



**CAREER POINT**

## “Career Point Q3 FY12 Results Conference Call”

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**CAREER POINT**



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**Moderator**

Ladies and gentlemen, good morning and welcome to the Q3 FY12 results conference call of Career Point hosted by IDFC Securities Limited. As a remainder for the duration of this call, all participants' lines 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. Should you need assistance during the conference, please signal an operator by pressing \* 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. Kavitha Rajan of IDFC Securities Limited. Thank you and over to you.

**Kavitha Rajan**

Thank you. Good morning everyone and welcome to Q3 FY12 Earnings Conference Call of Career Point hosted by IDFC Securities. We have with us the senior management team, Mr. Pramod Maheshwari – Chairman and Managing Director; Mr. Mahesh Bhangriya – Vice President Corporate Strategy. I would request Mr. Pramod Maheshwari to run through the key aspect of the results and then open the floor for Q&A. Over to you sir.

**Pramod Maheshwari**

Thank you Kavitha. Good morning ladies and gentlemen. This is Pramod Maheshwari – MD & CEO of Career Point Limited. With me, I have Mr. Mahesh Bhangriya – Vice President, Corporate Strategy and Mr. Vikas Jain – Head of our Accounts and Finance department. Thank you all for joining our investor conference call.

To begin with, I will give you an overview of our Q3 FY12 results and then nine-month FY12 results followed by a quick update on business. For this quarter, the company has reported income from operation of Rupees 21.4 crores in Q3 FY12 as compared to 18.5 crores in the same quarter last year. We have registered year on year growth of 15.6%. This growth is mainly due to a shift in a part of our revenue from Q2 to Q3 due to delay in academic session and enrollments which I mentioned earlier as well. On nine-month basis, income from operation came to Rupees 58 crores as compared to 59 crores in nine-month FY11, which is more or less the same as last year, as mentioned earlier, due to the flattish enrollment this year. Here, I would like to mention that as on 31<sup>st</sup> December 2011, our company has about Rupees 21 crores of unearned income as advance fee which will be booked in Q4. If you look at the total income including the other income for Q3 FY12, it has stood at 28.1 crores and on nine-month basis, it is 72.9 crores, about 12% up as compared to last year nine months. Operating EBITDA, which is excluding other income for Q3 FY12, is 8.85 crores with operating EBITDA margin of 41.4%, a growth of 9.2% points compared to Q3 FY11. The key factor behind the improved operating margin is lower admin and other expenses. However, I would like to add that last year in Q3, we had an additional expense for student kits which is already booked in Q1 and Q2 this year. Overall, EBITDA for Q3 is 15.5 crores with EBITDA margin of 55.3%, a growth of 14.2% point compared to same quarter previous year. The net income was more than double at 11.5 crores. On nine-month basis also; the company has witnessed a reasonable growth of more than 16%. As on 31<sup>st</sup> of December, the net worth of the company was 296 crores and company was having about Rs.95 crores of cash and zero debt.

Now I would like to give you a brief update on the business. First, I would share the updates on tutorial business which is our key revenue source as on date and at present. As you all are aware

that majority of enrollments take place from March to September except few admissions for short-term courses and distance-learning courses which come at later period. Just for your update, we have started enrolling students for next academic session. So far, across all the branches, we have enrolled almost 1500 students for the next academic session for which revenue will be booked in Q1FY13. In addition to this, we are setting up a residential coaching campus in Kota. As I mentioned earlier, the project is on track. We are expecting to start campus activities by May 2012 and all the activities are in place and schedule accordingly.

We have started our focus towards franchisee business again as we believe that now our operation and systems are matured enough to address the issues which we had earlier with franchisees, primarily on quality of deliverables and financial transparency fronts. We also mentioned in our last update that we are aggressive on technology-enabled classroom centers branded as CPLive because the online delivery of the content is a very helpful tool to reach large mass of the students that too at small locations, where setting up a branch or franchise is not economically viable. Our CPLive centers, which are technology-enabled classrooms, have increased from four in quarter two to 11 in quarter three this year. We are targeting to have a network of 50 such centers by quarter one FY13. We are also trying to partner with other technology-enabled classroom operators, who are having their own networks and we are looking forward to provide our classes in their network as well, where we won't be incurring any CapEx and also won't be putting any kind of revenue expenditure even to capture those locations of their franchisee.

