



## “Aptech Limited Q3FY14 Earnings Conference Call”

**January 23, 2014**

### **APTECH LIMITED REPRESENTATIVES**

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**Disclaimer:** *Transcript has been edited to ensure readability without any change in the meaning of the text.*

**Moderator:** Ladies and Gentlemen good day and welcome to the Q3 FY14 Earnings Conference Call of Aptech Ltd. As a reminder all the participants' 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 any assistance during this conference call please signal an operator by pressing "\*" and then "0" on your touch tone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Saurabh Gada, thank you and over to you sir.

**Saurabh Gada:** Welcome everybody to Aptech's Q3 FY14 conference call. I have with me today Mr. Ninad Karpe – CEO & MD of Aptech Ltd.; Mr. T K Ravishankar – CFO of Aptech Ltd.; and Mr. Shourya Chakravarty – EVP, HR of Aptech Ltd. I would now like to handover the floor to Mr. Ninad Karpe for his opening remarks.

**Ninad Karpe:** Thank you for joining in this Q3 call. You must have seen the presentation sent by Saurabh as well as what we have reported post the board meeting. In the next 10-15 minutes let me try and give you an overview of the results from a business perspective, what are the trends we are seeing and what are the overall broad parameters from business perspective which we are witnessing and how Aptech as a company is responding to it.

Let me kind of briefly talk about the three quarters YTD numbers and how we have fared from April to December this year, compared to same period last year.

Roughly, if we remove the impact of MAAC accrual our top-line has grown 17% and our PBT has grown 23% compared to last year same number. You are probably aware in Aptech we will need to compare quarter to quarter, the same quarter last year. That is a pretty good performance and that has happened not because of a single reason, but a combination of various things which we have been doing over the last 2-3 years and we are seeing the impact of that in the last couple of quarters, in terms of diversity of markets, multi product, multi geography, we are continuing our process of keeping our business asset light, trying to keep only as few own centers as possible and also at the same time trying to focus little bit on some bit of enterprise business, particularly testing. Our focus in the domestic market continues on our traditional field which is computer education and multimedia & animation and we are also with that developing into other areas. So, our broad strategy change which we have done in couple of year's back, is now showing results in terms of quarter on quarter growth, in terms of top-line as well as bottom-line.

Overall, I think this is the 6<sup>th</sup> quarter where we are seeing growth in top-line as well as bottom-line. Which indeed is heartening to us, so it reflects the fact that we have made some substantial strategy shifts and it is showing results. In this quarter also we have actually had increase in margins as well, not just 6 consecutive quarter of top-line growth but including improvements in EBITDA margins, PBT has been higher, profit after tax has dropped a little bit

because of higher tax rate in some of the subsidiary companies which are profitable but if you look at the PBT numbers, it is certainly growing year on year every quarter.

Overall, from operating revenue as well, if you remove the impact of MAAC, there is still a marginal growth in the top-line but operating EBITDA there is significant growth impact. We have controlled the overall cost, this will remain in the region of Rs. 31 crores for the quarter and some of the elements have gone up and down and that depends on the variability of those expenses, particularly training and education is a variable cost but overall we have kept a tight control on the cost. We continue to outsource activities which are not strategic or important to us in terms of our core strength, all of that continues to get outsourced and of course as I said earlier, in case of own centers we try to get away as far as possible, to try and retain our cost levels.

Our debt position continues to be 0, we do not have any loans even though our cash position has come down because of the buy back and I will mention at the end of the call some details on the buy back. It is now officially closed today, as per the SEBI approval and stock exchange approval but the reduction of cash; we have now roughly 58 crores cash with us, mainly due to the buyback which we have done. Our business is cash positive, so in that sense the reduction has happened because of the buy back.

Our business of ITEC which is part of international business has remained little bit flattish but that is continuously depend on the orders we get. Aptech testing, we have got a good pipe line and we will see a growth in future points of time. There was a plan transition out of one of our big clients in that business, this is not something which has taken us by surprise, it was known, planned and because of that transition now this little bit impact has happened in the testing but we remain confident in this business, we do have contract for conducting CMAT exams for this year as well, so which is around the corner. We will remain optimistic on this business moving forward. We are one of the large players in this business of testing, we are in this business for last 8 years or so, we have been early movers in this business and we continue to remain optimistic.

