



“Career Point Limited Q3 FY-15 Results Conference Call”

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**MANAGEMENT: MR. PRAMOD MAHESHWARI – CHAIRMAN & MANAGING
DIRECTOR, CAREER POINT LIMITED**

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Moderator

Ladies and gentlemen, good day and welcome to the Career Point Limited's Q3 FY15 Results Conference call. We have with us today from the management Mr. Pramod Maheshwari – Chairman & Managing Director, Career Point Limited; Mr. Mahesh Bhangriya – Vice President, Corporate Strategy, Career Point Limited. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your Touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pramod Maheshwari. Thank you and over to you, Mr. Maheshwari.

Pramod Maheshwari

Thank you very much. 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 colleague, Mr. Mahesh Bhangriya – Vice President, Corporate Strategy & Investor Relations. I believe most of you have received the copy of our earning updates on your e-mail. That is also available on our investor relationship section at our website www.cpil.in.

To begin with I will give you an update on our business, and then Mahesh will take you through the financial overview of the third quarter and nine months of the current financial year.

I would first start with the update on the Tutorial Service division where, with enrolment of 22000+, we have already crossed last year's full year numbers in the first nine months of this year itself. On a positive note there is a significant rise in enrolment in two years duration class room program which sets the platform for the next year's enrolment growth in advance. It suggests that we have got more enrolments of the students who are in class 11 and most likely will be availing our Tutorial Service for the next academic session as well.

For the next academic session these 11 class students have already started taking admission and more than 70% of the students who were in class 11 have taken the admission for the next academic session. In addition to this, the enrolment growth has contributed by all the verticals including pre-engineering, pre-medical and pre-foundation. In earlier years, our student base used to be dominant in AIEEE section of pre-engineering; however now the student base is almost equally spread across IIT-JEE which is now called JEE Advance, AIEEE which is now JEE Main, and pre-medical.

In the enrolment breakups, you will find that we have registered more growth in our ranch and company owned centers compared to a slight decline at franchise locations. The reason for decline at franchise locations is that we have shut down our operations at few franchise centers which were not efficient in business operations. It results in improved operating leverage and margins for the division.

As stated earlier we are increasing our focus on school-integrated program where we run our tutorial courses in association with the schools in school premises. In this segment, we have signed two new MoUs to the schools one is RD Public School at Betul in Madhya Pradesh and second with various schools of West Bengal's renowned education group Techno India.

Now coming to the residential campus CP Gurukul, we have reached almost on full capacity in just second year of operations. Now, strategically we are aiming to improve price realizations per student. The high demand of such campus facilities is allowing us to make this as a premium service offering among students and their parents. In fact you can see that number of students who opt for coaching plus school have been triple at this residential campus in just one year. Enrolment at school level further offer annuity and sustainable business to the company.

We recently started e-learning products also and the e-learning products of the company are getting a big popularity in the market. With an encouraging feedback and demand of our initial customers in online space, we have also launched our video content on pen drives and memory cards. We are quite excited and delighted with the market response to the company's e-learning startups.

Now moving to the Formal Education division which comprises of Higher education and School education. With enrolment close to 5,000 in Formal Education by 31st December 2014, we have registered a cumulative average growth rate of over 50% in last two years. Just to remind you that our three higher education campuses including two universities and one technical campus started their operations in the year 2012 and presently running third academic session.

In the School Education vertical, two of our school campuses came into the existence last year and additionally one of our new school franchisee at Bilaspur, Chhattisgarh will be launched in the coming academic session which is 2015-16 under the name as Career Point World School, Bilaspur. We are putting our best efforts and resources to make Career Point Institutions as Center of Excellence.

Recently Directorate of Science & Technology had accepted the candidature of our institution for awarding a scholarship through Inspired Program which is Innovative in Science Persuade and Inspired Research.

On academic excellence front, on 18th and 19th of December Career Point University also organized an international conference in the field of neurosciences in collaboration with the Enzyme Bioscience at Bangalore where more than 200 research papers were presented from various countries across the globe.

In a latest development Career Point University, Kota has also been awarded ISSN number for the purpose of publishing its own referred international journal in the name of Career Point University International Journal of Management and Technology.

All in all, the institutions are progressing fast and making their presence with excellence in education delivery. Both Career Point Universities are now recognized under the Association of Indian Universities which gives various advantages to Career Point students not only in India but also abroad.

