



“Career Point Limited  
Q3 FY-17 Earnings Conference Call”

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**MODERATOR: MR. RAHUL JAIN – SYSTEMATIX SHARES & STOCKS LIMITED**

**Moderator:** Ladies and gentlemen, good day and welcome to Career Point Q3 FY17 Earnings Conference Call hosted by Systematix Shares & Stocks Limited. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions 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. Rahul Jain from Systematix Shares & Stocks Limited. Thank you and over to you, sir.

**Rahul Jain:** Thank you. Good morning everyone. On behalf of Systematix Shares I welcome the senior management of Career Point represented by Mr. Pramod Maheshwari – CEO & MD of the company; Mr. Mahesh Bhangriya – VP (Corporate Strategy) at Career Point. I would now request Mr. Maheshwari to take us through the third quarter FY17 Results and give some inside in the recent development of the company. Over to you, sir.

**Pramod Maheshwari:** Thank you Rahul Ji. Good morning, ladies and gentlemen. This is Pramod Maheshwari. Thank you all for joining our Investor Conference Call. With me I have my colleague Mr. Mahesh Bhangriya – Vice President - Corporate Strategy and Investor Relations.

I believe that most of you must have received the copy of our earning update on your e-mails. It is also available on our investor relations section at our website [www.cpil.in](http://www.cpil.in). First I will give you an update on the business and then Mahesh will take you through the financials overview of third quarter and nine months of the current financial year.

I am happy to share that company's performance on all front is consistently improving as per this strategic plan adopted by the company. The tutorial division is expanding through school association network and also through franchisees. Both modes of expansion are asset light and generate higher returns to the company.

The formal education segment is also growing its enrolment by way of higher capacity utilization in existing courses and addition of new course offerings. E-learning, skill development and recently launched publication division are increasing their contribution in overall company growth.

Recently the company has added five new franchising in tutorial division for the next academic session at various locations in Gujarat, Bihar, Madhya Pradesh and Orissa. Three new school association projects are also signed in the state of Tamil Nadu, Maharashtra and Rajasthan. These new associations are in addition to existing alliances with renowned Birla Group Schools at Pilani, Techno India school group at West Bengal. Government of Chhattisgarh, Jindal School in Jharkhand and Adani School in Gujarat.

We believe this list of new partnerships will further increase due to favorable industry dynamics like increased acceptance of necessity of coaching for competitive examination by leading school groups. Also single medical entrance examination for all medical colleges

across India which is made it mandatory for students to secure minimum qualifying marks to take admission in medical colleges irrespective of the types of seat opted whether it is counselling seat or whether it is management seat. Now, one has to qualify the NEET examination which is pre-medical examination.

In fact one of the educational reform proposed in the budget yesterday that is setting up of the National Testing Agency is also favorable to the company. National Testing Agency, if at all implemented, will address the issue of multiplicity of entrance examination and will increase potential students' base for tutorial services significantly.

Coming to CP Gurukul, our unique offering of residential school along with the coaching facility, the average price realization has improved as per the growth plan of the company. After the launch of CP Gurukul in Mohali this year, next launch of CP Gurukul Rajsamand is also on track. The approval for school is also obtained.

E-learning which is an extension of tutorial division is gaining grounds. Video lecture on pen drive or SD cards, online assessment and the education market place like studyboard.com are growing much faster than their competitors where most of the players are earning cash. I would like to highlight here that we have developed our e-learning products without any operational losses and also with a very minimal CAPEX by leveraging our existing resources, content and the existing available technology.

Career Point Publication is new offering by the company which is potential to be a separate business unit in itself. Thanks to abundance of quality content developed over the decade we already have 40 plus book titles in hands now. With existing strong brand recognition among target customers who are preparing for competitive examination and experienced academic as well as research development team in place, we believe that Career Point publication division vertical is bound to grow by multi folds in years to come.

Moving to the formal education, both universities - Career Point University at Kota, Rajasthan and Career Point University at Hamirpur, Himachal Pradesh are performing extremely well with respect to academics, placement, extracurricular, research, innovation and overall brand building. We are updating our courses and curriculum as per the latest industry development. Lecture delivery in classes is not only by the professors but also by subject experts from the industry.