We have signed up close to 30 new centers, 32 to be exact and 6 of them have been from outside India, so our desire to continue to expand continues not just in domestic but also in the International market. We continue to push the expansion drive. Interest income drop has been because of drop in the amount of cash bank balance because of the buyback arrangement which we had and our tax has gone up because of higher tax in some of the subsidiary companies. Overall, we still do have a strong network across domestic and International, this continues to expand. We have close to 1,300 centers approximately that is quite a significant number which we have in domestic as well as International. In our International retail business, we still do have a large chunk coming out of APAC largely because of our strong presence in Vietnam but we are slowly expanding in Africa and East European countries but as we expand the revenue stream there is always a lag and in future point of time from the overall percentage of APAC may go down as businesses in other geographies start picking up.

As I said earlier we are still in the mode of outsourcing as many activities as possible, so our head count has remained little steady, we have now around 421 people as opposed to 434, so not a large reduction but we will continue to chip at this. We have done major reduction in the last 4 years, so this number will now not go down substantially in future point of time but yes, we will continue to chip at this number and ensure that this number keeps climbing down at a slower rate.

Some interesting activity we did in last quarter was a big event called 24FPS which was done in association with United Nation Information Center. It received good response from students, it is in fact one of the fairly highly rated event in the animation industry.

One or two initiatives we are taking is, in Nigeria we are trying to do some mock tests, we have done the pilots. They have very large entrance exam and we are trying some pilots to do some mock examination test over there. So we are entering this new segment in Nigeria and we will see how it goes in terms of results which we get. We have also entered into agreement with a sales associate of an Indian private bank for the recruit and train model, presently it is a small order but we hope we can start scaling up that as we go along.

On the buyback, I just wanted to inform you that today the buyback is officially closed, we have spent around Rs. 60.19 crores out of the Rs. 64 crores which was budgeted and we have roughly 93% of what we had targeted as it happened, so buy back is now officially closed. I think it was useful from the Aptech perspectives because we used the cash which we had; we have now reduced our share capital and in the sense overall this will truly benefit the company.

Let me now provide some summary comments before I throw it open to questions, we believe we have now on the path of executing a fundamentally good business strategy. The strategy being 1) Assets light, 2) Multi product-multi geography strategy, 3) trying to ensure that we keep chipping at new initiatives as I have mentioned one or two of them but we are doing lot of initiatives where we hope a lot of pilots were going on whereby we hope that in future points of time some of this will flower and bloom into substantial business for us. So, this has been roughly a 3 prong strategy.

This Q3 quarter for any education companies is never the big quarter because it is not the season where you get lot of enrollments and despite that we have had good results. It is 6<sup>th</sup> consecutive quarter where we have had seen improvement, board has declared an interim dividend of 20% and so that is also reflection of the confidence we have in the business moving forward. We have one more quarter left for this year and we are going to keep pushing the envelope in terms of our testing business, in terms of our international business as well as in the domestic space we will continue to push on our multimedia animation space which is our big business in the domestic space. But we'll try to push in other areas as well.

So, this is the brief outlook from a business perspective. We remain confident that we can continue to execute on the broad shift in the strategy we have

taken over the last 3-4 years and we will push into as many geographies as possible, eventually wanting to be in all possible emerging countries as a company of choice for vocational education.

Thank you and I am now ready for any questions which you may have.

**Moderator:** Participants we will now begin with the question and answer session. We have the first question from the line of Deepinder Bhatia from Bayard Asset Management. Please go ahead.

**Deepinder Bhatia:** Congratulations on another strong result and also on completion of the share buyback, just a couple of quick questions for you. Just broadly can you give us an idea on the current state of the job market for graduating trainees of the core multimedia and animation business, what is that end market looking like to you currently in terms of job opportunities and salaries and so on?

**Ninad Karpe:** See, what we offer in Arena and MAAC is across the spectrum, we offer from multimedia right up to special effects. So, it is not that our people are employed only in animation studios, which is normally the focus of lot of people who track employment. So, broadly speaking our people do anything from web designing and started their own businesses from home after they learn multimedia. So they can get jobs in advertising companies, publishing companies, any company which has anything to with multimedia right up to pure play animation people who get absorbed in studios and of course there the growth continues depending on the movement in animation business. But an area which is particularly seeing interesting growth is on special effects. So, in special effects now, the market is taking off extremely well, so all movies, all advertising films are basically seeing a lot of improvement. In fact just to give you one quick number in this YTD from April to December we had close to 50% increase in the placement in ARENA. So, where is the pull coming from? Multimedia at the lowest end remains the plain vanilla thing which continues to have entrepreneurship possibilities as well as jobs at back end across India, but special effects is an area where you are seeing some bit of pull as well.

