



CAREER POINT

“Career Point Infosystem Limited Q4 FY-11 Earnings Conference Call”

May 16, 2011



CAREER POINT



**MODERATORS: MR. PRAMOD MAHESHWARI – CHAIRMAN & MANAGING
DIRECTOR, CAREER POINT INFOSYSTEM LTD.
MR. VIKAS JAIN – HEAD, FINANCIAL ACCOUNTS**

Moderator

Ladies and gentlemen good morning and welcome to the Q4 FY11 Results Conference Call of Career Point Infosystem Limited. As a reminder for the duration of this conference all participant 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. If you should need any assistance during this conference call you may signal an operator by pressing * and then 0 on your touchtone telephone. At this time I would like to hand the conference over to Mr. Pramod Maheshwari Chairman & Managing Director, Career Point Infosystem Limited., thank you and over to you sir.

Pramod Maheshwari:

Good morning Ladies and gentlemen. This is Pramod Maheshwari and I have with me 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 brief overview of our business followed by Q4 and March ended FY11 results.

As you all aware that we are Kota Rajasthan based Education Company. We primarily operate in two areas, one is Test Preparation Education. Under this we provide tutorial services for various competitive examinations like IIT-JEE, All India Engineering Entrance Examination known as AIEEE, and AIPMT that is All India Pre-Medical Examination. We also operate in formal education space which includes Schools, Engineering Colleges, MBA Colleges, MCA Colleges and Universities. In tutorial services we provide education to the aspirants of engineering and medicine through various modes like through our Company owned centers, through our franchisee centers and school association projects, through technology enabled live interactive classes using VSAT and Internet broadband technologies. We also conduct distant learning program that comprises of correspondence courses and test series.

For the academic session 2011-12 which is also the Financial Year 2011-12, the company is having 12 branches and 11 franchise centers operational. In FY11 we trained more than 32,000 students across various programs. Under formal education we are establishing schools, colleges and universities wherein we provide education consultancy and end-to-end management services to the trust which are running these School, College, Universities. The Company has two subsidiaries, the first one is Career Point Infra Limited, it is wholly owned subsidiary. It builds & provides physical infrastructure and allied services to the education institution. The physical infrastructure, which it builds are given to the trust or society on long-term lease for running School, College and University. Hence wherever we set up an Engineering College or University or High School, our Infra subsidiary provides the required infrastructure.

At present Company is executing four educational infra projects. One is Technical Campus at Rajsamand that is near Udaipur. Technical campus at Rajsamand comprises of three colleges one Engineering College, second is MBA College and third is MCA College that is Master of Computer Application. The Infra Company is also setting up infrastructure for University at Kota, another University campus at Hamirpur and a School at Jodhpur. We have another subsidiary that is Career Point Edutech Limited. It provides technology driven online

assessment and testing services. It has developed online assessment solutions called A2Z exam.com and also a learning outcome management solutions namely A2Z Feedback.

Now I would like to share our financial results for the year ended March 31st 2011.

- For the year ended March 31st 2011 we have achieved net sales of Rs 78.6 Crore as compared to Rs 61.65 Crore in the previous year recording growth of 27.5%.
- Operating EBITDA for the period stood at Rs 29.82 Crore as compared to Rs 23.92 Crore representing an increase of 24.6%.
- EBITDA margins for the current Financial Year stood at 37.9% which is almost the same as it was previous year.
- Net profit including the other income for the period stood Rs 27.3 Crore as against Rs 19.8 Crore in the corresponding period of last year representing a growth of 37.7%.
- Earnings per share on the face value of Rs 10 for year 2010-11 was Rs 16.8 as compared to Rs 14.7 in spite of increase in equity base due to IPO this year.

I would also like to take this opportunity to share Q4 results with you.

- In this quarter Q4 company registered net sales of Rs 19.7 Crore as against Rs 17.18 Crore in the corresponding quarter of the previous year representing a growth of about 15%.
- Operating EBITDA for the quarter stood at Rs 6.43 Crore with EBITDA margin 32.6%.
- Net profit for this quarter ended March 31st 2011 stood at Rs 7.64 Crore as against Rs 5.28 Crore in the corresponding quarter of previous year representing a growth of 44.7%.

As you can see in the financial year 2010-11 results are quite motivating to us as we are growing with almost zero pressure on EBITDA margin.

