



# “CL Educate Limited Q3 FY-19 Earnings Conference Call”

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**MANAGEMENT: MR. SATYA NARAYANAN R. – CHAIRMAN AND EXECUTIVE DIRECTOR & CEO (CONSUMER BUSINESS), CL EDUCATE LIMITED**  
**MR. NIKHIL MAHAJAN – EXECUTIVE DIRECTOR & GROUP CEO, ENTERPRISE BUSINESS, CL EDUCATE LIMITED**  
**MR. ARJUN WADHWA – CFO, CL EDUCATE LIMITED**  
**MR. AMIT KANABAR – FINANCE, CL EDUCATE LIMITED**

**Moderator:** Ladies and Gentlemen, good day and welcome to the CL Educate Limited Q3 FY19 Earnings Conference Call. Joining us on the call today are 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. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an 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:** Hi everybody thank you very much for the welcome message. I hope all of you have been able to access the Q3 ‘18-19 investor presentation outlook uploaded in the investor zone. I will get started now.

I will move straight into Slide #5 after the initial few slides. The title being contents, key initiatives, financial performance and operational performance. I will pick the first chapter first, the key initiatives that we would like to update you from this quarter that went by. One of the engines of business or growth for CL is to act as the bridge between a students undergrad to a post grad through an examination or between the post after the finishing of undergrad through the training program them to get into the corporates through what we call as the campus recruitment training program.

One of the landscape changes that are happening and that is being accelerated by a couple of large players and here case in point is the initiative by TCS iON - this is the assessment division of TCS in India - they have launched an assessment called CCQT this stands for Common Corporate Qualifier Test I would request you to just search for CCQT and no more but while I will explain more of it in the next slide, we have become the exclusive for now official training partner for the CCQT examination. And what it does for us it to create one additional line of business for much more compelling and value adding training program for all the students who are in the last year or the penultimate year of college. So that is the summary of TCS iON CCQT, I will come back today a little bit more in detail.

The second update in this key initiative is that our version three of Melting Pot was held in Bangalore last week attended by an array of top notch CXOs, decision makers from the universities and so on. This is becoming very-very highly look forward to event in the innovation calendar of India and our acquisition of Accendere and Vein Connect which is a research incubation platform is gaining momentum thanks to this Melting Pot 2020 as a property that we started three years ago. I will cover a little bit more a couple of slides later. Now, I am moving to Slide #7, which lays out the details of the TCS iON partnership that we have. If a candidate takes this particular test and they can enroll of this test it cost them Rs.599 the enrollment for the test happens on the TCS iON platform. For those of you who are not

familiar TCS iON is the assessment division of TCS and they have done last year assessments which are practically any important assessment in India including the CAT or banking examination or railways or clerical or RRBs anything that you can imagine all of those happens now on TCS iON platform. Last year they conducted about 130 million test takers in 2017-18. So when a student take this CCQT he becomes eligible for recruitment into 130 corporates who have subscribed to the CCQT test, 5000 plus jobs are available right now as we speak and TCS iON has very large plans to expand these numbers and the market size that is available is arguably about 40 million career openings that can be given depending upon or you starting from let say at the highest end it could be machine learning, AI kind of a professional right out of college or at the bottom end could be a call center recruitment into a company. This is eligible for second and third year, fourth year students. It has got two parts one is the common compulsory test which is very similar to CAT and other exams, reasoning, quantitative ability, language proficiency, general awareness etc and the second one is an optional test which would be very specific to the industry in which you want to get to, so this is just an early stages we are incubating this but it is a good opportunity if you look at it in a two to three year period where we come in as a preparation partner and launch this program. It is already live if you go and enroll more you can enroll for the program on the CL website as a standalone enrollment or you can couple it with any of our CL programs at the PG level.

And now moving to the next slide which is Melting Pot, this is seeing attendance from top notch CXOs, CEOs, on the slide that you see, you see Ashish Dikshit – CEO of Aditya Birla Retail, you see the gentlemen on the top in the middle Manish Kumar – he is the CEO of NSDC, the lady here she is the partner on innovation at KPMG and on the left hand side you see the startups who won the award and the gentlemen who is giving away that award is Alok Shriram, he is the Shriram group Vice Chairman. So the conversions between institutions and corporates is something that we are becoming a very powerful catalyst and also the startups that are taking birth inside the institutions they look at us with a lot of hope and confidence that we are able to lead them into the real world through there innovation and that is what is the business model of Vein Connect as you know. I will move forward and leave some of those queries that might be in your head to be taken at the end of the presentation.

