



“CL Educate Limited Q3 FY ‘18 Earnings Conference Call”

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Moderator: Ladies and Gentlemen, Good Day and Welcome to CL Educate Limited Q3 FY '18 Earnings Conference Call. 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 '*' followed by '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Ruchika Govila. Thank you and over to you, Madam.

Ruchika Govila: Thank you, Ali. Good Afternoon everyone, it is a pleasure to Welcome you all to CL Educate Q3 FY '18 Earnings Conference Call. Please note, that the results have been uploaded on our website at www.cleducate.com. To take us through the results today and to answer your questions, we have with us the top management of CL Educate represented by Mr. Satya Narayanan. R., the Chairman and Executive Director; Mr. Gautam Puri, Vice Chairman and Managing Director; Mr. Nikhil Mahajan, the Executive Director and Group CEO, Enterprise Business; and Mr. Sudhir Bhargava, the Chief Financial Officer. Satya will open the call today with quarterly financial updates followed by a short business review. GP will take us through the consumer business review while Nikhil will discuss about the enterprise business segment. After the presentation, we will open the call for a Q&A session.

Before we begin, please note that some statements in today's call may be forward-looking and the actual results may be materially different from this forward-looking statements. The information provided on the call is as of today and the company undertakes no obligation to update the information subsequently. I would now hand over the call to Satya for his opening remarks.

Satya Narayanan. R.: Hi, Good Afternoon everybody, thank you Ali, thank you Ruchika. I will make use of the Q3 FY '18 investor presentation which you could refer to and as we move forward, I will also make a mention of which particular page number or Slide I am on while taking you through the presentation. As Ruchika said, I will cover the financials followed by Gautam Puri, taking us through the Consumer business, and Nikhil will take us through the Enterprise business. I will come back to cover a couple of corporate summary items and then leave it open for Q&A. Now, I am referring to one new Slide that we have added just to make it easy for you, please take a look at Slide #3 where the glossary is added, so that you are able to refer to it whenever the presentation inside says what is BPL or what is Civil, which kind of gives you that reference sheet.

I am straight away jumping to Slide #5 titled, Key Financial Highlights. On a consolidated revenue basis, if you refer to the column saying Q3 FY, the quarter-on-quarter growth in October, November, December has been 37% over the corresponding quarter last year and on a nine-month consolidated basis, the growth is 9.7%. In order to make a little bit more sense of this number, we have also captured one important aspect which is our typical quarterly revenue distribution for the last two years if you look at the table in the middle of that sheet. Q3 typically is the smallest quarter for us in terms of seasonality and revenues. Also, an important

thing for me to bring your attention to is that last year Q3 had a little depressed revenues because of the demonetization impact, so if you look at Q3 of 2016 versus Q3 of 2017, you will find the impact of demonetization where the revenue share instead of 20% in 2016 was 17% last year, so that also explains a little bit that the growth Q3 is showing is a little bit more flattering than what it could have been. Coming to the bottom, there are two points at the bottom of the sheet Number five that I am referring to. Out of the Rs 57 crores of Government receivables last quarter, we received Rs 6.4 crores, the rest is still to be done over the coming few quarters. Another important thing for us to know is that the transition from IGAAP to Ind-AS is still one quarter away, so the deferred revenue impact as we speak at the end of Q3 was about Rs 4.1 crores instead of Rs 0.1 crores at the same corresponding period of Q3 FY '17.

Now, I am moving to Slide #6 which is titled Financial Summary. This slide is a bit crowded so I will bring your attention to some of the points that are circled which is the corresponding quarter on quarter Q3 growth, net revenue about 33% instead of 60%, I am referring to column number three and four, and also we have tried to capture the impact or the growth if we were to have adjusted it for the acquisition that we did this year in the form of Civil Services and CA, which goes by the brand name ETEN, so without the adjustment it would have shown a 33.8% growth in net revenue, 37% total revenue, and if you look at it on an overall basis, we are talking about total revenue of about Rs 217 crores vis-a-vis Rs 202 crores as of December 31, 2016. At the EBITDA level, the absolute comparisons would be Rs 22.6 crores last year nine months which looks like Rs 20.4 crore this year which includes after accounting for the acquisitions. It has been net out that it still is flatter but it is a 1.5% growth instead of what looks like 9.5% degrowth. I will come back to this towards the end of my when I come back for the corporate summary and GP and Nikhil also will be covering business view of the acquisitions to give you a greater sense of acquisitions done in the last nine months.

