



## “Career Point Ltd. Q4 FY13 Earnings Conference Call”

**May 22, 2013**



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

**MR. MAHESH BHANGRIYA – VICE PRESIDENT,  
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**MODERATOR: MR. NIKHIL VORA – IDFC SECURITIES**



**Moderator:** Ladies and gentlemen good day and welcome to the Career Point FY13 results conference call hosted by IDFC Securities. As a reminder for the duration of the conference all participant lines are in the listen-only mode. There will be an opportunity for you to ask questions at the end of today's presentation. Should you need assistance during this conference call, please signal an operator by pressing "\*" and then "0" on your touchtone phone. Please note that this conference is being recorded. At this time I would like to hand the conference over to Mr. Nikhil Vora of IDFC securities Ltd. Thank you and over to you Sir.

**Nikhil Vora:** Thanks. Welcome you all to this Q4 FY'13 earnings call from Career Point. We have with us the senior management team of CareerPoint. Like always Pramod Maheshwari - Chairman & Managing Director and Mr. Mahesh Bhangriya - Vice President Corporate Strategy. I will request Pramod to make the opening remarks and also give insight on the numbers and the way forward and then we can open the floor for Q&A. Over to you Pramod Ji.

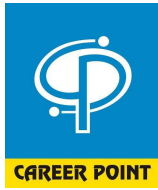
**Pramod Maheshwari:** Thank you Nikhil Ji. Good morning ladies and gentlemen. This is Pramod Maheshwari Chairman and Managing Director of Career Point Limited. Thank you all for joining our investor conference call. With me I have my colleague Mr. Mahesh Bhangriya – Vice President, Corporate Strategy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

To begin with I will give you an update on the business, which will be followed by financial overview for the fourth quarter and fiscal year 2012-13. First I would start with Tutorial Services Division. In the last quarter, we added 1560 new students with 550 enrollments in classroom courses and rest of the enrollments, which are about 1010 in distance learning programs.

As you all aware last year enrollment were under pressure due to a proposed change in examination pattern of IIT-JEE and AIEEE. However the dust is now clear. Examination format is in place and effectively the new proposed format is favoring tutorial business. Hence I believe that going forward the response to the Tutorial Services will be much better than last year.

Enrollment for next academic session has already started and it will pickup in coming months specifically after the result declaration of Board Examination and Final Result of competitive examinations including JEE for engineering entrance and NEET for medical admissions. Based on the initial response we are quite hopeful for better enrollments compared to reduced number in FY12-13.

Here I would like to update you that the change in pattern has not impacted our students success rate, because it was just change in format, neither change in the selection procedure, nor in the syllabus. In recently declared result of JEE-MAIN examination on May 7, which was earlier known as AIEEE, more than 5100 student from Career Point got through and around 3600 students out of these are eligible for second round of examination, which is called JEE Advance



or IIT-JEE. The success in JEE-MAIN reiterates our leadership in AIEEE exam with more than 1 lakh selections so far.

In the last month we signed two new agreements for school integrated programs with Edustar Foundation in Tamil Nadu and Basweshwar Education Society in Maharashtra. Apart from private educational societies running schools, we are also in discussion with various PSUs to run the tutorial courses in their schools.

For the coming academic session, we have also started giving admission in our fully residential integrated coaching campus at Kota. As mentioned in previous call this campus has all facilities like hostel for boys and girls, food court, shopping complex, guest house for parents, the staff residences, recreational activities along with the CBSE affiliated K-12 school. The initial response is quite encouraging. We started this campus in the mid of April this year and by now there are more than 150 students residing and taking tutorial services.

Now I will move to the formal education division, there we have launched two new schools including one at residential campus in Kota, and second one in Jodhpur. We have got the affiliation -CBSE affiliation- for both the schools; the school at Jodhpur got affiliation on March 30th, whereas the school in integrated campus at Kota got its final affiliation last week on May 14th. Though it is summer vacation in the schools right now however we have already started enrolling students and currently more than 125 students each in both the schools have enrolled.

