



“Career Point Limited Q4 FY 2014 Earnings
Conference Call”

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Moderator: Ladies and gentlemen, good day and welcome to the Career Point Q4 and FY2014 results conference call hosted by Centrum Broking. We have with us today the management of Career Point that are, Mr. Pramod Maheshwari, Chairman and Managing Director and Mr. Mahesh Bhangriya, Vice President of Corporate Strategy. As a reminder all participant lines will be in the listen-only mode. 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 "*" and then "0" on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Pramod Maheshwari from Career Point. Thank you and over to you Sir!

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 of Corporate Strategy and Investor Relation.

I believe most of you have received the copy of earning updates on your e-mail. It 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 fourth quarter and full year FY2014.

I would first start with update on Tutorial Service Division. As you know since first quarter that the change in examination pattern impacted the division's enrolments which eventually effected company's financial performance this year compared to the last year on standalone basis. However that was the past. We are now clearly witnessing an increasing trend in the new enrolments.

Our efforts through various strategies to reach out the students and most importantly, the trust of our targeted student in Career Points academic system are bringing back an upward trend. Though, it could be bit early to comment because the admission will be picking up in coming months specifically after the result declaration of the competitive examination like joint entrance examination - JEE and All India Pre-Medical Test that is AIPMT. However, based on the initial response, we are looking forward for a much better response compared to previous year.

In fact we are also confident for an improved financial performance in this division for various other reasons. We have closed few nonperforming centers to improve efficiency and productivity; however, our total contact centers are still almost the same in numbers, because of new centers and addition of school association projects.

In our previous earning call, we mentioned about adding three new franchises at Ahmedabad, Akola, and Bareilly for coming academic session and also gave an indication of expansion in network to new school integrated programs.

You will be aware that last year we also started residential coaching campus named as CP Gurukul at Kota. Our residential coaching cum school campus in the very first year delivered very good performance. I would like to remind about CP Gurukul that it is unique and first in many aspects compared to the standard coaching format with due focus on school education, extracurricular activities along with intensive coaching for competitive examination.

Students and parents acceptance for this concept is very high and promising a long-term sustainable business to the company. In coming years, you might see a role out of similar concept projects for other strategic locations as well. The new initiative and ongoing upward trend endorse our firm belief that the tutorial services division will be delivering a superior performance and continue our leadership going forward.

Now moving to the formal education where the company has strong presence by offering various services to K-12 schools, colleges and universities in multiple geographies. Career Point universe empowers student on both professional development and degree awarding courses in various streams including Engineering and Technology, Management and Commerce, Studies, Basic and Applied Sciences etc.

For the coming academic session, we have also added School of Law and School of Library Sciences in our universities and colleges. We have received approval from Bar Council of India for the law courses and in Library Sciences we have added Bachelor, Masters as well as Doctorate program at Career Point University Kota. Considering the increasing demand for polytechnic courses, we have also applied for running polytechnic diploma programs at our technical campus at Rajsamand.

In another highlight Career Point University Kota signed an MOU with construction, industry development council – an entity managed by Government of India and Construction Industry Association. The tie up will assist training for the students in various job oriented and placement linked course program in this sector which will add superior performance to our operations. You might also have an update about our entry to the vocational education. In this development, we have already started the first base of students for telecom courses certified by central government's National Skill Development Council known as NSDC.

We are very optimistic with this new business vertical to our company. Government of India also has large agenda and funds allocated to address the shortage of the skilled manpower through vocational training and skill development courses. Hence the company will initially focus on various project funded by central and state governments. Key industry verticals where we would be initially offering our services include telecom, IT, BFSI and professional services. We would also explore selective inorganic growth opportunities in this field to strengthen our presence.

So, this is brief about the business update. Now, I would request my colleague Mahesh to give you the financial updates, over to you Mahesh.

Mahesh Bhangriya: Thank you. Good morning ladies and gentlemen. I am pleased to share an overview of our financial results for fourth quarter and full year ended March 31, 2014. In this quarter, we added 1,235 new enrolments in tutorial services division. Considering nature of the admission cycle majority of them were into distant learning and online assessment segment. This resulted into total enrolments of our 20,155 by end of academic session 2013-2014.

As mentioned earlier, Tutorial Services Division got impacted by lower number of enrolments in classroom programs. The enrollment dip of 26% at Tutorial Services Division resulted an year-on-year decline of about 23% in the income from operations on standalone basis, which was reported at Rs.54.14 Crores in the year under review including Rs.13.51 Crores in the fourth quarter. At consolidated level, where we incorporate our formal education business, the income from operations came at Rs.64.2 Crores including Rs.16.48 Crores in the fourth quarter.

