"CL Educate Limited Q2 FY19 Earnings Conference Call"

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Moderator: Ladies and Gentlemen, good day and welcome to the CL Educate Limited Q2 FY19 Earnings Conference Call. Joining us on the conference Mr. Satya Narayanan. R – Chairman & Executive Director, CEO of Consumer Business, Mr. Nikhil Mahajan – Executive Director & Group CEO of Enterprise Business and Mr. Arjun Wadhwa – CFO. As a reminder, all participant lines will be in the listen-only mode. There will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal the operator by entering "*" then "0" on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Satya Narayanan. R – Chairman & Executive Director, CEO of Consumer Business. Thank you and over to you, sir.

Satya Narayanan. R: Welcome everybody this is Satya here. I would first of all start by extending a warm welcome on behalf of the team sitting here at CL Educate including Amit Kanabar, Arjun Wadhwa from Finance and Nikhil and myself. Let me also start by wishing you all a very Happy Diwali week as you move into the presentation. You would have the presentations with you. We will start straight away with the Slide # 4. The first chapter I will cover is the broad key initiatives following that we will cover the financial performance little bit of operational performance details thereon and then close it out with some broad corporate updates and throw it open for your Q&A.

In order to stay consistent with the theme which we had picked up in the last couple of our calls if you look at Slide #5 we are going to have today presentation quickly covered as one Consumer I will cover it under the theme of the three deals that I have spoken about last time and Nikhil will step in and cover Enterprise. I will cover a little about innovation and the corporation updates. Just to stay a little bit on the slide one of the things we are talking about in order to grow the consumer business is that given the multiplicity of products that we have and we have really broadened the product portfolio in the last 18 months as you would be aware with the addition of CA, Civil services, GATE etc. So, the Distribution, the Delivery and how much more Digital we get these are the three things that will help us grow the consumer business that is something I will cover a little bit more in detail, but I think there is something that you could remember the 3D approach to grow the Consumer business.

On the Enterprise side just a high level details of a couple of things - TEQIP is a new initiative that is equipping the engineering colleges and students to become better in their placement that is what the TEQIP program is, that is something that Nikhil will cover in detail but that is an important part. There is something about Amazon and Alexa that we will cover a little bit. On the WAIN-Connect thing one important development is that the IIT Kanpur incubation center is going live on our platform that is very important signaling event from a WAIN-Connect point of view we will cover little bit of that.

Aspiration.ai, I had covered this in the last presentation if you remember, actually this is the bedrock on which all the career launches services are built. It was earlier called the student information system. We have branded it so that we can take it to the market by enabling a whole lot of small and medium Test Prep enterprises, coaching institutes, tutorials etc to benefit from our backbone almost like visualize it as a SaaS model of Test Prep to be available to small players that is what is happening. Alexa is an important innovation that we have done I will cover that briefly as we go deeper into the presentation and some updates on the corporate restructuring.

Now I am moving into slide #6. Over the last quarter and in fact six to eight months one of the decisive movements that we have made is to focus more and more on growing by the growth of business partner locations. So, some of the key even the CoCo (company owned company operated) of operated locations have been partnered out. What it helps us is to improve our capital deployment and if the choice of partner are good qualitatively it always add a tremendous amount of energy and creativity and execution rigor to our retail business. So, Chandigarh as a city has been given out to a partner who has been with us in Punjab for the last 10 years so it is a great boost for him too. Our Bangalore business has been converted into a BP location and so on. We have added 10 new centers and these new centers now they are happening they happen in Tier 3 towns like Shimoga, Thanjavur, Hooghly, Rampur, Balasore kind of places that is the second part of distribution and today we have enough width in the product portfolio for us to look at going to these kinds of towns that I was mentioning to you. About two years ago we would not have had this because the primary products were Indian law which essentially cannot go beyond anywhere between 60 to 80 locations in the country. Point number three in distribution is I have mentioned to you earlier also for all the knowledge products the centralized delivery which we are calling it as a master class. The master faculty teacher from a centralized location that is beginning to gain focus, attention and then traction on the ground this would be relevant for civil services, GATE, CA, CS and also for our flagship products which is MBA and Law.

