



**“CL Educate Limited Q2 FY 2024 Earnings Conference Call” November 06, 2023**

**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

**Earnings Call Link:** **[CL Earnings Conference Call Q2 FY24](#)**

**Results Link:**

 **[Consolidated Results – Q2 FY24](#)**

 **[Standalone Results – Q2 FY24](#)**

**Investor Presentation:** **[CL Investor Presentation Q2 FY24](#)**

## CL Educate Limited: Earnings Conference Call – Q2 FY 2024

**Arjun Wadhwa:** Good Afternoon, ladies, and gentlemen, and welcome to **CL Educate Limited's Q2 FY24 Analyst Call**. My name is **Arjun Wadhwa**. I'm the CFO of CL Educate and I'll be your host today.

Once again I welcome you to our homegrown metaverse platform called VOSMOS. I think this is the seventh call in a row that we are hosting through the platform and I'm sure by now all of you would be very familiar with the same. The video we just showed you as a precursor to this session was the platform that we have developed for HDFC Life. We have quite a few such interesting new cases now for our platform and I'll encourage you to follow our Kestone Business Instagram handle to get regular updates on what our MarTech business is doing. We'll surely share that link with you and if you've joined us a little late and have missed the video we'll put up that video and a few more on our investor zone and you can take a look at these at your leisure. This analyst call as always will be recorded, transcribed and made available in the investor zone on our website within the next 24 to 48 hours. Should you have any questions at any point in time during the session I request you to just put them in the chat window on your screen and we'll surely take them up come the end of the session.

Joining me today on this investor conference call is **Mr. Satya Narayanan**, founder and Chairman of CL Educate and **Mr. Nikhil Mahajan**, also one of our co-founders and the Executive Director and Group CEO of our Enterprise Business. I'd like to start by inviting **Satya** to share a brief overview of our business and key focus areas for the rest of the year ahead after which **Nikhil** will run us through the presentation spending some time on the financials and business and corporate updates following which we'll take up your questions. Over to you **Satya**.

**Mr. Satya Narayanan R:** Good Afternoon everybody. I'll take a few minutes to give us a quick broad sweep of the recent past as well as a little bit of a commentary on how I see H2 and also perhaps a little bit of observations on the medium term let's say next 4 quarters or so.

The highlights of H1 on the on the EdTech side was a lot around one good news is the update about the CAT takers going up to 3.3 lakhs from the last 5-7 years where it was hovering around between 2.2 & 2.6 lakhs. So, that's one good early news. We will know how many of those 3.3 lakh students would take the exam and that would augur well for us for the next 4-8 quarters when students are beginning their preparation for CAT 24 & CAT 25. That's one broad update.

The second is law exam as you know and we did cover it in the last quarter also. Law exam, CLAT, moved from the May the summer exam season to December. That has caused a little bit of a flux in terms of seasonality for students. As you know law is taken by students who are in Grade-12. So the clash between the pre-boards and the seriousness of boards and all of that that has come in the way this year and what it will result is in the recalibration of the season seasonality in students' and parents' minds. So what will happen in our view is that the long-term programs which will be a 12-month, 24-month program, those are likely to have a lot more takers as we move into the future and the crash program that used to be a large contributor right after the board exams or over a 60-day program has vanished from our summer season for law. As you know the job market is challenging especially the mass recruiting industry which is IT and IT related. That also is likely to be a good news because that is the time when students if they don't get a good job what they do is to take a competitive exam such as CAT or GMAT or GRE and they pursue higher education so that they postpone the job taking period in their careers by a year or two years. That also normally has got a negative beta to the job versus competitive exam to the job versus competitive exam variables.

On the H2 part for test prep the focus will have to be on CUET for 2024 season along with the IPM crash season which also is for 2024 season. That is one very important thing and as we look a little bit longer into the horizon there are going to be benefits coming out of the NEP led changes that have happened. Those are throwing up some good opportunities. We are cued in there, for example, the number of students coming into India by taking the Indian competitive exams that is something that will grow over the next four to eight quarters. The number of students from India going abroad that is going up that is likely to go up by a factor of 70 to 100% over the next four-five years which is from about 750,000 to 1.4 million. Those are the estimates so our emphasis and our focus on building out our international bouquet of products also is currently underway but we will see results of it more in a medium term.