You remember that recently we also started vocational education division. The company has signed a MoU with Government of Rajasthan to run various skill development courses where the training of youths will be funded by Rajasthan Skill and Livelihood Development Corporation.

Our first batch of student trained under the Central Government Star Scheme has also been awarded certificates by NSDC - National Skill Development Corporation and placed successfully.

This is a brief business update now I would request my colleague, Mahesh, to give you financial update. Over to you, Mahesh.

Mahesh Bhangriya

Good morning ladies and gentlemen, I am pleased to share an overview of our Financial Results for third quarter and nine months ended December 31st, 2014. In this quarter we added 3,899 new enrolments in our Tutorial Service division. This resulted in to total enrolments of 22,108 by end of period under review. At Formal Education division, total 4,934 enrolments were registered by end of third quarter against 3,465 by end of previous academic session.

The new enrolments at Formal Education divisions have resulted a YoY increase of about 40% in auxiliary education fee which is now Rs. 2.45 crores in nine months of current financial year at standalone level. The company reported the income from

operations at Rs. 47.16 crores in nine months with year-over-year growth of 16%. If we look at the total income which is including the other income on standalone basis, it has stood at Rs. 53.56 crores for the period under review including Rs. 6.39 crores from the other income.

The company has got an operating leverage at current levels which results into operating EBITDA increase of more than 300% compared to nine months of previous financial year. Operating EBITDA is reached at Rs. 7.53 crores against Rs. 1.71 crores previous year with a margin of 16% compared to 4.2% last year.

At consol level the income from operations grew by 8.8% year-on-year despite leaving out the lease-rent income in the current period which was an outcome of restructuring transaction at our infra subsidiary. If we exclude the lease rent from last year's numbers, the company at consol level has witnessed a YoY revenue growth of 29% in nine months' period ending 31st December, 2014 against same period last year.

The company has realized Rs. 6.59 crores of operating EBITDA in the period at consol level. EBITDA including other income is reported as Rs. 14.96 crores an year-on-year increase of 50% with adjusting the lease rent income from the last year numbers. The profit before tax and extraordinary items has been tripled at Rs. 7.3 crores for the nine months under review against Rs. 2.1 crores with lease rent adjustment last year.

At standalone level – the net income was reported at Rs. 5.68 crores with an increase of 62.3% against nine months of Fiscal 2013-14 and margin improvement of 3.2% points as on 31st of December, 2014. The net worth of the company was Rs. 3.3 billion and net cash including the investment and current loans after removing the bank borrowings was reported of Rs. 48.6 crores at standalone and Rs. 33 crores at consol level. The current liabilities included Rs. 12 crores of advance fee received for the current academic session in our Tutorial Service division.

Now I would like to like to request Mr. Maheshwari to summarize the updates.

Pramod Maheshwari

Thank you Mahesh. I would conclude by saying that various division of company have shown a remarkable performance in this period. The current indicators on ground are very positive as well. We are pretty hopeful to continue the growth momentum in top-line as well as a significant improvement in the margins from the current levels. Now the floor is open for question and answers.

- Moderator** Thank you very much. We will now begin the question and answer session. The first question is from the line of Jagdish Bhanushali from Florintree Advisors. Please go ahead.
- Jagdish Bhanushali** So first question is regarding the Formal Education where we have seen a decline. So could you put some light on that?
- Mahesh Bhangriya** Well, compared to last year we have not included the lease rent this year which is due to transfer of higher education assets. Hence, there is a decline in Formal Education division despite a reclassification of Auxiliary Education Service Fees which was earlier used to be captured in informal division.
- Pramod Maheshwari** So earlier we used to get two streams of revenue in company and subsidiary Career Point Infra. Management service revenue in parent company and rental was captured in subsidiary. Now as we have sold the assets from the infrastructure company; lease rental will not be seen at consol level. However, if you look at the Formal Education income in the parent company; we will see the improvement due to management service income.
- Jagdish Bhanushali** Another question comes is the Automobile division this time we have started getting revenues from the Automobile division about Rs. 3.7 crores in the segmental part. So could you just throw some light on how is this division coming up?
- Pramod Maheshwari** It is a small investment where company holds around 51% stake. This is the Hyundai dealership and an automobile workshop. The company management is not engaged in to day to day business operations of this initiative. It's a small investment with high potential. However, on long term basis, the company has plan to divest this particular stake to the other partners.
- Jagdish Bhanushali** And who would be the other partners?
- Pramod Maheshwari** Other partners are the operating partners who held 49% stake.
- Jagdish Bhanushali** Another thing is that there is a rise in inventory so is this because of the education part or from the automobiles division?
- Pramod Maheshwari** On consol level, it is mainly because of Automobile division.
- Jagdish Bhanushali** And since Jan the new enrolments have started coming in for the next year so how was that happening up in January and February?

