Investor FAQs

Chapter 1: Impact of COVID

1. What has been the impact of COVID on the business?

   There is no denying that COVID, especially the second wave has had a deep-rooted impact on the organization, especially on our employees and their families, and our heart goes out to individuals who have borne the brunt of it, including some personal tragedies that leave one devasted.

   From a business perspective the impact of COVID was evident from Q4 FY'20 onwards, wherein we suffered a revenue loss of approximately Rs. 25 crores, resulting in a Business EBITDA that was at least Rs. 10 crore lower than our expectations heading into the quarter.

   COVID's impact predictably flowed into, and was consistently prevalent across businesses in FY'21, with most offline businesses shut for the better part of the year. As an organization though we pivoted rapidly and decisively by rolling out digital-first offerings in both our consumer and enterprise businesses.

   Our early mover advantage in the EdTech Test Prep space has allowed us to engage with a considerably higher number of students than previous years, and by co-enabling our 100+ franchise partners to go online on our Aspiration.Ai platform, we have ensured their survival despite having them having their physical centers shut for most of the last year.

   On the enterprise business front, our teams moved with amazing speed to roll out a Virtual Events Platform (VEP) which not only allowed us to retain most of our customers, but also add significantly more new customers with a world class product that has been recognized globally as being in the same league as Cisco's WebEx, Microsoft Teams, Zoom, etc.

   Like the Test Prep and Enterprise Corporate business (Kestone), our Media, Publishing and Research-and-Training businesses also witnessed a significant dip in revenues as compared to the previous fiscal, but sound cost management and the nature of a technology-led business meant that Business EBITDA margins continue to remain competitive.

2. How's the Business outlook for FY'22 with most markets starting to open up and COVID's second wave seemingly in the rearview mirror?

   As an organization we have made a promising start to FY'22, despite COVID's second wave in its full element in April and May. We remain cautiously optimistic about our goals for the year as we aspire to take the business back to the levels that existed in FY'19 and well beyond that.

Chapter 2: Financial

1. What is the difference between Business EBITDA and Financial EBITDA?

   The Financial EBITDA is derived as per the Financial Statements of the company, basis the books of accounts. In addition to business performance, it is impacted by write-offs taken over the course of the year which are unrelated to the business done by the company in that financial year, i.e. business done in previous years, whose revenue realization may not have been possible this year on account of COVID or other factors.

The Business EBITDA looks specifically at the performance of the business in a particular year and is useful reflection of the company's performance.

2. What are the write-offs taken in FY'21?

   This year we have taken some write-offs because of the delay in either execution / completion of pre-existing business arrangements because of the COVID-19 pandemic.

   In CLE, a Rs. 14.5 crore write-off has been taken against our Government Vocational receivables, reducing the amount collectible from this line of business to Rs. 3.6 crore. We believe that the amount retained is completely realisable due to the stage of payment clearance it has reached with the concerned government departments and hope to receive the same in FY'22. With regards to the write-offs that we have taken, best efforts will continue to be made to collect as much as possible and any amount received hereafter will be treated as income.

   Over and above this, we have taken a write-off of Rs. 4.8 crore in our TestPrep business, which on a percentage basis is higher than usual, predominantly because of COVID enforced dropouts.

   In CL Media, a Rs. 9.1 crore write-off has been taken against our institutional clients, wherein it was not possible for us to complete our obligations for pre-signed engagements on account of COVID. Our relationships with these clients remain strong, and we have engaged with many of them using virtual media over the last 12 months and look forward to deepening our engagements in the months ahead.

   In GK Publications, we have also seen abnormally high sales return of Rs. 13.2 crore this year on account of COVID with many distributors and shopkeepers returning unsold stock pertaining to previous fiscal years. Barring minor losses due to damage, the bulk of this inventory will continue to be reusable post refurbishing and updating, given the nature of this business and the specific markets that we cater to.

3. Significant write-offs have been taken in FY'20 and FY'21, should an investor expect the same in FY'22?

   The write-offs taken in the last two fiscal years is a mix of financial prudence in some legacy businesses that the organization has chosen to strategically exit, and the COVID-19 pandemic, which has adversely affected some of our businesses.

