



# CAREER POINT

“Career Point Limited Q4 FY-16 Earnings Conference Call”

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



**Moderator:** Ladies and gentlemen, Good day and welcome to the Career Point Q4 FY'16 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 would now hand the conference over to Mr. Rahul Jain from Systematix Shares & Stock. Thank you and over to you, Mr. Jain.

**Rahul Jain:** Thank you, Karuna. 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 of the company.

I would now request to Mr. Maheshwari to take us through Q4 fiscal 2016 annual results and give some insight into the recent developments in the Company. Over to you sir, now. Thank you.

**Pramod Maheshwari:** Thank you, Rahul. 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 you have received the copy of our earnings update on your e-mail. It is also available on our Investor Relationship 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 you take the financial overview of fourth quarter and full year 2015-2016.

I am delighted to share that the Company's performance on all front is consistently improving for the last eight quarters. The enrollment growth in various divisions brings higher profitability to the company which is clearly reflected in financial performance for the period. New divisions mainly Skill Development and e-Learning have also started contributing in the Company's growth path. And most importantly, the indicators for the coming year are also very positive and we are quite hopeful to maintain the growth momentum going forward.

Coming division specific update, I will first start with the Tutorial Service division where the enrollments were more than 23,000 by the end of the year. There was growth in enrollment despite the closure of two less efficient branches and lower enrollment in short-term courses. Interestingly, the enrollment in Classroom operation at Company owned branches increased more than the other delivery modes. That result in higher revenue growth then average volume growth of the division.

In School Integrated format, I am glad to share our recent update that Career Point has signed a partnership agreement with Jindal School in Jharkhand. This partnership will be effective from



Academic Session 2016-2017 under which Career Point will be delivering Tutorial Services to the students of Jindal School in their campus at Jharkhand. As you must be aware, Company already providing such services for Birla School's in Pilani and Kishangarh and also to Group of Schools of Techno India group in West Bengal.

The other format through which we provide Tutorial Service is franchise where we have also added three franchise centers for the coming Academic and Financial Year at Jammu, Lucknow and Srinagar.

Coming to the Residential Coaching Format, CP Gurukul - Company's Residential Coaching cum-School Campus at Kota has been performing extremely well. The qualities of deliverables are allowing us for higher increase in pricing and charge premium for the services which we provide to the students in that campus. The campus at Kota is already equipped with all modern facilities including Air Condition Rooms, Guest House, Faculty Residence, Cricket Ground, Basket Ball Ground, Volleyball Ground, Swimming Pool, et cetera, and recently Squash Court is also added in Campus. The new Gurukul Campus at Mohali is also operational from this year and admissions are under progress.

Before I move to Formal Education division, let me also share positive news update on Tutorial division from regulatory perspective. Actually both vertical Pre-Engineering as well as Pre-Medical have positive information. In Pre-Engineering, Ministry of Human Resources announced last month that class 12th or board marks will not be given weightage in JEE ranking from year 2017. The present system of allotting 40% weightage to class 12th marks for determining the ranks in JEE shall be dispensed and student need to be in top 20 percentile or secure at least 75% marks in their class 12 board examination to be eligible to take admission in NITs and IITs. Also from this year onwards eligible candidate number for JEE Advance on the basis of performance in JEE Main has also been increased from 1 lakh students to 2 lakh students.

On the other front in Pre-Medical, Supreme Court announced last month to have a Common Entrance Exam across India NEET - National Eligibility cum Entrance Test - for admissions in to Medical Colleges all across India irrespective of the state, there will be only one common examination. This larger platform is also positive update for our industry. We welcome these changes and anticipating a positive impact on the business.

Now, moving to the Formal Education division which has been doing exceptionally well on various front. However, I would like to first touch upon the placement statistics which is one of the key factor to determine institution success. So far Career Point University has placed 588 students in 85 companies through campus placement drive. Interestingly the student strength who are passing out from our university has not reached at this scale as of now. So we have provided placement to students of other colleges and universities as well. This is a remarkable achievement for our four-year-old young university and reflects a very bright future for this initiative for coming years, in fact these intuitions are built for centuries.



We talked policy document for overseas students in last earnings update. I am glad to inform you that so far 35 foreign students have been offered admission in our university for various Under-grad and Post-grad programs. Recently the student of Career Point University has also awarded prestigious INSPIRE Fellowship by Government of India. This indicates our institution as preferred choice for meritorious students. Apart from excellence in academic and extracurricular, our pedagogy also provides due focus on research and innovation.