In the related space, our company also started an online testing and assessment solution at [ecareerpoint.com](http://ecareerpoint.com), because we believe within two years from now, all the entrance examination across India will be online. AIEEE that is All India Engineering Entrance Examination, one of the biggest examination conducted for admission to engineering colleges has already proposed online platform and they are planning to shift it from offline to online completely by 2014. Seeing the opportunity, we also started providing online testing solution, where students can take tests and prepare for competitive examinations.

Most recently, probably you must have read some news in media regarding change in examination pattern for engineering entrance including IIT JEE and AIEEE. As per these news, 12<sup>th</sup> class board marks along with an aptitude test marks will be given weightage in making the final merit list for admission to IITs and NITs. Though the full and fine details are yet to come, still we believe it will certainly open a broader market for coaching industry as a whole. We at Career Point are ready and fully equipped to align our services accordingly. Just for your update, a part of our courses for IIT JEE and AIEEE also cover 12<sup>th</sup> class syllabus and prepare the students for board examination. Recently, we have launched full curriculum coaching for students from class 7 to class 10 and if at all HRD Ministry bring about the change in the entrance examination pattern by giving importance to the marks of class 12<sup>th</sup> board examination, we will also start providing the 12<sup>th</sup> class and 11<sup>th</sup> class program aggressively. We believe that professionally run coaching institution like Career point will draw higher attention if the pattern changes and implemented because of availability of the complete package like 12<sup>th</sup> class exam, preparation for aptitude test, subjective test at single location.

Now I will share some update on formal education. As you are all aware that we are setting up two private universities, two technical campuses and three schools, I will share the status of these projects.

The university which we are setting up in Kota is at final stage of getting approval. The ordinance has been prepared, has been passed by cabinet of Government of Rajasthan as well. The ordinance has been forwarded to the governor for sign off. We are expecting that within a fortnight or month's time, we will get a final ordinance in our hand and then we will start promoting the activities. The campus facility and the infrastructure are already built and we are ready to launch the academic session by July this year.

Another university which we are setting up in Hamirpur is also at the last stage of approval. Inspection has already been done. The inspection was successful and the recommendation has been forwarded to cabinet which I believe will be approved within a week's time or so and then will be forwarded to assembly for formation of final act. We are also expecting that we will get final approval by mid of March for Hamirpur University and we will start academic session by July FY12 this year only. We are hopeful that we will be able to enroll students in both the universities by next academic session which will start adding revenue to company as well.

We are also setting up technical campus which is essentially an engineering college in Rajsamand. The infrastructure is ready and we are looking forward to start the session by July 2012. Another technical campus is in Mohali. The campus has already started operation last year late September, though last year we were late and not able to enroll reasonable number of students, but we are hopeful that this year we will be able to enroll close to full capacity, 400 students, in the technical campus at Mohali.

In addition to these two universities and two technical campuses, we are in process of setting up three K12 school, one is in Jodhpur which is on track; we are expecting to start operation by this year only. Second is Kota, which is a residential school campus, which will be operational by this year itself. And third one is in Mount Abu which we are expecting to start by FY13.

In conclusion, I would say that this year for tutorial business was almost flattish, but we are quite optimist, by seeing the initial response for the next academic session, that we will be able to achieve reasonable growth going forward. Added to this, enrollment in formal education in two universities, two technical campuses will help us to grow business not only in terms of top line, but also will improve our bottom line. Now the floor is open for question and answer.

**Moderator**

Thank you. We will now begin the question and answer session. At this time, if you would like to ask a question, please press \* then 1 on your touch tone phone. Participants are requested to use only handsets while asking a question. The first question is from **Sri Hari Seshadri** from Sundaram Mutual Fund. Please go ahead.

**Sri Hari Seshadri**

Good morning sir.

