"CL Educate Limited Q1 FY 2023 Earnings Conference Call"

August 04, 2022

Management:

Mr. Satya Narayanan R – Chairman, CL Educate Limited

Mr. Nikhil Mahajan – Executive Director & Group CEO, Enterprise Business, CL Educate Limited

Mr. Arjun Wadhwa – CFO, CL Educate Limited

CL Educate Limited – Q1 FY23 Earnings Call Transcript

Arjun Wadhwa: Welcome to CL Educate Limited Q1 FY 23 earnings conference call. My name is Arjun Wadhwa. I'm the CFO of CL Educate Limited. And I'll be your host this afternoon. Like last time we are hosting this call on our Kestone platform.

Now joining me on this conference call today is the senior leadership team of CL, Mr. Satya Narayanan R, Chairman of CL Educate Limited and CEO of our Test Prep business and Mr. Nikhil Mahajan, Executive Director, and Group CEO of our Enterprise Business. This call as always, will be recorded, transcribed, and made available on the investor zone on our website in the next 48 hours.

I'd like to start today by inviting Satya to take you through the early part of the presentation. Following which Nikhil will run you through to the end. Please post your queries in the chat box and we'll take them up after we've run through our presentation Satya over to you.

Satya Narayanan R: Thank you Arjun. Welcome everyone. I'm delighted to be hosting you here today at the investor presentation and the Q1 Earnings Call as mentioned by Arjun, I'll take all of us through the first three or four slides following which I'll hand it over to Nikhil to take us through the rest of it.

And all three of us will be available for the questions at the end of the presentation. We could move into the first slide. This is how our flow is going to be today. I'm going to cover the first part which is the journey in short, in summary, and as all of us, and especially all of you who have a very insightful ring fence view of various businesses and, across various sectors.

And, I will just provide you with one perspective from the EdTech and, MarTech domains. The last 36 months has been a journey from one of very acute disruption going to a very inappropriate or unfortunate challenges for various plays. I'll, take us through that briefly. And then we move to business and financial updates and ending with corporate updates. Let's move forward.

One of the things that I wanted to start today was to share the journey of our entity CL Educate. It has not been without its share of challenges and especially even right after becoming a listed entity. However, one of the things we have always held as a bunch of entrepreneurs and our entrepreneurial team over the last 27 years is that challenges come and the challenges go and the match is not lost when we have a fall, the match would actually be lost when we decide to give up. And this is the place where I, always would like to say and share with all humility, that CL has seen four phases or four waves since 1995. This wave of COVID was an exceptional disruption and EdTech has seen action like no other sector. And all of you're aware, that in the private equity space, no space got more money invested than the EdTech segment. But at the end of it, when we're coming out of it, we think that boys will be separated from men and, CL will stand very solid and will come out very well in the litmus test which is always applied, and which should always be applied for a listed entity from a financial investor's perspective.

I'll move forward. And the way we are seeing it is that when an environmental disruption that was caused - how did we respond to it? What was the transformational steps that we took and how is it leading to growth? That's what, in a sense, I want to cover very briefly on the slide and it's going to be a very short commentary across EdTech and MarTech separately.

To begin with, as you're aware overnight the physical contact or face to face sessions came to a standstill and physical centres had to be shut when our honourable Prime Minister went up on television and said that we are announcing lockdown. The thing that stood with us in great state at that point in time was our mindset and our thinking that even prior to COVID at least in the previous 7 to 10 years, there wasn't ever a strict partition or a separator between offline and online. It was a blended model even earlier.

