



**CAREER POINT**

“Career Point Limited Q4FY12 Earnings Conference  
Call”

**May 31, 2012**



**CAREER POINT**



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**Moderator:** Ladies and gentlemen, good day and welcome to the Q4FY12 Earnings Conference Call for Career Point hosted by IDFC Securities Limited. As a reminder, for the duration of this conference, all participants' lines will be in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. If you should need assistance during the conference call, please signal an operator by pressing '\*' followed by '0' on your touchtone phone. I would now like to hand the conference over to Ms. Swati Nangalia. Thank you. And over to you ma'am.

**Swati Nangalia:** Thank you, Saima. It is a pleasure to welcome you all to the Q4FY12 earnings conference call of Career Point. Today, we have with us representing the management team, Mr. Pramod Maheshwari – Chairman and Managing Director; Mr. Mahesh Bhangriya – Vice President, Corporate Strategy; and Mr. Vikas Jain – Head, Accounts and Finance. I will now hand over the call to Mr. Pramod for the opening remarks, post which we can move on to the Q&A. Over to you, Pramodji.

**Pramod Maheshwari:** Thank you, Swati. Good morning, ladies and gentlemen. This is Pramod Maheshwari – Managing Director and CEO of Career Point Limited. Thank you all for joining our investor conference call. With me, I have my colleagues Mr. Mahesh Bhangriya – Vice President, Corporate Strategy and Investor Relations; and Mr. Vikas Jain – Head of our Accounts and Finance department.

I believe most of you have received the copy of our earnings presentation on your e-mail. It is also available in our investor relationship section on our website [www.cpil.in](http://www.cpil.in).

To begin with, first, I will give you an update on our business; both Tutorial and Formal Education which will be followed by an overview of Q4FY12 and full year FY12 results. First, I would like to share the update on Tutorial business which is still our key revenue contributor at present. The enrolments for coming academic sessions are in full swing. The progress has been very exciting. So far across all the branches for the next academic session we have enrolled more than 5000 students. This academic session, we have added two new branches, one at Dausa in Rajasthan and second at Kakrapar in Gujarat. We have also added a new franchisee at Nasik in Maharashtra.

Apart from regular class room study centers, we also run our courses under a brand name called 'CP Live Centers' which are basically VSAT enabled classrooms for online education delivery and also it is a very economically viable solution for the company to reach large mass at remote locations. The number of 'CP Live Centers' has increased from four in Q2 to 11 in Q3 and that is now 21. We see tremendous potential and outstanding performance going forward in this initiative especially where we don't need to incur any major CAPEX and any kind of additional revenue expenditure.



Our other Online ventures like [ecareerpoint.com](http://ecareerpoint.com) where the students prepare, take test and get assessment Online, has also been very popular in targeted students community. This year various entrance examinations like AIEEE, Rajasthan PMT, BITSAT, etc. are now Online. And because of their online requirement, the students are moving to [ecareerpoint.com](http://ecareerpoint.com) and registering themselves. This year the response is very good with regards to Enrollment and we expect in the years to come [ecareerpoint.com](http://ecareerpoint.com) will be getting a very good Enrollment and will also bring revenue to the company.

Just for your kind information if some of you are not aware, the All India First Ranker in the General Category for this year in recently announced IIT JEE results was a Career Point student from its Distance Running Program. Not incidentally, but as a fact, the Topper of Minority as well as Handicapped Category in IIT JEE were also from Career Point. These outstanding results in IIT JEE have further established the company's credibility amongst parents and students and this will surely attract more enrollments in the coming and subsequent academic sessions.

Here, I would like to share the recent update on changing examinations pattern for Engineering Entrance including IIT JEE and AIEEE, recently announced on this Monday 28<sup>th</sup> by the HRD Ministry.

I would first briefly clarify the changes and then explain you the resulted positive impact on our business and opportunities which these changes brought on the table. As per the press release by HRD Ministry, there will be one Entrance Test across called Joint Entrance Examination for admission to Undergraduate Engineering program for all centrally funded technical institutions. Centrally funded technical institutions comprises of IITs, National Institutes of Technology and IIITs etc.

This Joint Entrance Examination will be conducted in two parts on the same day. One part is called JEE Main and second part is called JEE Advanced. And for the admission, Board percentage will also be given a due weightage. As per the announcement, 40% weightage to the Class XII board normalized percentile, 30% weightage to the performance of JEE Main and 30% to JEE Advanced will be accounted for admission to National Institutes of Technologies. However, the formula for admission to IITs will be different.