- Pramod Maheshwari** Good morning.
- Sri Hari Seshadri** Sir I just want to know regarding the change in the system of intake for the engineering colleges, what kind of changes that you need to make for your curriculum and will it make a shift in the kind of students, kind of program? Will it be more short term program rather than a long term program which in turn might affect your realization?
- Pramod Maheshwari** As per news in media and statements of various authorities, the proposed new format says class 12<sup>th</sup> board percentage marks will also be given weightage while making the final merit list for admission to IITs or NITs. , -About 40% weightage will be given to board exams. About 30% weightage will be given in an aptitude test and 30% weightage will be given to advanced subject test. Advanced subject test is essentially a kind of AIEEE or IIT-JEE, in my opinion, As fine details are not available, so I can only guess that it would be like an IIT-JEE or AIEEE pattern. As we are already preparing students for IIT JEE or advanced subject test along with preparation for board examination, so we would just need to put more focus on students board percentage which currently is not our main target. In addition to this, we have to add an aptitude test program also. So I believe that situation will remain more or less the same, in fact canvas will become too large, even the students preparing for board examination only, will look forward to participate in this examination. We will be able to offer our program masses by having program for 12<sup>th</sup> class only. The question which you put up that whether it will shift to short term or long term, probably this can be answered only after we get the final detail. If suppose, they don't come up with any subject test then probably the entire delivery mechanism will shift to short term program with four or six months duration, three months for board examination, about a month or month and half training for an aptitude test.
- Sri Hari Seshadri** Okay sir. My second question is related to the overall strategy, henceforth you would be expecting more growth from K12 and formal education system, which means that you are kind of more seeing a saturation in tutorial business and more concentration would be only for education and university side?
- Pramod Maheshwari** These are the two different verticals, they have their own space and we believe there is an opportunity to grow in both the spaces. Whereas formal education space is under served, at the same time, tutorial business has lot of opportunity, as school education system across India is not up to the mark and for admission to any professional course, you need to appear for an entrance examination. Only challenge with tutorial business is that if you try to split yourself too thin by setting up branches at small location then you eventually fail to create a competitive environment in such small locations and also you have to compromise with the margins. So to address this, we are trying to retain our leadership position in tutorial space growing on business strategically and using technology and at the same time, de-risking the entire business while entering into the formal education where we see the huge opportunity growing forward in higher education space as well as in K12.
- Sri Hari Seshadri** My last question is on the university side, initially what kind of number of student intake those universities will cater to, how many students will they initially cater to?

- Pramod Maheshwari** As per regulatory framework, there is no cap on intake. However, based on infrastructure, we are targeting 2000 students enrolment in Kota and 1000 students enrollment in Hamirpur in the first batch.
- Sri Hari Seshadri** So it would be multi-program, there would be lot of, typically university will offer number of programs or anything specific?
- Pramod Maheshwari** University can offer any program whichever it can design. Currently, we are coming with Faculty of Science and Technology and Faculty of Business Studies.
- Sri Hari Seshadri** Okay sir. Thank you sir.
- Moderator** Thank you. The next question is from **Sri Hari Seshadri** from Sundaram Mutual Fund. Please go ahead.
- Sri Hari Seshadri** Good morning sir. Could you talk a bit about the rising trends on the courses that you run, on the IIT JEE course and the other entrance tests coaching and also talk a bit about the kind of incremental competition that you are seeing for the entrance exam coaching that you are doing?
- Pramod Maheshwari** We run different programs for All India Engineering Examination or Pre-Medical Entrance Examination. The courses are of duration from six months to a year and the pricing for these courses varies from Rs.40,000 to Rs.70,000 per annum. From trend perspective, for last 3 years, we have been hiking fee by 10%-15% year on year basis and that is quite acceptable to the students and their parents. For the upcoming academic session we have finalized the fee structure wherein we have hiked the fee by approximately 12%. The second question of yours was with respect to increase in competition, I would say yes, competition is increasing day by day, as this sector is quite promising and rewarding. Many young graduates, engineering graduates are entering to this space and also there is a competition between the existing players. However, each institution is having its own market depending upon the quality of services which they are delivering to the students, they are able to retain the market share and also able to get others markets. I believe the market has not reached to a stage where the under-cutting of each other's market has started. Everybody is focusing on growth. Everybody is trying to create its own market space and I believe for next two-three years the situation will remain the same.
- Sri Hari Seshadri** Okay. If you look at our business over the next three years, the universities and schools also ramp up, how do you see the composition of your business revenues and profitability changing? We have tutorial business of one side and within that the classroom and the e-learning kind of structures. And then you have the universities and schools. So how does the whole revenue mix change over two to three years from now and how does the profitability also change with this business mix change?
- Pramod Maheshwari** In the tutorial business, I believe we will be able to grow by 15%- 20% year-on-year basis comfortably, if no sudden changes the HRD ministry brings in to the system.