Department of Agri Sciences at Career Point University organized two days National Conference where renowned scientists and subject matter experts presented their thesis and shared information which was not only beneficial to the students but also useful to local farmers. Recently, the management department of the University also conducted a national seminar on Innovative Research Practices in fourth quarter of last academic Session.

At Career Point institution, we always focus on overall holistic development of our students. Learning beyond class room, focus on life skills, result oriented education are part of our delivery process. We are partnering with industries, academic bodies to offer relevant and industry oriented curriculum to our students. With this thought, we have recently signed an MOU with Shaw Academy which is Ireland based one of the world's leading online educator. Under this MoU, Shaw Academy will provide online training and professional certification to Career Point's students.

In fact, Career Point is always aggressive in technology led solutions, whether it is online assessments, live interactive classes, recorded video lectures or our latest offering, online tutoring and question-and-answer platform named as studyboard.com. In FY'15-FY'16 we recorded revenue of rupees 53 lakhs in our educational technology subsidiary that is Career Point Edu Tech Limited. Key sales came from recorded video lectures; the demand for such product is growing rapidly. Most recently, B2B segment offering was also launched and being marketed as CP Digital Library which is specifically designed for schools. During soft launch, we sold two licenses for this product as well.

Coming to our new initiative that is Skill Development, we are very delighted with the performance of our vocational education division. This year we have trained more than thousand candidates under both Central Government and State Government Schemes. Our partnership with NSDC that is National Skill Development Corporation and various sector skill councils are some of the highlight of the division. We are able to showcase our credentials in initial stages and quite hopeful for an expanding growth going forward. This is brief about the business.

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 fourth quarter and fiscal 2015-16 ended on March 31st, 2016.



Let me first give you a brief update on enrollment number. By end of the period, we had 30,857 enrollments in both Formal Education division and Informal Education division. In Tutorial service division which is Informal education, total enrollments reached 23,010 with addition of 267 new enrollments in fourth quarter. As you might know that majority of our admissions take place in first and second quarters.

In Formal Education division total 7,847 enrollments were registered by end of the period under review against 4,954 by end of last Academic Session. The remarkable Y-o-Y growth of 58% or close to 3,000 net new enrollments in Formal Education division was mix of higher Education, School Education and Vocational Education. Enrolment split is given in our earnings presentation on page number 10 and 23.

Coming to financials, at standalone level, the company reported an income from operation of Rs. 69.5 crores in year with Y-o-Y growth of 10.7%. If you look at the total income which is including the other income on standalone basis, it has stood at Rs. 78.8 crores and year-on-year growth of 10.9%.

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 of at console level is 13%, it is not negative 2.5% as looks in financials. The automobile venture recorded a top-line of Rs. 12.4 crores in last year's financials. Though, it did not make any impact on profits as it was almost on breakeven at EBITDA level.

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. The company reported EBITDA of Rs. 17.7 crores on standalone basis against Rs. 11 crores in same period previous year, an outstanding growth of 60.5%. This implied an EBITDA margin of 25.5% with Y-o-Y improvement of 790 basis points in the period under review.

Despite growing the margins for the last two years or consistently for the last eight quarters, we still believe that the operating margins have further scope to improve from the current levels and as the top-line is improving we shall observe higher growth in profits. At console level the EBITDA is doubled. The reported EBITDA was Rs. 20.4 crores in FY'15-16 with year-on-year growth of 108%, a margin of 26.9%. 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. 14.5 crores in the fiscal year with net margin of 18.4%. At console level there has been a multi fold increase in net profit for the full year due to last year's one-off loss booked on asset sale of higher education institutions in our infra subsidiary. However, if you look at the profits before taxes and extraordinary losses still the profit is jumped by more than two times which is Rs. 21.5 crores versus Rs. 10.6 crores last year. In the fourth quarter the profit looks lower than corresponding due to lower other income.

As on 31st of March 2015 the net worth of the company was Rs. 3.52 billion and cash & cash equivalents were Rs. 33 crores. Apart from the cash and cash equivalents we have two other key components of the balance sheet which are Rs. 78 crores of long-term loans and advances and Rs. 81 crores of receivables. Out of these, Rs. 132 crores is our investment into formal education by March 31st 2016.

A detailed break-up of these investments will be available in our Annual Report. However, let me highlight that out of four higher education institutions where we have invested, two are generating positive cash flows which is after meeting their operating expenses, payment of management service fees and also paying interest on loan. The two institutions which were not performing as per the expectations, we have converted them into Career Point Gurukul which is residential school cum coaching campus and we are hopeful for their positive cash flows soon.

All in all, the growth in double-digits, margins increase of more than double and positive cash flows from the formal education institutions are some of the key highlight of the year. We are confident to achieve the benefits out in coming future from our investments into business fundamentals and drive a long-term sustainable growth.

