

Nikhil Mahajan, Executive Director and Chief Financial Officer, CL Educate

Anil Mascarenhas, IIFL | Mumbai | April 22, 2016 14:23 IST

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Nikhil Mahajan, Executive Director and Chief Financial Officer, CL Educate, holds a bachelor’s degree in electrical engineering from Benaras Hindu University, Varanasi and a post graduate diploma in management administration from the Indian Institute of Management, Bangalore. Mr. Mahajan has over 18 years of experience in the field of finance and the education sector. He joined the Board on October 12, 2001 and was last re-appointed as a whole-time director with effect from April 1, 2014.

CL Educate Ltd focuses on diverse segments of education, and across learners of multiple age-groups. Led by a team of highly qualified professionals including IIT-IIM alumni, with a passion for excellence in education, CL Educate Ltd has focused on shaping the lives and careers of many students in the nineteen years of its existence. The company operates across a broad spectrum of segments in the education industry, including test preparation, K-12 education and vocational training. As on September 30, 2015, we had 146 test-prep centers spread over 86 cities in India, 8 K-12 schools spread across 6 cities & 28 vocational training centers and offices.

Replying to **Anil Mascarenhas of India Infoline**, Nikhil Mahajan says, “The conditions were favourable for an IPO last year as they are now. We were looking at certain strategic acquisitions and consolidating some of our business operations that have altered our capital structure. We have refiled with SEBI this year post this consolidation exercise.”

The growth potential of the education industry has attracted several PE investors.

What is the size of the private coaching industry in India?

The Indian test prep market is estimated at Rs.378 billion, as of 2015-16, having grown at a CAGR of approximately 14% from 2008-09. Structural changes in the Indian economy, such as rising disposable incomes, increased spend on education and growing numbers of nuclear families, along with factors such as rising share of private institutions and enrolments, few quality educational institutions, high competition for limited seats in quality institutes, complexity of entrance exams and social issues in regard to high stress on marks in the Indian education system have driven the coaching industry. Also, the coaching industry being a less capital intensive industry has attracted both entrepreneurial as well as investor interest.

With the government spending increasing and with more private players & investors investing, there are exciting times ahead for this sector. The entire shift to the innovative digital education is also seeing more traction in terms of the human capital. However, with the parts of the industry especially K12 schools and higher education continuing to be strictly regulated, is erecting certain barriers of entry too.

Give us a brief overview of the education sector. What are the interesting trends being witnessed here?

The education sector in India can be broadly classified into the formal and non-formal categories. The formal category comprises K-12 and higher education, up to post-graduation, and is subject to high levels of regulation in India. On the other hand, the non-formal category largely comprises segments like pre-schools, coaching (including test prep), vocational and skills training, e-learning and academic publishing, which enjoy a lesser degree of regulation.

Over the last decade, with the rising focus on literacy and primary education, the Centre's outlay on education has risen at a 17% CAGR. In the Union Budget 2016-17, the Union Finance Minister has announced an allocation of Rs. 723.94 bn to the education sector, reflecting a 4.8% increase over the allocation of Rs. 690.74 bn last year.

Which are the segments that you are present in? Which age group do you usually target?

Since we commenced operations in 1996, we have diversified our operations across six business segments, spanning the education value chain, across all age groups from kindergarten to skill training through our vocational programs:

- Test preparation and training services conducted under our well-recognized brand Career Launcher wherein we offer reputed test prep courses for MBA, Banking & SSC, Law, Engineering, Civil Services and International Education
- Publishing and content development operated under our brand GK Publications, wherein we publish niche test prep titles for popular professional and entrance examinations in India, including for Engineering, GATE, Civil Services and Banking and SCC entrances.
- Integrated business, marketing and sales services for corporates under our brand Kestone, which includes event management, marketing support (including digital marketing support), customer engagement, managed manpower and training services;
- Vocational training programs implemented by us under Government schemes in various States across India;
- Integrated solutions to educational institutions and universities, including business advisory and outreach support services, under our brand CL Media, as

well as research incubation and support services conducted under the brand Accendere; and

- K-12 schools operated under our brand Indus World School Through these six segments, we are involved in the entire student life cycle starting right from kindergarten to skill training in their youth that can improve their employability. We are also now working with educational institutes and universities to improve their research output, which would in turn help the students also.