I will now move to Slide #7, which gives segmental metrics where on a year-on-year basis, the consumer business has grown by about 8.4% on a nine-month basis, the enterprise has grown by 11.2% and for the Q3 to Q3 comparison, the growth is about 36.8% and 47.5% for Consumer and Enterprise business, respectively. For any questions on these, we will come back and take it in the Q&A session. Now, GP joins me and he will take us through the operational performance of the consumer business, this is Slide #10.

Gautam Puri:

Thank you, Satya, and Welcome everyone. As Sathya said, I am starting from Slide #10 and I will be focusing on the consumer business which comprises the Test Prep or the coaching business and the Publishing business. If you look at the Slide, in Test Prep if you compare the Q3 or if you look at the nine-month period, in both the cases we have had a growth in Test Prep. In Publishing on the other hand while Q3 gives a flat range increase overall on a nine-month basis, we are slightly lower, 4.5% lower than last year and as Satya said Rs 3.6 crores to Rs 7.3 crores in Publishing. Last year Rs 3.6 crores was a little depressed essentially on account of demonetization, but the important thing is that overall we have grown by 8.5% on the nine-month basis and Q3 overall growth of 26%. If we go down and look at the key metrics in terms of the business, the number of Centres has had a jump vis-a-vis last year - at

this point of time, last year we were 158, now we are 215, this growth is significantly on account of addition of ETEN and ICE GATE Centres. For the benefit of those of you who may not be aware, ICE GATE is a GATE training institute in which we have taken a stake and it is present in about 13 cities. Also, ETEN we have 36 Centres which are exclusive ETEN Centres and we have 16 Centres which are housed along with existing Career Launcher Centres, so while ETEN is available in 52 Centres as a whole, out of them 16 Centres are common with the Career Launcher Test Prep Centres. None of the ICE GATE Centres have an overlap with Career Launcher Centres as of now. In terms of overall number of students in the nine-month period 2017 versus 2018, we have had a slight increase of 62,000 approximately to 64,000 and the important thing which is publication is that the number of title we have had a significant growth of about 25%, so from 1920 last year, at this point of time we had 2562. The number of titles sold digitally has also been increasing on a regular basis.

With this, I will move to the next Slide, which is Slide #11, I will look at the business as usual, so the way I am doing it is I am first looking at the regular business of CL which is the coaching business, MBA, Law, Bank SSC and Engineering Medicine. While in the other part, I will look at the new position, the new product that we have launched in this year and then I will take you through them in detail. Business as usual, just to repeat it is MBA, it is a Law, it is Bank SSC, it is Engineering and Medical, it is primarily what we consider. For this nine-month period, the billing has gone up from Rs 118 crores to Rs 133 crores and as I said in the previous slide also the number of Centres have also gone up. The enrolments have also gone up and what is important is that both in MBA and Law, the two biggest products of Career Launcher, in both of them we have had a significant increase in this year and especially from a Law perspective, it is important because at the beginning of the season because of date sheet issues because our business to a significant extent depends on the board exam date sheet of Class 10th and 12th. We had suffered because of, let me say not at a very convenient date sheet from a Test Prep point of view and we are recovering that part. Also, the fees that we are being able to charge to the students have gone up by about 13%.

