



“Career Point Infosystems Limited Conference Call”

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MODERATORS: MR. ABHISHEK ANAND
MR. PRAMOD MAHESHWARI



Moderator: Ladies and gentlemen good day and welcome to the Career Point Infosystems Limited Q3 FY'11 results conference call hosted by Centrum Broking Private Limited. As a reminder all participants' line will be in the listen-only mode and there will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the 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 Mr. Abhishek Anand. Thank you and over to you Sir.

Abhishek Anand: Thank you Faisal. Good morning everyone on behalf of Centrum Broking I would like to welcome you all the conference call to discuss third quarter results of Career Point. We have with us Mr. Pramod Maheshwari, Chairman & Managing Director of the company. I request Mr. Maheshwari to take us through the results and company operations, without further delay I would like to hand over to Mr. Maheshwari. Over to you Sir.

Pramod Maheshwari: Thank you Abhishek. Good morning ladies and gentlemen, this is Pramod Maheshwari and I have with me Mr. Vikas Jain head of our Accounts Department and Finance Department, and we thank you all for joining our maiden investor conference call. To begin with we will be giving you an overview of our business followed by Q3 FY'11 results. We are one of the leading education companies headquartered at Kota, Rajasthan. We operate in the following areas, test preparation services for various competitive examinations and we are also into the school education, engineering colleges, MBA colleges and universities. Under the test preparation services, we provide tutorial services to the aspirants of various competitive entrance examinations like IITJEE, AIEEE that is All India Engineering Entrance Examination, All India Pre-Medical Entrance Test that is AIPMT, and other state Pre-Engineering and Pre-Medical Entrance Examinations. We provide our tutorial services through our classroom training programmes conducted through a network of company-operated centres and also through franchisee centres. We also use technology to deliver quality education to the students at remote locations for which Hughes Communication is our technology partner. They provide VSAT services and we are providing them content and distributing the education to their franchise network. We also offer distance learning programme comprising of correspondence courses, test series courses like that. Most recently, we have forayed into school education K-12 and colleges education that is engineering college, MBA colleges, and universities. At present, company is managing one K-12 school, one business school, and in the process of setting up two private universities and one engineering college. The company has two subsidiaries, one is Career Point Infra Limited, it is wholly owned subsidiary and in the field of rendering educational infrastructure and allied service for setting up physical infrastructure for educational institutions. So wherever we setup an engineering college or universities or high schools, this infra company, the subsidiary company, provides the required infrastructure. We have another subsidiary Career Point Edutech Limited; it provides technology-driven assessment and online testing services. Now I will share with you our quarterly performance. To begin with I will share the highlights of the company's performance for the quarter and nine-month ended. We have reported a net profit of about 5.5 Crores for the quarter ended December 31 as compared to 4.25 Crores in Q3 FY'10 with an increase of approximately 28%. The operating income for this quarter is increased by 22.7% to 5.68 Crores as compared to 4.63 Crores in Q3 FY'10. If you look at the nine-month ended operating number, operating profit has increased by 32.3%. For this Q3 FY 11 the EBITDA margin is 32.16%, whereas EBITDA margin for nine-month ended December 31 is 39.69% which is almost the same as compared to nine-month ended FY'10. So we have maintain our EBITDA margins while increase in top the topline and increase in administrative and other expenses. The earnings per share for this quarter on a face value of Rs.10 stood almost the same as the corresponding quarter in previous year in spite of increase in number of share due to IPO in September 2010. We got listed on NSE and BSE on October 6, 2010 at an offer price of Rs. 320 and have seen a steady stock price. As you can see from the results, the third quarter and nine month ended period have been fruitful to us. We have registered growth not only in the topline but also in the bottomline while keeping EBITDA margin for nine-month ended period almost the same. During this quarter the company signed an MOU with Government of Gujarat for setting up educational institution in higher education, vocational training and a skill development segment. During this quarter, the company has also taken decision to setup



three more company-owned branches for tutorial business, one at Sikar, Sri Ganganagar, and third is in Patiala. We also have taken decision to setup University in Himachal Pradesh and engineering college at Rajsamand, a place close to Udaipur, Rajasthan. Conclusively, we are looking for a very positive growth in revenue and profit after tax for the full year, and expecting that the both top line and side level we will be able to register growth close to 30% plus. The management is taking a step to expand the institution and reach out to as much extent as possible by setting up a company-owned-operated branches and also using the technology to many more cities where we are not present currently. We are also scouting for acquisition opportunities in formal education space as well as in tutorial and skill development space. So far we have not zeroed-in any target, but actively looking for such opportunities. This is a very brief about the company results. Now floor is open for questions and answers.