Now I would like to share few operational highlights of the Q4 with you.

In March 2011 companies started two more owned centers, one at Sikar and other at Sriganaganagar. Both the locations are strategically selected to create student's hub, both the locations are in Rajasthan. The initial response to both the branches is quite encouraging as admissions has already started at both the locations. To make our operations more efficient this year we have closed down our non performing centers primarily in Delhi and NCR region where we were constantly making losses. We have also launched a new service namely CPLive. Under this we are providing interactive live audio-video tutorial classes by experts faculty members from studio situated at Kota over Internet broadband. So far we were doing it through VSAT but now we have started through Internet broadband as well. And the best part in this is that you don't require any kind of setup so even in your office you can access to our classes. We are aiming to spread CPLive class network across nation through franchisee and school partnership mode. So far we have appointed three franchisees.



Under formal education we are at the final stage of getting approval for our two technical campuses which are coming up in Rajsamand and Mohali. Rajsamand campus we will have total capacity of 540 students in first year in Engineering, MBA and MCA courses. Similarly in Mohali we will add capacity of 420 students in first year in Engineering and MBA. We are also at the final stage of getting approval for our upcoming University in Rajasthan that is in Kota which is expected in two to three month or so.

I would conclude by saying that FY11 has been rewarding year to us. You can see in our results that we are not only growing in test prep business but at the same time educational consultancy and management services business is growing remarkably. These results are quite encouraging to us; our management is taking all possible steps judiciously to grow business organically as well as inorganically both in test prep space and formal education space. This is all about Company and its results in brief. Now floor is open for questions and answer. Thank you.

Moderator Thank you very much sir. Our first question is from the line of Subhanshi Gurumurthy from Ambit Capital. Please go ahead.

Subanshi Gurumurthy Just wanted to understand your plan on the K - 12 segment. What are the plans for FY12 and what is the kind of CapEx we can anticipate going forward?

Pramod Maheshwari In formal education we have a holistic approach and we are focusing on K-12 as well as on higher education. Currently Company executing four projects, one is K-12 school in Jodhpur, for this construction work is in progress and we are expecting the school will be operational by FY12-13. In addition to Jodhpur School we are setting up two technical campuses, one is in Rajsamand, second is in Mohali and two private universities one is in Rajasthan that is in Kota, second is in Hamirpur. As per the plan Company is looking forward to set up schools in Tier II towns but there are certain challenges. Hence it is very difficult to give any number at this moment of time in respect to number of school schools we would be able to set up next year; procurement of land for setting up k12 school is a bottleneck. Even in the last earning call I said the same. As far as the Capex is concerned in formal education the total CapEx for all these projects which I shared with you is envisaged close to Rs 270 Crore spread aover four years and for FY11-12 the CapEx will be Rs 60 Crore.

Subanshi Gurumurthy And the plans as you mentioned for the K-12 segment is going to be a combination of Greenfield and dry management or is it going to be?

Pramod Maheshwari We are open and exploring both types. We are looking for Greenfield venture as well as for the dry management. However it all depends upon the opportunity. Actually we have three strategies in K-12 business. One is Greenfield project where we bought land; we build the infrastructure and run the school. Second somebody else build the infrastructure we manage the school and third partnering with someone who is having land we build the infrastructure and then operate the school.

Subanshi Gurumurthy And how about acquisition?



