"CL Educate Limited Q4 FY18 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the CL Educate Limited Q4 and full year FY18 Earnings Conference Call. We have with us on the call today is Mr. Satya – Chairman, Mr. – Gautam Puri – CEO, Consumer Business, Mr. Nikhil Mahajan – CEO, Enterprise Business and Mr. Sudhir Bhargava – 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 pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Sudhir Bhargava. Thank you and over to you sir.

Sudhir Bhargava: Good afternoon everybody and thank you for taking time to join us on this call. We have uploaded our Q4 FY18 Investor Presentation. I hope you have got the link, else it is uploaded on www.cleducate.com - Investors section - Quarterly results. Why I mention this is because I will be referring to some of the slides that are there.

If you look at Slide #5 which summarizes the revenue numbers, you will notice that on an overall basis total income has grown for the year by about 10% to about Rs. 302 crores. Below that we have given just for reference our quarterly income distribution and in Q3 last year it was slightly lower as a percentage because of the demonetization exercise that occurred. But otherwise you will notice typically the revenue point of view Q2 and Q4 are more or less at par. In terms of profitability, while our total income has grown by about 10%, our net revenue has grown by about 9.7%, at the EBITDA level though we have lost money and EBITDA level number is down by about one-third from Rs. 34 crores to about Rs. 22 crores and this is on Slide #6. To try and explain this drop if you look at Slide #7, we have tried to compute based on our best estimates, the numbers what they would look like but for the various investments we have made. So EBITDA for FY18 is at Rs 22.7 crores and if I adjust because IndAS has certain components where the classification changes, we arrive at the operating EBITDA of Rs 11.9 crores. Now from here onwards what we have tried to add back is the EBITDA level loss that we incurred in the new sort of investments we have made, the first one being ETEN which took its own time to stabilize and we now believe we are in a position where it should start to move upwards, so ETEN was about Rs 3.5 crore at an EBITDA level, a loss.

We had acquired the team from VistaMind and that over the year in our estimate we lost about a crore there. In addition, the vocational government business, our number including extra provision and the expected credit loss which is a concept under IndAS is around Rs 4 crores. Then over the last 9 to 10 months the company added more senior management in its rolls during the course of the year and that is another Rs 2.5 crores. So as I said these are our estimates and if you were to add it back the Rs 11.9 crores becomes nearly Rs 22.9 crores and the drop yes, it is still there as a drop from Rs 25.7 crores to Rs 22.9 crores but it looks much more reasonable on a business as usual comparison.

On Slide #8 we have put numbers based on the segmental reporting as you would have noticed in the one-pager result. Consumer business grew in top-line in revenue by about 9% and the Enterprise business by about 14%. For the Consumer business I will now request Gautam Puri, who is the CEO for Consumer business, to take us through some of the numbers. We are now at Slide #11.

Gautam Puri: Thank you Sudhir. This is Gautam Puri here. As Sudhir said we are on Slide #11, Consumer Business - the two parts are Test Prep or the Coaching business and the Publishing business. These are the two parts of our Consumer business. And while in the Test Prep we grew by a little over 12.7%, Publishing had a decline of about 3.5% for FY18. Essentially the decline in Publishing was due to one segment which we call vacancy segment. So let me just explain that, government comes out with vacancies for its requirement, so it could be State government, it could be Central government, it could be other agencies of the Central government or PSUs and that is a completely unpredictable item. So, while the year before last which means in the financial year ending '17, there were large number of vacancies which came, the vacancies almost dried up in the financial year ending '18 and that is why we have lost about Rs 3 crores of business though we have been able to compensate for it somewhat by adding new line segment for example Civil Services as a line segment we added last year, and which is doing very well but it was not sufficient to compensate for the loss of the vacancy segment. As far as the Test Prep goes, the number of centers has gone up by about two-third from 40% from about 162 to 212. The number of students is almost the same, just a marginal improvement. As far as the Test Prep goes one segment that we have struggled is the Bank SSC and which to a great extent is also connected with the government segment, the number of vacancies even in Bank SSC segment the notification, etc…have reduced and partly because of our pre-occupation with ETEN when we were also trying to do the delivery of Bank SSC products through ETEN network, through a centralized delivery model, we lost some traction there because the market still does not seem to be very-very strongly oriented towards remote delivery for the Bank SSC, a low value product.