- Moderator:** Thank you very much Sir. The first question is from the line of Grishma Shah from Envision Capital. Please go ahead.
- Grishma Shah:** Good morning Sir. Sir if you could first please repeat your sales, EBITDA, and PAT numbers, actually the release is not available on the exchange as yet?
- Pramod Maheshwari:** What numbers should I tell you?
- Grishma Shah:** Sales for Q3, EBITDA, and PAT figure for Q3?
- Pramod Maheshwari:** Actually we do not have any sales, we have the receipt from the students, and it is 18.5 Crores for Q3 FY'11 against 12.89 in Q3 FY'10. This you can call sales number. EBITDA is 5.95 Crores for Q3 FY'11 against 4.79 Q3 FY'10. The PAT is 5.44 Crores for Q3 FY'11 against 4.25 Q3 FY'10.
- Grishma Shah:** Also sir if you could tell us till date enrollment and how things are running, throw some color on that?
- Pramod Maheshwari:** Actually the enrollment takes place mainly from the month of March onwards to August and mid of September. This year we have registered about 31,000 students in various programmes. We actually run two kinds of programmes, short-term programme and long-term programme. Short-term programmes are of duration of about 40 days, whereas long-term programmes are of duration close to 10 months. Short-term programmes enrollment usually takes place in the month of April or last week of March and these courses finished by end of April. We conduct classes for three competitive examinations; IIT-JEE, AIEEE and Pre-Medical.
- Grishma Shah:** Including these 31,000 students, how many students would we have trained for the entire year?
- Pramod Maheshwari:** We had about 4500 students for short-term programme and the remaining all for long-term programme.
- Grishma Shah:** If you could also tell us the number of centres till date now?
- Pramod Maheshwari:** We have 17 company-owned and operated branches and 16 franchisees for the current academic session.
- Grishma Shah:** If our peak season is somewhere between March to April, then this quarter would be a kind of nonevent for us?
- Pramod Maheshwari:** Admission takes place from the month of March to August or mid of September, whereas the revenue is recognized in our book on accrual basis. So we assuming a course of 10-months' duration then we divide the receipt from the student in 10 months and recognize it accordingly as the courses progresses.
- Grishma Shah:** That is it from my side, thank you and good luck.



- Moderator:** Thank you. The next question is from the line of Rishabh Daga from ICICI Securities. Please go ahead.
- Rishabh Daga:** Good morning Sir. I would like to ask about the franchise sharing ratio that you all have?
- Pramod Maheshwari:** We charge about 22% of the revenue from franchise. However, I would like to add one thing here, we are in the process of winding up our franchise operation and the revenue from franchise in our topline is just less than 1.5%. It is insignificant; we are no more giving franchise now, just focusing on company-owned and operated branch.
- Rishabh Daga:** Are you planning on expanding on that like giving out more franchises?
- Pramod Maheshwari:** No. We are winding up franchise operation. We have been into the franchise earlier, but for the last two years we have not appointed any new franchise and in fact as and when terms are expiring for existing franchise we are not renewing their terms. The company is focusing only on company-owned and operated branches that too at a strategic location where we can create a hub and can cater students not only from that town, but from the neighboring towns as well. This model is similar to what we have been practicing at Kota and in some other locations. We try to build a centre where we can enroll more than 2000 students at one location, so that does not impact on EBITDA margins. Suppose we set up our branch for 300 or 400 students then it impacts our EBITDA margins significantly.
- Rishabh Daga:** With regards to your K-12 you said you are coming up with, the funding that you are getting for that is from the IPO?
- Pramod Maheshwari:** The IPO proceeds have couple of purposes, one is for office and classroom facilities in Kota, which we are running short of space. Second, we are also developing a residential campus in Kota for the students who are coming from outside. Almost 15,000 students we enroll every year in Kota and majority of the students are outsiders to whom so far we have not been providing residential facilities. These are the purpose of IPO proceeds; however, prior to IPO the company had close to Rs. 70 Crores cash on its book and we are using that cash to fund the subsidiary and that subsidiary in turn is setting up these K-12 schools, engineering colleges and universities.
- Rishabh Daga:** These are the not-for-profit trust only, and the management and all will be provided by the subsidiary?
- Pramod Maheshwari:** The structure is similar which is known to everyone.
- Rishabh Daga:** Sir what is management fees for that?
- Pramod Maheshwari:** Management fee currently is 15% of the revenue.
- Rishabh Daga:** Sir with regards to your tutoring business, you are cutting down your franchises, so to achieve this scale you are using technology in some manner?
- Pramod Maheshwari:** We are using technology; in fact Hughes Communication is our partner. They have V-SAT study centers across India and we are riding on their network. We ourselves are also developing our own private network to deliver content to the remote location through video conferencing and through VSAT.
- Rishabh Daga:** You have a network of teachers for that who provide the training?
- Pramod Maheshwari:** We will be operating from Kota that is the head office, where we have best of the teachers available with us.
- Rishabh Daga:** On a similar VSAT platform that you will be teaching from one place?
- Pramod Maheshwari:** Right, it is a multicasting environment,
- Rishabh Daga:** Okay thank you Sir.



