



**“CL Educate Limited Q4 FY2017
Earnings Conference Call”**

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(Note: This transcript has been slightly edited to improve readability)

Moderator: Ladies and gentlemen good day and welcome to the CL Educate Q4 FY2017 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 “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Lokesh Bhati from Four-S Services. Thank you and over to you Sir!

Lokesh Bhati: Thank you. Good afternoon everyone. It is a pleasure to welcome you all to CL Educate’s first earnings conference call post listing. We have with us Mr. Satya Narayanan R, Chairman and Executive Director, Mr. Gautam Puri, Vice Chairman and Managing Director and Mr. Nikhil Mahajan, Executive Director & CFO. Satya will be opening the call with a brief overview and growth outlook. Nikhil will give the financial highlights and then Gautam and Nikhil will talk about the segmental performance. After the management’s comments we will open the call for questions. Before we begin please note that some statements in today’s call maybe forward-looking and the actual results may be materially different from these forward-looking statements. The information provided on the call is as of today and the company undertakes no obligation to update that information subsequently. I will now hand over the call to Satya. Over to you Satya!

Satya Narayanan R: Good afternoon everyone. It is my privilege to be welcoming you all to the first our call post us going public and I can see that we have a collection of you whom we have met during our IPO road shows over the last one year and also many, many of you who are joining us for the first time.

Just to introduce, I have Gautam Puri also here with me GP Heads the Consumer Business, which is Test Prep and Publishing. We also have Nikhil, our co-founding member and CFO. The way we have looked at this time is that we will do it in four parts just to kind of keep it very structured for your grasp and understanding and leave enough time for Q&A. I will take about maybe 10 – 12 minutes to give a broad introduction to the Company, which might be a little bit of a repeat for some of you who we have met but we thought that we will use the time to introduce the rest new comers to Company then Nikhil will take us through the financial summary of March 31, 2017 and then we will go into the consumer part of the business which GP will take and Nikhil will follow that with taking us through the Enterprise Business, which is the institutions and corporates and then we will throw it open for discussion. So broadly we will keep each of these segments to be maybe anywhere between 7 to 12 minutes each and leave about 15 minutes for interaction towards the end. If that is okay, I will keep moving forward.

Just for your information both the fact sheet as well as the presentation has been uploaded on the website in the investor zone. I am sure some of you have downloaded, but those who have not you are welcome to download that from the website. I am now going to use this as a framework to begin our formal quick run through of part one of our today’s session.

In this particular slide we are talking about the education industry as such at a broad level and depending upon whose estimates you are taking this is a pretty large opportunity especially the services part. We are taking the CRISIL and the Technopak projections and we are saying this is a \$100 billion sized industry segment, which can be broadly broken down into two parts one is the licensed part it is K-12, higher education, and vocational and the unregulated part, which is the core entrepreneurial or private sector business opportunity, which is what is of relevance to CL and those of you who were looking at the slides. We are talking about slide #4 here and within this there are two components, two subsegments which are fairly traditional they have been around for a few decades which is test prep/coaching and number two is publishing. There are newer segments, which are emerging which include assessments, research services, skills or vocational training and lastly EdTech.

CL is present in three out of these six segments namely, coaching, publishing and research services. The sizes of different markets are captured here. I will not go through deep into that and any one of you wanting to have a greater, deeper dive into these six segments of subsegments we will be very happy to schedule a separate session and take you through that but this one captures the bird's eye view of the opportunity and what attributes tag all of these segments are the following:

Number one, all of these are asset light, scalable, technology enableable services businesses. Depending upon which subsegment we are talking about IIT, GATE, Medical, MBA these are all individual subsegments and one of the critical differentiating factors maybe it is covered elsewhere in another slide but in the context of this, let me articulate this that CL perhaps is the only company that straddles across all these subsegments of test prep and present is in over 192 locations across the country. That is an important differentiator. We also believe that that is a huge business moat that CL has build over the last 15 years where the brand and the technology and content backbone helps us scale this business in a much better way than most people.