With this, I will move to the next slide, Slide #12 and now I will look at the Publishing part. The gross sales are flat in Q3, typically if you look at Publishing as a business Q4 or the Jan-March quarter typically accounts for almost 40% of the business and we are hopeful of going in this particular quarter. The challenge in Publishing has been the vacancy business. Now, let me explain that part, a portion of our business comes out when Government of India announces vacancy and whenever there is a big-ticket vacancy which is not defined or which is not expected, the business definitely goes up. Now last two years, we have been having a one-off vacancy like this which has been able to increase, which we have been able to capitalize upon. Unfortunately, this year no new vacancy has come up and it has been business as usual only and that is essentially where we have been lacking. We have not been able to gain, however, we have been able to establish three new lines of businesses over the last 12 to 18 months which is the Civil Services Publishing. We have done in this year about Rs 4 crores business. Similarly, School Publishing which is the Test Prep and Physics, Chemistry, Maths kind of book for schools, that is where we are doing a Rs 2 crore business and this year we

have recently launched a new product which is school sample paper and which has been received very well, it is the bestseller on Amazon and this has given us the confidence to go deeper into the segment. On the cost front, one of the thing that we are doing is we are looking at cutting down printing cost by about 8% to 10% by working with multiple Centres and by having a slightly different printing process. However, this impact of the cost reduction in terms of printing will be visible only in the next Financial Year, so 2018, we are unlikely to see any gain on that aspect.

I will now move to Slide 13 which talks about the new products we have launched through acquisition or otherwise. The purpose of the new products or let me say the theme of the focus has always been to focus on the asset-light model which means we continue focusing on franchisee delivery, we continue focusing on net not setting up our infrastructure and Centres and get partners to do it for us. In the last nine months, we have both on the Civil and the CA part through ETEN what which we had discussed the last time also and in ETEN, the first nine months we took to get our act together because when we got it in hand, the number of Centres were down to a very small number and the CA product had vanished and we were essentially doing Civil in that product in ETEN at that point of time. In the last month or so, we have been able to merge the Test Prep and ETEN business which means now we have a common network and redundancies in terms of people have been removed and not only that we are also exploring ways of reducing the bandwidth cost because VSAT bandwidth is important, so we are experimenting on that AVR and overall between rationalization of people and the rationalization of cost and Internet with VSAT bandwidth we expect to have a saving vis-a-vis this year of about Rs 2.5 crores in the next financial year. GATE, we acquired in October and the integration is happening. In Financial Year 2017, ICE GATE the company in which we have taken stake had done a Rs 10 crore business in GATE coaching and in this year in the first nine months they have already done Rs 10 crores and we expect them to close with a growth of about 25%, upwards of Rs 12.5 odd crores is what we expect them to close this financial year. GATE, they had 11 Centres when we acquired and subsequent to that we have been able to add two more Centres, the existing CL partners but they had taken a separate partnership of these and they are separate premises and separate locations completely, so Calcutta and Chennai two new Centres have been added. In the next year, the focus on this in GATE is essentially going to be in terms of increasing the geographical presence. Campus training is a business collaboration that we have had and the advantage of campus training is that it is a requirement in almost all engineering colleges, so when we look at engineering College per se, in an engineering college the campus training or campus placement training is a requirement for almost all students.

The next big requirement for them is GATE, the next big requirement for them is MBA, and then finally they have Civil services, so if you look at from an engineering college perspective, from campus training to MBA to Civil we have the entire range of product available, so it will help going deeper into each of the engineering colleges. Same as for the case of Civil in terms of campus training, the redundancy have been removed in the last month and a half or so and the network team of Career Launcher, the network team of ETEN, and the business team of

campus training VistaMind have been integrated and the product is now being offered through a larger number of locations. Last month, January, we have entered into collaboration with Science Parivar or S.P. classes in Bombay with the intention of focusing on Science tuition. We are already doing a bit of it through our engineering coaching in Bombay, but Science tuition is a significantly big market for Maharashtra board and this will allow us to go deeper into the geography. We also get a few more Centres and after overlapping with our Centres, we have been able to increase our reach in Bombay with the help of S.P. or Science Parivar classes sector.