- Sri Hari Seshadri** So 15%-20% you are saying is volume growth basically or includes..?
- Pramod Maheshwari** See in our case, we operate with a business model, in which whenever we increase our intake beyond a threshold, the cost component does not increase in the same proportion. As we are adding more study centers, and now trying to reach to the masses via technology enabled classrooms and also setting up franchise units, hence we believe, that will help us to improve our margins. So I believe that in tutorial space, we will comfortably be able to grow by 15% not only in top line, but also in bottom line, whereas in formal education, the EBITDA margin is close to 35%-40% and three years from now, we believe that the formal education will start contributing close to 30%-35% of our revenue.
- Sri Hari Seshadri** Okay. And if you look at the schools at this point of time, which you are starting of now in the next fiscal year, those businesses where you have started Jodhpur and Kota, so what would be the kind of fee structure trends in those areas?
- Pramod Maheshwari** In Kota, the average fee you can charge from a student is about 25,000 per annum in a K12 school, whereas in Jodhpur, it is close to Rs.32,000 per annum. These are the Tier-2 towns and depending upon the facilities offered to the students, you can charge anywhere from 22 to 35 thousands per annum.
- Sri Hari Seshadri** Okay. And how does this compare with the existing operational schools that we have in terms of global public school K12?
- Pramod Maheshwari** In global public school, currently we are charging on an average Rs.20,000 per annum. In fact, the time when we started, we kept fee very low. About 10 years ago, we started this school with just a fee of about Rs.8000 per annum, now it has increased to Rs. 20,000. However for senior classes, from 9<sup>th</sup> -12<sup>th</sup> , we are charging Rs.28,000 per annum in global public school and 17000–20,000 in Junior classes.
- Sri Hari Seshadri** Okay. And on the Mohali centre that you started in September, so what's your initial experience and how do you intend to use the initial experience to improve the delivery, about someone when you start of from now, so what are the key learnings and changes that you are incorporating in the Indian model?
- Pramod Maheshwari** The key learning which we learned from Mohali is that institution should be up and running in the month of June end or July. We got late in getting approval from AICTE, sometime in last week of September and by that time, most of the students had taken admissions in some other engineering colleges. So one is from the perspective of business, we learned that if you are going to start any technical campus or any kind of higher education program, you should come to the market at least by end of June or first week of July, so you get sufficient time to promote yourself. It has been quite interesting year for us as we have very small number of students there, Due to a very close interaction with each individual we realized that students who are coming to us requires special focus on their soft skills as we have to make them employable after four years. So it is not only the engineering education we need to focus upon, but on the soft skills of

our students also right from the first year, so by the time students graduate from university or college, they are employable and that will help you to get more students recognition and business going forward.

**Sri Hari Seshadri** Okay. And so on engineering courses in those regions, what are the kinds of course fee structure that one can expect?

**Pramod Maheshwari** Like in Punjab that is in Mohali, you are free to price your courses, and we are charging Rs.90,000 per annum for engineering course in Mohali. In case of Rajasthan, like in Kota University and Hamirpur University, we are free to fix our fee structure so we are intending to keep it about 80,000 per annum.

**Sri Hari Seshadri** And in terms of the Rajsamand campus, what would be the kind of pricing that we are looking at?

**Pramod Maheshwari** It will be 55000 – 60000. It is regulated by Rajasthan government, because Rajasmund Engineering College is under AICTE and affiliated to Rajasthan Technical University. The fee structure is fixed by Government of Rajasthan, it is 60,000 per annum.

**Sri Hari Seshadri** So Mohali, there is no AICTE recognition?

**Pramod Maheshwari** That is also AICTE approved, but Punjab Government is not regulating the fee. You are free to decide fee and then you need to seek approval from the Punjab Technical University - that's all.

**Sri Hari Seshadri** And is there any reservation in terms of quota for the government, the weaker section of society etc. in the Stephen Colleges?