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

**Pramod Maheshwari:**

Thank you, Mahesh. In conclusion, the year 2015-2016 has been quite positive for the company. Excellent performance across various divisions with a consistency of last eight quarters is a remarkable achievement. Revenue growth with significant margin improvement is an outcome of the same. Increasing contribution from the new divisions is quite exciting and inspiring as well. Now, we are very placed to capture the enormous potential and large opportunities available in key education verticals such as Formal Education, Test-Prep, e-Learning and Vocational Education.

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 have first question from the line of Gaurav Jalan from Avant Garde Wealth Management. Please go ahead.

**Gaurav Jalan:**

A question on the balance sheet you mentioned that investment in Formal Education division is now Rs. 120 crores, I think at the end of Q3 it was Rs. 140 crores is the number you have given, so if you can just let us know where the decline in Rs. 20 crores has come from and in form that money has been repaid? And secondly, the total working capital for the company on a consolidated basis since you have gone up by Rs. 20 crores versus 31<sup>st</sup> last year so because last year it was Rs. 165 crores and today it is around Rs. 188 crores given the fact sales have not gone up and the working capital in the tutorial business is probably not increasing what explains this increase in the total working capital?

- Mahesh Bhangriya:** Well, the investment in the Formal Education division we have is Rs. 132 crores and the decline is reported in mainly two institutions; one is Career Point University at Kota and second at Career Point University, Hamirpur. From these two institutions, we have recorded a reduction in loans & receivables. Whereas from the two other institutions which were earlier Engineering Colleges and now we are converting them into Gurukul Campuses, the loans are as it is or in fact a bit increased on the account of interest capitalization.
- Gaurav Jalan:** Okay. And then on an overall level, why has the working capital gone up versus last year by Rs. 25 crores, where has that money into what part of the business?
- Mahesh Bhangriya:** This increase is from our NBFC operations where the loan is in form of current loans. In NBFC books the short-term loans and advances have increased.
- Gaurav Jalan:** So, what was that amount for the NBFC, what was your figure last year and what is it this year?
- Mahesh Bhangriya:** Last year it was close to Rs. 5 crores and this year it has increased to Rs. 27 crores. So there is an increase of Rs. 22 crores.
- Gaurav Jalan:** Okay. And then overall, you mentioned that the total loans and advances and receivable is Rs. 159 crores out of which Rs. 130 crores is Formal Education so this remaining Rs. 29 crores is basically the entire thing is NBFC is it?
- Mahesh Bhangriya:** Yes, rest is mainly at NBFC. A small component comes from MAT credit and advances with tax authorizes.
- Gaurav Jalan:** Okay. And just lastly in terms of your guidance about reducing the investment in the Formal Education and getting back the money to the parent company. What is the plan because on the Q3 call you mentioned about the repayment of investments through bank funding, what is the current visibility and how much we expect to free up in fiscal 2017?
- Mahesh Bhangriya:** On that front, we have already got that term sheet from the bank. There are certain terms which are under negotiations. We believe that we will be able to close those terms soon. It is at the final stages.
- Gaurav Jalan:** So that has result in how much money into that?
- Mahesh Bhangriya:** Around Rs. 35 crores to Rs. 40 crores.
- Gaurav Jalan:** So this is from the loan that we will take from the bank so will allow the money to come back. But what about in terms of operating, from the operating profits in the Universities I mean so to some money repaid in terms of reduction and receivables in repayment of loans?



**Pramod Maheshwari:** Yes, as Mahesh already mentioned that currently Kota University and Hamirpur University both are having positive cash flows to meet out expenses towards management fee, towards repayment of interest on the loan and also a contribution of repayment. So even if the university raise Rs. 35 - 40 crores from the bank, after paying the interest to the bank and repayment of the loan, there is a sufficient cash flows which will continue to come to company towards management services.

**Gaurav Jalan:** Okay. One last question so, this year we can expect to get Rs. 40 crores back and the remaining Rs. 90 crores or so will that come from the operating cash flows that we expect to generate or in future more loans that the University will take to repay the money back to the parent?

**Pramod Maheshwari:** Presently we are raising this loan in Kota University; once we complete this we will start the process for Hamirpur as well. And also there is a cash flows which will come back to the company. So part through the loan repayment and part through the cash the institutions are generating.

**Moderator:** Thank you. Next question is from Chetan Vaidya from JHP Securities. Please go ahead.

**Chetan Vaidya:** Sir, I have few questions on the Supreme Court order for the NEET Examination, I heard the exam is for the students who already appeared in case, they wish appear their exams will be conducted in the July or may be in the August. So do you think this provide any opportunity for you to offer any kind of a short-term course kind for the students?

