



“Career Point Ltd. Q1 FY14 Earnings Conference Call”

**August 14, 2013**



**MANAGEMENT: MR. PRAMOD MAHESHWARI – CHAIRMAN & MANAGING DIRECTOR**

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**MODERATOR: MR. NIKHIL VORA – IDFC SECURITIES**



**Moderator:**

Ladies and gentlemen good day and welcome to the Career Point Q1 FY14 earnings conference call hosted by IDFC Securities Limited. As a reminder 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 telephone. Please note that this conference is being recorded. I now hand the conference over to Ms. Swati Nangalia of IDFC Securities. Thank you and over to you madam.

**Swati Nangalia:**

Good morning everyone and welcome to the Q1 FY'14 earnings call of Career Point. We have with us the senior management team of Career Point represented by Mr. Pramod Maheshwari - Chairman & Managing Director and Mr. Mahesh Bhangriya - Vice President Corporate Strategy. I will hand over the call to Pramod Ji for the opening remarks and for an outlook on the business and the way forward, post which we can move on to the Q&A. Over to you Pramod Ji.

**Pramod Maheshwari:**

Thank you Swati Ji. Good morning ladies and gentlemen. This is Pramod Maheshwari, Managing Director & Chairman of Career Point Limited. Thank you all for joining our investor conference call. With me I have my colleague, Mr. Mahesh Bhangriya – Vice President, Corporate Strategy and Investor Relations. I believe most of you have received the copy of our earning updates. It is also available in our investor relationship section on our website at [www.cpil.in](http://www.cpil.in).

To begin with I will give you an update on our business, which will be followed by financial overview of the first quarter of the fiscal year 2013-14. I would first start with the update on Tutorial Services Division, which is impacted by lower number of enrollments and affected company's financial performance this quarter compared to the last year on a standalone basis. However, the same has been neutralized at consolidated level with improved performance of wholly owned subsidiary of the company.

The people who are closely tracking IIT-JEE and AIEEE format already know that the changed market dynamics specifically post declaration of examination result this year. Though the confusion over the examination pattern is over; however, the results which included normalization formula to standardized board performance of the students of various boards for the purpose of making final rank has created lot of chaos and put two way effect on the enrollment this quarter.

The first one is that this year enrollment cycle is delayed due to delay in final result declaration. Earlier, the AIEEE that is all India Engineering Entrance Examination now known as JEE-MAIN, result used to be declared in first week of June, whereas this year this result was announced in the month of July. This has delayed the complete admission cycle and specifically for class 12<sup>th</sup> passed students who used to take admission in institution to prepare for competitive examination after the declaration of the results.



The second factor, which is one of the major factor, which has impacted the enrollment is the formula used to normalize the board marks to prepare final rank of the student in AIEEE. Before I explain the formula to you, I would just read out the statement made by the former director of IIT Kanpur published in leading daily news paper it states that the formula is so complicated that even an educated person cannot understand it easily, the NIIT and IIT should now use a common model for the admission next year.

Here, I would like highlight few issues which point out how the new formula fueled the entire chaos and converted into a peculiar situation. Let me put an attempt to explain you the formula first; I assume that it is very complicated to explain. As you may be aware that in the new format of the engineering entrance examination, board performance are also taken into consideration to determine final rank. But equating performance of students from multiple boards became a big challenge to the authorities. For this a normalization formula was adopted for all the boards by equating percentile among different boards and entering these percentiles at all India JEE percentiles. This mechanism has shown inconsistent and biased results and questioned the rationality of the normalization. Mathematical miscalculations were also reported.

Even a member of this committee who created this formula agreed and told that normalization and mapping have created a lot of confusion. Given that the CBSE has taken a help from Indian Statistical Institute and later on Indian Statistical Institute has also distant itself from the formula and blamed it on HRD Ministry and CBSE. This entire event has been quite negative for students and for the industry. Actually post result declaration it was very difficult for students to understand how their rank was being prepared. In our opinion, the formula is not only complicated but irrational and has discouraged many 12<sup>th</sup> passed student to take a drop for one year to prepare for pre-engineering examination again and this has actually impacted the enrollment in courses which we conduct for 12<sup>th</sup> passed students.