Let me give you an example. Even prior to COVID, over 15% of the students never wanted to come to a physical centre, their discovery, their enrolment, their learning, and experience their testing and assessments and their going away as an alum, giving testimonial, all of those were online, which means quite literally, we never shook hands with the students and we would run into them at an airport and they would come and say, sir, you never taught me, we never, met physically, but you have taught me. And at the same time, there is another set of the customer group, which perhaps is almost, if I may put a figure to it, it would be at least two thirds going up to 80%. As a parent, I would do this saying that if I have an option between a pure online and a blended, I would go for a blended with 20, 30, 40, 50% off if It is available on demand remotely from home. But there is a lot of face to face that is available, which results in great doubt, solving inspiration conversations with peers and all of that. So, this blended model or omnichannel was our model prior to COVID, but because we had 15 to 17% of our students studying distantly from homes, we overnight moved into and pure online model.

And when the COVID has gone away our Omni model is back. All our centres are back in action and, the growth is going to be reasonably exciting in our view. One of the beautiful things that I would want to always reiterate about Career Launcher is that our, expansion is CAPEX negative because of our magic sauce that we talk about is our franchisee or business partner model. More details of it, I can cover it at some other point in time, but moving for a brief commentary on the MarTech part.

This one I must admit, was looking more threatening because of the onslaught of COVID because most of our Kestone businesses hadn't discovered the online world prior to COVID. And it's a great opportunity for me to acknowledge the good work by the team. The current platform that we are working upon was built by the team in a matter of 20 to 22 weeks during COVID helped on focusing the large customers who were not happy enough with a generic product online conferences or seminars or webinars or presentations and, they've taken it to the market.

And as COVID has gone away, And offline also has come back the transformation in terms of organizational structure, design, team roles etc. Kestone has done a very admirable job. The jury is still out there, but I think this looks like an exceptionally exciting journey for Kestone too post COVID in the realm of marketing technology.

I will reserve more detail commentary about the metaverse (journey) which Kestone has embarked upon in enabling their clients. Nikhil will cover it a few slides down this presentation at this stage. I also want to pause and, express our gratitude and appreciation to our shareholders, investors who showed that many of them were not panicking when COVID hit. And some of them, when we meet in in the investor conversations or when they reached out to us, the conversation is extremely heart-warming in the sense that they're extremely supportive and not just supportive, but had a great conviction that this is the challenging time at the end of which CL would emerge much stronger.

CL Educate will emerge much stronger, both on the EdTech and the MarTech side. In that context as, a listed entity, I want to specifically express my gratitude to HDFC as an institution, which was on our table for 10 years. They came much before we went public and just a week or two ago, HDFC eventually exited. And we've got a couple of good marque investors who have come in and relieved or, the baton passing has happened. And in a journey of a listed company for a variety of reasons, as HDFC had to do some of these things because of the merger between HDFC bank and HDFC. Otherwise we would've loved to have them on our table. Mrs. Madumita even today continues to be on our board. We are extremely grateful to them for the support we've gotten for almost, a decade.

I'll move forward.

This is something Nikhil will pick it up from here. I, will only make one specific comment here and, hand it over to him, which is that we are at this point in time focused upon driving the business with the good old seven to eight important financial health parameters being on our dashboard on a monthly basis. However, without compromising on the academic fidelity that is needed for a company like us, where we continue to improve our results share, when a family meets you and then they say that the kid went to an IIM or an IIT or a law school from Career Launcher, that's the wealth of a brand that, that we are focused upon on this side. And on the other side in Kestone, it's about the, CXOs and the heads of marketing vouching for the kind of services that Kestone brings to improve their marketing efficacy. I'll pause there and hand over to Nikhil to, take us forward over to you.

Nikhil Mahajan: Thanks and good afternoon, everybody. I hope I'm clearly audible

Last four quarters, we have been very steadfast and focused on two critical aspects. One was enhanced shareholder value creation. And the second point was the underlying 10X, which will drive enhanced shareholder value creation. So, on enhanced financial performance, efficacy, efficiency, etc. we worked steadfastly overcoming the challenges of COVID posting better margins, faster earning growth at a significantly lighter balance sheet after having done away and cleaned up significant part of old receivables and doubtful investments from the face of our balance sheet. In the last four quarters as the business earnings began to reflect we also focused on the tangible outcome of greater shareholder value.

