

Ref: MTEL/DD/2017/022

23rd February, 2017

The Manager (CRD) The BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai- 400001 Scrip Code: 534312	The Manager – Listing Department National Stock Exchange of India Ltd. Exchange Plaza, Plot no. C/1, G Block, Bandra-Kurla Complex, Bandra (East) Mumbai – 400 051 Scrip Code: MT EDUCARE
ISIN: INE472M01018	

Dear Sir/ Madam,

Sub: Transcript of Earning Call held on 17th February, 2017 at 1.30 PM

We enclose herewith, transcript of Earning Call with Investors and Analysts which was held on 17th February, 2017 to discuss operational and financial performance for Q3 and 9M FY 17. The key highlights of Earning Call are as below:

1. Due to economic slowdown, Q3 had seen some business impact which is now showing improvement since January. Full recovery expected in couple of quarters.
2. **Coaching:**
 - o Implementation of Robomate has resulted in improvement of academic performance of classroom students as witnessed by the company
 - o As a result of recent move towards standardization in CBSE textbooks, company is expecting uptick in its CBSE business
3. As on December, Debt of Rs. 115 Crores is for working capital and marketing and sales of Robomate. These loans have been taken in the company and are secured against moveable fixed assets, current assets including receivables and pledge of Mr. Mahesh Shetty's shares to various financial institutions.
4. Going forward, Company is expecting reduced receivable cycle from government projects.
5. **Robomate:**
 - o Major part of content and technology platform (Rs 43 crores) has been completed by the company till date. Hence, going forward, capex on this account would be around Rs. 5-6 Crs every year.



- The recent media campaign carried out in December has brought about awareness for Robomate across India; Going forward, the company does not envisage substantial expenditure towards media spend for Robomate.

Kindly take the above on your record.

Thanking you.

Yours faithfully,

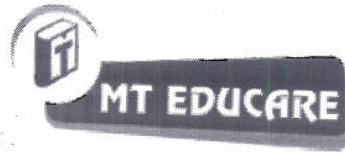
For MT Educare Limited



**Company Secretary
Dinesh Darji**



Encl: As Above



**“MT Educare Limited Q3 FY 2017 Earnings
Conference Call”**

February 17, 2017

**MANAGEMENT: MR. MAHESH SHETTY -- CHAIRMAN AND MANAGING
DIRECTOR
DR. CHHAYA SHASTRI -- NON-EXECUTIVE DIRECTOR
MR. SANJAY SETHI -- CHIEF FINANCIAL OFFICER**



*MT Educare Limited
February 17, 2017*

Moderator:

Ladies and Gentlemen, Good Day and Welcome to the MT Educare Limited Q3 FY 2017 Earnings Conference Call.

This conference call may contain forward-looking statements about the Company which are based beliefs, opinions and expectations of the Company as on date of this call. These statements are not the guarantee of future performance and involve risk and uncertainties that are difficult to predict.

As a reminder, all participant lines will be in the listen-only mode. 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. Mahesh Shetty - Chairman and Managing Director of MT Educare Limited. Thank you and over to you, Mr. Shetty.

Mahesh Shetty:

Thank you very much. Good afternoon, everyone a very warm welcome to our call. On the call, today I am joined by Dr. Chhaya Shastri -- Non-Executive Director; Mr. Sanjay Sethi -- Chief Financial Officer and SGA our Investor Relations Advisor.

The results and the presentation are uploaded in the Stock Exchange and the Company Website. I hope everybody has had a chance to look at it.

Let me quickly give you brief update on MT Educare's activities so far. We have been at forefront of academic excellence, producing rankers across all our segments. Our rankers have been in top 10 across CA Final, JEE Mains, JEE Advance, AIMS, 10th Standard Sate Board, 12th Science and 12th Commerce.

We have presence across 178 locations in 13 states with 293 centers servicing 1.5 lakh students in FY 2016. We are one of the largest education service providers in the country and have a strong faculty strength of (+1,300) teachers along with 45,000 plus hours of content library of AV Lectures.

We have always taken pride in being pioneers in brining innovation in the field of education which has lead of building of fully integrated learning management platform over the period of four years called Robomate+. We introduced the digital content in the classroom in 2013 and since then having constantly improving the service offerings which has resulted in grade enhancement for students.

Today, Robomate+ has offered even to non-MT students through retail and institutional sales strategy. It is also available on the android and iOS platform where it is high quality AV

Lectures are available online. Robomate+ app has already 1 million downloads on Google Play Store as on date.

We are working closely with the government for various skill development projects over the last five years. These projects provide us a strong relationship with the government and open our doors through public private partnership or new initiatives. These products have healthy margins and assured payments.

To conclude, for the past 28 years MT Educare has been educating and building the future of the youth in India. We are growing MT Educare on the platform of trust developed among our customers and shareholders. For next 25 years, we are all equipped to achieve exponential growth.

Now, I would like to hand over the line to our CFO -- Mr. Sanjay Sethi, to update you on the financial performance of the company.