Let me move to the next slide, Slide #14 and continue with these newly acquired businesses. Just to summarize it once again, Civil, Campus training, and Career Launcher Test Prep business integration has been done and all of them now are very clearly in a single box. In ETEN, in Civil, in the first year we have had operating loss of around Rs 4 crores so far which is a nine-month period. The technology, the business integration, etc. has been completed and over the next financial year, we expect a total of about Rs 2.5 crores saving on these accounts. CA which was a non-existent business when we took it over, we now have tie-up with the relevant partners and we will be focusing essentially on CA foundation, why CA foundation, in the CA hierarchy, CA foundation is the lowest in terms of the requirement of the students, it forms the base of the pyramid and if you have a good number of students in CA foundation, it is easy to scale up the business of CA intermediate and CA finals. Fortunately, most of the competition does not focus on schools and CA foundation, they focus on CA intermediate and final and we feel if we can focus on CA foundation, we will be able to make a mark in this market faster. Campus training (VistaMind) as I said has already been integrated, ICE GATE acquisition completed in October 2017 and the impact of ICE GATE will be visible essentially in the next financial year because within this year we had just about five months available to us and given that the business season was already underway and about to be over, we will not be able to make a significant impact in this financial year. As said earlier, eight products have been launched by Career Launcher partners in Calcutta and Chennai and focus will be on setting up new Centres and when we will go through distinct peer Centres. Finally, the Science Parivar, it gives us a base of about 800+ students and expected revenue of about Rs 6 crores. In Publishing, just to summarize, diversification and risk mitigation is what has worked for us, Civil services has emerged to be an important component in Publishing when we have already foreclosed and we should probably close by adding another 50 lakhs or so. School business, another thing which was initiated about a year ago has also been successful and the school sample paper looks to be a promising new market which we can explore further. With this, I will hand over to Nikhil to take you through the Enterprise business.

Nikhil Mahajan:

Good Afternoon everybody, I will give you a very brief update on the Enterprise business which basically illustrate corporate and institutions including universities and colleges. Kindly refer to Slide #16 of the presentation. On a consolidated basis, the Enterprise revenue have grown by 11.2% in the nine-month period ending FY '18 over the same period FY '17, while the Corporate business has grown by a more modest 6%, institutional portion has grown by much faster pace of around 60%, but that is on a very small base of around Rs 7.5 crores and

as the base increases, growth rate will taper down to more realistic of mid-20. If you look at it, new client sign up has been impressive in the nine-month period with the number of corporate who we have been increasing from 61 to 69 and the number of institutions showing a dramatic increase from 55 to 106. This proportion rate increased in the client base in the institutions on the university side is reflected in the 60% revenue growth of the Institutional business.

Going on to the next slide, let me first give you a brief update on the corporate business. The business has grown by about 6% from around Rs 71 crores to Rs 75.5 crores. The business profitability has been flattish due to various reasons including cost structure movement and the product mix or services mix which has happened over the nine-month period. One of the targeted things has been that our International business has grown by over 300% though on a very small base. This International business is currently serviced out of Singapore. We as a business arm are focused on moving from broad Corporate services business to building out Solutioning and a Consulting business and Digital and Marcomm activities which gave higher margins and with the Test Prep there is an ad collaborative youth marketing services to various corporate. Now, this is something which we have been trying to work around for the last 12 to 18 months with some success. Last 18 odd months, we have also been working on building out our own intellectual property and monetizable assets, and last year, we created two successive large properties, one in our opinion the largest youth connect platform called Inquisitive Minds where we reached out to about 800 schools and colleges and a total student base of 400,000. The second one, Melting Pot 2020 which is the largest collaborative platform between academy and institutions which was attended by about 500+ attendees as compared to 115 in the previous year. These properties are now reasonably well established and have reached a stage where we see them bring greater revenues on the standalone basis in terms of sponsorship and business going to be generated from the attendees. We have also made significant investments in building theme, IP-based products, tech platform etc. in the last 18 months to facilitate creation of a foundation for the future growth. We have also made significant investments in looking at overseas business besides Singapore where business options coming out in Indonesia as well as in Dubai and in a phased manner, we are scaling up business development in these two new markets and the coming year, we expect these businesses to be a significant chunk of our business.

