To
Department of Corporate Services,
BSE Limited
Phiroze Jeejeebhoy Towers, Dalal Street,
Mumbai – 400 001

To
Listing Department,
National Stock Exchange of India Limited
C-1, G-Block, Bandra - Kurla Complex
Bandra (E), Mumbai – 400 051

Scrip Code: 540403, Scrip Symbol: CLEDUCATE
ISIN: INE201M01029

Sub: Transcript of Investors Earnings Call pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Dear Ma'am/Sir(s),

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and in continuation to our disclosures dated February 01, 2024, and February 05, 2024, please find enclosed the Transcript of the Earnings call held on February 05, 2024, with the Analysts / Investors.

The aforesaid information will also be hosted on the Company's website at www.cleducate.com.

Kindly take the above details on record.

Thanking You
For CL Educate Limited

ARJUN WADHWA

Digitally signed by ARJUN WADHWA
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Arjun Wadhwa
Chief Financial Officer

Place: New Delhi
Date: February 09, 2024

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"CL Educate Limited Q3 FY 2024 Earnings Conference Call" February 05, 2024

Management:

Mr. Satya Narayanan R – Chairman, CL Educate Limited

Mr. Nikhil Mahajan – Executive Director & Group CEO, Enterprise Business, CL Educate Limited

Mr. Arjun Wadhwa – CFO, CL Educate Limited

Earnings Call Link: CL Earnings Conference Call Q3 FY24

Results Link:

- Consolidated Results – Q3 FY24
- Standalone Results – Q3 FY24

Investor Presentation: CL Investor Presentation Q3 FY24

CL Educate Limited: Earnings Conference Call – Q3 FY 2024

Arjun Wadhwa: Good Afternoon, ladies, and gentlemen, and welcome to **CL Educate Limited's Q3 FY24 Analyst Call**. My name is **Arjun Wadhwa**. I'm the CFO of CL Educate and I'll be your host for today. Once again, I would like to welcome you to our homegrown Metaverse platform called VOSMOS. This is now the eighth consecutive time that we've been using VOSMOS for our analyst calls, and it continues to have amazing validation across industries, people from the Prime Minister of our country to Heads of State, to Heads of Corporations have now used it over the last couple of years, and it continues to grow from strength to strength. This analyst call as always will be recorded, transcribed, and made available in the investor zone on our website within the next 24-48 hours. Should you have any questions during the call, please just type them out in the box on the bottom right-hand corner of your screen. We'll take them up at the end of the session.

Joining me on this call today are **Mr. Satya Narayanan**, the Chairman of CL Educate and **Mr. Nikhil Mahajan**, our Executive Director, and Group CEO of our Enterprise Business. I'd like to start this session by inviting **Satya** to share a brief overview of our businesses over the last 9- months, after which **Nikhil** will run us through the presentation spending some time on our financial, business and corporate updates. Following which we will take your questions.

Satya, over to you.

Satya Narayanan R: Welcome everybody. This is quarter 3, first 9 months, and at an overall level, numbers-wise we've grown about 11% in topline, 11% in EBITDA, and you will see more details of it when Nikhil takes us through the presentation. But some of the broad qualitative points that I wanted to include in my commentary are as follows. Number one is that, as you know, traditionally the third quarter is always the most challenging quarter in our business. This year was no different than expected. In fact, given the little bit of a commotion or tumult that we saw based on the change of the law examination, we were bracing ourselves for a little bit more challenging third quarter, but the teams have done a little better than what we were thinking or fearing. So, the third quarter is over. We've stepped into the JFM/Q4 and we're looking forward to a good run from various perspectives. I'll cover a couple of those right now, or even Nikhil will cover it. For instance, one of the good things is that CUET, enrollments wise, we have crossed last year's, full year's numbers, and the crash season is just about to begin. That's one very good thing that we are looking at. Internationalization that has been underway for both Kestone as well as CL, is looking promising. You will hear more about it as we move into the coming quarters. What it also does to us when our programs or products and services go international is that they help us improve our margins in a reasonably important way. The other business, which is our Study Abroad, international test prep, admissions into colleges, even that one, though it's a very small base, also has grown by about 70-75% over the corresponding period of last year. We still are just bringing it out of the incubator and accelerating it, but that one also is looking good in our judgment. One specific intimation, we are not covering that much in detail, is the participation of CL Educate in the rights issue of one of the startups, 361 Degree Minds. You might have taken note of that in the disclosures that you've made post the board meeting. 361 Degree Minds helps universities to create their digital twin and launch their online programs, and 361 Degree Minds manages the online programs for universities. It is working with five universities as of now. We will cover more about it when we see some important milestones being crossed over the next couple of quarters. I'll pause there and hand it back to you, Arjun, or to Nikhil to take it forward. Happy to answer questions at the end when we get into the Q&A zone.