Here, I would like to point out that rest of the courses which we run for class 11<sup>th</sup> students, for class 12<sup>th</sup> going students have no impact of this formula. As we have already mentioned in our earlier calls that preparation for board examination is already part of our service, but those who have prepared for 12<sup>th</sup> board examination on their own while they were in their home town got affected because of the normalization process and they are not clear whether the normalization process will continue for the next year or not. So they have opted not to prepare again and that is why the enrollment in class 12<sup>th</sup> passed course has dropped, which actually impacted the enrollment. In rest of the courses, we are getting good response. We are getting very good response in premedical entrance courses also and getting good attraction there.

All in all, I would say that with 9000 plus enrollment in this quarter, the performance of the tutorial division was poor than last year, but reasonably well under the given circumstances. At this junction, we are in the same opinion as many experts including few members of the team who formulated normalization process and couple of IIT directors who acknowledges that new system has not attained its goal. We believe that current challenges in tutorial service are short-term in nature and will be reverted soon. In fact, we are expecting our tutorial division to emerge much stronger post transition due to our new initiatives such as residential coaching with a



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school in Kota, school integrated program at various locations across the nation, technology-based solution, etc.

We are very excited with our newly launched residential coaching cum school campus in Kota this year. In our last call I reported an enrollment tally of about 150 plus in the campus. It has now crossed 700 enrollment and still counting on. The campus which is named as Career Point Gurukul is unique and first in many aspects compared to standard coaching format with due focus on school education, extracurricular activities along with intensive coaching for competitive examination. This campus is secure, stress free, and result-oriented residential experience with all facilities for the students. With CP Gurukul, the company intends to set new benchmark in education delivery and further announces the effectiveness of this coaching program. We are extremely excited and hopeful that going forward this particular project is going to not only bring us more number of students, but also a positive impact on financial performance.

Various school-integrated tie-ups across different parts of nation with different school following a variety of board curriculum are further testimony of our excellence in tutorial services. If you remember in our last call we announced two agreements with schools at Tamil Nadu and Maharashtra. Continuing the trend, last month we have signed new agreement with renowned Birla Education Trust at Pilani for its three different schools in Rajasthan, where we are providing tutorial services which have been integrated with the school education at their location. Based on these updates and new ventures, we firmly believe that current setback in tutorial division will be reversed soon and division would continue its leadership with the long-term sustainable business mix.

Moving to formal education, we have launched two new schools in this sessions including one in Kota situated within residential campus and second one is at Jodhpur. Both are CBSE co-ed schools. The response has been quite stimulating. Both the schools have reached more than 200 new enrollments in first year of operation itself. At higher education space, the performance has been even more inspiring. We have observed 30% plus Y-o-Y growth in enrollment numbers, which not only authenticates our excellence in academic delivery but also gives us a sustainable and visible business outlook for coming years.

Just to remind you that presently we are running two universities, one in Rajasthan at Kota and second is in Himachal Pradesh at Hamirpur along with technical campus. These institutions empower a student on both professional development and degree-awarding courses in various streams including Engineering and Technology, Management, Commerce studies, Basic and Applied Sciences, etc. Our company charges a fee for various auxiliary education services such as admission services, specialized training, content development, and other allied services, which we provide to these institutions.

We also provide infrastructure support services through our wholly owned subsidiary that is Career Point Infra Limited, which owns the infrastructure and provides this infrastructure and related services to the institution and charge a lease rental. The Career Point Infra Limited is a



capital-intensive company, but with a sustainable business operations. As you know that our company is in investment phase with respect to formal education division and with the successful regulatory approval last year we have just completed first year of operation for existing higher education institution including both universities at Kota and Hamirpur.

We see enormous potential in this space. We would see a significant contribution from this space going forward along with existing offering. We are also developing a wide ranges of courses that we will execute in accordance with our strategy to position the company for a long-term sustainable growth. So this is a brief about tutorial division and formal education division. Now I would request my colleague, Mahesh, to give you financial updates. Over to you Mahesh.

