



## Career Point Limited Q3 FY16 Earnings Conference Call

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**SYSTEMATIX SHARES & STOCKS LIMITED**



**Moderator:** Ladies and gentlemen, Good Day and welcome to the Career Point Q3 FY16 Earnings Conference Call hosted by Systematix Shares & Stocks Limited. As a remainder, 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. Mr. Rahul Jain from Systematix Shares & Stock. Thank you and over to you, sir.

**Rahul Jain:** Thank you, Ali. Good morning everyone on behalf of Systematix Shares. I welcome the senior management of Career Point represented by Mr. Pramod Maheshwari - Chairman, CEO and MD of the Company; Mr. Mahesh Bhangriya - Vice President, Corporate Strategy at Career Point.

I would now request to Mr. Maheshwari to take us through Q3 fiscal 2016 results and give some inside into the recent developments in the Company. Sir over to you now, thanks.

**Pramod Maheshwari:** Thank you, Rahul Ji. 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 and Investor Relations.

I believe most of you have received the copy of our earnings update on your e-mail. It is also available on our Investor Relation section at our website [www.cpil.in](http://www.cpil.in). First, I will give you an update on the business then Mahesh will you take the financial overview of third quarter and nine months of the current financial year.

I am delighted to share that the Company’s performance on all front is consistently improving. To give inside of the business, I will first give you key updates on tutorial followed by formal education business. In tutorial, in first nine months of this year we have enrolled 22,700 students under various tutorial courses and have already crossed the last year’s full year enrollment numbers. The growth in enrollment is more significant which is despite the closure of two less-efficient branches and despite the lower enrollment in short-term course.

So the enrollment growth from long-term classroom courses is significant and that resulted in higher profitability to the company which is also clearly reflected in the financial performance for the period.

Company is growing network of its tutorial center quite strategically. Two new franchisees of tutorial division will commence their operation from the next academic session which is 2016-2017, that will be an addition to the existing network of 21 centers or branches and the franchisees.



As you aware that for last three years we have been running integrated residential coaching with school campus with brand Career Point Gurukul at Kota. Within the short span of time now this initiative has established itself in premium category due to its unique offering. It has now emerged as a preferred education destination against traditional residential schools. We are very excited with the success of this brand and concept and as mentioned in the last call the management is evaluating setting up more Gurukul campuses at other strategic locations. For next financial year Company is coming up with new Gurukul campus at Mohali, near Chandigarh. Regulatory approvals for this have already been obtained.

In last couple of years there is an increased trend to prepare for various competitive examinations as early as from grade 6th onwards. Considering this aspect in to the account and growing importance for tutorial services for Class 6th to 10<sup>th</sup>, we have set up this division at a separate location in Kota to increase the penetration and to make it more accessible to the target customers.

Keeping pace with the technology, Company is aggressively building its capacity in e-learning space through various solutions which can take education to the remotest of the location in very efficient manner. CP Drive, which provides pre-recorded video lecture of star faculty members on USB Drive or SD Card, is already getting traction from students. We have sold more than 400 licenses of the same in last nine months and we are observing growing demand for this product. Most recently, we have also added a new product in B2B segment that is Digital Library for schools. First license of digital library is sold to one of the prestigious school at Chhatisgarh and we are expecting more such licenses to be sold to various schools.

Company also has a social learning platform 'Studyboard.com' and it is also growing. Mobile app of Studyboard has more than 5,000 downloads and on website there are more than 2,500 active users. This platform is further upgraded to on-demand online tutorial services by faculties of students' choice. Service delivery and teaching performance of faculties are reviewed, accessed and rated by the students. At present the current focus of online tutorial is Indian market, however considering the scope and opportunity of the product gradually we have planned to expand this to global level.

Now I will update you on the formal education division which consists of school education, higher education and vocational & skill development programs. This division has been doing exceptionally well on various fronts including admissions, new approvals, associations, launches of new course, academics and of course student placement. Total number of enrollment in formal education division grew by 36% to reaching at 6,00 plus, making the total enrollment for the group close to 30,000.

On the school education front, in addition to improving enrollment in regular schools, last month Company announced its entry into childhood education with brand Global Kids. Under this venture, we are setting a pre-school chain through franchisee mode. I am happy to share



with you that two franchisees of Global Kids are already confirmed and there are more in pipeline for the coming academic session.