- Moderator:** Thank you. The next question is from the line of Vinit Sambre from DSP Blackrock. Please go ahead.
- Vinit Sambre:** Hello Mr. Pramod. One is if you can provide us the details about, once again, the number of universities and schools which you are planning, also the timelines, and the money which is going to be totally spent on the plants?
- Pramod Maheshwari:** We are setting up two private universities, one in Rajasthan that is in Kota and second is in Himachal Pradesh that is in Hamirpur. For these two universities the total CapEx invested is about 120 Crores to be incurred over the period of four years. In addition to this, we are coming up with one engineering college in Rajsamand, a place near to Udaipur, for which the construction work is already started. The total CapEx to be invested is about 8 Crores to be spent over the period of two years from now. These are three projects. Out of two universities, we are expecting one university will be functional by coming academic session that is in Kota and second university will be functional by next academic session that will be academic session in financial year FY'12-FY'13. The Rajsamand engineering college will be functional by this academic session and financial year as well. We are already running a school in Kota which is already functional and we are also running an MBA college in Kota which is also functional. Recently AICTE has actually relaxed norms, so in Rajsamand engineering college we are also planning to come up with MBA and MCA colleges. Earlier as per the guidelines of AICTE, the minimum land requirement was just for engineering college but recently they have relaxed the norms and now there is a flexibility to setup integrated campus. That is what we are doing.
- Vinit Sambre:** These are which norms?
- Pramod Maheshwari:** AICTE, All India Council for Technical Education.
- Vinit Sambre:** That will get added and total CapEx will remain 8 Crores?
- Pramod Maheshwari:** Total CapEx still remain 8 Crores, but you can utilize infrastructure even for running other colleges.
- Vinit Sambre:** One more question was regarding the two universities, 120 Crores CapEx, one is starting in this academic year in Kota and other next year, so most of the spent has already taken place?
- Pramod Maheshwari:** It is in a phased manner, we are developing the universities in a phased manner and it will take about four years to invest 120 Crores. We have almost incurred close to Rs.20 to 25 Crores for this university.
- Vinit Sambre:** 70 Crores is what we have funded to the subsidiary to do all this and the balance whenever it is required?
- Pramod Maheshwari:** The company is having good internal accrual, cash accrual and company is also debt-free, so currently we are funding with internal accrual. We do not foresee any kind of challenge in terms of requirement of fund in years to come. Once the university becomes functional there will be cash flow from the university operations as well. But we are flexible, if required then we will definitely go for debt for these projects.
- Vinit Sambre:** 15% management fees will be charged by the subsidiary is it?
- Pramod Maheshwari:** For the subsidiary which is providing infrastructure it will charge 15% of the CapEx as the lease rental against the infrastructure facilities being rendered to trust. Whereas the management company charge 15% of the revenue of the trust.
- Vinit Sambre:** In this case the management company will be the parent company?
- Pramod Maheshwari:** In all the cases management companies are parent companies.