A new endeavor in K12 space, apart from setting up our own school and franchising, we are also venturing into advisory and management consultancy for K12 specific services such as content development, faculty training, infrastructure planning, regulatory affiliation, project feasibility study, human resource management etc.

In higher education space, we successfully completed first academic session with excellence in our system and methodology to build a strong foundation. I guess most of you are aware that we are running two private universities and engineering colleges. Our both universities have interdisciplinary curriculum and credit based academic system to have international acceptability of our students for higher education and research.

In fact in both the universities, we are implementing the best of the practices followed by world's best academic systems. To enhance the employability and growth opportunities, we are emphasizing a lot on learning for students beyond the classroom through entrepreneurship development cell, center for innovation, industry incubation center, personality development lab, life skill activity centers and various activities under board of recreational and cultural activities, a board for sports activities etc.

We are also proud to claim that we had the maximum enrollment at Career Point University Kota among all the new universities started last year in Rajasthan. Based on our credentials, we are



confident for achieving even better performance in coming academic session with respect to new enrollments and academic deliveries.

This is brief about the business updates now I would request my colleague Mr. Mahesh to give you 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 fourth quarter and the financial year 2012-13.

As mentioned earlier in this call, in the last quarter fiscal 2012-13, we added 1560 new enrollments in Tutorial Services Division reaching total enrollment tally at 27257 by end of March 2013. Our enrollments were 14% down YoY mainly into the classroom operations due to a confusion over examination pattern for engineering entrances in beginning of the academic session.

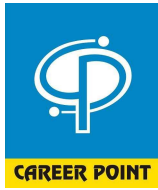
The income from operations on stand-alone basis came at Rs.19.18 Crores in fourth quarter and Rs.70.56 Crores for full financial year with YoY decline of about 11%. The down side effect at revenue level in tutorial division was neutralized to a major extent at consolidate level by increased contribution from former education division where we added about 1000 new admissions in various courses. The income from operation was down by just 2% at Rs.21.19 Crores on consolidated basis in 4Q FY13 as compared to same period last year.

The company has realized Rs.7.09 Crores of income from leased rentals at wholly owned subsidiary CP Infra this year including Rs.2 Crores in the fourth quarter. If you look at the consolidated numbers of total income including the other income, it stood at Rs.26.97 Crores for Q4 and Rs.97.25 Crores for the full year with 2% growth over last year.

At operating EBITDA level, the company witnessed about 5% decline with a margin erosion of about 100 basis points at console level. However, the company registered a growth at overall EBITDA level. EBITDA for the full year was reported at Rs.46.47 Crores with YoY growth of 5% and margin at 47.8% with YoY improvement of about 140 basis points.

In the fourth quarter we had an additional expense of Rs.2.18 Crores against our income tax settlement application. Total liability was arrived at Rs.3.92 Crores including interest of which Rs.1.74 Crores were already paid. Hence the net income for the Company on console basis was up by just 1% at Rs.30.13 Crores for this fiscal with net margin of 31%, which is same as previous year's margin.

As on 31<sup>st</sup> of March 2013, the net worth of the Company was Rs.3.26 billion and Company was having approximately Rs.114 Crores of net cash and cash equivalents, inclusive of Rs.98 Crores at parent level. Now I would like to request Mr. Maheshwari to summarize the updates. Over to you.



**Pramod Maheshwari:** Thank you Mahesh Ji. In conclusion, I would say that successful launch and completion of first academic session of our higher education institution in FY12-13, has setup an important milestone and has build a very, very strong foundation for the Company for the future growth. This year we had pressure on enrollment at tutorial division. However based on our two decade experience in tutorial business, we firmly believe that these setbacks are typical characteristics of industry and temporary in nature.

Our aggressive approach on school-integrated tie-ups as well as with public sector units operated schools will minimize the sectorial risks and provide sustainability to the division going forward. We are also in talk with couple of overseas school players who have shown an interest in our tutorial services specific in the countries where the Indians have a significant presence.