Without getting into more academic details, I would like to share that from next academic session onwards, the students aspiring to get into IITs or National Institutes of Technologies have to prepare for JEE Main and 12<sup>th</sup> Board Examination quite seriously. We would upload the note covering detailed analysis of these changes and the impacts on the preparation strategy on our website shortly.

However, coming to its business impact, we believe this change would certainly increase the market size per se. So far many students are not targeting Competitive Examination while they are in Class XII, similarly many students are not too focus on board examination if they are preparing for competitive examinations, now we believe that every student aspiring to be in



Engineering would need to prepare for both; Board Examination as well as for JEE Main and JEE Advanced. Hence, every student has to give importance to Class XII Board marks, which open a broader market for us, because so far we were just focusing upon preparing the Students for Computer Examination, and now we will also start focusing on Board preparation.

So I believe institutes like Career Point who are well known and trusted for almost two decades in offering quality education will be more benefited of this increased market size of targeted customers due to availability of complete package like 12<sup>th</sup> Board Exam preparation, preparation for JEE Main and preparation for JEE Advanced at single location.

I would like to inform that from this year, we have already started preparing students for 12<sup>th</sup> Board Examination.

I would also like to share with you that in the past such kind of changes took place and every time we have proved ourselves in all the types of patterns and I am sure we will be able to capture the opportunities presented by this new format as well.

Now, I will share the update on Formal Education. Here again there are reasons for Career Point to celebrate. We have got approval for both of our Universities at Rajasthan and Himachal Pradesh. The act of Career Point University in Kota was approved by Government of Rajasthan on 30<sup>th</sup> April this year, whereas Career Point University in Hamirpur was approved by Himachal Pradesh Government on 3<sup>rd</sup> May.

As stated in advance, we were ready to launch the academic session. Hence we have commenced the operations as soon as we got the approval. Application forms for admission are already being sold and final admissions will be given on the basis of merit and performance of the student in various competitive examinations.

This year in Career Point University at Kota we will have the school of Engineering and Technology which will be running B.Tech, M.Tech and Ph.D. programs in Science and Technology. The School of Management Studies which will be running BBA, MBA, B.Com and variant of business studies program, School of basic and applied sciences, School of computer application and technology, School of vocational studies and also School of fashion and design. Whereas we have launched three discipline this year for study and research in our university in Himachal Pradesh, namely School of Engineering and Technology, School of Management Studies, and School of Basic and Applied Sciences. Based on the initial response we are targeting close to 2000 Enrollments in University in Rajasthan and about 1000 Enrollments in Himachal Pradesh.

Our Technical Campuses which are essentially Engineering Colleges, one in Rajsamand near Udaipur is also ready and approval is at final stages. We are quite hopeful to start the academic session by July 2012, probably post AIEEE results. Another technical campus in Mohali is already under the operation and getting good response with regards to the new Enrollment.



In addition to these two Universities and two Technical Campuses, we are also in process of setting up three K-12 schools; one is Jodhpur, which has already started its operation this year; second is School in Kota, which is a part of residential campus within our residential coaching campus and has commenced operation from this academic session; the third school is being under construction at Abu Road, which we are expecting to start by next year. So this is brief about the business update. Now, I would request my colleague, Mahesh to give you the financial updates. Over to you, Mahesh.

**Mahesh Bhangriya:**

Thank you Pramodji. Good morning, ladies and gentlemen. This is Mahesh Bhangriya – VP, Corporate Strategy and Investor Relations. I am pleased to share an overview of our financial results for Q4FY12 and Fiscal '12. We have continued our growth momentum and reported the income from operation of Rs. 21.6 crores in Q4FY12 as compared to Rs. 19.7 crores in the same quarter last year. We have registered a year-on-year growth of 9.8% which is mainly coming from Classroom operations at company-owned centers. On full year basis the income from operation grew just about 1% to Rs. 80 crores due to overall flattish Enrollment in Classroom programs over the last year.