**Deepinder Bhatia:** And then just looking at the increase in the number of centers, how many of those in proportion have been by existing franchises who may have wanted another center maybe for relative or somebody else in the family who is going to run it, I mean related to an existing group, and how many of them are completely unrelated, new partners you have got on?

**Ninad Karpe:** We do not have the exact number. But as far as the number we have for the quarter, in which 32 new centers were added, it is only 1 which is from an existing center, so you can say 30 are from new and 1 or 2 maximum are from existing.

**Deepinder Bhatia:** And what would you characterize these as in terms of size of store so to speak if you were to arrange them from A to E, A being the supersize and E being a smaller one or by kind of city, how would you characterize these particular new stores that have opened?

- Ninad Karpe:** It all depends on product and location. So, in kind of a B class city, the location normally is smaller. We have tied up one in Calcutta which normally is little bigger. It is very tough to classify like this. Outside India or some places have fairly large centers. So it is not very easy to classify the way you are mentioning. But the good news is that, these are not existing people, we are increasing the base of the number of people who are opening centers. And of course you know opening a center in a foreign country is far tougher because regulations are different. So 6 odd centers we have opened outside. We are seeing a growth of around 40-50% on the sign-up fee of this quarter compared to same quarter last year as well.
- Deepinder Bhatia:** Sorry, what did you say, I missed the last one, there has been an increase of 40-50% in what, sorry?
- Ninad Karpe:** In the sign-up fee.
- Deepinder Bhatia:** My last question, maybe I will come back for more later on, is on the current cash situation. Is this approximately your comfort level, meaning going forward as we look at the current cash balance, should we view this to be approximately the rock bottom level that you would like to maintain through the cycle?
- Ninad Karpe:** From a business perspective we are throwing up cash, we are cash positive in the last 9 months and we have enough money to pay dividend as well from the business. So really speaking you know this cash, our business itself is self-sustaining in that sense, and so this cash is not required for the existing business. Up till buyback, we still do have 58 crores cash remaining. So clearly now from a business perspective we are not touching any of this cash which will remain on the side.
- Deepinder Bhatia:** Thank you very much. Congratulations on a very strong quarter and thank you for all the shareholder returns that you have provided, rising dividends, very substantial share buyback and continued progress in the business. Good luck. I may have a couple of more questions at the end of this. Thank you.
- Ninad Karpe:** Sure.
- Moderator:** Thank you. We just have Deepinder Bhatia with his follow up question.
- Deepinder Bhatia:** Thank you. Just on the cost side, you know the EBITDA margin, cost being maintained and margin staying steady, how much more top-line or how much more leverage is left in the business before you feel that one segment or the other is going to turn out to then needing cost increases? So we have had this benign period for the last several quarters and have come to get a sense of margins being able to expand top-line grow you know, move along forward and cost being cut and now staying steady. Can you give us a sense of how much more top-line leverage is still there in the business? I am trying to get a sense of capacity utilization at the parent Aptech level to be able to manage more business without having to have some substantial increase in cost around the corner?

