



“Career Point Limited  
Earnings Conference Call”

**November 15, 2011**



**MODERATORS:**

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**MR. OM MAHESHWARI – CFO, CAREER POINT INFOSYSTEM LTD.**

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**Moderator:** Ladies and gentlemen good day and welcome to the Career Point Q2 FY12 Earnings Conference Call hosted by IDFC Securities Limited. As a reminder for the duration of this conference all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call please signal an operator by pressing '\*\*' and then '0' on your touch-tone telephone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Nikhil Vora. Thank you. And over to you sir.

**Nikhil Vora:** Thank you. Thank you everyone for being on this call and good to have the management team of Career Point to address queries for the Q2 FY12 numbers. We have Pramod Maheshwari – CMD of Career Point and Om Maheshwari – CFO of the company and the senior management team. I will hand it over to Pramod to make the initial remarks and then we will open the floor for Q&A. Over to you, Pramod.

**Pramod Maheshwari:** Thank you, Nikhilji. Good morning, ladies and gentlemen, this is Pramod Maheshwari. I have with me Mr. Om Maheshwari – CFO of our company; Mr. Vikas Jain -- Head of our Accounts and Finance Department. We thank you all for joining our investor conference call. To begin with, I will give you an overview of our Q2 FY12 results and followed by update on business.

Company has reported income from operations in Q2 FY12 to 20.78 crore as compared to 25.58 crore in Q2 FY11. On Q-o-Q basis there is a 31.8% growth in income from operations. And, on a half yearly basis income from operations is 36.5 crore as compared to 40.4 crore last year. Here I would like to mention that as on 30, September 2011, our company has about Rs. 39 crore of an unearned income, that is advance fee which we received from the students and the same shall be booked in Q3 and Q4 when the services are delivered.

I would also like to mention that Q2 FY12 results are not comparable to Q2 FY11 results, as we started making our quarterly results post listing from Q3 FY11 onwards. If you look at the total income including the other income for Q2 FY12, it stood at 24.62 crores and on a half yearly basis it is 44.78 crores. The other income is on account of interest and dividend received on investment in FMPs, liquid funds and the government securities. Operating EBITDA, when I say operating EBITDA it is excluding other income; for Q2 FY12 is 7.35 crore with operating EBITDA margins 35.3%. Overall EBITDA for Q2 is 11.1 crore, with EBITDA margin of 45.4 crore. During Q2 FY12 administrative expenses have increased, primarily due to increased cost of advertisement and business promotion. You can see from the results that second quarter and six-month ended period has been reasonable to us in spite of the fact that last year we closed our seven branches which had affected the growth of our top line. As on 30th of September the net worth of the company is 284 crores and the company was having about Rs. 130



crore of cash and zero debt. Also, on 30th September 2011, you can see loans and advances is about 139 crore, out of which close to 105 crore of loan is given to our wholly-owned subsidiary, Career Point Infra Limited, which is developing infrastructure for the universities, colleges and schools which we are setting up at different locations.

Now, I would like to give you a brief update on the business.

First, I would like to share updates on Tutorial business. As you are all aware that currently about 98% of our revenue is derived from our test prep business, for which majority of enrolments take place from March to September except admission for short-term courses and Distance Learning Courses which continue to take place in Q3 and Q4. As on 30th September 2011 we have enrolled 27,000 plus students in various courses. We are expecting about 2000 more enrolment out of which majority would be in the distance learning programme.

We are developing a Residential Coaching Campus in Kota, the project is on track and we are expecting to start the campus activities by May 2012.

In current academic session, our company launched a Technology-Enabled Class Room Centre with brand name CPLive. Under this we provide Tutorial services in live interactive manner over Internet broadband. For the last six months, we have been running our CPLive centres successfully and now the company is aggressively spreading network of such centres, primarily through franchises. We are targeting to start 50 such centres by Q1 FY13.

In addition to this, now our company is also launching School Curriculum Coaching Division. So far we have been preparing students for competitive examinations like IIT-JEE, AIEEE and Pre-Medical. From next academic session we will launch School Curriculum Coaching for students from class VII to Class XII at our all branches.

As a company, we believe going forward online space will be used extensively to deliver education to large mass of a students, hence keeping this aspect in mind we recently signed an MoU with a Korean company named CS Limited. Under this MoU both companies will devise a best suited model to deliver online content.

Just for your update, our company has already launched an Online Testing and Assessment Solution at [ecareerpoint.com](http://ecareerpoint.com) wherein we are providing Online Testing Services to students preparing for various competitive examinations.