As mentioned in our earlier call, one of the reasons for flattish Enrollment was our strategy to close down some of our branch operations in NCR and Orissa region due to their profitability concern. If you look at the total income including the other income it has stood at 24.4 crores for Q4FY12 and impressively 97.3 crores on full year basis, with about 1% and 9% YoY growth respectively. And on consolidated basis the income grew about 12% at Rs. 95.4 crores.

The operating EBITDA which is excluding other income for Q4FY12 is 9.32 crores has witnessed a remarkable growth of 45% over the same period last year. For the quarter, operating EBITDA margin of 43.1% - which is the year's highest - delivered an outstanding growth in Q4FY11 of 10.4 percentage points despite an increase in salary and personnel expenses.

The key factor behind the improved operating margin is lower cost of study material, reduced marketing expenses and improved efficiency in other general and admin costs. Overall EBITDA for Q4 is 12.1 crores with EBITDA margin of 49.5%, a growth of 4.6 percentage points in margins of Q4FY11. EBITDA for full year came at 46.2 crores, an year-on-year growth of 14%, and the margin of 47.5% with improvement of more than two percentage points over FY11 EBITDA margin. And on consolidated basis the overall EBITDA was increased by 21.6% to 44.2 crores, with a notable margin improvement of 3.7 percentage points at 46.3% in the year FY12.

The net income for the company has witnessed above industry growth at more than 16% for the quarter as well as for the full year and was reported at Rs. 8.9 crores and 31.8 crores respectively. On consolidated basis, the same grew by more than 28% at about Rs. 30 crores for the fiscal year FY12. As on 31<sup>st</sup> March, the net worth of the company was Rs. 295 crores and the company was having close to Rs. 75 crores of cash and cash equivalents with zero debt. Now, I would like to request Mr. Maheshwari to summarize the updates.



- Pramod Maheshwari:** Thank you, Mahesh. To summarize the business updates, I would say that last year for Tutorial business was almost flatish. However, this year we have windows of opportunities to grow our business, not only in terms of top-line, but also the improvement in bottom-line, naming the few, good response in branches, expansion of Online CP live classes, launch of university operations, broader market for engineering test-prep business, the start of residential facility at Kota, etc. are couple of opportunities, which will definitely help us to grow our business. By looking at initial response of Enrollment for the coming academic session both at Formal Education campuses as well as in Tutorial space, we are quite excited and hopeful to achieve a reasonable growth going forward. Now, the floor is open for question and answer.
- Moderator:** Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Krudant Chheda from Value Quest Research. Please go ahead.
- Krudant Chheda:** Sir, can you give us an indication of the fees of these universities and what has been the Enrollment and capacity and fees of the Hostel also?
- Pramod Maheshwari:** I will give you capacity for the Hostel first. For Kota University, it has capacity for 700 students at present. This is the residential facility currently available in the campus. Whereas in Himachal Pradesh, the residential facility available in campus at present is for 400 students. The fees for Hostel, excluding food charges, would be close to rupees 36,000 per annum.
- Mahesh Bhangriya:** Coming to the academic fees, it varies among the various courses in Engineering, Technology, Computer Applications and others. The fee for engineering programs, we have Rs. 36,000 per semester at Career Point University in Kota, Rs. 55,000 for University at Himachal Pradesh, Rs. 30,000 for the Mohali technical campus and Rs. 22,000 per semester for the campus at Rajsamand. For the MCA and other computer application programs, it varies about 12,000 to 18,000 and for the MBA and other commerce studies it varies from rupees 12,000 to 37,000. Hence, the overall realization will be blended of all enrollments in various courses at different programs.
- Krudant Chheda:** And sir, what would be our company share, because these would be all managed by the trust I understand?
- Pramod Maheshwari:** Very true. This revenue will be booked in the trust. Company is providing management services and the company will charge 15% of the revenue booked by the University in these Campuses.
- Krudant Chheda:** And sir what was the total Enrollment last year in our test student IIT classes and how much was the Enrollment in the Online Classes?
- Pramod Maheshwari:** Total number of Enrollment last year was 35,000 approximately. Out of these 35,000 Enrollments, majorly was in classroom courses as Online initiative we started last year only. In Online we have two kinds of program. One is CPLive which are VSAT-based classes. Last year we were running pilot, we were running our classes only at four locations, where we had about



50 Students in total, where as in ecareerpoint.com which is Online Testing services, there were Enrollments close to 700.