We ended the academic session with close to 3,500 enrollments versus about 2000 in a year before at various formal education units under Career Point Universe. The contribution from the Formal Education Division including lease rental and Auxiliary Educational Services has reached nearly 20% of total income compared to 10% in previous year.

During the fiscal 2013-2014, the company has realized Rs.10.38 Crores of income from lease rental- a YOY increase of 46% - and Rs.2.32 Crores of auxiliary education Fee with YOY increase of 87%. As per characteristics of the business, the income from Auxiliary Education Services is expected to grow much faster than lease rental revenue with a visible outlook going forward.

If you look at the total income which is including the other income on consol basis, it stood at Rs.78.01 Crores for the full year including Rs.19.23 Crores for Q4 FY 2014. A decline in other income can be explained by one off revenue which was realized last year from sale of fixed asset in our infra subsidiary.

The company reported operating EBITDA of Rs.9.68 Crores on consol basis including Rs.2.1 Crores in the fourth quarter. This implied an operating EBITDA margin of 15% for the financial year 2013-2014. Despite lower cost of study material and minimal increase in other operating expenses a decrease in EBITDA was primarily due to drop in topline at Tutorial Services Division.

The addition of Gurukul Campus and capitalization of new buildings from work-in-progress at formal education units resulted an increased in depreciation charges. However, net taxes were lower on the account of MAT credit this year. Hence the net income was realized at Rs.9.44 Crores for the full year with margin of 12.5% on consol basis.

As on March 31, 2014, the networth of the company was Rs.3.25 million and it had Rs.38 Crores of loans and advances in its assets. In the consol balance sheet, the corresponding number for loans and advances in the assets was at Rs.88 Crores. The net cash and cash equivalence which is

after removing the bank borrowings was reported of Rs.36 Crores in the company books ending March 31, 2014.

So, this was a brief financial overview. Now, I would like to request Mr. Maheshwari to summarize the updates.

Pramod Maheshwari: Thank you Mahesh. In conclusion, I would say that successful completion of first year of our residential coaching project and strengthening the presence in formal education are the key highlights for financial year 2013-2014. The pressure on enrollment in tutorial division was known since beginning of the session; however, we knew that it is a temporary in nature and were confident all the time to reverse the trend in coming years.

I am very pleased to share that the new enrollment numbers are much better compared to previous year which is a result of sincere efforts by entire academic as well as non-academic team at our Tutorial Service Division. A significant and increasing contribution from formal education division is quite exciting and inspiring as well. There are enormous potential and large opportunities available in this space. We will execute in accordance with the strategic plan to best position the company in this vertical for a long term sustainable growth.

Now, the floor is open for question and answer.

Moderator: Thank you very much. The first question is from the line of Apurva Mehta from KSA Shares and Securities. Please go ahead.

Apurva Mehta: I just wanted to ask what growth can you see in tutorial business now?

Pramod Maheshwari: As on May 15 on year-on-year basis, the enrollment has grown in tutorial division by more than 20%. As I said that a lot of admissions will take place in the month of June after the result declaration, so it could be early to comment on this and we will get a clear visibility post June. However, we are confident that number will be considerable higher than last year.

Apurva Mehta: Can we look beyond 30000 this year?

Pramod Maheshwari: I think it is an aggressive estimate. If you look at the enrollment break-up, one is classroom and second is in distance learning solution. The total number reported by us is inclusive of all the programs and major part in the classrooms. Our business mainly impacted in classroom enrollments last year where we are expecting to achieve a growth of more than 20% conservatively.

Apurva Mehta: What was last year classroom?

Mahesh Bhangriya: Classroom enrollments were 14,000 last year. Just adding a point on classroom enrollments, this year we would see a significant jump from the CP Gurukul - our residential coaching campus. The enrollments in the campus has got almost double.