The second important thing or just one thing I would like to highlight here in this slide before moving ahead is last year India implemented NIRF. It is the universities ranking system called National Institutional Ranking Framework and 2017 April, May saw the release of the second consecutive year of ranking list by Ministry of HRD. What that has done is to put a lot of pressure on the universities to begin to work on their research output in a very, very focused way and the acquisition of Accendere that you would have followed over the last quarter is something that is poised for a very good opportunity where there are not many players with a sophisticated platform such as Accendere.

I will take a pause there and move to the next slide wherein we are talking about what I had just mentioned well-established brand with diversified revenue streams and this is important for us to note that CL's revenues comes not only from the consumer but also the enterprise mix but within the consumer or test prep business, we get revenues from a bunch of coaching subsegments and over a period of last ten years what has stood good stead for us is that even when a particular subsegment came under a bit of stress for whatever environmental reasons CL has been able to

deal with that in a much more functional way than most competitors. I can get into some illustrations but I will refrain given the time constraint happy to pick that up if that comes as Q&A but just to leave you with a sense of what I am indicating towards the challenge that the NBF segment faced between 2010 and 2014 is well-documented, the civil services little bit of disruption that happened in 2014 is also known to us. So the diversified portfolio makes CLs business much more robust than most of test prep companies.

I am now moving ahead to the next slide, which is about the product portfolio and what perhaps is normally not used to describe coaching is that conceptually any coaching products can be put in one of the two baskets that we in CL and this might be useful to you when you even do benchmarking is to look at it has belonging to the AP product basket or the KP product basket. When we say that AP stand for Aptitude Product, KP stands for Knowledge Products. So civil services and IIT, or CA or a medical these are all programs that we call as a the KP, they are knowledge centric products whereas MBA, Law, Banking, SSC, GRA, GMAT, SAT all of these are Aptitude Products and these two products given the kind of demand that they have to do an effective customer fulfillment have different parts to scaling and we will cover that when GP will take us through the more details of the Consumer Services Business.

On the Enterprise Business, we work with corporates as well as universities as our clients and with both of them what comes to our aid is the fact that CL brand as a Consumer Education Delivery Business carries a lot of weight so when we do campus recruitment training inside the college or when we do the research services inside the college the fact that CL is known to the students, to the HODs, to the college owners enables that process. Similarly when our Kestone Division talks to a head of sales or head of marketing of a corporate, the consumers brand strength of CL plays a significant role in us to do business building there so we look at it consumer businesses as coming either through a direct channel or through an indirect channel the way we look at our business.

I am now moving to the next slide, which is titled strong foundation for accelerated growth. If you look at the three, five-year periods what CL has seen is to be able to grow from 40 Crores to 123 Crores to 283 Crores business between 2005 and 2015 and between 2015 and 2017, on an adjusted revenue basis the growth has been from 227 Crores business with the centers going up from something like a 70 centers to about 162 centers with the number of products going from being a pure MBA test prep player in 2005 to having all the coaching products in 2017 perhaps the only Company that would have 15 product categories and a 200 cities distribution.

I am now moving on to the next slide, which is one of the strengths and this perhaps is more likely to play out in the future is the cross-leveraging between the consumer and enterprise businesses. This has begun to play out only in the last two years where the consumer businesses comes to the aid of enterprise business in rolling out the contract that we would have with large corporations wherever it is to do with youth or students or training as far as their products are concerned. Similarly when we are now looking to scale the research services business through Accendere or wainconnect.com, we believe that our strength on both sides will aid us in building

a very successful business over the next 24 to 36 months, some of the details, I kind of leaving it for Q&A so that I do not eat up too much of our time.