And some of the steps we have initiated, including a stock split when an Equity Share of Rs. 10 became a Rs. 5 Equity share which happened in Q3 FY22, about three quarters ago. Last four quarters we have liquidated four significant, large parcels of real estate and released close to Rs. 60 Crores of investment or cash which is available for us now to be deployed into business, to accelerate the revenue and earnings growth.

And part of it has been deployed in the form of a buyback at maximum price of Rs. 170 to enhance shareholder value. We completed the buyback about a week ago and the process ran for over two months and some of the existing investors were part and parcel who chose to exit. We thank them for being shareholder at CL. Our endeavour for the coming four to eight quarters is enhancing shareholder value, shareholder wealth by consistently improving business performance and accelerated revenue growth.

And there are certain remaining parcels of real estate which we have an endeavour to sell over the next remaining two to three quarters of this current fiscal year.

I'll come to the quick snapshot of financial update. Many of you would've seen that once we have uploaded our business performance the investor PPT on our investor zone in the morning. So the quick snapshot is our Revenues year on year, increased by about 36% and our EBITDA increased by about 30% in the comparable period. The PAT or the Total Comprehensive Income and EPS increased by a much larger multiple, because that also included one-time net exceptional gain as a consequence of the sale of the real estate, Greater NOIDA, however, independent of the net exceptional gain our profitability at PAT level has improved by about 75% on a year on year basis of Q1 FY23 versus Q1 FY22.

In the last four quarters, some of the critical changes which you would see on the face of the balance sheet is a dramatic reduction in our borrowings. Borrowings have come down from close to Rs. 40 Crores as on June 30, 2021, to about Rs. 10 Crores on June 30, 2022. And these figures have further gone down in the month of July post the realization of money from the sale of the real estate.

Our net cash position has shown an increase of close to Rs. 60 Crores. And this is post accounting for about 7-8 Crores of cash outflow on account of buyback till June 30th. As I shared, our EPS has shown a 4X growth on a year-on-year basis, but that includes one-time exceptional income.

However, the ROCE and ROE on an annualized basis have also shown a significant improvement with ROCE increasing from 6.1% to 9.8% and Return On Equity increasing from 4.4% to 9.7%. Yes, we are still both on ROE and ROCE benchmarks below a certain current expected threshold, but I just wanted to reassure that we are well on our path to reach those threshold levels over the next four to six quarters. The reopening of the world post COVID has made some of the things which should have happened a couple of years ago only delayed by something like 8-10 quarters, but the business environment stays extremely positive, and we would hope things to improve going forward.

A brief update on how businesses, the two core businesses - the EdTech and the MarTech business performed in Q1. On a year-on-year basis, both the businesses performed similarly with revenue growth of close to 34% and an EBITDA growing at around 26%. One of the reasons of EBITDA growing slightly lower in Q1 as compared to the revenue growth is because of two reasons - Physical centres reopen in the first quarter, and that had initial expenses which were loaded, which will get normalized over the remaining three quarters and also in the MarTech business, we saw coming back of physical event and rebalancing of split between Virtual events and the Physical event. And as the physical event generate larger revenue, but a lower, EBITDA margin. So EBITDA margin will probably see a dip over the next couple of quarters till things stabilize as physical world reopens. But since that will be more than compensated by a much accelerated revenue growth, our absolute numbers of both EBITDA and profitability would look much better in superior over the previous quarters.

A brief update on some of the key aspects of our business on test prep and the EdTech side. One of the key things, as I said, as the centres reopen our average ARPU increased by about 30%+ on an year-on-year basis, the volumes have also shown increase between 5-7% across most products.