- Pramod Maheshwari** We are putting efforts to find good opportunities at right price and at right location in K-12 space. But there are certain challenges sometimes in respect to transaction structure and sometimes valuation expectations by the existing promoters. So as and when we will get reasonable opportunity which brings value to the Company then definitely we will go for that.
- Subanshi Gurumurthy** I understand the point which you made about valuation in case of acquisition with respect to transaction structure. Is there something which we are missing out?
- Pramod Maheshwari** What happens, majority of schools are being set up under trust where land, property, building, infrastructure everything is in the name of the trust. Now trust or society cannot be sold, hence transaction is challenge.
- Subanshi Gurumurthy** Sir, trust there would be an infrastructure and services company also attached.
- Pramod Maheshwari** If at all it is there, then definitely transaction structure is feasible. But if it is not the case then it is not possible.
- Subanshi Gurumurthy** Thanks a lot.
- Moderator** Thank you. Our next question is from the line of Roma Agarwal from SSPL. Please go ahead.
- Roma Agarwal** I would like to know what is a component of other income like what does it comprise of?
- Pramod Maheshwari** Other income is mainly interest income, the fund which we raised during in IPO and also the cash generated by operation of the Company is being invested in FMPs etc. So other income is primarily on account of interest received on those.
- Roma Agarwal** And what kind of pressures are you seeing in terms of employee cost, I would assume major of it would-be faculty cost, right?
- Pramod Maheshwari:** Yeah definitely. There is a slight pressure on the faculty cost, if you compare the FY11 numbers vis-a-vis FY10 numbers the personal cost has increased by approximately 5%. I think we're the paymaster in the industry and I don't see now any pressure on the faculty cost. But at the same time the way the Company is operating and the way we have strategized, we're looking forward for better realization per faculty member as we are increasing capacity in the classes.
- Roma Agarwal** What is the capacity currently?
- Pramod Maheshwari** Currently our classroom capacity is 150 students per class.
- Roma Agarwal:** Across all territories?
- Pramod Maheshwari:** Not across all territories, it is at mature centers. At newly set up centre, the classroom capacity is 150 but it is not utilized to its fullest in initial years.

- Roma Agarwal** Thank you.
- Moderator** Thank you. Our next question is from the line of Rakesh Tarway from Motilal Oswal Securities. Please go ahead.
- Rakesh Tarway** Just wanted to understand little bit about right now what is the enrolment status and apart from that have a few questions about the campus and the University plans?
- Pramod Maheshwari** In enrolment if you compare April enrolment of FY11 with April enrolment of FY10 it is almost 10% up from the previous year across the network and the same is the trend in Kota.
- Rakesh Tarway** So what is the absolute number this year?
- Pramod Maheshwari** Absolute number as on 30th April was close to 4200 somewhat like that.
- Rakesh Tarway** What is the status for May?
- Pramod Maheshwari** May enrolments are going on, I am not exact enrollment data with me at present but it's almost 10% more than last year.
- Rakesh Tarway** And everything should be over by July?
- Pramod Maheshwari:** August end.
- Rakish Tarway** This integrated campus thing, what is the status right now?
- Pramod Maheshwari** The construction work is on progress. We would able to finish all the construction activities by January end 2012.
- Rakesh Tarway** January 2012. This is in progress, right?
- Pramod Maheshwari** Right.
- Rakesh Tarway** So you will be able to book revenue out of this integrated campus only in FY13?
- Pramod Maheshwari** Yes.
- Rakesh Tarway** Capex of Rs 60 Crore, which you have said for FY12, how much of that will go towards this thing?
- Pramod Maheshwari** No. that Rs 60 Crore CapEx was only for formal education initiative, for residential campus the estimated CapEx is close to Rs 63 Crore to be spent over the period of next 9-12 months, till January end.
- Rakesh Tarway** So in FY12 we will be spending Rs 63 Crore in this apart from Rs 60 Crores in formal education?

Pramod Maheshwari 60 crores in Infra Company

Rakesh Tarway And here the capacity if I understand is 7,000 to 8,000 people in the integrated campus, right?

Pramod Maheshwari In integrated campus the residential capacity is for 3,000 students.

Rakesh Tarway Are you going to expand over there also?

Pramod Maheshwari No that is a peak capacity of that campus.

Rakesh Tarway In this University at Kota at what stage you are right now?

Pramod Maheshwari We have filed a compliance report with the government of Rajasthan. Post this compliance report there is a procedure of physical verification of the compliances followed by formulation of ordinance and approval of the same. So we are expecting that everything will be over in two months if situation remains favorable.

Rakesh Tarway So you have filed the compliance?

Pramod Maheshwari From our side we have done everything.

Rakesh Tarway When the inspection is due?

Pramod Maheshwari So far they have not formulated the committee for inspection. I am expecting a month's time, inspection will be done. This is my guess.

Rakesh Tarway So construction will start after the inspection?

Pramod Maheshwari No construction work is already completed.

Rakesh Tarway So they have to come and inspect the campus?

Pramod Maheshwari Yes. See what happens when government issues letter of intent to you, there are certain conditions which you need to comply with. We have already complied with all the conditions mentioned in the letter of intent and now have filed the compliance report with the government. Now it's up to the government part to again constitute a committee to physically verify the compliance status and to pass ordinance.