I will skip the next slide, which is talking about key differentiators maybe uncovering it as we are going through each of the slides. Now I am on the slide, which says well-qualified and experienced team and the subsequent slide, which talks about governance and processes. One of the things that we have been extremely intent upon is to build a very strong team not only at our levels but also our next level who run businesses, who report into either GP or Nikhil and even if you go further down and look at the quality of our franchisees business partners who have been with us for the last 10, 15, 20 years you will find that many, many of them have qualifications backgrounds as good as the founding team of CL and they manage cities like Kolkata, Chennai, Mumbai and so on. So we think that our team is a big strength for the Company along with the board and the governance. If you look at our board and investors, which includes respected institutions like HDFC, our board includes names like Sridar Iyengar, who has served long on the boards of Infosys, Mahindra, Dr. Reddy's and so on and the leading IT lawyers, Safir Anand and then entrepreneurs like Viraj Tyagi, and nominee from Gaja Capital Gopal Jain and so on. For 14 out of the last 20 years our auditors have been Deloitte or Shailesh Haribhakti. So one looking that we are very intent upon is to be seen as a Company that can be looked at as one that has got the highest standards of governance as an important way of building business.

I will pause there for a moment. That brings us to the summary of the financials for the year that closed and I will invite Nikhil to take us through the next part of the presentation. Over to you Nikhil!

Nikhil Mahajan:

Good afternoon everybody. Before I get into the specifics of last year numbers, I would like to mention three or four key points, which all of us must keep in mind while looking at the numbers. Now first point is that for the conscious decision the Company decided last year to move away from government vocational training programs because of the high outstanding receivable and delayed payment cycle from the government as a result of which, we booked only a revenue of around 2.3 Crores in FY2017 as compared to about 36 Crores in the previous year.

The second point is that as most of you would be aware Microsoft had shutdown Nokia operations worldwide and Nokia was a prime client or a customer to our corporate business as a result of which there was a lingering impact of slowdown of revenues in the corporate business due to the single impact.

The third point, which would have impacted most businesses in India especially in H2, which is demonetization, in case of CL in test prep business and retail business, consumer business approximately 55% of our total collections historically used to be collected across all centers in cash. In publishing almost 95% to 97% of book sales either at the distributor level or at the retail levels are in cash. So demonetization severely impacted both test prep and retail book sales in the period November to January. The exact quantum of impact though difficult to measure;

however, our estimate is that we lost about 8 to 10 Crores of revenue and the pass through EBITDA impact could be anywhere between 4 to 5 Crores.

While if you look at our FY2017 performance our consolidated revenue has come to 279 Crores versus 282 Crores and one point if I missed was that as many of you are aware is that we have announced the exit from the K-12 business and as a result in compliance with AS-24 as a Accounting Standards we have to show K-12 business as a discontinued business going forward and that resulted in restatement of FY2016 results as well. Despite cautious withdrawal from government business amounting to 33 Crores and discontinuance of Nokia business amounting to 17 odd Crores, we on an absolute terms maintained a flat topline.

To make things easy to understand and comprehend, we have provided figures for both revenue, EBITDA and PAT, which are adjusted for GVET as well as Nokia and in that case you will see that our revenues has grown on a full year basis by approximately about 18% - 19%, our EBITDA is almost flat and EBITDA margin of about 17%, profit on an absolute basis has come down by about 9% on adjusted basis it has gone up by about 5% despite my average tax rate increasing from 28% to 34% in FY2017, the prime reason for increase in the tax rate is that till FY2016 we have enjoyed 80IC benefit on publishing of books in CL Media beginning FY2017 this benefit has come down to about 40% so going forward we expect our average tax rate to be in the realm of around 29% to 30%.

Coming specific to our Q4 performance on absolute-to-absolute basis, our revenues have grown by about 6%; however, after adjusting for that discontinued GVET business our revenues have grown by about 18%, adjusted EBITDA also up by about 18%, PAT on a continuing operation basis has increased by about 8%. On an unadjusted basis PAT is almost flat at around 7 Crores for the quarter. The EBITDA margin in Q4 has increased from about 16% to about 17.5% while PAT margin has been more or less flat.

Now coming to segmental revenues and profitability breakup if you look at FY2017, 62% of our total revenues came from the consumer business and about 105 Crores is the enterprise business, which basically is about 62% from consumer and about 38% from the enterprise business. So over the years on an adjusted basis, because bulk of the revenue adjustments in terms of either discontinued business or the exited business are in enterprise the revenue share has moved for the consumer business down from about 70% to 62%. In consumer business bulk of our revenues comes from test prep almost about 85%, in enterprise almost 90% of our total revenues are coming from our corporate services with institutions accounting for about 10 Crores.