A couple of broad points on Kestone side is that and you will see the evidence of what I am saying it when Nikhil takes us through that; the internationalization of Kestone is gathering traction. You will hear more about it and what it also does is to improve the profit margins compared to the India services that they provide. The other thing also Kestone is doing very consciously is to slowly cut down on the low EBITDA slash pass-through businesses that we used to take earlier and that's why you'll also find that while the revenues we are compromising consciously, but the profitability's will be going up. The Metaverse a sample office that you saw it is still at early stages of incubation but the high quality organizations who are testing it out who are doing the early betas with us and early signups I think those augur well and Kestone in a medium term could end up having its own strategic path to which we are committed. So these are some of the broad brush observations that I wanted to cover. I'll pause here and maybe come back to respond to any questions at the end of the presentations.

Back to you Arjun.

**Arjun Wadhwa:** Thanks Satya. Nikhil I'd like to invite you in now to cover some of the other areas before we throw things open for the Q&A.

**Mr. Nikhil Mahajan:** Thanks Satya. Thanks Arjun.

Okay so let's jump into the financial update straight away. So as compared to last year in the first six months we have seen steady but definitive progress with our revenues growing about 15%, half year to half year, EBITDA growing about 22%, and PAT and EPS growing by about 18%, in the equivalent comparative periods. For the PAT and the EPS I would just want to highlight that we have adjusted the figures for the exceptional gain which had occurred in the first half of last year on account of a sale of a land parcel and the figures which you see on the screens are actual apples to apples, business performance out of the two lines of businesses which we have. So we are showing consistent revenue growth, EBITDA growth and matching PAT growth during the half year over the previous year. The company had gone net debt free about four quarters ago. We continue to be net debt free totally. We currently have a gross cash of over Rs. 110 crores and we have current borrowings which we use CC limits from a couple of banks. They have marginally increased as compared to March 23 because of seasonal requirements of greater project execution in Kestone in both India and Singapore. But due to the execution of those projects, the collections which will come in the month of November and December, we will again see a dip in the borrowing figure in Q3 and Q4 and we expect to have a stable borrowing figure of around Rs. 10 to 11 crores in March 24. So our overall cash position will stay at around Rs. 95 crores at net cash level depending upon how much cash is accreted through operations and how much buyback we are able to complete, how much cash gets deployed in the remaining period of the buyback which I will come back towards the end of my session.

Here's a bit on our segmental performance. While our segmental revenue which is the operating revenues has grown 12%, our segmental EBITDA has grown 23% which clearly indicates an expansion of our EBITDA margins across businesses. You would also notice the MarTech EBITDA has grown despite more or less flattish revenues in the MarTech business. Our EBITDA has zoomed by about 60% and that is predominantly driven by a significant repivoting of businesses, of the business mix and the revenue mix and what Satya mentioned in his introductory remarks about letting go of certain low margin business support services business and we are gradually pivoting away and focusing on developing the core high gross margin business and letting go of the low margin not so profitable BSS business and that comes at obvious cost of a slower revenue growth or a marginal revenue

contraction but on an overall basis I think that's a positive move and has happened with a lot of effort in building out new customers and focusing only on the core business of Keystone. Also, as Satya mentioned in his introductory remarks about 30% expansion in the CAT registrations which we expect that some bit of the expanded market of test takers will result in an expanded CAT students coming in for prep assistance for CAT'24 and CAT'25 at the beginning of the new season which starts in January. So we are extremely positive of market expansion for test prep in CAT segment for CL in the next four to six quarters.

