

# IPO Note – CL Educate Ltd

17 March 2017

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**INDIA'S LEADING EQUITY BROKING HOUSE**



MARKET OUTLOOK - EQUITY, CURRENCY & COMMODITY

# Snap Shot

## Issue Detail

Issue Info	
Symbol	CLEUCATE
Issue Period	20-Mar-2017 to 22-Mar-2017
Post issue Modification Period	23-Mar-2017 (between 10.00 a.m. to 1.00 p.m. only)
Issue Size	Initial Public offer of Upto 4,760,000 Equity Shares
Issue Type	100% Book Building
Price Range	Rs 500 to Rs 502
Face Value	Rs 10
Tick Size	Rs 1
Bid Lot	29 Equity Shares and in multiples thereof
Minimum Order Quantity	29 Equity Shares
Maximum Subscription Amount for Retail	Rs. 2,00,000
IPO Market Timings	10.00 a.m. to 5.00 p.m.

## About the Company

The company provides to the MBA, Banking and Law Entrance aspirants, test preparation services under the brand "Career Launch". They are located in 87 cities and have 151 centers. The other source of revenue for the company is enterprise solution business. Under the enterprise solution business the company offers integrated business marketing and sales service to corporate and research incubation services to educational institutions. The company derives 60% revenue from test preparations and 40% of its revenue comes from enterprise services.

## Objects of the Issue

The object of the issue are:

1. Funding Working Capital requirement of the Company;
2. Acquisitions and other strategic initiatives;
3. Pre payment of outstanding amount of a debt; and
4. General corporate purposes.



# Coverage

## Positives

- ✓An integrated education products and service providing company having efficient content and infrastructure to provide knowledge creation.
- ✓It has pan India presence.
- ✓In test preparation segment particularly in aptitude based tests, it has reputed courses.
- ✓Strong Brand to support its business.
- ✓Its business model is technology enabled and is asset light.
- ✓The company is managed by experienced and professionally qualified management and has quality human capital in its team.

## Negative

- ✓Fluctuating and low profits
- ✓60% of revenue comes from test prep centers and any unsatisfactory success ratio may adversely affect its business prospects.
- ✓If the strategies of the company are not executed properly then that may impact the company's future business.



**Based on its FY 16 EPS of 3.74, P/E ratio for the company at the upper price band of Rs 502 stands at 134. This is too high compared to its peers like career point which is trading at P/E of 14, while MT Educare is trading at a P/E of 25.63.**

**Just for reference, MT Educare came out with an issue five years ago and is currently trading at a price lower than its issue price. Similar is the fate of career point which came out with the issue seven year ago.**

**In the light of its expensive valuations, we recommend to AVOID the subscription to the IPO**



**SEBI Registration Number: INH300002894**

**RESEARCH ANALYSTS REGULATIONS, 2014**

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