



“Career Point Infosystems Limited Conference Call”

August 08, 2011



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Moderator: Ladies and gentlemen good day and welcome to the Q1 FY'12 earnings conference call of Career Point hosted by IDFC Securities Limited. As a reminder all participants' line will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during this conference call, please signal an operator by pressing "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I would now like to hand the conference over to Ms. Swati Nangalia from IDFC Securities Limited. Thank you and over to you Madam.

Swati Nangalia: Thanks Marina. Good afternoon and I welcome you all to the Q1 FY'12 earnings conference call of Career Point Infosystems Limited. Today we have with us representing the management Mr. Pramod Maheshwari, the Chairman & Managing Director along with the senior management team of Career Point. We will start with Pramod giving us a brief overview on the company and the future outlook and also take us through the company performance during the quarter, post which we will move to the Q&A session. Over to you Pramod.

Pramod Maheshwari: Thank you Swati. This is Pramod Maheshwari and I have with me Mr. Om Maheshwari, Executive Director and CFO of the company, Mr. Vikas Jain head of Accounts and Finance Department and Mr. Tarun Jain, Company Secretary of our company. We thank you all for joining our investor conference call. To begin with I will be giving you a brief overview of our business followed by Q1 FY'12 results.

As you all are aware that we are a Kota, Rajasthan based Education Company primarily into tutorial business and now foraying into the formal education. We have been in tutorial business for more than a decade. Under tutorial business, we provide coaching services for various competitive examinations like All India Engineering Entrance Examination known as AIEEE, IIT-JEE, AIPMT that is All India Pre-Medical Test. We also provide tutorial services to the students preparing for other competitive examinations like NTSE & various Science & Maths Olympiad etc. We also provide educational consultancy and management services to schools, colleges and universities, which are into the formal education.

We provide our tutorial services through company owned branches and through franchise centers. As on date, we have 12 company owned centers and 11 franchises across various cities of India. We also provide our tutorial services through a distance learning program, which is a sort of correspondence program, wherein we provide Study Material Package and sit down and online Test Series courses to students preparing for competitive examination. The other way of reaching out to students is the School Association Program, wherein we partner with the schools and depute faculty members to school to provide tutorial services to the students studying in that school and preparing for competitive examinations. Recently, we have also started using technology and we launched online interactive classroom course product called CPLive. Using



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this we are conducting live interactive classes using internet broadband. We aim to spread the CPLive network across nations through franchise mode. As on date, we have four franchisees.

We have also started Pre-Foundation courses. When I say Pre-foundation courses, these are the courses designed for students of grade 7th, 8th, 9th, 10th and aiming to prepare for various competitive examinations going forward.

In formal education, we provide educational consultancy and management services and infrastructure support services through our wholly owned subsidiary. Currently the company is providing the educational consulting service Global Public School in Kota. It is K-12 School. The company is also providing educational consultancy service to another school, which is coming up in Jodhpur. Such services are also being provided to a business schools in Kota, Mohali, and Rajsamand ; to Engineering colleges at Mohali, Rajsamand and also to two private universities one is coming up in Kota and other is in Himachal Pradesh at Hamirpur

The business strategies of the company focuses to retain the leadership position in the tutorial business without exposing itself to too much risk with systematic foray into formal education to create a sustainable business model with annuity from long term perspective.

Now I would share with you Q1 FY'12 results. If you look at our Q1 FY'12 results, the income from operation is up by 6.4% from Rs.14.82 Crores to Rs.15.77 Crores. The total income including the other income has increased by 19.6% to Rs.19.37 Crores. The other income is on account of interest and dividend received on investment of cash lying with the company. Operating EBITDA without considering other income for the Q1 FY'12 is Rs.3.03 Crores, which is up by 4% as compared to Q1 FY'11. Operating EBITDA margins for Q1 FY'12 is about 19.2%, which is almost the same as Q1 FY'11 that was 19.6%. Overall EBITDA including the other income, it is up by 54.6% to Rs.6.62 Crores and EBITDA margin is also up from 26.5% to 34.2%. PAT for this quarter is up by 65% from Rs.2.8 Crores to Rs.4.64 Crores. If you look at the EPS for the quarter, it is up by 31.8%.