Sanjay Sethi:

Thank you, sir. Good afternoon, everyone. Let me take you through the Consolidated financial performance for the company nine months' financial year 2017. Revenue for nine months' financial year 2017 stood at Rs. 234.97 crores against Rs. 228.42 crores in 9M FY 2016.

During the year, we had launched Robomate+ multipronged media campaign with included TVC's running across television channels; we have incurred an expense of Rs. 12.89 crores for the special campaign with Mr. Amitabh Bachchan in the current financial year till date.

Adjusting for the said expense, our EBITDA for nine months' financial year 2017 stood at Rs. 50.80 crores against Rs. 48.50 crores. This is reference to our Slide #40 of the Investor Presentation.

Now, we open the call for questions. Thank you.

Moderator:

Sure. Thank you. Ladies and gentlemen, we will now begin with the Question-and-Answer Session. We take the first question from the line of Harsh Vijay Shah from Crescita Investment. Please go ahead.

Harsh Vijay Shah:

My first question was on the commerce division. So, it has good growth over these nine months. So, basically that was from our UVA segment because last time you had said the commerce division has seen some sort of softening. So, majority of our growth has been derived from UVA?

Mahesh Shetty

Yes, actually our commerce business for nine months has been around Rs. 23 crores and last year it had been around Rs. 28 crores. So there has been a small fall and reason for that lowering admissions is mainly because the CA segment results has been lower than last year.

- Harsh Vijay Shah:** And second thing, in UVA what sort of contract we did in these nine months? Can you just give us a break-up of the private and government contracts?
- Mahesh Shetty:** We do not have private contracts, it is all government contracts and around Rs. 50 crores and these are all through skill and free coaching.
- Harsh Vijay Shah:** And in this quarter, we booked good, high amount of advertisement expense, was it because of the new IndAS provisions where our deferred expense booking is not allowed?
- Mahesh Shetty** Our campaign has been waiting since few months, we have signed with Amitabh Bachchan. So, that campaign had to be launched and we were ready with the all the three films which was made and we have incurred an expense of around Rs. 12.89 crores for the Robomate+
- Harsh Vijay Shah:** But only for this quarter we have incurred some Rs. 11.5 crores, ad expense we get the benefit over the quarters or may a year or two visibilities, so, we can deferment. I guess the new IndAS provision allow you to defer that expense booking is that so?
- Mahesh Shetty** Absolutely, we have expensed it out.
- Harsh Vijay Shah:** Okay. And last question was on debt. What is the average cost of debt?
- Mahesh Shetty** It is around 12% to 13%.
- Harsh Vijay Shah:** If I take that and I do the back calculation so, taking into consideration our incremental finance cost of this quarter have we taken a debt of Rs. 95 plus crores.
- Mahesh Shetty** Around Rs. 115 crores and there is an also processing charge of around Rs. 1.4 crores included in finance cost.
- Harsh Vijay Shah** Okay. So, what is this debt basically means and is it going to be for Robomate? Can you just classify the segments that are going to invest this state?
- Mahesh Shetty:** These are basically for Robomate, sales and marketing, and working capital for the UVA Government projects.
- Harsh Vijay Shah:** How much working capital do we need for UVA?
- Sanjay Sethi:** About Rs. 40 odd crores we need for the UVA projects.
- Harsh Vijay Shah:** Okay, Rs. 40 odd crores for UVA and rest will be entirely for Robomate?
- Mahesh Shetty:** Absolutely, yes.

- Moderator:** Thank you. Next question is from the line of Raunak Onkar from PPFAS. Please go ahead.
- Vaibhav:** Yeah, this is Raunak's colleague Vaibhav here. Sir, I just want to elaborate on the first question regarding the debt that the previous colleague asked so, how much debt can you all take on the books, I mean what have you all taken this against?
- Mahesh Shetty:** No, we are at Rs. 115 crores in December quarter.
- Sanjay Sethi:** We can go up to Rs. 150 crores.
- Vaibhav:** You can go up to Rs. 150 crores.
- Mahesh Shetty:** Yeah.
- Vaibhav:** Okay. And in terms of the pledge that the promoter has could you throw some light as to how much is the current pledge vis-à-vis the total number of shares?
- Sanjay Sethi:** Seem today we have a pledge of about Rs. 49 crores which is around 70% of the shareholding of Mahesh Sir.
- Vaibhav:** 70% of the shareholding.
- Mahesh Shetty:** Yes.
- Vaibhav:** So, effectively what you are saying is below a certain stock price, I mean this pledge will be revoked or could you roll over this?
- Mahesh Shetty:** It will not be revoked; we will have to give additional shares.
- Vaibhav:** You will have to give additional shares, all right. Sir, could you throw some light on Gayatri Education when you are going to consolidate it and what is the current status of the numbers?
- Mahesh Shetty:** See, Gayatri has been at EBITDA loss for the last two years. But as we are talking now, okay, it has a turnover of around Rs. 160 crores and the top-line and expected it to have an EBITDA of around Rs. 4 crores by the end of the year and next year we are expecting it will have a top-line of around Rs. 190 crores and expected EBITDA would be around Rs. 12 crores to Rs. 13 crores.
- Vaibhav:** with respect to the consolidation that you all were talking about
- Mahesh Shetty:** It will happen in 2017-18. We have been waiting for the EBITDA to get positive. So, 2017-18 we will be consolidating. Thank you very much.