We are now KG to PhD education service provider with a strong presence in tutorial space. We will continue with our strategy to maintain the leadership in tutorial division while growing in formal education space to provide Company a sustainable high return business mix.

Now the floor is open to question and answer.

**Moderator:** Thank you very much. First question is from the line of Divyesh Shah from Prayag Equities. Please go ahead.

**Divyesh Shah:** My query is regarding media report about some income tax query will you please elaborate about the demand from income tax department what is that exactly and how we are planning?

**Pramod Maheshwari:** This is pertaining to income tax search, which was carried out long ago, about three years ago before we went public, on Company and Promoter premises. We approached the settlement commission last year and in the month of March the settlement court decided the liability and it is about 3.92 Crores.

**Divyesh Shah:** So maximum is up to 3.9 Crores?

**Pramod Maheshwari:** Total liability including interest was arrived at Rs 3.9 Crores which is now closed. We earlier mentioned about this in our RHP and informed to our stakeholders.

**Divyesh Shah:** But some media report was reporting about 39 Crores so there was any mistake about 3.9 Crores.

**Pramod Maheshwari:** Then there must be some mistake, probably the decimal mistake. The amount was 3.92 Crores.

**Divyesh Shah:** Okay Sir, thank you very much.

**Moderator:** Thank you. Next question is from the line of Sri Hari Seshadri from Sundaram Mutual Fund. Please go ahead.



**Sri Hari Seshadri:**

Sir first of all I have not received the presentation so I will just start with some of the basic questions. Can you give me the clear split up between the tutorial exams and infra revenue. You have told the infra revenue is around 7.5 so what is the management revenue? Can you also give me the number of students in different colleges and the corresponding revenue for them Sir? That was my first question.

**Pramod Maheshwari:**

Let me first give you the idea about income origination and distribution in reporting. There are two kinds of services which we are offering to the education institutions. One is management service and second is infrastructure service. In management service we book the revenue in parent company, which provide management services to the educational institutions whereas the infrastructure services are being provided by the subsidiary.

Out of total 77 Crores of operating income, we had 65 Crores income from the tutorial services, 1.24 Crores from management services, 7 Crores from lease rentals and rest about 4.5 Crores from franchise and sale of study materials. So you can say total about 70 Crores from tutorial business, about 1.25 Crores from management services and around 7 Crores from lease rental income.

**Sri Hari Seshadri:**

Now how do we see this is where the key point like how the student I mean there was 1.24 Crores for the management fee that corresponds to about 1000 students that is what if I am right you had mentioned earlier. So can you give me the split up in various, in the Kota University, the Hamirpur, Rajsamand, and how do you see the growth since in next year FY14 and 15 in terms of number of students Sir?

**Mahesh Bhangriya:**

Number of students break-up we have already given for the last academic session. However, because of various strategic reasons we cannot disclose the service-fee breakup among the institutions.

**Pramod Maheshwari:**

But let me give you the perspective, we are running two private universities one in Kota, second is in Hamirpur and one engineering college that is in Rajsamand. The total enrollment in the higher education was close to 1000. One school in Kota with about 1500 enrollments. These enrollments are going to be active for next academic session as well. In addition to this we will be enrolling more students. So rupees 1.24 Crores of revenue which we have received from these institutions is going to stay. In addition to this, with the new enrollments we will get more revenue.

**Sri Hari Seshadri:**

Coming to the infra revenue of 7 Crores I think this would have some addition next year right Sir?

**Pramod Maheshwari:**

Correct.

**Sri Hari Seshadri:**

See how much as the capex been for the year I think it is around 50 Crores for the year Sir?



**Mahesh Bhangriya:**

Well, if you look at the total tangible assets which are about 131 Crores at consolidated basis, the addition of Rs 54 Cr. net of depreciation is the capex mainly in to subsidiary CP Infra. If we deduct the 56 Crores of fixed assets at parent level, rest are in to Infra subsidiary where the company generates lease rental excluding the non-income generating assets like various land parcels.