CUET has been a new addition to our product portfolio in the last four to five months, and that has shown reasonably attractive performance by us in the first quarter. And as the exam gets more accepted by a wider gamut of universities and institutions, we see this opportunity panning out over the next three to five years in a significantly large way. Our endeavour to maximize our footprint in that market in that first year to establish ourselves as the market leader in that segment. We continue to focus in the undergraduate segment of students from grade 10th to 12th without over focus, too much focus in the engineering medical segment. So, we are focusing on CUET, law, IPM, Study abroad. And between these four or five segments, we see somewhere around 6 Crore student market. CUET itself will probably in three years, become one of the largest exams in India. And with about 15 Lakh students registering for the first edition we expect this number to grow to somewhere between 70 to 80 Lakhs in three to five years.

And that will open up a much larger frontier for expansion in the coming quarters. For us last quarter also saw significantly increased marketing and advertising spend from our side to reinforce CL brand and also to capture the market opportunity, not only in CUET, but also in MBA and in the law segment as the physical centres reopen and the students began coming back to schools, colleges, and the coaching institutions. You will continue to see higher marketing and advertising spend in the remaining course of the year. And we remain confident that this would translate into an accelerated revenue outcome and growth in the remaining three quarters for the year.

In the publishing business one of the damper has been a significant increase in paper costs in the last two quarters with the paper prices having increased between 40 to 45%. But we have been able to reprice our offerings appropriately, which has enabled us to more or less stay margin neutral. And we have been able to pass between 90 to a 100% of the paper cost increase to our customers at least in the previous quarter. And we are hopeful, that this trend, we would be able to sustain in the coming quarters as well.

I think we covered CUET opportunity significantly in our last investor call in the month of May 2022. Also at that stage, it was still evolving. Now it has become a reality. We have had about close to 15 lakh registrations for the first CUET exam. Half of which is already done, and the remaining half will get over in the next 10 days. This opportunity of 50 lakh applicants in the first year, we clearly see multiplying it by 5X, if not more in the next three to five years. And this can help CL grow 3X on an overall basis in the coming five years. We have a partner network covering about 150 cities. We have 220 odd partners and gradually our partners are beginning to pick up this product.

While in the first quarter we saw only seven sign up. The partner sign up has also got accelerated in the last 60 days. And the number of signups which will be reflected in Q2 in the coming quarters will be significantly higher and would be shared in the subsequent quarters with you. We have also launched long term classroom product targeting grade 10, 11, and 12 for CUET, and have begun to see initial positive traction coming in that as the schools have reopened only recently after the 10th and the 12th board exams.

Again, a reinforcement, we, have 14 CEUT subjects and we have all variants with student, having the ability to study at his own pace in a totally canned manner or a combination of Canned plus classroom or pure classroom as per as choice. You can see the list of the subjects and probably CL is the only player offering such a wide variety of subjects for this exam. Most people are either focused just on the sciences or the commerce segment or the humanities. And we are currently having all the three streams and our student enrolments also more or less evenly divided across the three streams, giving us a reasonably solid foundation as we move into the core business season for the current academic year.

As we said, the last 24 months, everybody has been talking about digital, and only digital. And we were always of the belief that there will be a healthy mix of physical and digital in some ratio, whether that ratio is 50-50, 70-30, or 30-70 would probably be decided by the consumer. And now everybody has come around and veered around to the fact that omnichannel is the way to go forward. Every EdTech player is now clamouring to open physical centre across multiple geographies. And follow a path which we have already been doing for the last 15 years. I think the critical success factors in this Omni-channel game will be a robust technology, digital backbone accompanied by the large footprint spread across the country, covering as many students as possible in a physical manner. Philosophically or theoretically a CL centre can exist in every district head quarter in the next 36 months.

And our stated goal is to have 500 new centres in the next 12 quarters. I think we are relentlessly and aggressively pushing down that path to maximize our footprint. And I think some of those outcomes will be visible in Q2 & Q3 as the plan gets rolled out. We are also experimenting and doing a pilot of having a hundred distribution points in Delhi NCR region. Currently we have 15 or 17 footprints. We want to increase that number by 5X. Processes got started, I think now a much clearer picture will evolve over the next two to three quarters.