**Pramod Maheshwari:** This is a very recent development, just happened yesterday evening. So, the team is thinking that can we run a short-term program or no, perhaps by today evening we will take a decision on this. Yes, we see this is an opportunity to start a very quick course of one and half month or so.

**Chetan Vaidya:** Okay, sir. And sir, secondly, in terms of formal education you are saying that the Kota Engineering Colleges now coming into Gurukul. In terms of Formal Education, if I may ask what will be the existing capital utilization in terms of how many new additional courses can you offer, how many additional students can..

**Pramod Maheshwari:** I think you are mixing couple of things. Out of four campuses two are Universities and two are Engineering Colleges. The Universities are at Kota and Hamirpur. These two universities are performing extremely well. In these universities we can offer all kinds of programs. So currently we are offering faculty of engineering, Business Studies, Law, Architecture, Hotel Management, Applied Sciences and similar kind of programs. We keep adding new courses as the University is progressing. Every year we add few disciplines in these two universities.

The Campuses which have been converted into Gurukul are at Mohali and Rajsamand were engineering colleges. Mohali has been converted into the Gurukul this year and admissions are





progressing. Rajsamand will be converted next year; we have initiated the process to convert into residential coaching cum school campus.

**Chetan Vaidya:** Okay, I take that, sir. And sir, lastly for this e-Learning courses and the recorded video lectures that you are selling what kind of marketing budget that has been set aside to create more awareness about this product?

**Pramod Maheshwari:** Currently, we hardly spent Rs. 1 lakh or Rs. 2 lakhs on business promotions to generate rupees 53 lacs of revenue. The major marketing is being done through social media, which is not expensive. Hence, we have not kept aside any marketing budget. We are actually selling these products as a part of our regular coaching programs and whatever marketing we do for regular coaching we do along with this. We do not believe in burning cash to earn revenue that is not the way we are developing or marketing this product.

**Moderator:** Thank you. Next question is from the line of Ali Asgar Shakir from Elara Capital. Please go ahead.

**Ali Asgar Shakir:** Sir, just first of all wanted to understand how are the trends going forward, we are in May and for the next academic session, what are the trends? Also, since you mentioned about the structural changes which have happened in terms of the eligibility criteria. Now, I believe there would be more certainty students may have so they do not really need the weightage of this 40% of the 12th standard, once they are sure about reaching the 75% they can directly enroll for one of these coaching. So has that shown any sort of impact to our upcoming academic year any sort of booking that we have seen or any enrollments have gone up and what are the trends there just wanted your update on that sir.

**Pramod Maheshwari:** This announcement came recently. Earlier the issue was with 12th passed students, especially who were not able to secure good marks in class 12th were not able to get into NITs and IITs. It is too early to comment but I believe that now large number of students will look forward to take Tutorial services who are 12th passed and look forward to Tutorial services for NITs and IIT Entrance Examination. Earlier those were not in race because of less percentage in their board examination. Usually the enrollments of 12th pass students start taking place after board exam results which is still awaited. We are expecting after the month end all the board will come out with their results and with the visibly of results the student will start taking decisions. However, the initial indicators, with a limited sample size, show positive reactions.

**Ali Asgar Shakir:** Okay. Just follow-up there, so would we say that Y-o-Y in May are enrollments any higher than previous year or how is the trend? And second is just that so, I was also thinking from this point of thing that the concern that a 12 standard student had is that because he did not know how the weightage will work out because obviously it is a percentile and it is normalized way so, your percentage itself is not enough you have to be ranked upon a Pan India so, you are not sure, how you will be standing vis-à-vis other students, contrary to that, now because there is a fix threshold of 75% even students probably who may have not got their results or students who are confident that 75% is relatively more confirmed then the weightage game that do you

think can have a positive trend, I do not know may be not in this year because you are saying it is too early but in coming years do you think that as a trend should play out and what is the Y-o-Y growth that we have seen?

**Pramod Maheshwari:** Yes, I feel that this decision will impact positively the next year enrollment in class 11th and 12th. Earlier there was a weightage of the percentage of class 12<sup>th</sup> and many students were confused whether to prepare for competitive examination or to target 90% - 95% marks in class 12th. But now students are clear that they have to secure either 75% or need to be among 20 percentile of the board whichever is lower.