On the other hand on the delivery side we have one important development that has happened or progress that we have made is that the non Test Prep, but career linked programs have been gaining attention. So, one significant development is we have launched the career launcher Fin-School which would have eight programs for financial services to become a financial analyst, investment banker and many of you are likely to be veterans in knowing that CFA, FRM, NSC derivatives and when the new policy has come in there are new certification programs that are needed those have been launched by us it is available on the website you could look up it is called CL Fin-School and we are also launching four new certificate programs in partnership with BDO where they come with their industry expertise and we provide the backend, the backbone the center etcetera and we co-developed the products and these are very valuable even for our core Test-Prep because kid as you know student who is doing his B.Com or even engineering he is looking to add more and more to his profile even before he goes for a Law entrance exam or a CAT exam or a GMAT exam. So, we hope to bolster that by doing this planking that is about delivery.

On the digital side we will go a lot more digital then we were year ago for example I have already mentioned about Aspiration and some of you who do not have it please feel free to reach out to us the Aspiration access is free all you have to do is go to Aspiration.ai and fill in your details, your spouse and the children that you have and you get a hand holding for the career needs of the entire family on this unified portal that is available and this is going to be extremely valuable to us. We have also launched the AI BoT for enrollment and for information etc CAT NC & DC it stands for CAT night classes and day classes this is centralized delivery for our core MBA and Law. So, these are the three Consumers business facing initiatives on which we are driving the entire growth of all the 14, 15 products across 188 locations across the country.

I will move into the next Slide #7. One of the things that we find in this slide is more to give you a directional indication than any direct linkage to the top line or bottom line in the coming quarter or two, but as you are aware large Tech companies such as Amazon, Apple, Microsoft all of them they are betting heavily on the man machine interface moving from the keyboards to voice and in that education is an integral part of that because the children, the millennial are perhaps the first to latch on to this and those of us who have kids at home you know that some of these have began to penetrate our homes. So, CL is the first education partner for Amazon and we have launched Amazon Alexa enabled skills, you know what is a website or a portal in the www world, the equivalence of that in the voice world is skill. So, we have launched four skills one is to do with vocabulary, another is to do with GK, the third is to do with MBA prep and fourth is to do with Law prep which means today you can go to Alexa and talk to her and say Alexa what is the fee of IIM Raipur and the answer that it gives out she says that she will take you to the career launcher skill location and she access that and gives you the input. All these four have been licensed gone live and we figure among the top five partnered skills of Amazon if you go to the website right now. So, this is just a bit of summary about it we see this slowly evolving into a very differentiated play for CL over the next four to eight quarters. The photograph in the middle is Sujit and me being there at the Seattle Developers Conference last month, Sujit Bhattacharyya – our CDO and one of the founding members. Those of you have Alexa at home all you need is go to Alexa and say Alexa open the word game or Alexa open the knowledge game and it will play from our server.

I am going to the next Slide #8, I have already covered this so if you look at MBA skill you can know about over 85 MBA colleges in India, everything about the examinations, comparing between FMS and IIM Raipur, you could do that if you are doubt you do not have to call up a CL faculty member and the fourth bullet from the Slide #8 under the MBA skills is very important and we are the only company in the world to have done it according to Amazon. Our student information system the better of that I was mentioning to you called Aspiration that is linked now to Alexa. So, all our students when they get back home instead of logging into their computer and looking at their relative performance he or she or the parent would just ask – hey Alexa how am I doing in my CAT preparation and she will pull out your data and speak that out in the form of voice for you to take an update on how have you done in the last MOCK CAT or CLAT by just listening to her as you are having your dinner that is the kind of stuff that we have reached. This is just the beginning there is a whole lot of stuff to do over the next many quarters we will keep you posted.