I am on Slide #9 we moving into chapter two financial performance which brings us to slide #10. So this covers the YTD status update for the nine month period on the revenue side we have grown by about 20%, the top line has gone from Rs.222 crores to Rs.267 crores where in the EBITDA margins have improved as a result of various steps that we had taken over the last 12 months and resulting in an EBITDA for a nine months period of Rs.33.2 crores against Rs.20.7 crores same time Q3 last year which is a 60% growth in EBITDA and net profit that we are reporting at the end of Q3 is about Rs.17.7 crores against Rs.7.5 crores for Q3 last year that is a bottom line 136% growth. So that is a brief snapshot of the financials, if I look at the next slide, Slide #9 and compare Q3 on Q3 our top line has grown by about 6.9% and from the EBITDA it has grown by about 145% and so the figures here, most of them are self-explanatory I am assuming that you are able to access it. YTD figures I have covered in the previous slide this one brings focus to the Q3 figures of top line and EBITDA.

On the earnings per share there is a healthy jump, some of these are also to do with what we have been updating you with lot of cost rationalization that have happened along with some of the initiatives that we undertook about a year, year and a half are beginning to show growth in terms of revenues. I now move to Slide #12 this is the segmental summary, consumers has shown a growth of about 18.4% year-on-year whereas enterprise has shown even healthier at about 30% which includes institutional revenues as well as the corporate revenues which have shown about 47% and 27% growth, Institutional as you know is still a fledgling practice so the percentage growth might look more flattering that in terms financial numbers but overall the direction and vector looks reasonably healthy.

Now, I move to Slide #13 which takes us to the third chapter operational performance. I will take the consumer and Nikhil will step in and update about the enterprise business, so the consumer business if you recall the number of test centers we went through significant rationalizations which we have updated you in the last two quarterly calls also, we had rationalize large number of centers when we did the cleaning up after acquiring and integrating the Pearson business many common center where there were common centers possible one of the centers got eliminated. Some of the centers which were a drag on in terms of expenses and not healthy if you were to look at it very hard parameters of performance we shut some of those down. So what was looking like 211 as the number of centers in FY18 Q3 they went down to about 164 or 165 and we have added approximately 30 more centers in the last nine months. Number of enrolled students is showing a small growth, our JFM is when the season opens, we hope to do well there and at an aggregate level consumer business has shown a 18.4% year-on-year growth. I will pause here for a moment and then move to Slide #18, if you recall last year, we integrated SP Classes in Bombay in addition to integrating the GATE numbers, now GATE equity that we took in ICE GATE, IAS, CA and CS came through Pearson practice Eten, so that sigma of it has gone from over Rs.5 crores to about Rs.22 crores. Digital continues to show very good potential we are trying to invest a lot more in to leverage digital and centralized delivery model of our servicing. On the publishing side on this page and to take us through the enterprise I will call and request Nikhil to come and take us forward.

**Nikhil Mahajan:**

Thanks Satya. And good afternoon to everybody. Let me spend a couple of minutes on publishing before I get to the enterprise business. As most of you would be aware that publishing is a slightly seasonal business and the throughput of the market is linked either to the school and college admission calendar or is driven by certain announcements emanating from certain exams when they take place and the traction for that. So Q3 usually is a low quarter for publishing, this year also Q3 has been extremely slow due to festivals like Dussehra and Diwali but also there was a slight delay in announcement of certain key examinations like railway engineering exam called RRB Junior Engineer and the SSC Junior Engineer exam both these examinations were expected to be announced earlier in Q3 however the announcement took place only towards the end of December and January. So we are hoping that with RRB registrations have got over 3 million students have registered the throughput in the market for the books we have shipped is extremely healthy and we are extremely positive about the deficit of Q3 getting adequately recovered in Q4, some of the titles which are mentioned on the left

hand side are among the top 5 titles as best sellers at Amazon currently and two of those titles are in the top 10, I think many more of these titles will move into the top 10 in the coming days as the traction moves into a better gear.