**Sri Hari Seshadri:**

So that would be around 70 odd Crores Sir?

**Mahesh Bhangriya:**

The income generating assets would be around 55 Crores.

**Sri Hari Seshadri:**

55 Crores as of FY13?

**Mahesh Bhangriya:**

That's because Jodhpur school was also not an income-generating asset till the March 2013. Now the operations have started in Jodhpur school. So we will also be getting lease rental for that capex.

**Sri Hari Seshadri:**

We have about again a work-in-progress I think about how much 45 Crores odd Sir?

**Mahesh Bhangriya:**

That is 67 Crores in consolidated and about 52 Crores in standalone.

**Sri Hari Seshadri:**

So this would be the next set income generation when the lease rental from this work in progress would be the next source of income for as well?

**Mahesh Bhangriya:**

That is correct.

**Sri Hari Seshadri:**

That would be a 15% on the additional 50 odd Crores right Sir?

**Mahesh Bhangriya:**

Yes, as and when those will be capitalized.

**Sri Hari Seshadri:**

How was the university admissions happening so because we know the admission season. So have you seen any encouraging response from the students?

**Pramod Maheshwari:**

The admission to higher education is about to begin.; However, we have already started accepting applications of the students. We have enrolled close to 100 students in various programs, however, we have not conducted the counseling for engineering program which is one of our flagship program. as final result is awaited, We will take action only after the result declaration of various national entrance examination. The initial enquiries and response are quite encouraging and promising and I am sure we will surpass the number of enrollments which we achieved last year.

**Sri Hari Seshadri:**

I presume the average fee would be around a lakh?

**Pramod Maheshwari:**

In Kota it is about 65000. In Hamirpur it is around 1 lakh. It is excluding hostel fee.



**Sri Hari Seshadri:**

The tutorial business can you also talk about Sir, because the numbers seems to be not encouraging because you have the standalone basis it dropped significantly so and you have not seem to have shown any encouraging additions even in the quarter, which should have happened again. So how do you see that and how do you see the business going forward?

**Pramod Maheshwari:**

The admission in tutorial business takes place from April to August. After that you cannot expect significant registration. For the next academic session, we have already started getting admission from the month of April and currently it is more than what we had last year as on day.

**Sri Hari Seshadri:**

Give me the number Sir?

**Pramod Maheshwari:**

I have the number for Kota currently available with me, not for other centers. The Kota enrollment is close to 2200 vs around 1800 last year.

**Sri Hari Seshadri:**

Okay, that was with the lot of problems we had last year?

**Pramod Maheshwari:**

The examination pattern was not clear in the month of April last year. That time nobody was aware whether JEE examination will be conducted in academic session 2012-13 or not. There was a lot of confusion about IIT-JEE or AIEEE or ISEET etc. So many things came up that time which actually disturbed the entire market and the clarity came in the month of June.

**Sri Hari Seshadri:**

So do we see your number of student's enrollment increasing for this year and do you have any targets and are you also going to take any price hike? Have you taken it and if not would you be intending to take so?

**Pramod Maheshwari:**

We have already increased the fee approximately by 5% on blended basis for the next academic session. Our first target is to recover the loss of enrollment incurred last year and subsequently we are targeting about 10% growth.

**Sri Hari Seshadri:**

I will come back if I have any other question. Thank you.

**Moderator:**

Thank you. Next question is from the line of Apurva Mehta from KSA Shares & Securities. Please go ahead.

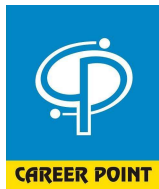
**Apurva Mehta:**

Sir you had just talked about that you will recover whatever you have lost enrollments, so that means coming to that we were 14% down last year so that will be added first and another 10% what you are targeting. So that means we can predict 24% addition and the 5% hike in your blended basis the fee hike, so that will come to around that the 29% can we assume that, that the 29% will be your tutorial business growth?

**Pramod Maheshwari:**

That is fair to assume because the kind of signals which we are getting from the market as on day, we are quite hopeful that we will be able to achieve this.





