



MARKET-HUB

STOCK BROKING PVT.LTD.

FUNDAMENTAL INVESTMENT IDEA VIS-À-VIS UPCOMING CL EDUCATE IPO

Delhi based **CL Educate** is entering the primary market with fresh issue as well as OFS on **20th March, 2017**. The company is engaged in various educational services and products which includes test preparation and training services, publishing and content development, manpower and training services, vocational training, integrated solutions to educational institutions and universities including business advisory and outreach support services and K-12 schools.

The company operates in a significantly fragmented and competitive market and a major portion of its revenue comes from test preparation service which can get adversely affected in case of unsatisfactory success ratio. The company has also **granted unsecured loans to related parties without charging interest**, which is prejudicial to the company's interest. Looking at the company's fundamentals, **inconsistent financials and stretched valuation**, we recommend our investors to **AVOID** this IPO.

However, we have come up with another story in the education sector, which appears promising- **Zee Learn Limited**.

ABOUT THE COMPANY:

Incorporated in 2010, Zee Learn is India's leading company in Education segment with the fastest growing chain of K-12 schools (**Mount Litera Zee School**) and Asia's No 1 chain of pre-schools (**KIDZEE**) in its portfolio.



Zee Learn acts as a consultant to local entrepreneurs who wish to setup K-12 schools, under its brand name Mount Litera Zee Schools and provides end to end Education management and Advisory services. The company has a chain of pre schools with around **1700 operational pre-schools** in over **550 cities** across India. Kidzee has so far touched the lives of **more than 4,50,000 students** since inception.

Youth today are looking for vocational education apart from traditional higher education. To serve this segment, Zee Learn has developed **ZIMA** (Zee Institute of Media & Arts) in Mumbai offering courses in direction, acting, sound, editing, production and cinematography. **ZICA** (Zee Institute of Creative Arts) is company's another vertical, offering training in classical 2D, modern 3D animation and VFX over 15 cities across India.



Date: 18th March 2017



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Largest Foot Print

- New signups over 350 Pre Schools and over 30 K-12 YoY
- Business model allows:
 - Faster scale up of operations
 - Increased geographical penetration (currently present in about 20% cities across India)
 - Enhanced control on the service delivery levels for desired outcomes

Best In Class Student experience

- Content is developed on our belief that every child is unique & different children learn differently.
- Developed digital content in house and activity based learning program that provides multiple pathways to learn for children.
- Integrated Parenting Curriculum empowers parents to facilitate child development in the right manner

Best In Class Product Portfolio

- This helps in Increasing share of wallet per customer by leveraging existing relationships with business partners resulting in higher Revenue per center/school.
- Partnerships for creating or sourcing differentiated Best In Class products from across the world strongly aligned with Indian Curriculum.

Source: Company Presentation

INDUSTRY DYNAMICS:

With ~41% of the population in the age group of 0-24 years in India and 29% of the Indian population between the age group of 0 and 14, the primary education segment serves a great opportunity. Further, **rising disposable incomes, improving standard of living along with willingness to spend on quality education** are key drivers for Indian education sector. The country's literacy rate is 74% on an average compared to global average of 86% which provides huge scope for private players to explore this **highly untapped market**.

FINANCIAL HEALTH:

The company has grown its revenue at 26% CAGR in the last 5 years and healthy growth has been seen in all its business verticals. Investments of Zee Learn are now seen materializing and pure profits are starting to flow in. ZLL grew its standalone profit by 57% (52% in case of consolidated profit) in FY16 and the trend continued in 9 monthly numbers too. Speaking of the latest performance, the company has reported 165.55% and 73.05% profit growth YOY and Year to Date respectively, which is to improve incoming years.

OUTLOOK:

With rising **income, high school age population, and greater spending towards education and huge demand supply gap**, Zee Learn as a **strong and dominant player** in the sector is expected to fill the void by expanding its footprint further across India. Healthy revenue and earnings growth shall result in healthy cash flows and improved return ratios, hence we initiate a **positive coverage** on the company.

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