Okay now that was a H1-to-H1 comparison now to quarter to quarter comparison our revenues in Q2 have been almost flat but our EBITDA has increased by about 25% on flatter revenues indicating a robust margin expansion and here again the EBITDA growth in EdTech business is above 17% and the EBITDA expansion in MarTech business is about 65%. The reasons for a flattish not so aggressive revenue growth in EdTech has been as of the outline realignment of the academic season with the CLAT exam moving from the summer exam to December, and I think that market will take another 2-4 quarters to stabilize in terms of students pivoting from crash course which accounted for about 40% of our enrollment when the exam used to be in May to longer duration 12 to 24 month programs as we go ahead and that will have a significant positive rub off as the longer duration programs are sold at a higher ARPU and obviously command a higher margin and this would result in both revenue expansion as well as margin expansion as we get go into the next 4-8 quarters. So it might seem for a short term slight hiccup but from a long term business perspective I see enabling factor which would enable a migration from short term crash programs to long term 12 and 24 month programs enhancing both revenue as well as margins. A brief deep dive into our EdTech business. Our H1 volumes have increased about 16%, billing is about up 14% though H1 to H1 pricing is almost flat. While MBA billing has increased by 19% the CAT taker registrations the numbers which came out only in the month of October has seen a 32% increase, this currently has not reflected in the CAT takers coming from test prep market to either us or to the key competitors in our market and we expect that the rub up of the expanded CAT market would start reflecting in our numbers over the next four to six quarters. In the UG segment which basically comprises loss, CUET, IPM, BBA, engineering, medical tuition etc. basically catering to students of grade 10th, 11th and 12th. Our enrollments are up by about 35% IPM in the BBA segment has seen a massive growth almost of 80% and the law numbers have held for us despite the lower CLAT test takers and the last year CLAT market saw a slight decline and as the student community realigns its priorities between the CLAT market and its board prep I think over the next four to six quarters it will find a stable middle ground and we will again start to see a expansion in the CLAT test takers. Student mobility business has been growing at a fast clip with almost a 90% plus growth on a half year to half year basis as compared to last year. We expect this business going to be a fast growing business though on a smaller base and will continue to be one of our core focus growth areas over the next two to three years and a lot of effort and energy from an organizational perspective is getting focused on this line of business.

Now to the other two businesses of other lines of businesses in EdTech. Our platform business grew about 30% in H1 we added 42 new clients. The publishing revenue grew by about 18% and with the commodity pricing stabilizing the paper prices came down by about 18% to 20% on an average which have resulted in slightly better margins since the paper prices have stabilized over the last two three months and we hope that that stability will continue resulting in a positive contribution to our gross margins.

On the platform side September was a big bump for us contributed to highest ever billing we continue to see extremely positive traction for our product and services in that line of businesses with increasing number of existing customers and new customers joining our bandwagon our repeat customer strike rate is upwards of 90% and with healthy accretion of new clients I think this business is on a fast clip. We have also launched a new IP based product a common application product on a SaaS platform which we are working towards driving applications for the top 50 institutions and universities for getting students from not only our student base but also our inquiry database we launched that product sometime early October we have seen a positive traction and I'm extremely positive of it becoming a critical pillar in our future growth going forward another positive thing was that our billing grew 30% our collections grew by a healthy 40% in this line of business I think we are constantly working and enabling towards shortening our working capital cycle and on an overall year basis I think we should be almost reaching a 100% collection to billing ratio. In H2 we expect to maintain similar growth rates as was

achieved in H1.

Publishing business in terms of sales and volumes has been pretty steady growing at about 17-18%. Aided by lower paper prices which has resulted in considerable margin expansion. BYJU's used to purchase a lot of books from us for their internal consumption last year. In the comparable first half they had purchased about Rs. 2.5 crores of books, despite which we were able to achieve a 18% top line growth even without a single paisa of BYJU's business this year and as we widen our bouquet of institutional customers which enables healthy and a faster collection I think this business is a steady good attractive 30-35% margin business and we are focusing on continuously growing institutional and online business as well as adding a couple of big name authors and influencer digital marketers and we expect H2 to see a similar growth rate in terms of volumes and revenue.

I have already covered that while the top line growth in the MarTech business was more or less flat our EBITDA grew by 60% and that was predominantly to the reason I already shared that we let go of certain low margin business support services business and focused on high margin experiential marketing and B2B demand generation businesses and that has really pivoted our gross margin by a couple of percentage points resulting in a significant margin expansion we have added new clients in terms of in different sectors despite a not so positive macro environment where due to higher interest rates, compressed IT spending some of our IT customers their marketing spends have been slightly curtailed but we have added customers in FMCG we've added customers in services business like Deloitte and we are continuously adding newer customers in sectors like Fintech, Financial services and Automobile. Virtual events continue to do well. Internationally, this has been growing at a stable clip in India, As I had shared in my previous we launched our Indonesia operations in Q1 and the Indonesia team has started hit the ground running and we've already in the first full quarter Q2 we've already crossed hundred thousand dollars of business and on a full year business we are on track to achieve the goal which we have set for us and that will lay the foundation for a rapid growth in FY25 and FY26 in that market we have a strong pipeline of projects to be executed in H2 across business line and across geographies and to garner enhance business at a faster clip we are further enhancing and strengthening our B2B enterprise pre-sales team and I think as shared by Satya we clearly see that this line of business might chart its own course over the next two to four quarters there are various engagements which are currently underway and once they reach a certain stage would be shared with all of you at an appropriate time.