**Apurva Mehta:**

That is good and another thing about formal education. What is the target for next year for total income from the formal education, being that Kota is now growing, your Jodhpur schools are now started running so next year what do we target revenue from formal education?

**Pramod Maheshwari:**

The formal education has two segments, one is higher education, second is school education. In higher education, we are running two universities and technical campus as I have mentioned earlier. The total enrollment in higher education institutions was close to 1000. We are expecting 2500 additional enrollments, so the total enrolments next year in higher education would jump to 3500. In K12 space, we launched two new schools this year and each school we are expecting 200 enrollments. With these enrollments numbers, we are expecting the formal education revenue to be doubled in the company books.

**Apurva Mehta:**

So the school admissions we are targeting around 500 both schools together and 3500 for the higher education?

**Pramod Maheshwari:**

Correct.

**Apurva Mehta:**

So what will be the blended revenue means what are the fees for higher education it is for both blended we take it would be around 75000 per student?

**Pramod Maheshwari:**

It is reasonable to take 65000.

**Apurva Mehta:**

Okay, so when can we expect the school breakeven? What target is about that what enrollment we can breakeven in school?

**Pramod Maheshwari:**

At operational level the school will not be burning cash, it will be in profits at operational level this year itself. However, the way the entire business is structured the school is supposed to pay two kinds of fee to the company. One is the management service fee, and second is the rental to the infrastructure company. So these two stream will come to the company balance sheet and not the entire revenue booked by higher education institution or a school.

**Apurva Mehta:**

Great. And another thing is some balance sheet question. We had a short-term borrowing of 53 Crores and you told that the net cash is 114 Crores so is it that 53 Crores is for what why should we borrow that 53 Crores?

**Pramod Maheshwari:**

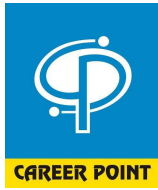
Actually earlier we were giving loan to the subsidiary from the parent company and there we had to book interest income in parent company. Because of the nature and utilization of loan, we were capitalizing the interest expense in the subsidiary books which we believe is not an efficient way to use the fund, as per treasury point of view. So we took a call to leverage our balance sheet up to a level which we are comfortable to service and improve ROC.

**Apurva Mehta:**

Okay so the net cash is how much the 114 less 53 that what we can assume if we are considering of a debt free company so then the net cash will reduce?



- Pramod Maheshwari:** Yes, net cash will reduce it will be around 60 Crores.
- Apurva Mehta:** So are we parking this investment that we are doing at a higher price than what we are borrowing today?
- Pramod Maheshwari:** Yes effectively.
- Apurva Mehta:** Okay Sir thanks a lot if there are any question. I will come back again.
- Moderator:** Thank you. Next question is from the line of Prakash Rao from Jasper Wealth. Please go ahead.
- Prakash Rao:** Good morning Sir. Just a couple of questions on financials, this tax provisions as you have mentioned 3.92 Crores of dispute which was about 3.5 years back. Is this tax provision that we see in this quarter increase to 4.7 Crores inclusive of tax?
- Pramod Maheshwari:** Yes, the current quarter tax provisions are inclusive of additional tax-liability.
- Prakash Rao:** So the increase is as a result of this tax dispute that was there in the past?
- Pramod Maheshwari:** Yes.
- Prakash Rao:** Another point about depreciation of 2.5 Crores on the balance sheet we have a gross block of tangible assets of 131 Crores so how come the depreciation is just 2.5 Crores for the entire year?
- Pramod Maheshwari:** Actually, the majority of the assets are land and building where the depreciation rate is minimal. Moreover, the infrastructure is being developed as a continuous process. The asset block are being transferred to the fixed block in as and when the buildings are completed and handed over to the institutions. These are not from beginning of the financial year. So that is why the reason of depreciation is just around 2.5 Crores.
- Prakash Rao:** Sir regarding this examination changes from JEE to ISEET now more subjects would be added into the new system right?
- Pramod Maheshwari:** ISEET has been scrapped. It was proposed but not implemented.
- Prakash Rao:** So as it stands JEE is still the examination for engineering and management?
- Pramod Maheshwari:** JEE Main and JEE Advance will be the examination for engineering admissions..
- Prakash Rao:** Does this include subjects like logical ability and stuff like that?
- Pramod Maheshwari:** No, it is only Physics, Chemistry; Maths. That is all, three subjects.