Here I would like to share the two critical elements of the P&L for this quarter. One is the administrative expense that has increased by 23.9%. This cost is primarily due to the student kit cost which we provide to the students who take admissions in our institute. The student kit comprises of uniform and student bags etc. In FY'11, this cost was booked in Q3 as we received the bill for all these materials in Q3; however, we had incurred this cost in Q1. Now to follow the prudent accounting policy, this year we have booked this cost in Q1 itself and that is why you are seeing almost 23% of jump in the administrative expenses. Second is Study Material cost, when you compare it with Q1 FY'11 it has decreased significantly due to the fact that we have updated the content and have eliminated the theory content from the books which in turn has decreased the quantum of material consumption almost by 75%.



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Out of the total operating income Rs.15.6 Crores is contributed by tutorial services, which is currently the prime business of the company whereas the ECAM Services income is growing and it is approximately Rs.15 Lakhs for this quarter.

Now I will share the enrollment mix as on June 30 2011, compared to June 30 of FY'11. This year the enrollment numbers are almost flat at company own and operated centers. As on June 30, 2011 enrollment numbers in long-term courses was 12,966 compared to 13,509 in Q1 FY'11 whereas the enrollment numbers in the long-term courses at franchise center is 920 against 1151 last year for the same period. The enrollment number is almost the same as last year due to the fact that this year the academic session for the company was delayed by approximately seven days that implies that course starting dates for various courses was delayed by 7 days this year compare with last year. As majority of enrollments take place near to admission dates and June last week is peak time for most of the admissions, hence this year due to delay in admission calendar many admissions have shifted from June to July. The corresponding revenue would be books in subsequent quarters.

In long-term courses at company owned branches, the total enrollment is 18,399 whereas last year at the same time this enrollment number was 19782. Effectively, there is approximately 1500 enrollment drop in long-term courses, however we believe that we will be able to make up for this in the months to come.

Last year we had 17 company owned center, out of which we closed down 7 centers, which were in Delhi and NCR and were in losses and added two centers. Effectively as on date we are operating by 12 company owned centers. We also had 16 franchise centers last year, out of which we have closed down 6 non-performing franchise centers and added one franchise center hence as on date we are operating with 11 franchise centers. I just shared that most recently we have started providing tutorial services on internet broadband under brand name CPLive. For this we have appointed four franchisees so far. We have also partnered with the schools and currently we are providing our tutorial services to two schools.

This particular quarter has been reasonably satisfactory to us. We were expecting about 10% growth in enrollments, which we could not achieved primarily because of the delay in academic session and not able to set up our branches at certain locations. However company has already started working for the next financial and academic session and expecting to make up for all these in the coming years.

Now I will give you a brief update of various other business initiatives, which we shared with you in last quarter's concall.

The first one is the Kota residential campus. We are setting up residential campus in Kota to accommodate close to 3000 students. This project got delayed due to bad soil condition in turn



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we could not start the work timely, but now the project is on track. We are expecting to finish the first phase to accommodate 1500 students by April 2012. The another initiative to reach masses is CPLive wherein we provide tutorial services in live and interactive two-way communication mode over internet. We are expanding its reach by appointing franchisee. Till last quarter we had finalized four franchisees and now we are aggressively appointing more franchisees specifically at small locations where setting up company owned center or a fully fledged franchised center is not economically viable.

In this quarter, the company launched Pre-Foundation divisions, under which we prepare the students from grade 7 to 10 for various competitive examinations. This division was launched at Kota and got a good response. We have enrolled close to 150 students so far and now aggressively looking forward to spread the pre-foundation division across all our networks. The company also started working with various state governments to provide tutorial services to the student who are studying in government schools. Most recently in June 2011, we just have completed one assignment of Government of Haryana to provide tutorial services to the students of 13 cities studying in various schools, which are run and managed by the Government of Haryana. The project value was just over Rs.1 Crores; we are looking forward for more such assignments with the Haryana government and other state governments. So that is a brief update on the tutorial services.

I will now give you an update on formal education initiatives. The company currently providing educational consultancy and management services to school, colleges and universities. The project under management are 2 schools of which one K-12 school in Kota, which is operating almost to its full capacity of 1600 students, the second school is coming up in Jodhpur. In this school, company and its subsidiary both are providing respectively management services and infrastructure support services.