As you know we had announced the buyback through market route in our previous board meeting in August till November 3rd that is last Friday we had completed a buyback of about 4.8 lakh shares for a value of about Rs. 3.7 crore. The maximum buyback price is set at Rs. 94 per share, however currently the market price is still around 18 to 20% lower than the buyback price. The buyback has been impacted by certain new rules and regulations which were introduced by SEBI at the beginning of this financial year and some of the key constraints are that the buyback does not take place unlike previous year in the normal heading window for shareholders there is a separate window on stock exchanges with a separate script code for buyback and unfortunately huge number of our shareholders despite repeated updates and communications haven't been able to reach the desired point to be able to offer shares for buyback. The bigger challenge is that a separate window and the script codes are not available in some of the commonly used trading apps to some of the shareholders and that has been a big challenge. SEBI had also introduced caps on when company could operate. We can't operate in the opening and the closing 30 minutes and our limit is constrained by the volume limits on the value terms over the average of last 10 trading days. We are limited to about 25% and also the price is limited to (+/-) 1% of the last trading price. So, the constraints which SEBI has introduced in terms of market-driven buyback has resulted in far lower number of shares being getting offered for buyback than what we had anticipated and planned for. Last year we had offered a buyback for about Rs. 10 crores and we were able to achieve our volume in about 80 trading days. This time unfortunately because of the constraints and the challenges we seem to be behind. As of now we have achieved about 28 to 30% of the value for buyback. Though, we have still have some time to go and we are waiting and hoping that more shares do come back at appropriate value so while we offered the buyback price at around 20-22% premium of the last 30 days when we had opened the buyback, we as management still feel that the market is still not reflecting the correct and the appropriate value of the stock. We are convinced that the fair value of the share is definitely upward of Rs. 100 and we are continuously working towards the same. We hope

that in not so long-term future the market re-values and re-rates and the stock price hits what we think is a fair value of the stock.

Let me give you a brief outlook on our H2. While, I am not going to give you a definitive revenue guidance or margin guidance, I'm going to restrict myself in terms of what we see as key directional indicators in terms of EdTech and the MarTech business. As shared earlier because of the realignment of the exam dates we expect shift especially in case of law which accounts for roughly around 30-35% of our business which would be good from a long-term perspective in terms of revenue accretion. We will see a significant upward movement. It might have impact on short-term revenues and short-term margin but over a 4-8 quarters I think this realignment and rebounding would be extremely positive we expect MBA segment test taker numbers start growing into the prep numbers over the next 4-6 quarters and that should get reflected in higher revenues in our MBA market. Our focus areas of Study Abroad and expansion on of our partner network continue to remain key focus areas and we are continuously working towards accelerating our growth in Study Abroad segment as well as reaching our stated partner network goal. Over the next 4-6 quarters you will see partner numbers beginning to trend upwards of 300 and what we have outlined in our plan a couple of years ago.

In the MarTech business, International revenues are already about 25% of our total revenues and we are continuously focusing on international markets including APAC, US as we are able to generate higher margins due to an arbitrage opportunity. So our effort and energy in enhancing revenue growth in Singapore, Indonesia, and the USA is being continuously accelerated. We are also beginning to focus on non-IT sectors because we expect IT sector to remain slightly tight in terms of its marketing spend for the next 4 quarters though we have seen initial signs of the big IT companies revenue growths and profitability growths beginning to reflect positive momentum. It might take another 2-3 quarters before that starts flowing into increased marketing spend. VOSMOS and metaverse the cases where we are helping organization migrate and transform their businesses into web 3.0 is continuously showing positive traction. We have added signed up contracts within Hospitality sector. We just showed you what we are doing with HDFC life and a couple of other initiatives which have fructified. This business is in a stage of early adoption and I think as and when the early adopters starts flowing into mass adopters, this will see a rapid increase in our business over the next 4-6 quarters hopefully.

With that we came to an end. I'm happy to take any questions from all of you.

**Arjun Wadhwa:** Thank you so much Nikhil. Those are the numbers that you can get in touch with us before I throw it open to questions. Just one more update from our end we're planning an investor day for all of you in Delhi. It will be between the 15-November 2023 to 15-December 2023. We'll announce the exact date and send out specific invites with the details of the same in the coming week. So just mark your calendars once you receive that and we'll be in touch with you shortly. We look forward to hosting you and giving you a chance to interact face to face with us and also spend some time with our business leaders over the coming month.