- Vinit Sambre:** 15% will be on the value of the property, which is leased for the infrastructure?
- Pramod Maheshwari:** For infra, CapEx.
- Vinit Sambre:** The other thing was how do you really account for the revenues because your admissions are initially done?
- Pramod Maheshwari:** It is on accrual basis, if suppose a course is of 10-month duration, we book the revenue over the period of 10 months. We keep it as a liability.
- Vinit Sambre:** The question is if I look at your last year FY'10 numbers of 62 Crores of revenue, the last year nine-month you had 45 Crores of revenue, so the difference which works out to us is roughly about
- Pramod Maheshwari:** Nine-month is 32% growth.
- Vinit Sambre:** In 10 months, the course gets over then in fourth quarter what revenues are really booked?
- Pramod Maheshwari:** What happens, usually course starts in the month of June, majority of admissions takes place in the month of June. So there will be courses which will be spilled over to the fourth quarter as well.
- Vinit Sambre:** So those are then charged.
- Pramod Maheshwari:** Few admissions start taking place in the month of March, and we will start providing services than in the month of March itself.
- Vinit Sambre:** This year this 31,000 what is the target, what are you expecting for the FY'12?
- Pramod Maheshwari:** We are expecting that we will be able to achieve close to 15% or 20% growth in enrollment number and we have already hiked the fee by 10%.
- Vinit Sambre:** That will lead to another about 30% growth next year?
- Pramod Maheshwari:** We expect 25%.
- Vinit Sambre:** This residential facility what is the timeline, has it started now?
- Pramod Maheshwari:** Actually the contract has already been given and development is taking place, but we would not able to cash this in this academic and financial year. We will start getting the revenue from next academic session.
- Vinit Sambre:** Okay, thank you for the update.
- Moderator:** Thank you. The next question is from the line of Siddharth Bhattacharya from Monsoon Capital. Please go ahead.
- Siddharth Bhattacharya:** I have a couple of questions, I wanted to know what has been your experience in the K-12 segment since you have been in this segment for quite sometime, what is the kind of problem that you face and what are really the issues when you are trying to scale up, that is my first question. The second is could you please elaborate more on your subsidiary which is Career Point Edutech as to what you do in this subsidiary and what kind of traction you can see in this subsidiary?
- Pramod Maheshwari:** First I will give the answer to your K-12 question; as such there is no challenge in K-12 business per se. You need to have a good faculty team and a good administrator which is a principal. You have to placed a good management system. If that is followed diligently then at operational level there is no challenge in K-12 business. The second question which you asked in respect to scalability, procurement of land is the bottleneck in scaling



up K-12 business rapidly. Suppose I say that I will setup 20 schools in the next one-year time, then I have to buy the land left-right, and that is a bottleneck. You cannot acquire that in a small timeframe at right price, at right location. Also, K-12 business takes time to grow. So wherever you setup a school, take any location across India, in the first year I believe it is very difficult to enroll more than 300 students. The total strength which is usually being targeted in K-12 school is about 2500 or 2400, which one will be able to achieve in five to six-year timeframe. So the business builds gradually. In a year or two years you cannot reach the optimum level.

Siddharth Bhattacharya: What is the kind of payback that you expect from these segments?

Pramod Maheshwari: It is a fantastic business, it is about 50% EBITDA margin business, operationally you never lose money and on payback it all depends upon the cost of the land. If you actually keep the land cost aside, then payback period is about seven to nine years.

Siddharth Bhattacharya: So these are very high gestation sort of businesses?

Pramod Maheshwari: Yes you can say, but it is a good and a stable business.

Siddharth Bhattacharya: Yes, because 10 years down the line you will have stable revenues from this?

Pramod Maheshwari: Even after seven years you will have stable revenue.

Siddharth Bhattacharya: Also these facilities in Hamirpur and Kota, these include the land cost?

Pramod Maheshwari: It is excluding the land cost, because these are the large campuses. The Kota campus is about in 50-acre land and it is on outskirts of the town, it is about 15 km from the Kota and Hamirpur the land cost was also not very high, the at Hamirpur is on about 30 acres, but it is a hilly area. The land cost there is not that significant.

Siddharth Bhattacharya: Regarding Edutech?

Pramod Maheshwari: Career Point Edutech is into developing assessment solutions. We have developed a solution called AtoZ feedback.com. There is a website called AtoZ feedback.com. It is a software solution based statistical analysis, so based on the response from the students we give them relative and personalized feedback. We believe that going forward in education; assessment will become one of the area which will help educator us significantly to deliver what exactly is required. If you do not get the critical feedback on your performance on a personal and relative basis, it is very difficult to improve upon.