**Mahesh Bhangriya:**

Good morning ladies and gentleman, this is Mahesh Bhangriya – VP Corporate Strategy and Investor Relations. I am pleased to share an overview of our financial results for first quarter of fiscal 2013-2014. In this quarter, we added 9231 new enrollments in tutorial service division. As explained earlier in the call, the Y-o-Y enrollment performance at this division was affected by a delay in admission cycle and a change in market dynamics. However, our performance at formal education division was quite impressive, though it was not sufficient to compensate the decline in tutorial division this quarter, but it has given a sustainable business and a visible outlook for the coming years. As in the formal education, the duration of the course programs vary from 2 years to 5 years for higher education and about 12 years for the school education.

Total income from operations on standalone basis stand at Rs.12.60 Crores in the quarter with Y-o-Y decline of about 12%. The standalone results also included income contribution from our newly launched residential coaching-cum-school campus. As consolidated level, the downside of revenue decline in tutorial division was neutralized to a major extent by increased contribution from subsidiary operations, mainly in formal education. The income from operation was down by just 4% at Rs.15.15 Crores in Q1 of FY'13 as compared to same period last year. The company has realized Rs.2.5 Crores of income from lease rentals at wholly owned subsidiary, Career Point Infra Limited, which has Rs.97.4 Crores of fixed assets by end of the quarter. If you look at the consolidated numbers of total income, which is including the other income, it has stood at Rs.17.65 Crores for the quarter, a decline of about 4% from the Q1 of last financial year.

At operating EBITDA level, the company witnessed a jump of 22.1% at Rs.2.8 Crores with a margin of 18.5% against 14.5% in Q1 FY'13, thanks to our significant cost control in noncore expenses. At standalone level also, the operating EBITDA margin was improved by 64 basis points. EBITDA including other income on consolidated basis was reported at Rs.5.31 Crores with Y-o-Y growth of 6.2% and margin of 30.1% with improvement of about 3% point over the comparable period last year. In this quarter, a decline in profit before taxes was reported due to increased finance charges. As mentioned in the earlier calls, the company has opted leveraging to have an efficient use of available funds. The net income for the company on a consolidated basis stands at Rs.1.64 Crores for this period. As of June 30, 2013, the net worth of the company was Rs.3.27 billion and the company was having Rs.96.5 Crores of cash and cash equivalents. Now I would like to request Mr. Maheshwari to summarize the updates. Over to you Sir.



- Pramod Maheshwari:** Thank you Mahesh. In conclusion, the first quarter of this fiscal has been quite dynamic. There has been challenge in tutorial division with respect to new enrollments. However, the successful takeoff of our residential coaching project and performance of formal education division were quite positive for the company. These both milestones provide a sustainable business going forward. We are also quite hopeful to overcome the current setback in tutorial division, and we firmly believe that our new ventures and transformational initiatives are expected to accelerate the growth path for the company in coming quarters. Now, floor is open for question and answer.
- Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. Our first question is from Srihari Seshadri of Sundaram Mutual Fund. Please go ahead.
- Srihari Seshadri:** Since the academic year has started, if you could throw light on how the numbers have changed for the school and college compared to last year, existing numbers and the new admission in each of the schools and universities, it would be helpful to start with.
- Pramod Maheshwari:** I will share with you the enrollment number of university at Kota first. Last year at this moment, we had close to 320 enrollments. For the full year, it was about 650 enrollments. As on date, the new enrollment at Kota University is 480 against last year's 320 and for full year we are expecting that it would be somewhere around 800 to 1000.
- Srihari Seshadri:** Last year, it was 650 full year, so additional 480, there would be minimum of two years, so it would be somewhere around 1000 for the full year.
- Pramod Maheshwari:** Currently it is more than 1000, and we are expecting more enrollments in the next one-and-a-half months. Majority of the admissions are for engineering under-graduate program, which are for four years.
- Srihari Seshadri:** And the average fee would be around 70,000.
- Pramod Maheshwari:** 72,000 for a year, this is for Kota. Second is in Hamirpur. Last year at this moment of time, we had close to around 70 admissions and today it is 120 in Hamirpur. The total enrollment over the year in Hamirpur last year was 100 and this year admission is continuing, so we are expecting it will touch somewhere around 200.
- Srihari Seshadri:** Okay, so our strength would be around 200 right now, and fees would be around the same there?
- Pramod Maheshwari:** It is slightly higher. It is about 85,000.
- Srihari Seshadri:** There are the two operational universities and what about the technical campus?
- Pramod Maheshwari:** Technical campus is in Rajsamand, where last year we had around 65 enrollments; this year it is about 77.
- Srihari Seshadri:** The fees would be lower.



