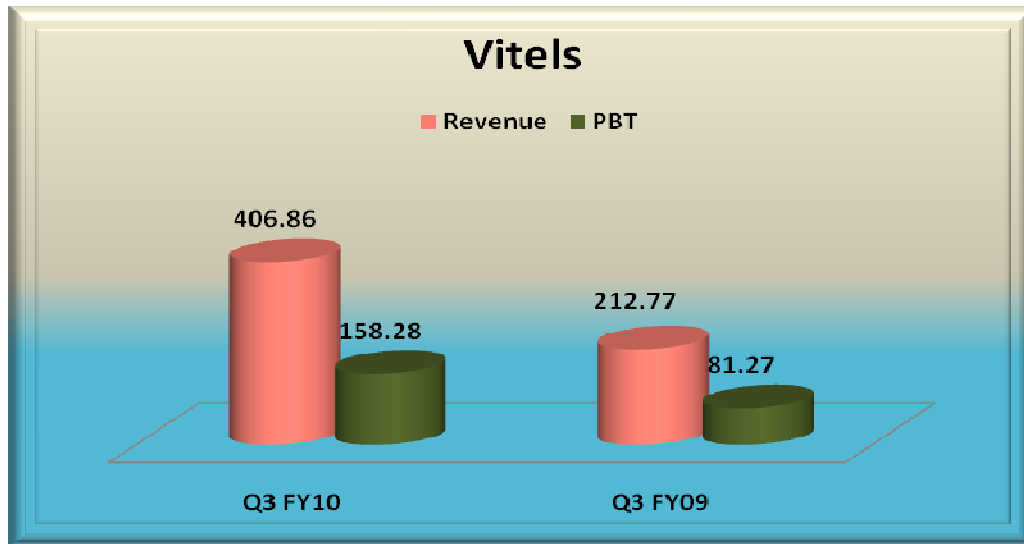


### Net Sales & PAT



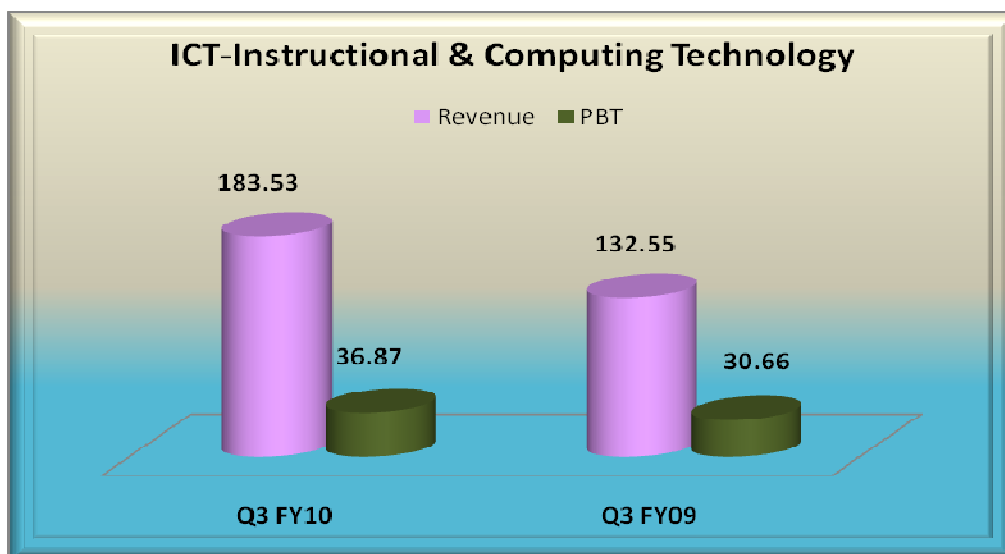
### EPS





(Rs.in mill)

Vitels	Q3 FY10	Q3 FY09	Growth%
Revenue	406.86	212.77	91%
PBT	158.28	81.27	95%



(Rs.in mill)

<b>ICT</b>	<b>Q3 FY10</b>	<b>Q3 FY09</b>	<b>Growth%</b>
Revenue	183.53	132.55	38%
PBT	36.87	30.66	20%

<b>Point of Presents</b>	<b>Q3 FY10</b>	<b>Q3 FY09</b>
iSchool	867	520
Colleges	1396	615
ICT	5862	4442
KOMPASS	46	29

The utilization of funds raised through Initial Public Offer is as follows:

(Rs.in lakhs)

<b>Funds Raised</b>	<b>5002.14</b>
Funds Utilized:	
Investment in Project	4392.19
IPO Expenses	564.87
Total	4955.54

Balance Lying in Liquid Funds and Escrow Account: 45.08

- **Approved the increase in the limit for FII investment**

The members at the Extra Ordinary General Meeting (EGM) of the Company held on November 19, 2009, inter alia, have accord their consent for investments by Foreign Institutional Investors

("FIIs") in the shares, debentures convertible into shares of the Company up to 100 per cent paid up equity share capital or paid up value of the respective series of the convertible debentures of the Company by purchase or acquisition from the market under the Portfolio Investment Scheme under FEMA, subject to the condition that the holding of single FII or each SEBI approved sub-account of a FII or the concerned FII Group does not exceed 10% of the paid up equity share capital or paid up value of the respective series of the convertible debentures of the Company from time to time, subject to necessary provisions and approvals.

- **Everonn GITT signs MOU with AAMC Taining Group Pty Ltd,Australia**

Everonn signs MOU with Australasian Academy of Mentoring and Coaching (AAMC) Training Group, a wholly Australian owned registered Training organization operating internationally. AAMC is a registered RTO offering eLearning, consulting and mentoring services along with online training management systems that are effective, professional and cater to meet the business needs. Its accredited courses are approved under the Australian Qualification Framework (AQTF) and range from Certificate, Diploma, Advanced Diploma, RG146 (ASIC approved). GITT has signed an MOU with AAMC for content and certification.

- **Change of Name of the Company**

The Ministry of Corporate Affairs, Government of India has accorded their approval for change of name of the Company from "Everonn Systems India Ltd" to "Everonn Education Ltd". In this regard, the Company has issued a Press Release dated September 03, 2009 titled "Everonn Systems India Limited Changes Registered Name to Everonn Education Limited"

- **Everonn Skill Development Limited's exclusive partnership with Maximus**

Global Institute of Gaming and Animation (GIGA – part of Everonn subsidiary Everonn Skill Development Limited) strikes exclusive Partnership with Maximus, an Autodesk adoption partner for offering full-fledged Animation Degree and Diploma courses.

GIGA becomes the first in India to partner with Maximus an Autodesk adoption partner for offering full-fledged animation degree and diploma courses. It is also the only animation training provider in the world to offer these courses at school and college levels using cutting edge VSAT technology.

## **Company Profile**

Everonn Education Ltd is a provider of range of services in education and training segment. Incorporated in 2000, the company is engaged in designing and developing of educational and training infrastructure.

Everonn Education Ltd creates virtual and interactive learning classroom networks across India. The company caters the needs of school, colleges and retail segments. It supplies necessary hardware to

schools and colleges and also offers various courses -- curriculum and non curriculum-based -- for students.

The company has been an education service provider for several states in India, for their computer education, computer literacy, computer-aided learning and teacher training projects. It has presence in 11 states, over 4,400 computer labs and has trained 1.4 million students.

Everonn has network of 3500 learning centers across India making it the largest networked education company.

## **Subsidiaries**

- Topper Tutorial Pvt Ltd
- Everonn Educational Resources Solutions Ltd
- Everonn Infrastructure Ltd
- Everonn Business Education Ltd
- Everonn Skill Development Ltd

## **State-of-the-Art Studios**

- Everonn currently operates live and interactive sessions through over 13 studios at Chennai and New Delhi.

## **Products and services**

### **Institutional Education and IT Infrastructure Services (IEIS)**

The company is able to set up education and IT infrastructure within a period of thirty days with signing the contract with the government and government agencies. It provides IT hardware, software, physical infrastructure and also provides other services.

IEIS projects are completed in the states of Tamil Nadu and the Union Territory of Pondicherry. The company along with government of Andaman and Nicobar Islands is implementing an IEIS project in order to implement computer education in all government school at all levels.

### **Virtual and Technology Enabled Learning Solutions (ViTELS)**

ViTELS provides education and training solutions through satellite based VSAT technology. ViTELS delivery centres are available at over 200 colleges/ schools.

### **Testing and Alliance Partner Services (TAPS)**

This provides assessment tests that are part of various study aboard programmes, pre-employment tests, psychometric tests and many more.