Siddharth Bhattacharya: This is based on the test that the student gives?

Pramod Maheshwari: Yes, this company has three solutions, one is AtoZfeedback.com to provide feedback, second is adaptive testing. In adaptive testing, the question is being asked based on your past performance. We believe that the entrance examinations like IIT-JEE, AIEEE and Pre-Medical going forward will be online. So we have developed the solution to provide online testing to the student and to also support the parent company. Third is just a portal we have developed, Examtaylor.

Siddharth Bhattacharya: Okay I got that, thanks a lot.

Moderator: Thank you. The next question is from the line of Amar Kalkundrekar from HDFC Mutual Fund. Please go ahead.

Amar Kalkundrekar: Good morning Pramodji. Sir in your opening remarks you mentioned you are also open to inorganic growth opportunities in formal education as well as in tutorial business, and you mentioned that you have not identified any?

Pramod Maheshwari: We have not zeroed in on any target so far.



- Amar Kalkundrekar:** In these two businesses, typically what kinds of valuation expectations are there, most of these businesses are in unlisted space so what are the expectations typically?
- Pramod Maheshwari:** In formal education, it is more of land valuation and property valuation than any multiple on EBITDA or anything else, so whenever you approach anybody or whenever get an opportunity in formal education like any school, college or university, people value the properties and actually look forward to realize the value of the property than anything else. Whereas, in tutorial businesses it all depends upon the size. The small firm's with topline close to 5-10 Crores, are expecting 7x to 10x kind of multiples.
- Amar Kalkundrekar:** 7x, 10x revenue multiple. But these will be fairly person dependent or teacher dependent?
- Pramod Maheshwari:** Sometimes it is a teacher dependent and it is a difficult challenge to acquire such companies and then subsequently maintain their business.
- Amar Kalkundrekar:** Even in K-12 acquisition, the challenge remains the land cost that still is the issue.
- Pramod Maheshwari:** You are right.
- Amar Kalkundrekar:** That is it Sir, thanks and good luck for the enrollment season.
- Moderator:** Thank you. The next question is from the line of Ketan Shah from Sunman Investments. Please go ahead.
- Ketan Shah:** Hi sir, can you tell me the CapEx which you told of 120 Crores for two universities.
- Pramod Maheshwari:** See 120 Crore is per university.
- Ketan Shah:** Okay, so for two universities it which will be 240 Crores. Okay sir why is the number so high, if you can explain?
- Pramod Maheshwari:** See university campus is a fairly large one. The total constructed area is about 10 Lakhs sq.feet. So majority of cost is for construction and land development, and a bit for equipments. One university consists of a large number of colleges like engineering colleges for which you have to incur cost for equipments, whereas for MBA, faculty of law, faculty of life sciences, faculty of humanities, you just require infrastructure, . So even if you construct 10 Lakhs sq.feet it will cost you about 120 Crores.
- Ketan Shah:** Okay Sir and these facilities can be funded internally?
- Pramod Maheshwari:** Yes, currently we have sufficient cash on our balance sheet as well as good internal accruals so we believe for next two years we will be able to address the requirements for CapEx for these universities, unless otherwise any other inorganic opportunity comes in way and we use that money for that.
- Ketan Shah:** Sir what is the current cash on the balance sheet?
- Pramod Maheshwari:** Current cash on the balance sheet is approximately 170 Crores, which includes the IPO process as well.
- Ketan Shah:** Sir one more question, CapEx for fiscal 12 will be how much?
- Pramod Maheshwari:** CapEx for fiscal 12 will be approximately 90 Crores.
- Ketan Shah:** Okay and these will be used for residential.
- Pramod Maheshwari:** Yes it includes the total five operations; one is residential facility in Kota, second is office facility in Kota, the university in Kota, the university in Himachal Pradesh, and engineering college in Rajsamand.
- Ketan Shah:** And these universities when do you expect it to start up?