Now, I will move to the enterprise business:

Now, I am on Slide #18. As in the summary where Satya had indicated the enterprise business currently accounts roughly for about 40% of the total CL revenue and as compared to consumer business that is about two third in size and on a small base it is able to show much flattering growth rate so, in the YTD performance for the first three quarters we have grown by about 30%, the corporate business even on larger basis grown at about 27% and the institutional business on a very small base had close to around 47% to 48%. These are businesses which over the last three, four years have been growing at a healthy rate and we continue to expand the penetration in terms of the client both the corporate as well as the institution segment and also wider and deepen the engagement with clients at both the level so basically the growth in the coming quarters and years is going to be driven by expansion of the client base as well as the revenue which we are able to generate from each of the customers.

Slightly detailed data on quarter-to-quarter performance of Quarter 3 in this fiscal year so if you look at while the number of clients have more or less remained constant while media reported a slight decline in the number of customers. The research has shown an equally higher increase and deeper and wider engagement with the existing set of clients has resulted it almost a 50% growth in revenue. Similarly, in the corporate business the number of clients have increased from 80 to 86 with revenue having shown a significant jump from Rs.75 crores to Rs.96 crores. Our endeavor towards enhancing both the number of clients as well as the average revenues earned from client increases is the core driving force in the coming quarters and years for a sustainable revenue growth.

With that we come to the end of the presentation and we throw open the ground for any questions which any of you might have, please send us your questions.

**Moderator:** Thank you very much sir. Ladies and gentlemen we will now begin the question and answer session. We have our first question from the line of Amit Agarwal, Individual Investor. Please go ahead.

**Amit Agarwal:** I just wanted to know the status of the sale of K12 business.

**Satya Narayanan. R:** Amit, it is still work in progress and as you know we will be able to say something clearly only when the transaction is done and closed, so anything more than that when it is work in progress it is not appropriate, but just to reiterate our intent and resolve to release the capital from that asset is underway conversations are on but it is still not closed.

**Amit Agarwal:** Sure. And on vocational training business any receivable in this quarter?

- Nikhil Mahajan:** Yes, we received Rs.7.5 crores of the outstanding amount, so there has been a progress and there is progress in couple of other outstanding accounts as well and hopefully as the money keeps coming in we will keep you posted about the developments. Just the total outstanding has now come down to about odd Rs.30 crores from Rs.52 crores about 18 months ago.
- Amit Agarwal:** And provision we have made in last nine month regarding vocational training.
- Nikhil Mahajan:** See we have made a provision for a write-off already of about Rs.4 crores in the last nine month and there is an another additional credit loss provision of close to about Rs.6 crores accounted for within the course of the year so you can assume, I think we have more than adequately provided for any potential losses into the future.
- Amit Agarwal:** Okay. And the same figure for this particular quarter, any provision in this quarter?
- Nikhil Mahajan:** We as a, ECL is running account in terms of how the collections happen and we keep providing at a rate of Rs.60 lakhs to Rs.75 lakhs per quarter and that is what we have been doing for the last 7 quarters and we will continue to do that at that rate and as collections keep coming and whatever don't come will eventually be knocked off against the provisions made.
- Amit Agarwal:** Okay. And my another question is on Alexa product, so how is the response to the product which we have launched and how is the pipeline looking like.
- Satya Narayanan. R:** Amit it is still early days the response is extremely encouraging and as you know that even as a company Amazon is investing heavily on creating the voice tech programing professionals in India. So, there are two ways in which we are going after this opportunity one is how do we integrate Alexa experience into customer fulfillment and also customer acquisition for CL as a brand, number two is as a training company we now have a mandate from Amazon Alexa to train 1000 programmers in colleges. So we have opportunity both as a brand that has a go to market integration, number two a training company as becoming the capacity building partner for all the voice tech companies so we are focused on that. I would think that any visible story to be written will happen in four quarters not sooner than that.
- Amit Agarwal:** Can you please take me through new test segment individually and how each of them are progressing?
- Satya Narayanan. R:** So say the segments that you have in mind Amit.
- Amit Agarwal:** GATE, IIT, CA-CS.
- Satya Narayanan. R:** Okay, GATE, IIT, CA-CS, FRM we have added on four or five of those over the last 18 months. So, the one that is showing greatest traction is the 9 to 12 segment which includes IITJEE, NEET and tuitions. And all of these as you know we put them all under one basket call the knowledge products and the servicing of this knowledge products is done through tech enabled centralized delivery significantly more than for aptitude products when I say aptitude