I will now move to the next slide which is Slide #12. If we look at the business, as Sudhir earlier talked about the part called the new investment and business as usual. Business as usual for us at this point of time is the conventional coaching business of Career Launcher where we train students for MBA, Law, Bank SSC, Engineering and so on and so forth. In this segment we have by and large grown with increase of billing from Rs 154 crores to Rs 174 crores, a 20% growth. As I said earlier the number of centers has grown and the Test Prep numbers have grown by 2% on the back of about 30% decline in the numbers for Bank SSC. Pricing has by and large been good across segments we have been able to maintain a higher price than last year and our average fee has gone up by about 15%.

Let me now move to the next slide, Slide # 13 which summarizes the new initiatives we have taken. This was discussed last time also, but I think will be important for me to highlight this again that the basic theme that we are working on is to focus on asset-light tech driven business model and why I say asset-light as it is the business partner oriented which means that a franchisee or business partner who will be working in the field and helping you grow the business. So this is what we have been working towards for the last 6 to 9 months and that is what we will be focusing on in the current financial year as well. Just to summarize; ETEN we took over, at that point of time it was doing Civils while CA was almost closed. So this year we have continued with Civil and we are restarting CA. Against our estimate, where we felt we will be able to pick it up and run it faster with the business cycle for Civils to a great extent we took it over in April'17 and by the time we settled down in July-August 2017, the cycle was almost halfway through and which is the reason why we were unable to generate sufficient revenue to cover up the expenses. In GATE, we acquired the small company called ICE GATE which has 13 centers and the total business which we did in the previous financial year was about Rs 10 crores. We took this over only in October 2017 and in the coming year we will be looking at growing the business of GATE. The interesting point about GATE from our point of view is when we look at the Engineering College when most of our students for MBA and other programs come, for them GATE is also an important product. So GATE as a product allows us to cover a larger part of the market in the same segment. Campus training, we are working under the name VistaMind, it was again taken over in the middle of the season and whenever we have done that in the middle of the season it takes us certain time to settle down but going forward we don't see any issues with it. It has got integrated completely with the Career Launcher business. S.P. Classes is something that we have done in Bombay with that entry into Science Tuition and from there we will be able to expand it to other locations as well especially in Bombay and in Maharashtra as a whole. So, that is my update on the new products and with this I will now hand it over to Nikhil to take you through the Corporate business or the Institutional business.

Nikhil Mahajan: Good afternoon everybody. My name is Nikhil Mahajan and I am the CEO of the Enterprise business. We basically work with Institutions and Corporates in various spaces which I will be covering in the next couple of slides. I'm currently at Slide #15. Basically, the Enterprise business on a full-year basis has grown by about 14% from about Rs. 104.8 crores to Rs. 119.6 crores, with the Corporate business growing from Rs. 94 crores to about Rs. 102 crores and Institutional business has grown from Rs. 10.7 crores to Rs. 17.7 crores, showing a growth of about 65%. However, the margins have more or less remained flat or have shown a very marginal growth predominantly because investments in certain new products, expansion in the management team, management bandwidth and certain investment in technology and other platforms to make them product ready for the coming business season. If you broadly look at what our core business is while we worked with colleges and universities, our eventual touch point or reach point is the youth segment whether he's a student in the school or a college.

