

# **Annual Report 2010-11**

**MT Educare Limited**

**MT EDUCARE LTD.**
**DIRECTORS' REPORT**

To  
The Members,  
MT Educare Ltd  
(Formerly known as MT Educare Private Limited)  
Mumbai

Your Directors are pleased to present the fifth report and audited statement of accounts of the Company for the financial year ended on March 31, 2011.

**FINANCIAL RESULTS**

The following is the summary of financial performance of the Company during the year under review

Particulars	2010-11 (₹)	2009-10(?)
Direct Income	<b>1,024,316,223</b>	827,551,116
Operating Income	23,547,183	4,903,510
Total Income	1,047,863,406	832,454,626
Profit before Interest, Depreciation and Amortisation	189,230,971	124,970,707
Less: Financial Expenses	1,180,748	2,073,544
Less: Depreciation & Amortization	<b>83,023,159</b>	78,727,928
Add: Non-Operating income	25,621,684	25,460,502
Profit before tax	130,648,748	69,629,737
<i>Provision for tax:</i>		
Current Tax	57,600,000	38,730,000
Deferred Tax	(9,530,878)	(16,633,052)
Profit after tax	<b>82,579,626</b>	47,532,789
Balance brought forward from previous year	0	0
Available for Appropriations	<b>82,579,626</b>	47,532,789
<i>Appropriation:</i>		
Proposed dividend	14,069,152	0
Dividend Distribution Tax	<b>2,282,368</b>	0
Transfer to General Reserve	66,228,106	47,532,789
	<b>82,579,626</b>	<b>47,532,789</b>

**DIVIDEND**

Your directors are pleased to recommend dividend of ₹ 0.40 (4%) per Equity Share on a share capital of ₹351,728,720 divided into 35,172,872 Equity shares of ₹10/- each for the financial year ended 31<sup>st</sup> March, 2011

The total dividend payout including Dividend Distribution Tax of ₹ 2,282,368 (previous year - Nil) would absorb ₹16,351,520 (previous year - Nil).

**OPERATIONS**

The fees collected, after considering discount and concessions stood at ₹ 1,024,316,223 as against ₹827,551,116 for the previous year registering an increase of around 24%. The operating income stood at ₹ 23,547,183 (Previous year ₹ 4,903,510). Earnings before Interest, Depreciation, Tax and Amortisation (EBIDTA) increased by around 51 % and stood at 189,230,971 as compared to previous year's figure of ₹124,970,707. Profit after tax increased by 73 % from ₹ 47,532,789 in the previous year to ₹82,579,626 in the current year.

Of the total Direct Income for 2010-11, 45 % was contributed by State Board, 20% by Commerce division, 24% by Science division and the balance 11 % was contributed by other ventures.

### **ISSUE OF BONUS SHARES**

At the Extra Ordinary General Meeting of the members of the Company held on 5<sup>th</sup> April, 2010 Ordinary resolution for issuance of Bonus shares to the shareholders in the proportion of 32 (Thirty) Equity Shares for every 1 (One) Equity share was approved. In the meeting of the Board of Directors of the Company held on 7<sup>th</sup> April, 2010, 3,33,10,080 Equity shares of ₹10 each were allotted as Bonus shares to the respective shareholders by utilization of General Reserve.

### **ACQUISITION AGREEMENT**

Your Company has entered into an acquisition agreement (the "Acquisition Agreement") with Parag Chitale, Reshma Chitale and Sanjaya Singh Misra on January 22, 2011 for the acquisition of Chitale's Personalised Learning Private Limited ("CPLPL") which is engaged in the business of conducting coaching classes for students appearing for MBA entrance exams. As per the terms of Acquisition Agreement, your Company has acquired 51% of the fully paid up share capital of CPLPL by subscribing to 41,633 equity shares at price of ₹ 288.23 per share aggregating to ₹ 12,000,000. Pursuant to conditions precedent laid down in the Acquisition Agreement, the MBA test preparation business operated by Chitale's Personalised Learning Centre, a proprietorship firm of Parag Chitale, has been transferred from to CPLPL with effect from June 30, 2010. With effect from February 1, 2011, CPLPL has become subsidiary of your Company.

### **PUBLIC DEPOSITS**

During the year under review, your company has not accepted any deposits from the public or the shareholders.