products it includes MBA, Law, GRE, PBA, RBI, Banking, SSC, etc. So we have by design not diverging too much of numbers for the sake of not releasing competitive information which is not necessary but what it suffices for us to say is that there is a lot of focus on how do we scale these what you internally call as master class centralized delivery model products because they begin to give us superior EBITDA on a per student basis by controlling the quality of delivery for the knowledge product such as GATE or civil services or IITJEE and medical.

**Amit Agarwal:**

Okay. So basically we are doing a digital delivery in this 9 to 12 segment right?

**Satya Narayanan. R:**

It's a blended delivery but the emphasis a lot more, you know what is it called as digital perhaps it does not capture it entirely it is marquee faculty members delivering it either live synchronous or live asynchronous on an on demand anywhere anytime basis where students can learn even on their mobile phones or their carry devices or a desktop or a laptop or anything it is still live but delivered centrally.

**Amit Agarwal:**

Okay. So more customers are emphasizing towards the delivery online or through physical classroom?

**Satya Narayanan. R:**

Both will continue for a long time Amit, there are two different segments but for a GATE kind of a program even if the student comes to a CL center in Hyderabad or Baroda or Ahmedabad if the best faculty delivers it from a Bangalore, or Ahmedabad or Delhi they all come to the centers but it is delivered by the finest guy who is the best teacher of thermo dynamics or mechanical engineering or whatever. And some of them might chose to learn on their own by taking a canned product online which typically is priced about let say one third or one fourth the in center model.

**Amit Agarwal:**

Okay. Just continuation of this question, do we have any form of assessment as of student engagement on when the class go live when somebody is taking class through their mobile or phone and how engaging is the video content because now a days lot many coaching classes have started delivering online classes.

**Satya Narayanan. R:**

I think that particular skill of a TestPrep company is as old as the industry. It is just that the expression of it earlier it used to happen on paper and pen now it happens digitally and they watch it, they see it on their mobiles or parents can see it at home on their desktop it is all there which includes engagement attendance, scores, assessments, benchmarking with their peers, benchmarking with the last years toppers. And there are 100 ways in which that is done and delivered to the students and their parents.

**Amit Agarwal:**

Just one more question, recently we have done some collaboration with the government to do the IIT classes so can you just put some more light on that is it CSR initiative from our side as well or it is a usual business.

**Satya Narayanan. R:** It is absolutely business it just is that it tries to innovate on the revenue model. Wherein we stay clear of the earlier experience of going deep into the government and getting stuck. However, we know that there is an opportunity to the biggest opportunity to tap into talent that wants to go to higher education, test prep, coaching is there in the government schools. So we are doing some pilot and we have been able to get a and form a MOU and we are delivering program to the students how do we monetize it, it is something that we want to discover but at this point in time I would like to say that anything more would be too premature for us to talk about, how do we intent to monetize this. But we are not going to be dependent on the government to pay for us because that is again what we are avoiding.

**Amit Agarwal:** And we are doing it for only for that particular segment or we can enhance our product basket in this?

**Satya Narayanan. R:** We can do whatever we wish, we wanted to stay focused in the pilot, demonstrate some results build some credibility and then we will broaden it and deepen it not just in sciences but even arts and commerce and go down to grade 9, go and do Career Counseling, so it is a vast ocean I think we need to do step by step and be very solid about that we are not throwing to much of money at this experiment.

**Amit Agarwal:** Okay. And just last question from my side. Can you answer if you can just tell me about how is the WAIN Connect platform going because I have seen that the numbers are not moving the number of innovations the funding amount so can you please throw some light.