**Pramod Maheshwari** There is a reservation for admission to colleges in in Rajsamand and Mohali, but there is no financial favor you need to give to the student.

**Sri Hari Seshadri** Okay. So there is no subsidy?

**Pramod Maheshwari** There is no subsidy or you are not supposed to subsidize education.

**Sri Hari Seshadri** In Punjab sir?

**Pramod Maheshwari** Same is the case in Punjab as well. There is no reservation criteria for universities.

**Sri Hari Seshadri** Okay. So in the margins in formal education could we say 35% - 40% in the next two– three years when you reach maturity level in the business?

**Pramod Maheshwari** Yeah.

**Sri Hari Seshadri** Fine. And on the tutorial side, do you expect to maintain margins?



- Pramod Maheshwari** There is a bit of pressure on the staff and faculty salary, Currently our margins are in the range of 37% - 38% tutorial space. We believe that in next two-three years, there will be a bit pressure on faculty salary, however margins will remain in the range of 33% – 34%, not less than that.
- Sri Hari Seshadri** Okay. As you mentioned on faculty, what's the kind of initiatives that we have to retain and encourage more recruitments for the faculty given that the area of actually key for the tutorials?
- Pramod Maheshwari** We have a training centre in Kota, we recruit fresh engineering graduates, we give them training. This is how we are developing a buffer of faculty members which we can utilize if any requirement comes up. In addition to this, the faculty members who have been working with us for long, the work environment, the relationship with each individual and obviously the salary is keeping them with us. At the same time, we are now in the process of having a ESOP scheme for our faculty members and staff members. Fortunately for last 3 years, we have been able to retain majority of our key faculty members, I don't think there will be any challenge because the ecosystem of institution has developed in such a manner that we are able to retain good intake.
- Sri Hari Seshadri** Could you also talk about our balance sheet in terms of the investments that we need to, whether you have made the infrastructure already in the subsidiaries and what is the further cash, capital requirement for investments?
- Pramod Maheshwari** If we look at our balance sheet, we have close to Rs.95 crores of cash available with us as on 31<sup>st</sup> December. We have already invested about Rs.135 crores in wholly owned subsidiary which is developing infrastructure for colleges universities and schools. Based on the current projects in hand, we believe, apart from Capex requirement for the residential campus facilities coming up in Kota, we will be requiring close to Rs. 60 crores for CapEx towards various facilities coming up. We have good internal accrual, in addition to that, university will also start generating revenue, hence we believe that we are having reasonable cash available with us to meet all the CapEx requirements at least for one year from now for the current projects in hand. Career Point is a debt-free company, so currently we are internally discussing and thinking of either going for long term debt in infrastructure company.
- Sri Hari Seshadri** So just to understand, you are right, sir, you said you already invested about 135 crores into the subsidiary for infrastructure, in addition to that, you need to spend about 60 crores further for other facilities and the Kota facility also, together 60 crores. You are looking to kind of take debt to further grow the business?
- Pramod Maheshwari** As I said that we have to invest close to 60 crores rupees of CapEx in various upcoming infrastructure facilities and we have reasonable cash available with us as on date, so we will be able to fund these initiatives through internal accrual, but as we are continuously exploring inorganic growth opportunities, so if any fund requirement comes up then we will go for that long term debt
- Sri Hari Seshadri** Okay. So at this point, there is no need to go for it?