- Pramod Maheshwari** By the end of January; we have registered a y-o-y growth of 60% in the enrolment. But this is an initial momentum. We believe that 60% growth, perhaps, will not be continued and sustained. But, we will be able to maintain the growth above 25% going forward.
- Jagdish Bhanushali** Okay, so just one question comes is in January compared to the total enrolment for the year so what will be the total percentage of January?
- Pramod Maheshwari** It is 10% of the total enrolment which includes classroom, correspondence and all.
- Jagdish Bhanushali** And one more thing how have been the CP Star program going on?
- Pramod Maheshwari** CP Star is an activity to reach out the masses with Career Point service offering. This has touched more than 4 lakhs aspirants this year across the nation. We offer them scholarship and explain various offering. Hence, we get good response from those students.
- Moderator** Thank you. The next question is from the line of Himanshu Nayyar from Quant Capital. Please go ahead.
- Himanshu Nayyar** Sir firstly, on your two recent MoUs would you give some color on what is the sort of revenue potential, especially on these vocational programs that you will be doing. I mean on the skill development side because I think that is a quite a big market and secondly on the Techno India MoU. The revenue potential out of these two MoUs you will be seeing and if you are looking to sign up other such MoUs in the near future?
- Pramod Maheshwari** First I will explain you the vocational skill program. It is a MoU which we have signed with the government for three years. In three years government will give us orders in tranches to train youth. Currently they have given us order to train 1,500 students with average realization per student would be close to rupees 10,000. You can say it is a Rs. 1.5 crores kind of first order we have received from the government. Once we complete this then they will give subsequent orders.
- Highlighting the potential, Rajasthan government has target to train more than 15 lakhs youths in the coming years. Additionally, other state govts. and central govt. also have very aggressive targets in this field. So the opportunity is very large. In parallel to our association with Rajasthan government, we are currently putting efforts to partner with other state government as well as central government under various skill development schemes.

Second with respect to school association program with Techno India Group in West Bengal, we will be providing our services in six of their schools in the next financial year. They have got around 30 schools. In these schools the school gives us a minimum guarantee for revenue which varies from case-to-case and then there is a possibility of upside depending upon the enrolments.

Himanshu Nayyar Sir secondly, I was just looking at your balance sheet so just wanted to understand this loan in advances of Rs. 153 crores this is completely on account of the Formal Education institutes that you have?

Pramod Maheshwari Yes.

Himanshu Nayyar So you have given them advances to build these facilities, right?

Pramod Maheshwari Correct.

Himanshu Nayyar So what is the rate of interest you are getting on these, sir?

Pramod Maheshwari 9%.

Himanshu Nayyar And sir, the second part of the assets you said Rs. 44 crores assets are not in use currently so what would that be comprise of?

Pramod Maheshwari These are the land parcels purchased 10-15 years ago from an investment perspective. So those land parcels block is around Rs. 44 crores and we have intent to sell those land parcel in coming years.

Himanshu Nayyar And the book value you are carrying at is Rs. 44 crores?

Pramod Maheshwari Yes, Book value is Rs. 44 crores.

Himanshu Nayyar And sir, the next question just a qualitative part. I mean if you can just comment on what sort of success you will see in an institutes other than Kota and what would you say the key reasons for that would be? I mean is the success comparable to Kota or you think you will be able to reach up with those levels or not really in the next two, three years?

Pramod Maheshwari Success in terms of performance of the student or financial success?

Himanshu Nayyar Financial success, sir because recently you had shut down two franchisee centers?