Now, I will share some update on formal education.

In formal education space, our company is setting up two private universities, two technical campuses and two schools. I will share you the status of our various projects.



The first university which we are setting up is in Kota; that is Career Point University Kota, is at advanced stages, Ordinance is being prepared by the Government of Rajasthan and we are expecting that we will get the final approval by end of Q3, and we are expecting to start the session by April 2012.

Another university which we are setting up in Hamirpur. Most recently, we filed the compliance report and we are expecting to start the session for that university also in April 2012.

We are setting up another campus in Rajsamand comprises of an Engineering college, MBA college and MCA college. The infrastructure is ready and we are expecting to start the session by July 2012.

Another technical campus is in Mohali. This campus has started its operation by September 2011.

In addition to these two universities and these two technical campuses we are also in process of setting up two K-12 schools; one is coming up in Jodhpur, we are expecting to start session by 2012 April and another K-12 school is coming up in Kota. For that also we are expecting to start session by April 2012.

We have most recently started another K-12 residential school project in Abu. We are expecting to start the session by April 2013. This is all about update of various initiative in formal education.

In conclusion, we are looking for a reasonable growth in the revenue and PAT for the full year in FY12 and looking forward for a more fruitful FY13. Now, the floor is open for question and answers.

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

**Chetan Wadia:** My question to you would be you said you have around 23,000 students under various courses?

**Pramod Maheshwari:** No, till September 2011, we have enrolled 27,000 students for various courses.

**Chetan Wadia:** And about this residential K-12 school in Abu, how much of investment would be required for the same.

**Pramod Maheshwari:** Investment in the residential school in first phase would be close to 15 crores.

**Moderator:** Thank you very much. The next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.



- Nihar Shah:** Good morning, sir. I just have one question in terms of your enrolment for the Tutorial business. You mentioned so far it was about 27,000 students and you are expecting to end the year at about 29,000 students. This would be close to about 10% Year-on-Year de-growth from last year, if my number is correct; last year you had about 30,000-33,000 students. I just wanted to understand the reason for this de-growth and what strategy the company is employing for that, we return to our growth path in FY13 and '14.
- Pramod Maheshwari:** There are two things which actually attributed to de-growth in enrolment number; one is the closing down of seven branches. There we were having close to 1000 students last session.
- Nihar Shah:** These are owned branches?
- Pramod Maheshwari:** Yes, own branches, and second aspect which has affected enrolment at franchisee location. We have also closed down close to six franchises. Here, I would like to mention, though there is degrowth in enrolment but overall revenue has improved, because average realisation per student has improved by approximately 13%.
- Nihar Shah:** Okay, so you would largely be flattish to about 2%-3% growth level?
- Pramod Maheshwari:** Yes. I expect the numbers will be more or less flat for this financial year.
- Nihar Shah:** Sure, and how many branches would you have currently?
- Pramod Maheshwari:** Currently, we have 12 branches.
- Nihar Shah:** And any more openings or closings that you are looking at in the next year?
- Pramod Maheshwari:** We were having the plan of adding ten branches Year-on-Year, but for this year we have postponed the decision and waiting for the final comment from Human Resources Ministry as recently they propose to bring about some change in Entrance Test pattern for Engineering Examination. The final report is expected in a month's time, based on the new format, we will take a call to add more branches. Instead of adding branches, we are aggressively spreading our network and reaching out the student masses by way of Technology-Enabled Classes CPLive, where CapEx is almost negligible.
- Nihar Shah:** Okay, can you give me some clarity on your enrolments in Kota, both in FY '11 and what the current enrolment in the Kota centre would be?
- Pramod Maheshwari:** Last year we had close to 16,000 enrolments in Kota and this year the enrolment is close to 15,200.
- Nihar Shah:** So, it is just largely flattish?

**Pramod Maheshwari:**

Yes.

**Nihar Shah:**

And for your non-tutorial businesses, FY12 should not see significant revenues coming in from there. So, the real growth over there would be from FY13 onwards?

**Pramod Maheshwari:**

Yes. We expect from FY13 onwards.

**Moderator:**

Thank you very much. The next question is from Chandra Tiwari from Q Invest. Please go ahead.

**Chandra Tiwari:**

Just wanted to ask in terms of number of centres which were closed in last one year, was it in a particular geography or across multiple cities?