- Pramod Maheshwari** Yes. There is no need to go for it.
- Sri Hari Seshadri** Okay, fine sir. And last question generally on the government policies, we hear that there are lot of changes in the way government is looking at education space to liberalize it, so from your side how many interactions, what are the key changes that you expect in next 12 months other than this engineering admission, other than that, what is the regulatory change that you expect?
- Pramod Maheshwari** I think Foreign University Bill is pending with government and probably in a year's time, from now, they will pass that bill and also government may allow foreign universities to partner with Indian institutions to run education institution in India. So I think that is one key initiative in higher education space is pending. Also once it is being done probably lot of foreign universities will partner with Indian universities for faculty exchange program, knowledge transfer, twin program etc.
- Sri Hari Seshadri** So are we kind of open for such alliances, what is our thought process?
- Pramod Maheshwari** We are open and flexible to explore such alliances.
- Sri Hari Seshadri** Fine. Thank you very much for the responses and wish you all the best sir.
- Moderator** Thank you. The next question is from Chetan Sheth. Please go ahead.
- Chetan Sheth** Good morning sir. I have couple of questions. Firstly, loan including interest about 131.85 crores, you have converted into equity, why such a higher premium you've paid for the company, I am not getting point?
- Pramod Maheshwari** This conversion of loan in equity has been done in wholly owned subsidiary of the Career Point based on business model and valuation based on that.**Chetan Sheth** Okay. So can you share a bit update on the subsidiary company like what are the revenues of profitability of the company?
- Pramod Maheshwari** See, the subsidiary company is basically in the business of setting up infrastructure for educational institution, which it will provide to the trusts and societies for long term lease. The revenue which it will be earning from this lease will be based to the CapEx and also with the number of students enrolled with the institution. Currently, the subsidiary is in the infrastructure development phase, so by next academic session and financial year, it will start getting revenue from the trust and society for which it is developing these projects.
- Chetan Sheth** Okay. So right now, it is wholly on subsidiary right?
- Pramod Maheshwari** It's wholly on subsidiaries.
- Chetan Sheth** Okay. And what is fixed component for our company?

- Pramod Maheshwari** Sorry I couldn't get you.
- Chetan Sheth** Fixed cost component for our company like employees cost or appreciation, what you are counting for fixed cost?
- Pramod Maheshwari** You are asking for the Career Point or...?
- Chetan Sheth** Yes Career Point sir.
- Pramod Maheshwari** Fixed cost includes employee cost and part of general administration cost.
- Chetan Sheth** Okay. And sir, investments on September were around 124 crores, so were they all liquid investments or...?
- Pramod Maheshwari** They were all liquid investments.
- Chetan Sheth** All liquid investments?
- Pramod Maheshwari** Yeah.
- Chetan Sheth** And what are the investment as on date?
- Pramod Maheshwari** We got about 95 crores rupees of cash, those investments are in liquid. In addition to this, we have long term investment of total 173 crores, which includes 135 crores in CP Infra Limited as the equity and the rest is in liquid funds and all.
- Chetan Sheth** Okay. And sir, last question on loans and advances, loans and advances consisted mainly of the amount we have invested in our subsidiary, so as on date, what are the loans and advances of the company?
- Pramod Maheshwari** Primarily, the loans and advances are given to the infrastructure company and as on date, about 20 crores rupees of loans and advances to infra, in addition to 135crores rupees to paid up capital, the capital including investments.
- Chetan Sheth** Okay sir, that's all from my side, thank you.
- Moderator** Thank you. The next question is from Rajeev Bharti from Destimoney Secuties. Please go ahead.
- Rajeev Bharti** Good morning sir. Just a clarification on last quarter, when there was a dip in sales and you said that you couldn't book the revenue in last quarter, I mean I happen to miss the initial part of your commentary, sorry for being repetitive. So you failed to book some part in last quarter, so that you booked this quarter. See if you compare your employee cost as compared to, let's say, I will reduce the revenue, had you booked part of this revenue your last quarter itself, it would have

been significantly more. So what has exactly happened, whether the salary is raised or you had most people, can you elaborate on?

**Pramod Maheshwari** Yeah. There is an yearly incentive component, which is given to the faculty members in Q3, so that hike is primarily because of that.

**Rajeev Bharti** So our employee cost will be in the range of 95-100 millions going forward?

**Pramod Maheshwari** Yeah.

**Rajeev Bharti** Okay, sir. Can you throw some light on your other expenditure, in the sense, suddenly there is a 10% drop with sales, it has gone from 44-45 to 24 QoQ basis, so I mean what contributed that?

**Pramod Maheshwari** In Q1 and Q2, admin expenses also involved advertisement and business promotion expenses, and usually in Q3, no significant business promotion activities takes place. Primarily when you compare on QoQ basis, the drop in this general admin cost, is primarily because of, one, advertising expenses and second, because of student admission kit expenses which last year we booked in Q3, but this year we have already booked student kit expenses in Q1 and Q2.