Another positive development has been that we have successfully migrated one of our pilots centres into the metaverse. The testing and the student interaction feedback process for this is going on. And our endeavour is that over the next three to four quarters each of our, the CL physical centre will have avatar in the metaverse giving a significant traffic flow in the metaverse environment and also enabling the overall metaverse game with reasonably solid traffic volumes consumer other set of services which are getting attractive, other brands getting attracted into the metaverse environment besides the educational plans.

I will now spend some time on the MarTech update. On the Metaverse front was VOSMOS, which is the Metaverse platform of Kestone. It got formally launched towards end of June. We have signed up seven brands across different segments, including art galleries, luxury brand. We have beauty brand. We are currently executing a pilot for a leading hotel chain. And once that is successfully executed, we hope to extend it to the entire hotel chain in India. The revenue grew roughly around 33%, margins were static. The operating expenses did increase as physical events came back and for physical events the costing structure is slightly higher. Dell and AWS are some of the key clients which did significant business in Q1. The pipeline for Q2 is currently reasonably healthy and solid, and we expect to maintain the revenue run rate at least in the coming quarters. Singapore operations also had a very solid start to Q1 and the pipeline looks good.

Some of the virtual events and interactions some of the customers and the clients who used in the previous quarter, included Microsoft, Sun Pharma, Nutanix, DELL EMC. We did a doctor's conference and Woman Leadership Conference and Science Expo. So now this platform is widely accepted. And we are now able to do physical events and a virtual event in a hybrid form successfully. We have done that in Singapore for a couple of events and a couple of events in India in the previous quarter.

Just a small bit Kestone got certified at a great place to work in the previous quarter for the role, CL Educate got an appreciation towards compliance on the GST during the previous year. So, these are just some applauses, which I wanted to share.

On the corporate updates, Just a couple of things, The Greater NOIDA property sale concluded, and we realized 48 Crores. The cash is in the bank. Last week buyback also has got completed. It started on 27th May and we completed it on 29th July. Roughly around Rs. 11.8 Crores has been the total shareholder payout, including the buyback taxes. One interesting an anecdote or feature, which I saw during the buyback period, we saw a larger interest from retail shareholders and the number of retail shareholders who were in the CL capital increased by close to 10% during the buyback window.

So, I think the, a healthy churn is happening, and new shareholders are coming on board. And as people come in, we hope over the next four to eight quarters, we have extremely good news and good shareholder value creation happening. I think that's what we have on the presentation and the update side, and we are happy to take any further questions as you may have.

Arjun Wadhwa: Thanks. Thanks Nikhil. As, Nikhil said, we are now open for questions. If you have any queries or anything you'd like to discuss with us right now, you can post it in the chat box and we'll respond.

Satya while we wait for some questions to come in. Would you like to spend a couple of minutes more to talk about the CUET experience and what it means going forward?

Satya Narayanan R: Yeah, sure. I think the right way in my view to look at this 9th, 10th, 11th, 12th segment, and the largeness of opportunity that India provides and the coming of age of the Indian undergrad programs across these 800 universities and many new universities which are coming up with great entrepreneurial teams behind it. I think that is how I would look at it. And in a way I would call it as the Gaokao moment of India and Arjun can share that a note or appropriate links on that to all the people who are invested in it, which is the what should I call it the counterpart of, India CUET in China is Gaokao or globally, which is a SAT. And I think over the next 5-10 years, CUET has the potential to become the number one or number two globally for undergrad admissions for not just Indian students getting to Indian universities, but Indian students going to overseas universities, for example, today, over 25 business schools across the globe accept CAT scores.

Similarly global universities will start accepting CUET scores and the students coming into India for undergrad program is poised to grow from 40,000 to 400,000 in the next five to seven years. So, the way to look into this opportunity is it's a new landscape. It's a fresh canvas. And there are going to be exceptionally exciting stories built in a profitable way, scaled way over the next three to five years and CL would want to participate there. And we building our foundation in that space in a very hopefully focused and telling manner over the next four to eight quarters.