I am currently at Slide #16. So if you look at our FY17 versus FY18, we have seen a significant enhancement in the client base from 146 going to about 214, the university customer base has increased from 82 to 132 and the Corporates whom we've worked with or whom we deliver one or the other kind of service has increased from 64 to 82 and the number of youth or end people with whom would we have done a high-touch contact in the form of seminar, event, outreach, connect, some kind of a digital connect or a product offering or a student engagement, student interview would have been upwards of 1 million students or youths in FY18 as compared to about 600,000 in FY17. I'll spend a minute covering broadly the services which we offered for both Corporates and Institution. For the Institutions, we broadly offer services of integrated marketing, student recruitment, research & incubation, career development center. Career Development Centre is basically like a Career Launcher Test Prep Centre inside a college or university where one or the other Test Prep product is delivered either through a localized faculty or through centralized delivery. If you look at the institutional business, this business is actually 3 to 5 years old and has grown from close to zero to about Rs 17-18 crores in the last 5 years. Coming to the Corporate side, we broadly offer 5 - 6 services there. The first one is integrated sales & marketing services, and outreach services for corporates for different segments of either their product and service consumers, youth or any other engagement which they want with a particular target segment. We do a Digital and Marcomm services for corporates, we do customer engagement programs, we do man-power sourcing, management and training including placements services for a very specific type and we also work with select corporates and certain strategic business solutions with a multi-dimensional rather than just linking them to either sales or marketing or HR where solutions which cover a slightly cross-functional interdepartmental play.

Spending a minute more on the corporate business; broadly this business as I shared earlier we worked with roughly around 80 odd corporate, a large chunk of them are in the IT and ITES space, we predominantly worked with them in terms of their outreach engagement to their target audience which is usually in the age-group of 15 to 25 or with a segment whom they will influence as a IT product buyer. The various outreach engagement includes college events, seminars, channel events, Digital and Marcomm events for their internal customers or their external customers, loyalty programs, people recruitments solutions or sales and marketing, training deployment etc. So, we might work with a particular customer for one of its own or proper customer we might be providing from the start to finish solution from people to the end product sale. As I shared earlier, what we have been working with the corporates in India, we also see a significant potential of this offering the service abroad specially in Southeast Asia and Middle East, we hired dedicated resources to push this business. Last year, we generated a revenue of close to a million US dollars from our Singapore operation which is now about 18 months old. Dubai operation has started last quarter and we are looking to expand into new geographies and we will yield a good traction in these selected international markets in the coming years. The third critical thing which we have been working is on developing our own IP and so over the last two years we have developed from one of the largest quiz competitions in India where last year we reached out to about 1200 schools and colleges with over 400,000 participants. The exhibition for this year is already underway. These IPs we work jointly with the parent company and execute. The IP is held by the parent company CL Educate and we collaborate with CL Educate for its execution in the ground. Similarly we did one of the largest industry academia event. We have been doing it for the last two years. We last year saw more than 500 participants. We have taken this event off-shore with the first variant happening in Dubai this month and we are also now building out IP tech enabled, IP properties and products which will enable us to execute actions and customer engagements with minimal human interference probably resulting in upward movement in our gross margin. Some of these products are going to be launched in the coming fiscal year and will hit the market in the second and the third quarter. That's what is on the Enterprise business.

I will now invite Satya to talk of the Corporate events. We are referring to Slide #19 now.

Satya Narayanan R.: Thanks Nikhil. Hi everybody. I am on Slide #19. As you know this is the theme that I pick up every quarter just to update you about the progress on a couple of things that were there right from the time we were on the road shows for IPO.

As you are aware we had exited the K12 business as a business and the asset sale and realization of capital is task on our hand on both the K12 and the Greater Noida campus side. The entire K12 piece is yet to happen. However, I am happy to inform you, has also been shared in an update at an appropriate time, that we were able to liquidate the Hyderabad land that we had and about Rs 6.5 crores of money was realized during the last quarter, also the Greater Noida asset wise is not gone for sale, it has become productive and it is beginning to yield some revenues. But both of these assets are on sale. One or two serious conversations are underway on the K12 side. As soon as something develops I will update you if it fructifies during the quarter which will go up but we will cover it in the next analyst call.