So definitely this decision will impact both categories of enrollment as class 11th and 12th next year onwards. This year, this decision will impact the enrollment of class 12th pass students. I will just explain you by giving an example, the student were used to secure let us say 80% mark in board examination was very confuse to prepare for JEE Main because 40% weightage of 80% normalized score will not give him sufficient kick to get a place in NIT but now this year this 80% is only eligibility criteria and the rest depends on his performance in examination. Those kinds of student will definitely prepare for Tutorial services in this year and that is why I said 12th pass student market will grow this year and 11th class - 12th class market may have positive impact in coming years.

**Ali Asgar Shakir:** Okay. And in May up till now from April to May have we seen any Y-o-Y improvement over last year in terms of an enrollment?

**Pramod Maheshwari:** As I said, still the class 12th result is not declared so we need to wait for some time, I think by the month of June, which is the time when students start taking decisions whether to go for higher education or prepare again.

**Ali Asgar Shakir:** Okay, sir. Sir, just secondly, on this Gurukul conversion that you spoke about, just wanted to understand do we need to create any additional set-up in terms of hostel over there and other in such infrastructure, what is sort of the CAPEX that we are likely to do and accordingly what sort of cash flows requirements will be there.

**Pramod Maheshwari:** There is no additional significant CAPEX is required because campuses are already in place. Only refurbishing is required, so not more than Rs. 1 - 1.5 crores of CAPEX is required for each campus. Otherwise class rooms are there, hostels are there and only we need to slightly refurbish certain things as per the school requirement which costs just Rs. 1 crore or Rs. 1.5 crores.

**Ali Asgar Shakir:** Okay. I am surprise sir, because I thought they were simply schools so, how would hostels be already part of that?

**Pramod Maheshwari:** No, those were the engineering colleges spread about 10 acres of land and there were already hostel facilities built for the engineering students.

- Ali Asgar Shakir:** Okay. So what has changed then? I mean when we say that we convert to Gurukul what does really change in terms of our product line?
- Pramod Maheshwari:** Earlier we were running Engineering College, now we are running Residential School. So now campus board has changed from Engineering College to Career Point Gurukul. Infrastructure requirement is same, labs as per schools are required, which are also part of first year curriculum in the Engineering College. So nothing has changed except we change the business. Earlier Engineering College was being run from that campus but now we are running Residential School cum Coaching Campus.
- Ali Asgar Shakir:** So now they will not offer any engineering courses basically.
- Pramod Maheshwari:** Right. Mohali stopped offering engineering courses earlier and now Rajsamand will also stop offering engineering courses.
- Ali Asgar Shakir:** Okay. So you will offer basically school services from what 6th standard to 10th standard, is that correct?
- Pramod Maheshwari:** It is similar to any Residential School. Residential School starting from grade 6 to grade 12.
- Mahesh Bhangriya:** But Coaching is extra, added advantage.
- Ali Asgar Shakir:** Right.
- Pramod Maheshwari:** We differentiate from a regular Residential School is based on our academic offering. We provide residential environment, quality residential school life added to this coaching facility which is in demand now-a-days. As I said like in Birla's Pilani School, Kishangarh Residential School there are many Residential Schools who are taking Coaching Services from us. This is in demand as only Residential Schooling is not sufficient to address the students' needs.
- Ali Asgar Shakir:** Correct. So in that case, typically what would be the average fee per student in your engineering? And from your Gurukul services what will be average fee inclusive of hostel and everything that you will charge for a Gurukul student, I mean what is that increase that we can see as an opportunity?
- Pramod Maheshwari:** It has significantly increased. For engineering it was around Rs. 1.1 lakh for engineering course plus hostel. Now, for Gurukul Mohali this year our fee is Rs. 3 lakh per student per annum.
- Ali Asgar Shakir:** Sorry, how much 3 point?
- Pramod Maheshwari:** For engineering courses it was Rs. 1.1 lakh per annum including hostel. Whereas it is Rs. 3 lakhs per annum for Residential School.