Nikhil Mahajan: Thanks, Satya, and Good Afternoon, everybody.

So, on the brief financial summary update, as Satya had shared, our revenues grew by about 11% and the EBITDA growth was also commensurate at about 11%. Last year, a 9 month performance in this year, 9 month performance, we last year had an exceptional income on account of liquidation of a big land parcel, which boosted our profitability for last year. As compared to last year's 9 month performance, our TCI (Total Comprehensive Income) is down by about 30%, but the business performance is more or less similar with the consistent Rs. 12.8 crore PAT this year, which is more or less similar to last year. Another important aspect which I would want to highlight is that last year, on a full-year basis, we had a tax reversal of about Rs. 5 crores, and this year, we are on normal taxation. So, despite reasonably positive 11%-12% growth in EBITDA, our PAT might come out more or less flattish in the 9 month period, but now we are on a consistent normal 20%- 25% (approximately) taxation as compared to one-off tax reversal last year.

Our cash position stays pretty healthy. If you look at our gross cash position, despite the conclusion of the buyback in the month of November, our gross cash position is about 108 crores after the consumption of 10 crores in the buyback process. Our borrowings in this quarter usually are at a higher end of the spectrum because, as Satya stated, this is one of the leanest business quarters in terms of new business, and we usually have to dig into our reserves for operations. And also, for the MarTech corporate business, usually this is a heavy execution period, and a lot of collections happen in the 4th quarter. So, the borrowings usually tend to go up in the third quarter and then tend to come down by the end of the 4th quarter to a more stable level. Our segment performance, if you look at it, our EdTech business has grown about 14% in terms of revenue year-on-year. The EBITDA has grown by about 11%, the specific reason of EBITDA growth in EdTech business being slightly lower than the revenue growth is on account of significant investments in terms of brand and people which we have made from a long-term business outlook perspective in order to strengthen the business from a long-term growth perspective. And over the next 2-8 quarters, you will see the EBITDA growth beginning to exceed the revenue growth in the coming quarters. The MarTech business has seen approximately 49-50% growth in EBITDA, even on a marginal 3-4% revenue growth. And that is predominantly driven by a positive pivot in terms of the revenue mix of higher margin business. So we have been outlining that we are consistently working towards moving more and more parts of our business from a slightly lower margin business support services to a higher margin technology enabled VOSMOS as well as digital and content services. And that has enabled a significant expansion in our EBITDA margin in the MarTech business as well as the increase in EBITDA over the last 12 months.

Now moving to the next slide of our quarter-on-quarter performance. So, quarter 3 this year over quarter 3 last year, as Satya has already shared, is usually the lowest quarter amongst all the 4 quarters. So, our overall revenue growth has been a modest 3%. Our revenue growth in the EdTech business has been 1%. And the revenue growth in MarTech business has been 4%. EBITDA growth was slightly better at 5% in quarter 3 as compared to quarter 3 of last year, predominantly driven by a significant EBITDA expansion in our MarTech business. In the MarTech business, our international business in Indonesia, Singapore, and the US has been growing at an overall aggregate level of 50% over the same period last year. And we are extremely positive of expanding our business in the international markets in the coming quarters as well.