Now going to the next slide which is on Institutional business, Slide #18, this currently forms a very small part compared to the total Enterprise business and hence this business has been growing pretty rapidly on a small base, however, this is a business which generates high profitability and has a best operating margin upwards of 20% where gross margin is upwards of 40%. We have scaled up our client base from 55 to 106 and this year is the first year where we have serviced a few international clients and generated a revenue of around 80 lakhs and see that growing in the coming years. The key focus area in this business is increasing client base rapidly and you see the 800 universities and 20,000+ colleges in India. As of now, we are servicing a miniscule number of them, rapidly increasing client penetration would help us scale this business to larger height. We are also focusing on stressing the student recruitment services with providing services for Indian students going abroad as well as international

students coming into India and we expect this to keep growing based on because this effort is in sync with the broad economic trends as well as the policy of attracting a larger number of international students into the Indian ecosystem. Research business, which is the business which we had acquired two years ago, that has been growing rapidly in the last 24 months. This business during the current fiscal in the first nine months has grown by close to 100%. More important thing is that we have now started seeing research revenues sponsored by corporate beginning to flow in. We have in the last 30 days closed couple of deals with the REC, HP Inc., where corporate sponsored research projects have been initiated. These revenues will accrue over the next six to nine months, and a couple of other leading corporates have committed and the execution of those projects are expected to commence either later towards the end of this quarter or in the early first quarter of next year. The business which has already been signed up and which will be executed over the remaining eight to nine months, the pipeline already indicates a 50% growth for next year from the current levels. In synergetic association with Test Prep, we have started focusing on Career Development Centres offering CRT program and GATE training programs into colleges. We are entering into Institutional tie-up at school level for offering Career Development Centres and corporate Test Prep offerings inside schools. We are focusing predominantly initially in engineering colleges and schools. We are also beginning to focus on employability training program which are purely online in the emerging areas of artificial intelligence, machine learning, and related areas with the changing requirements of the Indian IT space, I think that will be a large opportunity which plays out, but we are initially approaching with these certificate and new training programs to engineering colleges and universities only and not to the corporates to begin with, we will make a move towards a corporate at an appropriate stage.

If you refer to Slide 19, this is I have already covered basically the two projects which we have already launched in the corporate sponsored innovation space. One of them is Government funded project, a PSU funded from REC Rs 2.55 crores and HP funded project of Rs 50 lakhs, the other two 50 lakh each projects are likely to begin execution in the coming 30 to 60 days. This is the broad summary of the Enterprise business and I will request Satya to take the Corporate part of it. Thank you.

Satya Narayanan. R.:

I am referring to the last part which is beginning Slide #21 and quickly recap something on the balance sheet side. There is one theme that I have been referring to which has been part of our priority, which is to be able to release cash from the assets that are there which are non-productive just to say that we are mindful of the release of this money. Slide #22, if you look at it, the K12 asset sale, the business agreement deal did not fructify though the agreement was done, so the alternate conversations are underway, we will keep you updated whenever something comes to fruition. On the other hand, we have that asset in Greater Noida which was our business pool earlier that is likely to get us an option of leasing out the infrastructure because there the market for an ultra-edge sale is still not right, so this is an unfinished task on my table, we are mindful of that but this is just to give you an update that this has not happened yet.

The last Slide I move before I open it up for question is Slide #23. GP and Nikhil have covered the business parts of it, but here I am mentioning once again about some of the acquisitions that we have done if you look at the Slide 23 is that in the Test Prep business, we have entered the Civil Services, Chartered Accountancy, GATE, and three significant post-graduate or the college level admissions test segment. These are very large segments and if you look at the bottom left-hand corner, we have captured that the acquisitions which have cost us about 26 crores of investments. In this year, the acquisitions happened at different points in time, they give us a student base of about 7500 across these segments in test prep though at the end of the year we think that we will be minus Rs 4 crores of EBITDA, Rs 22 crores of capital deployed, Rs 26 crores of revenues, 7500 students and this would be in the investment phase for another quarter or two, but these are very strategically important segments for us to grow our Test Prep business from around 200 crores right now of consumer business, Test Prep and Publishing put together if we need to visualize double the size of this business, these are very important segments. GATE is an 8 lakh segment, Civil Services is upwards of 10 lakh segment, CA segment is larger than the MBA, so this is an important part. Similarly, 9th, 10th, 11th, 12th which is tuitions undergrad program is also significant part, so we are very mindful of the strategic value that it holds for us to accelerate our size.

