

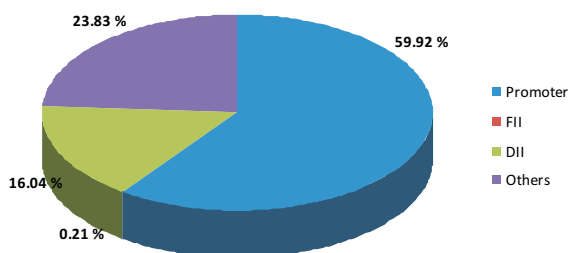


Key Stock Summary

Current Market Price (Rs.) (as of 12th Oct 2011)	282.15
Target Price (Rs.)	320.00
Risk Factor	Low
BSE Code	533260
Bloomberg Ticker	CRPT:IN
Face Value (Re.)	10.00
Shares Outstanding (in crs)	1.81
Market Cap (Rs crs)	505.00
Enterprise Value (Rs crs)	482.44
52-week range (Rs)(H/L)	605-240
Beta	1.0600
P/BV	1.85

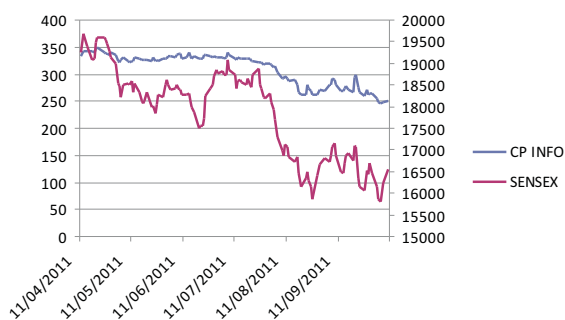
Source : Capitaline, A C Choksi Research

Share Holding Pattern



Source : Capitaline, A C Choksi Research

Share Price Movement



Source : Capitaline, A C Choksi Research

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Investment Summary

BUY

☞ Promoted by Pramod Maheshwari, Om Prakash Maheshwari and Nawal Kishore Maheshwari, Career Point Infosystems is one of the leading providers of tutorial services in India, with the main centre in Kota, Rajasthan. It operates in two core business areas: tutorial services and education consultancy and management services (ECAMS).

☞ Career Point Infosystems provides tutorial services to high school and post high school students for various competitive entrance examinations including All-India Engineering Entrance Examination (AIEEE), Indian Institute of Technology-Joint Entrance Examination (IIT-JEE) and All-India Pre-Medical and Pre-Dental Test (AIPMT).

☞ The tutorial services are provided through its classroom training programmes conducted through a network of company-operated and franchisee centres. Till July 2010, it had 17 company operated centres and 16 franchisee centres. The franchisee centre numbers will come down as the company concentrates on its own centres. It also offers distance-learning programmes comprising correspondence and test series courses.

☞ Career Point Infosystems had close to 31,798 students enrolments end of fiscal ended March 2010 (FY 2010). Of these, over 40% were from the company-operated Kota centre. It received 28,626 enrollments in the four months ending July 2010. The Kota centre accounted for over 60% of the company's consolidated revenue in FY 2010.

☞ The Kota centre's average fee for each student for IIT-JEE course is Rs 64000, for AIEEE Rs 35000, for AIPMT Rs 40000, and for distance learning Rs 5000. Each year, the Kota centre's fee is hiked by 6%, while a new centre's fee is hiked by 20% after a year, by 10% to 15% after three years to 15%, and by 6% subsequently.

☞ Career Point Infosystems has two subsidiaries: Career Point Infra (CP Infra) and Career Point Edutech. CP Infra renders infrastructure and allied services for setting up physical infrastructure for educational institutions. Edutech develops technology-based educational solution and software. Both subsidiaries are yet to make money.

☞ Career Point Infosystems has a team of 231 faculty members, excluding faculty members of franchisees, comprising graduates in engineering and science. It has over a period of time built content repository of over 10,000 pages of text content and over 12,000 minutes of video content for various tutorial services.

Valuation

We expect CPIL's revenues to grow by 20% and 14% in FY12E and FY13E respectively. CPIL's internal accruals should take care of their expansion plans for the next 1-1.5 years which puts them in a good position to post above average return ratios. We maintain a bullish view on the "Educational Sector" from a long term perspective and recommend a fundamental "BUY" call on the stock which is currently trading at 22.23X its FY11 earnings.