- Ali Asgar Shakir:** Okay. So basically, we would be running at a full capacity more or less but the opportunity we now have is that incremental average fee per student can go up dramatically.
- Pramod Maheshwari:** Our engineering colleges were not performing well, we were not operating at full capacity and that is why we took a decision not to run engineering colleges anymore and focus on school education.
- Ali Asgar Shakir:** And do you think, this will take some time to ramp-up, what is the typical capacity and utilization we were having right now?
- Pramod Maheshwari:** Just to share with you the current enrollment of Mohali, we have already enrolled around 50 students there. Capacity is close to 200 as on day. And with 50 students it is Rs. 1.5 crores kind of revenue which is more than sufficient to generate operating profits from the campus.
- Ali Asgar Shakir:** Similar for other set-up?
- Pramod Maheshwari:** Similar for other set-up at Rajsamand which we will start from next year.
- Ali Asgar Shakir:** Okay. Sir, lastly on Skill Development, you mentioned, that have already tied up with school in Jharkhand. Just wanted to know I also read your presentation, what sort of margin numbers that one can foresee you to make in your efforts in the skill development business or what is the opportunity?
- Pramod Maheshwari:** Just to correct, at Jharkhand we have a School Association Program where we are providing Coaching Services. Coming to the Skill Development we have trained around 1,000 students under various schemes. This year, it was a first year of our operation and average revenue per student varies between Rs. 7,000 to Rs. 15,000 depending upon the course chosen and the margin is close to 25%. And we believe the kind of focus government is having on skill development, going forward it is going to present a bigger opportunity. However, it is really difficult to say anything in respect to number of students to be trained in future because it all depends on the government decision.
- Ali Asgar Shakir:** So, sir you are saying that in the current year, our revenues include revenues from these 1,000 students that we have trained at 25% margin?
- Mahesh Bhangriya:** Yes, it includes but only as the prudent accounting policy we do not book the revenue unless we get from the government. So out of Rs. 1 crore, we have got yet Rs. 13 lakh which we have booked in our books. However, rest is yet to be received from the government.
- Ali Asgar Shakir:** Okay. And what are typical payment cycle in this business?
- Pramod Maheshwari:** Approximately three months.
- Ali Asgar Shakir:** Three months. So the remaining amount we are likely to receive in three months' period?

- Pramod Maheshwari:** Yes.
- Ali Asgar Shakir:** Okay. And is there a substantial big opportunity lying here from what we have reported in the current year, or we think more or less this is the amount little higher or lower that we can probably make in this business?
- Mahesh Bhangriya:** It's likely to increase significantly. Reason being, it was just first year of our operations in Skill Development especially in running the Central Government Schemes. As we have now partnered with NSDC and affiliated with other sector skill councils, we are quite hopeful that we would be able to do a larger business in this space.
- Moderator:** Thank you. Next question is from the line of Gopi Nag, he is an Individual Investor. Please go ahead.
- Gopi Nag:** This is regarding the engineering course closure. How will we handle the closure, where do the students go? Do they go to other engineering colleges or how will we close it?
- Mahesh Bhangriya:** There is a process laid down by the Government and respective State technical university to which the college is affiliated. One needs to apply for No Objection Certificate to the State Government and the University then University prepares a list of vacant seats lying in other colleges and give the students option if they want to take transfer from our Engineering College to any other college where seats are vacant. If the student accepts then they transfer and then you can close the engineering programs. If the student does not accept then you cannot close.
- Gopi Nag:** Okay. So the process is done in one Engineering College and it is in process for the second Engineering College.
- Pramod Maheshwari:** Yes.
- Gopi Nag:** Okay. Do we get back the Rs. 30 lakhs or whatever fix deposit that we will put for Engineering College with the AICTE?
- Mahesh Bhangriya:** Yes, with the process they refund this money, though there is a bit delay but they refund money.
- Gopi Nag:** They will refund, okay.
- Mahesh Bhangriya:** If you comply with all conditions and do it in a systematic manner, they refund the money.
- Gopi Nag:** Okay. The next one regarding the bank loan that we were trying for Formal Education, was it for Engineering Colleges or was it for University that were trying sir?
- Mahesh Bhangriya:** It is for University at Kota.

- Gopi Nag:** Okay, did we get or are we in the process?
- Mahesh Bhangriya:** We have already got the term sheet and are negotiating on certain terms.
- Gopi Nag:** Okay. It is looking like it will go through.
- Mahesh Bhangriya:** We are hopeful.
- Gopi Nag:** Okay, I just wanted to know where is the hurdle that we are getting, is it because banks are in problem or is it something else?
- Mahesh Bhangriya:** There are few conditions which we are not accepting because the Universities are performing pretty well and with those kinds of performance we believe that certain things should be in the favor of the University and we are negotiating on those.
- Gopi Nag:** Okay. So we are blocking it from taking it, it is not that they are still negotiating with us.
- Mahesh Bhangriya:** Correct, they have already sent the sanction letter.
- Gopi Nag:** Okay, that is fine. That is a good news, sir.
- Moderator:** Thank you. The next question is from the line of Abhishek Singhal from Macquarie. Please go ahead.
- Abhishek Singhal:** Sir, sorry for minute questions I might have joined the call a bit late. Just one the current asset sides this loan and advances of 46 crores what does this stand for?
- Mahesh Bhangriya:** This includes our loans given from the NBFC.
- Abhishek Singhal:** From the NBFC Rs. 46 crores?
- Mahesh Bhangriya:** Rs. 27 crores from NBFC in form of short-term loans and remaining part includes advances to tax authorities and capital advances.
- Abhishek Singhal:** The current investments are around Rs. 30 what do that stands for?
- Mahesh Bhangriya:** Current investment is FMPs or Income funds.
- Abhishek Singhal:** Okay. So Rs. 70 crores is kind of liquid investments?
- Mahesh Bhangriya:** Correct.
- Abhishek Singhal:** And is investments in the non-current assets Rs. 16 crores that has gone up from Rs. 4.8 crores where have we invested the Rs. 16 crores amount?