- Pramod Maheshwari:** The first university in Rajasthan will start from this academic session. We are expecting that we will start the first session from August FY'11. There is a process of setting up university, let me just elaborate the same to you. First you approach state government with intent to setup university in the state. The state government, based on your project report, will sanction and issue a letter of intent to you to setup university, wherein there are certain conditions, which you need to comply, which includes mainly acquisition of land, construction of building, setting up of library, laboratory, etc. Once you complete that then you again approach the government with the compliance report for final clearance. We are in the process of filing our compliance report. Based on the compliance report state government will pass an act in assembly and confer us the university status. Once you get the university status, then you start your operation and you are not regulated by any other body in education space like AICTE or UGC, etc. You can run your own colleges independently. You got full autonomy and you can design your courses.
- Ketan Shah:** Sir how much branches we plan to add this fiscal and next fiscal?
- Pramod Maheshwari:** This year we are planning to add five branches, three we have already added, two we are evaluating, though we have not taken any final decision, so these three will be operational in any case because we have already finalized by next academic session, and we intended to add five branches every year.
- Ketan Shah:** Okay Sir. Thanks a lot.
- Moderator:** Thank you. The next question is from the line of Abishek Gupta from Goldman Sachs. Please go ahead.
- Abishek Gupta:** Good morning Sir. I have got two set of questions. To start with, MBA and engineering college need to come under the purview of AICTE. If that is the case don't they regulate also the fee structure and we will not be independently deciding on the fee structure.
- Pramod Maheshwari:** There are two kinds of engineering colleges being run by various institutions in India. One is engineering college which has been affiliated with technical University of the state. The engineering college we are setting up in Rajsamand will be affiliated to Rajasthan Technical University. Then for that engineering college the fee is already decided by the government and we do not have flexibility to decide up on our fee. Whereas, in case of private University, if the engineering college is being run by private university; then university has flexibility to decide your fee. As on date there is no regulatory body to control fee in case of private universities, However, based on our understanding of the business in engineering college space, even the Rs. 60000 per annum fee gives an EBITDA margin close to 50%.
- Abishek Gupta:** Okay, what kind of numbers are we working at in terms of the enrollments to get this kind of EBITDA margin.
- Pramod Maheshwari:** If it is affiliated with technical university then in first year you can give about 300 admissions in engineering stream as intake is being regulated by AICTE. Whereas in case of engineering college under private university, you have flexibility to decide your intake. We are planning to have 1000 students intake in the first year in our engineering college under university, whereas 300 students in Rajsamand Engineering College as sanctioned by AICTE.
- Abishek Gupta:** At the same premise, can we actually have one which is affiliated by the state?
- Pramod Maheshwari:** No, you have to have separate premises. However, recently in case of AICTE approved engineering college, norms are relaxed by the AICTE and you can run MBA and MCA college in the same premise affiliated to the respective technical Universities.
- Abishek Gupta:** As far as the new branches that we are talking about, opening in FY'11 and FY'12, what is the approximate cost per seat, if you can use some thumb rule to work out the CapEx?



- Pramod Maheshwari:** What we do is, whenever we set up a branch we initially target the strength of 400 students and we develop the facilities accordingly to accommodate 400 students in the first year. For that the CapEx is just Rs. 30 Lakhs.
- Abishek Gupta:** That will mostly be only in setting on the fixtures and interiors.
- Pramod Maheshwari:** Yes, in interiors and fixtures. We do not own the premise, we usually go for rented premise and 30 Lakhs is for setting up infrastructure, interiors, fixtures, furniture, and all.
- Abishek Gupta:** What is the current faculty strength for us?
- Pramod Maheshwari:** As on date with the company 211 teaching faculties we have.
- Abishek Gupta:** And that will be mostly at our own centers.
- Pramod Maheshwari:** These are the faculty members at company-owned centers. I am not including the faculty members at franchise locations.
- Abishek Gupta:** Okay. Just one more data point, you have mentioned that right now 31,000 students of which 4500 are short terms and others are like the long term. Sir, I just wanted to have your price points for these two kinds of offerings.
- Pramod Maheshwari:** For long-term courses, different course has different fee structure, but on a blended basis the average fee is close to 32000 and for short term it is about 6500. In our accounting, we do not book the revenue of franchisee, we take only part of our share in our books.
- Abishek Gupta:** Okay and just last question on this K-12 segment; are we recognizing revenue right now in the P and L from the same?
- Pramod Maheshwari:** We are providing management services to one school and from that the revenue from this year we booked is about 30 Lakhs, so that is the only revenue from management services for this fiscal year. In this quarter out of 18.5 crore, close to 8 Lakhs are from management services.
- Abishek Gupta:** So what kind of visibility we have in terms of management revenues from K-12 segment?
- Pramod Maheshwari:** We are already providing management services to one school and three projects are in pipeline, out of these two will be operational by next fiscal year. So we are expecting that we will be getting revenue from those as well, Specific number will be futuristic at this moment of time, however I have already given the targeted strength of engineering college etc. And revenue from these will add to our management revenue.
- Abishek Gupta:** And this will predominantly be defined on your percentage of revenue right. So whatever revenue one incurs you will get 15%, so what is the price point right now for K-12 per student?
- Pramod Maheshwari:** It is about Rs. 20,000
- Abishek Gupta:** Rs. 20000 and we are running right now 300 odd students.
- Pramod Maheshwari:** No, it is 1400.
- Abishek Gupta:** 1400. Yes, that is it from my side. Thanks a lot.
- Moderator:** Thank you. The next question is a follow up question from the line of Amar Kalkundrekar from HDFC Mutual Funds. Please go ahead.
- Amar Kalkundrekar:** Sir you mentioned that you hope to start the private university at Kota, the first intake in August this year and you also explained us the process. How confident are you that this approval and the legislation that has to happen in assembly in Rajasthan will go through for you to take students in time for this first batch and when will the enrollment process actually start for those students, and what kind of fees do you foresee for that first batch?