- Pramod Maheshwari:** Just to share with you, we started CP Gurukul last year with the finished capacity of 700 and we were able to achieve the full capacity by end of July. However, this year we have increased the capacity to about 1400 and we have already enrolled 700 students in CP Gurukul as on today. We are expecting that in next two months we will be able to reach 1400 enrollments in Gurukul.
- Apurva Mehta:** In the formal education - at colleges, what's the growth we can see in enrollments?
- Pramod Maheshwari:** Enrollment in higher education will start after June 15, 2014, hence its' difficult to comment at this stage. However, the initial trend promises a very good enrollment for the coming academic session. The best part in formal education unlike in coaching is that existing enrollments continue to be in campus for a longer duration. Because of the annuity, I am expecting that we will be able to grow 25% plus in formal education as compared to last year on accumulated basis.
- Apurva Mehta:** Can we achieve the original margins, we used to with that EBITDA margin of more than 40%, 45% going, so now what ballpark figure can we get. Can we be keen to those levels again?
- Mahesh Bhangriya:** In the formal education division, we are at different stages in different business units. Career Point University Kota has already crossed the breakeven and producing a reasonable cash flow. But the other units are close to breakeven or just crossed the breakeven may dilute margins at combined level. So, I think, the overall margins will still be short of 40% level – at least for next year.
- Pramod Maheshwari:** In case of tutorial division, yes margins will definitely improve because the nature of business which suggests that if your enrollments are low it directly impacts your bottom-line whereas growth in enrollments results an improvement in margins.
- Apurva Mehta:** On the lease rental, it will be around what growth we can see, lease rentals will be same as Rs.10.38 Crores ultimately it will be little bit higher?
- Mahesh Bhangriya:** Yes, it will be bit higher. There are work-in-progress asset items lying in the fixed assets which are being capitalized. Hence, you will observe an increase in lease rental going forward. But the increase will not be as significant as compared to Auxiliary Education Services.
- Apurva Mehta:** What amount of growth, can we see in Auxiliary Fees?
- Mahesh Bhangriya:** The growth in the auxiliary education fee is in direct relation to enrollment growth in formal education division. Just to indicate, this year we reported a growth close to 90% with Rs.2.32 Crores compared to Rs.1.24 Crores of last year.
- Apurva Mehta:** Rs.3.33 Crores or it was Rs.2.32?
- Mahesh Bhangriya:** Rs.2.32 Crores this year against Rs.1.24 Crores last year.
- Apurva Mehta:** So this year it will be the same growth, can we see there also?

- Mahesh Bhangriya:** In the similar range of enrollments growth.
- Apurva Mehta:** Any new development we were doing some work for Birla and other states, so any new development on that side?
- Pramod Maheshwari:** Yes, we have added few new school association projects along with our existing school integrated programs. So that is an ongoing process, as and when we are getting right opportunity and right partner we go for that kind of association with schools.
- Apurva Mehta:** What initiatives have we taken for getting that back the enrollments, because competition is fierce in this field, so what initiatives are taken other than what everybody is doing, because nowadays I see one full page advertisement coming for coaching classes?
- Pramod Maheshwari:** As per our strategy, we are not aggressive in print media. Rather we are doing activities which are directly connecting the company to the student who is end consumer. So, we conducted a program scholarship test and talent search test all across India in which more than 2 lakh students participated. That gives us a direct connect to the students. Hence, instead of reaching to the target segment by spending money in newspaper advertisement, we follow a strategy to directly connecting with the students and giving them the feel of our services and explaining them why we are better than others and why should they join Career Point.
- Apurva Mehta:** Going forward for next year or two, whatever capex plan any further capex plan?
- Mahesh Bhangriya:** For the existing projects, it will mainly be conversion of WIP to finished assets, hence no significant new capex in existing projects.
- Pramod Maheshwari:** Only additional capex in Career Point University Kota and Career Point University Hamirpur will be around Rs.20 Crores for the coming financial year, no further capex beyond that.
- Apurva Mehta:** So we would like to concentrate and develop this university to full fledge.
- Pramod Maheshwari:** Very true.
- Apurva Mehta:** So, this year and next year must be really exciting, can we see that thing?
- Pramod Maheshwari:** Exactly, we are very hopeful and excited.
- Apurva Mehta:** Wish you all the best and wish you all the best for the enrollments also.
- Moderator:** Thank you very much. The next question is from the line of Rahul Jain from Dolat Capital. Please go ahead.
- Rahul Jain:** You said something about some 40% growth in this student's enrollment, is it basically on the month end basis or how is it calculated?

Pramod Maheshwari: It is a year on year comparison on the month-end, the number which I shared is on May 15, 2014 versus May 15, 2013.

Rahul Jain: So, basically half quarter growth is 40%.

Pramod Maheshwari: We should not take it this way. Actually the enrollment in our institute takes place from beginning of March till end of July. Hence, you might need to analyse the percentage of total enrollments by the date of comparison. It's an indicative number and can fluctuate 5% or more here and there.

Rahul Jain: Are you sharing that number's break-up what is that enrollment as on May 15, 2014?

Pramod Maheshwari: It is slightly trade sensitive at this stage, so that is why we have not disclosed break-up. We will disclose these numbers after first quarter.