- Mahesh Bhangriya:** This is also investment into FMPs but tenure or the period of maturity is more than a year so that is classified under loans.
- Abhishek Singhal:** Okay. Sir, just a quick question, if we sum these amounts of Rs. 46 crores plus Rs. 30 crores plus Rs. 16 crores we come to somewhere around Rs. 90 crores to 100 crores and the kind of returns that these amount would be generating for you classified under current investments, investments, I would sense it is not more than 10% -12% I do not know what kind of returns that you are looking and targeting out there. Your book value is around Rs. 200 and the stock price if I remember correctly, yesterday was close to 115 kind of. So what is the thought process this Rs. 100 crores additional cash that is sitting on, versus investing it something that gives us mere 10%-11%, is it a lack of confidence in your business, that you did not want to deploy to some buyback or you think it does not make sense to do some buyback with that kind of money?
- Pramod Maheshwari:** Let me give answer in two parts. One, as a company we prefer to keep around Rs. 40 - Rs. 50 crores as cash in war chaste for any opportunity going forward. Second on the business confidence, let me highlight that for the last eight quarters we have been growing our business consistently and we are pretty confident on our business. If the stock price remains the same we shall announce the buyback.
- Abhishek Singhal:** So you are confident on your business side. And sir, if I correctly, understand you have from what I understood was somewhere around Rs. 35 crores to Rs. 40 crores of loans that you were talking about raising. If bank paying and you possibly getting that money in. If that money comes in, is it fair assumption of shareholders to imagine that you are potentially going to use that money to distribute to the shareholders or you are thinking that cash get freed up you will have other uses for it. Given that you already have around Rs. 100 crores of money in your books which is the kind of war chaste that we look at.
- Mahesh Bhangriya:** Actually it is a board level decision but as an individual and my personal decision, I will definitely believe it should be distributed to the shareholder in some form either through buyback or by giving out dividends.
- Moderator:** Thank you. Next question is from the line of Devraj Mohta from Fidelity Investments. Please go ahead.
- Devraj Mohta:** Just had one question so you were mentioning that about Rs. 130 crores is total investment and the total loans and advances, could you just break it up as to how much would be from each of the different Universities, the Kota Hamirpur and the Engineering Colleges?
- Mahesh Bhangriya:** Well, a detailed break-up will be given in our Annual Report but let me still just give a ballpark number out of Rs. 130-132 crores, our investment in to University at Kota is Rs. 47 crores, in University at Hamirpur is Rs. 34 crores, in Technical Campus at Rajsamand it is Rs. 27 crores and at Mohali it is Rs. 25 crores.

- Devraj Mohta:** Okay, And so basically, the first step is that you raise this loan at Kota so this loan would be raised at the University level itself which we will use to payback the company?
- Mahesh Bhangriya:** Correct, it could be raised at the University level.
- Devraj Mohta:** And so you are saying also at Hamirpur, now operations are profitable enough that similar operation can be carried out at Hamirpur also?
- Mahesh Bhangriya:** Yes.
- Devraj Mohta:** And what about the other two the Rs. 25 crores - Rs. 27 crores.
- Pramod Maheshwari:** We are in process of reviewing this business and I believe in a year's time or so these businesses will start generating sufficient cash flows to be eligible for raising loan from the banks and once we do that we will also take the same decisions.
- Devraj Mohta:** Right. And these loans would be basically at the individual University level so there would be no recourse back to our business, right?
- Pramod Maheshwari:** Yes.
- Moderator:** Thank you. Next question is from the line of Ajay Modi from Piper Serica Advisors. Please go ahead.
- Ajay Modi:** One thing I wanted to understand, so last year amount due from related parties Gopi Bai Foundation showed Rs. 31 Crores. So what is that amount currently?
- Mahesh Bhangriya:** Actually, we have spitted this amount at different University level. When I say that Rs. 47 crores is due from the Career Point University Kota, this includes a last year's portion of Gopi Bai Foundation due amount. Gopi Bai Foundation Trust is the sponsoring body of the University. Earlier it was given to the trust but now it is shifted directly to the University.
- Pramod Maheshwari:** The process works like this, when you want to set-up a University, First there has to be sponsoring body which was Gopi Bai Foundation Trust, as the University did not exist as an entity that time. Gopi Bai Foundation Trust was given loan to set up a University. After passing an act in assembly, the University becomes an entity in itself and then you separate the accounting and whatever loans were raised in the Gopi Bai Foundation Trust for the purpose of setting up University are shifted to the University balance sheet.
- Ajay Modi:** Okay. So should I assume that both the Universities are net cash flows positive to now repay this amount?
- Pramod Maheshwari:** Yes.