- Pramod Maheshwari:** The fee in technical campus is regulated by the Technical University of Rajasthan. Currently it is about 58,000.
- Srihari Seshadri:** Okay. Coming to the school sir?
- Pramod Maheshwari:** Last year we had one school. This year we have three schools, two in Kota and one in Jodhpur. One is operational in Kota and two are the new ones. In the operational school, we had about 1400 last year. We added 250 new enrollments and about 150 students graduated from class 12 and have taken their transfer certificates. So net we have added additional around 100 students and it is actually at full capacity.
- Srihari Seshadri:** So we would be having about 1500 students here.
- Pramod Maheshwari:** Absolutely correct. Second school which we have started this year in Kota, the first year of enrollment is 200 plus. One more school we have started in Jodhpur and there also enrollment is 200 plus.
- Srihari Seshadri:** For the first school and other two, we will get Infra as well as the ecams management fee.
- Pramod Maheshwari:** Correct.
- Srihari Seshadri:** Next year would we be seeing double this number, 200 becoming 400, in Kota and Jodhpur newer schools, how in the admission progress because it is a full-fledged school. It would run till class 12.
- Pramod Maheshwari:** I will start from Jodhpur first. The Jodhpur school is situated in a very upcoming location and there is no school nearby, so we have no competition effectively. That particular area is coming up very fast, so we expect almost 400 enrollments next year in Jodhpur. The Kota school is situated within the residential campus. This year we got late approval from CBSE, so we managed to get only 200 admissions. These 200 admissions are primarily in senior classes, not in junior one, because we were very late so we failed to enroll junior students. Next year we are expecting about 500 enrollments in Kota school.
- Srihari Seshadri:** Okay. Coming to the 700 number you mentioned with respect to the residential coaching, all would use your hostel facilities and they would be paying your coaching fee also. Going forward, what kind of risk we are seeing apart from this admission confusion happening, when do you expect this to resolve, in the sense the clarity to come to students, would it benefit next year's admission or it would get delayed even further.
- Pramod Maheshwari:** To explain you, let us divide the students who are coming to us in two segments. One who are coming to us for the residential facility, we do not see any pressure there. In fact, parents are more comfortable to send their kids to a residential campus. We do not see any kind of risk in residential campus. That is irrespective of what pattern system the government follows for the competitive examination. Students will come to residential campus because they get all sorts of facilities including school, coaching, extracurricular etc. Whereas in tutorial business, actually



we did not anticipate that the normalization formula which government adopted will create this much of chaos. Post result, we realized that it has shown inconsistent result and it has actually put pressure on every student. Even a student who has secured more than 80% marks in board examination, his normalized score is less than 80% because of normalization. So it has actually discouraged many 12th passed students to take a drop for a year to prepare again. I personally believe that government will definitely look into this. Last month, about 150 students protested against in front of CBSE in Delhi. So a lot of things are happening around and probably government will take action on this and rectify the mistake. That is being addressed then there is no pressure. If it is not being addressed, then we see that 12th passed student market will remain under pressure.

**Srihari Seshadri:** What was the number of 12th pass out last year and how is it now? Out of the 20,000 students in your company center last year, what would have been contribution from the 12th pass out students, and how is that number right now, is it almost nil now or what is the status?

**Pramod Maheshwari:** I will just talk about Kota center. Last year we had close to 7000 students who were 12th passed. This year, it is less than 7000. It is not less than 50%; it is more than 50% even today.

**Srihari Seshadri:** Okay, so 7000 was 12th pass out last year in Kota. Thank you.

**Moderator:** Thank you. Our next question is from Divye Shah of Pragya Equities. Please go ahead.

**Divye Shah:** My question is regarding CP Gurukul. What is the maximum capacity we can accommodate in residential coaching school how will be the margin in that area?

**Pramod Maheshwari:** Currently the total capacity, which we have built, is for 1500 students. Out of which, it is finished for 1100 students. For 400 students, the process is on and we will finish by January. However, the project has been planned with a maximum capacity of 3000 students, but we have not built the facility for remaining 1500. Secondly, in residential campus, there are three kinds of revenue we get from a student. One is hostel fee, second is coaching fee, and third if he is a school going student then school fee. In all three, the margins are close to 45%.