The online platform is gaining interest. What kind of technological innovation is being seen in the industry?

A notable trend in the Indian education industry, particularly in the Test prep, publishing and K12 segments, is the increasing shift towards the online platform. With several competitive exams such as CAT and IIT-JEE moving to the online platform, the market for online content, e-books and interactive study material in schools has burgeoned as well. Moreover, students are becoming increasingly adept with technology due to an increase in internet and smart phone penetration. This shift to the online platform has been addressed by several players, both those who are already present in the traditional brick-and-mortar mode as well as by new entrants who operate entirely in the online segment.

What are the benefits going online?

Online presence entails a number of benefits, namely:

- **Convenience:** Online classes and content can be accessed anytime as per one's convenience as opposed to attending classes physically at a pre-determined time.
- **Flexibility:** Online classes and content allow students to revisit content at any given time as opposed to concepts being explained just once by a teacher or professor in a physical setting.
- **Affordability:** Online classes and content are relatively cheaper than traditional brick-and-mortar classes; moreover, online content and training are accessible to students from smaller towns who do not have access to physical classrooms or who cannot afford to move to bigger cities to attend coaching classes.

While the online platform faces constraints in the form of language, infrastructure and lack of personal touch, it is expected to play a more complementary role in the test prep industry, going forward.

What is the revenue contribution from various segments like test preparation, K-12 education and vocational training?

Traditionally, test prep has always been highest revenue contributor for us. However, over the years, other segments are also increasingly contributing higher amounts. In the last fiscal, we saw test prep contributing approx. 48% of our operating revenue, followed by Integrated business, marketing and sales services for corporates with 30% contribution, vocational training with 12% and remaining from other segments combined together.

Comment on your infrastructure. Are they owned or leased?

In order to ensure pan-India presence in our test prep business, we have adopted what we believe to be a scalable, asset-light and less capital-intensive business partnership model to operate test prep centers, in addition to our own test prep centers. As on September 30, 2015, we had a network of 146 test prep centers in 86 cities across India, with 49 owned test prep centers and 97 test prep centers operating under a partnership model. Moreover, we typically lease the premises from which we operate our owned test prep centers.

How are your international centres in Dubai and Abu Dhabi doing? What kind of business does it generate?

Our international centers are very critical for us as they help us cater to the large Indian diaspora present in the Middle East who would like to see their children go back to the Alma maters here in India like the IITs, IIMs, etc. Typically, we see a lot of students coming in for graduation test prep courses and the enrollments are increasing year on year.

You acquired majority stake in EdTech Startup Accendere. To what extent have you managed to integrate? What benefits have accrued so far?

Accendere was just acquired 6 months back in September 2015. We are in the process of integrating our businesses together but are already seeing some of the synergies to start flowing in. We hope to see larger benefits to come in starting fiscal 2017. Given that Accendere has one of its kind business model, backed with a dynamic promoter team which has already build a strong knowledge repository and strong relationships with the institutes, we feel it would be very difficult for any new player to build its kind of brand equity any time soon.

You had earlier deferred your plan for an IPO. Do you see the conditions favourable now? What amount are you looking to raise? By When?

The conditions were favourable last year as they are now. The reason for the deferment of the IPO plans last year was because we were looking at certain strategic acquisitions (Accendere being a part of the plan) and consolidating some of our business operations that have altered our capital structure. We have refiled this year post this consolidation exercise.

Also, please find below the link -

http://www.indiaonline.com/article/editorial-interviews-leader-speak/nikhil-mahajan-executive-director-and-chief-financial-officer-cl-educate-116042200421_1.html#sthash.yxtLTTTO.dpuf