The guiding principle that we use is that does it help us strengthen the market share in this segment, does it enhance the growth while adding profitability then we are able to bulk up operations and bring in greater economies of scale. Number two, does it help us get into segments where it is scalable and are the market segments large and addressable so those are the broad guiding principles that we use. From a capital allocation point of view which is in some sense my principal responsibility, the way we look at it is, does it give us the money back in about three to four years, which means does the ROC work upward of 20% is an important thumb rule that we use. Our belief at assessment is that these are very important steps that we have been able to take in the first three quarters of this year and we look forward to staying very focused on these and any more action that we do would always be to make sure that we make serious dent into these three significant segments in Test Prep.

The Enterprise side, Nikhil has already covered. It is a new sunrise segment, we think that we will add a first mover advantage in this Research services in India as it is involving as an innovation driven economy, so there I would like to kind of pause by just making one remark that those of you who have followed the budgets closely, the allocations to Education, Research, and Innovation has been very significant and most of those budgets are being channelized through nodal or senior institutions such as the IITs, Niti Aayog etc. so it is very early days, but that we had some presence there and we have some profitable SDU which have taken shape in the last 12 to 24 months, we think is of some value to us.

Moderator:

Thank you very much. Ladies and Gentlemen, we will now begin the question and answer session. We will take that first question from the line of Ankit Pandey from Quant Capital. Please go ahead.

Ankit Pandey: My first question would be if you could just give us a little bit more detail into the implications of the budget, Satya, that will be very helpful especially if there is any special fix tied to one of our segments?

Satya Narayanan. R.: Let me just cover it broadly, Ankit, and I will be happy if any one of my colleagues also can chip in if I miss out on something. There are two broad areas which are being focused on, number one, that pertains to the core education, skills and employability and the budgets are pretty much talking about allocation of significant chunks of money, which will have to be routed, especially this is to do with Government institutions and where focus is on improving the quality of education as you know access as a problem we are solved as a country, but quality is of immense concern to all of us. Number two, is thrust on research. Number three is how do we leapfrog higher education especially by using technology, so let me give you a few examples; number one, the additional education cess of 1% and the collections out of that, there is an announcement that 1 lakh crores have been allocated to be spent on research and innovation through institutions over the next four years, 25,000 crores per year for the next four years number one. Number two initiatives such as Skill India or Swayam which is a digital education program or the NDLI (National Digital Library Initiative), all of these are going to provide opportunities.

Some of them are going to take some time to come to fruition or begin to reflect as revenues for us, but it is an important thing for us to stay very closely logged into those developments. Number two is you already know that in the Government institutions almost half the batch they all come from the SC, ST, BC, children from the poor background etc., so there are moneys that are being assigned for the campus placements training, skills training to make them employable. Lot of these they are being encouraged to deliver through the partnerships with private institutions. TEQIP is something that I would request you to look up, which is a program to help improve quality in technical universities in the country. We will also be happy to upload a few of the articles which keep doing once in a while, but we will be happy to share with any of you who is keen to know about it, you could leave a query with Ruchika or one of us and we will share a summary of the overall highlights. There is something called Vidhya Kosh that has been announced for excellence in performance by institutions as per the NIRF rankings. NIRF stands for, National Institute Ranking Framework, so overall there is a lot of funds that are getting channelized, what it translates to us only time will tell and how much do we get out of this is further down the road.

Ankit Pandey: Thanks, that was very helpful, but if I have to understand that way, is a lot of budget allocation going into competing scales or going into streams that are essentially managed by the government which will actually sort of impede the private sector so to speak, do you sense some of that?