In higher education space, the company is providing educational consulting services to engineering colleges. One is coming up in Rajsamand, second is in Mohali, two universities one coming up in Kota, second is coming up in Hamirpur in Himachal, two MBA colleges, which are again coming up in Rajsamand and Mohali and one MCA college, that is coming up in Rajsamand. In all these higher education initiatives, the wholly owned subsidiary of the company is providing infrastructure support to trusts, which are running these colleges and universities. The Mohali Engineering College and the MBA college most recently got approval from AICTE and State Technical University and has just commenced its operation about two weeks ago and will be fully operational by next year. The Rajsamand campus is ready and will be operational by next year. Kota University campus is also ready. Final inspection is due by the Government of Rajasthan and will be operational by the next financial year and academic session changes. Same is the status of Hamirpur University. This is brief about the status of various initiatives in informal and formal education space taken by the company.



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The business strategy of the company is focusing upon strengthening its presence in tutorial space without exposing itself to too much risk by setting up more company owned branches at strategic location, and also setting up franchisees centers at location where it is not feasible for the company to operate and manage. The company is also looking forward to leverage the technology to reach masses through CPLive and School Association Programs. Foray into formal education is strategic to have a sustainable business model. Though all projects in formal education space are having a long gestation period, but at the same time provides us business model with annuity.

That is all from my side. The floor is open for questions and answers.

Moderator: Thank you very much. We will now begin the question and answer session. The first question is from Chetan Vadia from JHP Securities. Please go ahead.

Chetan Vadia: My question to you would be, is the long-term enrollment for students for the quarter is around 12,956?

Pramod Maheshwari: This was till June 30, 2011. As on date the enrollment number has increased to 18,399.

Chetan Vadia: Earlier you used to classify it as short term and long-term course, what will be the enrollment for the short-term course?

Pramod Maheshwari: This year the short term course enrollment number at company owned branches was 2817 against 4058 in FY'11.

Chetan Vadia: I just wanted some breakup of this Rs.15 Crores of revenue that you have for the quarter in terms of your formal education, non-formal education?

Pramod Maheshwari: From formal education, it is only Rs.15 Lakhs remaining is through tutorial business.

Moderator: Thank you. The next question is from S Reddy from ACE Technology. Please go ahead.

S Reddy: I would like to know why the branches in Delhi are closed.

Pramod Maheshwari: They were in losses and that is why we closed. See we had been operating those branches for the last three years and were trying to grow the business. Based on prevailing circumstances we estimated that it would be difficult for us to grow these branches. Also we had franchisee sort of arrangement for three locations wherein our partners were also not comfortable with business status. Hence we took decision to close branches.

S Reddy: What is the future plan, company is planning to open more centers?



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Pramod Maheshwari: Company is having plan to to open more centers, it is just a chance that in Delhi, we were not able to get business as expected. We are taking it as learning and positively looking forward to setup more branches at strategic location as we enjoy good brand equity in tutorial space.

S Reddy: It is a good brand in Delhi?

Pramod Maheshwari: Very true, that is what I am saying. Company is now working and analyzing the reason why we could not able to give good enrollment there. Once we find the critical answer to this we will definitely look forward to set up branches in Delhi. However, we are doing our own survey and looking forward to set up more branches at strategic locations in years to come, like this year we set a branch in Sri-Ganganagar and Sikar, both the branches within four months of its operation have crossed the break even and are in profit.

S Reddy: What is the average student fee for a two-year program?

Pramod Maheshwari: Actually we have only one-year program, if a student comes to us for a two-year program, we charge fee annually. The average fee realization for long term course is about 38,000 for one year on blended basis.

S Reddy: When you compare to our competitors, don't you think the average fees is less?

Pramod Maheshwari: Our more focus is on AIEEE examination, where fee is lesser as compared to IIT-JEE examination. If you compare IIT-JEE course average fee, it is close to 60000. I shared the blended fee of all the courses as we conduct classes not only for IIT-JEE, but also for AIEEE and AIPMT, number of the students enrolled with us in AIEEE examination is maximum which constitutes of more than 80% of the total enrollment and that is why on the blended basis the average realization is about 38,000 for a long term course.

Moderator: Thank you. The next question is from Vikesh Mehta from SKP Securities Limited. Please go ahead.

Vikesh Mehta: I just wanted to understand, what is the cost of the study material dependent on?