Now a slightly detailed presentation of our EdTech business. The volumes in a 9 month period for the test prep are up by about 12%. The billing is up about 10%. So broadly the business has been growing at the average 12-14%, which we had planned. Law has been a bit slow because of the change in the exam testing cycle. In the previous in FY23, the exam happened twice, one in June and another in December before the cycle change happened. So that change in examination cycle for the exam to happen before the board exam has definitely impacted the business. But I think the market is beginning to absorb and assimilate the change and the negative aspects of that will start wearing off pretty soon and the business in this segment should come back to its historic steady growth as was witnessed over the last four or five years in this area. Student mobility business has grown significantly by about 75%, though on an exceedingly small base continues to be in an investment phase and we are extremely bullish about this business over the next 4-8 quarters and expect similar growth rates to be maintained. In this quarter, we have added 11 new locations, including seven international locations in Bangladesh, Nepal, Ghana, Mauritius, Nigeria, Kenya, and as has been our outlined growth strategy of increased focus on markets outside India. We are steadily but consistently beginning to take a critical step forward every quarter and in the next 4-6 quarters, this will start showing in terms of the outcomes revenue and profitability.

The platform business has been doing extremely well, that business has grown about 40% in the 9 month period as compared to the same 9 month period last year. We now have over 400 odd clients. We have launched a fully integrated, tech-enabled common application platform, already on boarded about 35 universities and institutions in the first 60 days within launch and around 2,000 applications have been sold through the platform. We'll continue to expand this platform over the next 4 quarters with our goal to get at least 100 to 150 institutions on board for next year's admission cycle. We'll keep you posted as things unravel and we keep adding more and more institutions to the platform.

The publishing business has been pretty steady, growing at about 19-20%. The sales through our online sales through our own website and through our dedicated stores on various online platforms like Amazon and Flipkart have been increasing by the day and now they account for roughly around 35% of our total sales. So, between institutional and digital sales, we now have about 80% coming from these two channels and truly a little of the amount going through the conventional retail distributor channel as was the case a couple of years ago before COVID.
As I've shared earlier, the EBITDA in our MarTech business has grown by about 50% as compared to the 9- month period ending December as compared to the 9- month period last year and our EBITDA margins are in now excess of 10% in this business. And I had been sharing over the last couple of years of our endeavor to increase our EBITDA margin in this line of business by 100 basis points every year for the next 3-4 years. And I think we are now beginning to make a significant positive impact in that area. International business has been growing at 50% year on year. Singapore growing steadily, Indonesia and US showing extremely positive sign in the first 9 months of their startup. And we will have revenue short of a million dollar between Indonesia and US for the year ending March'24. We are extremely focused and bullish about the future of these 3 international markets for Kestone where we are focused on. Though there has been a slowdown in the marketing spends of some of the large IT companies, for example, Dell, VMware, Microsoft, Cisco, because of the overall caution with which IT industry has been moving forward globally. But we have been countering this slowdown by adding new customers. If you look at some of the big customers, big names and logos which we have added to our client list over the last 12 months include who's who of the Indian and international corporate sector, tele services, Air India, State Bank of India is now a customer for the first time, Nike, Hewlett Packard, earlier only AWS used to be our customer, now the main Amazon retail platform is also our customer. So, I think this addition of some of these big names is going to contribute significantly in the years to come as we consistently ramp up our efforts to grow this business. And many of the brands which we have added here, while some of them may contribute to business in India, some of the business from these customers is growing in international market including US and Singapore. So, our endeavor of constantly pushing newer customers and getting a larger chunk of business coming in from new business development and newer customers are now beginning to pay rich dividends. We just finished the first leadership engagement workshop of the State Bank of India. It was a fully residential offsite, which keeping in mind that usually you see such activities being done for large private corporate, but the largest public sector bank in India preferred Kestone for such an activity is a very satisfying feeling. Here are some of the pictures from the event.