I will now move to Slide #9 the interesting thing is that most of the work that you do in one place is migratable, easily transportable to other engines. So, what the work that we have done in partnership with Amazon on Alexa when you transpose it and bring it into the Lex universe it is made live as an AI advisor for the students instead of typing long sentences and getting for responses or calling up a CL center, the student can just say how do you want to start if you look at this slide it tells you I want to explore products, help me choose a product, he just presses the button and you need to type anything it is enabled using NNLP and that is that we have made live on our website.

I am now on Slide #10 and moving to Slide #11 a little bit of consolidated financials for H1FY19, the revenue is up 28% year-on-year you can see the numbers I will refrain from explaining all of it in detail. The half yearly'18 was at Rs 17 crore of EBITDA which is Rs 24 crore this year and the PAT from Rs 7.8 crore has gone to Rs 12.8 crore and the overall top line has gone up from Rs 153 crore to Rs 196 crore in H1FY19. Towards the end, I will wait for any Q&A, but one or two high levels points that I would like to make is that or let me cover Slide #12 and come back to that. I am now on Slide #12. It gives you little bit more detail about these figures that I have just mentioned I hope you have it. There has been growth on most of the critical financial parameters for H1FY19 versus last year H1 or Q2FY19 vis-à-vis last year Q2 is there any questions later I will take those.

I am now going to Slide #13 at an overall segmental matrix level the Consumer has grown by 24.9% whereas the Enterprise has grown by 44.7% in the revenues and the point or two that I would like to make is that some of these growth have come from volumes in newer products though MBA has been flat even in this period it is not that the growth there continuous to be muted, there is also profitability coming from superior or better middle line management over the last six months. Some of the optimistic investments have been cut down, some efficiencies have been looked at and we continue to look at the next six months to twelve months as being sharply focused on how do we improve the top lines for us to keep this quarterly performances going for many quarters to come.

I will pause here and go to Slide #16. Number of centers, enrolled students, number of published books, titles - it gives you those details about the Consumer business. Most of these are self explanatory I will just take a moment to clarify on if you recall last year around this time we were integrating the CA and civil business that we acquired from Pearson and they had over 45 to 47 centers and lot of those centers became our center either as owned or business partners, lot of rationalization of those center has happened which is why if you look at it the headline figure of total number of centers looks 200 has become 188 actually when we just added up those two CL centers and the Pearson center at one point it will look like 212 centers or so. So, rationalization of those have happened.

Number 2, number of enrolled Test Prep students it last year included number of students even from the banks as a product which in our pruned focused product portfolio approach. We are looking at banking having being selectively promoted in a bunch of cities, but in some cities this has been reduced especially in CoCo locations we are focusing a lot more on the other products such as civil services, CA and so on. And banking has been de-emphasized over the last six months but that continuous to be available in many business locations where there is natural tractions and it is an important part of their portfolio. So, that brings us to the end of Slide #16.

I am moving to Slide #17. The new segments that we added that if you add up the science pariwar, CA, civil etc in Q1 that has given about Rs 19 crores of top line. Law is showing very healthy growth in terms of even pricing. MBA also the pricing growth has been good if you look at bullet number 4 although the price increase that we have been able to do or we have achieved in the last six month is a little to very high at 31% as we move into the future we would continue to give the guidance or have build our business plans by the hypothesis that the price increase will be around between 7% to 10%. So, 31% is a little out of wack kindly keep that in mind. Publishing business again new additions that we add as far as access publishing and the schools program books that we launched those have shown good traction in the ground from about 4 crore together to about 6.1 crore. Technical vacancies because some of those technical vacancies have not been announced and not come that one always is linked to those technical vacancies being announced those have not happened. So, some of those segments are sluggish or slower than what they would have been same time last year. I will pause here and invite Nikhil to take over for the Enterprise business.