For a more detailed insight within a Consumer Business, I will invite Gautam to take it forward.

Gautam Puri:

Thank you, Mahajan. Good evening. This is Gautam here. Welcome to this earnings call. If we look at last year, we have gone up from our revenue base of about 150 odd Crores 151 Crores to 172 Crores from FY2016 to FY2017 and this growth has been there both in the test prep as well as the publishing area. The essential reason for that would be that we are present across the

country and into multiple product segments and which as Satya said earlier also when the ups and downs of one product could be covered with the market condition, which unstable for one product get compensated by favorable performance by other product. We are there in both aptitude as well as knowledge products and by and large our focus so far had been on aptitude products and now with ETEN coming in we are looking at knowledge products also. So while we are looking at knowledge products going forward till last year knowledge products played a very small role and it was primarily aptitude products, which were there for us. We have a center base of 190 odd centers. Out of it roughly 90 are owned and operated by the Company itself while the remaining we have it in the partnership or the franchisee model. Also we have our own content, own faculty, which helps us to have a greater control on the academic quality and the product delivery. In publishing we have over 2,000 titles and about 11 lakh copies were sold in the previous year.

In terms of revenue I have already said after a flattish last year from 150 Crores to 151 Crores this year we have gone to about 172 Crores and the EBITDA margin had been maintained at about 27%. One of the things that we have been working on for the last couple of years and which has started showing results is our focus on the digital medium, online sale, online delivery of classes for various products in what we have been working on and in the last couple of years we have been able to increase that part significantly.

If we look at the publishing part there the focus is still on distribution and while we are looking at taking forward the digital part for that it still needs to be taken forward but in terms of test prep it has moved significantly. In the last one year our focus had been significantly on pricing wherein we increased per unit pricing for digital products and for offline products both of them significantly. In the last year, which is FY2016, our average size for the physical delivery or the offline products was to 21000 approximately and which went up to 24000 in this year, which is FY2017. In the same period the digital product the prices increased by almost 50% from Rs.2300 approximately per unit to Rs.3900 odd.

Last one year this has been the important part for us as both the numbers and the pricing of these products has been the focus area; however, overall the number of test prep involvement went down by 2%. This was primarily driven by lower numbers in the civil, CSAT product, which was made from a ranking example qualifying exam and from banking SSC both these products are the places where we have lost out one is external factor, the second one is it is a new product source and we are still working on that part.

Going forward, ETEN is a platform that we are looking at to help us penetrate the market further and be able to add new products. ETEN while the company ETEN as it has been run by Pearson was being considered only as a platform for one or two products, from our point of view, we think that this platform can be leveraged across multiple products. The industry as such suffers from one big challenge, which is good quality faculty reaching out to the students and which is why you find a large number of students traveling across and moving onto bigger cities for their preparation for various education requirements whether it is competitive exams or something else

typically education hubs of the bigger cities because of availability of good faculty. What ETEN does is allows us to reach out to the students in their home towns, in their villages and ensure that they get the same quality of delivery, the same faculty quality as they would have got in the smaller towns and as they would have got in the metros or the bigger towns.

Now this also for us fits in very well because it is again on the same lines as the CL offline product, which is, we have our franchise led distribution model. VSAT center also is a franchise led distribution model, which enhance in the quality of delivery. Not only that it allows us to, whether we look at MBA, Law or the other aptitude products typically for these products the market in terms of the viable centers is maybe about those 120 odd cities where we are present. Through our VSAT, a center become viable even something like a 20, 25 students because the faculty delivery has been taken care of and the cost structure comes on significantly for their partner also.

Going forward, we are looking at not only continuing with the existing products which is CA, CS and IAS, which are the existing products which are there on the platform of ETEN. We are also looking at adding of few other products and also we will be leveraging this platform to ensure that we are able to provide better quality of delivery and services for our existing products. For MBA, Law, Bank, SSC etc., not only we will be delivering support session, we would also be looking at adding a couple of attitude products completely onto the platform.