In higher education institutions, we are adding more courses in different stream from the next academic session. We are also starting industry integrated courses in partnership with various industry leaders to provide better learning opportunity to our students. Under this initiative Career Point University has signed MoU with Finitiative Learning for value-added courses in the field of Banking and Finance. In this partnership, FLIP and Career Point university will also commence a new course MBA in Banking from next academic session. In the similar line the university has formed a new association with JBM Cadmium Private Limited for industry integrated program in automobile sector.

In this session we have already achieved more than 60% placement of our students so far. We are setting up research lab for the higher studies as well. Our higher education institutions are growing fast and also very systematically. After a good response in admission, placement and academic performance, we are receiving application for admission from overseas students. Our policy document for international student is almost in final stages hopefully you would hear further progress in our next updates.

On vocational education and skill development front, I am delighted to share performance of this division with you. As mentioned in our previous call we are already a skill training partner to Government of Rajasthan. We recently got approval from Sector Skill Councils also in various verticals. We are growing our network of skill development center through franchisee to increase the penetration to the grass route level. Make in India and Skilling India have presented us huge opportunity in this space and we are getting a lot of support from Central Government and State Governments for skill development programs which will further fuel the growth of the company.

So this is all about business update. Now I would request my colleague Mahesh to give you financial update. Over to you Mahesh.

**Mahesh Bhangriya:**

Thank you. Good morning, ladies and gentlemen I am pleased to share an overview of financial result for third quarter and nine months ended December 31<sup>st</sup>, 2015. Let me first give you a brief update on enrollment numbers. By end of the period, we had 29,570 enrollments in both formal education division and informal education division. In tutorial division we added 4,056 new enrollments in this quarter, this resulted into total enrollments of 22,743 by end of third quarter of current financial year against 22,108 by same period previous year.

In formal education division, the total 6,827 enrollments were registered by end of period under review against 4,954 enrollments by end of the last academic session. There has been a net addition of 1,873 new enrollments including 1,128 enrollments in higher education division. This has not only given a boost to our auxiliary education income in the company books but also a positive impact on our cash flows in the form of loan repayment.



Coming to financials, at standalone level, the company reported an income from operation of Rs.51.6 crores in first nine months with year-on-year growth of 9.4%. If you look at the total income which is including the other income on standalone it have stood at Rs.59.2 crores and year-on-year growth of 10.6%. At consol level I would like to remind you the impact of our last year's investment into an automobile venture which was later hived-off by March 2015. The adjusted year-on-year growth at console level is 13%.

As mentioned earlier on the margins, the company has performed exceptionally well at this front due to two key reasons, first an operating leverage at tutorial division and second closure of two inefficient branch centers. During the first nine months of current fiscal 2015-2016, the company reported operating EBITDA of Rs.12.09 crores on standalone basis against Rs.7.05 crores in the same period previous year. This implied an operating EBITDA margin of 25% with Y-o-Y improvement of 900 basis points in the period under review.

Despite growing the margins continuously for the last seven quarter, we believe we have not yet reached at our optimum margin performance. There is further scope to improve the margins from the current levels.

At console level the Company has realized Rs.14.08 crores of operating EBITDA in nine months of FY16 with a year-on-year growth of 125% and margin of 26.5%, this signifies that apart from operational efficiency at parent company the margin expansion is further fueled by business operations at subsidiary level. The net income at standalone level was doubled at Rs.11.03 crores in nine months of current fiscal with a net margin of 19%.

At console level there has been a multi fold increase in net profit due to last year's one-off loss booked on asset sale of higher education institution in our infra subsidiary. However, if you look at the profit before taxes and extraordinary losses still the profit is jumped by more than two times which is Rs.16.05 crores versus Rs.7.03 crores last year.

As on December 31st, 2015 the net worth of the company was Rs.3.5 billion in net cash including the investment, current loan and after removing the bank borrowing was reported at Rs.62 crores in console books of the company. Apart from this Rs.62 crores of net cash and current loan, I would also like to highlight two other key component of the balance sheet which are Rs.67 crores of long-term loans and advances and Rs.80 crores of receivables. These are our investments into formal education division amount close to Rs.140 crores. We receive two income components from this, in fact three cash components including the loan repayment as the institutions are growing gradually being established and have started to generate positive cash flows. As we have invested this in the form of loans and receivables plus company generates regular income on this investment in the form of auxiliary education services fee.