## Financials

### Results Update

#### 12 Months ended Profit & Loss (Consolidated)

Particulars	FY 08 A	FY 09 A	FY 10 E	FY11 E
(Rs.Mn)	12m	12m	12m	12m
<b>Net Sales</b>	<b>916.42</b>	<b>1,446.87</b>	<b>2728.69</b>	<b>3137.99</b>
Other Income	15.42	39.01	5.80	6.38
Total Income	931.84	1,485.88	2734.49	3144.37
Expenditure	-582.39	-934.71	-1750.21	-2012.74
<b>Operating Profit</b>	<b>349.45</b>	<b>551.17</b>	<b>984.28</b>	<b>1131.63</b>
Interest	-33.2	-51.84	-83.73	-100.48
Gross Profit	316.25	499.33	900.55	1031.16
Depreciation	-98.59	-158.56	-258.51	-310.2
Profit before Tax	217.66	340.77	642.04	720.94
Tax	-79.56	-119.94	-227.63	-255.6
<b>Net Profit</b>	<b>138.1</b>	<b>220.83</b>	<b>414.42</b>	<b>465.35</b>
Equity Capital	138.51	151.2	151.20	151.20
Reserves	808.09	1,902.89	2,317.31	2,782.65
<b>EPS</b>	<b>9.97</b>	<b>14.61</b>	<b>27.41</b>	<b>30.78</b>



### Quarter Ended Profit & Loss Account (Consolidated)

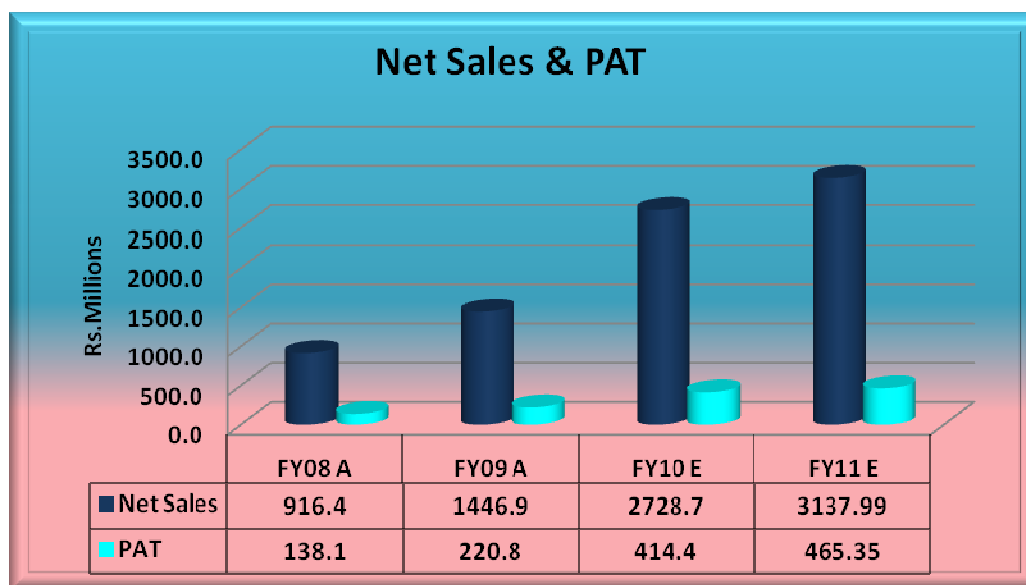
Particulars	June 09 A	Sep 09 A	Dec 09 A	Mar 10 E
(Rs.Mn)	3m	3m	3m	3m
<b>Net Sales</b>	<b>359.09</b>	<b>731.3</b>	<b>799.17</b>	<b>839.13</b>
Other Income	2.53	1.13	1.06	1.08
Total Income	361.62	732.43	800.23	840.21
Expenditure	-211.55	-468.08	-520.11	-550.47
<b>Operating Profit</b>	<b>150.07</b>	<b>264.35</b>	<b>280.12</b>	<b>289.74</b>
Interest	-16.47	-21.3	-22.42	-23.54
Gross Profit	133.6	243.05	257.7	266.20
Depreciation	-56.34	-62.79	-67.99	-71.39
Profit before Tax	77.26	180.26	189.71	194.81
Tax	-26.83	-62.44	-68.26	-70.10
<b>Net Profit</b>	<b>50.43</b>	<b>117.82</b>	<b>121.45</b>	<b>124.72</b>
Equity Capital	151.2	151.2	151.2	151.20
<b>EPS</b>	<b>3.34</b>	<b>7.79</b>	<b>8.03</b>	<b>8.25</b>