The other opportunity which is there in terms of ETEN would be to focus on other knowledge products Engineering, Medical, GATE etc., this medium is imminently suitable for any kind of a knowledge product wherein the faculty is the key thing and hence we think whether it is JEE or Medical or GATE and a few of the products they can easily brought back and they can be pulled on to the platform.

We hope to have a pay back from this product from the ETEN platform in a couple of years. Last year the ETEN had a revenue of about 15 Crores when it was with Pearson. We are hoping to bring it up to about 40 Crores in three years and the return on equity at the end of third year should be greater than 100% of the capital employed.

As I said a little while ago I am on the next slide now future growth strategy. The focus would be on new products and when I say new products the primary focus will be on knowledge products, aptitude products we are already there in most of them, a couple of them have to be added which we will do but the primary focus will be on the knowledge products and the CA which had stopped under ETEN we are restarting that. CS is another thing that we will look and as I said Engineering, Medical, GATE and a few other products we look at but the first focus is stabilize the platform, get it back to where it works to Civil CA, CS and then look at additional product on this platform.

The second focus is on the delivery. We strongly believe that both online delivery which is a VoIP led and VSAT and physical classroom are three different channels so the same product can

be delivered from each of these channels because each of them cater to a different kind of student. So we have already started online classes for some of our programs and we will be adding more programs in that.

The third part of our growth strategy is the geographical expansion and as I said a little while ago the ETEN platform will play a very, very important role because if we have to go from a 190 odd locations where we are today to 300, 350, 400 locations then we need to give an academic permission to the partners because as I said academic quality suffers many at times because of lack of good quality faculty in smaller towns and cities. So ETEN will be the fourth multiplier for us because this platform will ensure the academic delivery. This also opens the opportunity for us that in very small cities or towns or even villages where there is no single product is viable an ETEN plus CL combo as an offering will be viable for many of our franchises.

Some of these gaps and products we look at through maybe acquisitions, some would be through strategic partnerships but on a case-to-case basis we will keep on doing it and over the next one year we will see lot of action on this front.

With this I will hand over to Nikhil for any exercise to make.

Nikhil Mahajan:

As I articulated earlier last year there are two or three critical things in the enterprise business. One we decided to exit from the government vocational business and the second was a partial lingering impact of discontinuation of the Nokia business vis-à-vis FY2016 while FY2016 had Nokia revenues for a period of half a year, FY2017 has none of it and corporate revenues adjusted for Nokia business still grew by about 20%, discontinuation of GVET business affected EBITDA by about 4 Crores; however, some of the critical things were that we added few important marquee clients in our corporate relationship including Google and Samsung, and I think going forward in the coming years, this business will show a robust growth.

Coming to the institutional business as shared earlier we had acquired 51% in our research enabling company called Accendere. Last year was a first full year of operation of this company. We grew from two clients in FY2016 to seven clients in FY2017 and showed a revenue growth of approximately from about 1.2 Crores to about 2.7 Crores. There is still on a very small base. I think with NIRF ranking now becoming more and more important and critical from not just student attraction perspective but also in terms of ability to earn grants from the government, from government organization, I think many more institutions are going to look for research incubating services in the coming years.

This business from universities grew roughly around 60%- 65%, about 60% last year from about 5.5 Crores to about 8.6 Crores. This is a business, which has reasonably healthy operating margin, and with a faster growth in the coming years this business probably will be able to sustain a much faster contribution to the profitability in the coming years.

Coming to the next three years, I will like Satya to cover that.

Satya Narayanan R: Thank you Nikhil. I am now on this slide that is talking about a three year perspective and at a very broad level, we are saying that we will stay focused on asset light, asset driven scalable services businesses and the as has been covered by GP as well as Nikhil from two different dimensions the exit from a couple of businesses over the last six quarters and addition of assets like E-T-E-N, ETEN as we call it and Accendere are a bit of a summary of the pivoting that we have done over the last few quarters and whilst the overall optics has not looked as exciting as we would like one of the things that we believe is that with our own risks and our own money we have been able to discover the next steady ground for growth from a place where we were trying to discover where do our growth come from about four years ago so with a bit of our mistakes, learnings, which are inevitable, now we believe that we have no more massive discoveries to make we need to grow these businesses over the next three years and we are talking about can we end at a three-year perspective of about being a 500 to 520 Crores company, which is looking at an EBITDA CAGR of about 28% to 30% and a PAT growth of about 38% to 40% ending up at about 66 to 69 Crores of PAT in 2020, which also ends up correcting a lot of distorted ROCE that we have right now because of the asset heavy K-12 business that we work that was in our portfolio.