On the corporate side, I just have one update. We launched our buyback in the month of August with the buyback got completed in November 23. We were able to buyback about 10 and a half lakh shares at an average price of about 81 rupees, 4% of the non-promoter shares were bought by us during this exercise. And ever since the IPO in March 2017, the promoters have increased their holding directly and indirectly either by buying shares in the market or through interventions like buyback, etc. The promoter holding has increased by about 5.5% in the last 6-7 years. I think that's all on the corporate side. I will now throw open the floor for any questions any of you have and we'd be happy to answer them. Thank you.

Arjun Wadhwa: Thanks Nikhil. A couple of questions have come in so far. I'll throw a question first towards Satya. From Rahul Bansali what is the likely enrollment and average realization in CUET segment for this year versus last year? And can you also please provide some commentary on the competitive intensity in the CUET segment and how CL is looking to differentiate itself?

Satya Narayanan R: You know, CUET, the 9 month enrollment figures have crossed 15,000 vis-a-vis the full year enrollments of 13,000 and some numbers last year. So, the good thing is that even as we are stepping into the beginning of the crash season, we have crossed the last years in terms of volumes. And one of the key things that we are focused on in CUET is to achieve two things. One, market share leadership. And number two is to be able to differentiate, that is the second part of the question Arjun that Rahul has asked, which is that we want us to deliver as many of the electives that the student needs and not just the GT and English. So, economics, history, the entire gamut of 15-16 programs out of the 25 that are available. So, the differentiation of CL is that a child needs to go to just one location to solve the entire CUET bouquet of tests and not go to 3 or 4 separate locations, which is quite a big deal. Along with the fact that it will be available in more than 50-60 locations as the only brand that is able to do it. Those are the two important things for us to accomplish in this crash season. The other thing which we hope happens in CUET, which will determine the step up for the coming year is how easy or how tough the examination itself is. And that's a very important thing to happen because like we covered in the last quarter, CUET should follow the path of CAT or JEE or CLAT wherein examination itself is considered something that needs preparation and not the banking or SSC kind of an exam where there are a large number of people, but it becomes an easy exam. So, we hope that good numbers of new universities from new states join in that increases competition and then the paper itself will become tougher. Also, since it is the second year after initial testing, I think that will determine what the growth theta will look like. Our own summary of estimations is that it must look good and we are also combining it with preparing students for their institutions for the board exams.

Arjun Wadhwa: Thanks, Satya. That clarifies both points that Rahul raised on the differentiation and on where things are likely to be going forward. I am going to throw one more question towards you.
It is slightly related. Amit Mehendale, I hope I have pronounced your name correctly, Amit, is asking how much student growth can we expect next year in CUET? And we expect this to be a better revenue growth segment in comparison with our MBA test.

Satya Narayanan R: Yeah, we also think it will happen, Amit. Some of those things, even though we are hopeful about it, we will have to wait for the conduction of this examination in this edition in May of 2024. And how tough the exam is and how much more geographically dispersed is the participation.
For instance, we are finding a lot quicker uptake in Kerala compared to other 3 South Indian states. The Northern belt, it has begun to move, but the central parts of India, the West, East, these needs to pick up. So, we need to perhaps be observant and patient. That is number one. Number two, a remarkably interesting thing which government has already done in an ambitious way is to conduct CUET in 25 international locations for their study in India program. Now, study in India program is seeing a lot of focus where India wants to take the inputs from 55,000 - 60,000 to 500,000 over the next five years. CUET, along with other exams, will become a very key entry gate for that. So that needs to take a little bit of shape. So, my response to you is that we will be able to speak a lot more authoritatively after observing it for 2024 and 2025 until then a healthy growth rate of whatever you would want to assume, I think could be done. I am hesitating, but unlike the CAT or CLAT which are high-level digits, this one can be a 20% plus growth easily. Whether it can double depend upon how the next year will pan out.

Arjun Wadhwa: Thanks, Satya. A follow-up question also still in the test prep space is on the law segment. There is a question from a gentleman asking what has been the loss that we've incurred in the law segment as a result of the change in the exam cycle in terms of test takers and in terms of how it impacts us as an organization? And how confident we are in terms of regaining the same over the year ahead?