- Pramod Maheshwari:** I am confident about getting timely approval from Rajasthan Government. I am hopeful that we will be able to start the session by August, as we have already complied with almost everything. Only due to some procedural issues it may get delayed, otherwise I do not see any reason for not getting. Second question was in terms of number of enrollment, we are targeting about 1000 students.
- Amar Kalkundrekar:** This will start sometime in March?
- Pramod Maheshwari:** Most of the private universities who has already got approvals start their promotion activities or marketing activities post board XII examination, which is in the month of April. Because we are in the first session and there is a bit of uncertainty of when we get the final approval and without getting final approval we cannot go ahead and promote our courses, However admission in engineering colleges takes place in the last week of August or first week of September. So we believe that even if we get final approval in the month of May or May end, we have sufficient time to promote our courses. The advantage which I believe is with us that we are already having about 30000 students enrolled with us for various competitive examinations, out of which majority of students are engineering aspirants. So we have a captive student base with us and we believe from this captive student base, getting 1000 is not a difficult task for us.
- Amar Kalkundrekar:** And for this college will you be holding a separate entrance exam or AIEEE marks will be enough?
- Pramod Maheshwari:** We have choice, so initially this year we will be using the AIEEE marks to give admission. Next year onwards once all things are in place properly, we will conduct our own entrance test.
- Amar Kalkundrekar:** Okay and sir for this first phase of university, till that stage what could be the CapEx that could have been incurred by head win?
- Pramod Maheshwari:** We will incur close to 20 to 20 Crores till the first phase of this 20 to 22 Crores expect land.
- Amar Kalkundrekar:** Okay so, this is excluding land?
- Pramod Maheshwari:** Yes, excluding land.
- Amar Kalkundrekar:** Okay, they will get lease rental on this amount. Okay sir. Thank you very much.
- Moderator:** Thank you. The next question is from the line of Chetan Vadia from JHP Securities. Please go ahead.
- Chetan Vadia:** Could you give us more light on the franchise, why do you want to discontinue you franchise?
- Pramod Maheshwari:** In franchise operation, specifically in tutorial space there are a couple of challenges, the first challenge is monitoring the revenue being generated by the franchisee because in franchise operation you get your share as certain percentage of the revenue being generated by franchise. As in tutorial business we do not provide any kind of certificate to the student, so there is high possibility of concealment of income on franchise part and company end up losing its share. Secondly, franchise usually enters into the business with very short-term objective to make quick money and many times they start compromising with the quality of education which is being delivered to the student, thus impact the brand equity of the company significantly. These are the two major reasons we decided not to go ahead with franchises without having a proper mechanism in place to control these.
- Chetan Vadia:** Okay, thank you sir.
- Moderator:** Thank you. The next question is from the line of Pradeep Vimani from Sunidhi Securities. Please go ahead.