Rahul Jain: Can you share any major factor apart from the brand which we are talking about would have drawn, this 40% kind of a growth, because the decline was function of other factors which were beyond our control, what factors you would say has attributed this kind of growth in our enrollment?

Pramod Maheshwari: Last year, the market was pretty uncertain after all changes in examination formats. People were confused what to do, whether to go for coaching class or focus on school education. How the final result will be compiled, because a weightage was given to the board percentage. But, different boards have different structure, different formats. But now things are settled, people have understood the new format and they also have realized that even in the new format they have to join a coaching institute to succeed. So that is the one reason. Second, we also put effort to explain people that irrespective of the new format, these are the few areas where you have to concentrate and perhaps those areas are not being taken care by the school education or by other people. So, as the people understand the new format, they are coming back to the coaching institutions and availing tutorial services. So, settlement of this kind of change and the settlement of mindset takes its own time and here the time frame is an academic year. People have now realized that they need to go for coaching class for performing or for getting a good rank in the competitive examination.

Rahul Jain: That is the one aspect, but whatever our understanding is that true for most of the players who might be seeing a good growth may not necessarily be the similar kind, but overall growth in the enrollment because this is something factor which is common for everyone?

Pramod Maheshwari: There is a second aspect which is the experience of your existing students in the new formats. There should be a growth in all institutions due to first aspect of people's realization of coaching's importance. But the growth may vary depending on students' experience, who they think is the best fit in the new format. However, we believe that everybody should grow in the environment of clarity and without confusion about examination pattern.

- Rahul Jain:** You are saying those who have taken care of the format in a better way would be bigger beneficiary so what are these key factor and how we have proposed this to the students because the students enrollment would be function of the enquiry which we may be having and some bit of word of mouth of the last batch, but how we are taking our message that we have better prepared now to the people who could be prospective, but are not enquiring?
- Pramod Maheshwari:** The best thing is the good words of mouth from past students which is very important as well. The new format was focusing on two aspects, one on the students' performance in school and second is performance in the competitive examination – JEE where we already had our expertise. Last year we started providing our services to the student for preparation for their school examination as well. In the CBSE results declared day before yesterday, our students secured 97%, 98% in class 12 board exam. These kinds of results spread a very good message to the public at large and it actually creates a visibility of your services in the prospective student
- Rahul Jain:** Sorry I missed out what kind of growth we were expecting in the Gurukul business?
- Pramod Maheshwari:** I said that last year we started CP Gurukul with the capacity of 700 Students which was fully occupied. We started it a bit late sometime in the month of May. This year we have increased the capacity from 700 to 1400 students and we have already reached to 700 enrollments. The attraction for this facility is very high amongst parent and student's mind, because it has all facilities available within the campus. Hence, we are expecting that in Gurukul project we will be able to register a growth of 100% year-on-year basis from 700 it will reach to 1400.
- Rahul Jain:** What is the total capacity 2000?
- Pramod Maheshwari:** It is 1400.
- Rahul Jain:** Full completion of the phase?
- Pramod Maheshwari:** We have feasibility to extend the capacity till 3000; however, we have constructed the facility for 1400.
- Rahul Jain:** This 700 incremental runrate which particular classes it is well spread or it is coming primarily for eleventh or any particular class?
- Pramod Maheshwari:** Students are enrolling from class VII onward to XII. Though the large numbers of enrollments are in class XI and XII, but junior classes' enrollments are also picking up from this year.
- Rahul Jain:** So, primarily people were coming for VII, VIII and IX, they would give us steady state of revenue for three to five years kind of thing?
- Pramod Maheshwari:** Correct.

- Rahul Jain:** Just last one, bookkeeping number, if you could give the annual breakup between revenue segment?
- Mahesh Bhangriya:** This year in the formal education, we booked Rs.12.7 Crores of the revenue which includes 10.3 from the lease rental and Rs.2.32 Crores from the Auxiliary Education Services.
- Rahul Jain:** And the breakup of entire Rs.65 Crores?
- Mahesh Bhangriya:** The formal education is about 20% and the rest 80% is coming from the tutorial services.
- Rahul Jain:** Thank you.
- Moderator:** Thank you very much. The next question is from the line of Nishna Biyani from ICICI. Please go ahead.
- Nishna Biyani:** Sir, Congratulations to you for sailing through very tough last year. I just wondering Sir, you have the only university stock currently which is listed. What could the current value of your assets at this point in time?
- Pramod Maheshwari:** It is very difficult to comment.
- Nishna Biyani:** But current market prices, what would be you have done lot of capex and what would be the current value of assets?
- Pramod Maheshwari:** We have not calculated the current market value of these assets, but it should be close to Rs.500 Crores from market value perspective, I believe.
- Nishna Biyani:** That should be good. From now since you have kind of diversified into the university business which is a kind of sticky business say three years, four years, now can we expect some stability and less volatility in your financials from now, because of the sticky nature of the business?
- Pramod Maheshwari:** Correct. University business is building up. We have just passed through two years. Now we are entering into the third year. I believe that after four years of operation of university, there could be stability in the revenue and margins. With the kind of traction we are getting from the market, we firmly believe that this business is going to give the sustainable revenue to the company and you can expect that there will be stability in the margins as well.
- Nishna Biyani:** Most of the capex, the large ones are behind and your kind of debt free company at this point in time. What are the options you are looking to reward the existing shareholders, dividend or something?
- Pramod Maheshwari:** We are considering Dividend option and will definitely reward investors if appropriate.
- Nishna Biyani:** Sir, buyback?