**Divye Shah:** What is the total investment in CP Gurukul?

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

**Divye Shah:** For another 1500, we require another 60 Crores.

**Pramod Maheshwari:** For another 1500, it will require approximately 30 Crores. It is a thumb rule that you have to build 150 square feet per student. For it, you have to construct maximum about 3 lakh square feet, which will cost about Rs 30 Crores.

**Mahesh Bhangriya:** Because land and common facilities will not incur capex again.





- Divye Shah:** One of the basic incomes in our consolidated balance sheet is generally the lease income. What is the lease income expected for the full year 2013-2014 from CP Infra?
- Mahesh Bhangriya:** It would be close to rupees 10 Crores. This quarter we have booked 2.35 Crores which depends on the capitalization of our assets and hand over to the respective trust and societies. Looking at the current investment and estimates of assets capitalization, it would be close to 10 Crores.
- Divye Shah:** But generally as a standard can we take it 10 Crores every year will be from CP Infra?
- Mahesh Bhangriya:** That's a minimum estimate one can assume.
- Divye Shah:** About balance sheet, what is the net debt and cash in our balance as of today on a consolidated basis?
- Mahesh Bhangriya:** Net cash is close to rupees 50 Crores. If you look at total cash and cash equivalents with the current investment, it is rupees 96.5 Crores and then we have debt of rupees 47 Crores in consolidated balance sheet; resulted net cash is about rupees 49 Crores.
- Divye Shah:** Last conference call it was about 66 Crores. My another question is regarding our formal education. How we account for formal education and what are the margins in that field?
- Pramod Maheshwari:** There are two services, which we are providing to the institutions. One is auxiliary education service, which we provide from our parent company to the institution. We help the institution to get admission, content development, faculty training, etc. For this, we charge a fee out of the revenue generated by the institution, which we help them to generate. The second service is infrastructure which we provide to the institution on a long-term lease and there we charge lease rental from the institutions.
- Divye Shah:** Okay, that is all from my side sir. I will come back if I have other questions.
- Moderator:** Thank you. Our next question is from Apurva Mehta of KSA Shares and Securities. Please go ahead.
- Apurva Mehta:** I just wanted to ask about what will happen in next quarter, do you see any light for next quarter that things can improve for this IIT-JEE and all that?
- Mahesh Bhangriya:** We see the admission cycle is a bit delayed; certainly the contribution of the second quarter would be higher compared to last year. Additionally, when you look at our accounting procedure, we actually book expenses as and when they occur. So majority of expenses towards business development are being occurred in the first quarter. So next quarter EBITDA levels are always better than the first quarter.
- Apurva Mehta:** Do you see the enrollment will start coming when the issue is solved or we have missed a full year now?



- Pramod Maheshwari:** Let me put it this way, we have partly missed the full year because many students have taken admission in engineering colleges on the pretext that there is no point of repeating again, considering the normalization formula complications, so it is fair to assume that we have missed it for full year. However, as we said in the beginning, the result was declared in the first week of July. Students were waiting till July; so many admissions took place in Q2. There will be a fee realization in Q2, which will definitely impact financial performance positively.
- Apurva Mehta:** But the traction is very low.
- Pramod Maheshwari:** The traction has improved significantly. It was in a bad situation that time.
- Apurva Mehta:** Just for general purpose, the same is affected to all the other competitors also in the same way?
- Pramod Maheshwari:** There are two engineering entrance examinations, one is IIT-JEE and second is AIEEE. In AIEEE, 12 lakh students appeared for this examination. In AIEEE space, everybody must have got the similar kind of impact. Not in IIT-JEE because in IIT-JEE board percentage has not been considered for final ranking. There was only one rider that student has to be among top 20 percentile of respective board to become eligible to get admission in IIT. That was only rider, but board percentage was not given importance. IIT market is not getting that kind of impact, that is the case with us also, but AIEEE market is getting this kind of hit.
- Apurva Mehta:** Total number in school enrollments is 200, because in last con call we had 125 enrollments for Kota as well as Jodhpur, so we ended with 200 as total enrollment?
- Pramod Maheshwari:** If you remember, in the last call, we were somewhere in the month of May. Usually in April and May, schools remain closed. We started school in last week of June and it remained operated only for 10 days in June, so it has improved to 200 plus. So the present enrollment strength is 200 plus in Kota new school, 200 plus in Jodhpur new school, and about 1500 in existing school that is also in Kota.
- Apurva Mehta:** We were a little bit more optimistic in university enrollments in the last quarter, we were talking about total enrollments higher education of close to 3500 by this year, old plus new, old was 1000 and new we were talking of 2500 in higher education, are we on track for that or we will scale down a little bit lower for that?
- Pramod Maheshwari:** We will scale down a little bit lower because specifically in engineering we were anticipating around 1000 enrollments which we will probably end up with 600 plus.
- Apurva Mehta:** So the figure we could out is around 3000 or less than 3000?
- Pramod Maheshwari:** On the conservative side, let us take it about 2600.
- Apurva Mehta:** Can you give the current revenue breakup for tutorial, management fees, franchisee income and all that?