**Prakash Rao:**

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This importance of XII standard exam the 40% weightage for the XII standard exam would this how is this transition going to happen? Do you foresee more number of students joining in for XII standard as well along side the entrance and would you be offering new courses for XII standard in order to give a complete package for students?

**Pramod Maheshwari:**

Let me first explain with the entire examination process. Earlier there used to be two examinations All India Engineering Entrance Examination, AIEEE and IIT-JEE. IIT-JEE for admission to IIT's and all India engineering entrance examination was for admission to regional engineering colleges and other affiliated colleges. Now government is still conducting two examinations, first is call JEE-MAIN which is actually AIEEE and second level is JEE Advance. JEE Advance is the selection test for IIT-JEE. XII marks are only the eligibility criteria in to IITs, not a selection or ranking criteria. To get admission in IIT you have to be among top 20 percentile of your respective board and then only you will get admission to IIT. However, 40% weightage of board examination is being considered in AIEEE results.

Now this particular introduction of XII board percentage has actually increased dependency of the students on tutorial institutions. Because now everybody is worried to get good mark in board examination at the same time want to crack the JEE-MAIN examination as well. So now the entire process is favoring tutorial education. We believe that the number of students who used to prepare for these examination after XII will increase significantly because not everyone will able to move from his hometown to the tutorial location to take class while pursuing class XI and XII. So after XII examination, the number of enrollment will shoot up significantly in tutorial business.

**Prakash Rao:**

While there may be an increase in the tutorials for JEE do you foresee any reduction in the number of students who travel to Kota for these courses because if they have to concentrate also on their XII exams they would continue to remain in their respective towns and cities and not?

**Pramod Maheshwari:**

Not really. Actually as a part of our offering, we do prepare students for board examination and students and parents believe that we do it better than local tutors even for board examination preparation. So it is not affecting the mindset of the students who are traveling to Kota. So far we have not observed this kind of phenomena in last one and a half months.

**Prakash Rao:**

Just a final question overall over the last several years we have seen an increase in the number of students appearing for these national exams of engineering entrances but correspondingly there has not been a steep increase in the branch network or the franchise of Career Point is there any and could you explain that anomaly?

**Pramod Maheshwari:**

I would appreciate if you read our earlier call transcript where we have mentioned the specific reason regarding this issues. If you spare some time and read our earlier transcripts, you will get the fair idea about why this had happened earlier.



- Mahesh Bhangriya:** Just to give you a perspective, we were very cautious and selective in spreading out our franchisee network where we earlier experienced financial transparency and quality issues at the franchisee level.
- Prakash Rao:** Alright Sir, thank you so much.
- Moderator:** Thank you. Next question is from the line of Nihar Shah from Enam Holdings. Please go ahead.
- Nihar Shah:** Congratulations for the numbers. I just had a very quick question to ask besides the debt that you have in your consolidated entity at the trust level is there any debt taken for running up the educational institutions.
- Pramod Maheshwari:** No, Zero.
- Nihar Shah:** So basically all the debt that is reflected on the balance sheet the 53 Crores is the debt that is spending for running these businesses?
- Pramod Maheshwari:** Correct.
- Nihar Shah:** Thank you Sir. That was all I wanted to ask.
- Moderator:** Thank you. Next question is from the line of Srihari Seshadri from Sundaram Mutual Fund. Please go ahead.
- Srihari Seshadri:** You have failed to discuss on the hostel fee so can you also give the update on that?
- Pramod Maheshwari:** The hostel fee for ten month is around 68000 per student, which include lodging and boarding both.
- Srihari Seshadri:** Okay and we would have about 1000 odd students?
- Pramod Maheshwari:** Yes, this year we are expecting about 1000 odd students.
- Srihari Seshadri:** This would be for schools as well as college or this just the school you are talking about?
- Pramod Maheshwari:** I am just talking about the residential coaching campus. In higher education we have facility for 350 students. Last year we had around 100 students opted for hostel and this year we are expecting that we will get the full capacity of 350.
- Srihari Seshadri:** So there would also a cost associated with it right for the 68000 I mean in terms of boarding and lodging which means like for the food that would be the cost involved in this Sir?
- Pramod Maheshwari:** Expenses at around Rs.3000 for food and you can consider about Rs 700 are miscellaneous expenses per student.