Rakesh Tarway What is the exact name of this University?

Pramod Maheshwari Career Point University.

Rakesh Tarway This status does not reflect in UGC web site actually.

Pramod Maheshwari See UGC is a different aspect. How it takes place let me explain to you. We are in the process of setting up University. Once the university Ordinance in state assembly is **passed** then only

we will get the University status, post that we will file for registration with UGC and they will then reflect it in on their web site.

- Rakesh Tarway** So right now you have, state act is done right?
- Pramod Maheshwari** Right.
- Rakesh Tarway** So after that compliance report is filed and now this inspection is due by whom?
- Pramod Maheshwari** This inspection is being done by a committee which is constituted by Department of Education of State government.
- Rakesh Tarway** For this University to actually formally start how much time will it take from here?
- Pramod Maheshwari** There maybe procedural delays, we are expecting that we will get the University clearance by end of July. If we get the final clearance in the end of July then we will start of operation this year itself because in the higher education most of the admission takes place in the month August and September. But if it gets delayed by one more month then probably we will miss the first session.
- Rakesh Tarway** So you will miss first session this year?
- Pramod Maheshwari** There is a possibility to miss session this year, you can say it is 50-50.
- Rakesh Tarway** If approval does not come by July 2011 then you will start on next financial year, right?
- Pramod Maheshwari** Right but at the same time we have already build up two more technical campuses and both will be operational by this year.
- Rakesh Tarway** This year the technical campuses of both Rajsamand and Mohali will be operational?
- Pramod Maheshwari** Right.
- Rakesh Tarway** So this Rs 60 Crore CapEx you're talking about is about primarily in school, right this year?
- Pramod Maheshwari** No let me give you the numbers again. We are setting up couple of infrastructure for various educational institutions which comprises of Kota University, Hamirpur University, Rajsamand Technical Campus, Jodhpur School, and Mohali Technical Campus. The Rs 60 Crore CapEx which I mentioned is for all the campuses for FY11-12.
- Rakesh Tarway** Because sir what you're saying is Rs 270 Crore is the total CapEx.
- Pramod Maheshwari** That is the total CapEx to be incurred over the period of four years.
- Rakesh Tarway** Why I am asking this is you said the University at Kota the construction is already done, right?



- Pramod Maheshwari** Not the complete construction. Let me again give you detail of compliance report first. Initially to comply with, we have to construct about 1 lakh Sq. ft. The total construction in University is estimated about 10 lakh Sq. ft. So far we have constructed about 1.5 lakh Sq. ft. and filed the compliance report and rest of the campus construction will continue over the period of next four years. See, you cannot construct 10 lakh Sq. ft. in the very first year. Hence we are developing the campus in phased manner and from the compliance point of view we have build the infrastructure and going forward we are adding more facilities, more hostels, more colleges to the campus.
- Rakesh Tarway** In the technical campus thing again this I understood about the University at Kota. In technical campus thing you are saying at both the places Rajsamand and Mohali you will start this year, right?
- Pramod Maheshwari** Right.
- Rakesh Tarway** With how much capacity are you starting over there?
- Pramod Maheshwari** There are three colleges in Rajsamand, the total capacity is 540 students and Mohali the total capacity is 420.
- Rakesh Tarway** You will be starting with total capacity?
- Pramod Maheshwari** This is the capacity which is being sanctioned to us by AICTE. So obviously we will target to utilize the full capacity of these two institutions.
- Rakesh Tarway** Will there be fee differential between MBA, MCA and Engineering?
- Pramod Maheshwari** Yeah.
- Rakesh Tarway** How much?
- Pramod Maheshwari** In Rajasthan fee for Engineering is about 55,000 per annum and for MBA it is 42,000 per annum, same is the case of MCA in Rajasthan. Whereas in Punjab there is no difference in fee for Engineering and MBA, it is 65,000 per annum plus there is couple of other fees like admission fees, examination fees, etc.
- Rakesh Tarway** So that is separate?
- Pramod Maheshwari** Yeah, that is seperate.
- Rakesh Tarway** So you will start in basically in FY12 for this technical campus thing, 540 plus 420 you're target will be to reach that much, right?
- Pramod Maheshwari** 960.
- Rakesh Tarway** What about the school at Jodhpur, when will that get completed?