Pramod Maheshwari: Cost of a study material is dependent only upon paper and printing cost.

Vikesh Mehta: Not on terms of the enrollment to you get?

Pramod Maheshwari: It is a variable, assuming you have 10,000 students, then you will print the material for 10,000 students and like that.

Moderator: Thank you. The next question is from Anil Das from VC Circle. Please go ahead.



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- Anil Das:** The net profit in the last quarter has reached only due to raise in some other income. So what exactly is other income and it is likely to bring in every quarter in the near term, this kind of other income?
- Pramod Maheshwari:** Other income is on account of interest and dividend received on investment of cash lying with the company. This money we are investing in liquid or debt market. Effectively it is an interest income.
- Anil Das:** Sir you have said the account on interest and dividend and some other investments which you have made?
- Pramod Maheshwari:** We do not take any exposure in the equity linked instrument. We only invest in government linked securities or liquid funds.
- Anil Das:** Both revenue and operating profit growth has been sluggish, can you explain what explains this. Is it due to the seasonal low business for the quarter earlier or any indication on the full year expectation for profit growth Sir?
- Pramod Maheshwari:** If you look at the enrollment it has been almost flat. In fact it is almost 500 down as compared to last year. As I said in the beginning that this year the academic session was delayed by seven days and most of the admission used to take place in the in the last week of June. This year the enrollments have shifted from last week of June to first week of July.
- Anil Das:** Why Sir?
- Pramod Maheshwari:** See majority of admissions take place closer to the date of class start. Assuming last year we started some course on June 25 and if this year we have shifted the same to July 5 then many admissions will take place close to July 5.
- Anil Das:** So that is not reflecting this quarter?
- Pramod Maheshwari:** Yes. That would not be reflected in this quarter.
- Anil Das:** What is the kind of enrollment you had in this quarter. Sir can you give the number?
- Pramod Maheshwari:** As on date till June 30, we had 12966 enrollments in yearlong courses, which by now have increased to 18399 approximately in last one month.
- Anil Das:** In the previous year in the same quarter what was it Sir last year?
- Pramod Maheshwari:** Last year on June 30, we had 13509 and as on date we have 19782.



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- Anil Das:** 13509 in the last year April June quarter, in this year April June 12966 student's yearlong quarter?
- Pramod Maheshwari:** Yes.
- Anil Das:** Okay but as far as coming back to the investment part, you only invest in government securities not any equity linked or any market exposures?
- Pramod Maheshwari:** No we do not take any equity market exposures.
- Anil Das:** Your other income has boosted because of the account of the interest and dividend earned from these kinds of investments, that is the government-linked securities?
- Pramod Maheshwari:** The liquid fund, FMPs etc.
- Swati Nangalia:** Just a couple of questions from my side. Pramod, the fact is that we have been running our tutorials for more than a decade, but given that the space has its own limitation with regards scalability, wherein we need to get new students to enroll with us every year as against the formal education space, which is a much more longer annuity business and probably the most sticky part of the education value chain. Are we now moving towards a business model which will be more focused towards the formal education space rather than the coaching classes part of the business?
- Pramod Maheshwari:** Our focus is on both. We have been in tutorial space for the last 17 years. Hence we believe that we understand the tutorial business very well, but you very rightly said that it has its own limitation on scalability front. You cannot setup your branch everywhere as there is possible risk of dilution of brand equity which we don't want at any cost. Hence currently the company's strategy is maintain the pace of growth in the tutorial business, and at the same time to develop the business vertical in formal education starting from kindergarten to PhD. This strategy we are adopting because formal education initiative takes its own time as it is a long gestation business..
- Swati Nangalia:** Follow up to that Pramod you mentioned about certain risks in the K12 higher education space are you referring to the regulatory overhang on the K12 space, particularly ,where the government of India does not allow for profit education but you have seen a lot of private companies who have worked around structures to draw out profitability from the space. So are we concerned that this business model in K12 has a regulatory overhang and may not be sustainable over the long term?
- Pramod Maheshwari:** In my opinion there is no regulatory issue, because the trust which is setting up K12 schools in any case out source some or other activities to some or other companies, who are expert and who can provide those kinds of services. Hence I personally believe there are no regulatory issues; as long as the company providing services in real sense serving the trust. However I would like to



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mention that education is very a sensitive issue for nation development and it is responsibility of the all including the company to keep service above profit.