This is a result of our high confidence in the formal education business which has provided the company a sustainable business with annuity. Though the break-up of this investment is not available in the quarterly results however, a detailed break-up is provided in the Annual Report. It is clearly visible and will be visible going forward as well, the decline of loans from

our universities and school operations. This decline is over and above the sustainable service fee which the company charges to these institutions and an interest income on the given loans.

All in all the company is very well positioned for the next level of growth, on this strong balance sheet, perfect mix of growing business verticals and last but not the least the ever green nature of education business.

Now, I would like to request Mr. Maheshwari to summarize the update.

**Pramod Maheshwari:** Thank you, Mahesh Ji. In conclusion, I would share that performance by various division be it tutorial or higher education or school division or vocational education or e-learning, the continued outstanding performance is the key highlight of the period. We were quite bullish and we were also vocal about the significant improvement in the operating performances. This is clearly evidenced in our last seven quarter financial results. We are equally confident for the continuing growth momentum going forward.

Now the floor is open for question-and-answers.

**Moderator:** Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We will take the first question from the line of Chetan Vadia from JHP Securities.

**Chetan Vadia:** Sir, I have two book keeping question, how should we interpret the cost of material number and share of profit of associate number? Share of profit of associate which was Rs.0.68 lakhs now it has turned to Rs.32 lakhs so what has led to that change and the cost of material number which was Rs.8.53 crores is now only 34 lakhs.

**Mahesh Bhangriya:** On the cost of material, the significant change was due to our last year's investment into automobile venture which we eventually hived off in the same year. There was cost of material of Rs 3.5 Cr in this Automobile subsidiary during last year's third quarter.

**Chetan Vadia:** Okay. That was the only item which has removed so then also the fall is substantial in the cost of material number?

**Mahesh Bhangriya:** Actually, 3.5 cr is net cost of material. There was a purchase of Rs 7.8 Cr in this Automobile venture and rest was in the closing books of inventory.

**Chetan Vadia:** So in the nine months' data the current amount is Rs.1.76 crores what is the corresponding number for the previous nine months?

**Pramod Maheshwari:** That is Rs.1.72 crores.

**Chetan Vadia:** Rs.1.72 crores, okay I take that. And sir, what are the reason for share of profit of associates?



- Mahesh Bhangriya:** Though it is not so significant in numbers terms but it is due to one-off incomes at one of the associates.
- Chetan Vadia:** All right. And sir, lastly, what is the current debt, gross debt?
- Mahesh Bhangriya:** That is Rs.44 crores in the consol balance sheet. However that is fully backed by our investments into FMPs or income funds.
- Chetan Vadia:** All right, I take that. And sir, last question if I may, in terms of your online products per say what kind of outlook do you see for FY17 and currently what percentage of our revenue come from there?
- Pramod Maheshwari:** We observe a growing demand for online products. The acceptance and resulted sale of pre-recorded video lecture of our star faculties on either USB Drive or on SD Card is growing rapidly. We have booked revenue close to Rs.40 lakhs so far by selling video lectures. And, we are very bullish seeing the kind of traction and purchase by repeat customers. Next year I am expecting there will be a multi-fold improvement from this product. We are also improving the technology like so far we were just focusing on video lectures, now soon we will be incorporating the e-books also and tests also in the platform.
- Moderator:** Thank you. We will take the next question from the line of Gaurav Jalan from Avant Garde Wealth Management.
- Gaurav Jalan:** So quick question, you had mentioned that the total investments in the formal education business in the terms of loans and advances and receivable to related part is around 140 crores, right. So that number is similar to what was there at the end of last year as of March 2015 and I think you have guided that figure should in this year by the end of March 2016, it should have come down to around if I am not wrong by around Rs.30 crores - Rs.40 crores so it seems like there has been not reduction in that figure so, can you just talk about why that is the case and then what is the outlook going forward?
- Pramod Maheshwari:** There are three components of cash flows from the formal education, as Mahesh was briefing in his summary. One is the service income which we get from the higher education institution. Second is the interest on the loan receivables and third is the loan repayment. The university in the formal education ventures get their fee receipts twice in a year that is in the beginning of the semester somewhere in the month of July - August and then in the month of January. We are expecting that the company will receive about Rs 10 Cr post second fee receipts.
- Gaurav Jalan:** I appreciate that but I think if I am not wrong in your previous earnings call you have mentioned that around a Rs.30 - Rs.40 crore reduction as expected, right in terms of both loan repayment and also reduction in receivables which had gone up from around Rs.10 crores in March 2014 almost Rs.62 crores in March 2015.