Now I'm moving to Slide #21 which is about the significant piece that we moved post IPO with the deployment of IPO money I had covered this in the last quarter and I am just reproducing the same and giving an update about it. The entire effort as GP also covered on the Test Prep side is to broaden the product basket, improve the number of products available per centre which now have moved to about 204 or 205 right now and see if the centralized delivery which is how the Civil Services and CA has been delivered through the ETEN network and can we implement this to improve per center productivity as well as the EBITDA of the business that is one significant task that is on our hand. In the last 12 months we deployed Rs 22 crores of capital and added these. As we look at the bottom of that slide what you will find is that that has resulted in about Rs 26 crores of revenue that these five lines of businesses have added to ours. While it is Rs 4 crores minus EBITDA last year and we are hoping our numbers say that and just exactly what I had shared with you last quarter as well. So about 10,000 students getting added in these five products which are part of large segments and adding positive EBITDA this year is what we are looking at. So hopefully the investment that we have made in the last 12 months will begin to pay-off big time over the next 2 to 4 years. But this year it should turn cash positive. So that's about the second corporate big rock that brings me to the end of this presentation. I will pause for a moment and if you have any questions or queries we are happy to take that right now.

Moderator: Thank you very much. We will now begin the question and answer session. We have the first question from the line of Ashish Agarwal from Principal Mutual Fund. Please go ahead.

Ashish Agarwal: First of all on the business per se, now if I look at your presentation as per your presentation the market is growing at 16% CAGR but looks like we organically are growing much slower than that. Just wanted to understand what is the reason for that slow growth? Number two, my question is more on the operating profit side even if we adjust your EBITDA it looks like the EBITDA has declined by 10% year-on-year, what is the reason for this decline and how should we look at this going forward? And number three more of a bookkeeping type of a thing, wanted to just understand why our trade receivables are so high?

Sudhir Bhargava: Just repeat the first question Ashish.

Ashish Agarwal: My question was that according to our presentation the market is growing at 16% but it looks like that we organically are growing much slower than that, so just wanted to understand what is the reason for this slow growth?

Sudhir Bhargava: Where did you pick up the 16% from, could you just….

Ashish Agarwal: This is as per your presentation Slide #24.

Sudhir Bhargava.: One in the annexure?

Ashish Agarwal: Yes.

Sudhir Bhargava: There are various parts to the Test Prep business. This is Sudhir here. It would grow at that percentage depending on the composition. Now our businesses are primarily as of now in the aptitude segment. The knowledge segment is possibly the one which may be growing at a different percentage. However this slide is nearly a year and a half old as well because that is when we had listed and we had got this report done. So as I said there are two components aptitude and knowledge. Our revenues currently are majorly from aptitude, we are adding knowledge as we are going ahead.

Nikhil Mahajan: This is Nikhil here, just wanted to add one. This market growing at 16%, there are two components. If you look at it education industry is split into two parts in that part of the slide where 65% - 70% being the regulated K12 and the school education and the higher education market and the unregulated portion which excludes the sixth segment which is Test Prep, coaching, publishing. So if you look at the annual report was done by CRISIL in 2016 prior to our IPO, there are some segments yes, which are going faster, there are some segments which are growing slower. The overall market probably in the Test Prep segment growing in single-digit and each block where in some could be faster, could be slower. So this could be estimated aggregate growth rate, some of faster growing segments where we are not very much present. If you look at MBA market has been largely flat for the last couple of years, now has only been growing at around 8% - 10%, Bank SSC and the government segment has been actually declining. So some of the other segments where we have a negligible presence or a very small presence like Civil Services, GATE, CA, CS, Engineering, Medical, we are very small producer but the market is very large and they might be going in the slightly faster flip. So, I think the overall estimate for the market is going at 16% probably is an incorrect or inappropriate benchmark to compare.

Ashish Agarwal: So how should we look at your market and how should we look at your growth going forward now because obviously this year there was some addition from the ETEN etc. which came in, so how should we look at the growth going forward and little bit on the profitability side also?