- Moderator:** Thank you. We take the next question from the line of Jain Mamanis from Care PMS. Please go ahead.
- Jain Mamanis:** Sir, in case of Robomate, so far 1 million downloads have taken place. So, can you tell us the figures after the ad campaign with Amitabh Bachchan what is the change in downloads and their conversion into paid downloads?
- Mahesh Shetty:** The download has increased by two-folds to three-folds, okay and the daily sales now in the retail segment is around Rs. 1 lakh because of Amitabh Bachchan's ad which was lower has increased to around Rs. 1 lakh per day.
- Jain Mamanis:** Daily 1 lakh downloads?
- Mahesh Shetty:** No, daily Rs. 1 lakh sales happen online.
- Jain Mamanis:** Okay. So, what is our target for the current year from Robomate?
- Mahesh Shetty:** We are expecting around Rs. 18 odd crores.
- Jain Mamanis:** Okay. So how much we have achieved so far as on date?
- Mahesh Shetty:** Yes, as of now we have achieved around Rs. 18 crores nine months, by the end of the year it will increase by another Rs. 4-5 crores.
- Jain Mamanis:** Okay. But considering Rs. 1 lakh per day, so it will be around say two months are left...
- Mahesh Shetty:** I have not included institutional, this is retail. See, more Amitabh Bachchan goes all over India so, it is more on the call they book their Robomate. Institution is beyond the ad campaign we have to go to the institution and do that.
- Jain Mamanis:** So, post Amitabh Bachchan ad campaign what is the change in the paid download?
- Mahesh Shetty:** Change in the consumers' behavior because Amitabh Bachchan being a brand ambassador the respect has gone four folds. Whenever we enter an institution or discuss the trust has increased a lot compared to what it was before and downloads have increased around 2,000 downloads plus every day, I am talking of daily.
- Jain Mamanis:** Okay. So, actually in last presentation we have said that the around 500 faculties are working for this Robomate+ content development and making the content. So, can you share us with the expenses, fix expense, annual expense?
- Mahesh Shetty:** About this Robomate?

- Jain Mamanis:** Yeah.
- Mahesh Shetty:** They are direct expenses and they are expensed out. They are mainly DTP operators, and teachers. So, most of the Robomate content is ready. So, now as we are talking, we do not need so much of people in Robomate creation.
- Jain Mamanis:** What is our target for the 2017-2018 sales targets for Robomate?
- Mahesh Shetty:** Robomate sales target for 2017-2018 will be probably double.
- Jain Mamanis:** So, current year it will be around Rs. 35 crores then can we assume?
- Mahesh Shetty:** I will correct you please it is Rs. 25 crores.
- Jain Mamanis:** Rs. 25 crores, okay. So, next year it will be around Rs. 50 crores?
- Mahesh Shetty:** Expected.
- Jain Mamanis:** What will be the expense side?
- Mahesh Shetty:** Expense should be around, see there will be some capital expenditure which has already happened and it should be around 30% margin.
- Jain Mamanis:** Okay. We see that we have spent so far Rs. 100 crores on Robomate+ which includes tablet devices platform and content. So, this tablet devices we have provided to the students, correct?
- Mahesh Shetty:** Yes, going ahead we are only providing it to the school segments, the science and commerce we have discontinued because that was an initiation to be done and it is a methodology, so we had to give the tablets to all but as we proceed ahead we are not giving tablets now to the college that is the science and the commerce sections. We are only giving it to the school section.
- Dr. Chhaya Shastri:** We have seen great results in the great improvement last year that we have been working with the tablet and the learning management system that we have implemented which is USP of MT Educare basically and because of which we had to put an adaptation and habit to the students to study with the technology platform and hence the tablets were offered. Now, that it is a part of the system we do not see the need of giving tablets because SD card is also enough. Most of the kids are now aware that they can study like that at home also.
- Jain Mamanis:** Okay. So, we will provide SD card to the school students also?
- Mahesh Shetty:** Yes, school students with the tablet. College students only the SD card.