- Pramod Maheshwari** Actually, Kota and other branches have slightly different scale of operations. Being a hub, we get large number of students in Kota wherein branch to build another Kota takes its own time. But interestingly if it is a reasonable size town with population of 15 lakhs plus, our margins like Kota can be achieved at branches as well. Centers like Jaipur or similar places deliver margins in the same range. So, market is everywhere and it takes some time to spread across.
- Himanshu Nayyar** Do we see another hub developing somewhere in the country other than Kota?
- Pramod Maheshwari** Not really like Kota but there are places which enjoy similar status. Kanpur used to be one but it could not create an ecosystem which exists in Kota. There are players in Hyderabad who are able to create similar kind of environment and infrastructure.
- Himanshu Nayyar** So sir, going forward would most of these our expansion in other geographies would that be franchisee led or we will be opening our own centers?
- Pramod Maheshwari** Current focus of our company is to get more number of students at existing locations. If you look at historically we used to have close to 30,000 students at our existing locations. So there is lot of capacity and potential available at the existing locations and our focus is to regain the enrollment loss which occurred in last two years. Once we reach to that, then we will move to the different geography and focus is more on company own branches or partnering with schools.
- Himanshu Nayyar** So currently our capacity is to take-up up to 30,000 enrolments without spending anything else?
- Pramod Maheshwari** Yes, without spending anything because we have lot of the operating leverage available.
- Himanshu Nayyar** And no further CAPEX plan sir, even in many other divisions?
- Pramod Maheshwari** Approximately Rs. 5 crores to Rs. 10 crores kind of CAPEX is required for Formal Education as these institutions are growing so investment in labs facilities will be required, other than this there is no CAPEX.
- Himanshu Nayyar** And sir, just the final question on our e-learning initiative. Can you share the sort of revenue we get from there and if you can comment on the increasing competitive intensity on that side on the online courses and e-learning?
- Pramod Maheshwari** It is at nascent stages. We started selling video content online about 3 to 3.5 months ago. We got a very good response but at the same time we got request from large

number of students that they would like to have these video content on pen drive or on data card. So we then started selling these on data card and pen drive.

Currently we see the good attraction in pen drive product and it is catching up fast. As large number of students are not able to come to Kota or similar places, this kind of content will be very good business going forward.

Himanshu Nayyar And sir, how do we plan to differentiate in this business, there would be a lot of competition, right?

Pramod Maheshwari The differentiation comes from the faculty members, quality of the content and delivery mechanism to delight end customer. We have got fantastic faculty team which is a legacy. Anybody can enter in to the tutorial segment but important is that whether you have the brand equity which is acceptable or not. So that is the one differentiator and second is obviously quality of content which will survive you at the end of the day.

So you can get the first business because of your brand but at the second business you get only based on the quality of content. We have been doing this business for last 20 years and we understand what exactly needs to be delivered in classes and how to package it to make it a relevant content. So that is what we have been doing and interestingly we are getting very good response.

Himanshu Nayyar And talking about faculty what is the sort of attrition that we see normally?

Pramod Maheshwari For last couple of years, there has been no significant attrition in our institute. Fortunately we are able to retain our faculty members and know that it is a critical resource to our business operations.

Himanshu Nayyar Sir, just one small final thing. How much do you plan to spend on marketing your brand I mean on advertising, etc.?

Pramod Maheshwari I do not believe that advertising at this stage after 20 year of operation will increase or enhance our brand equity significantly. We are almost present or household name in Northern, Central and Eastern part of India except leaving few locations. Hence we are more engaged in to activities which directly connect to the students. We do CP star kind of activity where we conduct a test in schools and reach out to the large number of students directly. We do lot of ground level activities to connect with them. Our advertising is around 5% of the revenue.

Himanshu Nayyar And it will stay that way around about that range?

- Pramod Maheshwari** Yes.
- Moderator** Thank you. The next question is from the line of Chetan Wadia from JHP Securities. Please go ahead.
- Chetan Wadia** My first question is on bookkeeping what is the consolidated debt on the books right now minus the Automobile division?
- Pramod Maheshwari** Zero debt. If you look at balance sheet from net cash perspective; net debt is zero.
- Chetan Wadia** And what are the plans for FY16 at this point in time if you can share with us as to what are the key things to look out for in terms of Career Point's initiatives?
- Pramod Maheshwari** In tutorial business, we are trying to regain the lost ground in enrolment numbers and believe that we will be able to achieve in next 2-3 years. In formal education which is an annuity business including school and higher education; we are any case growing by 33%. As I said that we are in third year of operation and usually in higher education most of the programs are four years programs, so next year if we perform the same which we have performed this year, our 33% growth is assured. Similarly school businesses are also growing. Our performance with margin perspective will be much better going forward.
- Chetan Wadia** And sir, can you provide some kind of a revenue and margin guidance for this year and next year?
- Mahesh Bhangriya** For this year, we reiterate our guidance of around Rs. 70 crores at the topline and EBITDA close to Rs. 12 crores.
- Chetan Wadia** And for FY16?
- Mahesh Bhangriya** For FY16, we expect the topline at close to Rs. 100 crores with operating margin of approximately 30%.
- Moderator** Thank you. The next question is a follow up from the line of Jagdish Bhanushali from Florintree Advisors. Please go ahead.
- Jagdish Bhanushali** how much amount of discount have we given or like compared to per student discount are we giving in the January we have given in terms of discount and scholarships both?