- Pramod Maheshwari:** This is with reference to the bank loan which University is about to raise. Once bank will provide that, then university will get Rs.40 crores and that will be utilized to repay the receivable.
- Gaurav Jalan:** Okay. So in the absence of this loan getting approved, you are saying on an annual basis this year this should be a Rs.10 crores reduction in total in that Rs.140 crores?
- Pramod Maheshwari:** Yes.
- Gaurav Jalan:** And then going forward what would that number look again assuming that loan does not come through from bank, in 2017, what kind of repayment would happen?
- Mahesh Bhangriya:** In FY17, it shall be close to Rs.20 crores.
- Gaurav Jalan:** Rs.20 crores, okay. And then if you are able to get the loan that will be over and above that whatever Rs.40 odd crores?
- Pramod Maheshwari:** Yes.
- Gaurav Jalan:** Okay. And in terms of revenues from the formal education in the nine months so far you have declared Rs.3.06 crores in revenues for the full year what is that figure expected to be?
- Mahesh Bhangriya:** Close to Rs.4 crores.
- Gaurav Jalan:** Rs.4 crores, okay. So the total revenue from formal education is Rs.4 crore on revenue and then you are getting interest on your loan, right and what is that figure expected to be for fiscal 2016, the into the loans?
- Pramod Maheshwari:** that is close to Rs.6 crores.
- Gaurav Jalan:** Okay, Rs.6 crores for fiscal 2016?
- Pramod Maheshwari:** Yes.
- Gaurav Jalan:** Okay. So basically on a Rs.140 crores investment in fiscal 2016, you will make about Rs.10 crores in revenue on that?
- Mahesh Bhangriya:** Yes. Actually Rs.140 crores consist Rs.70 of receivables and rest portion is in the forms of loan. And, we were not generating the interest on those receivables so there is a bit-of mismatch of interest component if we do the math considering whole 140 cr investment as loan.





- Gaurav Jalan:** Okay, understood. But those receivables are going to remain right, I mean they are not as you mentioned unless the loan comes through from the bank they are only going to come down by about Rs.10 crores - Rs.20 crores I mean it is an investment for the company.
- Pramod Maheshwari:** Yes.
- Gaurav Jalan:** Okay, the other thing is there has been increase in your working capital sequentially from Q2 to Q3 and I think that happens every year for you. so is there some kind of seasonality can you explain that, why does your working capital go up in Q3 every year?
- Mahesh Bhangriya:** It is because of our prudence accounting policy. We book the fee, which we receive from our students in beginning of the year, as an advance fee in current liabilities. This current liability is transferred every quarter in to our revenue and result in to increased working capital.
- Gaurav Jalan:** Okay. So this something that will happen every year I mean because of the seasonality in your business?
- Mahesh Bhangriya:** Yes.
- Gaurav Jalan:** Okay. And in terms of capital expenditure what is the total expected for fiscal 2016? I think you have spent about Rs.5.01 crores in nine months. So for the full year how much you expect to spend?
- Mahesh Bhangriya:** It could be close to Rs.7 crores.
- Gaurav Jalan:** Okay. So in your pre-school business you mentioned that you are doing the franchise model so you do not expect any investments into that business?
- Pramod Maheshwari:** Current we are not doing any CAPEX in that business.
- Gaurav Jalan:** But what are the other, I mean you must be making some other investments that are either running to your P&L or something because how do you convenience it is just a new business for you how do you convenience franchises to take off the business.
- Pramod Maheshwari:** We have been running schools for almost last 10 to 15 years. We already have Global Kids operational in our existing schools. Only thing which we have started now is to offer franchises for the same. And, the playgroup section of those regular schools are kind of model centers for our Global Kids division.
- Gaurav Jalan:** Okay, got it. And what is the working capital cycle like in your pre-school business and when do you receive the cash?

**Pramod Maheshwari:** There are two components in the franchisee model. One is the franchisee fee and the second is the royalty. Royalty is charged on quarterly basis from the franchisee and the license fee is upfront before they start the center.