Satya Narayanan. R.: Whatever is going to be deployed through institutions or institutional framework which are outsourceable to the private sector only those become relevant for us. We do not intend to file

for any revenues that takes us into a B2G segment, which we evacuated over the last eight quarters.

Ankit Pandey: If I could ask another one was that I think somewhere in our investor presentation, we mentioned that the we have taken out Rs 6.5 crores from Government receivables, so I think how much more is to come because I think has been shut for about three to four months now?

Satya Narayanan. R.: The overall that is due to us was, after this 6.4, 46 is still to be recovered from the Government and given that it is a Government thing it just is prudent for me to say that when we recover, we will keep you informed.

Ankit Pandey: Just on the Publishing business, GP, could you take me through the impact of some of the sales which we have been making via the little channels and what impact that is having on our profitability and scalability?

Gautam Puri: Ankit, when we look at the Publishing and the greater channel, bulk of our sales happen to when we talk about business channels to the e-commerce platform and there from our point of view it is another distributor, so from a profitability perspective, it is same first whether it is a physical off-line distributor or a e-commerce player like Amazon or Flipkart.

Ankit Pandey: So, it does not have any impact on profitability and the tieups with Amazon are not very cumbersome, is that a correct assumption to make?

Gautam Puri: Absolutely right, so from our point of view just to repeat, the margins that we get from Amazon or Flipkarts are similar to the margin that we get from regular physical distributors.

Ankit Pandey: If I could ask couple of more questions, how big is the school sample paper business for us at this time and what level can it scale up to, what is the opportunity that we have got here?

Gautam Puri: From our point of view, the school sample paper today is the first item, the 10th class board exam for CBSE is the first item that we have launched. Now when you look at how big is the market, if I just restrict myself to class 10th and 12th board exams and we say the number of subjects and look at the number of boards, because every board has a separate structure for itself. We are talking about the market which is likely to be something like about upwards of 100 million units, so in 10th class we are typically about 12 million students and 12th class we have about 10 million students, so 20 odd million on an average five papers for each of the 10th and 12th so that becomes something like 100 million units, so the market is huge, but there is no specific market leader at this point of time because it is highly fragmented across boards.

Ankit Pandey: Is it the bestseller of some sort on Amazon, I think one of our distributor channels?

Gautam Puri: The first paper that we have gone for CBSE because CBSE this year has re-introduced the board exam which they had made optional over the last seven to eight years, so from our point of view this was a very good opportunity and from the other part is this board exam sample

papers flow in very well with our tuition market. The Science Parivar allows us to probably look at a similar offering for Maharashtra Board next year and the segment which comes to us for Maharashtra Board or for CBSE or sample papers becomes data which we can leverage for further Test Prep services.

Ankit Pandey: If I could speak a little bit on the Enterprise, Nikhil, if you could help me out with understanding the opportunity with our international business deals and I think I did not catch the size of that business again?

Nikhil Mahajan: It will be difficult for me to even try to estimate the size of the international opportunity. My estimate is, it will go into few terms of billions of dollars if I have to look at it globally, but just limiting itself just to Asia-Pacific and Middle East, yes, I think substantially larger than the opportunity which India presents and a very small part of that would itself be good enough for us to work towards the next three to four years. There is no very featured or market size estimate, which is available at this stage.

Ankit Pandey: This is part of our corporate or institution reporting as that is?

Nikhil Mahajan: From institutional business, India has 800 universities, 20,000 colleges; globally there are 3000 universities and 200,000 colleges, so the market if you could just extrapolate from the pricing in the international currency, the market size turnout to be at least 100 to 200 times of what the market has in India only. You have to look at the corporate services, the Indian corporate revenues will be probably 1% or 2% of the global corporate revenue, so the market size could be 50 to 100 times larger than that what the opportunity in India is, so I think you have to estimate the market size for these businesses is order of magnitude problem, so I think the market is so large that even a fraction of a percentage would be good enough to look at, pretty much rather than what total revenues we do currently.

Ankit Pandey: If I could ask what is the method of business control that we are having in the international business right now?