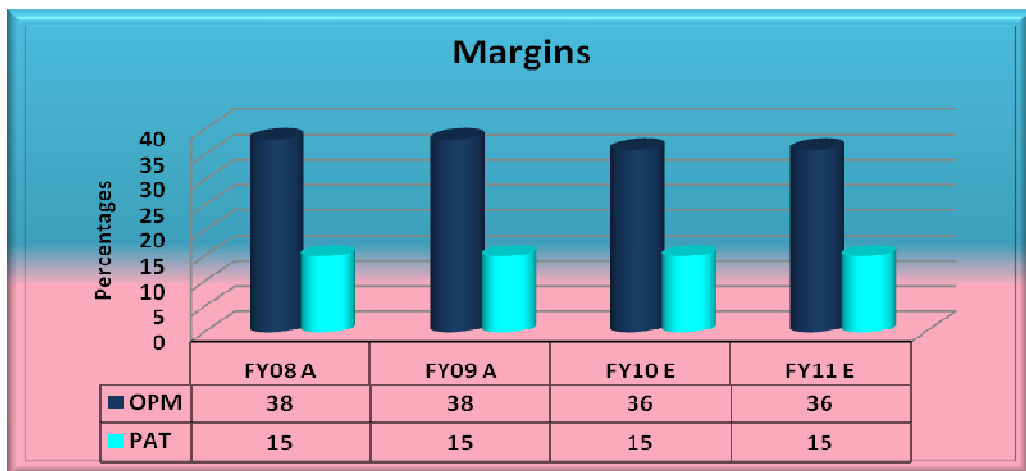
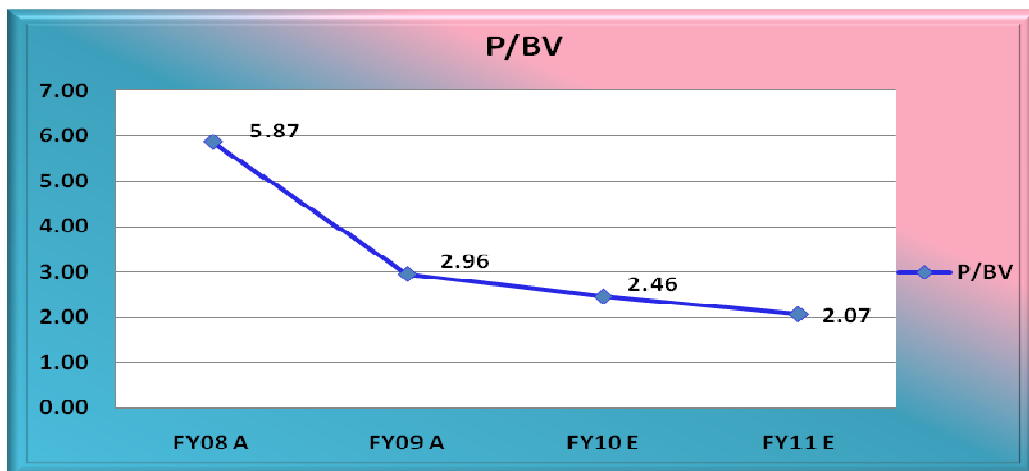
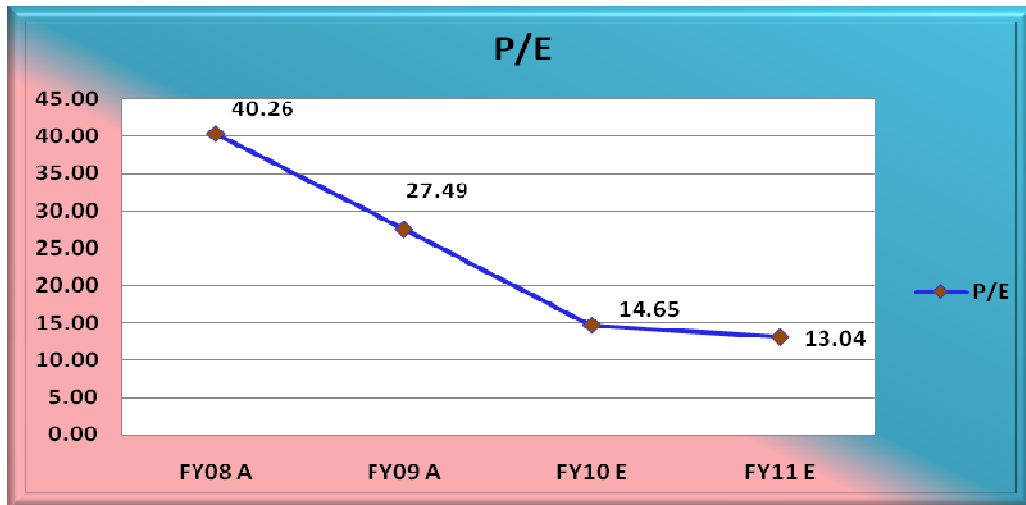
A-Actual, E-Estimated