**Moderator:** Thank you. We will take the next question from the line of Ali Asgar Shakir from Elara Capital.

**Ali Asgar Shakir:** Sir first question is on the tutorial business, your overall revenue growth if you exclude auto business in your corresponding quarter has been pretty reasonable. But if you see a long-term enrollment growth that is somewhere in the range of 5%-6% so, I just wanted to in that backdrop understand what is the outlook of your enrollment growth where we have been at the peak of somewhere about 20 odd thousand two years back we are right now at 14,000 - 15,000 and growing at 5%-6%. Does this business has a potential to scale up to 20,00 in a matter of two years to three-year time. A follow-up is how would you rate the industry right now which is expanding to regions where is we are present at the moment only in Kota. Is there also a geographic risk right now or we would see that there is actually a scope to grow even remaining in Kota?

**Pramod Maheshwari:** On the first question in respect to how quickly we can raise to 20,000 long-term enrollments from the current set of numbers in yearlong programs, let me quickly touch upon the enrollment break-up. We prepare student for three competitive examinations one is JEE-Mains, second is JEE-Advance and the third is medical examination. JEE-Mains and JEE Advance have been under pressure for last couple of years due to regulatory changes. However, things are getting settled down. In recent years, we have also observed that charm for engineering education has come down but at the same time the number of aspirants in medical is growing quite rapidly.

With that fact and current growth at existing centers, especially the high growth at Kota center, we are expecting by 2019 or 2020 we will be able to achieve 20,000 long-term enrollments. We are also working to achieve this number earlier. As mentioned in the call that there is a traction in the junior classes, like students started preparing for competitive examination from grade 6th to 10th which further serve as a feeder to class 11th and 12<sup>th</sup>. So we have already started as a separate division in a separate building with a dedicated workforce to work on that and we believe that with these kind of initiatives we will able to achieve the numbers comfortably.

Second question was related to our presence in Kota or do we need to diversify to other locations. We believe that there is no merit in setting up new centers if we already have vacant capacity available at existing centers. If we feel that we are not getting the reasonable number of enrollments from a particular territory or others are entering into those territories which is affecting enrollment in our existing centers, then we do take a call. We also enter into that territory either by way of franchisee or by way of setting company own centers, wherever required.



- Ali Asgar Shakir:** Okay. One follow-up here as you mentioned that engineering is losing its charm so, when you say you will be able to reach 20,000 you said '19-20 correct?
- Pramod Maheshwari:** Yes.
- Ali Asgar Shakir:** Yes. So then I mean the incremental 5,000 as you said engineering is losing its charm I mean how would this 5,000 would it just come from medical or we would also probably thing of expanding through any other segments like commerce or anything else?
- Pramod Maheshwari:** No, by saying this it does not mean that engineering enrollments are dropping. It is only related to the rapid pace which it was supposed to be. In fact, as per one of the recent survey, there will be a huge demand of engineering manpower if Make in India takes the shape the government is planning. At the same time, we believe that medical division and enrollment from Grade 6<sup>th</sup> to 10<sup>th</sup> will certainly add much more enrollments than their current contribution.
- Ali Asgar Shakir:** Okay, that is very helpful sir. Sir second question is on your profitability so this quarter we have been able to post about 35% EBITDA margin and I believe this does not include any one-off I just wanted to understand what is the potential for this margin improvement as I understand you have mentioned even before now that you are seeing enrollment growth then there is an operating leverage as you have existing free capacity available. I am just trying to understand from that point of view what is the opportunity of EBITDA margin improvement I believe five years back you were doing somewhere about even (+50%) margins so, do we have a potential grow our margin we already in this quarter if I see on a Y-o-Y basis you have done already very substantial almost 15 hundred bps margin improvement but does this again have further improvement potential to the peaks of what we have done before to (+50%) or do you think the operating leverage will start tapering-off and we will sort of remain at these margins from hereon.
- Pramod Maheshwari:** Ali, to remove the seasonality of expenses, you should look at our nine months' EBITDA margin which is about 25%. Usually in Q3 the margins are higher because a couple of expenses like business promotion and similar expenses are not incurred in Q3. So margins in Q3 are close to 35% this year and if you look at nine months' ended number then it is about 25%. From current levels, we expect that we can reach to the margin level of 35% on sustainable basis. We may not reach up to the 50% what used to be earlier but still there is a scope to reach to margin level close to 35% in next two years quite comfortably.
- Ali Asgar Shakir:** Okay. When you say 35% margin are you only referring to the coaching business or this is on a consolidated number which includes your auxiliary business as well. As I believe your auxiliary business if it taken above EBITDA then that is sort of 100% margin business. So should not that allow you to actually higher margins?
- Pramod Maheshwari:** It is not 100% margin because there is auxiliary man power cost involve even in auxiliary education as well.