Financial Snapshot

Particulars	FY07	FY08	FY09	FY10	FY11
Net Sales (Rs in Crs)	29.08	38.02	45.15	61.66	78.63
EBITDA (Rs in Crs)	17.29	20.50	21.44	23.84	29.54
EBITDA (%)	59.46%	53.92%	47.49%	38.66%	37.57%
PAT (Rs in Crs)	12.01	15.27	14.98	17.79	23.23
PAT (%)	41.30%	40.16%	33.18%	28.85%	29.54%
ROE (%)	88%	47%	32%	20%	13%
EBIT/Sales (x)	0.62	0.62	0.55	0.48	0.5

Source: Capitaline, A C Choksi Research



Nurturing Wealth

Investment Rationale

Strong foothold in Kota

CPIL has a strong presence in Kota providing its educational services to over 25% of the total students that enroll in Kota each year. The company currently operates 12 training centres and 11 franchisees throughout the country. They plan to open 10 training centres and 5 franchisees every year till FY14E.

The company mainly operates in the **Informal Education Space** (private tutorials, educational solutions, entrance exam training services) but has over the last couple of years forayed into the **Formal Education** segment which constitutes a much bigger and competitive market.

The company also plans to set up an integrated university campus (Kota) to cater to its captive students via its subsidiary Career Point Infrastructure Ltd, at an approximate cost of Rs 65 crores with a capacity of 3000 students. The campus will offer housing, lodging and eating facilities to its students.

Business Model

The educational solutions business, the company primarily operates in generates sufficient cash/revenue to support the working capital needs of its various centres and ongoing activities. Sufficient Internal Accruals is the primary reason why the company does not need to raise additional debt nor dilute its equity to fund its ongoing expansion plans.

The company plans to incur Capital Expenditures worth Rs 120 in the current fiscal year out of which Rs 45 crores have already been spent. The cash in their books stood at Rs 150 crores (Q1FY12) which should allow them to continue their ongoing operations and expansions for another year without needing to raise any additional funds.

The management is however open to Strategic Investments by reputed entities to help it expand and improve its existing business.

The margins in the educational space make the business quite profitable provided the company maintains the quality of its services. CPIL's Revenue generation depends mainly on the numbers of students the company can enroll and hence, the company recruits reputed professionals/teachers in order to attract a majority of these students. The company has bifurcated its overall curriculum into smaller courses in order to lower its dependence on a niche category of professors.

Expansion

Career Point Ltd will have to increase its student base in order to grow and maintain its reputed image as a quality educational solutions provider. The company plans to further increase its foothold in the Formal Education space through the PPP model along with the Government. This will enable the company to tap the Formal Education space in the country.

They are also expanding their Synchro schools, which involves forming partnerships with associated schools to provide tutorial services for entrance exams to its students. The advantage of this type of model is that it allows them to manage various colleges and schools without having to incur infrastructure cost of actually building campuses.

Apart from the university in KOTA they also plan to set up a university in Hamirpur, Himachal Pradesh along with various Technical campuses at Rajsamand, Rajasthan; offering Engineering, MBA and MCA degrees/courses. The company is also focusing on expanding through technology like broadband, to offer their services to a much broader market.

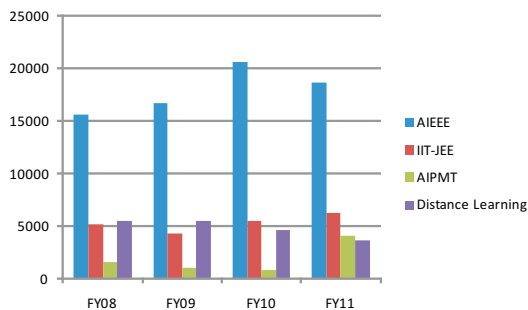
This will enable them to cater to a larger student base via the internet hence reducing the cost of setting up a number of training centres. CPIL has started **CPlive** to offer live online tutorials via the internet. They also have also started an E-learning portal called ecareerpoint.com that offers "Adaptive Testing" for the preparation of Engineering Entrance Exams like IIT-JEE, AIEEE and BIT-SAT.