Arjun Wadhwa: Thanks Satya. I'm getting a few questions on on my phone on WhatsApp. The first question I've got is from Manan. He's asking about our partner model. What are the responsibilities of CL versus our partners and where are we in terms of our journey to reach 5X distribution on the partner front?

Satya Narayanan R: Okay, thanks Arjun. Anything that involves common work such as R&D, content, technology, curriculum, material, training & certification, all of those is anchored.

And that, is the responsibility of the central office Career Launcher - Head office or the backend team that sits in Delhi. And that releases a, huge amount of stress and the business partner focuses on customer acquisition and customer delivery locally. That's in short. More details if needed, can be shared as in for supplementary questions or, later.

Other important thing is that with the coming in of newer segments the potential for building a hundred hyper local distribution points in a place like Delhi or a place like Bombay is possible. And every single district headquarters, every single town that has 10 to 12 schools now can have a profitable CL centre run by an entrepreneur who keep 75% of the revenue and pay 25% of it to us.

We take a Rs. 100, we retain Rs. 25 and Rs. 75 is given forward to the local entrepreneur business partner. That's the core of the model. And I would want to sign off my response to that question by saying that if you ask me, this is the magic sauce in our business, and there are products that when something gets announced by the government, our response to the market at times is as little less 24 hours.

And, in the worst case, we could be ready and be alive in the market in anywhere between 4 to 12 weeks. Even if it's a brand-new initiative like CUET.

Arjun Wadhwa: Thanks Satya. There are questions regarding when will we return to pre-COVID levels in terms of revenue. And what kind of margins can we expect going forward?

Satya Narayanan R: I think one of the things that we do refrain from doing is being extremely prophetic about future. We don't put numbers out as a matter of internal clarity and discipline.

However, what I can say is that we hope to get there soonest. Lot of our centres have begun to fire only now and margins like Nikhil mentioned margins at an overall level will continue to improve in absolute numbers. But we are also consciously not holding back in brand and people and technology investments.

Those will be in the realm of extremely controllable, but percentage margins might by design be given-in, in order to accelerate the growth because we believe that the leadership vacuum new opportunity has to be filled in in the next four to eight quarters. But it suffices for me to say that we look reasonably solid without promising anything but we are looking at extremely robust path for ourselves for the next 12 quarters

Arjun Wadhwa: Okay. Satya, there are also a few questions from Vivek and Vikram on CUET. Since I have you on that Vivek said can you elaborate on the CUET market in terms of competition? And Vikram is asking, what is the seasonality in that business and what kind of market shares are we targeting?

Satya Narayanan R: Okay. In a sense for those of you who are it for the first time, this is the Common University's Entrance Exam. It started off as the Central University's Entrance Exam, but even before the first MVP pilot was done by the government, it had gathered huge amount of momentum to the point where the acronym has remained the same, but the name has changed from Central Universities which we have 54 in our country, instead of it being Central University's Entrance Test, it has become a Common University's Entrance Test.

Over 90 universities have already enrolled and, informally over 150 universities are likely to seek and simply put on their website that CUET scores will be accepted by us. What does it do? It dramatically alters and creates a level playing field for the aspirants to apply for one exam. So, costs are reduced for a family. Transparency goes up from a social perspective and universities which have enrolled into CUET have seen their applications jump by a factor of 5 to 15. And what it is going to do is practically no university in the country is going to go and now invent their own entrance exam.

The way CAT is used now for practically every Business school and CLAT is used by most of the law schools, CUET is going to be used by 800+ universities and maybe a few thousand colleges very soon. That's the landscape. As a thumb rule India has 1.5 Crore kids in class 12. Take multiply that by four. So 9^{th}, 10^{th}, 11^{th}, 12^{th} is 6 Crore children compared to 200,000 in CAT. Even if you take only 11^{th} and 12^{th} it is 3 Crore children. It's a massive opportunity. It is going to be working very closely with the board exams because NTA (National Testing Agency) has said, that if there is a tie, they will also take the board exams, performance of the students.