**Krudant Chheda:** And sir, what is the fees last year average on both of that, in Live as well as Online?

**Pramod Maheshwari:** In Online, it was only mock test kind of programs. So fee for ecareerpoint was close to 1500 onaverage, whereas for CP Live where we run VSAT enabled classes, the fee structure we charged rupees 30,000 per annum.

**Krudant Chheda:** And in the Classroom how much was the fee?

**Pramod Maheshwari:** In the Classroom again we have different kinds of programs and fee varies from rupees 30,000 to 70,000. On blended basis average fee is about 40,000.

**Krudant Chheda:** And on YoY basis how much is it compared to year before that?

**Pramod Maheshwari:** Last year it was about 5% up than FY11 and this year we have already finalized the fee and based on current status of Enrollment we are observing about 15% hike in average fee booked per student.

**Krudant Chheda:** And how about lecturer fees, how are they moving?

**Pramod Maheshwari:** Last year, faculty salary was increased by about 2%, primarily at Kota center, but now in Kota center we took a decision wherein we have linked the subsequent hike in salary of faculty member with growth in Enrollments and revenue. Last year, it was just 2% hike in the salary of the faculty members.

**Krudant Chheda:** And sir in the Hostel, how the revenue would be booked? I understand we have Hostel near our classes also. So how much is Hostel in Trust, how will it contribute and Hostel on classes?

**Pramod Maheshwari:** I think you are mixing two parts. In Tutorial business we are not having any Hostel facilities so far. Currently there is no income is being derived from Hostel facilities for tutorial business, whereas in Formal Education like University in Kota and University in Himachal Pradesh we have constructed Hostel and from next academic session Hostel revenue will be booked by the company.

**Krudant Chheda:** That also will be 15%.

**Pramod Maheshwari:** No, it is not 15%. Let me just explain you the structure. We have a parent company andwholly-owned subsidiary which is building the infrastructure. That infrastructure is being leased to the Trust for running university operation. For academic management & other such services delivered to the University, the company will change 15% of the revenue . However, the Hostel income will be booked by the subsidiary company, which has built hostel infrastructure. .



- Moderator:** Thank you. We have the next question from the line of Ashish Kacholia from Lucky Securities. Please go ahead.
- Ashish Kacholia:** I just wanted to understand, what is the kind of volume growth that you are seeing in your Tutorial section?
- Pramod Maheshwari:** Currently, admission process is on, so it is very difficult to predict, but seeing the current trend we are expecting that this year we will be able to grow by 10% on Enrollment front
- Ashish Kacholia:** And as far as the booking of the revenue is concerned, when you take the fees from the student, what is the proportion of student who pays the entire fees upfront and how many pay in installments?
- Pramod Maheshwari:** About 70% of fee we received upfront and 30% of the fee is paid in installments.
- Ashish Kacholia:** From every student?
- Pramod Maheshwari:** Not every student, like we have different kinds of programs, the programs for which our fees is 60,000 and above, we charge fee in installments. If the fee is below 40,000, then we charge upfront. So you can say a 70% of the fee is received upfront and remaining 30% is being paid in second installments, but these two installments are received within two months of admission.
- Ashish Kacholia:** More or less that means all your fees are collected before by July-August?
- Pramod Maheshwari:** By September, you can say, because the admission continues till last week of July or first week of August. But we do accounting on accrual basis over the four quarters, as the cost progresses we book the revenue.
- Ashish Kacholia:** So by may be till June or whatever it is as student advances, then from September onwards you start accounting for it on a quarter-by-quarter basis?
- Pramod Maheshwari:** Yes.
- Ashish Kacholia:** So the last fee for the annual one year course is booked in March?
- Pramod Maheshwari:** I didn't get you. We do it on an accrual basis. So let us say if a student is taking admission in the month of April and course is of duration of one year, so we will book the fee of the student over the four quarter.
- Ashish Kacholia:** The March of the next year will be the last quarter in which you will book the fees?
- Pramod Maheshwari:** Yes, Q4 will be the last quarter to book the revenue.