- Ajay Modi:** Current investments, current assets for the company standalone have gone up from 14.5 crores to 30 crores.
- Mahesh Bhangriya:** Actually there was a reclassification of investments in short-term versus long-term due to their maturity period. Once as investment is redeemed and reinvested then it'll likely to have a maturity of more than 12 months and will be classified in long-term block. Hence, if you include both long-term investments and the short-term investments, the number would be similar to last year.
- Ajay Modi:** Okay. So apart from this, I had another small question, Srajan Capital Limited is an NBFC so what is an purpose of an NBFC for an Education Company?
- Mahesh Bhangriya:** This primary objective of the company is to give educational loans to the students and educational institutions.
- Ajay Modi:** Okay. Also you have another entity, that is Diamond Business Solution Private Limited so what is the business of this company?
- Mahesh Bhangriya:** That is not a directly related entity per se or not a subsidiary. One of group entity's land is under the name of Diamond Business Solution.
- Moderator:** Thank you. Next question is from the line of Chetan Vaidya from JHP Securities. Please go ahead.
- Chetan Vaidya:** Sir, Slide #28, in this figure balance sheet, standalone and consolidated. The last column read as 31<sup>st</sup> December 2015.
- Mahesh Bhangriya:** There was a mistake. It should be read as 31<sup>st</sup> March, 2016, we have already sent the revised version.
- Chetan Vaidya:** Okay. I am not having the revised one, okay. And sir, my last question based on this initiative that we have taken so far and the kind of student enrollment that we are expecting for the course what kind of enrollment guidance and the revenue guidance and the margin outlook can you provide for FY'17?
- Mahesh Bhangriya:** As per looking at the current trend of enrollments, we would be able to grow better than this year, I mean 2015-16. And as the revenue grows, because of the operating leverage , our profits will grow much higher than the revenue growth.
- Chetan Vaidya:** Okay. So can quantify that in terms of the range the growth range or the margin range?
- Pramod Maheshwari:** I think it is too early to comment on those numbers because enrollments are still progressing and large number of enrollment will take place in the month of June and July. So at appropriate time perhaps we will let you know.

- Moderator:** Thank you. Next question is from the line of Gopi Nag, Individual Investor. Please go ahead.
- Gopi Nag:** Sir, this is regarding the recent regulatory rule that there is no weightage of 12th class marks in this exam, it is definitely positive for our Tutorial Education, Coaching Classes but whereas will it have any negative impact on our small business that is 11th class business 12th class board preparation business that we are running as of now. I mean we say because there is no weightage will there be less attractiveness to the students of this business that we are doing in.
- Pramod Maheshwari:** Actually class 11th and class 12th business which we do towards primarily for the competitive examination preparation. So as such we do not have only class 11th and class 12th school preparation business or board preparation services.
- Moderator:** Thank you. Next question is from the line of Arun N. from Nadathur Estates Private Limited. Please go ahead.
- Arun N.:** Just one question from my side, I see that the cost of material has gone down from Rs. 14.3 crores to Rs. 2.7 crores between last fiscal to this fiscal and we just primarily contributed to the EBITDA margin and margin so forth. Can you just throw some light on that?
- Mahesh Bhangriya:** It was because of our automobile venture. Last year, in automobile division we had revenue of Rs. 12.4 crores and the cost of material was Rs. 11.54 crores. Hence, the comparable number would be after removing the automobile venture's cost of material.
- Moderator:** Thank you. As there are no further questions from the participants, I would now like to hand over the floor to the management for their closing comments. Over to you, sir.
- Pramod Maheshwari:** Thank you very much, ladies and gentlemen. If you have any further queries, please feel free to e-mail us or call us, we will revert back to you as soon as possible.
- Moderator:** Thank you very much, sir. Ladies and gentlemen, with this we conclude today's conference call. Thank you for joining us and you may now disconnect your lines.