**Pramod Maheshwari:**

It was in a particular geography, like we closed seven branches last year. Out of these seven branches, five were in Delhi and two were in Orissa, one was in Bhubaneswar, and other was in Cuttack and the five were in Delhi in NCR.

**Chandra Tiwari:**

And also the Kota enrolments, any particular reason you see in terms of a minor decline of 5%-6%, in terms of enrolment, but this is it is a trend or this is just one-off?

**Pramod Maheshwari:**

No, this is just an event, in fact, if you look at our enrolment growth over the last three years in Kota it was about 20% year-on-year. Actually, Kota is a very competitive space and it all depends in those four business months, who so ever is able to create more buzz in the market by some or other means usually get more attention and more admission. We were doing absolutely everything correct, but because of a couple of incidents beyond control took place in Kota this session, one was poaching of faculty members by a particular institute from another prominent institute and in turn they created buzz in the market and that affected our business a bit.

**Moderator:**

Thank you. The next question is from the line of Nihar Shah from Enam Holdings. Kindly go ahead.

**Nihar Shah:**

Sir, one more question. Just wanted to understand, as you rightly just pointed out there is a lot of faculty poaching that happen, just wanted to get a direction on your faculty and staff cost for this year. What kind of growth are you seeing both in your faculty number growth and in terms of the salary growth?

**Pramod Maheshwari:**

To a great extent, Faculty growth is related to a number of enrolments, and we believe with the existing faculty team, we can cater even 20% of enrolment growth. Hence I don't see any kind of increment in faculty strength, unless otherwise the growth is more than 20% in enrolment. Also the cost of faculty members to a great extent is now linked with the performance of the institute. Hence going forward, I don't see much pressure on



salary cost of faculty members; salary growth will be within 5% in years to come Kota specifically.

**Nihar Shah:** In Kota specifically, and on an overall basis, with your manpower expenses what is the kind of growth rate do you anticipate for FY12 and 13?

**Pramod Maheshwari:** As we are not adding more centres for next year, so we are not expecting too much pressure on increment in manpower cost even from teaching perspective.

**Moderator:** Thank you. The next question is from Chetan Wadia from JHP Securities. Kindly go ahead.

**Chetan Wadia:** My question to you would be, you said you had postponed adding the branches in FY13 you are aggressively pursuing now to add more students under the eLearning courses. Then, how much of revenue growth you will be able to achieve in the next six months through your eLearning or other initiatives.

**Pramod Maheshwari:** From eLearning probably in Q3 & Q4 there won't be any significant contribution because the centre which we are setting up will be operational by March 2012 and the revenue from those centres will be reflected in Q1-Q2 FY13. We are targeting to add 50 centres and we expect there would be close to 200 enrolments at each centre, which is close to 10,000 enrolment of addition.

**Chetan Wadia:** And how is the fee structure for this?

**Pramod Maheshwari:** Fee for this, we have kept fee 35,000 per student which will be charged by the franchisee and we will be charging 25% of the fee realised by the franchisee towards royalty of providing content online. Hence, in our books you will see only 25% revenue generated by franchisees.

**Moderator:** Thank you. The next question is from the line of Grishma Shah from Envision Capital. Kindly go ahead.

**Grishma Shah:** Good morning, sir. I just wanted to understand your strategy now going ahead in the next year for the enrolment growth was the Technology-Enabled Centre. What could be our strategy for increasing the enrolment at the Kota centre?

**Pramod Maheshwari:** We are focusing on two aspects to grow our enrolment in Kota. First one is existing students satisfaction which is very crucial. If existing students are satisfied, then they spread good word of mouth about our services and in turn we get more admission in years to come. We believe the students who are currently studying with us are extremely satisfied and happy with our services and that will help us to get enrolment next year. The second aspect is students's life in kota as majority of students in Kota are outsiders.



Parents who are sending their kids to Kota are having one major concern related to safe hygiene and secure residential facilities. We are setting up a residential campus which will come up in the month of May, and then I believe that will also help us to get more enrolment in Kota. So, we believe overall strategy to provide comprehensive solution not only in academics but taking care of the different aspects of students' life will help us to enrol more students in Kota.

**Grishma Shah:** Sir, just wanted to understand if the exam format has to change a little bit, how would it impact our business, because by and large the topics covered would be the same.