- Ashish Kacholia:** Right and so my other question was basically is this change in the IIT programs where they are going to give some weightages to the 12<sup>th</sup> standard marks, is that going to have any effect on our operation?
- Pramod Maheshwari:** I think it brings broader opportunities to us. Temporarily it might affect, we need to understand it, but earlier we have many students who were not preparing for Competitive Examination and just focusing up on their Grade XII. As now Grade XII marks are also given importance, the student would become serious for their 12<sup>th</sup> performance as well and we will start offering programs for Grade XII performance also. So I believe it will bring us lot more opportunities and broader market base going forward.
- Ashish Kacholia:** And sir, I had one more question. Companies like IIT PACE, they offer a two-year program which has, it has a 11<sup>th</sup> and 12<sup>th</sup> college and the IIT test prep rolled into one. They charge fees like 4 lakhs – 5 lakhs per annum. So is there any substantial difference between their business model and our business model, because we don't seem to be charging those kinds of fees at all?
- Pramod Maheshwari:** It is very difficult to comment on their pricing policy. But as far as our programs are concerned which are Rs. 70,000 for one year program, so in two years student pay us Rs. 1.5 lakh for the program and here we are not providing them any school admission facility or junior college per se. If we also offer the same then it will be close to Rs. 2.5 lakh or more.
- Ashish Kacholia:** Okay, so do we have plans to get into offering this junior college also?
- Pramod Maheshwari:** Yes, we are in process of setting up a Residential Coaching Campus in Kota, which will comprises a K-12 School with Coaching facility. Students who will be joining our Coaching Institute for preparing for Competitive Examination will be offered admission to School also. Hence it will become kind of integrated program. In fact we do these kinds of program in association with a couple of schools. Last year, we did it with one School in Bhavnagar, where School was providing School Curriculum Education and we were providing Tutorial preparation and we also did the similar program in another school in Sikar. So we do conduct integrated program but our scope so far was limited to Tutorial services only, not to school Education.
- Ashish Kacholia:** Right, sir my other question is basically as far as the revenue recognition is concerned from your Colleges and your Universities which you are planning to set up, basically, we have to operate under the Trust because the Education is supposed to be in a non-profit sector. So eventually does that Trust make any profit or essentially the Trust is a break-even kind of an entity and the profits are mainly captured by the corporate entity?
- Pramod Maheshwari:** The trust and corporate are two separate entities and have the business relations.
- Ashish Kacholia:** And is this running of the Hostel, what is the ROC in this business. Typically a hotel or if you take a residential premises, rental yield come to 4-5-6%. So what is typically the rental that is available from if you put up a building and we have students staying there. So what is the ROC of this Hostel business?



- Pramod Maheshwari:** For exclusive Hostel, it is about 17-19% ROC kind of business, but it also helps you to get more Admission in your Universities and if you look at it on the consolidate basis then you get benefit in Admission or Enrollment. However based on fee which we are charging from students for providing residential facility, the ROC is close to 16.5% or 17%.
- Ashish Kacholia:** Sir my last question is basically what is the growth front that you see for company like Career Point over the next five years? Last year it was about 120 crores?
- Pramod Maheshwari:** Last year, we were about 80 crores.
- Ashish Kacholia:** How do you see this on a growth on a five year basis? Say, at the end of five years what would be a good number for to look at? Currently, the whole industry seems to be in a very, very nascent stage. So we have absolutely no idea about what is the scalability of this operation. Can we look forward to say in 5 years the company has reached 300-400 crores. I just wanted to understand what is the scalability of the .company on a five year perspective?
- Pramod Maheshwari:** We have been in to this business for the last 20 years. We have started from a small garage and have reached at this stage, I firmly believe if your foundations are right to do business you can achieve desire scale. As per our management strategy, we are focusing strongly on building a very strong foundation, and we believe are doing it right and now we are at inflection point of growth. In Tutorial space for last two years there has been a lot of bad news which is impacting the growth. However, just now the government has come out with some clarification on the proposed change. I believe in next 4-5 years time the business in this space will grow by 15% year-on-year, whereas in Formal Education which is going to be one of the major revenues after two years from now for our company, I believe business in formal education will contribute to our growth to not less than 15% after two years from now on year-on-year basis....
- Ashish Kacholia::** Sorry, but what will be the base size of the revenue from the Formal Education, this is in two years' time you said?
- Pramod Maheshwari:** Currently, whatever revenue we are getting is from Tutorial business and this year it is about 80 crores and Formal Education will contribute significantly from 2-3 years from now. As this trend will build up it will start contributing in top-line and impressively in bottom-line
- Ashish Kacholia:** That is right. So do you anticipate say your contribution of 15-20 crores from the Formal Education side in 2-3 years' time?: I am saying the company's revenue. So if the Trust make 100 crores you will make 15 crores? So do you see that kind of a revenue in 2-3 years time?
- Pramod Maheshwari:** After three years' time, certainly...
- Ashish Kacholia::** Three years time we should add at least 15 crores of revenue from there.
- Pramod Maheshwari:** Yes.