Number Of Students

Particulars	FY08	FY09	FY10	FY11
AIEEE	15628	16730	20640	18645
IIT-JEE	5164	4296	5560	6310
AIPMT	1643	1141	908	4117
Distance Learning	5581	5543	4690	3694
Total	28016.00	27710.00	31798.00	32766.00

Source : Company, A C Choksi Research

Student Distribution



Source : Company, A C Choksi Research



Nurturing Wealth

Financials

Income Statement (Consolidated)

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Net Sales	29.08	38.02	45.15	61.66	78.63
Net Sales Growth (%)		30.74%	18.75%	36.57%	27.52%
Total Expenditure	11.79	17.52	23.71	37.82	49.09
EBITDA	17.29	20.50	21.44	23.84	29.54
EBITDA Margin (%)	59.46%	53.92%	47.49%	38.66%	37.57%
Depreciation	0.13	0.20	0.42	0.66	1.31
Interest	0.00	0.05	0.18	0.12	0.07
Other Income	0.90	3.01	2.70	4.18	6.75
PBT	18.06	23.26	23.54	27.24	34.91
Taxes	6.05	7.99	8.56	9.45	11.68
Net Profit	12.01	15.27	14.98	17.79	23.23
Net Profit Growth (%)		27.14%	-1.90%	18.76%	30.58%
Net Profit Margin (%)	41.30%	40.16%	33.18%	28.85%	29.54%
Adj. Net Profit	11.98	14.91	14.84	17.59	23.29
Adj. Net Profit Growth (%)		24.46%	-0.47%	18.53%	32.40%

Source: Capitaline, A C Choksi Research

Balance Sheet (Consolidated)

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Share Capital (Face Value : Rs.10)	5.07	12.07	12.07	14.42	18.13
Shareholder's Funds	22.45	42.49	57.47	134.05	265.57
Total Debt	2.93	0.00	5.22	0.11	0.06
Current Liabilities and Provisions	7.45	8.40	10.07	10.58	12.11
Minority Interest	0.00	0.15	0.14	0.02	0.02
Total Liabilities	32.83	51.04	72.90	144.76	277.76
Net Fixed Assets	5.63	9.87	27.31	40.91	54.09
Capital Work in Progress	2.06	8.84	7.28	7.16	26.66
Investments	2.92	1.38	2.19	38.21	132.56
Loans and Advances	9.20	10.71	18.50	32.15	39.38
Inventory	0.35	0.96	1.85	1.74	1.67
Cash & Bank balance	12.07	17.19	13.29	22.74	22.62
Receivables	0.56	1.80	2.35	0.47	0.99
Misc exp. Not w/off	0.13	0.40	0.37	1.57	0.06
Net Deferred Tax	-0.09	-0.11	-0.24	-0.19	-0.27
Total Assets	32.83	51.04	72.90	144.76	277.76

Source: Capitaline, A C Choksi Research

Brand Name & Industry

The company has managed to built a strong brand name in the North Western region of India when it comes to the educational solution's space. The very fact that more than 25% of the students enrolled in Kota avail of CPIL's expertise shows the trust of the students have in the company's services.

In the educational solutions space trust and popularity comes from past experience and word of mouth. CPIL has created a strong foothold in Kota and has expanded to several other Northern States in the country. AIEEE, IIT-JEE and AIPMT are really competitive and valued entrance exams. Past results in these exams have shown that CPIL's students were amongst the toppers. This re-affirms the quality of coaching CPIL's various training centres offer.

Another positive for the industry is the number of students that appear for these exams. 85% of the students appearing for these exams take the help of coaching classes. For the AIEEE entrance alone more than 10 lakh students from all over the country have filled in their applications.

The competitive nature of these exams and the importance they are given on the Educational Front enables the company to price its expertise at a premium as compared to others in the field. The company's aggressive expansion plans in the Formal Educational space via PPP, Synchro schools, etc will expose it to a much larger market in terms of revenue and growth potential.

FINANCIALS

Overview

On a consolidated basis the CPIL's Net Sales have grown at a CAGR of 22.01% in the last 5 years from Rs. 29.08 crores in FY07 to Rs 78.63 crores in FY11. The company's bottomline has grown at a CAGR of 14.1% in the last 5 years. CPIL's EBITDA margins have fallen from 62.55% in FY07 to 46.15% in FY11 but EBITDA has grown at a CAGR of 14.81% from FY07-FY11.