### **DIRECTORS RESPONSIBILITY STATEMENT**

Your Directors confirm that:

- (i) in the preparation of the annual accounts for the year under review, the applicable accounting standards have been followed;
- (ii) they have selected appropriate accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of financial year 2010-11 and of profit of the company for that period;
- (iii) they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities; and
- (iv) they have prepared the annual accounts for the year ended on March 31, 2011 on a going concern basis.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and the Articles of Association of the company Dr. Chhaya Shastri, Mr. Cyrus Driver, Ms. Drushti Desai, Mr. Yatin Samant and Mr. Uday Lajmi appointed as Additional Directors shall hold office as Directors till the ensuing Annual General Meeting. The Company has received notice of candidature for Directorship from the said Directors. Further, Mr. Naarayanan Iyer, Director of the Company shall be liable to retire by rotation and being eligible offer himself for re-appointment.

## CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

The particulars relating to energy conservation, technology absorption and foreign exchange earnings and outgo as required to be disclosed under Section 217 (1) (e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are as follows:

- i. Part A & B of the Rules pertaining to Conservation of Energy and Technology Absorption are not applicable to your Company
- ii. Foreign Exchange Earnings and Outgo:

Earnings: ₹13,107,671 (Previous year ₹2,98,000/-)

Outgo: ₹2,524,877 (Previous year ₹3,51,835/-)

## PERSONNEL

The particulars of employees of the company, in terms of Section 217(2A) of the Companies Act, 1956, read with the Companies (Particulars of Employees) Rules, 1975 are given in '**Annexure A**' to this report.

## CORPORATE GOVERNANCE

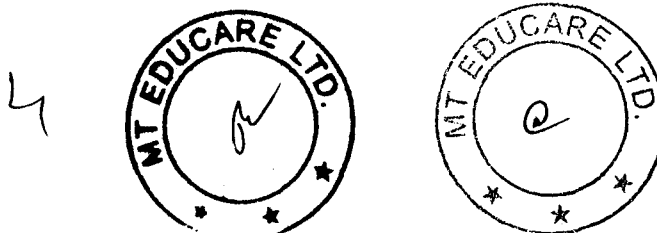
A separate report on Corporate Governance is furnished as a part of Directors Report in '**Annexure B**'.

## AUDITORS

M/s. Shaparia & Mehta, Chartered Accountants, Auditors of the Company, shall retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment. The Company has received letter / certificate from M/s. Shaparia & Mehta to the effect that their appointment as Auditors, if made, would be within the limits under Section 224(1B) of the Companies Act, 1956.

## EMPLOYEE STOCK OPTION PLAN

The employee stock options of your Company presently operate under two different employee stock options schemes for the employees of your Company, namely ESOP 2011 - I and ESOP 2011 - II. ESOP 2011 - I is not in compliance with the provisions of the SEBI ESOP Guidelines, as your Company, being an unlisted Company, is not required to comply with the provisions thereof. There are no outstanding options under ESOP 2011 - I and your Company does not intend to make any further grant of options under the ESOP 2011 - I. ESOP 2011 - II is in compliance with the SEBI ESOP Guidelines. The details of the ESOP schemes of your Company are as mentioned in '**Annexure C**', forming part of the Directors Report.



## MT ASSOCIATES TRUST

The MT Associates Trust (the "Associate Trust") is an independent irrevocable trust established by a trust deed dated 13th May, 2011 ("Trust Deed") for the benefit of certain persons associated with your Company through a subsisting valid contract of engagement for their services in their capacity as (i) faculty members across various coaching centers and courses, both full-time and part time; (ii) persons who structure and organize various courses offered by our Company; (iii) persons who manage various coaching centers and/or (iv) provide administrative assistance in relation to the business of our Company (the "Trust Beneficiaries").

Pursuant to the Board and Shareholders' resolutions dated 8th April, 2011 and 13th April, 2011, respectively and the Trust Deed, your Company has on 11<sup>th</sup> June, 2011 allotted 6,80,966 Equity Shares at a consideration of ₹.10 per Equity Share to the Associate Trust ("Trust Shares"). The Trust Shares shall be held by the Associate Trust, in the name of the Trustee, in trust for and on behalf of the Trust Beneficiaries.

## ACQUISITIONS

- Your Company was holding 18% of the paid-up share capital of MT Education Services Private Limited (MTESPL). It has subsequently, on 7th April, 2011 acquired the balance 82% shares from its existing shareholders, thereby making MTESPL, a wholly owned subsidiary of your Company.
- Your Company has entered into a Memorandum of Understanding dated 14th May, 2011, for purchase of property situated at Mangaiore, for an aggregate consideration of ₹ 8,70,00,000, of which the Company has paid a sum of ₹ 1,00,00,000.