- Ashish Kacholia:** Right and anything on the payout policy? Whatever profit we make any percentage of that you have earmarked for dividend?
- Pramod Maheshwari:** Currently, we are on the growth phase and incurring CAPEX. As and when we will feel that we cannot use this money any more to grow our business, we will definitely go for dividend.
- Moderator:** Thank you. The next question is from the line of Rajeev Bharathi from Destimony Securities. Please go ahead.
- Rajeev Bharathi:** Sir, congratulations on getting the approvals for your Rajasthan and H.P. Universities. Sir now that you are planning to start the operation from this financial year, now the faculty for these two colleges, I assume that these faculties would come at a higher cost and last time we spoke, I think a couple of quarters back, you were telling the operating margins in the Engineering college would be in mid-40 ranges. Do you still hold to that, in the sense you get facility at...?
- Pramod Maheshwari:** Faculty cost for Engineering Colleges and Formal Education- has not increased, it is still the same. I think there is no pressure. The salary cost which I said has increased, was for Tutorial business, not for Formal Education. So I still maintain the same.. It is about 40%, EBITDA margin kind of business and I don't see any pressure of faculty cost on Formal Education.
- Rajeev Bharathi:** And part of the facility you will be using from your Tutorial businesses or there will be fresh faculty dedicated?
- Pramod Maheshwari:** Dedicated fresh facility.
- Rajeev Bharathi:** And sir can you throw some light on integrated campus, what happened and what is the update on that?
- Pramod Maheshwari:** The integrated campus is almost at the finishing stages; finishing work is on progress. We are delayed by about a month. We are expecting to start operation by end of June for this year.
- Rajeev Bharathi:** And sir you indicated that for this year the intake in Rajasthan and Himachal Pradesh will be 2000 students and 1000 students each. What will be in Mohali? Because last year we had a delayed start?
- Pramod Maheshwari:** Mohali is about 300 students, in Rajsamand it is 300 students. It is the approved capacity for these two campuses whereas for University in Rajasthan and University in Hamirpur, Himachal Pradesh, there is no restriction on our intake capacity, we can decide our own intake capacity.
- Rajeev Bharathi:** And sir any update on the Jodhpur K-12 School?
- Pramod Maheshwari:** We have already commenced the operation. There are about 200 students.
- Rajeev Bharathi:** This 200 students will remain for the next fiscal as well?



**Pramod Maheshwari:** Yes.

**Rajeev Bharathi:** And sir if you remember near to your IPO times, you mentioned that deals in the Education space was happening at 8 times, 9 times at that time, you were price-to-sales was 7 times and all. Do you think the deals are still happening at the similar range or there have been corrections, what could be the reason for that?

**Pramod Maheshwari:** There are two kinds of deals available in the market, one is in Formal Education space where expectations are still attached to the real estate value, whereas second in Training space where either there are challenges with respect to the growth or with respect to the size. So deals are available still in the same way. Expectation has not diluted so far. But I see in the next six months or so it will come to the realistic stage.

**Rajeev Bharathi:** Could the bureaucratic or red tape in getting approvals to open school and land scare that will be the reason or the initial euphoria has died down a little because getting everybody was like we can open 3-4 Colleges a year and which is not happening now. Could that be the reason for this?

**Pramod Maheshwari:** As I said in earlier call that identifying the right land for education at the right location and at the right price have always been a challenge. Then conversion of land use if it is not enmarked for education and time duration of construction with seasonality of admission cycle are few factors which are tough to manage. I believe these are among few reasons for this. **Moderator:**  
We have the next question again from the line of Krudant Chheda from Value Quest Research. Please go ahead.

**Krudant Chheda:** Yes sir, what was the share of Kota versus rest of India in our Coaching Class revenue?

**Pramod Maheshwari:** It is about 60%.

**Krudant Chheda:** And sir how is the competitive scenario now in this IIT and other preparing classes? Earlier, one or two years back people had raised lot of money from private equity and even lecturers fees were going up and is there some discounting happening or even the prices are now stable in terms of lecturers fees as well as prices?