- Pramod Maheshwari** It is around 14% on the rack rate. Just to share with you, this year we have increased the fee by around 15% on blended basis.
- Moderator** Thank you. The next question is a follow up from the line of Chetan Wadia from JHP Securities. Please go ahead.
- Chetan Wadia** Sir, if I can have your land wise book value of Rs. 44 crores in the books and which would be sold in the next few years what are the current market value of the same?
- Pramod Maheshwari** It is approximately Rs. 125 crores to Rs. 150 crores.
- Chetan Wadia** And sir, the stake sale in the automobile JV that we have if you were to sell the stake of this point in time what it would fetch?
- Mahesh Bhangriya** Actually the capital investment in Kota Automobile is just Rs. 51 lakhs. So considering the potential gain, the stake sales in short term will not make a big capital gain on the company books.
- Pramod Maheshwari** We need to remain invested for some time once the business builds up.
- Moderator** Thank you. The next question is from the line of Jignesh Wadia from Sun Capital Advisory. Please go ahead.
- Jignesh Wadia** Just to understand what is the interest expense that you have posted in the consolidated numbers Rs. 3.63 crores?
- Mahesh Bhangriya** It is on our borrowings.
- Jignesh Wadia** So what is the total borrowings for the consolidated?
- Mahesh Bhangriya** It is Rs. 49 crores.
- Jignesh Wadia** This is for the Formal Education?
- Mahesh Bhangriya** No, this is the leverage against our investments. That is why we said on the company balance sheet we are in the net cash position.
- Pramod Maheshwari** Actually, we have invested in FMP and bonds which we have leveraged in the company.
- Jignesh Wadia** So the other income reflecting around Rs. 8.36 crores so we get interest from all these?

- Mahesh Bhangriya** Financial income also includes interest against our loans given to trusts/societies for formal education.
- Moderator** Thank you. The next question is a follow up from the line of Jagdish Bhanushali from Florintree Advisors. Please go ahead.
- Jagdish Bhanushali** How is the vocational program coming up for this quarter?
- Pramod Maheshwari** This quarter we are in process of mobilizing students and starting first batch. We believe that in this quarter we will be able to train close to 500 students out of 1500 of order which we have received from the state government. As you know, currently the examinations are approaching so students are busy with their respective examinations.
- Mahesh Bhangriya** And just to update that after signing the MoU we have got the inspection done for our center. Actually, our facilities have to inspected and get approved by the regulatory in the skill development. So they have inspected and given approval to our centers. So now we have started mobilizing and we will be conducting the programs in due course.
- Jagdish Bhanushali** And have we purchased any land parcel for there or made any investment for that?
- Pramod Maheshwari** No, we have not made any investment. We are using the existing facilities.
- Jagdish Bhanushali** So in this quarter itself we will be booking some Rs. 50 lakhs of revenue coming up from this vocational program?
- Pramod Maheshwari** There is a process in which we can raise the bill to the government like we can bill 40% amount when we form the batch, next 40% when we finish the program and 20% after placing those students. As it is a three months program so we will not be able to book entire revenue in this quarter.
- Moderator** Thank you. The next question is a follow up from the line of Jignesh Wadia from Sun Capital Advisory. Please go ahead.
- Jignesh Wadia** Sir, in your Gurukul Residential and School campus complex so what is the enrolment or what is the growth there you are seeing?
- Mahesh Bhangriya** In Gurukul campus, we have 1,320 enrolments as of today and you may find enrollment break-up on slide no 8 in the result presentation which shows we have around 700 students in tutorial plus school services. In terms of growth, we are not

increasing the capacity as of now but we are focusing more to make this as a premium product and our average realization will be increased going forward.

Pramod Maheshwari So just to add to this we have increased the fee structure for Gurukul program by approximately 25% for the next financial year.

Jignesh Wadia So what is the total capacity of this?

Mahesh Bhangriya It is 1,450.

Moderator Thank you. As there are no further questions, I would now like to hand the floor over to Mr. Pramod Maheshwari for closing comments.

Pramod Maheshwari Thank you very much for joining the conference call. We are available and if you have any further queries, please feel free to call us or to mail us. Thank you very much.

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