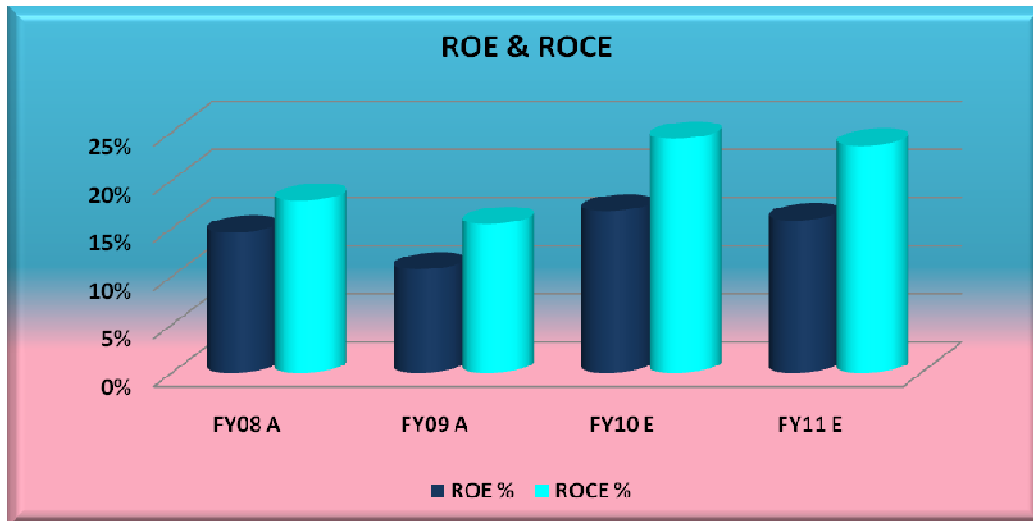
## Key Ratios

Particulars	FY08 A	FY09 A	FY10 E	FY11 E
EBIDTA %	38%	38%	36%	36%
PAT %	15%	15%	15%	15%
P/E ratio (x)	40.26	27.49	14.65	13.04
ROCE - %	18%	15%	24%	24%
ROE - %	15%	11%	17%	16%
Price/Book Value	5.87	2.96	2.46	2.07
Debt Equity Ratio	0.48	0.24	0.21	0.19
Book Value (Rs.)	68.34	135.85	163.26	194.04
EV/EBIDITA (x)	15.91	11.01	6.78	6.44

## Charts







## Valuation

- At the current market price of Rs.401.45., the stock trades at a P/E of 14.65x and 13.04x for FY10E and FY11E respectively.
- On the basis of EV/EBDITA, the stock trades at 6.78x and 6.44x for FY10E and FY11E respectively.
- Price to Book Value of the stock is expected to be at 2.46 and 2.07 respectively for FY10E and FY11E.
- The Net sales of the company are expected to grow at a CAGR of 51% over 2008 to 2011E.
- Everonn signs MOU with Australasian Academy of Mentoring and Coaching (AAMC) Training Group, a wholly Australian owned registered Training organization operating internationally.
- The members at the Extra Ordinary General Meeting (EGM) of the Company, inter alia, has approved the increase in the limit for FII investment up to 100% of paid up capital of the Company.
- We expect strong order flows from the government on various projects under the public private partnership model. We recommend **'BUY'** in this particular scrip with a target price of Rs.**465.00**. for Medium to Long Term Gains.