- Ninad Karpe:** Yes. Thanks, I think this is an interesting question. See our business is of leveraging so this time we have added 32 centers in 90 days which is also not easy. If you keep adding like this, it is not that our cost is going to go up in the same proportion. In fact you know, we can add far more centers with the same level of cost. As I said earlier, I am trying to chip, trying to outsource as much as possible. So the increase in margins we are seeing is on the one hand we are leveraging by expanding our operations in to more and more centers. On the other hand we are trying to chip at the cost. Cost cannot be chipped substantially further down now. We, of course, have reached a point where obviously we cannot chip, it will be a gentler chip now. It will not be a substantial heck on the cost side. But yes on the leveraging revenue side, we do have greater upside to come whereby we can keep going like this couple of quarters more without substantially adding to our cost level.
- Deepinder Bhatia:** And recently I saw you renewed for another five years with the company. So thank you very much for making that decision. It is our pleasure so to speak. About rest of the management, has there been any important change in the rest of the team in the last 3-6 months coming into this particular announcement for your extension for 5 years? Is the team more or less about the same as we know it to be or any important change that you want to highlight?
- Ninad Karpe:** Thanks. So the board kind of had confidence in renewing my contract. The team is more or less the same. In the middle of the year, normally I do not do any portfolio changes. So it is still January and this is an important quarter for us. But yes, the senior team is the same.
- Deepinder Bhatia:** And then lastly, just on the profitability of existing franchise. Last time when we spoke or met, I remember there was a very major effort going on in trying to understand the profitability at the franchise level. I wanted to get a sense of you know, when we look at the total number 1000 or 1100 or so. We look at the net addition number of 32 this time. How many have left the system? Can you perhaps talk about what is happening to the churn rate? Is it rising or following and what are the reasons for any of the departure? And then overall more macro, you know what are you sensing as the profitability level of the franchises in recent quarters? I know you have been enjoying an increase in EBITDA which you have delivered to us. I just want to get a sense and comfort that in fact the franchises have also been having some, having figuring out their own way to be able to manage their profitability and growth at their level and I just wanted to get your thoughts on what you are seeing and what you are analyzing as their profitability?
- Saurabh Gada:** Deepinder this is Saurabh here. I will just answer the part about the churn rate. In terms of presenting the number of centers what we are doing now is, that the drop outs or the closures are analyzed at the end of the year. So while you are saying net addition of 32, but that is actually net and the gross are the same.
- Deepinder Bhatia:** The net and the gross this time are the same that means meaning there was no reduction in this quarter.



- Saurabh Gada:** That will be reflected at the end of the year in the March quarter.
- Ninad Karpe:** On the other part, at a higher level Aptech does leveraging by getting the expanding business and the cost will be the same. At the micro level or at the center level the Center Manager, Center Owner does the same. If you have a center, your business expands, it takes space next door. If the business expands further it takes some space next door, that is how we have seen businesses expand. This churn, which is people who drop out, most of them are due to some family reasons or some personal reasons. There are not many which drop out because of money they have not made. That is how we analyze the business. There are of course sometimes center does not take off in a particular area then it does close. So the principle of leverage goes right down to the center level, so you start with a smaller center, you get more students; add other space, so that is how it works. So, space they keep adding depending on expansion and volume of the business and they try and keep fixed costs the same.
- Deepinder Bhatia:** But are you getting a sense that they have in the last 6-12 months just like you have been able to create top-line and of course substantial bottom-line due to the special efforts that you have made, which every organisation has to determine for itself small or large, whether they can cut cost, manage cost, increase profits that is in their hands. As you have delivered in all these levers, I am trying to get a sense if have you found that they have also been able to increase their top-line, meaning are we seeing top-line because our share of the revenue pie is a little bit larger or has the whole revenue pie down the system grown commensurate to what we are seeing as the top-line growth at our company levels? So, that alignment I am trying to understand for the total top-line for the domestic business and then also have their profits also grown in the recent past?
- Ninad Karpe:** Well the answer to this is complex but let me try and give a response. Overall, we have not grown at the cost of the centers. What I am saying is there are centers and centers about 1200 centers, there will be star performers, there will be average performers and there will be people lagging and there is 4<sup>th</sup> which is just signed up and picking up. If I just take the star performers, on a year-to-year basis, they would have grown and that is the reflection we get from the collection figures which we monitor. We have a visibility into collections of each and every center. So it is not as if we have increased their expense, whatever percentage revenue we have been taking through them, by and large, it might be minor point kind of difference here or there but we have not extracted additional revenue with the same collection or same top-line which these centers are earning. So, this is on the star, average also similar, then of course there are some laggard whom we are trying to support and see that they can become profitable and start up normally it does takes 18-24 months to cash breakeven. So there is a different level of marketing support. So, on a rough basis I would say, yes the competition is increasing. Business context is not the same every year and that is not just for education that is for all businesses. All B2C businesses increasingly get competitive but if I just take the star performer or the people who are doing well, our overall collections are going up and the revenue we are getting is the reflection of the collections going up.