I am referring to this particular slide as a summary where most of the focus is going to be on organic growth in test prep, in publishing, adding value added services to publishing and cross leveraging our enterprise and consumer businesses and show this kind of a growth over a three year period.

Inorganic, as we have put out actually a note on our investor zone over the past few weeks inorganic has been one of the strengths of CL to tap into newer opportunities where an entrepreneurial group or a team might have cracked open a new opportunity and our entry into law, Kestone as an enterprise business or ETEN now to get into civil and chartered accountancy which are very fairly entrenched markets or even Accendere for a new opportunity called research, we have looked at these as very derisked ways of entering a new business that we will have our antennas up, we will keep looking at opportunities but we do not see adding far too many over the next three years maybe one or two might happen if something comes as a very attractive option for us.

I will pause here now and may be throw it open for Q&A and respond to your questions. Over to you!

Moderator: Thank you very much. We will now begin with the question and answer session. We have the first question from the line of Karan Wadhwa who is an Individual Investor. Please go ahead.

Karan Wadhwa: I needed to know what was the reason for this -1% decline in the revenue?

Nikhil Mahajan: As I have stated earlier that as compared to FY2016 there were two lines of business which we discontinued one in FY2016 36 Crores of revenues from the government vocational revenue and about 17 Crores from the Nokia business and both these businesses did not exit in FY2017. In

FY2017 Nokia business did not come in because Microsoft shut it down globally in FY2016 and the government vocational, we consciously scale down and exited at the end of quarter one so what was a 36 Crores line of revenue in FY2016 we ended up doing only 2.3 Crores. That is the reason we have given both the absolute revenue and the adjusted revenues to make a comparison and realistic comparison of the business performance and growth.

Karan Wadhwa:

Thanks.

Moderator:

Thank you. We have the next question from the line of Varshit Shah from Centrum Broking. Please go ahead.

Varshit Shah:

Thanks for the opportunity. First, I would like to thank the management for organizing this call and giving a fairly detailed introduction, so it is pretty helpful for newcomers like me. Going into the question Sir my question is basically EBITDA margins so as you have mentioned in the slide that your consumer business has an EBITDA margin of 25% plus 27% and your enterprise business has a margin of around 7%, 8%, 9% so what is the strategy in the EBITDA margin going forward in enterprise business is this because it is a nascent stage and you intent to strategically scale up the EBITDA margin or is it this is the range in which it should stay and rather you would focus, it is more like a volume rather than the margin game so just highlight on the enterprise part of the business?

Nikhil Mahajan:

In the enterprise business one of the reasons for a lower margin was a negative impact of a government vocational business. If you want to adjust for that business even then this business should be on an average 12%, 13% sustainable margin business so this is actually a higher revenue growth business and as our revenues grow the margin percentage were also increase but yes as compared to the consumer business this is more of corporate and institutional business the margins in this business are slightly on the lower side.

Varshit Shah:

Sir so that is fine so what I am trying to understand is should we going forward assume that built in like a 12% to 14% kind of a range for the next two years?

Nikhil Mahajan:

On an average for the enterprise business that should be a fair assumption.

Varshit Shah:

Since we have this vocational business and the Nokia business behind us?

Nikhil Mahajan:

There will not be any negative impact so going forward you could make that assumption of an average 12% to 14% EBITDA on that consolidated vertical.

Varshit Shah:

I think that is fair enough and thanks Sir.

Nikhil Mahajan:

I just want to add there are portions of this business like research since they are very small they are able to attract a much higher margins but because their contribution to revenues as of now is very small so it does not move the needle on the margins but over the next three four years when their contributing to the overall revenue might increase to a more meaningful percentage the

margins might increase on a significant uptick as we go forward but I think that is slightly longer-term story because we have to contribute at least 10%, 12%, 15% of the total business to make the needle move.