So, whenever you think of CUET, I would want you to look at it as CUET + Boards. That's the figure. And Nikhil mentioned 15 Lakh applications in the inaugural edition. But it is likely to go up by 4 to 8 times in the next 3 to 5 years.

And leadership question that you ask, if you ask me and it's not easy, even if you do, we do one fifth of it. It's, great. In, in an MBA, in a law, in an IPM, there are two things that we look at. Typically, the test prep takers thumb rule is 50% of the applicants, which means if this figure goes to 50 lakhs, 25 lakh people will be taking preparation for CUET and in CAT 200,000 takers a 100,000 take preparation. CL has between 35,000 to 40,000. Which is about a 15-17% of the universe. And 30-33% of the active preparers. Now you can do the arithmetic. The numbers are mind boggling, but it's a long, very solid game and we must come good in both areas. Academic outcomes are the litmus test in our business. It's not advertising on television.

Word of mouth gets 90% of our, enrolments. So, we'll focus on that, but by being smart in marketing and brand investments, which we have already begun, if you have noticed in some cities and locations on radio for the last eight weeks.

Arjun Wadhwa: There's a question Nikhil from Krishnakumar Srinivasan, what's the way forward in terms of use of Cash on the balance sheet, any acquisitions, contemplated?

Nikhil Mahajan: We are currently investing to sustain accelerated growth rate in both the Edtech and the MarTech business in terms of accelerated marketing spend and accelerated people hiring which are the two core drivers to reach.

The designated goal over the next three to four quarters on the acquisition front - We continue to explore the market. We continue to scan the market and if, and when we find a right sized opportunity, which is profitable, cash generating, sustainable and comes at the right price, we will explore it seriously at this very moment.

I just want to say that nothing specific is being explored or changed. We will keep a very cautious outlook for opportunities and as, and when, and some things is serious and sustainable business at the right cost. We will get more details and share it at an appropriate forum.

Satya Narayanan R: Just to add one sentence to what Nikhil's sharing was as we've mentioned, we've spoken for the last 5-10 minutes. I think there's an unprecedented opportunity, which is organic and which is likely to be extremely disruptive from an ROE, ROCE point of view, which is the organic opportunity through, for the 11th-12th board + CUET. I think that is something that calls for our undivided attention and focus. Also in MBA, there are certain events that have happened, so we are not wanting to be in a position. No, we don't want to take MBA, law & IPM for granted. We have work to do there. There are some mergers and acquisitions and challenges that are happening in the competitive market space, even in MBA.

And like Nikhil mentioned, however, when this investment winter sets in, when this focus of private equity investors is going to move in, funding is going to stop. There are going to be assets that are going to be available at 100th the cost, maybe more, but that'll happen in my view, only six months or nine months from now.

And that must be so good, and it must pass our test, which is, it has to be profitable. And it must be capital light. We don't want to be going after expensive acquisitions that spoil a lot of hard work that we had to do. Coming out of, couple of businesses are capital extensive. So, we are not going to repeat any mistake and throw capital to gain growth and, that's what our focus would be for the next three years.

Arjun Wadhwa: Thanks. Nikhil, there are some questions on the MarTech business. What are the revenues from the VEP segment and how is our platform different and who are our major competitors in this space?

Nikhil Mahajan: Okay. I'll answer that in two parts – One, See in last two years physical events had totally dried out and every event was taking place in the virtual environment.

We had started tracking the virtual platform events independently, and we had reached a size of about $4 million last year. However, with the reopening of the economy, not just in India, Asia-Pacific and the US as well we are seeing most of the events are now happening in a hybrid mode.

So, there is a physical event and there is a virtual event part of it. So in an integrated event, which probably is generating a revenue of say a US$100,000 there could be a US$25,000, which is attributable to the virtual part and US$75,000 for the physical event. So, segregation in that segment is not very in that manner is not very digital.