- Moderator:** We have the next question from the line of Shilpa Samant from Cogencis. Please go ahead.
- Shilpa Samant:** Sir my first question is the buyback that you spoke of, when was that started, the whole buy back process?
- Ninad Karpe:** It was exactly 6 months back, 24<sup>th</sup> of July. So, that is a 6-month period which was given by SEBI and stock exchanges.
- Shilpa Samant:** And also Sir you wanted to enter South Africa, have you done that or are you looking forward to?
- Ninad Karpe:** We have not yet done it, we are still in discussion. We have not yet gone to South Africa, but we have of course expanded in couple of other countries in Africa.
- Shilpa Samant:** And also Sir, your operations in Cameroon and Afghanistan were supposed to start from December onwards, so has it also started?
- Ninad Karpe:** Yes, Afghanistan has just started, we have started some business there, some students enrolment has started and our IT training and Hardware & Networking business has started. Cameroon is also started but Afghanistan has taken off much faster than Cameroon.
- Shilpa Samant:** Cameroon also started, both in December Sir?
- Ninad Karpe:** I think Afghanistan was around mid-November.
- Shilpa Samant:** Also Sir my last question would be how many co-owned centers do you have as of December?
- Ninad Karpe:** Co-owned we have only MAAC, not in any other brand. I think there are around 6 centers co-owned, which are basically in MAAC.
- Shilpa Samant:** And that is domestic, global how many co-owned centers you have?
- Ninad Karpe:** No, we do not have anything.
- Shilpa Samant:** So, have you decreased in this because I remember in October you said you have 25 co-owned centers?
- Ninad Karpe:** Co-owned means I mean I am assuming, what you call owned center and co-owned. Co-owned means there is some partner in that business, which is not a franchise partner in a pure sense. Our overall owned centers for ARENA, IT, MAAC still remain 21-22 range, and we have divested from three-four of them. When I say co-owned out of that 21, in 6 we have a partnership arrangement and balance 15 are 100% owned by us.
- Shilpa Samant:** Sir just one more question, you had earmarked around Rs. 90-100 million as capital expenditure for the current financial year, do you still stand by that?
- Ninad Karpe:** That is right, yes.

- Moderator:** We have the next question from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** Hello Sir, and congratulations on a good set of numbers. I just had one question maybe I missed the first part of the call, so I might have missed that but what kind of top-line growth are you looking at this year?
- Ninad Karpe:** As in there is a change of accounting method because of which our growth is strictly not comparable to last year but the trend, if you see the reported numbers, is top-line growth has been the single digit till December, it is around 8%. But if you take out the impact of MAAC accruals till December, it has been around 17%. So, there is almost 9-10 % impact because of the change in accounting method. I would imagine we will continue with the single digit range in the current year from a reporting perspective.
- Jaineel Jhaveri:** And Sir when does that effect wear off, so when do you actually see the true like 17% growth?
- Ninad Karpe:** Well with this MAAC accounting, till June at least we will have these kind of changes. After that it will start suddenly falling down, the impact. Major impact will go off after June.
- Jaineel Jhaveri:** And you still expect the same EBITDA margins, right? For this quarter going forward will we be able to maintain this or do something better?
- Ninad Karpe:** We normally do not predict these margins but yes, if our strategy is on the same path and the market forces also support us, we should be able to protect the margins.
- Jaineel Jhaveri:** Sir how big is this market and what kind of market share do you guys have?
- Ninad Karpe:** See now market share depends how you slice and dice it. We are in India and around 42 countries outside India. We are into multiple places. We are into computer training, multimedia animation, we have gone to hospitality, and we started retail. So if you look at IT market, NASSCOM has the figures and we are second largest player in that. In multimedia animation, we have been reported to have between 80% market share in India. Outside India where we operate, there are no published reports in terms of the market size but all I can say is the gap between graduate or non-graduate, education and employability is still very large. Just to give you some sense, in Vietnam, we are the number one IT Education Provider that was I think 11<sup>th</sup> year in row we got that award. There are no published numbers of vocational education markets of India and emerging countries, that is where we are playing. We have numbers of NASSCOM of IT training in India and we have numbers of IT training in some countries but really speaking, we are in multiple areas. So, our sense is that as we expand in more countries, as we expand in new businesses in India, we do still have a lot of upside to look upon.
- Jaineel Jhaveri:** Sir what I am not understanding sometimes is, with a company like this and doing so well, why is the market not valuing it or why is the market not valuing

it better than what it is already? I mean it has moved up quite a bit in the past few months but in general, what do you feel is the disconnect?