**Pramod Maheshwari:** Lecturers salaries is now more or less stable. Competition among institution is still the same because it is a good business to be in, so everybody wants to be into the Tutorial space as returns are very high, but I believe every professional institution like Career Point is having its own space and its own market and nobody can capture a cake out of it. So competition is there but it is not affecting the operation at all. As far as Career Point is concerned we are not under pressure of competition.

**Krudant Chheda:** And sir my last question is what would be the gross block after all the expansion is through?

**Pramod Maheshwari:** It would be close to about 250 crores.



**Krudant Chheda:** And sir how much lease rentals that we can charge with our Trust that we can get?

**Pramod Maheshwari:** It is 14% of the CAPEX.

**Krudant Chheda:** 14% of CAPEX is lease rental and 15% of fees.

**Pramod Maheshwari:** Yes.

**Moderator:** Thank you. The next question is from the line of Alok Agarwal from Striver Capital. Please go ahead.

**Alok Agarwal:** Yes, sir this is Alok here. I have got a question for you. Sir, like I try and understand the Kota model or an industry for the last two years and at the same time there has been a lot of faculty attrition as well, I mean the top class faculty they go and start their own centers I think, two or three things happened in Kota as well over the last 2-3 years. So that is one. And second, what is your view on that going forward? Because that has been the bayonet cuts for Kota model that is one. And the second sir in the new model as such which has been like forced down by, everybody thrown by Kapil Sibal, till now the Kota model had virtually 10 + 2 as a dummy. The Board was a dummy model by and large, right? There was a local Enrollment in some school; students may or may not study for plus two and go ahead and prepare for the IIT exam, right? My worrying is that the plus two capacity in the Kota model will be limited as of now, try to genuinely conduct classes and educate them.. I mean good chances may happen with the 40% weightage now being given to the school as such. I mean, the school has not actually been available in Kota or around, they may stay back from wherever they are. As of now people by and like migrate from, by and large now lots from Rajasthan, outside Rajasthan diminished in last couple of years. So I want to understand is once this school model come into play, I mean the migration to Kota as such or Jaipur, you call Jaipur is also a pretty big center, will definitely did makeshift cuts. What is the take on that?

**Pramod Maheshwari:** I will give answer to your second question first and then come to the faculty attrition issue. If you look at Kota's students profile, there are three category of students. Class 11<sup>th</sup> students, Class 12<sup>th</sup> students and 12<sup>th</sup> passed students. As far as Career Point and probably other institutions are also concerned, 70% of the students in Kota are class 12<sup>th</sup> pass. They have done their class 12 in their hometown and after completing their class 12<sup>th</sup>, they come to Kota, taking a drop for a year and to prepare for competitive examination exclusively, right? So the aspect which you shared with me that limited capacity of seats availability in schools in Kota is not a big concern. Still I believe Kota institution like Career Point, we do help students to perform in their 12<sup>th</sup> Board examination. So whether they are in their home town or they are in Kota, they will be prepared for 12<sup>th</sup> class.

One more thing I would like to highlight which is very important to understand about our academic system of India, whether in Kota or elsewhere, nobody is going to school or nobody is relying on their school to secure good percentage in 12<sup>th</sup> Board exam. Reason being, the majority



of teachers in schools are not up to the mark. So whether if a student stays in Patna, or whether a student stays in Jaipur or a student staying in Kota, he is going for some or other tuition even for class 12th as well. So the scenario would remain the same. A student will take admission in let's say, in his home town, will either come to Kota, would prepare for 12<sup>th</sup> board examination, would also prepare for competitive examination in the same way he is doing currently and institutions like Career Point will take care of every aspect of his academic, including board examination. I don't see there would be any pressure of this change from the school seats availability perspective, one.

Second, I would like to answer the attrition aspect. Yes, there was attrition in last three years among institutions and the business is vulnerable to this aspect, but fortunately at Career Point, we are quite successful to retain our faculty members. And if you look our last four years, no major faculty members or team have left Career Point. In fact now, I believe the salary structure of faculty members is in a range where moving out, setting up their own study center is quite risky for a faculty member. And also because there is a lot of change in the environment, hence at this time nobody is having courage to take any kind of risks. But still, there is a risk always associated with this business and I won't deny that, but it all depends upon the management, the way they structure the entire system, they would be able to retain the faculty members. Mahesh would also like to add something.