Nikhil Mahajan: This first half of FY19 has shown a strong growth in the Enterprise business both in the Corporate segment and the Institutional business with an average yearly growth of about 44%. Now this has been driven predominantly by few large project executions in the first half of the year specially in the corporate business which is a much larger base of business. The institutional business will keep growing at a reasonably healthy clip in the coming quarter. So, the corporate business will show a slightly muted growth in the coming quarter where it continually show an extremely positive and healthy growth in the coming quarter. If you look at slightly more detailed and institutional business the revenue has grown from Rs 5.1 crore last year to about Rs 9.3 crore while the number of clients has also grown marginally. We have been able to upsell larger ticket size value of business to our existing set of customers and some of the customers which usually get closed in H1 have got defer for closure and have lined up closure in Q3. So, I expect going forward the Media and the Research business to sustain a good positive growth. Research business we have added a significant number of new clients in Q2 where the new season has commenced. This is currently not reflecting in the revenue however since most of the new signups ended up in the month of August and September, they will start reflecting adding to the revenue in Q3 and Q4. On the corporate front, we have maintained a stable growth rate, it is about four or five new customers getting added and the revenue has been pretty strong in the domestic front.

I am now on Slide #21. We have added a few marquee customers globally. So, we have signed up Facebook and Amazon web services which serves the key customers on the corporate platforms. We also executed in the last 120 days some very big projects including world largest Dell CIO forum**.** We also executed the largest Google Developer forum event in Bangalore with over 2000 developers participating that. Now gradually we are more focused on moving from a slightly tactical problem solving to strategic problem solving for a customer. So, while that may not account for larger chunk of revenue at this point of time, but the direction in which we are moving is basically towards pitching for solving strategic business problem of our customers where well spread out portfolio in terms of services you have offering in terms of sales, marketing, customer engagement, training, recruitment and research and innovation.

Now I am on Slide #22. We have added 23 new clients in the corporate segment while the number of clients may not show a dramatic increase. But healthy rate of new customer addition is always as positive sign because those relationships build out over the years to come. The second point is that in the corporate business where we have been working towards altering the revenue mix towards slightly higher margin business of digital and marketing communication from the lower margin of engagement marketing in MMS. We have seen a few percentage points movement that is the direction we are moving in over the next couple of years we will see more and more movements for digital and Marcomm revenues. And as I said earlier, we are now hitting for larger integrated execution projects which includes elements of digital, marcomm, parts of events, parts of innovation, customer engagement etc that is something which is helping us make up for higher margins. We have also started now offering on a pilot basis services of recruitment and assessment riding on the huge base and repository of students both present and past who have gone through our training programs in various segments of the industry. Now there are very few initial steps in this direction, but over the next two to four quarters I think as more and more relationships fructify you will see a small trickle and amount of revenues beginning to flow in that segment.

From the innovation and WAIN-Connecting. See WAIN-Connect has over close to 80,000 innovators who are on the platform with about 27,000 - 28,000 projects in various stages either have been completed or as work in progress where IIT Kanpur and a couple of other institutions coming on board and we implemented at a large CSR projects like the RAC projects is now in advances phases of execution, we have completed the execution of the HP projects at IIT Varanasi and couple of products testing are happening at various institutions funded by the corporate. Though it is a still a smaller base but it is moving in a direction where over the next couple of years it will create a stream of revenue which is continuously growing and offers a very high operating margin.

On the international business, this is something we have started focusing over the last two to three quarters. Singapore business for the corporate has now been existing for the last two years is now profitable, sustaining and growing at a reasonable clip. Dubai operation have just started off we have also kicked off a small operation in the US and we have signed up initial four customers. And in the coming next four to eight quarters I think this will grow at a reasonable clip adding to improvement in gross margins of the enterprise business because international projects however we are able to charge higher margin in that business. So, with that come to an end of my portion. Anyone of who have question is most welcome.

Moderator: Ladies and gentlemen we will now begin with the question and answer session. We have the first question from the line of Amit Varma an Individual Investor. Please go ahead.

Amit Varma: My first question is basically on return on capital employed for the publishing and the enterprise business, so what is it now and what is that you want to take it to?