- Jain Mamanis:** So how much we have spent on tablet devices for the year 2016-2017?
- Mahesh Shetty:** Around Rs. 27 crores.
- Jain Mamanis:** Okay. So, if you replace that with SD card, so how much we will be saving?
- Mahesh Shetty:** May be just Rs. 2 crores, Rs. 3 crores for the SD card that is all because major cost is the tablet. The tablet cost was the major cost.
- Jain Mamanis:** Okay. So, do we charge any extra amount for providing tablets or SD card?
- Mahesh Shetty:** We had tried to last year but as we saw the average realization did not improve much, , now they like it very much once they started using it. So, it took some time for realization.
- Jain Mamanis:** Are we witnessing any pressure on the conventional classroom teaching because of this Robomate launch because our margins have reduced from 22% to 18% if you keep apart this additional ad campaign.
- Mahesh Shetty:** That is mainly because of the tablet cost the EBITDA margins had come down. Mainly because of the tablet cost. Now, the positive impact has come because people have started seeing the results are improved by 10% to 20% and teaching hours have come down.
- Jain Mamanis:** Okay. So, we are very optimistic on the Robomate side. So, what kind of growth are you visualizing for next two years to three years?
- Mahesh Shetty:** See, Robomate as it is Modi Ji has made Digital India, so I think so it is time for us to realize the dream for such a great person and we are expecting around 30% to 40% CAGR.
- Moderator:** Thank you. Next question is from the line of Giriraj Daga from KM Visaria. Please go ahead.
- Giriraj Daga:** Few data point question, so what is the revenue from government in nine months versus last year?
- Mahesh Shetty:** It is Rs. 51 crores.
- Giriraj Daga:** And versus last year?
- Mahesh Shetty:** Last year it was around Rs. 18 crores.
- Giriraj Daga:** Okay. And so primary our revenue growth on the fee side has come from this business only both commerce and UVA
- Mahesh Shetty:** Yes, commerce.

- Giriraj Daga:** Commerce division. And second is that was the institutional sales in Robomate in this quarter or nine months' number?
- Mahesh Shetty:** Institutional sales is around Rs. 8 crores.
- Giriraj Daga:** This quarter?
- Mahesh Shetty:** Yes.
- Giriraj Daga:** Okay. And advertising will we have any major expenses coming in FY 2018 also?
- Mahesh Shetty:** No.
- Giriraj Daga:** So, the earlier run rate what we had will continue on the advertising expenses?
- Mahesh Shetty:** Yes.
- Giriraj Daga:** Okay. And what are the debtors as on September?
- Mahesh Shetty:** September it was...
- Giriraj Daga:** Not September sir, December.
- Mahesh Shetty:** Rs. 71 crores.
- Giriraj Daga:** December, Rs. 71 crores?
- Mahesh Shetty:** No, September Rs. 71 crores. December the debt should be around Rs. 80 crores.
- Giriraj Daga:** Rs. 80 crores.
- Mahesh Shetty:** See, the debtors for September'16 was Rs. 71 crores and for December'16 they are Rs. 80 crores.
- Giriraj Daga:** Rs. 80 crores, okay. One thing which I have been observing on the segment performance, if you look at the school segment that is seeing a significant like pressure. So, I believe one of the reason like state boards where more and more students are shifting to CBSE and ICSE and that was one for the primary reason for disappointment. So, anything which you are trying to control that performance or it is continue to gradually go down by 3%, 4% every year?
- Mahesh Shetty:** It will grow because CBSE, ICSE as of now is 10% but there is some very good news for all of us that CBSE is prescribing a text book. See, what use to happen was every school had a different textbook and that was a problem and in a school also different teachers would use different textbook and textbook is like a Bible for the child and following this textbook was

very difficult. Thankfully our HRD Minister announced just two weeks back there will be board exams for 10th standard and there will be a single textbook to be followed all over India just like Maharashtra State Textbook and we are a master of State Textbooks so, likewise, we will be a master of CBSE Textbooks.

- Giriraj Daga:** Okay, understood, sir. Last question, sir what was the hardware sales in first nine months versus last year?
- Mahesh Shetty:** Hardware sales, I am sorry, I do not understand hardware.
- Giriraj Daga:** It is basically, when you say Robomate or something in the school also the content we are giving tablet what was the sales of that?
- Mahesh Shetty:** Rs. 18 crores in all, including all because some students take only SD card, some students take online, some students take tablets, so it is around Rs. 18 crores.
- Giriraj Daga:** Have you told Robomate sales?
- Mahesh Shetty:** Total Rs. 18 crores.
- Giriraj Daga:** I am saying have the separate like the content cost may be different and tablet cost would be different
- Mahesh Shetty:** We will discuss this offline.
- Moderator:** Thank you. We take the next question from the line of Chirag Vekaria from Budhrani Finance. Please go ahead.
- Chirag Vekaria:** Sir, just wanted to know you said the CBSE, ICSE will have a single text book you know...
- Mahesh Shetty:** ICSE is not still confirmed but CBSE is going to have a single textbook now.
- Chirag Vekaria:** CBSE is confirmed?
- Mahesh Shetty:** Yes, confirmed, ICSE is on the process but it is not still announced.
- Chirag Vekaria:** Okay. And sir, with regards to one of the outcome of your Board Meeting was creating a subsidiary of Robomate, we are creating a wholly owned subsidiary, so what would be the methodology, sir, I mean we have already incurred quite a significant expense on the books of company so, how are we doing it?
- Mahesh Shetty:** Yes, we are doing it on book value itself, it will be a business transfer.