I've received a few of questions I'll start with the early ones that Vivek sent in. Vivek has sent in 4-5 questions. His first question is what does the other income include and why is it so much higher than last year?

I'll address that Vivek the other income this quarter includes a Rs. 2.5 crore award that we received on the legal front and that is the reason that that number is significantly higher than the same quarter that it was in the previous year. This is a legal judgment that came in our favor in 2012, as a result of an arbitration that took place then and it took about 10-11 years for it to go through other legal hurdles including appeals etc. before the amounts were sanctioned to be released to us.

**Arjun Wadhwa:** Next question from Vivek is - The buyback is pricing too low, any particular reason?

Vivek, I think Nikhil has already addressed that when he mentioned a couple of slides back that we are limited by SEBI's new regulations which allow us to stay within a price range of (+/-) 1% from the last traded price and that prevents us from pricing the purchases that we do on a daily basis any higher than we're doing the buyback. Pricing was of course was announced at a maximum price of Rs. 94.

Next question - Is it likely to be completed by 28<sup>th</sup> November?

Nikhil, would you like to address that?

**Mr. Nikhil Mahajan:** So, I think 28-November 2023, is the last day as per SEBI because it only gave 66 trading days for buyback to be completed and so whatever number of shares we are able to buy back till the last day legally allowed, we'll go on and buy and then inform the regulators according to what has been achieved. We have already informed regarding the challenges we have confronted due to the new regulation to both the Stock Exchanges as well as the Regulator

**Arjun Wadhwa:** Thanks Nikhil. There's one last question from Vivek Joshi before I move on to the next person h's asking about - The number of new centers added this quarter. Satya would you like to address the network expansion plans and how they're progressing for this year?

**Mr. Satya Narayanan R:** I think overall we have added 13 centers and interestingly in addition to that we've also had this in the last six months key centers coming up in overseas geographies including Dhaka, Kathmandu, and Colombo etc. We are beginning to expand our international basket of products. So the rate at which we would like to expand is still lesser than what we had set out to do for the year. What we are not desperately going after is to increase the numbers where the profile of the potential partners doesn't meet what we think is the demands of the day for somebody to be a successful partner over a 3-5 year period. And the good thing is that the partners that we have chosen over this financial year, some of them are authoring exceptionally successful stories including a couple of them in places like Delhi, Meerut, Trivandrum and so on. The goal of 500 centers in three years it stays but this year instead of getting to a number of about 250 you might end up cumulative numbers to be around 200 - 210 from the current 165- 167.

**Arjun Wadhwa:** Thanks Satya I'll move on to the next set of questions. Nitya Shah from Kamayakya has posted a question about a year-on-year top line growth which has been flat for Q2 could you please elaborate on the marketing initiatives taken and how much of the cash available on the balance sheet can be used for more aggressive student acquisition?

**Mr. Satya Narayanan R:** I'll take that Arjun.

So we have done some interesting and successful experiments in the NCR region Nitya, which includes a good mix of digital as well as above the line including radio which has come very actively into our portfolio in this financial year and there are some scaling up of those that we will do in select geographies with a lot of focus and will not go for anything which is pan India at this point in time. So, funds available with us is not a constraint I think what we are only being very calibrated about is that we do some good POCs of brand building investments and based on the outcomes and based on fine tuning those strategies or designs we are scaling those to maybe half a dozen markets in in H2 along with our partners.

**Arjun Wadhwa:** Thanks Satya. Nitya has also asked a second question about the pathway towards utilization of the Rs. 100 crores of net cash that we currently have available and what are the utilization plans for the same?

**Mr. Satya Narayanan R:** One is some more proactive or aggressive organic investments like what we just covered in the form of brand investments and technology investments that will happen Nitya. In addition to that in areas such as international product basket, international education business or even in the realm of a new opportunity which has got opened up through NEP 2020, which is around universities can now offer online programs. So, in these two newer areas for us there could be inorganic opportunities that might come our way and while some of those conversations have been underway for the last couple of quarters as and when any of these conversations will cross a certain threshold and mature into shareable status, we will be happy to share that. As you know, we already have a small investment in a company called 361 Degree Minds which is doing online degree programs for universities such as Annamalai and 6-7 universities. I think in international education and in in online

universities there could be inorganic opportunities that can come our way and that's where some of these funding funds could be deployed over the next 4 quarters.