Nikhil Mahajan: See if you look at the returns the total investment in that business will be something like between Rs 35 to 40 crores and the profits which this business generates on an annualized business will be somewhere between in the half year this has generated an EBITDA of around Rs 11 crores. So, you can assume a profit of around Rs 7.4 crores. So, even if you want to normalize it on an annualized basis Rs 15 crore profit on an investment or capital employed of about Rs 40 to 50 crores is healthy 30%. So, the margins in this business on the publishing side are reasonably healthy at around 25%, 27%. On the enterprise business we have two components one was where we are with institution and one we were with corporate. The weighted average margin on that business will be somewhere between 20% to 22%. At the EBITDA level this is a healthy business and with this the capital employed is not very high in this business the return on capital employed is reasonably attractive.

Amit Varma: But if we add the working capital required in the enterprise business which I do not know if I look at around Rs 120 crore or something so it becomes a low return on capital employed kind of a business, is there a plan to improve the receivables there?

Nikhil Mahajan: See if you look at the total receivables of Rs 120 crores, the receivables of the enterprise business and the publishing business will only be about Rs 45 odd crores. So, rest of the working receivables in the debtors pertains to the government debtors and the debtors at the Test Prep business. So, the entire Rs 120 crore debtors is not just pertaining to the enterprise business and the publishing business. So, if you just make that correction and account for the capital allocated in that it will continue to remain….. yes working capital in the enterprise, in the institutional business we have a receivable cycle of something like 90 to 120 days, in the publishing business it is about 7 to 8 months. Yes we know that is part of a healthy state, but if you look at an overall since the investment and the capital deployment beyond working capital is not very significant and the business margin are attractive we take a balance we want how much incremental working capital, how much additional capital to allocate the working capital or new slide of business annually. For example, if you look at institutional business which is growing at about 60% plus. So, working capital requirement is very low because the only working capital is the salary of the sale and the execution team. Similarly, in Kestone the working capital requirement are not very heavy because it is a service driven business. Publishing business has receivable of 6 to 7 months and we are taking a very cautious view of how much it has to be expanded in the coming quarter and coming years. I hope I have explained that.

Amit Varma: So, what will be the normalized return on capital employed if I take like 40 crore, 50 crore of capital employed plus net working capital, what is that you have as an internal benchmark when you do a capital allocation between Test Prep business which is high ROCE versus the enterprise?

Satya Narayanan. R: In all of these the one thing which is kind of disclosed itself in our mind somebody else could have a different view throws itself up for a strategic questioning is the publishing business not from an ROCE and the receivable perspective from the return on investment, return on capital employed perspective. So, the rest of them are all people and time and receivable as a business there is no material unlike in any business except the publishing business.

Nikhil Mahajan: If services business generates 18% to 20%. Business which is able to generate a higher ROCE then this benchmark gets preference in terms of either additional manpower or additional investment in any form. So, investment would be additional manpower, additional investment could be additional investment in technology or whatever it is. The institutional business which is probably the fastest growing and requires a lowest capital is one of our focus area then corporate business, the return are pretty lower, but the investment also are much lower because the working capital cycle is about 60 to 70 days publishing obviously because of the higher receivable cycle money investment in inventory obviously gets a lowest priority on additional incremental capital allocation.

Satya Narayanan. R: Just to answer your question in a little macro level, at the company level see our ROCE are little depressed more because of a bunch of things that we used to do almost two to three years ago. If you look at an overall level ROCE comes more like a 5% or so. Our first target is to when we prune our businesses and finished the pivoting that we are doing, release some of the capital we do consolidation of the business or project that is underway. Our goal is to get into the double digit of ROCE by this time next time if we do that we would cross the first significant milestone and then get better than that. I hope that answers the direction that we are taking.

Amit Varma: We had a target of receiving 18% to 20% ROCE by 2020 and I hope that we had assumed that you will clear some of these businesses which are trying to sell and also receive the?

Satya Narayanan. R: Exactly that is the direction in which we had headed and we have to achieve a couple of in that sense balance sheet items tasks also and then the money gets redeployed, pivoting of business have happened, some have been shut down, some of them exited you know those details. So, it is an another 12 months, 18 months kind of a journey that we are looking at to get to those kinds of number.