These institutions keep launching new courses as per the industry requirement apart from growing through the increased enrolment and admission in existing courses. The improved cash flow sustainability at institution level in these universities has resulted repayment of loan to the company books. In the period under review the company received Rs. 35 crores from Career Point University, Kota towards the payment of the loan. The similar plan for other institution which is Career Point University, Hamirpur is also in pipeline and you will hear positive updates in due course of time.

In skill development division we have multiple projects in operation now with the state government as well as with the central government including ELSTP which is Employment Linked Skill Training Program, DDUGKY that is Deen Dayal Upadhyay Grameen Kaushal Yojana; PMKVY - Pradhan Mantri Kaushal Vikas Yojana etc. We are partner to state and central government for all these projects.

We are extending our reach in the skill development vertical through franchise mode. We are also extending our wings from training provider to an assessment body which will start assessing the skills of students and start certifying the students who are opting for skill development training programs at various institutions across India.

Now I would request my colleague Mahesh to give you 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 third quarter and nine months ended December 31, 2016.

Let me first give you a brief update on enrolment numbers. The detail enrolment split between different verticals is given in our earnings presentation on page number 26. We had 27,129 enrolments by end of the period comprising 19,438 in tutorial and 7,691 in formal education division. The additional reporting of school association enrolments were earlier included in distance learning vertical.

Coming to financials, the income from operations was Rs. 55.4 crores in the nine months with a y-o-y growth of 7%. The growth for the third quarter was 14%. At console level the revenue from operations for the quarter witnessed a growth of 17% over the same quarter last year.

There were primarily three key reasons behind the growth. First, improved average fee realization in our tutorial division. Second, higher contribution from new school association projects which is also reflected in enrolment split from school associations. And third, increased income at subsidiary level mainly the education technology businesses.

The total income which is including the other income grew relatively lower as compared to operational income, reason being the lesser investment income. Actually as per the accounting policy we booked investment income only on maturity. The company does not recognize mark-to-market gains.

Coming to operative performance which is exceptionally well. The reported EBITDA on standalone basis came at Rs. 15.7 crores for the nine months and Rs. 9 crores for the quarter which is 46% higher versus same quarter previous year. This resulted EBITDA margin of 43% is increased by 923 basis points y-o-y. The expansion through more efficient modes such as school association is one of the reason for this significant margin improvement.

At console level as well, the extraordinary operating performance is continued. EBITDA for the quarter was increased by 55% year-on-year. EBITDA margin of 47% is higher by 1,163 basis point against same quarter previous year. The EBITDA for the nine months at Rs. 21 crores has witnessed a y-o-y growth of 42% and the operating margin of 34% with a growth of 750 basis points.

Moving to net profit, which was impacted by lower investment income and relatively higher taxes, the net income at console level was reported at Rs. 12.7 crores with a y-o-y growth of 8% and the PAT margin of 18.5%. As on 31<sup>st</sup> of December 2016, Networth of the company was Rs. 365 crores and cash and cash equivalents were Rs. 122 crores. Thanks to our receipt of Rs. 35 crores from Career Point University, Kota the debtors have reduced significantly from Rs. 81 crores by 30 September to Rs. 42 crores by 31 December. I would further like to highlight that this remittance is over and above the continuous payments being received by the company against management services provided to the university.

This quarter you may also see an increase in our borrowings which is nothing but an investment in PMS product and the corresponding increase in our current investments. Overall the net cash which is including current investments and current loans minus all borrowings is Rs. 124 crores by end of the period under review.

All in all the increased contribution from the new business ventures, improved average fee realization, and an outstanding operational performance are some of the key highlights for the period which are in line with the management's long term goal and company's business objectives.

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

**Pramod Maheshwari:** Thank you, Mahesh. In conclusion, the business in the existing divisions as well as new verticals has been growing as per the strategic plan of the company. Exemplary financial performance especially at operating level is on continuous uptrend. The management is very bullish on overall business scenario going forward. So now the floor is open for questions and answers.

**Moderator:** Thank you. We will now begin the question-and-answer session. The first question is from the line of Vineet Sharma from Cognito Investments. Please go ahead.