- Mahesh Bhangriya:** The admission is still going on; for the strategic point, we will not be able to disclose numbers at this stage. The breakup of the revenue will be disclosed in annual report.
- Apurva Mehta:** How we do see this residential school going forward, next year we can see 1500 students?
- Pramod Maheshwari:** 100%. There is a huge attraction for this facility.
- Apurva Mehta:** Okay, next year we can see 1500. Thanks a lot. If there are any questions, I will come back.
- Moderator:** Thank you. Our next question is a followup from Srihari Seshadri of Sundaram Mutual Fund. Please go ahead.
- Srihari Seshadri:** My question is already answered. Thank you.
- Moderator:** Thank you. We will take our next question from Umang Kajaria of Apax Partners. Please go ahead.
- Umang Kajaria:** If you could just explain the integrated school model, the economics of that versus the tutoring at your own centers because that model seems to be taking good traction?
- Pramod Maheshwari:** In integrated model, we need not incur any capex on infrastructure and other facilities, and also no expenses for publicity. We get into sort of understanding with the school where we would actually depute our faculty members to the city where the school is situated and our faculty members conduct classes for the tutorial studies off the school timings.
- Umang Kajaria:** Currently how many students are in that model versus the classroom tutorial?
- Pramod Maheshwari:** We are currently running three school programs and a number of enrollments must be close to thousand.
- Umang Kajaria:** Okay, thank you. The second question was that the board results are impacting the AIEEE business more than IIT business, do you think this is more of a permanent shift or it is just a temporary phenomena because now that 40% of the results are from board, people just not taking tutoring on the AIEEE segment?
- Pramod Maheshwari:** I would not say that it is a permanent phenomena, it will definitely fade out. It is a surprise to the market this year. Nobody has anticipated this is going to happen, but at fundamental level nothing has been changed. So it is a temporary phenomenon. Even if it remains in the current shape, it is going to fade out gradually probably next year.
- Umang Kajaria:** Okay. Final question on my side, just to get a sense of what the split of the total enrollments in the coaching business between engineering and medical, are you seeing traction on the medical side?