**Ninad Karpe:**

Let me put the positive side and then probably you can figure out, let me put the positive aspects of our company. Firstly, this is the 6<sup>th</sup> consecutive quarter of growth, I think this is important from our perspective and we have been really pushing hard for growth every quarter by quarter and that is important for us. Secondly, we went into a buyback, we had 120 crores sitting in the balance sheet which actually for day-to-day operations we didn't required because we are cash surplus company in terms of operations. We did utilize that cash for buyback, so in that sense the capital also gets reduced and with the improve performance obviously the EPS also go up to that extent. So, we felt that we should also reduce the capital, shrink it to whatever levels possible. So we have done all these things and we believe that we will continue this trend, quarter-on-quarter growth and obviously then people will understand that what we are doing strategically is correct. One more thing we have done in the past couple of years is our exposure to Government business has not been very high. A lot of education companies forayed into a lot of Government business but we were very selective. It is not that we did not go. If you remove the enterprise business, our exposure is in single digit in terms of Government business. We are very careful to chase Government business. We do it, it is not that we do not do it, but we do it where we think it is from our perspective profitable and from our perspective cash flow positive and from our perspective something which is add to our skills and what we are going to do. So we have been, in that sense, a little bit cautious about profitable growth. We have been cautious of not expanding recklessly. We have followed franchise model. We have been disinvesting our own centers. So we have been following a strategy which we think from a business perspective is correct. And we have now started to see results in the last 6 quarters.

**Jaineel Jhaveri:**

Sir one more thing when I joined the call, you were talking about the visual effects industry booming at this point of time so this is the same kind of work that company like Prime Focus would be doing, correct?

**Ninad Karpe:**

There are lots of companies in special effects. Prime Focus is one of the big players. Prime Focus actually has a huge repertoire of offering, but special effect is one of them. Today you see special effect everywhere. Every movie has special effects, a lot of it and it is not just animation. Every normal movie has special effects. Every ad almost has a special effect, so that industry is certainly doing very well.

**Jaineel Jhaveri:**

I know, I actually saw this movie, 'Wolf of Wall Street', there was a clip on line going on where they just show kind of visual effect, that they are doing in a normal movie, so I kind of know what you are talking about. Even in a normal movie as that, there is a lot of special effects.

**Ninad Karpe:**

So this industry and consumers are consuming special effect. So it is something which is in demand. To put things in through perspective, we are not just in India, but outside India as well. So when we look at Aptech, we look at it from our perspective, we look at ourselves as trying to be as global as

possible. So in that sense, we will be in whichever market which offers us good returns. So in that sense, when we have, let us say 50% revenue from outside and 50% from India, we believe we will have reached an equilibrium where we are sufficiently ensured that we do not then depend on one product or one country.

**Jaineel Jhaveri:** Sir one more thing. On online courses, like there are some courses that I can just take online and learn while I am sitting at my own computer at home. So that is not a market that we play or do we?

**Ninad Karpe:** We do have but we offer that as a part of wholesome offering which we offer to the student. We have forayed and what we call the digital space but these are pilots. We do have a partnership with Hungama, where we have gone into some bit of learning experiences on the DTH platform, mobile. We are doing small things but I have not mentioned all this because they are still not significant. There are thousands of things happening and we are playing in lot of those spaces, piloting stuff without investing substantial money. But at this point of time, in terms of revenue model attached to all this courses they are still not very robust. We are offering it to our existing students and we are increasing the percentage of online to existing students every year. So if it was 3% three year back, now it is roughly 15-20% this year.

**Jaineel Jhaveri:** But it is not, what I am trying to understand, is it a threat, like people trying to just do the course at their own time, at their own house, as opposed to going to a classroom. So do you see that as a threat in the future?

**Ninad Karpe:** It is an opportunity for us because space where we operate in emerging markets and the market where people are by and large outside the formal space they do need classroom training and we embellish it further with online model. So we are actually embracing it, we have, all our forces are doing on devices. All these things will always trends which you are seeing, nothing is a threat for us. The moment we see a robust revenue model on all those platforms, we will quickly adapt to that. So we have all the capabilities. The biggest thing is that we have a large repository of content which we have been developing for the last 25 years, so which not many companies have that advantage.