Satya Narayanan R: Okay, Arjun correct me if I'm off in terms of numbers, but our loss is as much as about a third in terms of enrollments fall for the law as absolute numbers. But how much of it is attributable to what Nikhil said, last time the exam happened twice in a year, this time it has happened only once and the next season's start has already begun because now children know, kids know, family knows that the law exam will happen in the December of this year. So, some of it will get evened out and we will get to know, but yes, for the window of these 12 months or so, we've had to deal with this uncertainty. Going forward, a couple of things are emerging, qualitatively speaking, for instance, the law, international admissions also are beginning to be included by us in our law offering because the students are also looking at not only the leading law schools in India, but because the law fee points are getting more comparable going to UK, going to Australia, going to US, they're also happening. So, we are also trying to see how we can add LNAT along with CLAT preparation in our offering. So, from a medium term to long term perspective, not only law, IPM, BBA, and the undergrad program that is going to get started in IIM Bangalore in 2025, these are good signs for us to be able to see a very robust growth in the undergrad segment from a 2-4 year perspective.

Arjun Wadhwa: Right, thanks Satya. And maybe I can also just take a quick second to draw the attention of everyone to the slide where Nikhil spoke about the UG segment specifically that despite the change in the exam cycle and despite what Satya mentioned was a slight dip in our numbers, about 20% in the law segment, our overall billing in the UG segment is up by about 7% on a year-on-year basis, and our total enrollments in this same UG space are up nearly 30%. So while yes, there has been an impact on quarter 3 specifically and also from where we'd like to be in terms of numbers, in terms of specifics, in terms of billing, we're actually in this UG segment space, we're up 7%, with CUET helping making up for the slight dip that we've had in our law numbers.

Satya, there's a question from Aditya Sen. He's asking about the ARPU (Average Revenue per Unit) in the CUET and student mobility segments and how many students we would have added over the course of this year as compared to previous years in such segments.

Satya Narayanan R: Yeah, so ARPU on a per student basis Aditya So ARPU for our two-year program, Aditya, as we have perhaps even shared it in the past and we're happy to publish it again, at the two-year CUET program, the ARPUs are between about Rs.1.2 lakhs to Rs. 1.5 lakh. 75 – 80% of the students would lie there and they would take anywhere between three to five subjects for a two-year program, including GT, English, which is aptitude, English, and a couple of subjects. Let's say commerce and accounts or economics and accounts and so on and sociology, history, those kinds of combinations.
The same figure for a one-year program would come down to the range of between Rs. 55,000-60,000 to Rs. 75,000-80,000 depending upon geography, which is a city or online or offline. The crash program that is what we are walking into now, that program would get a realization of between 18,000 to about 25,000-27,000, similarly depending upon geography and the combination. So ARPU per subject is one way of looking at it and ARPU per student, which gets affected by the number of electives that the student picks from us.
Okay, anything else that I've missed here, Arjun?

Arjun Wadhwa: No, that's good, Satya. They have also asked about student mobility, but yes, I think you've more or less covered it. I'll move on to the next question. There's a question from Krishna Kumar who's asking about any new opportunities emerging post the collapse of BYJU's, and I'll tag this with another question which is asking about the impact of the recent ruling regarding restriction of coaching for under 16 age students and whether that has any impact on our business.

Satya Narayanan R: Yeah, I think the new ruling about tuitions; we still have to watch out. Fortunately for us, it doesn't affect us because all our kids are literally 16 because they come to us after grade 10. But the tuition that we're planning to get down to, the implications of it, is very real for many other players. For us, it is less. The way to go about it is to revisit and say which ones of those are going to be online which is delivered at home, which ones are those could be categorized as counseling for which the student can come to the center. That's one kind of relook at the product, age, kind of sessions and then recalibrate it. But more importantly, this is on the concurrent list. This will only be implemented or interpreted very differently in every single state. And our view towards this is not much of grave concern, but we are very mindful and we're observing it in our keeping pace with the environment. On the question that was asked by Krishna Kumar, one good thing that is happening with a couple of these EdTech companies going into trouble is about the changed conversations on talent recruitment that we are seeing. It used to be madness as far as cost to companies are concerned when it was at its peak about two years ago, there is a greater amount of sanity that has come into the conversations. Other than that, I think it hasn't affected much either negatively or positively. I think we have enough stuff for us to do and the market is significant enough, big enough for us to deliver our numbers over the next 4-8 quarters.