**Rajeev Bharti** All right sir. And can you throw some light on the logic, why you actually converted from loan to equity to occupy your subsidiary in the sense you are wondering that it won't be paid back in near future, you converted that infra thing 131 crores to equity, right?

**Pramod Maheshwari** There were a couple of reasons, one is the subsidiary's operations are now large enough for the equity infusion, second, we charge interest from subsidiary for which we were paying tax in parent company and that interest paid by the subsidiary was capitalized against infrastructure. There was unnecessary leakage of cash from the company as a whole.

**Rajeev Bharti** Right sir, that's all from my side. Thanks a lot.

**Moderator** Thank you. The next question is from **Sri Hari Seshadri** from Sundaram Mutual Fund. Please go ahead.

**Sri Hari Seshadri** Sir, in terms of our accounting policy, is there any change in our accounting policy? So once you get, I just want to say that, the revenues kind of recognized toward the tenure of the course so it continues to be the same policy?

**Pramod Maheshwari** we are following the same accrual policy which we were following last year. The expenses are booked as and when we receive the bill.

**Sri Hari Seshadri** Okay, expenses are booked on. And sir, when you start booking revenues for fees from your subsidiary, would there be any lumpiness or would it be spread across the quarters, what will be the policy for admission, from the infra?

- Pramod Maheshwari** No there won't be any lumpiness because it will be spread over the year.
- Sri Hari Seshadri** And it will be a percentage of?
- Pramod Maheshwari** Percentage of the CapEx plus a factor of student enrolments.
- Sri Hari Seshadri** Okay, the student fee would reflect into the revenue whereas the infra fee will reflect in the other income, is that how you recognize it?
- Pramod Maheshwari** No, part of student fee will be reflected in parent company whereas infra fee will be reflected in the revenue of subsidiary.
- Sri Hari Seshadri** So infra company will charge revenue from the trust based on the number of students basically?
- Pramod Maheshwari** Yeah.
- Sri Hari Seshadri** Fine sir thanks.
- Moderator** Thank you. The next question is from Grishma Shah from Envision Capital. Pleases go ahead.
- Grishma Shah** Good morning sir. Just one question, what are the average fees for the IIT-JEE that you started the New Year with 1500 enrolling?
- Pramod Maheshwari** 1500 students enrolment is across pre-engineering and pre-medical courses and average fee would be close to 46000, which is yet to be booked.
- Grishma Shah** Okay. And this would be higher by approximately 12% that we have booked so far in this financial year?
- Pramod Maheshwari** Yes.
- Grishma Shah** Okay. And could you tell us YTD enrollments overall for the nine months?
- Pramod Maheshwari** For the nine months, it is about 27000 plus.
- Grishma Shah** Okay. And this is flattish year on year?
- Pramod Maheshwari** Yeah, it's more or less flattish.
- Grishma Shah** Okay. And of the 1500 that we have enrolled what percentage could be Kota?
- Pramod Maheshwari** Kota is close to about 55%.

- Grishma Shah** Okay, fine sir. Thank you and good luck.
- Moderator** Thank you. The next question is from Manav Vijay from Edelweiss. Please go ahead.
- Manav Vijay** Sir, I just one thing, you mentioned that as far as infra company would be charging certain percentage of fixed cost from the trust, so what kind of rental is going to be there, is it around 10% kind of thing is going to be there or 8% , if you could share the percentage number?
- Pramod Maheshwari** We are currently in negotiation with trust and we will get back to you in next quarter with this number.
- Manav Vijay** Okay. And as far as the second component I believe is maintenance fees to maintain the structure and everything, so that is going to be, so even it gets reimbursed on the actual basis or there will be a profit component on the actual reimbursement as well?
- Pramod Maheshwari** We will be getting a fixed component for that, not on actual basis.
- Manav Vijay** So there is going to be fixed profit component as well?
- Pramod Maheshwari** Yes.
- Manav Vijay** Okay sir. That's all from my side. Thank you.
- Moderator** Thank you. As there are no further questions, I would now like to hand over the floor to Ms Kavitha Rajan for closing comments.
- Kavitha Rajan** Thank you. On behalf of IDFC Securities, I would like to thank the management and the participants for logging in today's call. Thank you and good day to all.
- Moderator** Thank you on behalf of IDFC Securities Limited that concludes this conference. Thank you for joining us.