- Ali Asgar Shakir:** Yes, but that is part of your trust business right I mean.
- Pramod Maheshwari:** All the operating expenses related to the institution are on the trust books. However, there are few expenses at the company level as well. Yes, this is high margin business and it may further improve the company margins.
- Ali Asgar Shakir:** That is helpful, sir. Sir just on your loans and advances, you have already answered in terms of what will be our FY16 - FY17 repayments, but I will be looking at a little longer perspective and to understand by when can we expect this Rs.140 crores to be recovered obviously you may not be able to foresee more than three years to four years but just approximately if you have any sort of such timeline whatever you think is possible for your bank loans but otherwise once this Rs.140 crores should we foresee this can come to us back in three years or four years' time or it is going to take much longer than that?
- Pramod Maheshwari:** I expect it will take around five years time if we do not take any external financing in those institutions and if we take financing in those institutions then it will be earlier also.
- Ali Asgar Shakir:** Okay. And sir, we have these assets which are not put to use I believe which have a marketable value of close to about Rs.140 odd crores - Rs.150 odd crores I think as a book value of much lower less than 50% and we have been talking about that liquidation also possible at some time in the future. Do you see that happening anytime in the foreseeable future?
- Pramod Maheshwari:** Actually for various reasons, one cannot be aggressive while selling his real estate in the market. We are also not very aggressive for the same. But yes, as and when we will get the right value and opportunity for the company to exit, we will be doing that.
- Ali Asgar Shakir:** And with no further CAPEX guidance for the next two years, should one expect this to be given back as dividend?
- Pramod Maheshwari:** Yes.
- Moderator:** Thank you. We will take the next question from the line of Chetan Vadia from JHP Securities.
- Chetan Vadia:** Do we have any role to play in the Skilling India initiative I mean do we have tie-up with NSDC?
- Pramod Maheshwari:** We are training partner to the Rajasthan Government's RSLDC and execution of our MoU with Central Government's NSDC is in progress. We are working with various government initiatives like Rajasthan Skill Livelihood and Development Corporation, Pradhan Mantri Kaushal Vikas Yojana. We already got a couple of orders to execute and we are expecting more orders from the government for the next year as well.
- Chetan Vadia:** Just to understand it further, what kind of training that you provide under this program and what kind of revenues and margins that you earn in that?

- Pramod Maheshwari:** In the skill development space, there are two categories of programs. One is the government sponsored program and second is self-financed programs. In government funded programs like Rajasthan Government's ELSTP courses, the margin is close to 30% to 35%. The other programs which are sponsored by the central government like Pradhan Mantri Kaushal Vikas Yojana the margins are close to 35% to 40%. Whereas in self finance programs, it is close to 25% to 30%. In self-finance program the students finance the education himself however, government provide assistance to training partners for buying equipment, etc., by giving you soft loans under various schemes.
- Chetan Vadia:** Okay. And sir, as per the industry NSDCs reworking its model in terms of the way they tie-up with the training partners so, have you received any kind of communications from them with this respect?
- Pramod Maheshwari:** We are in constant touch with NSDC. They have not tweaked the model. They have made the system pretty transparent and evaluate the training partner's credential quite carefully. A change one might observe that they are now allowing only serious training service providers to be their partner and doing quite carefully. However, they are not doing anything which is changing the system per se.
- Chetan Vadia:** Okay, I take that. And sir, finally if you can provide any kind of outlook for FY17 in terms of revenue and margins the growth that you can may possibly achieve?
- Mahesh Bhangriya:** The revenue for FY16 excluding the other income should be in the range of Rs.70 crores - Rs.75 crores. Before comparing with the last year's number, one should remove the automobile venture's contribution which was Rs.12 crores in last year's revenue.
- Chetan Vadia:** Okay, got it, sir. And for 2017?
- Mahesh Bhangriya:** For 2017, it is difficult to give you a number at this stage due to dynamics of enrollment growth and the pricing mix at different divisions plus the performance of various higher education institutions. Hence, it is bit difficult to share the revenue guidance at this stage.
- Chetan Vadia:** I think can you at least provide a kind of growth range in terms of let us you got 15%-25% kind of growth that you can achieve in FY17?
- Pramod Maheshwari:** In formal education, we are expecting close to 25% growth, in tutorial we are expecting close to 10% growth. Growth in skill development initiative depends upon the government approvals. I am expecting the total growth in top-line, in a wide range which is between 15% to 25% and the impact on bottom-line will be quite positive and significant.
- Moderator:** Thank you. We will take the next question from the line of Gaurav Jalan from Avant Garde Wealth Management.



- Gaurav Jalan:** Yes, one follow-up, so you had mentioned in one of your earlier responses that this Rs.140 crores investment that you have in your formal education business you expect to recover in five years. Just to clarify you had mentioned that this year you expect Rs.10 crores to come back in the next year Rs.20 crores so that mean over the subsequent three years you will recover about Rs.110 crores, I mean I just understand what the thinking behind that is I mean will the cash generation in the formal education business go up that rapidly that they will be able to repay 110 crores in three years?
- Pramod Maheshwari:** In formal education, our higher education institutions are growing by almost 30% to 35% year-on-year. This is the fourth year of our higher education institution. Once we complete our fifth year of operations, we will be allowed to start distant learning programs as well. Every year we are also adding at least three to four new courses in our offering. So we believe based on the growth of those institutions after paying the auxiliary education service fee, the surplus retained by the institution is sufficient to pay the receivables in five years.
- Mahesh Bhangriya:** Let me also add one thing here; the interest component, which we are charging from these institutions on the loans, is also gradually declining with respect to the principal payment every year. Hence, a less interest burden going forward will help these institutions to repay their loan faster in later years.
- Gaurav Jalan:** Okay. So if I just asked this question slightly differently on the formal education business what are the total revenues that you are expecting in fiscal 2016 and what are the total expenses of the business?
- Pramod Maheshwari:** If we look at only the two universities one in Kota and second is Hamirpur, this year the revenue is close to around Rs.20 crores with EBITDA at trust level is close to Rs.10 crores.
- Gaurav Jalan:** Okay. So revenue of Rs.20 crores, EBITDA of Rs.10 now this Rs.20 crores over the next three years you see it going to like what number?
- Pramod Maheshwari:** Here we are just looking two institutions. There are two more institutions from where the receivables are pending one is Mohali and other one at Rajsamand. These two institutions have been converted in Gurukul campus. Mohali will be operational this year and Rajsamand will be operational from 2017-2018 academic session. Then there are school campuses. If I only look at only Kota and Hamirpur, the top-line will grow from Rs.22 crores to Rs.35 crores.
- Gaurav Jalan:** Okay. This is in fiscal 2017 itself?
- Pramod Maheshwari:** In fiscal 2018.
- Gaurav Jalan:** Fiscal 2018, so in two years, okay.
- Pramod Maheshwari:** It will be close to Rs.27 crores to Rs.28 crores in FY17 then it is around Rs.35 crores in FY18 from these two institutions and EBITDA would be close to Rs.22 crores by FY18. Other two

institutions at Mohali and Rajsamand which would be residential schools cum coaching would also be reaching at their optimum strength and will start contributing to year-on-year cash flows around 6-7 crores.

**Gaurav Jalan:** Okay. So basically you will have let us say in fiscal 2018, Rs.22 crores plus Rs.6 crores so around Rs.25 crores to Rs.30 crores for repayment in fiscal 2018 from our four institutions put together that is repayment plus interest I mean you will have some interest component out there and then the remaining will be there to repay your balance sheet loans and receivables right?

**Pramod Maheshwari:** Yes.

**Gaurav Jalan:** Okay. So that still I mean so if I still do the math I mean Rs.10 crores this year Rs.20 crores next year around let us say Rs.30 crores the year after that so how does it add up to Rs.140 crores I am still having trouble.

**Pramod Maheshwari:** With this visible trend, you will be able to see the possibility of repayment of Rs.140 crores in the next five years, excluding current year.

**Gaurav Jalan:** Okay. So five years from fiscal 2017 onwards what you meant.

**Pramod Maheshwari:** Yes.

**Moderator:** Thank you. As there are no further questions from the participants, I now hand the conference over to Mr. Rahul Jain for closing comments.

**Rahul Jain:** Yes, thank you all for joining in for the call and thank you management for us giving us this opportunity to host the call and best of luck for the future ahead.

**Pramod Maheshwari:** Thank you.

**Moderator:** Thank you. On behalf of Systematix Shares & Stocks Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.