Amit Varma: And sir you can you give a light on what is happening on that other project I understand very hard time to sell real estate assets but what is happening to the receivable that we have from the government, is there any timeline to get there?

Satya Narayanan. R: So, every authorities being made to get those monies from the government over the last 12 months perhaps we have got about 8 to 9 crores money have been recovered a similar amount is expected in the next four to five months the movements are being tracked that is number one.

Number two also on the accounting side to make sure that we are prudent we kind of keeping away provisioning of it so that we know that we are being very prudent on that side as well so that we can get over this phase as soon as possible. So, we recover maybe 60%, 70% of it, write-off the rest of it in the next two, three quarters and then move on. So, whatever comes later on. See as you know in government business the way actually, we have experienced over the last five, seven years there is a delay, but there is never a bad debt situation and here we are in a similar situation and we hope that it will get fully recovered or fully accounted for sooner than later.

Moderator: We have the next question from the line of Deepak Poddar from Sapphire Limited. Please go ahead.

Deepak Poddar: Can you explain somewhat about the seasonality of the business that we are into?

Satya Narayanan. R: Each product has its own different seasonality. For example, the MBA and Law are more of April, September heavy and OND are the weakest whereas the IITJEE Medical all of those they pick up in the beginning this month OND onwards they begin to pick up. So, there was a time when we used to do almost 75% of our revenues in H1 and 25% in H2, but today that perhaps the range has now become anywhere between 22% to 27% per quarter whether it is on the consumer side or on the retail side. So, overall weighted average would be this range. I would pause for a moment and let Nikhil also add in a point or two.

Nikhil Mahajan: Between H1 and H2 the ratio is 52:48 give or take percentage point here and there. So, H1 obviously is larger than H2, but the gap is now not more than last year we did 152 CR in H1 and about 149 in H2. So, give or take a few percentage points range of 5%usually 52, 53 is H1 and 47 and 48 is H2.

Deepak Poddar: So, does that mean the kind of growth that we are currently seeing is that a kind of a thing that we might want to look into even the second half per se the 35%, 40% kind of revenue growth?

Satya Narayanan. R: Deepak it would always be good to talk about those in the past tense. This would be around I do not want to say anything you know what our intent is likely to be, but let the numbers there is out.

Deepak Poddar: Sir, can you bifurcate the enterprise as well as the retail business margin separately like we have the consolidated number so is that possible for you?

Satya Narayanan. R: Some of those are likely to have been disclosed in earlier documents from the investor zone and the link also is there on the site, but if you have any specific queries within that. See for example if you take the enterprise even within enterprise as Nikhil was mentioning there is an Events business, there is an MMS business and there is a valued added services business. Those are from 6% to 25% kind of a range as far as profitability is concerned where you do managed manpower services it is almost like a pass through with a little bit of a markup and we do that reluctantly because the client is very strategic it is an Amazon or SAP or Microsoft etc and if I come to the Test Prep I am assuming that your question was more on the enterprise side than the consumer side. So, let me just pause and ask you if I have answered that or if you have any supplementary question.

Deepak Poddar: I just wanted to understand like 13.2% EBITDA margin that we had last quarter, so what is the separate for retail as well as the enterprise EBITDA margin that is what I was trying to understand?

Nikhil Mahajan: See broadly the margin should be almost similar in the range of 12% to 14.5% probably the consumer business will have a slightly higher EBITDA margin and the institutional business would have slightly lower margin, but my feeling is neither will be lower than 12% would not be higher than 13%. So, you can assume it is between the range of 12% to 14%. I do not have the specific figure.

Deepak Poddar: Do we expect our enterprise business to grow at a much faster pace as compared to retail business?

Nikhil Mahajan: See obviously the growth rate which has been shown in H1 I do not think similar you can sustain those growth rates forever. They will keep growing at a reasonable clip, but obviously some moderation will happen because H1 had one or more types of certain things happening, some moderation will happen in H2 but they will continue to grow at a healthy clip that is all I will say at this point.