**Satya Narayanan. R:** Yes, so it is moving very well some of these updations also happen after some millstone events Amit those numbers are not real time like our ERP figures when enrollment happens and we upload it, it is done after post audits of academic kinds events, so now that the melting pot has happened you will find that there will be a spike that you will see in the next two to four weeks on all dimensions. It is important to understand that innovation is a new landscape in India and we are doing a whole lot of heavy lifting on educating the institutions and the corporates about the solidity of this as a platform SaaS model which in some sense is not present anywhere in the world. So we are frugal but we are aggressive and we think that there is a winner that is possible here and between institutions and corporates it would have generated about Rs.7 crores of revenue this year both put together and the moment we bring more reputed institutions on to the platform and the corporates put the real world problem solving money I think there is a much better gain that is going to happen. Just to bring your attention to something very-very small or very important if you go now to WAIN Connect you find that there are about 560 real world problems from 95 corporates that are listed there, that was not there five months ago. And, I think in that direction that WAIN Connect will begin to find attraction and build a solid model around it.

**Moderator:** Thank you sir. We have next question from the line of Manju Bhashini from Sundaram Mutual Fund. Please go ahead.



**Manju Bhashini:** Sir our P&L numbers across all segments on console basis seems to have significantly improved there from the sales EBIT margin and all these parameters. First, if you can help me understand what is the revenue model going to be for this common corporate qualifier test in partnership with TCS that you mentioned about in the opening remarks, that is one. And if you can help me understand the volume and the pricing growth for the nine months between our key test prep segments like MBA, Law, IIT and things of that sort.

**Satya Narayanan. R:** So Manju on the CCQT if you look up our website we have four levels of training and assessment product variants that have been launched it ranges from the smallest ticket is Rs.499 product where the student can just take a test series and then go and take the actual CCQT exam and on the right extreme is a Rs.12,000 product which includes 50 hours of training, couple of personal interviews and feedback so in some sense it is almost exactly similar to the way we would look at a CAT or a GRE program where four levels of products have been built and left to the students to choose from a Rs.500 to a Rs.12,000 product with two more variants thrown in between. The first task here is to do the first 100 enrollments in the first 1000 before we begin to think of scale and if we work closely and in tandem with the initiatives by TCS iON and engage very closely with the institutions and the corporates our hypothesis is that we are bringing all stakeholders to join forces and solve a very important problem that has a social value as well as a tremendous economic value to be unleashed. So we think we need to do this very well over the next six months period, just to let you know the first litmus test for us whether we do 100 or 1000 is March 17<sup>th</sup> when the next CCQT is going to be held 2019, so we have 40 days to do all of it so it just might be a little not a great start but then if it is going to be held every quarter may be it will gather it's momentum over the next four quarters.

**Manju Bhashini:** Okay, so this partnership what is TCS is the brand or this is the assessment division of TCS you said and CL Educate what is role of CL Educate here you are supplying material for this test which people will take on the TCS platform is that the way it will work?

**Satya Narayanan. R:** No, that is not the way Manju. One of the things hypotheses with which TCS iON has been working is that just launching the assessment itself is not good enough. We need to somehow find a way or let the students find a way to train for the exam, to train for the test and perform better because only then will it be useful for both the stakeholders, the placement cell will feel happy the students have performed better to qualify for let say Bajaj Auto job or Asian Paints job and that is when also the HR of those companies will find better quality candidate so initially they are saying so we are at arm's length training partner we do not do anything into each other we do not know anything about their test, they do not know anything about our training program but they wanted somebody to run with for a as a training partner who if a student asks TCS iON that sir I want to train for the program they didn't want to train so they will refer the students to us and we are the only ones with whom they have a formal official MOU.