- Chirag Vekaria:** Okay. And sir, lastly, can we have the cash and debt on books?
- Mahesh Shetty:** Debt on books is Rs. 115 crores and in terms of cash we are at around Rs. 10 crores.
- Moderator:** Thank you. We take the next question from the line of Vinay Kanvinde from Right Horizon PMS. Please go ahead.
- Vinay Kanvinde:** Actually my question is to Mr. Shetty, I just wanted to understand while the expense is on advertising has been phenomenal for this quarter I understand Amitabh Bachchan has come and for the nine month as well we have seen a 50% jump corresponding total sales either for nine months or for the current quarter in fact current quarter is down 10%. So just trying to understand on the sales where are we getting it wrong for the quarter three and the nine month period?
- Mahesh Shetty:** See, there is nothing wrong on there. This whole business as if we are talking of Robomate we have achieved last year it was around Rs. 13 crores and now this year it is around Rs. 18 crores. There is a growth of around Rs. 5 crores. So, the Amitabh campaign will unfold. See, it is more branding, it is more positioning. Now when we go people recognize Robomate+. First when we use to go people use to not recognize. So, the whole branding issue is like resolved. Now people know, awareness is created so, that is how the sales will increasing going ahead.
- Vinay Kanvinde:** No, but then while we see a 10% dip in the quarter 3 numbers on the sales.
- Mahesh Shetty:** That is because of the salary.
- Vinay Kanvinde:** No, revenues decline.
- Mahesh Shetty:** Revenue is decline because see this particularly in the November, December after this economy slow down we saw parents' turnaround less footfall which has now started coming in the January, February period.
- Vinay Kanvinde:** Okay. And you have expensed out the entire campaign expenses however you have said that so, the run rate going forward on a quarterly basis will again normalize or is that going to be that benchmark for the expenditure
- Mahesh Shetty:** Yes, no it will normalize.
- Vinay Kanvinde:** Okay. And so this year I believe FY 2017 as we end the total revenue, growth is not expected to be as much. I mean, it will be difficult for us to hit may be 10% year-on-year but for FY 2018 what sort of outlook do we have for revenue?
- Mahesh Shetty:** It is too early to comment. But I can give you some understanding. School segment growth will be driven by CBSE, ICSE and science because of there is an announcement that all India

there will be one single other than IIT for engineering and medical both, that will enhance our position as it is Robomate+ is ready so, it will give us a very good positioning at Mumbai level as well as at India level. Commerce growth will definitely lead with increasing number of CA video classrooms in franchisees in south. Robomate we have signed up with around 40 plus institutions which will be serviced next year. We have signed up around 20 franchisees for Robomate and expected to touch by the end of the next year. So, this on a broader sense.

- Vinay Kanvinde:** Okay. One more question, if I may squeeze in that is, you already mentioned that 12% to 13% is your debt service cost. I assume that is for the total fresh debt that has happened the Rs. 115 crores is that right?
- Mahesh Shetty:** Yes, in the December quarter.
- Sanjay Sethi:** No, Rs. 115 crores is not fresh debt, that is the total debt.
- Vinay Kanvinde:** Total debt, yeah.
- Sanjay Sethi:** See, the fresh debt during the three months would be around Rs. 40 crores.
- Vinay Kanvinde:** Okay. And coming back to the way this was done, you have gone from September to December between I am talking about the total promoter pledge from 70% to 85%, had there been any other way to do this in terms of raising debt or we should equity because sends slightly a negative signal to the current investors. Also talking about issuing additional as collateral you have a pressure on stock price so that again is a dilutive impact. Any comment there please?
- Mahesh Shetty:** See, basically the debt was required for the Robomate content build-up and for the Robomate ad and media campaign. Robomate being a new business, a start-up kind of a business it had to be funded through this kind of a debt only. We are looking at equity and we have no collateral otherwise also because we are an asset light company.
- Vinay Kanvinde:** Absolutely, you are asset light model so you do not have anything else to offer anyways.
- Mahesh Shetty:** Correct.
- Moderator:** Thank you. Next question is from the line of Mayur Bodiya from Bright Advisors. Please go ahead.
- Mayur Bodiya:** My question is regarding this skill development and the government business so, there seems to lucrative avenues. So, how do you looking to capitalize on that brand?
- Mahesh Shetty:** On which brand sorry?

- Mayur Bodiya:** How are we going to capitalize on our brand building and for the government and the skill development business?
- Mahesh Shetty:** There is no brand as such but yes, we are working closely there has been a strong relation with the government from last five years and this participation is on performance basis and since, we have been a professional organization, private partnership has done extremely well with the government. So, the brand is more about performance.
- Mayur Bodiya:** Okay. And specific number, or any specific outlook that you want to give for next couple of years for this government business specifically?
- Mahesh Shetty:** We do not give guidance but as in the past, okay. The revenue will grow as the CAGR expected to be around 20% to 25%.
- Dr. Chhaya Shastri:** Basically, the government skill business means being empaneled with the government and partnership with it. Future is growing India and education is such a vast state as well as the central subject, There is a lot of work that is happening currently and now we are empaneled with preferred vendor's status. So, we have been doing this work for last five years. Also there is a huge strength of ours which is a technology enabled company and that is what is the government is looking at currently. And future education is going to be technology enabled including a lot of conversation on virtual schools, cloud schools, education in the villages, education in tier-2 cities, tier-3 cities where there are no schools, where there are no teachers, so there is a huge scope for Robomate as well currently as well the dialog happening with the government.
- Mahesh Shetty:** We are more coaching centric. So, it is more service centric.
- Mayur Bodiya:** Okay. Second question would be the geographical expansion. Anything that you are looking in near-term?
- Mahesh Shetty:** Geographical expansion.
- Mayur Bodiya:** In new states.
- Mahesh Shetty:** As of now we have done a lot of franchise tie-up with Robomate+, once we see the takeoff with the Robomate+ brand in the local areas wherever we have to go, then we will set up our own centers but we will first try to use the franchise route and get the Robomate+ brand in various geographies of India. And we will be always asset light, okay so we will see say for example it is growing in Calcutta an example and its earnings-sales in Calcutta going to few thousand students then we may set up a center or so, but not without having that position in across India through Robomate plus franchisees.
- Mayur Bodiya:** Okay. Would we be also be looking at strategic partnership with someone?