**Srihari Seshadri:**

Per month?

**Pramod Maheshwari:**

Yes, per month with around 45% to 50% EBITDA margin.

**Srihari Seshadri:**

Okay can you also tell me the capex that you plan for FY14 Sir additionally?

**Pramod Maheshwari:**

It would be around 30 Crores for development of various infrastructure facilities primarily in universities.

**Srihari Seshadri:**

This is apart from what we have already which is in the CWIP Sir?

**Pramod Maheshwari:**

Yes, Actually, we have facilities to accommodate students for next academic session. Now we have to plan for academic session 2014-15 for which we have to start construction this year. So the additional capital expenditure will be towards that.

**Srihari Seshadri:**

Sir I need some clarity in terms of the other income in consol and standalone. On the consol level it is around I think 17 odd Crores while in standalone 6 Crores. So how do I reconcile these two have to what is the how as the difference coming from?

**Pramod Maheshwari:**

The consolidated other income is primarily towards interest and dividend we receive..

**Srihari Seshadri:**

Yes the other income and consolidation.

**Pramod Maheshwari:**

About two years ago, an income component close to 3.18 Crores in Infrastructure Company was missed while consolidating. That was the interest income which our auditors rectified and booked this year in consolidate numbers..

**Srihari Seshadri:**

Okay so this is a one-time number?

**Pramod Maheshwari:**

Yes, 3.18 is one-time number.

**Srihari Seshadri:**

So the 16 how do I mean the difference of 10 Crores again how do where does how do I find that Sir?

**Mahesh Bhangriya:**

CP Infra, which is infrastructure subsidiary of the parent company, has also given loans to associates and related parties including trusts and societies to purchase the land plus to set up the endowment fund. As per the regulation for the higher education institutions, the land has to be in the books of the respective trusts and societies. On that loan amount, we are charging the interest. So that is an additional income into CP Infra.

**Srihari Seshadri:**

Okay that would be that was what of the long-term loans and advances about 67 Crores that you have given shown in the balance sheet?

**Mahesh Bhangriya:**

Yes, in the consol balance sheet.



**Srihari Seshadri:**

Thank you Sir.

**Moderator:**

Thank you. Next question is from the line of Apurva Mehta from KSA Shares & Securities. Please go ahead.

**Apurva Mehta:**

Sir that capital work-in-progress is around 68 Crores so when should we find that this coming down means going forward what should be this capital work-in-progress because that means this all these assets is pending to be completed?

**Pramod Maheshwari:**

Not really, Actually the construction process is an ongoing process and whenever you construct a building it takes about 12 to 18 months to get completed and to handover. As the company is growing, institutions are growing so once you finish one project or one building, construction of another gets started. That is why it is reflected as a pending WIP. But by the end of third quarter this year, it will decrease reasonably.

**Apurva Mehta:**

So the capital work will be capitalized and as it will be again we will have some income from that?

**Pramod Maheshwari:**

Yes.

**Mahesh Bhangriya:**

Actually we are constructing in phases. We have built up for the enrollment of next year. For further years, we need to construct .

**Pramod Maheshwari:**

Just to mention, the Kota university campus spread over 50 acre and Himachal Pradesh campus is spread over 30 acres and building requirement is an ongoing process. We have to start construction almost 18 months in advance to finish it and to put it to use, so that is the reason.