**Vineet Sharma:** I just had a quick question for Mahesh. I see there is a sharp increase in the tax rates for the consolidated numbers this year. So while your pre-tax profits are up above 17% - 18%, the net income is down for the year. I mean on a year-on-year basis for the quarter. If you could kindly help me understand that. Thank you.

**Mahesh Bhangriya:** That is because of the MAT credit utilization. So the MAT credit which we were accumulating earlier, a part has been utilized by this quarter. So because of this, the effective tax rate in P&L

is increased. However, if we look the same at the cash flow perspective, MAT credit utilization is not a cash outflow.

**Vineet Sharma:** And is this something that was normalize soon or it is going to continue for another few quarters?

**Mahesh Bhangriya:** We had approximately Rs. 4 crores of MAT credit available in our books. After this utilization, we still have close to Rs. 3.5 crores of MAT credit available in our balance sheet which is likely to be utilized by next few quarters.

**Vineet Sharma:** Okay so it seems like the effective tax rate or the way it is reported on the P&L will likely stay in this 40%, 50% range?

**Mahesh Bhangriya:** Close to 40%. However, it may vary on account of other incomes like capital gain on investments.

**Moderator:** Thank you. The next question is from the line of Gopinath Reddy, he is an individual investor. Please go ahead.

**Gopinath Reddy:** What is the capacity utilization in tutorials as of now and what is the same for the formal sector?

**Pramod Maheshwari:** For tutorial business it is approximately 60% and for formal it is close to 55%.

**Gopinath Reddy:** So we are filled with year 2 or year 3 level and we have one more year of courses which we will get filled by next year or so on an overall basis on an average?

**Pramod Maheshwari:** Are you are asking in formal education?

**Gopinath Reddy:** Yeah, in formal sir.

**Pramod Maheshwari:** In formal education, in case of university, every year we introduce new courses. Usually those courses are of three to four year of duration. So every year we retain the existing students and new students are adding up. But in few courses the class capacity is close to 60 students but enrolments are just 40 or 45. So this way the capacity is underutilized.

**Gopinath Reddy:** Okay so infrastructure needs to be continuously built as long as we are adding new courses or the infrastructure is already ready?

**Pramod Maheshwari:** Infrastructure is already ready. A few specific requirements come up as per the particular course. So we need to construct a bit of infrastructure which is not more than around 30,000, 40,000 square feet. But majority of infrastructure is in place.

**Gopinath Reddy:** Okay. How much percentage of these engineering colleges which we back down and the infrastructure is vacant is that filled and how much is vacant this year still?

- Pramod Maheshwari:** At our universities, we are still running engineering courses and the decrease in enrolment has released some infrastructure which we will utilize for new additional courses. So in case of university there is no impact of decrease in enrolment of engineering courses in respect to the infrastructure. However, we had two engineering colleges, one is in Mohali and one is Rajsamand. Last year we converted Mohali Engineering College into residential school and its performance is pretty good. This year we are converting Rajsamand Engineering College into Career Point Gurukul Campus and in a year or two we will start utilizing its capacity as well.
- Gopinath Reddy:** How is the engineering course situation now sir, is there any improvement or its still continuing deterioration and it is becoming less attractive to the students?
- Pramod Maheshwari:** In 2016-17 session, there were about 20% dip in engineering enrolments and it is too early to say about coming session. Because, enrolment usually in engineering B Tech program takes place in the month of June, July and August. So that would perhaps be the right time to understand this. However the courses like agriculture, or courses in allied health sciences have got very high traction. Enrolments in these courses are increasing quite rapidly.
- Gopinath Reddy:** How is the MBA situation, sir?
- Pramod Maheshwari:** MBA is just stable.
- Gopinath Reddy:** Okay. Coming to this cash part that came to us and we are looking like becoming cash surplus. Did we find a way to get that money efficiently into the parent company from the subsidiaries or are we still having the problem of bringing it from subsidiaries to the parent? Because it is going to be continuous that somewhere or the other place we are going to get money from subsidiary.
- Pramod Maheshwari:** This particular point is an agenda of the management. We are exploring possibility to efficiently bring that money from subsidiary to the company by way of merger or some other mechanism from subsidiary which is the wholly owned subsidiary of the company.
- Gopinath Reddy:** So it is still under contemplation I mean yet to get conclude.
- Pramod Maheshwari:** Yeah, we are taking expert legal advice in that respect.
- Moderator:** Thank you. The next question is from the line of Ajay Modi from Agarwal Investments. Please go ahead
- Ajay Modi:** So my question was on Career Point Gurukul, Mohali. I assume Mohali revenues were not captured in the quarter before this one as in Quarter 2, so those have been captured in Quarter 3, right?