Nikhil Mahajan: As of now what we are simply doing, we have customers like Dell, Cisco, IBM etc. who will service in India, we are simply starting to provide similar set of services which we are going to get in India to their Asia-Pacific offices and to Middle East offices and basically that is exactly what we are doing, so what we were doing for a Dell or a Microsoft or IBM in the Indian market we are now starting to offer that services in Philippines, Indonesia, Malaysia based out of Singapore and for Middle East based out of Dubai, so we have a very small team present in Singapore and Middle East and most of the services are going to be related to the areas of solutioning, consulting, digital marketing or marketing communication and hence large chunk of that work would be delivered and deployed out of reposes in India, there are enough slightly higher margins because of cost arbitrage if you can try to extract. We have respectively small teams, which are based out of both Singapore and Dubai, but they are predominantly business development team.

- Ankit Pandey:** At this moment of time, it is just an extension of our current business and the terms are not entirely out of sync with our regular business?
- Satya Narayanan. R.:** In fact, Ankit, that is what I wanted to kind of step in and say, look at it as the programs and products that have been shrink wraps, sold multiple times in India, we are extending it to two adjacent geographies which are just three hours hop from Bombay or Chennai and with superior returns, so we are actually we should say that we are merely trying to scale it little bit by geography and not getting too ambitious, we have a lot of work to do in India itself, but if this gives us easy landing, more profitable business with the existing clients, I think that is what we are doing, same product, two more geographies, Singapore and Dubai, that is it.
- Ankit Pandey:** You talked a little bit about research and from what I gather, it is not part of your corporate portfolio at this point in time, so once again what is the opportunity that we have here because it seems that this is again a very natural extension of business that we do?
- Satya Narayanan. R.:** Accendere, which we acquired it initially used to work only with the institutions and while that has gone from two institutions to about 15 to 18 now, connecting them with the corporate is the next little expansion that we have done in the last 12 months and as Nikhil shared in his presentation, the successful channelizing of the corporate revenues through WAIN Connect Platform which already has now 20,000 innovators that has begun to happen, so we should look at it as early pilot, this is a trickle and we should stay very focused, and hopefully, be able to cure it that into a successfully scaled thing, it will take two to three years. There is no quick buck here, but it being a sunrise sector in India, it could be something where we can not only scale it in India, but may be take it to a few other geographies as we progress. It is a very high IP, not easy to replicate kind of a little bit of a business modes that we see in that and we should capitalize or at least bit capitalize on the first mover advantage in the research services, which straddles the institution arm on one side and the corporate arm on the other side.
- Ankit Pandey:** Finally, my last question would be on the K12 asset sale, so could you just give me some more details and some timelines around this and what exactly are we looking forward to for this to get completed successfully, and how much would it change our gearing at this point of time?
- Satya Narayanan. R.:** When this is done, it will release Rs 40 crores more for us of cash which then becomes available for us to deploy in the aligned asset light, scalable services business that we are in. How much time will it take is perhaps anybody's guess until the deal is done and cash comes in, we would not be able to say it, but we are at it, we are working on a couple of conversations, we will update as and when it kind of closes.
- Ankit Pandey:** I mean what you have written is alternate asset sale, so is it another asset altogether you are looking at or different kind of discussions?

Satya Narayanan. R.: The operating asset if you recall and it is there on our investor zone. It was sold to Eduvisors and we now own hold 44% equity in that combined entity, this is to sell the real estate and release cash from that transaction.

Moderator: Thank you. As there are no further questions from the participants, I now hand the conference over to the management for their closing comments.

Satya Narayanan. R.: Thank you, Ali. Thank you very much everyone for joining us. Any other question, query that you would have, we would be happy to take those and as I said the overall theme on which we are focused is to consolidate and deepen into the asset light scalable businesses with focus on profitability over the next few quarters. Thank you very much once again, look forward to more conversations as we move along.

Moderator: Thank you. Ladies and Gentlemen, on behalf of CL Educate Limited, that concludes this conference call for today. Thank you for joining us and you may now disconnect your lines.