However, on an apple-to-apple comparison, I think your virtually event revenues have been slightly below a US$1 Mn in Q1 FY23. So that's what the apple to apple comparison is for our platform. While basically it does similar things like other platforms. However, it is different in terms of its adaptability. Others have a 2D platform, ours is a 3D platform. Probably the closest platform to us is 6-connects and in different markets for different customers, we have different competitors.

If you ask me, there is not a specific competitor in a specific customer segment, different customers, we have different competitors and we, fight on a project to project basis.

Arjun Wadhwa: maybe. Can you talk about the experiences with Vidya Mandir Classes (VMC) and learning from the same?

Satya Narayanan R: So I'll, pick this up. Our, association our, collaborative Alliance led experiment with VMC for IIT-JEE and NEET continues this year in Bombay and, Middle East where, we have taken it to the market. And we are looking at it. It is working well in parts. In some parts there is improvement that is needed. And the review of it happens on a quarterly basis at a senior level. And the engineering and medical segments continue to be of interest to us with some caveats and those caveats will be applicable even for an M&A conversation. And that's something that I've already mentioned a little while ago, so I, don't repeat myself, but this Alliance led models, If it works out well, at some point in time, it could lead to interesting conversations. We are not hurrying it. Our hands are full. So, it's being treated as a Business-As-Usual run by senior teams who run these businesses in those geographies.

And for those projected groups we will keep you updated perhaps a more substantial update could happen. More likely in the Q3.

Arjun Wadhwa: Thanks. The next question was where are we in terms of our goal to becoming a zero-debt company?

Arjun Wadhwa: We've reduced our borrowing significantly from June 21, where we were at about Rs. 40 Crores to about Rs. 10 Crores now. We are on track towards our stated aim of becoming a Zero debt company by December 2022. It won't be exactly Zero but will be very close to zero and it'll be virtually negligible in terms of debt on the balance sheet.

Arjun Wadhwa: There's another question in terms of how the management divides its time between EdTech and MarTech considering that there two vastly different businesses?

Nikhil Mahajan: So basically, EdTech and MarTech are two different businesses and are run by two different business teams as a board and the highest level EdTech business reports to Satya and the MarTech business reports to me. And we spend roughly about 75% of our time dedicatedly to the respective businesses, which report to us except for the corporate responsibilities.

So, we have reasonably well-established teams, processes, systems, business goals, and monitoring systems to drive them and take them to the next level.

Arjun Wadhwa: Thanks Nikhil. We've reached 5 O'clock, which was our cut off time. So I'll Just take one or two last questions. I see a couple of people who are still typing. Manoj Dua asks – As a franchise owner of CL Educate What kind of support would a franchisee expect from the company?

Nikhil Mahajan: A franchisee looks at couple of key factors before he signs up. One is what is the brand description? What is the brand reputation? What is the word of mouth? Its product repository? How well distributed is it geographically? Pan India? So, the key support that he looks for is the Brand and the associated marketing standing, the technology backbone and the content backbone and the repository. So basically, as a franchisee, all this comes to him from the corporate side, he's expected to do local marketing and Student acquisition and the delivery on the ground in his local market.

This broad model has been in place for the last over 20 years and has been reasonably successful. We currently have about 200 partner centres over 130-135 cities across India and probably going forward we expect not too many changes from our side in terms of contribution.

We are always open towards feedback and any incremental support, which the partners require at different points of time. For example, during COVID we enabled digital delivery of classes to every centre, either centrally or enable them to take classes locally in a digital medium. So those kinds of interventions when an external event happens are provided to them and will continue to be provided to them as and when required.

Arjun Wadhwa: Thanks, Nikhil. I see there are a few questions that are still unanswered. What I would request you to do is if you'd like us to address those, feel free to, to give me a call after this session gets over and I'll be happy to take you through any queries or any specifics that you want on a one on one basis.

Alternatively, we can schedule sometime either tomorrow or early next week to address any additional questions that you may have. We'll wind up our session here for today. Thank you, Nikhil. And we'll see you all at our AGM next month. Thank you.