- Pramod Maheshwari:** Buyback is another option which we will put up in the board meeting and look for the view of all board members.
- Nishna Biyani:** All the best to you Sir.
- Moderator:** Thank you very much. The next question is from Gaurav Jani from Fortune Interfinance. Please go ahead.
- Gaurav Jani:** Good morning. Thank you for taking my question. I just have the question regarding bookkeeping. You said cash and cash equivalence of Rs.36 Crores. Can you give me a more colour on that? As in how is it calculated, because cash and cash equivalence in your results of Rs.60 Crores and the total debt is Rs.43 Crores, so I just wondered how that number came?
- Mahesh Bhangriya:** Rs.36 Crores is the net cash in standalone balance sheet. At the consol level, the net cash is Rs.17 Crores that is 60 crores of cash minus 43 crores of debt.
- Gaurav Jani:** One more question Sir, can you just give in terms of contribution how much would Gurukul contribute to our revenues?
- Mahesh Bhangriya:** Gurukul this year contributed close to Rs.5 Crores, Rs.4.72 Crores - to be precise. It is just the hostel income, in addition to this there are two other components in Gurukul income. One is from the school and another is from the coaching which is accounted into tutorial services income.
- Gaurav Jani:** So you project to increase by about 100%, so that it grow to about Rs.10 Crores next year?
- Mahesh Bhangriya:** That's correct.
- Gaurav Jani:** Thank you. That is it from my side.
- Moderator:** Thank you very much. The next question is from the line of Ravi Menon from Centrum Broking. Please go ahead.
- Ravi Menon:** Thank you Sir. I had just question about have you seen any change in distant education or the postal coaching? Are people taking more now this year or that come down, because although 20% row for the board exams in top percent?
- Pramod Maheshwari:** Usually postal programs are joined by the students who are unable to join our regular classroom coaching programs. Majority of the students join test series program which are kind of mock tests. Its difficult to predict the variation in every year's enrollments in this division.
- Ravi Menon:** But you have not seen large shift year-on-year?
- Pramod Maheshwari:** Yes.
- Ravi Menon:** Thank you.

- Moderator:** Thank you. The next question is a followup question from Gaurav Jani from Fortune Interfinance. Please go ahead.
- Gaurav Jani:** Just a followup. I just wanted to understand your policy regarding the debt, because I think from 2013 onwards we have debt on balance sheet and going forward any repayment schedule or what would be policy on that debt?
- Pramod Maheshwari:** Earlier we have been actually financing our infrastructure companies, the infrastructure subsidiary from the parent company. Now we have started taking finance from the banks because subsidiaries are getting lease rental from the infrastructure which are billed and given to the universities with that we are actually servicing the debt.
- Gaurav Jani:** So any policy moving forward, would that debt be maintained at the same levels or something?
- Mahesh Bhangriya:** As the net cash stands positive in the balance sheet, so we may not require raising debt. However, the objective of the debt was to improve the return on capital employed.
- Pramod Maheshwari:** So we would like to maintain this debt for few coming years.
- Gaurav Jani:** Just a ballpark numbers for the next year if I can have?
- Pramod Maheshwari:** It will be around Rs.40 Crores.
- Gaurav Jani:** Thank you.
- Moderator:** Thank you very much. As there are no further questions, I would now like to hand the floor over to Mr. Pramod Maheshwari for closing comments. Over to you Sir!
- Pramod Maheshwari:** Thank you all for joining us today. If you have any questions, please feel free to call or mail us. We will revert back to you as soon as possible. Thank you very much. Have a good day.
- Moderator:** Thank you very much. Ladies and gentlemen, on behalf of Centrum Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.