**Moderator:** Thank you, we have the next question from the line of Deepak Agarwal from Impetus Advisors. Please go ahead.

**Deepak Agarwal:** Can you tell me about the contribution to profits from MAAC? Also, last year when we had a CMAT in February, it was not widely accepted. So what is the situation now, will the participation be higher this time?

**Ninad Karpe:** Well it will not be higher because it has gone through some bit of decision by the court. But we are hoping that it will be roughly similar to last year in terms of numbers.

**Deepak Agarwal:** And how much investment do we have in China? I think Rs. 108 crore is equity. Do you also have any advances to them?

- Ninad Karpe:** No, we do not have any advances.
- Deepak Agarwal:** So Rs. 108 crore is the investment.
- Ninad Karpe:** Yes, that is because of restructuring which is done. There is lot of history to that investment. But in our books yes, it is Rs. 108 crores, there is no advances. Net margin is 13% of the topline for the 9 month period of MAAC.
- Deepak Agarwal:** And what is the revenue for 9 month?
- Ninad Karpe:** Revenue for 9 month is Rs. 28 crores.
- Deepak Agarwal:** This China business, can you give some color about what is happening there and what kind of profit are they making and what is the status of the investments? And what are you planning with the investments?
- Ninad Karpe:** China, we can explain to you separately on the history of the Chinese investments. It is a long history but to put it briefly we are now have an investment stake in the company. We do not get any royalties. We only get dividend as and when the company declares dividend. It is a private company in China. It is still the #1 IT training company in China. Being a private company now obviously the company does not want to show its financial results. But all I can say is we have investment stake only. We do not manage the joint venture. I am on the board of the holding company of joint venture and our expectation from the company is only in terms of returns and only in terms of dividend.
- Deepak Agarwal:** There was this discussion about the valuation sometime back. Just in that context, this is the large part of our balance sheet, so if we hive it off separately and then your returns, etc., will seems to be clouded by this large investment. Just a thought on that.
- Ninad Karpe:** This Rs. 100 crores there is a history to that and may be Saurabh can separately explain to you. But we had invested in China around 10-12 years back and then around 6 years back, we had a transaction whereby this amount was valued from 50% stake in JV, we got a 22% stake in the holding company. So there is a lot of history to that, moving forward we can only expect dividend from China.
- Moderator:** Thank you, we got the next follow up question from the line of Jaineel Jhaveri from J&J Holdings. Please go ahead.
- Jaineel Jhaveri:** Just a follow up on the previous question. What kind of a dividend can we expect and what kind of a dividend have we got in the past also?
- Ninad Karpe:** There is no steady stream and it is a private company so depending on what the board decides. We have received total of Rs. 82 crores. In the last fiscal year, we have not received anything. The year before, between 2 years FY11 and FY12, we have received a total of Rs. 82 crores dividend.
- Jaineel Jhaveri:** So it is that big, means it is that substantial.

- Ninad Karpe:** Yes, in 2 years we have received, but it is not every year we will receive. We have not received before that also.
- Jaineel Jhaveri:** Ok so it is almost Rs. 40 crores per year we received just as dividend for the 20% stake.
- Ninad Karpe:** Well as I said this has only come for 2 years, you know before that we have not received in FY10 and neither in FY09 and FY13 also we have not received.
- Jaineel Jhaveri:** So maybe not '14, but 15 we are due.
- Moderator:** Thank you. As we have no further questions from the participants, I would now like to handover the floor back to Mr. Ninad Karpe for closing comments. Over to you Sir.
- Ninad Karpe:** Thank you for joining this call. Thank you all of you for supporting Aptech. We believe we have made a fundamental business shift in the last 3-4 years and we are seeing the results of those shift in terms of focusing on international market, in terms of focusing on the testing, in terms of focusing in India, not just on computer training but other sunrise industries. All this has shown an impact in terms of leverage we have in the business, in terms of cost effectiveness, in terms of the fact that we are asset light and multi-product, multi-geography. We will continue down this track in ensuring that we remain, in what we strategically believe, we should be the chosen company of choice not only just in India but also outside India in emerging countries for vocational education. Thank you so much for supporting us and thank you for joining us.
- Moderator:** Ladies and gentlemen, on behalf of Aptech Limited, that concludes this conference call. Thank you for joining us. You may now disconnect your lines.