- Pramod Maheshwari** There construction work is on and we are expecting to start academic session by FY12-13, like March 12.
- Rakesh Tarway** And you are building a school here also in Kota?
- Pramod Maheshwari** No we already have a school in Kota to which we are providing management services.
- Rakesh Tarway** So that is already operational school right?
- Pramod Maheshwari** That is already operational and in the integrated campus which we are building up in Kota we are also setting up another school.
- Rakesh Tarway** So that thing is in process?
- Pramod Maheshwari** That will also be operational by FY12-13 that is March 2012.
- Rakesh Tarway** This Rs 63 Crore integrated campus expenses, does it comprise the school at that integrated campus also?
- Pramod Maheshwari** Yeah it comprises school, hostel facility, coaching institution facility and other facilities of the integrated campus.
- Rakesh Tarway** And Rs 60 Crore only on technical campus, University at both the places and Jodhpur school, right?
- Pramod Maheshwari** Right; Jodhpur School's first phase investment.
- Rakesh Tarway** Thanks a lot sir.
- Moderator** Thank you. Our next question is from the line of Rajiv Bharti from Destimoney Securities. Please go ahead.
- Rajiv Bharti** This is regarding first on your integrated campus, you have mentioned that the fees are Rs 80,000 this is during the last con call you mentioned. Now this 80,000 is only for the residence fees and it includes the mess fees?
- Pramod Maheshwari** Lodging and boarding only.
- Rajiv Bharti** On this Engineering College, last we talked this Mohali thing was not in the scheme of things. This is a new addition during last quarter?
- Pramod Maheshwari** Actually we were in the process of putting all things in place and the construction was not at advanced stages.
- Rajiv Bharti** This is very similar to the Rajsamand one?

- Pramod Maheshwari** Exactly similar to Rajsamand.
- Rajiv Bharti** You mentioned for Rajsamand the CapEx will be 8 Crore, now assuming that this is exclusive of the land, right?
- Pramod Maheshwari** Yeah exclusive.
- Rajiv Bharti** So what schemes in engineering particular one you are adding? I'm wondering whether the labs in mechanical, electrical would cost much more than Rs 8 Crore.
- Pramod Maheshwari** The total CapEx over the period of four years is Rs 18 Crore but you can start with Rs 8 Crore Engineering College. Then there are internal accruals in Engineering College which takes care of the remaining expenses.
- Rajiv Bharti** So when you begin the streams you will typical be more IT base streams?
- Pramod Maheshwari** No we are coming on electrical, mechanical, computer science and technology, civil and IT, five streams and the significant cost of lab equipments comes when you are in third year of operations. In first year you don't require big labs and costly equipments. That's why the CapEx is approximately Rs 8 Crore which I also mentioned in the last con-call and it was for the first two years and post that the technical campuses will have its internal accruals which will take care of the subsequent investments.
- Rajiv Bharti** On your private universities, basically last time you mentioned about Manipal and Amity University which have taken several years to establish their brand, any learning from there which you are incorporating to speed up the growth process or to create such brand value for you?
- Pramod Maheshwari** We have been in education sector for last 17 years though we were not in formal education, but we have a trusted name for providing quality education in Northern-Central part of India. We believe we can leverage the brand which we have developed over the years in formal education space as well. We have been closely evaluating the other players in this space and trying to adopt the best practices and further improvising these practices to deliver quality education.
- Rajiv Bharti** I am actually coming from main point of in Engineering College or in fact for that matter MBA and other courses the main driver would-be placements. So are we doing any specific tie-ups for the placements point of view to take?
- Pramod Maheshwari** We are at initial stages so probably at this point of time talking to anybody from recruitment prospective will be a premature activity. Once we start enrolling the students then we will definitely put efforts. I will just share with you one of our current activity, we have been running MBA College with the brand name Proceed Business School in Kota and there we are tying up with companies to recruit our graduates. So the same practice, we will continue to do in technical campuses and universities as well.

Rajiv Bharti Thank you

Moderator Thank you. As there are no further questions I will like to hand the floor back to Mr. Maheshwari for closing comments.

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. We will definitely revert back at the earliest. Thank you.

Moderator Thank you. On behalf of Career Point Infosystem Limited that concludes this conference call. Thank you for joining us and you may now disconnect your lines. Thank you.