Satya Narayanan R.: Ashish this is Satya here. We should look at it segment by segment. So if you look at MBA, Law etc. there the game is going to be of able to grow higher than the market segment and MBA since it is flattish and is essentially a 2-3 brand play, it is about acquiring relative market share. If you look at a Law I think our task is to grow the market. In India when the MBA segment has 200,000 takers and the GATE 7 lakh segment, Engineering is 1.5 million, Law is only 50,000 takers and in that we have a 70% market share. So the challenge in Law is to be able to grow it to a lakh or 1.5 lakh and even if there are more number of players to come in if we keep a lion's share of this market we will be good and growing profitably. Whereas in the new acquisitions we are very insignificant player, so we have to grow if we grow in GATE, Civil, Chartered Accountancy etc. which we have acquired in the last 12 months and done about 6000 students in all including the acquisitions Tuitions, CA, CS, Civils and GATE. There I would look at it in terms of how do I multiply by 25%-30%-50% because there is a large market to take. You have 6000 students in a 15 lakh segment. So here the market growth would become irrelevant because the market might be growing slower but you have a very small relative market share. So it has to be looked at segment by segment and that is the bane of our industry that it is super fragmented and there is a task for you there are not even the ORG kind of reports that one can refer to, so most of it is still in the evolving stage.

Ashish Agarwal: Even if I look at it, so is it fair to assume we might end up growing at a high single-digit and if we are able to grow the market what we are trying to do it in Law or gain some market share from the other segment, we might end up going at low double-digit type in next 2 to 3 years.

Satya Narayanan R.: Ashish you have perhaps as seasoned as I am in modelling. So that is likely to be an outcome of the addition of all the sub-segment but I would think you are there in thereabouts.

Ashish Agarwal: On the profitability side because when we did an IPO we were looking at a very different profitability, wanted to understand what has gone wrong since the IPO. I understand some of the investments on the ETEN side etc. but even if I adjusted it what you have given it, the EBITDA still seems to have fallen by 10%.

Nikhil Mahajan: You are right that EBITDA has fallen by about 10% because some of the things which we had planned out did not turned out as we thought it would be. One critical condition has been FY17 when we post FY17 we divested the K12 business, FY17 had K12 earnings at EBITDA level built into it. Now while the business has gone away the real estate portion we still continue to hold unfortunately. So the impact of disappearance of the K12 earning which would have contributed about Rs 3 or 3.5 crores I don't know, recall the exact number. So these are what the balance sheet shows, if you were to knock off the K12 earnings on both sides, probably yes on the earnings side at EBITDA level we are flattish. We would have anticipated a 10% - 15% growth rate over previous year, unfortunately a slightly muted revenue growth with a slightly enhanced expenses negated 10% - 15% EBITDA growth which we had planned for and I hope that in the coming year things are going to be slightly better and different than the year gone by.

Ashish Agarwal: What will be the lever so to speak for this, it will be only be growth if the growth is much higher then only our EBITDA will be growing at a much faster pace, am I right in that?

Satya Narayanan R.: If you look at the centralized delivery model GP spoke about in the ETEN business that in this way makes it a business—right now when it is locally acquired and locally delivered, it is about 14%-15%-16%-17% EBITDA business Test Prep, whereas if you look at it from the centralized delivery, you are taking away the faculty cost at the receiving locations that numbers this year would have added to about 4000 students in all in the CL ecosystem. So the idea is to migrate slowly especially with the knowledge products because CA is a knowledge products, GATE is a knowledge product, Civil Services is a knowledge product and also last year we did about 800-900 of MBA deliveries through centralized delivery. So the idea is how do we accelerate the centralized delivery model across the ecosystem which will take your EBITDA to upward of 25%. That is the thing that we are betting on and that was the reason for our investment in the ETEN.

Ashish Agarwal: But if I'm not wrong for that to materially impact your overall EBITDA won't it take at least 3 to 4 years for that to happen?

Satya Narayanan R.: If we are able to accelerate that in our core products which is MBA and Law, it can make a significant difference. We don't want to jeopardize business as usual and do a rash migration, so we are thinking over a 24 months period and we have delivery targets on a quarterly basis to the business heads that such and such must be the mix by middle of this year and such and such by the middle of next year. So the 100% transition I would entirely agree with you. It will take time and also the delivery straight into the home is the other bet which we are doing. So centralized delivery into the center or centralized delivery into home, these are the two significant bits after the product expansion that we have done. So the latter was through acquisition, now the execution will be organic.