- Pradeep Vimani:** Sir any legislation coming at center level, parliament is going to pass any legislation which is going to affect these universities or these are only state government.
- Pramod Maheshwari:** Ours will be state university and as you know, education is a state matter, and not center matter. Even if central government has come up with any legislation in respect to setting up any kind of universities it will not affect the state legislation in any way.
- Pradeep Vimani:** Sir are you planning to open any university in Maharashtra as well?
- Pramod Maheshwari:** Not so far.
- Pradeep Vimani:** Okay sir this 50% EBITDA what you talk about technical university, this is land cost or lease rental is part of that?
- Pramod Maheshwari:** No. We have not taken the lease part in that, it is operational EBITDA for the university or the technical institution stand alone.
- Pradeep Vimani:** Okay so these three universities which are at Rajsamand, Kota, and Hamirpur, who owns the land?
- Pramod Maheshwari:** In case of higher education as per the current prevailing rules as per our understanding, trust has to own the land, where as the infrastructure is being owned by the infra company. However in case of K-12, it is not mandatory to own the land by the trust hence in case of K-12, infra owns the land.
- Pradeep Vimani:** Okay and in 75%, University also you are going to have 50% operational EBITDA
- Pramod Maheshwari:** Yes approximately.
- Pradeep Vimani:** Okay sir, thank you very much.
- Moderator:** Thank you. The next question is a follow up question from the line of Rishabh Daga from ICICI Securities. Please go ahead.
- Rishabh Daga:** Sir, I wanted to ask what is the lease rental that you are charged?
- Pramod Maheshwari:** 15% of the CapEx.
- Rishabh Daga:** That is a one-time charge, right?
- Pramod Maheshwari:** No, it is a recurring charge, whatever CapEx the infra company has incurred to build that infrastructure it will charge 15% of that
- Rishabh Daga:** The management fee is charged by the parent company?
- Pramod Maheshwari:** Management fee is charged by the parent company.
- Rishabh Daga:** so 15%?
- Pramod Maheshwari:** Yes that is also 15%.
- Rishabh Daga:** And Sir what capacity is the management school and the K-12 running at right now?
- Pramod Maheshwari:** Current K-12 school is having capacity of 1600 and it is operating at currently 1450 student enrollment approximately.
- Rishabh Daga:** All the classes are active right now?
- Pramod Maheshwari:** Yes it is up to 12, affiliated to CBSC.



- Rishabh Daga:** Okay, and the management school?
- Pramod Maheshwari:** Management school is having 210 students currently as on date, it is running MBA program and BBA program.
- Rishabh Daga:** Okay, thank you sir.
- Moderator:** Thank you. The next question is a follow up question from the line of Chetan Vadia from JHP Securities. Please go ahead.
- Chetan Vadia:** You have 17 company-owned operations and 16 franchised operations. In how much time this tie-up would we likely see?
- Pramod Maheshwari:** Different franchises have a different tenure, so we are expecting that franchise operation we will wind up in next three years' time frame, though currently the revenue which we are getting from franchise is insignificant in our operation & effectively we can say franchise operation is insignificant to our business even as on date.
- Chetan Vadia:** Okay sir, my question is that K-12, most of the players operating in this segment have got into franchise expansion in various cities. Due you think you are still going to maintain you company-owned operation even for K-12?
- Pramod Maheshwari:** In K-12 space, we have three strategies, one is owning land and infrastructure, second is partnering with people who owns the land themselves and building infrastructure. Currently I had shared only the projects which are in execution stage as on date with you, however, from the strategy point of view company is working on three kinds of models exploring possibilities, one is own land and infrastructure for K-12 school, second if land is not available or not able to acquire then taking land on lease rent for long term and build infrastructure and run the school, and third is if somebody is ready to build infrastructure and ready to buy land and ready to give it to us for long-term lease we are okay with that as well.
- Chetan Vadia:** Okay Sir, how many K-12 schools are you planning in the next year?
- Pramod Maheshwari:** Next year we are coming up with another K12 school, however, giving any number would be futuristic at this moment of time, I can say 5 or 10, but bottleneck is acquiring land in K-12, so as and when we will be able to acquire land we will be informing our investors that we are setting up a school there.
- Chetan Vadia:** Okay thank you very much Sir. That is it for me.
- Moderator:** Thank you. Sir at this moment we do not have any further questions, would you like to have any final remarks?
- Pramod Maheshwari:** I thank you all for taking your time for this call. Still if you have any more queries then feel free to mail to us or to Centrum, we will definitely revert back at the earliest. Thank you very much.
- Moderator:** Thank you very much sir. Thank you members of the management. On behalf of Centrum Broking Private Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.