- Mahesh Shetty:** We have been doing and we have signed 40 institutions as we are talking and 20 franchisees.
- Mayur Bodiya:** Okay. And last would be on any fund raising plans as of now?
- Mahesh Shetty:** As it comes, yeah. As it comes.
- Mayur Bodiya:** So, any time or something that you can share?
- Mahesh Shetty:** No, because it is in process and we are exploring the possibilities.
- Moderator:** Thank you. We take the next question from the line of Viral Desai from Equirus Securities. Please go ahead.
- Viral Desai:** Sir, what I wanted to know from you how has the student enrollment growth happened over the past two years to three years if you can just quantify that? And second question would be pertaining to Robomate as to the kind of capital that you all are infusing in it, what kind of return ratios are you looking at over let us say a couple of quarters? Thanks.
- Mahesh Shetty:** Yes, see the science business has grown over last two years, CBSE, ICSE has grown, state schools as the number of state schools are reducing, okay it has stagnated slightly but we are looking out various ways to grow that but as of now it is stagnant. Karnataka business has grown phenomenally. Our south CA business has grown phenomenally. And we have closed down state board Marathi medium gradually because state board there is a decline in Marathi medium. Commerce graduation business we close down because graduation was not working because our focus was always on CA. CA largely depends on the institutes result. Our Robomate sales CAGR should be around 30% to 40%, PAT of course by institutional support. We have been always consistently providing CA rankers twice we got all India 1st rank.
- Viral Desai:** No, sir, what I meant from my previous question was if you can just give me the percentage of new student enrollments.
- Mahesh Shetty:** New student enrollments, for this nine month, so you have the slide there okay, you can see the nine month schools, it was 66 cr 9M FY 16, it is 64 cr 9M FY 17, it is all there in the Investor Presentation.
- Viral Desai:** Okay, fine. And sir, one more question from my side, how would you be addressing these new boards that most of the tier-I cities have started, these are the IB and IGCSE, Cambridge boards so, do you all have any plan to start off those as a board?
- Mahesh Shetty:** No, we are not going to start that. See, whatever you are talking of IB and IGCSE it is with the very affluent section of the society because the annual fees of such schools is not less than Rs. 5 lakh so such trips are very small segment and very niche. So, we are more on a marks basis working. We do not work with very niche and that is more private tuitions like the IB the

IGCSE where it is individual, one to one teacher sits with the child. So, I think so that segment in India will not have volumes.

Moderator:

Thank you. Next question is from the line of Amitabh Sonthalia from SKS Capital. Please go ahead.

Amitabh Sonthalia:

Just wanted to get a sense, what the further media campaign cost could be for the current quarter going ahead?

Mahesh Shetty:

There is no media campaign in this quarter because children are going for their board exams so, we will stabilize going forward at 6% to 8%.

Amitabh Sonthalia:

Okay. So, it was a purely one-time campaign that we do not intend to?

Mahesh Shetty:

As of now it was more for awareness but there will be a digital campaign where we will be using Amitabh Bachchan's ad it will be around Rs. 50 lakhs per month.

Amitabh Sonthalia:

Also just quickly on your balance sheet, if you can throw some light on the long-term loans of Rs. 105 crores?

Sanjay Sethi:

See, we do not have any long-term loans, they are all short-term loans, and the total funding as of now is around Rs. 115 crores.

Amitabh Sonthalia:

No, I was talking about the loans and advances on the asset side.

Sanjay Sethi:

Loans and advances you are talking about, yeah, we have loans and advances to the tune of about Rs. 30 crores which is basically relates to rental security deposit which are given for the locations that we have other than that there is a Sri Gayatri advance of about Rs. 55 crores.

Amitabh Sonthalia:

I am sorry, what advance?

Sanjay Sethi:

Sri Gayatri Society is a tie-up which has an advance of about Rs. 55 crores.

Amitabh Sonthalia:

Okay. And what is that for again?

Sanjay Sethi:

It is basically a tie-up that we have done, so this funding is a for the operational running of the society.

Amitabh Sonthalia:

Okay. And what are the trust activities again?

Sanjay Sethi:

See, it is basically existing in Andhra and Telangana and it has institutes which are intermediate colleges, 11th and 12th is being taught there.