Deepak Poddar: So, just wanted to understand what are the factors we are kind of working on or basically would be key to drive our revenue growth sustainably over next one to two years as well as improvement in margins, so you did mention about those tie ups and all, but still in terms of margins as well what sort of factors you are looking at so that we can improve basically?

Satya Narayanan. R: See what we need to do is while we have two cash cows. We have five new products which are all at the early growth stage. So, our trajectory will be determined largely by how effective we are in adding growth momentum to programs on the consumer side. For example, whether it is GATE or civil services or IITJEE or all of those because when the growth their happens all growth are going to come with negligible capital to be deployed and each one will sweat the assets, assets means there is a people or brand or centers from day one. So, the utilization goes up, the marginal investment needed to make them happen is really low. So, making at least one or two more products successful in their gaining market share is an important task on the consumer side.

On the enterprise side our effort to grow the digital knowhow business where which were as Nikhil had mentioned in his presentation from a low margin business to the high margin business the shift that has been happening for the last 36 months we need to make that part grow faster along with the international revenues which just are limited now to Dubai and Singapore that could also add because all the marquee clients that we serve here they all have significant presence since there. So, knowledge services to them whether it is innovation or L&D or digital marketing or some of those if you are able to do that that also will add to the growth. So, new product success in a consumer side and higher value services on the enterprise side.

Deepak Poddar: And sir do you follow any kind of peers either in India or globally that such kind of business what is a sustainable or what is a steady state EBITDA margin that one should look at over the period as the operating leverage or the efficiency increase, so is there any kind of benchmark that we are looking at?

Satya Narayanan. R: I think couple of names TAL Education in China, they grow their numbers in whatever that have happened over the last decades. I am not taking the example from the US side because we are a lot more on the mature side, but you can look at Kaplan in the US if you just wish to study or Navitas.

Deepak Poddar: So, what sort of margin they are able to garner?

Satya Narayanan. R: They would be about 20% to 23%.

Deepak Poddar: This is what something we also aspire or over the longer period such kind of margin?

Satya Narayanan. R: Yes, we do. As I again said our business is about being able to sweat the programs in the same assets without adding new centers and one of the unique thing about CL is that we are the only company even when you compare globally we are the only company that can be the McDonald of education services because we are completely cut and dried and shrink and dried that any entrepreneur can start. So, we are a negative capital deployment business in our model nobody has mastered this. So, when we go from a network of 200 centers to 1000 centers in that journey, we take 5 lakh, 7 lakh. 10 lakh per centers from new centers that is set up and that is very unique. So, let me just hold back and say that we are at a very interesting place we just should put our head down and keep executing and let numbers do the talking.

Deepak Poddar: And just one last query like what sort of revenue growth on a sustainable basis is what maybe next three, four years if I have to look at is there any kind of guidance or something that you can enlighten us?

Satya Narayanan. R: Deepak you are likely to far more skilled than I am in this. As a matter of practice we say that let the numbers of the past talk. We are not giving you know we just are pointing to first just get to the numbers that we were in terms of market last year, but this is a consumer business you know the potential is enormous, but I would leave the modeling for you.

Moderator: We have the next question from the line of Ravi Chandran from Individual Investor. Please go ahead.

Ravi Chandran: Sir your investment is showing Rs 35.81 crores as of September as compared to NIL as of March, 2008 may I know what is that investment of Rs 35 crores?

Nikhil Mahajan: That is basically the surplus cash which have been deployed in liquid mutual funds.

Moderator: As we have no further questions I would like to hand the conference back to Mr. Satya Narayanan. R for closing comments. Please go ahead sir.

Satya Narayanan. R: Thank you very much everyone for joining. Wishing you all a very Happy Diwali and a great new financial year post Diwali. Thank you very much.

Moderator: Thank you very much. Ladies and gentlemen on behalf of CL Educate Limited that concludes this conference for today. Thank you for joining us ladies and gentlemen, you may now disconnect your lines.