Ashish Agarwal: And what about this trade receivables because it looks to be very-very high?

Nikhil Mahajan: If you look at the trade receivables are about Rs 110 crores odd, out of this if you recall about Rs 46 crores odd are from the government from the vocational business which we did for the central government and the state governments which we discontinued about 24 months ago. We are not getting new projects but the old payments are still pending to be collected and since these receivables are 3 years 4 years old, if you look under the new IndAS the delayed payment charge off on account of credit loss or taking consideration of only the present value, hitting our profitability to the tune of Rs 3.5-4 crores this year. So here out of the Rs 110 crores about Rs 46 crores is from the government, balance about Rs 20 crores odd is from Test Prep and rest is from institutions and the Corporates and Publishing is another Rs 20 crores odd.

Ashish Agarwal: Because if I look at your institution and Corporate business the proportion of the overall business is obviously at a, so why I wanted to understand that is because given the fact that if the corporate business and the Publishing business is almost 50% of our revenues even if I adjusted it looks like that it's close to 100 to 120 days this businesses, am I right in that?

Nikhil Mahajan: Yes you are perfectly right because for the Corporates the average outstanding period is about 75 to 80 days, for institutions is about 90 to 120 days and for the Publishing business on an average is 150 days.

Ashish Agarwal: My question was then if you look at our segmental margins with the 3%-4% that's for margin, this business then because this is a higher debtor days it looks like a very-very low at the PAT level. There will be interest cost and everything also built-in.

Nikhil Mahajan: Yes there is a little bit of interest cost and this is a business at a threshold, if you look at the institutional business at the gross margin level it is about 35% - 37% margin business. But at a small base with a fixed overhead the margins are slightly lower it still delivered 17% -18%. The Corporate business was lower by about 8% to 10% EBITDA because as I shared earlier last 2 years we had significant investments to build the foundation for a growth in the coming 2 to 3 years. So yes but the margins here wont expand from 8% to 18%, you might see a 1% annualized increase in the margins over the next 3-4 years. But on a large base it can be significantly EBITDA accretive so it somewhere and Rs 106 crores grows at 10%-15% and the margin increases by 1% my EBITDA contribution will increase at a gross level for about Rs 3 to 4 crores. Institutional business if it grows by 15% - 20% and our fixed cost based incremental margin is 35% - 40%, our overall EBITDA will increase again by Rs 3 to 4 corers and this is what is going to…. so basically these are the 2-3 critical levers on the Enterprise side. On the Test Prep side if you look at it most of the acquisitions on the new products while they have contributed Rs 15-17 crores in terms of top-line, they were about Rs 5 crores in the negative. And one of the acquisitions or integration which we have just done this year which is Science Parivar in Bombay did not contribute either in revenue or profitability. I think the leveraging of that with ETEN, VistaMind or other thing moving from minus side to a zero or a positive side we will itself talk about Rs 6 crores on the EBITDA side. On the organic business we will go at its normal pace which we have indicated will increase the margin over the next couple of years.

Moderator: The next question is from the line of Resham Jain from DSP Blackrock. Please go ahead.

Resham Jain: Just wanted to ask is there any accounting changes this year you have made, accounting policy related changes in terms of revenue booking or in terms of expense related bookings?

Sudhir Bhargava: No, not really. Earlier we had IGAAP, now it is IndAS, so the comparative numbers for FY17 and FY18 are both in IndAS.

Resham Jain: I was asking like last year FY17 at the time of IPO and the accounting changes which you have made during this transition if you can explain that.

Sudhir Bhargava: So two main changes in Test Prep revenue recognition, one was part of the fee collected was taken as admission fee while we still identified it but it is distributed over the period of the service while in IGAAP which was till FY17 I could take it up front. That is one. Secondly if I sold an online mock test or a test series I would account for that product as revenue in the same month. In IndAS we are deferring it over 3 months.

Moderator: The next question is from the line of Shruti, who is an individual investor. Please go ahead.

Shruti: I joined late so I missed your comment we on the adjusted EBITDA slide. So I want to understand what is this Rs 4 crores of vocational additional provisions in ECL.