**Pramod Maheshwari:** As far as my knowledge is concerned based on the various press releases given by the Committee which was set up by the Human Resources Ministry to suggest the change in format, they are trying to give importance to 12th class percentage marks also as a criteria for preparing merit list along with some kind of aptitude test. So, there will be two aspects; one is preparation for Board Examination plus preparation for an Aptitude Test which might be purely Aptitude Test or Aptitude plus Subject Test. As there is no clarity on this issue as on day, hence it is difficult to predict its impact. However, to mitigate any kind of risk, we have already started working to help our students to secure good marks in Board Examination and we are planning to launch a separate division, which will prepare the students for Board Examination exclusively. I believe if there is a change in format it might affect the mindset of the people temporarily, but if we have product ready for the students, then it won't affect our business significantly, and we will be able to match with the new changes.

**Grishma Shah:** So, what happens next year going ahead is we would have around 1000 plus students in some of our residential facilities plus we will have 50 centres up and running in the Technology-Enabled Centre.

**Pramod Maheshwari:** Yes.

**Grishma Shah:** So, that would give us an excess to around 1000 students.

**Pramod Maheshwari:** That will give access to close to 10,000 students.

**Grishma Shah:** 10,000 students. And then what are the strategies for geographic penetration, do you want to keep it in hold just because the clarity on format of the exam is not there?

**Pramod Maheshwari:** Currently, the focus geography is Northern, Central and Eastern part of India for CPLive centers. We are keeping face-to-face center expansion on hold for time being.

**Grishma Shah:** And next year then we have this enrolment growth from our tutorial business then we would also have some revenues flowing in from universities that you were talking about?



**Pramod Maheshwari:** Very true. Next year we expect both the universities, two technical campuses will be operational and revenue will start flowing from there also.

**Grishma Shah:** And you said that Mohali has already started this September, so how has been the response so far?

**Pramod Maheshwari:** We were very late, we got final approval from AICTE in 1st week of September, by then most of the admissions already had taken place, so this session response is bleak but we believe next year it will pick up and through lateral entry we will make up for the deficit.  
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**Grishma Shah:** Okay. And, then next year you report your numbers, how should we look at it? Would it be consolidated then because all this university and everything would be in our subsidiaries. So, then do we start reporting the consolidated numbers?

**Pramod Maheshwari:** We would start reporting the consolidated numbers; There will be two revenues flows from the university to the companies. One is the lease rental which the university will be paying to the subsidiary and second the management fee which the university will be paying to the company.

**Moderator:** Thank you. Swati would like to go ahead with the question.

**Swati Nangalia:** Yes, thanks Vineeta. Pramodji, just a couple of questions from my side, you gave us a broad timeline on the commencement of the various universities. I just wanted to get a sense of the funding requirement for these Universities and Schools - as to how are we placed today and against the backdrop that it might be challenging for us to generate significant fee cash from our Coaching business given the uncertainties in policy changes which might be coming through. So, for the next two to three years how are we looking at funding our formal education fees?

**Pramod Maheshwari:** Currently, all the projects are being funded by internal accruals and the cash lying with the company. But, going forward, we would certainly be needing fund to grow. Hence, company is evaluating various options to raise fund. And as we are currently debt-free, so focus is more on raising debt to address the fund requirement for the next two years specifically in formal education space. This requirement is primarily in wholly owned subsidiary which is developing educational infrastructure of these universities and colleges.

**Swati Nangalia:** Okay sir, how much capital have we already put in, in the Infra company right now?

**Pramod Maheshwari:** We have incurred close to 105 crores ruppees of capex in it.

**Swati Nangalia:** And over the next two years how much do you think one would need incrementally?



**Pramod Maheshwari:**

We need about 150 crores more for various projects in hand and in pipeline.

**Swati Nangalia:**

Okay. And secondly, since the Mohali Technical Campus is operational, you mentioned that we would start getting some revenue possibly from next year. But in terms of the cash flow Pramodji, wouldn't it be a longer gestation period because these universities or K-12 schools typically take three years to turn profitable. So, we would be booking lease rental from them, but cash flow from them would actually be more backdated, is that correct?

**Pramod Maheshwari:**

Yes, to some extent.

**Swati Nangalia:**

Okay. And on the online initiative, could you just throw some more colour on what are we exactly doing and how do we intend to scale it up over the next twelve months?

**Pramod Maheshwari:**

We believe, transformation is taking place the way education is delivered in India. Now, access to Internet and broadband is reality in majority of towns. The similar kind of transformation has already taken place in Korea long ago. So, we believe that education going forward will be delivered direct-to-home through various technology based solutions in online space and for that we are gearing up. I just shared that we have already signed MoU with a Korean company, CS Limited. We are developing a platform, where we can deliver live lectures, as well as recorded lectures on demand to the student and can create the community where they can share their notes, can ask questions to the faculty members. We believe after two years time from now there will be reasonable demand for these kind of solutions and will be acceptable as well.