**Manju Bhashini:** And how will you help out the students, what happens once the student comes in to your lab.

- Satya Narayanan. R:** We train them in quantitative aptitude, logical reasoning because the sample papers are out if you go to TCS now and pay Rs.499 you can take two mocks test on their platform.
- Manju Bhashini:** And this revenue, how is it shared between TCS and you.
- Satya Narayanan. R:** No, our revenue stays with us and their CCQT revenue goes entirely to them. If we get students to enroll.
- Manju Bhashini:** Rs.499 ticket size which you talked about ranges from Rs.499 to Rs.12,000 so this Rs.499 is entirely CLs share is that what you are saying?
- Satya Narayanan. R:** Yes.
- Manju Bhashini:** And what is the other, okay this is the training cost which CL imparts to student and taking the test there is another separate registration and the amount that needs to be paid for that, that goes to TCS.
- Satya Narayanan. R:** That is right, that is another Rs.499.
- Manju Bhashini:** The source from where you get the students who will seek your help is from TCS again.
- Satya Narayanan. R:** No, we go straight from the market so already have launched the student who comes for a CAT training he can today also take as an add on CCQT plus placements training from CL so what if TCS refers students additionally to us it's a bonus but since we do B2C business we already launched the program saying that if you are looking a 2019 placements through CCQT on March 17<sup>th</sup> get started now.
- Manju Bhashini:** Okay. And this is not just for the aptitude test of TCS this is the assessment aptitude test which TCS is conducting for other it is not just for recruiting into TCS is that correct understanding.
- Satya Narayanan. R:** You are right, it is for recruiting into 135 companies with whom TCS has signed up.
- Manju Bhashini:** Fine. And here incremental cost that you need to spend may not be much because you are already in that aptitude business and you have physical centers across India and you have a brand and things of that sort am I correct in assuming that?
- Satya Narayanan. R:** Yes, you are right.
- Manju Bhashini:** Okay. And this Rs.499 and Rs.12,000 what duration is it three months course, 50 hours needs for Rs.12,000 product you said and the Rs.499 the lowest price product what is the number of training needed there?
- Satya Narayanan. R:** No that is all training, that is just a test series you take six tests online from wherever you are, it is just a practice test series before you go for the exam. And the highest one is Rs.12,000

which also has got two face to face interviews there is one before that it does not have a face to face interview it has got a digital interview and along with a training program and the URL everything is available online and enrollments have begun to happen.

**Manju Bhashini:** Sure. And the volume growth and pricing growth between the segments of test prep how will that vary nine months to nine months.

**Satya Narayanan. R:** Again as you know Manju we have to look at segment wise if you look at volume growth the one that is the most challenged is the MBA offline and MBA online is growing much better overall the volume growth has been for the quarter-on-quarter 2% pricing growth has been 20% and the YTD nine month period. Law has grown by about 5% so there is a break up some of these things Manju we are refraining from sharing too much of numbers here. But at an overall level volume growth is not as good as you would have liked we are hoping for about a 6% it is less than that it is about 2% but the pricing growth has been good for the last nine months.

**Manju Bhashini:** And this pricing growth has it got to do anything with the newer knowledge based.

**Satya Narayanan. R:** Yes, you are right, and it has not been too skewed it has been reasonably healthy in every product including MBA which is about 5%-6%.

**Manju Bhashini:** Okay. And sir on the balance sheet spend I saw you are still highlighting the two areas where things need to be done one the sale of non-core asset and the improvement in the profitability from the acquired entities there in, yes there is definitely an improvement from negative Rs.4 crores to plus Rs.4 crores and we would like to understand what are your near term targets there now for improvement further on the profitability side of these acquired entities and how is the revenue growth trend different here versus our organic one MBA, Law kind of segments and also on the balance sheet front if you can understand if you can help me understand what is this other non-current asset line item which has significantly increased there, other current assets from Rs.44 crores to odd Rs.76 crores March to September there is a significant increase seen there and the cash flows on a nine month basis what would that look like cash flow from operations.

**Satya Narayanan. R:** Okay, I will take the first one Manju and then I will request Nikhil and Arjun to take the second one. On the first one the acquired assets the scope and the profitability so Manju if I club all of these knowledge products which are delivered in a centralized mode as we speak, we have about 2100 to 2200 students as we speak. I think the critical mass for us to cross would be 5000 plus figure and here I am bracketing all the centralized delivery program whether it is civil services or CA or FRM or CFA or all of these products, I think the economies of scale will begin to do well beyond that. The good thing is that we are at a place where there is not going to be cash loss but we need to hit the higher velocity higher run rate for the economies of scale to start coming in and my view would be that we are about four quarters away from that - we need to double from where we are and that is still a lot of up

slope because some of these industries we are doing it for the first time, couple of industries it is a known practice and then I think it will be at a good place we have to cross the first milestone in my head is 5000 students. Arjun is taking the second part and Nikhil will step in if required.