**Arjun Wadhwa:** Thanks Satya. A couple more questions for you Rahul Bansali has asked what is the current revenue contribution from CUET and Study Abroad and how is it likely to move specifically going forward and also what is the reason for slower growth in the EdTech segment other than the reduction in the law test takers?

**Mr. Satya Narayanan R:** I think CUET overall if you looked at the numbers last season we did approximately 10,000 students in terms of numbers. We are hoping that the coming season if we can double from there it'll be a great place to reach. The IE or Study Abroad has got two parts - One is the student revenue based thing which includes test preparation and consulting. I think that too we are looking at Rs. 7-8 crores of revenues by the year end and which can grow by 2-2.5x next year. So, these are the two organic growth areas that we are thinking we will achieve but in the meantime if anything inorganic happens that would be in addition. The admission Study Abroad has got the university relationship based admission thing, which is the other area where we submit students applications to various universities and then the universities recruit from our submissions. It is still going to go through a full year of a focused effort so we are looking at - can we do a 1,000 submissions this year with about a 30-35% success rate. In the international education, the test prep and consulting part is already at an acceleration stage but the university relationship-based revenue part we need to go through one more cycle to gather momentum. Any more detailed questions on this. Happy to respond if you send us a question or set up a separate call on that.

**Arjun Wadhwa:** Thanks Satya. There are 2/3 follow-up questions on the center additions, whether we'll still be on track to meet our targets of adding a 100-odd centers each year. There are questions like what are the challenges we are currently facing while scaling up the business and what would be the mix of FOFO (Franchise Owned Franchise Operated) and COCO (Company Owned Company Operated) centers going forward? Questions from Rishikesh, Vivek and Rahul

**Mr. Satya Narayanan R:** Let's take one by one sure for the I'll take the last question that I remember clearly.

The COCO's will be fewer and only for very specific reasons Rahul or Rishikesh. So for instance even in prominent city markets like NCR or Bombay (Mumbai) or Bangalore (Bengaluru) what we see is that growth is coming from the density of our centers going up because of time that it can save for our customers. So in a place like Delhi, can we go from about 25 centers currently in NCR to about a 100 centers in the extended NCR region. This will give you a sense of the way we are thinking, and such a thing is possible in Bombay (Mumbai) and Greater Mumbai, Bangalore (Bengaluru), Hyderabad and so on. So, the focus will be a lot more on partner driven network with select centers run as COCO's for instance in Delhi we will continue to have a few in Bombay (Mumbai), we might have 1-2 in Hyderabad. We have a couple and we will continue to stay with that and so on even in the middle east we have franchised out a couple of company-owned locations to entrepreneurs because I think that's the way we can scale and there are a lot of other reasons which we can get into a more in-depth session on why that works from a unit economics and growth and aggression and ROI point of view. On the challenges, one of the things that has happened over the last few years and this is what we're very mindful of is to make sure that we implement it in the right way. We are looking at partners who have the ability to not just take one center and run with it for the next 10 years which is what would be the typical profile of the CL successful partner in our first 15 years of existence out of which about a dozen of them have grown to have 3-4 centers. In the 2.0 we are looking at people who have enough financial strength to be able to set up 3-4 centers within first 2 years of their signing up and which means that their ability to invest and expand without necessarily waiting for all expansion capital coming from internal success and accruals is a very key shift that we have made because as you are aware the input costs, the input investments have all gone up dramatically in the last 5 years whether it is real estate or marketing or people costs and so on and also given the larger market, larger product portfolio that we have you'd want to look at people who can run 4 centers and do Rs. 10-20 crores of business in 3-4 years' time. Hence, the number of centers is going slower than what we would like but our hope is that if we stay put with this we might find a good number of partners who can do multiple centers in a given city or in a couple of cities and help us accelerate as we move forward. So, finding that profile of people who have a good mix of interest in education and investment



capability is the magic sauce that we need to build continuously.

**Arjun Wadhwa:** Thanks Satya, one last question on centers before I give you a break and take a couple of finance questions. The next question is what is the franchise interest in CUET specifically and that pertains to both new franchises and our existing networks taking up CUET as a product?