- Moderator:** Thank you. The next question is from Chetan Vadia from JHP Securities. Please go ahead.
- Chetan Vadia:** My question to you, can you just briefly touch upon the assets that are likely to be added to the company from the next academic year onwards, like the residential project in Kota for 1500 students ,you said would start by April 2012. So how may most of the assets like we added it and how many more students can we enrolled through all of them?
- Pramod Maheshwari:** The assets, which is coming up in Kota is to provide residential facility to the students. In Kota we have capacity to train approximately 18000 students. When this facility will come up, we will be able to add capacity of 3000 more students to provide tutorial services. However, currently in the first phase the accommodation facility is coming up only for 1500 students.
- Chetan Vadia:** Like any more colleges or schools are likely to be added by the end of the financial year?
- Pramod Maheshwari:** Engineering college, MBA college and MCA college in Rajsamand will be operational by next year. The construction work of phase one for that college is already over. In fact this year we were supposed to start it, but we got delayed by just 15 days. Hence the management took a decision not to start the college this year. Second is in Mohali, the campus is ready and we have already started the college. The university in Kota and university in Hamirpur, for both the first phase construction is about to finish and both will be operational by next financial year and academic session. The Jodhpur school construction is about to commences and expecting that we will start our school by March 2012.
- Chetan Vadia:** Except for the K12 ,how much is the Mohali, Kota and university in Hamirpur. How many more students could be added through all this?
- Pramod Maheshwari:** In Mohali, the total capacity is 420, in Rajsamand the total capacity is 540 in the first year. In Kota university we are targeting 2000 enrollments, in Hamirpur we are targeting 1000 enrollments in the first year.
- Moderator:** Thank you. The next question is from Vinay Paharia from Religare Mutual Fund. Please go ahead.
- Vinay Paharia:** Sir in your opening comments you mentioned that one of the key reasons for decline in enrollments were that we were not able to set a branch etc. In fact this is a two-pronged question, first is that the overall student enrollments per se have declined for the industry as a whole for AIPMT?
- Pramod Maheshwari:** It has been increasing.



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- Vinay Paharia:** So it is only a market share, which has dropped?
- Pramod Maheshwari:** It is not the question of market share. The drop insignificant in my opinion. See, when you have approximately 20,000 enrollments then drop of 1000 in my opinion is not significant; however, I admit that we fail to grow.
- Vinay Paharia:** So said that we need to setup more branches to grow at?
- Pramod Maheshwari:** Actually last year we closed 7 Company owned of branches, which were in losses. The number of enrollments in those branches was close to approximately 715. So there is a drop of 715 enrollments from those branches and we added only two.
- Vinay Paharia:** From which new enrollments would be around 150.?
- Pramod Maheshwari:** From these two new branches the total enrollment is close to 700 so it more or less equivalent.
- Vinay Paharia:** Broadly if you were to look down at this year end and year after that how much contribution can K12 in higher education bring in through the total revenues?
- Pramod Maheshwari:** I think this year the K12 ,the higher education and formal education would not be contributing significantly, this year it will be less than 5%, and next year is might go to about 15% or more of the total revenue.
- Vinay Paharia:** Including the higher education?
- Pramod Maheshwari:** Yes.
- Moderator:** Thank you. The next question is from Nihar Shah from Enam Holdings. Please go ahead.
- Nihar Shah:** Firstly just wanted to get an idea of how the Mohali campus admissions are running, are they as per your expectations and what is the kind of capacity utilization from the total 420 that you are looking at for this year?
- Pramod Maheshwari:** We got the approvals from AICTE and Punjab technical universities about 15 days ago. However due to delay in sanction from AICTE etc we have missed the participation in AIEEE counseling for admission to various engineering colleges. Hence now we are doing our own marketing and giving admission to the students based on their AIEEE marks but not through AIEEE counseling channel. Hence admissions just have started pouring in. Though capacity is 420 students but I do not expect more than 100 enrollments this year in Mohali campus as we do not have much of time left to give admission.
- Nihar Shah:** Okay this is an average fee around 40000-60000?