Arjun Wadhwa: Thanks Satya, there are the last two questions that I'm going to throw at you and Nikhil before we wrap up this session. There's a question from Akshat on our plans to go to 500 test centers.

Satya Narayanan R: So, Akshat, there are two dimensions around which we are executing this plan. Number one is in our flagship program basket comprising of MBA and law, we have a lot of uncovered cities and towns, especially in certain regions in India. For example, in the South, in some parts of the West and so on. So that is one dimension that we are focused on. The other one, which will perhaps be accelerated, is when we are able to add the CUET and tuitions distribution, which has begun to happen. You know, we opened up a new center in a town called Bijnor, which can be called a tier-3 or a tier-4 town. So, when that kind of momentum comes in for the undergraduate programs, it will increase the number of towns. But also, in a geography like a Bangalore or Delhi NCR, instead of getting limited to 25 centers, an NCR can be a 100 center location for us and that's what we're executing. And when I'm saying this, I am still not counting the possibility of CL's international expansion because that could be quite real when study in India program picks up and CL begins to deliver GRE, GMAT, SAT, Admissions Consulting along with CAT and CUET in outside geographies, very similar to how we are delivering it in the Middle East in our centers in Dubai, Sharjah, Abu Dhabi and so on. So, we think that we are on our way. I'm also happy to share with you that a fully dedicated, very senior resource of with 30 years of experience of the backgrounds like IIT Delhi and FMS from education and has worked with companies such as Asian Paints and Hindustan Times. One senior person has joined in with a singular mandate of focusing on network expansion to get us to the goals of 500 in the next 3 years.

Arjun Wadhwa: Thanks Satya. I'll take one last question before we call it a day. There's a gentleman who asked about our specific plans for Kestone that at one point in time, we were looking at raising some funds in that entity. Are we still looking to do so? And if we have any plans to de-merge the MarTech business, we had spoken about that at one point in time and that is progressing. Nikhil, would you like to take this?

Nikhil Mahajan: Yeah, so we are currently actively evaluating and proceeding with the exercise if we get some right strategic partner who can enable us to take this business from its current level to couple of orbits higher. However, we are very conscious of who and when any such outcome will take place. And as of now, there is no concrete thing which is worth sharing. It is still an ongoing process. Nothing concrete is on the envelope for us to share with this group. De-merger is also an option, and we will come back and update if and when the CL Educates board takes an appropriate decision one way or the other on which way to proceed. So, for now, we are actively pursuing and considering both the routes and if and when we reach a definite milestone of something worthwhile, we'll update everybody concerned.

Arjun Wadhwa: Okay, thanks, Nikhil. There's one last question which is factual in nature. Again, from Krishna Kumar, he's asking about the subsidiary that is at the center of the exceptional items for this year and the right back of Goodwill that pertains to one of our subsidiaries. It's called ICE GATE. The reason is that business suffered a bit during COVID and last year we took an impairment in our investment in that entity to the tune of about 3 crores but this year we have changed the business model of that business and now it's working in a slightly different manner and we've done a reassessment of that business and we had a registered value come in and revalue the company and post their review and post the review of the statutory auditors. A decision was taken to write back a portion of that impairment that was taken in the previous year. I hope that answers your question, Krishna Kumar. All right, if there are no more questions, we'll call it an end to today's session.

Thank you so much everyone for joining in and we look forward to interacting with you at the end of this year. We wish you an excellent week ahead and keep following our stock for the latest updates.

Thank you, Satya. Thanks, Nikhil.

Satya Narayanan R: Thank you, Arjun.

For more information, regarding CL Educate you can visit our corporate website:

Annual Report | Financial Statements | Quarterly Results | Telegram Channel

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