## CHANGE OF NAME OF COMPANY

Pursuant to resolution in terms of Section 31/21 read with Section 44 of the Companies Act, 1956 passed in the Extra Ordinary General Meeting of the Company held on 13/04/2011, name of your Company was changed from MT Educare Private Limited to MT Educare Limited and that the required documents were filed with the Registrar of Companies, Maharashtra, Mumbai.

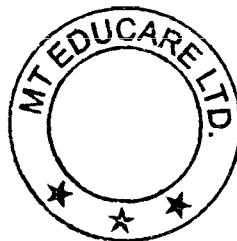
Your Company is in receipt of Fresh Certificate of Incorporation dated 18th May, 2011 consequent upon Change of Name on conversion to Public Limited Company.

## APPRECIATION

Your Directors record their sincere gratitude for the assistance and co-operation provided by Banks, Government Authorities, Customers, Suppliers and Shareholders of the Company.

Your Directors wish to place on record there deep appreciation to all the Visiting Faculty, Lecturers, Employees of **MT Educare FAMILY** for their hard work, commitment, dedicated services and collective contribution.

Place: Mumbai  
Date: 19<sup>th</sup> August, 2011



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For and on behalf of the Board of **Directors**

  
**Mahesh R. Shetty**  
CMD

  
**Dr. Chhaya Shastri**  
Director



**"ANNEXURE A"**

Particulars of Employees as per sub-section (2-A) of Section 217 of the Companies Act, 1956 is as under:


Name of the Employee	Mr. Mahesh Raghu Shetty
Designation	Chairman & Director
Remuneration received (incl. reimbursements)	₹ 4,824,000 (previous year ₹ 5,360,000)
Nature of Employment, whether contractual or otherwise	Contractual
Other terms & Conditions	Refer note below
Nature of Duties	Refer note below
Qualification and experience	Bachelors Degree in Science as well as in Education
Date of Commencement of Employment	Founder member and Associated with Mahesh Tutorials since Inception (27 years)
Age (Years)	46
Last employment held before joining the Company	Not Applicable
Percentage of Equity shares held by the Employee	48.21 %

Note: The nature of employment of the above employee is contractual in nature. The nature of duties and other terms & conditions is as per the resolution passed in the Extra-Ordinary General Meeting of the Company held on 11/06/2011.

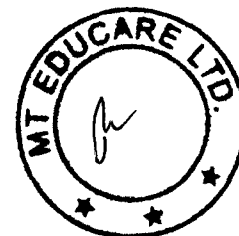
Place: Mumbai  
Date: 19<sup>th</sup> August, 2011



For and on behalf of the Board of Directors

  
Mahesh R. Shetty  
CMD

  
Dr. Chhaya Shastri  
Director



**Report on Corporate Governance****1. COMPANY'S PHILOSOPHY OF CORPORATE GOVERNANCE**

The company's philosophy on code of governance is aimed at assisting the management and the board of directors in efficient conduct of the business and in meeting its obligations to all stakeholders, and is guided by the principles of transparency, fairness, accountability and integrity. These practices endeavor to attain balance among enhancement of stakeholder value, achievement of financial objective and corporate social responsibility.

**2. BOARD OF DIRECTORS**

Composition and size of the Board ~ The current strength of the Board of Directors of your company is Eight. The Chairman and Managing Directors is an Executive Director while others are non-executive Directors. Of the Seven Non-executive Directors, four are independent while the remaining three are non-independent.

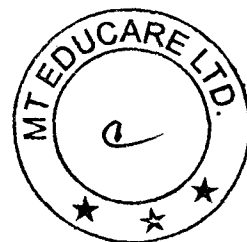
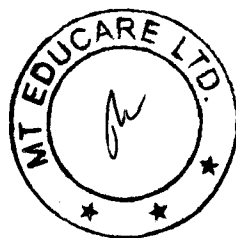
**3. AUDIT COMMITTEE**

The Audit Committee was constituted by a meeting of the Board held on June 2, 2011. The Audit Committee is chaired by Ms. Drushti Desai, Chartered Accountant by profession and having a wide experience on financial and taxation issues. All other members of the Committee viz. Mr. Uday Lajmi and Dr. Chhaya Shastri are financially literate within the meaning of clause II(A) explanation 1 of clause 49 of the Listing Agreement

The scope and function of the Audit Committee is in accordance with Section 292A of the Companies Act and Clause 49 of the Listing Agreement and its terms of reference include the following:

- (a) Overseeing our financial reporting process and the disclosure of our financial information to ensure that the financial statement is correct, sufficient and credible;
- (b) Recommending to the Board, the appointment, re-appointment and if required, the replacement or removal of the statutory auditor and the fixation of audit fees;
- (c) Approval of payment to statutory auditors for any other services rendered by them;
- (d) Reviewing with the management the half yearly and annual financial statements before submission to the Board;
- (e) Reviewing with the management, external and internal auditors, the adequacy of internal control systems;
- (f) Reviewing the adequacy of internal audit function, reporting structure, coverage and frequency of internal audit;
- (g) Discussing with internal auditors regarding any significant findings and follow up thereon;
- (h) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board;