**Arjun Wadhwa:** Manju the difference in the increase in the other current financial assets if that is what you are referring to is largely on account of the unbilled revenue that exist predominantly in our Kestone business on account of projects that have come in over the last quarter but have not yet reached the stage of full completion. So we have had projects which have come in from SAP and Dell and some of these are on the verge of completion, they are at different stages of conclusion so they have not reached the revenue stage but they are currently sitting at the unbilled revenue stage so that figure has gone up from Rs.12 crore to Rs.37 crores which explains the a large chunk of the Rs.24 crore jump that you saw in the other current financial assets.

**Manju Bhashini:** Okay. And this is the corporate what you call the CSR program for which you are associated with some of these corporates is this that part.

**Arjun Wadhwa:** This is the not the CSR part, this is the enterprise business that Nikhil leads so the enterprise corporate business. These are projects that we undertake events, experiential marketing programs, etc. which we undertake for different organizations. One of our companies Kestone they are clients of those and we have an array of events that we do for them, a large chunk of this is because of that.

**Manju Bhashini:** Okay. And the cash generation for the nine months how would that look like?

**Nikhil Mahajan:** My estimate is that the estimated cash generation during this nine-month period would be between Rs.12 crores to Rs.14 crores.

**Manju Bhashini:** This is post working capital needs.

**Nikhil Mahajan:** Yes.

**Manju Bhashini:** And roughly if I see we have deployed around Rs.250 crores across various segments for different as capital employed therein, and on an ongoing basis what is that number one should be aware of sir how much of incremental capital is needed to ramp up these business because all initial investments and teething cost and things of that sort are already there in the numbers on an incremental basis what is the sort of working capital needed if you can help me there.

**Nikhil Mahajan:** Manju if you look at it, the enterprise business is basically the corporate and institutional business, they are slightly working capital heavy in terms of that, and the corporate payout cycle is about 90 days then the institutional payout cycle varies between 90 to 150 days, so that business is going to grow by 30% then on that base the working capital requirement will

probably increase to that extent but will be limited to about Rs.8 cores to Rs.10 crores in a year approximately.

**Manju Bhashini:** Okay. And the margins for these two segments at EBIT level, the enterprise corporate margins at EBIT level for the nine month.

**Nikhil Mahajan:** That will be about 6.5% - 7% about 7% and for the institutional business that would be roughly around 30%.

**Manju Bhashini:** No, segmental the way we are reporting EBIT margins nine month for enterprise corporate is coming to somewhere around 2.5% average. We have done close to, and the institutional part this last two quarters Q2, Q3 were quite good but again there is some element of seasonality there I believe the nine month margins are close to odd 20% range there in.

**Nikhil Mahajan:** That is what I said, for the corporate business that would be about 7% to 8% and for the institutional business in the range of 30% the weighted average will come to about 18% to 20%.

**Manju Bhashini:** Okay. The enterprise institutional is the one where you touch base with the research students that is part of the business.

**Nikhil Mahajan:** That is one of that segments.

**Manju Bhashini:** What would be the other segments here.

**Nikhil Mahajan:** We do outreach engagements with various colleges and universities in terms of marketing, branding, digital services, student engagement, student outreach etc.

**Manju Bhashini:** Okay, so incrementally Rs.10 crores is what you think from the working capital side you may need for considering the growth.

**Nikhil Mahajan:** If we were to on an average keep growing at the rate what we have done over the last two year we will probably need an incremental working capital which the internal accruals on the business growth should be able to more or less fund that incremental working capital.

**Manju Bhashini:** Okay. And any thoughts on further inorganic acquisition or are we satisfied with the recent ones we have done and we are looking more to consolidate this now any further need for capital there on that front.

**Nikhil Mahajan:** Nothing for the next four quarters Manju, nothing on the anvil, nothing right now.

**Moderator:** Thank you sir. As there are no further questions I now hand the conference over to the management for closing comments over to you gentlemen.



*CL Educate Limited  
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**Satya Narayanan. R:** Thank you very much. This is Satya here I will let Arjun as a CFO give the vote of thanks.

**Arjun Wadhwa:** Thank you everyone for attending and thanks a lot for your questions and for your time. We continue to be available at the email address and phone numbers shared in our presentation, should you have any additional queries at any point in time we would be happy to take them up. Once again thank you so much for your trust and we look forward to catching up with you again the end of the financial year. Thank you so much. Thanks Vikram.

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