- Amitabh Sonthalia:** Okay. And what kind of revenue contribution etc.
- Sanjay Sethi:** Rs. 160 crores and an EBITDA of about Rs. 4 crores. However, it is currently not consolidated with MT.
- Amitabh Sonthalia:** Okay. And what is our expectation from this segment in the next year?
- Sanjay Sethi:** See, next year we will be doing around Rs. 190 crores and with an EBITDA of about Rs. 12 crores to Rs. 13 crores.
- Amitabh Sonthalia:** Okay. And just wanted to again may be a very elementary question, our expenses on Robomate, development of Robomate does that sit has there been expense or does it sit on balance sheet
- Dr. Chhaya Shastri:** Mainly expense on developing on a content etc. is already done. So, basically, we are waiting now to be marketing this product is very well marketed now. There is a huge amount of response from institutions as well as retail as you know as we have been speaking on the call. So, this should actually yield results in coming months.
- Amitabh Sonthalia:** Right. I am just wanting to understand what is the approximate amount that has been spend on Robomate and does it sit on your balance sheet or has it been completely expensed out?
- Mahesh Shetty:** Tablet has been expensed out which is around Rs. 27 crores this year and content has been capitalized and platform has been capitalized, total of which is around Rs. 43crores.
- Sanjay Sethi:** The content gets amortized over a three-year period.
- Amitabh Sonthalia:** So, as on September 2016 what is the value of that content and the value of platform?
- Sanjay Sethi:** We have a content of around Rs. 40 crores.
- Amitabh Sonthalia:** Okay. And the other component, you mentioned was?
- Sanjay Sethi:** The platform and all are around Rs. 5 crores.
- Amitabh Sonthalia:** Okay. And do we expect any further investments to be made in Robomate?
- Sanjay Sethi:** Not very significant investments. It will be around Rs. 5 crores to Rs. 6 crores.
- Amitabh Sonthalia:** Okay. So, the total we have spent about is it about Rs. 70 crores - Rs. 75 crores out of our balance sheet on Robomate is that fair to assume that?
- Mahesh Shetty:** Yes, we also gave tablets last year so that was also about Rs. 25 odd crores.

- Amitabh Sonthalia:** Now can you explain the nature of this when last year you gave tablets what is that?
- Mahesh Shetty:** That is given to the students for their studies and it in P&L it is expensed off.
- Sanjay Sethi:** The tablets have been expensed off; they were to the tune of about Rs. 55 crores in two years which is last year and this year.
- Amitabh Sonthalia:** Okay. That is part of your expense product I mean, for your product sales?
- Sanjay Sethi:** Correct, content and the platform stays in the balance sheet.
- Amitabh Sonthalia:** Okay. So, last year what was your revenue on Robomate last year?
- Sanjay Sethi:** Rs. 41 crores.
- Amitabh Sonthalia:** And this year it has been, nine month it has been Rs. 18 crores?
- Sanjay Sethi:** Rs. 18 crores, okay.
- Amitabh Sonthalia:** We expect it to close it in Rs. 25 crores.
- Mahesh Shetty:** Yes.
- Sanjay Sethi:** Out of Rs. 41 crores there was as a one-time sale deal of about Rs. 22.5 crores
- Amitabh Sonthalia:** Okay. So, I understand that the campaign has just happened and the awareness is being created for the future. But is it that the product is not been able to let us say even if we compare like-to-like Rs. 22 crores versus Rs. 25 crores?
- Sanjay Sethi:** See last year, out of Rs. 41 crores there is one-time revenue for Rs. 22 crores giving that number.
- Amitabh Sonthalia:** Yeah, I am excluding that. Right.
- Sanjay Sethi:** So, if you reduced that number so like-to-like it will be about Rs. 18 crores for full year last year and Rs. 18 crores for nine months now.
- Amitabh Sonthalia:** Okay. So, a growth is there.
- Sanjay Sethi:** Yes. So, next quarter whatever sales happens it is going to be the growth for this year actually.
- Amitabh Sonthalia:** So, in terms of our balance sheet and in terms of our funding for the Robomate as well as for business are we well-funded now or do we intend to?

- Sanjay Sethi:** Absolutely, we are pretty well funded now.
- Amitabh Sonthalia:** There is no need to raise for the capital at the moment.
- Sanjay Sethi:** No, not further.
- Amitabh Sonthalia:** And the current cash flows etc. will be supporting the existing businesses so there is no additional capital requirement
- Sanjay Sethi:** Correct.
- Amitabh Sonthalia:** So, you do not expect further debt levels to go up from here?
- Sanjay Sethi:** Not too much.
- Amitabh Sonthalia:** And okay the promoter pledge front has that loan been taken, is there security provided for loan in the company or at the promoter level?
- Sanjay Sethi :** See, basically the Robomate funding that we took was basically against the pledge of shares because that was for a new business which was a start-up and where funding takes time. So, we pledge the shares to financial institutions and borrowed money for the company & for future growth. Other than that whatever funding we have is for the working capital requirements of the skill development and Robomate institutional business which we are getting from various banks and also for tablet funding from one of the banks for the brick and mortar business. So, we are pretty well funded at the moment and basically the pledge happened for the Robomate business future growth only.
- Amitabh Sonthalia:** Right. For the ad campaign, etc. that you had to incur last quarter, so, the pledge funding happened more recently last three months, four months I understand that.
- Sanjay Sethi:** Yes, it is about six months period, yes.
- Amitabh Sonthalia:** What will be the total value against the pledge that we have borrowed?
- Sanjay Sethi:** Today we have about Rs. 49 crores of value and it is about 70% of shares of Mahesh Sir which are pledged.
- Amitabh Sonthalia:** Right. And this is part of our Rs. 115 crore debt or is it above that?
- Sanjay Sethi:** Yes, absolutely.
- Amitabh Sonthalia:** I am sorry, is it included in the Rs. 115 crores?