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- (i) Discussing with external auditors before the audit commences, nature and scope of the audit, as well as have post audit discussion to ascertain any area of concern;
- (j) Reviewing our financial and risk management policies;
- (k) Looking into the reason for substantial defaults in payments to depositors, debenture holders, shareholders and creditors;
- (l) Reviewing the functioning of the whistle blowing mechanism, in case the same is formulated;
- (m) Reviewing, with the management, the statement of uses/application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilised for the purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency, monitoring the utilisation of proceeds of public or rights issue and making appropriate recommendations to the board to take up steps in this matter; and
- (n) Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

The powers of the audit committee shall include the power to:

- a. Investigate any activity within its terms of reference;
- b. Seek information from any employee;
- c. Obtain outside legal or other professional advice;
- d. Secure attendance of outsiders with relevant expertise, if it considers necessary.

The Audit Committee shall mandatorily review the following information:

- a. Management discussion and analysis of financial condition and results of operations;
- b. Statement of significant related party transactions (as defined by the audit committee), submitted by management;
- c. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- d. Internal audit reports relating to internal control weaknesses; and
- e. The appointment, removal and terms of remuneration of the chief internal auditor shall be subject to review by the Audit Committee.

#### 4. REMUNERATION COMMITTEE

The Remuneration Committee was constituted by a meeting of the Board held on June 2, 2011. The Remuneration Committee comprises of three Independent, Non-Executive Directors namely Mr. Cyrus Driver as the Chairman and Mr. Yatin Saman and Mr. Uday Lajmi as members

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The terms of reference of the Remuneration Committee include the following:

- a. To review the remuneration of whole time / Managing Director, including annual increment and commission after reviewing their performance;
- b. Review the remuneration policy followed by our Company, taking into consideration the performance of senior executives on certain prescribed parameters; and
- c. Such other matters as may from time to time be required by any statutory, contractual or other regulatory requirements to be attended to by the Remuneration committee.

## 5. SHAREHOLDERS / INVESTORS GRIEVANCE COMMITTEE

The Shareholders' and Investors' Grievances Committee was constituted by the Board at their meeting held on June 2, 2011. The Committee is chaired by Mr. Yatin Samant and other members include Ms. Drushti Desai and Dr. Chhaya Shastri. This Committee is responsible for the redressal of shareholders' grievances. The terms of reference of the Shareholders and Investors Grievance Committee of our Company include the following:

- a. To approve share transfer and transmissions;
- b. To approve splitting of share certificates, consolidation of share certificates and related matters including issue of fresh share certificates in lieu of the split / consolidated certificates;
- c. Issue of duplicate share certificates in lieu of lost, mutilated and destroyed certificates;
- d. Matter relating to dematerialization of shares and securities; and
- e. Investor relation and redressal of shareholders grievances in general and relating to non receipt of dividend, interest, non-receipt of annual report etc. in particular.

## NON-MANDATORY REQUIREMENTS

### • The Board

The Chairman of the company is executive and hence the provision with regard to maintenance of chairman's office as contained in the non-mandatory requirement is not relevant. All independent directors significantly contribute to the deliberation of the board and direction of the company irrespective of duration of their tenure. The non-mandatory condition that independent directors may have a tenure not exceeding, in the aggregate, a period of nine years, on the board of a company will be considered when deemed fit by the board of the company. The board takes into account qualification and experience of independent director, which would be of use to the company and which would enable him to contribute to the company in his capacity as independent director.

### • Remuneration Committee

The Company has set up Remuneration Committee comprising of three independent directors, which determines remuneration payable to the executive director(s) of the company.

### • Shareholders rights

The financial results will be posted on the company's website. The significant events, if any, too are posted on the company's website and in view of this, summary of such events is not separately sent to the shareholders.

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• **Training and Evaluation**

The training of board members and evaluation of performance of non-executive directors as envisaged under clause 49 of the listing agreement will be considered as and when such need arises.

• **Whistle Blower Policy**


The company at present has not established formal whistle blower policy mechanism. However, no personnel of the company have been denied any access to the audit committee.

Place: Mumbai

Date: 19<sup>th</sup> August, 2011



For and on behalf of the Board of Directors

  
Mahesh R. Shetty  
CMD

  
Dr. Chhaya Shastri  
Director