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- Pramod Maheshwari:** In Mohali the average fee is approximately 90000 per annum excluding hostel fee.
- Nihar Shah:** Also my second question was, the admissions that you have done in your tutorial business sort of till date, can you tell me how much them are coming to your Kota campus?
- Pramod Maheshwari:** Till date out of 18399 enrollment of long term courses at company branches, the Kota enrollment is approximately 13000 for long term courses.
- Nihar Shah:** Okay has this grown year-over-year?
- Pramod Maheshwari:** This year there is drop in enrollment at Kota by about 700.
- Nihar Shah:** Any particular reason that you might attribute to that?
- Pramod Maheshwari:** In my opinion, the main reason is entry of few new player temporally affected enrollment. Just to share, few tutorial service providers who have been not providing tutorial services for AIEEE examination, most recently started the same at very low course fees.
- Nihar Shah:** My other followup question was going to be, what is the sort of like-to-like growth that you have done in fees this year over last year?
- Pramod Maheshwari:** The fee growth is almost 10%.
- Nihar Shah:** My last question is just on the balance sheet ,just a little bit to know how much CapEx have you done in the Q1 so far, what is your targeted of CapEx both in the tutorial and in the formal education business for FY'11 and what is the current cash on debt on the balance sheet?
- Pramod Maheshwari:** There is no debt on the balance sheet. The cash equivalent with company is approximately 150 Crores as on June 30. In tutorial service, The total CapEx for the Kota residential campus is close to 65 Crores out of which we have already incurred as on date close to 10 Crores and we are expecting to incur close to about 35 Crores in the next one year time.
- Nihar Shah:** This total of 35 plus 10 Crores, the total of 45 Crores should mean that 1500 students can be residential from like?
- Pramod Maheshwari:** The target strength of campus is 3000. I say only 1500 by next year being conservative, as I expect that by next year we would finish the construction for 1500. However the construction will continue till FY'13.
- Nihar Shah:** What is the investment that you are looking for the formal education in this year in terms of CapEx?



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- Pramod Maheshwari:** Estimated Total CapEx for FY '12 is 90 Crore for Kota University, Hamirpur University , K-12 school in Jodhpur and Technical campus in Rajsamand.
- Moderator:** Thank you. The next question is from Rajiv Bharati from Destimoney. Please go ahead.
- Rajiv Bharati:** My question is, last quarter you mentioned that in the Kota University you will be having some regulatory completion completed by July, what is the update on that?
- Pramod Maheshwari:** We are waiting for the final review & inspection of our Kota university. The government of Rajasthan has already released order and constituted a committee to finally review the facilities and university to give us an approval. We are expecting that they will inspect the same in next 10-15 days and will give us approval.
- Rajiv Bharati:** You told the fee hike was somewhere around 10%, but if I remember correctly the fee last year was 33,000 per student?
- Rajiv Bharati:** And this year it is 38 I guess?
- Pramod Maheshwari:** Yes close to 38-37.
- Rajiv Bharati:** That is a 15% hike?
- Pramod Maheshwari:** It will be close to 10% when you take it on blended basis for short-term courses and long-term courses.
- Rajiv Bharati:** But sir if you have given the number of enrollments in short term and company operative centers that was around 2817 and that was 4000 last year, so the blended will be in favor of, it will be close to what you are in the 38000 range in the sense, that you are charging for long term courses, should not be higher than 10% that my final number which we usually get after September end of this quarter will be more than 10% the hike in fee?
- Pramod Maheshwari:** For different course fee hike is different and vary from 7%-15%
- Rajiv Bharati:** Sir, can you give a size of the Jodhpur school, is it 1.58 acres or 2 acres campus?
- Pramod Maheshwari:** It is approximately 2.25 acres campus.
- Rajiv Bharati:** The number of students will be 2400? ?
- Pramod Maheshwari:** Yes.
- Rajiv Bharati:** What is the CapEx you are trying to incur for this school?