   We believe that barring any major event or resurgence of the pandemic, we have predominantly cleared significant receivables across businesses, and from here on out things will be largely Business As Usual (BAU).

4. A significant write-off was taken in the Schools (K-12) business in the last financial, but none in this financial year. Should an investor assume that there are no further write-offs expected in this business?

   As long-time investors in our organization are aware, we sold our School business in 2017 to a company called B&S Strategy Services Pvt. Ltd. (B&S). We presently have a 44.18% stake in B&S, which was revalued to Rs. 5.9 crore with us having taken a Rs. 41.5 crore write-off in FY'20.

   Around the same time we also initiated legal action against B&S for recovery of dues from the entity, and given the matter is sub judice, there are no changes to our financials at this point in time with regards to the school business. We remain confident in our legal standing against the entity and continue to be optimistic about a favourable ruling on the matter.

5. Are any more write-offs expected in the Vocational Business?

   Over the last two fiscal years, we have taken write-offs amounting to Rs. 24.75 crore in our Vocational Business. The current outstanding is Rs. 3.6 crore. We fully anticipate to collect this amount and do not expect to take any future write-offs in this business.

Chapter 3: Fund Raising

1. What is the status of the fund-raising plans announced last quarter for Career Launcher and Kestone?

   As shared in the last Analyst Call, we are looking to raise funds to help accelerate our digital growth of both our Consumer and Enterprise businesses. We are aspiring to raise USD 30 million to boost our Test Prep digital business in our newly formed wholly owned subsidiary Career Launcher Pvt. Ltd. (CLPL) and an additional USD 10 million to fund our Kestone digital business growth plans.

   Investment Bankers had been appointed in the previous quarter to help us in this process, and we can share that conversations with interested parties are currently ongoing. As and when we have something concrete to share, we will announce the same through all relevant channels.

2. When is the fund-raise expected to conclude?

   The process typically takes between 6-9 months for a first-time fund raise.

3. What do you plan to use the funds for?

   In the Consumer Business Digital entity (CLPL), the funds will be used for Sales & Marketing ($10 mn), Product, People & Technology enhancements ($5 million) and funding inorganic growth opportunities ($15 million).

In the Enterprise Business, the fund use will be spread on business expansion in North America (60%) and Rest of the World (40%). A significant portion of the spends are likely to be in Marketing (30%) and Product, People & Technology (40%).

Chapter 4: Corporate Action

1. What is the status of the merger?

   As you are aware, CL Educate is in the process of consolidation of 5 subsidiaries with the listed parent entity through a Scheme of Arrangement which involves an upward merger of the subsidiaries with CL Educate with an Appointed Date of April 1, 2019.

   The matter has been scheduled for final hearing at the NCLT, Chandigarh for over a year now, however, due to restricted functioning of the NCLT due to COVID, our hearing is next scheduled for July 30, 2021.

   Given though that our last few hearing dates have been postponed due to COVID, and that the NCLT has an extensive backlog of matters, a further deferral of the hearing cannot be ruled out. At our end, we are trying to reduce the likelihood of this scenario by placing an urgent hearing petition in front of the NCLT, requesting them to hear the matter on a priority basis.

2. The Board has approved the sale of the CL Educate's Digital business to a subsidiary, kindly give more details on this transaction.

   CL Educate is looking to carve-out its digital business by way of a business transfer to its new wholly owned subsidiary Career Launcher Private Limited ('CLPL'). The same was approved by the Board in its Meeting held on 24th June 2021, and will next go to the Shareholders for approval.

   Some of the objectives behind this exercise are, but not limited to:

   a. An increased focus on the digital business by segregating it under a separate entity
   b. Unlocking the value and maximizing wealth of shareholders of CL Educate

   The transfer of business will happen via a slump sale for a consideration to be determined basis the Book Net Worth of the company on the Business Transfer Agreement signing date.

   The process will typically take 2-3 months to complete.