Varshit Shah: If I would squeeze in one more. On the consumer side Sir do we expect these kinds of margin levels to be maintained this range of margin to be maintained going forward whether it is at least foreseeable future like may be one to two year FY2019?

Nikhil Mahajan: I do not think there should be any significant degradation of margins except for any unforeseen circumstances of any exams, policy change at the government level but for that I think the margin levels should sustain.

Varshit Shah: One more if I could add, so in one of the slides you have given the average pricing for the online courses versus the physical and I am referring to slide #20. So is there are threat of your own online if suppose like suppose our quality of online is very much up to the market and there is desired result for the students is same as that of a physical test prep is there are threat of we canalize or are we cannibalizing our own revenue?

Nikhil Mahajan: Actually our big proponent of cannibalizing our own business through digital services because my digital revenues come at approximately 70% marginal EBITDA so if some of my existing classroom students get converted into digital students I would not mind but our assumption is that a larger chunk of the students are coming and buying our products are from the market segment who are currently not our students.

Gautam Puri: I would also like to add that there are three different kinds of customers, or two different kind of customers students who can study themselves and do not need too much of a guidance and students who need regular guidance. The students who need that regular guidance with the regular faculty inspection or we want to are likely to go to a classroom program the students who are self-motivated or beyond a certain level are likely to come to an online program so these are two very distinct segments and between them there would be an overlap of 10% that is the hypothesis we have worked on and our ETEN which we have seen with students also seems to indicate that.

Varshit Shah: So I think as of now it is not much of it but even if it is materializes it will be beneficial for us in terms of margins?

Gautam Puri: That is right and we are reaching out through VoIP to a segment of students who are normally not coming to the classrooms.

Varshit Shah: So at least our pie is expanding in that sense if I were to look at it?

Gautam Puri: That is right.

Varshit Shah: That is from my side. Thank you.

- Moderator:** Thank you. The next question is from the line of Sumit Ahuja who is an Individual Investor. Please go ahead.
- Sumit Ahuja:** I wanted to know if we are looking for any acquisitions in the next six to twelve months?
- Satya Narayanan R:** There are always we have had a couple of conversations live as far as inorganic are concerned so even if as we speak there are two or three conversations or evaluations that are happening because test prep is a segment of a very, very small niche players who are cracked open a problem but there is nothing anywhere close to a closure at this point in time. If any we look at those which are inconsonance with the core area of business which is test prep that are scalable educational services that are technology driven so at this point in time I would just say that nothing is close to a closure but yes a couple of conversations are always on.
- Sumit Ahuja:** So the focus area is going to be the test prep only?
- Satya Narayanan R:** Yes absolutely as GP was mentioning from a 200 location distribution setup our idea is to expand our geographical footprint and number two is can we take our number of products in each center or location from 2, 2.5 to 3, 3.5 over the next year or two, I think this is what the focus is because the product expansion has happened now its geography and improve productivity or asset sweating at each location over the next two years these two guide us our growth in the consumer business.
- Sumit Ahuja:** Thank you so much Sir that will be all.
- Moderator:** Thank you. As there are no further questions, I would like to hand the conference back to the management for any closing comments.
- Satya Narayanan R:** Thank you very much. This was our first such call as already mentioned at the beginning. If there are any better ways for us to create our content for the next such call, we will be very happy to receive your feedback at my email ID or to Four-S or to Nikhil. Our emails are known to you and if anyone of you wishes to have a deeper dive, we will be very happy to organize a face-to-face or a one-on-one session using a Skype or a remote way of doing it on a WebEx platform. We look forward to hearing from you and to our couple of our anchor investors who I also see on the platform thank you very much for your continued support. We look forward to seeing you as we do our next round of conversations over the next few weeks. Thank you very much and thank you, Lokesh.
- Moderator:** Thank you very much. On behalf of CL Educate that concludes this conference. Thank you for joining us ladies and gentlemen. You may now disconnect your lines.