The Core Equity of the company has witnessed a CAGR of 63.91% in the last 5 years. As on 31st March 2011 the company's Equity stood at Rs 266 crores. ROE of the company declined from 20.23% in FY10 to 13.33% in FY11 mainly due to the dilution of its share capital (IPO). CPIL's RONW for FY11 stood at 11.62% whereas its ROCE was 17.57%. CPIL's EPS for FY11 stood at RS 13 posting a growth of 8.33% YoY.

FY11

Top line of the company stood at Rs 85.38 crores showing a growth of 29.68% YoY. EBITDA for FY11 stood at Rs 36.29 crores vs Rs 28 crores in the previous year. The Total Expenditure of the company increased by 30% (Rs 49.09 cr) in FY11 vs an increase of 60% in Fy10.

EBITDA margin for the year stood at 46.15% vs 45.44% in FY10. Reported PAT of the company was at Rs 23.23 cr (31% YoY) while PAT margin increased to 29.54% from 28.85% in FY10.

Q1FY12

Net Sales for the quarter grew by 6.4% YoY to Rs 15.78 cr whereas it was down 20% on a QoQ basis.

EBITDA for the quarter stood at Rs 6.62 cr, up 54.6% YoY but down 39% QoQ. The first quarter of the each year is witnessed to be the lowest in terms of earnings for the company. EBITDA margin for the quarter stood at 34.17% vs 26.43% in Q1FY11. On a QoQ basis EBITDA margin declined as compared to Q4FY11 (44.9%).

PAT for the quarter stood at Rs. 4.65 cr vs Rs 2.81 cr in Q1FY11, showing an increase of 65.54% YoY. On a QoQ basis the company's PAT declined by 39.2%.



Financials

Cash Flow (Consolidated)

(Rs Crs)	FY07	FY08	FY09	FY10	FY11
Pre-tax Profit	18.06	23.26	23.54	27.30	35.02
Depreciation	0.13	0.20	0.42	0.66	1.31
Total Adjustments	(0.81)	(2.75)	(1.89)	(2.35)	(5.74)
Chg in Working Capital	(9.79)	(3.63)	(8.00)	(13.43)	(5.10)
Total Tax Paid	(0.69)	(5.97)	(8.02)	(10.00)	(11.89)
Other Operating activities	0.00	0.00	0.00	0.00	0.00
CF form Operations (I)	6.90	11.11	6.05	2.18	13.60
Capital Expenditure	(3.73)	(10.89)	(16.06)	(14.13)	(33.90)
Chg in Investments	(2.12)	1.79	(0.89)	(35.72)	(94.35)
Other Investing activities	0.83	2.42	2.01	3.60	6.39
CF form Investing (II)	(5.02)	(6.68)	(14.94)	(46.25)	(121.86)
Equity Raised/(repaid)	5.98	5.28	0.00	60.00	115.00
Debt Raised/(repaid)	2.90	(3.68)	5.22	(5.11)	(0.06)
Dividend	(0.17)	0.00	0.00	0.00	0.00
Other financing activities	(0.17)	(0.90)	(0.24)	(1.37)	(6.81)
CF form Financing (III)	8.54	0.70	4.98	53.52	108.13
Net Change in cash (I+II+III)	10.42	5.13	(3.91)	9.45	(0.13)
Beginning Cash	1.65	12.07	17.20	13.29	22.74
Ending Cash	12.07	17.20	13.29	22.74	22.61

Source: Capitaline, A C Choksi Research

Concerns

☞ CPIL's revenue growth will depend on the number of students its manages to enroll. With the sector getting more competitive the company needs to expand its operations as well as maintain its brand name. Some companies in the tutorial space offer the same courses as CPIL and have a better brand image and financials than the company.

☞ The tutorial space is currently unregulated by the Government. With the rapidly increasing market size of this space, the Governemnt will pass regulations and legislations in the future to regulate the operations of the players in this sector. Any adverse policies might harm CPIL's operations or profitability.

Notes

Equity Research Team

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Broking Relationship with the company covered	NO
Investment Banking relationship with the company covered	NO
Discretionary Portfolio Management Services	NO