**Mr. Satya Narayanan R:** See the interests in CUET is high in and around Delhi and the northern belt for obvious reasons. Since the Delhi University for example is a biggest recruiter and it's a very aspirational university so all the places from where students come to DU, JNU, Aligarh Muslim University, Jamia all of these wherever the track the source points are there the interest for CUET is more as the number of universities grow. It will gradually pick up so this is going to be a 2-4 year journey, where it becomes much more of a strong revenue stream that can help us do a 100,000 students for just this one exam. What can help us a little bit more is the perception – how tough the exam is and I think that is one place still CUET can and must go a couple of notches up and I hope that happens because you know this exam can has a potential to move in the direction of whether it's the JEE or a NEET or a GMAT or CAT or CLAT which are considered very serious and tough exams for which serious preparation is needed. The other route that it could end up taking, if it doesn't pan out well is seen as a commoditized banking or SSC exam. Our hypothesis is that since students going to the top-notch universities and top-notch colleges like LSR, Stephens, Jamia, JNU, SRCC and so on, it will take the path and emulate the JEE and NEET and when that happens with a few more regional top universities coming in then it will be a national movement. Along with that I would want us to remember that CUET has already been conducted in 25 international cities globally and that is not a trivial matter because it has taken CAT 50 years to get to this stage. This year for the first time CAT is going to happen in 5 international cities whereas CUET has already been launched in 25 international cities, even in places like Bishkek and Leningrad and we can go and check out which countries they are in.

So, study in India which is a very big initiative from the government and they want to take the students from 50,000 to 500,000 over the next 7 years which will happen through Indian Test Prep Indian standardized exams including CUET, CLAT, JEE and NEET. So, I think this has got a great potential we just hope that it achieves its potential sooner than later.

**Arjun Wadhwa:** Thanks Satya. A couple of questions as I mentioned on our financial numbers - Why have the bad debts increased this year as compared to last year?

Just a quick update on our bad debts. We have taken a write-off of RS. 2.16 crores to completely clean our books as far as our Vocational Business receivables were concerned. As a matter of prudence we continue to chase that money and we continue to work with the relevant departments of the government to ensure that we can recover as much of that as possible and if it does come in we'll record it as income appropriately but for the time being we've as a matter of prudence, because it has been outstanding for more than five years we have created relevant provisions and made necessary write-offs to that extent. Over and above that the bulk of the write-offs are business as usual the bad debts in the test prep business are typically between 3-5% and when you net that off franchisee fees it becomes considerably lower number. So our bad debts and provisions on that account are very much in line with business other than the exception of those that write-off we've taken on account of the vocational receivables.

Nikhil anything you would like to add.

**Mr. Nikhil Mahajan:** No, I think you have covered that that we continue to work with the relevant authorities and still stay positive about recoverability of a significant chunk of that amount in the next 2 quarters and hopefully we'll have a write back in the next quarter.

**Arjun Wadhwa:** Right thanks Nikhil. The other question is the growth in our intangibles under development.

It's a matter of normal course of business. We continue to invest in development of key products across different spaces. We're doing a lot of content and technology development in the EdTech space across the Study Abroad

and the CUET vertical. So there's investment going in on that front, and in the MarTech space we continue to invest in VOSMOS and metaverse as products, so our growth in our intangible assets is going to continue for the upcoming 4-6 quarters at least.

Nikhil anything you'd like to add there as well?

**Mr. Nikhil Mahajan:** Just a slight modification while VOSMOS as a product has no more or less completed with only minor additions. Significant addition and new feature addition and new modifications are predominantly happening on the 'Meta-Commerce' and the 'Metaverse' platform. The VOSMOS platform is more or less stable with only a slight addition of tools etc. So bulk of the IP expansion is on the Meta-Commerce and the Metaverse platform not on the VOSMOS.

**Arjun Wadhwa:** Thanks Nikhil and Nikhil there are virtually no other questions on the MarTech space. so Satyal we will just need to come back to you for another 2-3 minutes and then we'll wind up by 4:30-4:35 p.m. A few more questions on CUET. What is our average pricing for that and what is the likely growth trends that CIET students and revenues going forward and how are we compared on a quarter to quarter basis for the last few quarters.