- Pramod Maheshwari:** Medical is doing good because there is no as such any kind of regulation of percentage, normalization, eligibility criteria. Even number of attempts allowed is four against three in AIEEE and two in IIT-JEE. We are getting good response and good attraction there. Medical division is doing good. Class 11 and 12 enrolments are doing well. IIT is doing good, even for class 12 pass. Only 12th pass AIEEE business is impacted this year.
- Umang Kajaria:** What would be the numbers of medical roughly out of last year's 27,000 total enrollments?
- Pramod Maheshwari:** Actually it is a trade-sensitive data and we do not disclose this break-up. However, break-up of short-term vs long-term, branches vs franchisee, classroom vs distance learning is disclosed.
- Umang Kajaria:** Okay, thank you sir.
- Moderator:** Thank you. Our next question is from Nihar Shah of Enam Holdings. Please go ahead.
- Nihar Shah:** Just a couple of questions. The first question from my side is, by the end of this year, what is the kind of total student intake that you think you can reach at. You are at about 27,250 odd last year, what is the kind of number you might potentially do this year?
- Pramod Maheshwari:** It is a very difficult question to answer at this moment seeing the kind of uncertainty in examination format. Last year we did about 27,000, this year I believe we will be able to reach 20,000 to 22,000 approximately. Though, it is very difficult to predict considering the market dynamics. We have been working hard to narrow the gap vs last year, but we will reach close to that number.
- Nihar Shah:** My second question to you on the CapEx plans, what is the kind of investment that you have to make in all your formal education space in terms of capital expenditure, essentially do you have any sort of plans to do, given where the share prices are today, to either do a buyback or something of that sort to help the clause over there?
- Pramod Maheshwari:** The facilities available in higher education currently with us is sufficient to take care for another one year, though we have to start CapEx almost two years in advance, the construction phase takes it own time. This year, we are anticipating close to Rs.20 Crores of CapEx for various projects to build infrastructure. As Mahesh shared with you that we got about Rs.50 Crores of cash available with us. Second question which you asked regarding buyback and all, once we discuss these kinds of issue in board meeting, we will update you.
- Nihar Shah:** Great sir, that is all from my side. Good luck.
- Moderator:** Thank you. Our next question is from Apurva Mehta of KSA Shares and Securities. Please go ahead.
- Apurva Mehta:** Revenue stream from what we have done in BITS and Maharashtra education, what will be the contribution coming from this?



- Mahesh Bhangriya:** From one school project, the contribution is about 1 Crore rupees.
- Apurva Mehta:** Any new taps in the pipeline?
- Mahesh Bhangriya:** We are working on and discussions with couple of PSU schools, operated by PSUs, are going on.
- Apurva Mehta:** Any new school projects coming in or we are concentrating on this?
- Mahesh Bhangriya:** We have a couple of land parcels available with the company. However, we are currently focusing on the existing projects because there is a lot of scope and opportunities available with the existing projects. Once we reach at a reasonable size and would explore the potential with existing projects, we will gradually move to the new projects.
- Pramod Maheshwari:** We have already bought land parcel for three schools, one in Jaipur, second is in Abu, and third is in Gwalior. All three land parcels are of reasonable size, where we can even have residential schools. But as Mahesh just shared with you the focus is more on existing projects because we believe that there is a huge potential available even at existing schools, and trying to take them to an optimum level so that we can focus on the new project.
- Apurva Mehta:** Okay, thanks a lot and all the best.
- Moderator:** Thank you. Our next question is from Divye Shah from of Pragya Equities. Please go ahead.
- Divye Shah:** Mr. Pramod Ji, I have one broad question regarding our business model, since we are two years after our IPO, we are in March 2013-2014, and we are in an investment phase and we are slowly scaling up our capacity. After three years, suppose by 2015-2016, what should be the optimum level, where our revenue stands, and what should be the EBITDA margin at that level, where everything stabilizes?
- Pramod Maheshwari:** Let me answer your question in a reverse order. As a management, we are bottom line sensitive and we believe that in education the margin should be not less than 25% in any case. On sustainable level, we believe that margin would be close to 35% to 40% once all the projects are in shape and start functioning at their optimum capacity. Secondly, you have mentioned regarding top line and revenue, I will just ask Mahesh to answer this question.
- Mahesh Bhangriya:** From the tutorial, we believe that contribution which is close to rupees 70 Crores as of now, would cross the three-digit mark. In the formal education, our current investment is about 150 Crores for the existing projects which would gradually reach up to 250 Crores in the period you mentioned. Based on those numbers if we calculate the lease rental and other services, our bottom line could go up by 100% from the current level in the next three years.
- Divye Shah:** My general question is what is the total investment we have made in all infrastructures till now?
- Mahesh Bhangriya:** As mentioned earlier, it is about rupees 150 Crores.



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**Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand the floor back to Ms. Swati Nangalia for closing comments.

**Swati Nangalia:** I would like to thank the management team, Pramod Ji and Mahesh for removing time for this call. Also thanks to all the participants for joining in today. Pramod Ji would you like to make any closing comments?

**Pramod Maheshwari:** Thank you very much for joining our conference call. In case you are left with any query, please feel free to mail us or call us, we will get back to you as soon as possible. Thank you very much.

**Swati Nangalia:** Thank you Pramod Ji and all the best.

**Moderator:** Thank you very much. Ladies and gentlemen, on behalf of IDFC Securities Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.