Sudhir Bhargava: Shruti, this is pertaining to the government business that we have discontinued. However there is still some staff, rentals and certain parts of that business which need closure. So there is some expense on account of that. Secondly, in IndAS, if you have receivables which are taking time as a concept you have to provide for what is called expected credit loss (ECL). These two collectively are that Rs 4 crores odd number because that receivable as of March 31, 2018 was around Rs 46 crores. So therefore there is a decent amount of ECL charge that comes up.

Shruti: Just like bad debts provision?

Sudhir Bhargava: You could call that but if tomorrow I realize all of that money, I will have a write back.

Shruti: My other question is on deferred revenue, so the previous caller was asking on accounting changes and I remember last quarter there was deferred revenue Rs 4.1 crores, right?

Sudhir Bhargava: No, I will tell you because till that quarter we were still comparing IGAAP and IndAS numbers. And that comparison stopped with March because both years now have got cast into IndAS.

Shruti: Now there is no deferred revenue concept, everything is….

Sudhir Bhargava: It is there but the data is not that significant versus IGAAP.

Shruti: As you mentioned you are deferring it to…

Sudhir Bhargava: Now going forward every quarter you will have the base IndAS number so that will be comparable from the accounting standard point of view.

Shruti: Now on number of centers, so in the presentation you mentioned there are total 212 centers, 63 owned and 149 partnerships, so we are moving gradually from owned to more ….

Sudhir Bhargava: Yes this we evaluate on a continuous basis. Typically our preference is for a franchisee owned model which keeps it asset light and we focus on content and delivery. So yes that is the direction we are looking to move as we go forward.

Shruti: And how many of these are ETEN centers if I remember correctly somewhere I read we were targeting 100 centers.

Sudhir Bhargava: That probably was much earlier as time progressed and we saw the business dynamics. We currently would have around 55 in all.

Shruti: So these are mix of what you had acquired plus what you changed from local to….

Sudhir Bhargava: Yes, acquired, some we closed, some we added.

Shruti: And what's the new target, so 55 centers now and….

Sudhir Bhargava: We don't want to get any target for centers or revenue. And also please bear with me because that is kind of competitive information as well. Having said so, what I want to repeat which Satya said is we are looking at, now we are multiproduct, multilocational and multichannel delivery, classroom, online, broadband. So technology is what we are going to use increasingly to deliver more standardized content in a user-friendly manner which incorporates time facility, product and interactivity.

Shruti: So if we were to understand how Satya was earlier saying that there is currently more of local delivery and you would want to move to centralized delivery over next 24 months if you want to say what percentage of business is coming from local and central can we understand that breakup?

Satya: Right now that number of centralized delivery would be about 4500-5000. That is the number of students who are receiving, so it is a 4500 divided by 82,000. So we need to make sure that while 80,000 grows, as proportion this one gets better.

Shruti: My question is more on the Enterprise business, so you mentioned you're growing your international presence, you are targeting other countries so what was the revenue from international business this quarter?

Nikhil Mahajan: The last full year it was about S$1.4 million for the Enterprise side. Last quarter would have been about S$230 or S$240.

Shruti: And now we are targeting Middle East and other countries, so that should grow, right?

Nikhil Mahajan: From Middle East operations the revenues will start accruing. It is slightly difficult to give an estimate because this is the first quarter, we just started operations and as things progress and actually operations fructify, we will keep sharing the updates.

Shruti: You mentioned because of some cost that came in this quarter like senior management cost etc. the margins were impacted but what were the normalized margins for Enterprise business? If I compare it this quarter its 4.7%, so what should be like normalized margins?

Sudhir Bhargava: I think Nikhil kind of mentioned that his attempt would be to improve it by 1% or 2% every year. So it's very difficult to give a number there but let's hope that we start to move in that direction.

Moderator: Thank you. As there are no further questions, I would like to hand the conference back to Mr. Sudhir Bhargava for closing comments.

Sudhir Bhargava: Thank everyone. Have a nice evening. Goodbye.

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