**Moderator:**

Thank you. The next question is from Rajeev Bharati from Destimoney Securities. Please go ahead.

**Rajeev Bharati:**

Sir, regarding this change in Entrance Test pattern I would like to get a sense of, do you have a screening mechanism for taking up, during the intake of students as well?

**Pramod Maheshwari:**

We have, like we provide classes for IIT-JEE, AIEEE as on date. For IIT-JEE we have screening mechanism but for AIEEE we give admission to all who come to us to opt for coaching.

**Rajeev Bharati:**

And, could you give a sense of what is the proportion of students under your ambit who are in a pressure or appearing for 12th together with preparing for examination as compared to who are done with their 12th and then.....

**Pramod Maheshwari:**

About 30% of the students are grade 12<sup>th</sup> students. About 20% students are grade 11<sup>th</sup> students and remaining are 12<sup>th</sup> passed students.

**Rajeev Bharati:**

And, for these students you will be conducting evening classes?



**Pramod Maheshwari:** Yes, we conduct classes in the evening and we give them freedom to attend school in the morning.

**Rajeev Bharati:** And, is it a tie-up with some schools so that ....?

**Pramod Maheshwari:** There is no tie-up but as majority of students come to Kota from outside, hence we help them to get admission in schools, if they are at all looking for such help from us.

**Rajeev Bharati:** Alright. And sir, on your CPLive front, the fee structure the 35,000 per student what you have talked about, do you sense it is going on an aggressive side, because if you compare CPLive versus now education being imparted to television as well, content is being delivered to the set top boxes, how does it pan out?

**Pramod Maheshwari:** There is a difference in television media and this CPLive media, it is interactive online media where our faculty members are not only delivering online lectures in an interactive manner but we are conducting tests, assessments, providing feedback, etc. Just to share with you, we have been running it for the last six months at four locations and it is acceptable. We have already done the market survey and it is largely acceptable fee and we believe people are ready to pay this. If you compare, it is almost at 50% discount to the face-to-face coaching where student is paying approximately 70,000,

**Rajeev Bharati:** So, what are the locations, in the sense in which these four....

**Pramod Maheshwari:** Currently, we have a mix of locations. We have one centre in Baroda, one is in Shivpuri, it is a small place near Gwalior, we have one center in Rohtak and one is in Ambala.

**Moderator:** Thank you. The last question is from the line of Chetan Wadia from JHP Securities. Please go ahead.

**Chetan Wadia:** You said that you have around 39 crores of advance you received and this will be booked as revenue in the Q3 and Q4, that gives us a flat kind of growth in FY12 compared to FY11 so, because of the capitalisation and because of the addition to the gross block that will happen since a lot of facility will start courses from 2012 onwards, that is implying the profitability at least in the Q4?

**Pramod Maheshwari:** Yes, if you look at our advance fee received, financially it appears to be flat and it will remain more or less flat or for 2%-5% of growth in top line. Related to the gross block and CapEx, I missed that, can you repeat that sentence?

**Chetan Wadia:** Sure, sir you said a lot of your facility would start commence academic year from April 2012 onwards. So, I think whatever CapEx was incurred on them that will be added to gross block. So, it will be done in Q4 or there will be some spill over effect to Q1 FY13 as well?



**Pramod Maheshwari:** We are adding it to the gross block as and when it is put to use. So, we believe in Q4 there will be a little bit of addition in gross Block and mainly it will be in Q1 FY13 onwards. But, this CapEx will be primarily in infrastructure subsidiary that will be reflected in the consolidated.

**Chetan Wadia:** So, when you report the consolidated numbers after the Q4 results, it will be more clear from that onwards.

**Pramod Maheshwari:** yes.

**Moderator:** Thank you. As there are no further questions I would now like to hand the floor over to Ms. Swati.

**Swati Nangalia:** Thanks Bineeta. I would like to thank all the participants for joining us today. Also, thanks to the management for removing time for this call. Pramodji, would you like to make any closing comments?

**Pramod Maheshwari:** Thank you all for taking out your time for this investor call and still if you have any more questions feel free to mail it to us, the company will reply back at its earliest. Thank you very much.

**Swati Nangalia:** Thank you.

**Moderator:** Thank you. On behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us, you may now disconnect your lines.