## Industry Overview

India is one of the largest markets for School Education in the World. India currently has around 1.18 million schools in both Government and Private segment providing education from K-12 (kindergarten – Class 12) to over 200 million students. There are over 5 million teachers across India who needs support in training in IT and other subjects. The approved outlay for elementary education and literacy during the 10th Plan is Rs.30,000 crores. The approved outlay for secondary education and higher (including vocational training) in the Central sector in the 10th Plan is Rs. 13825 crores. The Government of India has spent over Rs.10,000 crores (USD 2.2 billion) on Elementary Education in the country during 2005-06 through its various schemes. Besides this the Government has also spent around Rs. 2100 crores on Higher/Secondary Education during 2004-05 and an outlay of Rs 2563 crores for 2005-06. Education in the country is funded through a 2% Education Cess and other Budgetary Allocations.

In the past, government was the sole education provider as it was primarily considered a social service. However, with liberalization and globalization of economy, it has become evident in the last decade or so that government alone cannot bear the cost of the education sector. While the private sector has stepped in to fill the gap and has increasingly enhanced its profile in education over the last decade, its role is still not properly defined

This has led to a growing debate in recent times on India's Education Policy and the changes required to make the education sector more vibrant and flexible to meet the rapidly diversifying needs of our growing economy. To catalyze the desired changes in India's Education policy, FICCI has constituted a Committee on Education.

- 0.80 mn in Govt segment
- 0.20 mn in Private segment
- One Million Schools
- 85% in Primary & Secondary levels
- 15% in Higher Secondary levels

Higher Education in India provides an opportunity to specialize in a field and includes technical schools (such as the Indian Institute of Technology), colleges and universities. In India, the main types of schools are those controlled by:

- The state government boards like SSLC, in which the vast majority of Indian school-children are enrolled,
- The Central Board of Secondary Education (CBSE) board,
- The Council for the Indian School Certificate Examinations (CISCE) board,
- National Open School and
- "International schools." These schools mimic the schools in the West in pattern and syllabi and are considerably more expensive than regular schools. The exams conducted have the syllabus of anyone of the above-mentioned Councils or Boards.

The Indian education industry is in its development stage. With economic growth and enhanced technology it has become necessary to develop the structure of the Indian education sector. Funds are a major concern in the market though government has taken many initiatives for the

development of education infrastructure which can be fulfilled by private players. The government has opened the doors for foreign universities which will help in shaping the education industry structure.

The numbers of junior basic schools are highest in the country and there is a strong need to set up higher secondary schools as well as colleges with a focus on IT education. Government has set up many ICT schools but still more than fifty percent of the market is untapped which shows an opportunity for private players. In respect to the country's population and number of students, trained teacher's ratio is low which emphasizes the need of training institutes. The growing IT industry in India is driving IT education and training market as well as enhanced teaching techniques.

The Indian Education sector is growing stage with wide market size. From 1991 it has become a well established distribution network with the intense competition which are listed under BSE, NSE and also some the not listed even it is generating in providing quality education under different segment . Indian government specially allocated reserve in 11<sup>th</sup> five year plan. In1991 250 bn it has raised to 1250 bn in 2006 it shows a enormous growth. Education sector is expected to grow by over 70%by 2012.under this developing institution like Higher education, coaching institution, distance education, E-learning, online demonstration and many more. For education many of the donation and also provide service institution like CIFTI, SEDF, AIOE.ICA, ICC India which help in education.

The number of professional colleges highlights the need of new teaching techniques and bright future of vocational training market. Scope of foreign universities is a part of the report and it also gives an overview of issues in regard to the foreign universities entering in India. Competitive landscape is also a part of the report which tells the level of competition and major players in the market. The report profiles major players with focus on key strategies adopted by them.

The country's education sector presents an investment potential of US\$ 100 billion over the next five years according to sector experts. The growth potential in the sector is driven by increasing demand for skilled professionals and need for infrastructure development. The education sector could turn into one of the most preferred sectors for investment by venture capitalists and private equity players, as per sector experts. According to experts, enabling private participation in education, private players can have a significant role in the expansion of the sector.

The education sector in India is expected to step up its information technology (IT) investment largely in the areas of networking, basic infrastructure and implementing IT security solutions, according to a study by Springboard Research. IT in India's education sector' , Springboard has forecasted that the education sector will step up IT spending from an estimated \$356 million in 2008 to \$704 million in 2012, reflecting in a CAGR of 19% during 2007-2012 . Educational institutions in India are presently focused on the deployment of IT systems that will enable them to improve the educational process for their students, and to stay ahead of the competition.

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