



“Career Point Limited Q3 / 9M 2018-19
Management Commentary”

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& MANAGING DIRECTOR – CAREER POINT**

**MR. MAHESH BHANGRIYA - VICE PRESIDENT, CORPORATE
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Pramod Maheshwari: Good day ladies and gentlemen. I am glad to share the company's performance and recent business development during third quarter of the current financial year. This is followed by an update by my colleague, Mr. Mahesh Bhangriya – Vice President – Corporate Strategy and Investor Relations on Career Point's financial performance during third quarter and first nine months of fiscal 2018-19. The copy of our earning updates is also available on Investor Relations section at our website www.cpil.in.

I would first like to update you expansion of Tutorial business. In line with our strategy we have added 8 new locations out of which 4 are school integrated projects and 4 franchisee centers. The new locations are Dharamshala (Himachal Pradesh), PattuKotai (Tamilnadu), Gwalior (Madhya Pradesh), Indore (Madhya Pradesh), Jammu (Jammu & Kashmir), Vadodara (Gujrat), Shahjahanpur (Uttar Pradesh), and Siliguri (West Bengal).

You will be glad to know that new centers include our association with Govt. of Madhya Pradesh under Aanksha project. Similar associations we already have with couple of other state governments and with ministries i.e. Ministry of Minority Affairs. The expansion of coaching service delivery through school associations, govt. projects, and franchisee centers ascertains sustainability to the businesses and also aligns with recent change in the industry dynamics.

I would like to bring your notice on change in industry dynamics, which we believe is temporarily, impacting our company's financial performance. In past 4 years, All over India, the engineering aspirants have declined about 25% from more than 13 lacs to less than 10 lacs (as per latest JEE-Main enrollments in January 2019 attempt). This might be a temporary shift in career options among students due to higher unemployment of engineering graduates. However, it makes impact on the profitability of our engineering test-prep division. Over and above, there has been an unsustainable increase in costs heads in recent years. Again this would be a short-term phenomenon and it is relatively easy for players like us to overcome by this issue.

The factors like growth in NEET aspirants, implementation of online exams are supportive to the Tutorial division at industry level. We have our own company specific measures to counter the current issues and working strategically to capture new avenues of the business for a long-term growth. We are confident on our strategies and hopefully you will be able to see the impact of these measures in coming time periods. At this stage, I can now indicate you that our strategies are not just limited to optimize the costs but also focused upon overall business extension.

Coming to our recent deal with PlanceessEdusolutions, it is very attractive and promising in terms of future potential. Planceessdigital products coupled with Career Point brand and market reach certainly make a perfect combo to tap the large e-Learning opportunity. In fact, this transaction has also strengthened both digital and print publication division that is growing across geographies.

Moving to formal education division in which we operate Universities and Schools including residential and day-boarding schools at different locations. We are very happy with the performance of this division on various fronts such as academics, extra-curricular, industry associations and overseas enrollments.

Student strength at both Universities, Career Point University Kota and Career Point University Hamirpur have increased significantly. Total enrollments in higher education are increased by 19% over December 2017 and 17% over last academic session of 2017-18.

Here we have got a flexibility to add or launch new courses as per the demand and requirements of industry. The Universities have already established themselves in their respective regions with exemplary education, holistic development and remarkable placements. Going forward, we shall see more positive outcomes of current efforts and our investments in these institutions.

Vocation education has also delivered exceptional performance in terms of new candidates trained. Just to highlight that we are partnered with NSDC for skill development courses and empanelled with various other agencies such as RSLDC (Rajasthan Skill Livelihood Development Corporation), NULM (National Urban Livelihood Mission) and SSCs (Sector Skill Councils).

Moving to School Education division, the residential campuses under the brand 'Career Point Gurukul' are now positioned as premier integrated schools with best of the academics, sport and extracurricular. Unique from the normal boarding schools, Career Point Gurukuls at Kota as well as Mohali are known for their students' overall life skill development and career preparation. Here the focus is not just limited to science or commerce, but it is aimed towards complete career planning. In last 3 years, 386 students from Gurukul campus have made it to world's top universities.

Overall we are very optimistic about the prospects of Gurukul campuses. In fact, the business mix with higher margins and higher returns sub-units has perfectly positioned the company for a long-term sustainable outlook. We are pretty excited with the visibility of future growth.

Mahesh Bhangriya:

Good day ladies and gentlemen. I am pleased to share an overview of our financial result for the third quarter and nine months ended on December 31st, 2018.

Let me first give you a brief update on enrollment numbers. By end of the period, we had 27,034 enrollments in both formal and informal education division. A decline in tutorial division is offset by growth in formal education division. Here the point of emphasis is that any growth in formal education division is always more value accretive for the group because it is more annuities driven and sustainable.

Coming to financials, at standalone level, the company reported an income from operations of Rupees 53.4 Crores in first nine months with year on year decline of 6.7% due to lower enrollments in engineering division. If we look at the total income which is including the other income on standalone basis, it has stood at rupees 63.7 crores and a y-o-y decline of 1.4%.

At consol level, I would like to highlight the positive impact of other subsidiary businesses including NBFC, e-Learning and Skill development. At console level the revenue from operations for the period at rupees 76.3 crores witnessed a growth of 7.7% over first nine months of the previous year. Total income on consolidate basis came at rupees 80.7 crores with a y-o-y growth of 1.6%.

As mentioned earlier on the margins, the increased expenses are impacting margins temporarily on standalone numbers. The measures to optimize the costs are under process. At the same time, the increased contribution from subsidiary businesses is quite positive. At consol level, the company has realized rupees 28.3 crores of operating EBITDA in 9 months of FY18-19 with a year on year growth of 6.6% and margin of 36.9%.

The point to be highlighted is the subsidiaries contribution in Operating EBITDA and Profit After Tax which was 40% and 37% respectively during first nine months of FY2017-18. Now in same period current fiscal; the contribution by subsidiaries has increased to 71% at operating and 50% at net profit level.

Moving to net profit, which was slightly lower due to impact from standalone operations; the net income at consol level was reported at Rs.18.8 Crores with 2.2% y-o-y decline. The company reported PAT margin of 23.3% and EPS of Rupees 10.36 for 9M FY2018-19.

As on 31 December 2018, the net worth of the company was Rs.423 Crores and cash & cash equivalents were Rs.45 Crores. The company holds Rs 142 Crores as net current assets including current loans, long-term investments and excluding all borrowings.

In conclusion, the higher contribution of formal education division and subsidiaries businesses are some of the key highlights of the financial performance. New center expansion through school associations and franchisees should result more operational efficiency from the next academic session.

Hence the points to keep track would be – a) margin expansion for tutorial division, b) more sustainable growth from the formal education division, c) increased contribution from new edge businesses i.e. e-Learning, vocational etc.

In case you have any further queries, please feel free to mail us or call us at:

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