**Apurva Mehta:**

What we have that Edustar in Tamil Nadu and Maharashtra that Basweshwar so what kind of revenue we can expect from this type of services, which we are providing?

**Pramod Maheshwari:**

Approximately you can assume it is around more than 1 Crore per annum.

**Apurva Mehta:**

When can we start getting this revenue?

**Pramod Maheshwari:**

We have already started getting revenue, since the classes have started there.

**Apurva Mehta:**

Okay so the next year full impact we can see 2 Crores coming from this type of things?

**Pramod Maheshwari:**

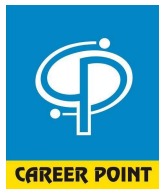
Yes.

**Apurva Mehta:**

And any other new development which we foresee in coming this year this type of things?

**Mahesh Bhangriya:**

We are in process and discussing with the private players and various PSUs who are operating schools. Hence you may see some developments on that front in the coming months.



- Apurva Mehta:** So you will basically deleveraging from this tutorial business to this type of fixed income business am I correct?
- Mahesh Bhangriya:** Yes.
- Apurva Mehta:** And what about distant learning how do we see this year?
- Pramod Maheshwari:** Distance learning is specifically in tutorial is not a great profitable business. We put a lot of stress on physical delivery and not on distance learning in tutorial business.
- Apurva Mehta:** So that is not a great business?
- Pramod Maheshwari:** Not in terms of profitability at present stage.
- Apurva Mehta:** Thanks a lot.
- Moderator:** Thank you. Next is from the line of Amrita Basu from Axis Mutual Fund. Please go ahead.
- Amrita Basu:** Just one question, any thoughts on dividend payout?
- Pramod Maheshwari:** Yes. As soon as, we will have visibility that we would not require this fund for future expansion, will payout the dividend.
- Amrita Basu:** Thanks. That is all from my side.
- Moderator:** Thank you. Next is from the line of Siddharth Shah from IMM Capital. Please go ahead.
- Siddharth Shah:** Just two questions firstly I just wanted to know between the formal educations, tutorial and infra which is leased rental, which segment is contributing the highest to our profits right now?
- Pramod Maheshwari:** The tutorial one. When you ask whether it is in absolute number or in percentage terms?
- Siddharth Shah:** In percentage terms?
- Pramod Maheshwari:** In percentage term it is infra income which has higher margins.
- Siddharth Shah:** How do you expect that to change over the next may be two, three years or a high contribution from another segment do you see that happening?
- Pramod Maheshwari:** The higher education management service revenue will contribute significantly in years to come. We have just finished first academic session in higher education and we believe that within few years from now the enrollment number in higher education institution will cross the five digits hence contribute significantly, that is going to change the revenue mix and overall profit mix.



**Siddharth Shah:**

Fair enough Sir and secondly I just wanted to know for our Kota residential could you give us some estimates of what do you think revenue EBITDA will look like for next year?

**Pramod Maheshwari:**

There is a capacity of 1500 students. Conservatively we are targeting 1000 students for this academic session and we received around Rs.1.5 lakh per student from this facility with EBITDA margin close to 50%.

**Siddharth Shah:**

Okay and with those kinds of numbers, when do we expect this breakeven in this space?

**Pramod Maheshwari:**

It is already on breakeven.

**Siddharth Shah:**

It is already breakeven. Thank you very much. All the best. Thank you.

**Moderator:**

Thank you. As there are no further questions I would now like to hand the conference over to Mr. Nikhil Vora from IDFC Securities for closing comments.

**Nikhil Vora:**

Thanks to all the participants for being on the call. Thanks Pramod Ji and Mahesh for letting us host this call. In case you want to make any closing remarks.

**Pramod Maheshwari:**

Thank you Nikhil Ji. Thank you every one. In case you have any further query, please feel free to mail us or call us we will get back to you as when as possible. Thank you very much.

**Nikhil Vora:**

Thank you.

**Moderator:**

Thank you. On behalf of IDFC Securities Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines.