



Management Commentary on
Career Point Limited Q2 / H1 FY2019-20
&
Update on IL&FS Education (Schoolnet) Transaction

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Pramod Maheshwari: Good day ladies and gentlemen. I am glad to share the company's performance and recent business development including an update on IL&FS Education (Schoolnet India Limited) transaction. 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 second quarter and first 6 months of financial year 2019-20. 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 on our launch of new coaching format under version 2.0. Under Career Point Version 2.0, we took initiatives to make education delivery more effective, affordable and relevant. We are quite excited with initial results of Classroom Course Version 2.0, eClassroom Courses.

I have already described the unique feature of the new format in our first quarter's commentary. However, I would still like to highlight the power of our new initiatives that impact positively to entire learning system of competitive examinations in India. The Career Point Version 2.0 brings benefits not only to our organization but also for the society at large.

The revolutionary features such as flexibility to choose the subject and choose faculty from the pool of experts ensure more efficient and impactful service delivery in the tutorial segment. For the company, this entire system brings higher operating efficiency and an opportunity to grow enrollment in multiple directions. eClassroom has further strengthened our Edtech portfolio that includes Video Lectures, Online Assessments, ebooks and Live Classes.

Coming to other delivery modes in Tutorial business; the enrollments in Franchisee centers & School integrated programs are continued to grow. We will also have our franchisee centers at 4 new locations from the next academic session. The agreements are already executed and launch preparations are in process.

At present, Career Point has a network 43 franchisee centers and schools association at different locations including 23 franchisees and 20 school association units with renowned school groups across the country.

Moving to formal education division in which we operate Universities and Schools including residential and day-boarding schools at different locations. This division has been doing

exceptionally well on various front including academic excellence, extracurricular, placement statistics etc. The performances on these fronts are cumulatively reflected in growing enrollments in this division.

By 30 September 2019, the student strength at both Universities, Career Point University Kota and Career Point University Hamirpur have increased by 15% over same period of previous year. I am glad to inform you that Career Point University is among the preferred choice of many overseas students coming to India, especially from many African countries.

Just to put a glimpse of latest activities at Career Point University; it conducted Emerging Entrepreneur Competition 2019 and also organized Entrepreneurship Awareness Camp in association with Entrepreneur Development Institute of India to encourage entrepreneurship among students. The University conducted workshop on Cyber Security in association with ICICI Bank, Robotic Workshop with Autocratic Solutions, Sports meet and Campus Placement drives etc.

A national conference on Agriculture in association with NABARD and National Moot Court Competition with presence of hon'ble justice Mr. D.C. Chaudhary are conducted at Career Point University Hamirpur. It has continued partnering with industries, academic bodies to offer relevant and industry oriented curriculum to the students The University has also conducted different cultural and tech fests.

The other verticals under this division i.e. Skill Development, School Education are further gaining exclusive advantages in their respective fields.

Overall we are very positive on present business-mix and their potential outcome. The initial results of Career Point version 2.0 are encouraging and evolving as anticipated. The operational efficiency is coming along with sustainability, which is always our focus point. We are looking forward for the next leg of growth through our current efforts and investments in different education verticals of the company.

Here, in our outlook for the company, I have not included any positives from recent IL&FS education assets transaction. We have put our comments separately on this at the end of commentary and explained the reason for not adding in the outlook.

Mahesh Bhangriya:

Good day ladies and gentlemen. I am pleased to share an overview of our financial result for the second quarter and first 6 months ended on September 30th, 2019.

Let me first give you a brief update on enrollment numbers. By end of the period, total enrollments were reported at 22,413 including 10,899 in formal education; 10,750 in Tutorial education division and 764 in Pre-schools.

The enrollments in higher education division have increased to 6,226 due to different business factors described earlier in this commentary. A decline in enrollments at tutorial division is attributed by some extent to decline in engineering test-prep segment. However, as per the group policy, we always target a profitable growth. And, by the nature of business, growth in formal education division is always more profitable and 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 30.2 Crores in first half of fiscal 2019-20 with year on year decline of 20% due to lower tutorial enrollments in branch operations.

At console level the revenue from operations for the period came at rupees 54 crores with y-o-y growth of 3% indicates positive impact of key subsidiary businesses including NBFC, e-Learning and Skill development.

Total revenue, including other income, is reported of rupees 39.2 crores at standalone and rupees 56.4 crores on consol basis. A point to be highlighted here is an impact of higher other income in previous year due to sale of land parcel, which was an extraordinary income by nature.

Reported EBITDA of rupees 8.5 crores on standalone numbers with an impressive year on year growth of 44.3% resulted an EBITDA Margin of 28.3% (H1 FY2018-19: 15.8%). A remarkable improvement of 1251 basis points was reported in EBITDA margin against previous year is a result of initial outcomes from successful launch of Coaching version 2.0.

At consol level, the company has realized rupees 25.34 crores of operating EBITDA in the period under review with a year on year growth of 34% and margin of 46.9% (H1 FY2018-19: 35.9%).

Moving to net income, Career Point's profit after tax was reported at rupees 8.95 crores with y-o-y growth of 29.3%. With additional key contribution from NBFC and other subsidiary businesses, the net income at consol level was reported at rupees 14.92 Crores with 14.2% y-o-y increment.

The reason for lower profit growth at consol level compared to standalone is attributed to higher deferred tax liabilities at subsidiary level. Overall, at consol level the company reported PAT margin of 26.5% (H1FY2018-19: 23.5%) and EPS of rupees 8.22 (H1FY2018-19: rupees 7.2).

As on 30 September 2019, the net worth of the company was rupees 441 Crores and Cash & cash equivalents were rupees 25 Crores. The company holds Rs 144 Crores as net current assets including current loans given, long-term investments and excluding all borrowings. This number is rupees 274 crores if we include receivables and long-term loans given by the company.

In conclusion, larger growth in higher education and improved profitability at tutorial division are fuelling the growth momentum at the same time ascertaining higher visibility going forward.

With advanced clarity on Company cash-flows through more sustainable businesses, the company board has approved second interim dividend of 10% per equity share on face value for the year 2019-20.

Update on IL&FS Education (Schoolnet India Limited) transaction

Career Point Publication Private Limited (CPPPL), an associate of Career Point Limited, had bid for Infrastructure Leasing and Financing Services Limited (IL&FS) group's education business. As per the IL&FS update on 12th November 2019, the bid was approved by the Committee of Creditors (CoC) and board of IL&FS Ltd.

Career Point Limited has developed certain unique capabilities in education and skill development. Career point is leveraging its capabilities in this transaction without any exposure to financial risk. The structure of the transaction is shared below:

1. Career Point's bid has been made in a consortium along with strong and experienced partner. This approach is in continuation of our zero risk policy on financial matters. Career Point has 100% protection from financial as well as operational obligations, if any.
2. Career Point's interest is limited to potential business synergies with IL&FS's valuable assets in the area of e-learning and skill development. Career Point has a potential upside in the business with nil downside through the transaction.
3. It is imperative to inform that at this moment this transaction is at quite premature stage. The transaction will have to go through long legal approval processes at both ends and company will proceed protecting its stakeholder interest.

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

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