- Mahesh Bhangriya:** No Ajay. Actually Mohali campus is in a separate Trust. You might know that it was earlier an engineering college. And, engineering college has to be run under some trust or society. So the Gurukul Project at Mohali is in a separate Trust and we cannot capture in company books.
- Ajay Modi:** Okay but Mohali has begun this year, right, Career Point Gurukul Mohali has begun this academic year?
- Mahesh Bhangriya:** Yes, this academic year.
- Ajay Modi:** So what are the enrolments there and what is the average fee?
- Mahesh Bhangriya:** Average fee there is Rs. 3 lakhs per student and this year - which is the first year - the enrolment were of 55 students.
- Ajay Modi:** Okay. And second thing that I wanted to understand is from your presentation slide number 26 enrolment split. So Quarter 3 FY17 formal education number is 7691 which includes 540 of vocational education. So excluding this vocational education from Quarter 3 FY16 to Quarter 3 FY17 there has not been much growth I mean on the formal education part. So what would be this number maybe a year later or I mean some guidance on this number?
- Pramod Maheshwari:** This year our first engineering batch graduated. The number of engineering students graduated was around 400 and number of new enrolment in engineering courses was close to 200. But contrary to this, there has been a addition of 350 to 400 new enrollments in our Agriculture program which is started this year. Now as this agriculture program is four-years of duration, there will be a continuous increase of this year. Similar to this, there are additions in other course enrollments as well.
- Ajay Modi:** But I mean which part of the formal higher education are you seeing increased demand?
- Pramod Maheshwari:** Allied health sciences and Agriculture are the two sectors which are in hot demand as on date. There could be further additions in this list going forward.
- Ajay Modi:** Okay. And lastly Career Point Gurukul Rajsamand will start operations next academic year I mean the coming academic year June 17, right?
- Pramod Maheshwari:** Correct. From June-2017, we will start it as a day school and from next year we will start the residential facility. Though we have the residential facility available, however we will be first setting up entire mechanism in place.
- Ajay Modi:** Okay so will we be able to get any revenues from Career Point Gurukul Mohali this year in terms of management fees, will the university be in state to pay us or?
- Mahesh Bhangriya:** I believe, current year - being the first year - probably it will be on operational break even and from the next year we will start getting the surplus in our company books.



- Ajay Modi:** Okay, so similar will be the situation with Rajsamand, Career Point Rajasthan?
- Mahesh Bhangriya:** Yes.
- Moderator:** Thank you. The next question is from the line of Gopinath Reddy, he is an individual investor. Please go ahead
- Gopinath Reddy:** This tutorial infrastructure that we have if there is any underutilization, how feasible is it to convert it into any formal education center or is it not feasible to do that way?
- Pramod Maheshwari:** There are certain regulatory requirements and the courses which are under some council or some regulatory body it is not feasible. However we do utilize informal division's unutilized infrastructure for various activities of formal education like conducting workshops, expert lectures etc.
- Gopinath Reddy:** Okay. The second question being sir, in the last conference you said that on the new facilities that we are bringing up and the new land that we are purchasing and constructing new facilities the expected ROE is going to be 20% around. Is it including land cost, if yes is it including the land cost if we purchase it now at the current market price of the land?
- Pramod Maheshwari:** It varies from location to location. So it is difficult to answer this question. We build infrastructure on those where we acquired land parcels earlier and generate ROE of around 20% plus in three to four year time.
- Gopinath Reddy:** Including land cost?
- Pramod Maheshwari:** Yes, including land cost.
- Mahesh Bhangriya:** If we set up the new project which is after considering the estimated return with land price, if it is generating more than 20% return, then only we take up that project.
- Pramod Maheshwari:** Otherwise we do not take up the project.
- Moderator:** Thank you. The next question is from the line of Rahul Jain. Please go ahead.
- Rahul Jain:** Yes sir, you shared in your opening remark about some of the scheme that has come up in the Budget and the likely opportunity. If you could sort of quantify what are the allocation and how we are going to place in the ecosystem?
- Pramod Maheshwari:** In the Budget yesterday, the Government announced National Testing Agency to bring all the competitive examination under a single agency. National Testing Agency, I anticipate that it would be in line with SAT in US, or GRE and GMAT. There will be uniform syllabus for all the competitive examinations across all the states. So that will increase the student base who opt for coaching services.

We also believe under this concept, the entrance exams will be conducted twice or thrice in a year. Then number of students appearing for competitive exam will also increase due to repetition of attempts. Hence, we believe this particular concept of National Testing Agency is in favor of the company.

**Rahul Jain:** Okay and maybe any opportunity from other India International Skill Center or maybe the Swayam platform?

**Pramod Maheshwari:** Yes, we are already partnered with National Skill Development Corporation, we are partnered with government of Rajasthan also. Any additional activity in skill development would give us an opportunity to participate. So that is also favorable to the company.

**Rahul Jain:** Okay and anything on this Swayam side?

**Pramod Maheshwari:** Swayam was specifically mentioned in the budget as latest digital initiative of the government. It shows the high priority that the government accords towards promoting technology-based learning and emphasis on Science education.

**Rahul Jain:** Okay and is there far more traction in the number of people they want to get skilled versus what it has happened in the first two years versus now?

**Pramod Maheshwari:** The target segments for the skilled development program are usually school dropouts or unemployed youth. Hence, placement is a critical factor for this category of students to be attracted. At the same time, industry and corporate also prefer trained staff if available. Skill development has been an answer to fulfill this requirement. We entered in this space, got various affiliations, mobilize students, trained them and finally we were able to place them. This is an ideal start and resulted incremental enrollments in this vertical. Similarly, going forward, the number of students opting our services in the skill development space will be more than what we used to do earlier.

**Rahul Jain:** And we were using our franchise opportunities so can you explain that?

**Pramod Maheshwari:** Yes. Under various projects of state governments and Government of India, we are given certain territories to operate in multiple states. Now setting up our Skill Development Center in multiple states not only consumes bandwidth but also takes our resources and capital investment. So to reach out to those students in remote location and the location where we do not have our presence, we are partnering with the local competent people and setting up a skill development center to provide training services. This is the faster and effective way to reach out large number of students as you get both - management band width as well as operational ground level expertise and insights. That is why we are expanding our network of skilled development center in various states using franchising mode.

**Rahul Jain:** So this is more like a sub-contracting proposition?

- Pramod Maheshwari:** It is a kind of partnership proposition I would say. The local franchise brings the ground level expertise whereas we take care of management and strategic aspect. Then, we share the revenue with the partner.
- Rahul Jain;** And our resource is only basically to train the one or two resources just to pass on the training ability to the partner?
- Pramod Maheshwari:** Correct, so we focus on training of trainers that is called TOT, along with focus on operational expertise, curriculum and content design etc whereas the education delivery is taken care by the partner along with the mobilization of the students.
- Rahul Jain:** Right and one question on the financial front. In the console balance sheet there is significant jump in current investment and loan and advances both. This is if you could explain this?
- Mahesh Bhangriya:** Loans and advances is a shift from non-current to current loans and advances. Whilst, significant increase in current investment is due to our PMS investment. We have done an investment in PMS product and got the borrowing against in our balance sheet.
- Pramod Maheshwari:** We have got PMS from Barclays Bank which is leveraged PMS service in debt market.
- Rahul Jain:** Right but what are the other cash inflows during the quarter apart from the Rs. 35 crores that we received because if we see the balance sheet size has swelled by Rs. 74 crores in the quarter?
- Mahesh Bhangriya:** In PMS, actually 20% is contributed by the company and 80% is contributed by the NBFC arm coming in the form of borrowing. The entire sum is invested in current investment.
- Rahul Jain:** Okay so that debt contribution is on the liability side is reflected under what head?
- Mahesh Bhangriya:** Borrowing.
- Moderator:** Thank you. The next question is from the line of Gopinath Reddy, an individual investor. Please go ahead.
- Gopinath Reddy:** This is regarding the NBFC after demonetization and everything is over how is the situation now, is there any change in the strategy or is it as it is will ahead?
- Pramod Maheshwari:** With demonetization, there has been no impact on the NBFC operations. Actually the NBFC focus is more on the trade finance and in that segment no significant changes occurred post demonetization.
- Gopinath Reddy:** Tamil Nadu government is looking like again going back and going against NEET. Is it going to affect us? The common entrance, sir?

- Pramod Maheshwari:** Common entrance examination as on date has been implemented for all the states across India by way of Supreme Court order. If Government of Tamil Nadu introduces its own examination which I personally believe that it is very difficult now. If at all they do so, then we have couple of projects in Tamil Nadu which might get impacted because of that.
- Moderator:** Thank you. The next question is from the line of Ajay Modi from Agarwal Investments. Please go ahead.
- Ajay Modi:** In your opening remarks you shared about some fresh developments about new tie ups in Gujarat and in other regions of the country. So can you please share some granular details about them as to what kind of partnerships are they and what is our commitment to them, what is their commitment to us?
- Pramod Maheshwari:** We are expanding our tutorial business by two modes. One is by associating schools with us. Under this, we have executed school association programs in Tamil Nadu, in Maharashtra, then in Rajasthan also. There our commitment is to provide training services to the students of their school either during the school timing or post school timing depending upon the structure of the school.
- Second, expansion mode we have adopted is the franchisee. In franchisee we provide again our study material, faculty training and operational expertise. Whereas, the franchisee takes care the entire operational aspect of the business. We have identified five locations and we have partnered with five franchises recently which will be operational from next financial year.
- Ajay Modi:** Okay and also we were working on starting our own line of study material like Career Point branded books. So where are we on that front?
- Pramod Maheshwari:** We are already having 40 titles available with us. Currently we are not investing money on developing our sales network because number of titles available are not sufficient to take care of the expenses of sales network on ground level. Hence, we are selling our products through online portals like Amazon, Snapdeal, Flipkart etc. We got a fantastic traction and also a positive feedback on our products. We are targeting to have around 100 titles in next few months. Once we have sufficient number of titles then we will start selling through our sales network. This particular segment is growing quite phenomenally and I personally believe that it has potential to become an independent big business.
- Ajay Modi:** Okay but what is the approximate size of that business currently in the country I mean industry side what would be the size of that business?
- Pramod Maheshwari:** This business, to my knowledge, kindergarten to class 12 business is close to Rs. 25,000 crores in India. That is the biggest segment. Test Prep products are close to 7% to 10% of the total K12 segment. We have an edge over other publishers because of our brand. Our product is being accepted because of our brand and the quality. This content is being developed by the faculty members who have been preparing the student for competitive examination in current

scenario. Overall, the segment is growing phenomenally and there is a lot of opportunities in this space.

**Ajay Modi:** Okay but once we have like 100 titles in the next six to eight months what would be the kind of revenue maybe by the year ending March 2018 what would be the kind of revenue that this business could be making?

**Pramod Maheshwari:** It could be approximately Rs. 3 – 4 crores.

**Ajay Modi:** And what kind of margins can we stand to make here?

**Pramod Maheshwari:** Margins around 25%.

**Ajay Modi:** Okay and last thing that I wanted to ask you is that we were also looking to do another asset sale transaction like the one we did in past month. So where are we on that and I mean is that going to complete in this financial year or should that extend to the next year?

**Mahesh Bhangriya:** That is in advanced stages and I think we will soon update you on this.

**Ajay Modi:** Okay but once that fund comes in I mean as you had highlighted in your last earnings call that you were planning to build like a war chest where you for an acquisition or something of that sort. So what quantum size would that fund be and I mean once the second asset sale transaction is done, how are you planning to I mean is there a plan on some reward to the shareholders or something of that sort or that should stretch to maybe coming year?

**Pramod Maheshwari:** I will answer your last question first. I think the same question was asked in a different way by Mr. Reddy in this call. Actually, this fund comes in the subsidiary which is wholly owned subsidiary. So the first target is to bring that money back to the company. For that we are seeking legal advice to bring that money efficiently to the Career Point.

Once that is being achieved then we will think about the appropriate options. We are also continuously evaluating inorganic opportunities. We do find some good opportunities from the business perspective but may not be lucrative enough with other aspects such as valuations. So depending upon the situation, post doing all these activities, we will take the call to go for acquisition or some mechanism to reward the shareholders.

**Moderator:** Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

**Tushar Sarda:** This is my first call with the company so my questions may be a little basic. I want to know the breakup of your revenue into various verticals, that does not seem to be there in the presentation?

- Mahesh Bhangriya:** So out of Rs. 62 crores of nine months total income, close to 50% is received from coaching business which is tutorial and approximately 23% is from residential coaching activities and rest is from other divisions including formal education.
- Tushar Sarda:** So residential coaching is also informal, right?
- Mahesh Bhangriya:** Actually, residential campus has school cum tutorial businesses with hostel facility. Hence, it is classified separately
- Tushar Sarda:** And within formal what is the break up between higher education and school?
- Mahesh Bhangriya:** It is close to 80% from higher education as of now.
- Tushar Sarda:** Okay and you have mentioned the EBITDA that refers to coaching both residential and non-residential?
- Mahesh Bhangriya:** Yes both.
- Tushar Sarda:** And what is the EBITDA for formal education?
- Mahesh Bhangriya:** We mentioned EBITDA for combined activities.
- Tushar Sarda:** See the formal education slide on Page 27 it gives tutorial enrolment and margins. So this is margin for both or is it only for tutorial?
- Mahesh Bhangriya:** Yes, this is margins for all activities. Actually, formal education units are either in society or trust. We do not book the entire revenue of formal education entity in our balance sheet or in our P&L. Whatever the management service fee we charge from the institution that only we book in our P&L and the margins are combined.
- Tushar Sarda:** Okay because I saw the slide I thought it is only pertaining to tutorial. And so going forward, where should one expect growth from the company in the tutorial business or in the formal education business?
- Mahesh Bhangriya:** In fact, as on date both the verticals are growing. Though, the growth paths are different. In tutorial, we are growing A) by increase in average realization, B) through school association program and C) through franchise network. Whereas in case of higher education and the formal education, the growth is coming first - because of introduction of new courses and thereby increased enrolment and second - increase in enrolment in existing courses. In the coming year, we are introducing bachelor of pharmacy and diploma of pharmacy and some other courses like four year integrated BEd program. Because of their duration of the course, the new students will be continuing with us.
- So both the verticals are growing and they will continue to grow. I would also like to highlight here in tutorial division we also started utilizing our content which is either in video format or

that is in digital format or in the print format. And that is also contributing in the growth because the market where we cannot set up our branch or franchisee or a School Association Program students from those locations are opting for our video lectures etc.

**Tushar Sarda:** Okay and how is your capital employed deployed since you have lot of cash on hand so how much money is invested in which business?

**Mahesh Bhangriya:** Our capital is employed essentially in three business activities a) Formal education businesses, b) Tutorial, and c) NBFC activities. In Formal Education, we have investments of about Rs 150 Crores in long term loans and the receivables. We have given the loans and advances to the trusts to set up that university or campus. Second, in the Tutorial, we have mainly the fixed assets which are again of two categories – one put-to-use assets and second fixed assets are of investment nature – not for the business operations. And then we have NBFC subsidiary where we have given the loans to the trade finances.

**Tushar Sarda:** Okay you have given loan to trust to build the university, so university building is owned by the trust not by the company?

**Mahesh Bhangriya:** Yes, the University buildings are owned by the trust.

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

**Pramod Maheshwari:** So thank you very much for joining our call. In case you have further queries, please feel free to e-mail us or call us, we would revert you as soon as possible. Thank you very much.

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