**Mr. Satya Narayanan R:** That's a full three credit course question.

So to capture the essence of it the summary of it you know the crash programs they get as a realization as you know CUET is a multiple subject program. So a student would take anywhere between 3-5 subjects and each subject has a fee attached to it, depending upon the number of subjects that you take a realization changes so it's not like in CAT where you come and pay one fee for CAT and it includes Quant, DI, RC, VA everything is covered. It's not like that here. You would choose - I want math, I want economics, I want applied math, and so on so for a crash program on a per subject which is a 45 day program it would result in a realization anywhere between Rs. 5,000-8,000 rupees per subject which means if the average is 3-4 subjects, it gives a realization of between Rs. 15,000-25,000 on a per student basis, and why am I taking a range because the pricing will be different from Kolkata which will be different from Bombay (Mumbai) or Delhi so that's why the ranges. The same configuration continues for a one-year program and a two-year programs. There the realization instead of it being around Rs. 20,000-25,000 would be more like between Rs. 60,000-75,000-80,000 for a one year program and for a two-year program it could be between Rs. 1.2 Lacs – 1.75 Lacs. I'm giving a very broad set of numbers and on the trends some of those trends will take a little time to build up but our preference would always be to catch them young and then get them in for a two-year program right after class 10<sup>th</sup>. That is enabled quicker if the exam is perceived to be tough which was not the case last year and we are told that it will get tougher in various conversations for a bunch of reasons and customer feedback and institutional feedback that has been received by the examination bodies. Now when the exam gets tougher, your two year programs and the one-year programs take off much faster. If the exam is easier than the children wait for the boards to be over and they come for a 2-2.5 months crash program. The number of takers already are in double digit lacs so if an outside in perspective is taken and if CL is able to replicate the student market share divided by the total exam takers which means distribution again becomes key. Online becomes key then CL normally would aspire to have between 20-35% of the serious exam preparation people as a market share that becomes a very large number for CL. Which means if you take 10 lac people who appear for the exam if 5 lac of them back of the envelope are preparing for it and if we get a 20% market share in that we're talking about 100,000 students. So, if you ask me keeping a whole lot of other things apart this is the 3-4 year goal that we must take and implement it. If it becomes faster great, if the mix is more towards the two year - one year followed by the crash it is even better. But some of these number crunching, it is likely to be a little too premature if we stop observing the market and focus a lot more on these numbers. What we're trying to do is to manage both of them and from whichever side we look at it the trends we should say that can we can we double it continuously for the next 3 years then it becomes an easier problem that can be decentralized and every center can aim at that they can do that again online and the newer centers also when they when they jump into this movement it can be quite exciting as a segment or a product that that decorates our portfolio.

**Arjun Wadhwa:** Thanks Satya. I've also got a whole set of questions asking about specific numbers and revenues of product basket wise we'll just share with you what we've said in repeated presentations in the past unfortunately the bulk of our competitors are not publicly listed companies and when we share such information in terms of specifics with you guys we're actually sharing a lot of competitive intelligence out there which we have to work very hard to get from the marketplace so we generally refrain from sharing the exact number of enrollments and the exact billing and revenue we generate from each of our product categories the idea is to give you a range just to give you an idea of where we are in terms of those product categories so that we don't throw too much data out there which could help our competitors.

There's a question on our intangibles and whether why we create intangibles and whether we should be converting them into expenses straight into our P&L.

The reason logic for that is very simple it's the useful life of a particular product that we envisage or that IP that we create if we feel that the useful life of it is three five or seven years we create an intangible for that duration and we write it off over a period of time.

There's one last question Satya which we'll take and then we'll wrap up a couple of people are asking when we expect to hit Rs. 100 crores in our MBA and law businesses individually?

**Mr. Satya Narayanan R:** I think you know I think at least it's it perhaps is doesn't come naturally to me as an institutional organization to be very specific about such future numbers but what I would definitely tell you is that the numbers that the product heads and the business heads carry for both of these are significantly north of those numbers depending upon tailwinds competition and a couple of other external factors it could be a year this side or a year that side but we just hope that the way MBA is beginning to show green shoots in terms of growth again I hope it continues to accelerate, and we hope that the law aspirant takers dip this year is more of a blip because of the shift in seasons and not something more fundamental than that. I think the rest of it is in our control and our ambition or plans for the next three years are pretty much of that nature of healthy growth on a continuous basis.

**Arjun Wadhwa:** Thanks Satya on that note of healthy growth I wish everyone here a very happy Diwali and thank everyone for being a part of this analyst call we look forward to meeting a lot of you in person in Delhi either towards the end of this month or early next month we'll keep you posted about that date of that investor meet that we're planning and we look forward to catching up with you in person thank you so much and have a good day.

**Mr. Satya Narayanan R:** Thank you Arjun thank you everybody look forward to seeing you all in person soon.

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**For further information, please contact:**

**Amit Kanabar**

Sr. Manager – Finance & Strategy CL Educate Limited  
Tel: +91 11 4128 1100  
Email: amit.kanabar@careerlauncher.com