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- Pramod Maheshwari:** About 10 Crores.
- Rajiv Bharati:** You said that the Kota school that your construction is complete?
- Pramod Maheshwari:** Kota school is operational. It is in 1.6 acres land and having about 1600 students enrollment. It is a full capacity.
- Rajiv Bharati:** On the Kota University you told the construction is ready, by that you mean the one you have completed, the one-acre?
- Pramod Maheshwari:** Not one acre, in fact the minimum construction you need to do in phase one as per government guideline condition is just lakh sqr feet. However as per our requirement we have constructed close to 2.5 Lakhs sqr ft.
- Moderator:** Thank you. The next question is from S Reddy from ACE Technology. Please go ahead.
- S Reddy:** I would like to know how the competition is performing, there is lot of big players coming into the industry like Educomp invested in Vidya Mandir, and Everonn in Sitapur. So lot of competition is coming in big players are coming into the industry. How would you foresee the future?
- Pramod Maheshwari:** I think it is a big market and everybody has space in this market. We have been this space for last 17 years and many strong and weak players have been coming to this space. So I do not see much threat from the players which you just mentioned. They have their own way of working and we have our own. We have our captive market and the best part is that this market is growing so I think everybody will be benefited when the competition intensifies. Also we are very closely observing others players and keeping close eye on their strategies, strength and weaknesses so that we can not only retain but also grow our business going forward.
- S Reddy:** We do not see that as a threat?
- Pramod Maheshwari:** Personally I do not see any threat to our business.
- Swati Nangalia:** I just have two more questions. In your opening remarks you mentioned about working with the government. I wanted to understand are we also exploring options with regards to the model school program of the government?
- Pramod Maheshwari:** We are exploring such possibilities. In fact about a year ago we evaluated one opportunity with the government of Rajasthan, but we did not find that exciting so we stepped down, but we are open and exploring such possibilities.



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- Swati Nangalia:** Okay and my second question was on the vocational training space. What is our broad outlook for that segment. We are present in that segments through our ProSeed business school, but given that the government is laying a lot of emphasis on vocational training and that is the one segment where they are allowing corporate educational institution to be setup. So how are we placed and what are we looking to do going forward in that segment?
- Pramod Maheshwari:** We are internally building up a team to foray into vocational space. The biggest challenge in vocational space is the price point. You cannot have high price point courses in vocational space and at a low price you cannot provide the quality. However, the company is internally building up a team and content to enter into the vocational space. just to share, currently the company is managing four ITIs of government on PPP model, wherein we are helping IIT management to provide quality education and also helping students and providing them soft skills to make them employable, but it is purely a non-for-profit initiative.
- Moderator:** Thank you. The next question is from Rajiv Bharati from Destimoney. Please go ahead.
- Rajiv Bharati:** Just a followup your CP Live, basically a couple of concalls back you told that you are closing down your franchisee route because it contributes less than 1% to your topline. now in CP Live you are going through franchise route, can you explain what are the segments, like what is the number you are looking at what is the per student fee you are targeting?
- Pramod Maheshwari:** Let me share CPLive business model with you, in this faculty member at Kota conducts the classes for all remote centers. The delivery mechanism is similar to what you have seen in the VSAT environment. The only difference is that we use internet broadband to deliver classes. Hence to deliver classes we do not setup dish antenna etc. as we are not using VSAT facilities. To enroll students we appoint franchisee. We charge two types of royalties from the franchisee. One is the brand license fee and other is ongoing royalty as a share of revenue. This year we started pilot in the month of March and appointed four franchisees. Now the company is gearing up to setup minimum 50 franchisees by next year.
- Rajiv Bharati:** Have you put a cap on the fees charged by the franchisees?
- Pramod Maheshwari:** We will be charging franchisee fee as per the category and potential of the city.
- Rajiv Bharati:** And the territories you are targeting for these?
- Pramod Maheshwari:** To start with small town and schools are targeted as potential locations for CPLive.
- Rajiv Bharati:** The courses will be till class twelve ?



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Pramod Maheshwari: Courses for class eleven and twelve. At present we are running the courses to prepare student for engineering. Going forward, we are going to increase the product portfolio by including AIPMT, NTSE and all Olympiad courses

Moderator: Thank you. Ladies and gentlemen that was the last question. I would now like to hand over the floor back Ms. Swati Nangalia for closing comments.

Swati Nangalia: Thanks Marina. I would like to thank all the participants for taking time for this conference call. Also thanks to Pramod and the entire management team. Pramod would you like to make any closing comments.

Pramod Maheshwari: I thank you all for taking your time for this call. Still if you have any queries feel free to mail to us, we will definitely revert back at the earliest. We will also put the investor update on our website, so you can download the same having all the information and data.

Moderator: Thank you. On behalf of IDFC Securities Limited that concludes this conference call.