- Sanjay Sethi:** Yes, it is part of Rs. 115 crores.
- Amitabh Sonthalia:** Okay.
- Moderator:** Thank you. Next question is from the line of Manish Bohara from Param Capital. Please go ahead.
- Manish Bohara:** My question would be regarding this pledge share only. So, how did you arrive at the figure of 70% of your holding because as of the disclosure that is given on 9th February the calculation stands at right 85%-86% of your holding is pledged so, in last ten days have we seen any kind of shares getting revoked because of fall in share price?
- Sanjay Sethi:** Basically, the unpledging of some of the shares needs to happen which is in process actually.
- Manish Bohara:** Okay. So we do not see any risk of our pledged shares getting revoked and triggered?
- Sanjay Sethi:** No, not at all.
- Manish Bohara:** Okay, sir. And sir, as on date we have invested around Rs. 110 crores into Robomate understanding incrementally there would not be any requirement on the CAPEX front, just the working capital is what we would be requiring, is my understanding correct sir?
- Mahesh Shetty:** Yes, for Robomate yes. It will be around Rs. 5 crores to Rs. 6 crores annually. That is may be tweaking of the Robomate basically, some lectures here there.
- Manish Bohara:** Right, sir. And when you say 35% margin, it is the gross margin, right?
- Mahesh Shetty:** Yes, at the EBITDA level.
- Manish Bohara:** At the EBITDA level?
- Mahesh Shetty:** Yes.
- Manish Bohara:** So, what kind of skill would you require to reach that 35% kind of EBITDA margin?
- Mahesh Shetty:** See, what we will require is as I told you, this year Robomate sales is around Rs. 25 crores, next year it will be around Rs. 50 crores.
- Manish Bohara:** Okay. And because we are amortizing our content in three years' time, so this is the as per the accounting. But in actual sense according to you, what will be the life of this content?
- Mahesh Shetty:** See, it is around five years because in five years the syllabus generally changes, so it is roughly around five years.

- Manish Bohara:** Okay, then after five years can we see a similar say Rs. 35 crores, Rs. 40 crores kind of investments for content?
- Mahesh Shetty:** Not needed, because see, the content does not change much. If it is Newton's First Law of Motion, it will be always Newton's First Law of Motion; only thing is they will put it instead of 9th standard in 10th standard. So, the content is upgraded in the sense here and there. Rs. 5 crores, Rs. 6 crores should take care, not more.
- Manish Bohara:** Okay. And sir, for our core business since it is under stress what incremental steps are we taking so that we can have some kind of a cash cow over there?
- Mahesh Shetty:** One good news as I told you that government has told that there is only a single textbook now in CBSE. As CBSE is one of the segments which are going to grow, that is the good news. Second as I told you that all India there is a single entrance exam now for engineering as well as for medical. So, that is also is a kind of good news for us and for our growth. So, there is no much stress as you are saying what we need is better results and Robomate+ has done the job well. So, we are expecting that with these results the admissions will grow very well.
- Manish Bohara:** So, for the scale-up of this new segment. Do we think the scale up can be like enough for FY 2018 to compensate for the loss in the commerce and schooling business?
- Mahesh Shetty:** Yes.
- Manish Bohara:** Okay. So, FY 2018 in the core business we would not see any de-growth in the revenue and hopefully we will witness growth
- Mahesh Shetty:** There will be growth.
- Manish Bohara:** And what about the margins, sir?
- Mahesh Shetty:** Margins as I told you, it is growing at a CAGR expected to grow at around 20- 25%.
- Manish Bohara:** Margins or EBITDA?
- Mahesh Shetty:** Margins. And the class revenues will fund the future growth.
- Manish Bohara:** Okay, sir. That was it my side.
- Mahesh Shetty:** We are ending the call.
- Moderator:** Thank you. Yes, I hand over the call to you.



MT Educare Limited
February 17, 2017

Mahesh Shetty:

Thank you very much. Performance for the current year seems muted led by greater emphasis of the entire team to promote Robomate+ as a new growth platform and encourage by the initial response Robomate has received so far and this gives me greater confidence in the performance of the brand MT Educare in the coming few years, benefiting all the stakeholders. Thank you very much.

Moderator:

Thank you. Ladies and gentlemen, on behalf of MT Educare Limited, that concludes this conference. Thank you for joining us. You may now disconnect your lines. Thank you.