**Mahesh Bhangriya:**

Just to add an another view on this faculty attrition subject, when the faculty moves out from the established institutions and start the new set-up, it should be considered positive for the industry as it gives a good recognition to the industry as a whole. As Pramodji was mentioning, there is enough market potential for every player in the industry as of today. There are approximately 15 lakhs aspirants all over the India; however the number in Kota is still about 60,000 to 70,000. So, there is a sizable market opportunity available for each player .

**Alok Agarwal:**

I appreciate but just last question on this front, there is one FIITJEE model basically which is taking centers to the places where students are as opposed to congregating in one place in Kota. I mean somehow like longevity of the FIITJEE model looks much more secure as such as compared to yours. I think, the Enrollment and the top-line growth of the last year even the indication for the current year, I mean 15% is basically catching with the inflation by and large, it is not very great as such. Anyway, you realize like you pulled out from other places, NCER and other thing which was essentially getting on the lines of what FIITJEE is up to. So anyway you have decided to move back to your fort as such is widespread, those who are not making money, but the growth rate for your existing model 10 to 15% is basically catching with the inflation essentially.

**Pramod Maheshwari:**

I would like to add here one thing. We are also engaged into the integrated school model and we have been expanding that also. But there is a huge risk involved in splitting yourself too thin, one on the quality front, second on the intake front because if you split yourself too thin and you start integrated programming in each school, you won't get quality student in each school. Now in education, one equation fits always - Best in, best out & Garbage in, garbage out. What



happens If you split yourself and start integrated programs in various schools and eventually fail to produce expected results. That will impact brand equity significantly and you will not only lose business at those integrated programs, but also at your core centre. So there is a huge risk involved in splitting yourselves. This is a one aspect which also needs to be understood when expanding your business. That is why whenever we try to grow our business we try to create hub, where you get reasonable number of students, where you can create an environment, where a student can stretch himself to give the best output and then only you will be able to get the best results and continued business. So if you look at and analyze the results of various integrated school programs of Career Point or FIITJEE or any other institution, you will be able to realize that many students who are part of integrated programs are not able to produce results, not because the institute has not done well, but because the students were not having capabilities and unfortunately they blame the institution which affects the brand equity of the institution significantly.

**Alok Agarwal:**

And just one more thing just to as nobody there in the queue, this all exams becomes one, i.e. AIEEE or Rajasthan Engineering Examination or IIT Examination becomes one exam, will that impact you because you have lot of AIEEE Enrollments as well in preparing for AIEEE?

**Pramod Maheshwari:**

In fact, if you analyze the current examination system critically, in my opinion the new format is very close to AIEEE. We are putting a note on our website explaining why it is close to AIEEE. As the selection is based on percentile in board examination; along with performance in JEE Main which is probably like AIEEE and performance JEE AdvancedBased on historical scenario if JEE Advanced is like IIT-JEE, then not more than 10,000 students will be able to secure more than 40% and of that only 30% weightage is taken into ranking criteria for NITs. So it will not impact significantly the ranking NITs. Also without getting good marks in JEE Mains and 12<sup>th</sup> Board, you can not become eligible for IIT-JEE ranking. So when one analyze the new format as a whole then realized that it is close to board and AIEEE, so I believe, the new format will bring us lot of opportunities going forward.

**Alok Agarwal:**

Sir, this board with 40% is PCM or is four subjects or five subjects, how many?

**Pramod Maheshwari:**

All five subjects to the best of my knowledge

**Alok Agarwal:**

Means Hindi, English as well..?

**Pramod Maheshwari:**

I think so.

**Alok Agarwal:**

Oh really? Okay. So that will be a bit of challenge for some sort of people as such because then you have to impart the language education as well.

**Pramod Maheshwari:**

We do conduct English classes even today. For most of students who are coming to us, we conduct language classes and as well as physical education, computer etc. That is a part of our regular curriculum.



**Moderator:** Thank you. That was the last question from the participants. I would now like to hand the floor back to Ms. Swati Nangalia for closing comments. Over to you ma'am.

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

**Pramod Maheshwari:** Thank you all for joining our investor call. In case you have any query, please feel free to mail to us. We will respond to it as quickly as possible.

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

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