



Aptech Limited

ANNUAL REPORT 2015-16

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Corporate Information

Board of Directors

Rakesh Jhunjunwala
Chairman

C. Y. Pal
Vice Chairman

Ninad Karpe
Managing Director & CEO

Anil Pant
Managing Director & CEO (Designate)

Anuj Kacker
Whole Time Director

Asit Koticha
Director

Madhu Jayakumar
Director

Rajiv Agarwal
Director

Ramesh S. Damani
Director

Utpal Sheth
Director

Vijay Aggarwal
Director

Yash Mahajan
Director

Company Secretary
Ketan H. Shah

Registered & Corporate Office

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Andheri (East), Mumbai - 400 093.
Tel: +91 22 2827 2300 / 01
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Email: investors_relations@aptech.ac.in

Statutory Auditors

M/s. Khimji Kunverji & Company
Chartered Accountants,
Sunshine Tower, Level 19,
Senapati Bapat Marg,
Dadar (W), Mumbai - 400 028.

Bankers

HDFC Bank
Trade World, 'A' Wing, 2nd Floor,
Kamla Mills Compound,
Senapati Bapat Marg,
Lower Parel, Mumbai - 400 013.

Union Bank of India
Union Bank Bhavan, 239, 1st Floor,
Vidhan Bhavan Marg,
Nariman Point, Mumbai - 400 021.

Axis Bank
Ahura Centre, 28,
Mahakali Caves Road,
Andheri (E), Mumbai - 400 093.

Yes Bank
25th Floor, Tower 2,
Indiabulls Finance Centre,
Senapati Bapat Marg,
Lower Parel (W), Mumbai - 400 093.

Registrar & Transfer Agents

M/s. Karvy Computershare Pvt. Ltd
Karvy Selenium, Tower B, Plot 31-32, Gachibowli,
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Tel No : +91 40 6716 2222
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24-B, Raja Bahadur Mansion,
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MANAGEMENT DISCUSSION AND ANALYSIS

Aptech in the Education Sector

Aptech has set itself a vision to become a leading global career education company. Career Education covers job-oriented content development, training and assessment targeted primarily at high school leaving students and skill upgrade needs of professionals. Aptech has expanded its offering portfolio by expanding into segments adjacent to Career Education, with the key criteria for selection being feasibility of launching an asset-light business model and potential for internationalisation.

Business Profile

Based on the customer profile, Aptech's business is classified into two categories, viz. Individual Training (or Retail) and Enterprise Business (or Non-retail). Segment reporting in financial reports is also done under these categories. Individual Training segment caters to individual students who patronise Aptech's brands offering vocational, certification and skill upgrade courses through franchisee network spread across the world. Currently, Individual Training segment consists of eight distinct brands with an operating franchise network, and are listed below:

Industry Vertical	Brands
Information Technology	Aptech Computer Education; Aptech Hardware & Networking Academy
Animation and Multimedia	Arena Animation; MAAC
Aviation, Hospitality and Travel & Tourism	Aptech Aviation & Hospitality Academy
Language Learning	Aptech English Learning Academy
Banking & Financial Services	Aptech Banking & Finance Academy
Beauty & Grooming	Lakme Academy Powered By Aptech

In addition to the above brands, Aptech has been working for the last 5 years with the TRRAIN foundation to offer structured training programs for the existing manpower and new aspirants of the Organized Retail industry. While Aptech is currently operating this business as a B2B venture, the objective is to scale it up and then launch a franchise format for it in the near future, hence it has been classified under Individual Training segment.

Enterprise Business segment caters to the content, training and assessment needs of institutional customers in the Government, Education, Public and Private sector space. Aptech's offerings in this segment are marketed under following brands:

- Aptech Assessment & Testing Solutions**

Aptech provides different types of solutions catering to varied needs of its customers, including high-stake, high-volume entrance exams, recruitment tests, semester-end exams and promotion assessments. It offers the best-in-class features meeting customer needs end-to-end from assessment need analysis to test design to test conduct to post-test analytics with latest technology in the field. Aptech Assessment & Testing brand has conducted on an average 17 lac tests annually for last 5 years.

- Aptech Training Solutions**

Aptech Training Solutions offers training programs to institutional customers, primarily corporates across automotive, BFSI, e-commerce, telecom, IT, BPO hospitality, and education sectors. It focuses on offerings in sales, customer services, soft skills and IT trainings.

In the international market, Aptech operates a few products which leverage its retail network and experience while working with institutional entities. These are classified as international projects and reported under the Individual Training segment due to the nature of business and not based on who is making the payment.

- Indian Technical and Economic Cooperation (ITEC) Program**

Indian Technical and Economic Cooperation (ITEC) and Special Commonwealth African Assistance Program (SCAAP) are bilateral programs of the Ministry of Foreign Affairs of Government of India to develop diplomatic goodwill among the 161 developing countries maintaining friendly relations with India. Aptech has been empanelled with the Ministry of Foreign Affairs for these programs since 2002 and is the top most choice of students opting to take up courses in IT, Multimedia and Language Training. Aptech has a dedicated facility for running its ITEC/SCAAP batches in Delhi. It has trained more than 3,500 students from 128 countries since 2002.

- Aptech International Window Program (IWP)**

Aptech's IWP program offers International students a chance to become global professionals by undergoing its career oriented training programs in a multi-cultural environment. IWP caters to individual students and also institutions. In addition to offering training programs in Aptech portfolio, IWP also offers cultural immersion programs. Africa, South Asia and Japan have been major markets for IWP in the past.

- Aptech Learning Ladder**

Aptech Learning Ladder is an IT and Multimedia program for school students with a 360-degree approach. This program uses a thematic approach to make learning fun for the students and uses technology to make it more effective for the teacher. The curriculum is developed in a ladder manner to impart age appropriate skills. Aptech has marketed these programs in Africa, Russia and South Asia.

- Aptech International School**

Aptech International School is the Company's maiden attempt at replicating its franchisee model for school operations. The Company would support individual school owners by licensing its brand and providing curriculum, course content and technology to successfully run international schools in emerging countries which have a deficiency in world-class quality school education. Aptech would be launching its first school in Kabul, Afghanistan in the year 2017.

Business Strategy

In the Individual Training business, Aptech's primary business model is franchising. With its track record of successfully creating a brand franchise in the career education space for multiple sectors, managing a franchise network has become a core competency for the Company.

The Company's ability to develop best-in-class content, ensure consistent training delivery, and partner with its franchisees and others to create an attractive value proposition for students are at the heart of its franchising success. It has been able to also adapt its business models for entering new markets. With this DNA built into its system, the Company's business strategy for profitable growth is focused on following parameters:

1. Adoption of asset light business models for new offerings
2. Leveraging existing integrated back-end support for new offerings
3. Maximising returns from content investments through geographical expansion, hence developing only those offerings which are marketable internationally
4. Developing a varied basket of courses and brands for franchise partners to grow
5. Investment in digital infrastructure to enable efficiency and create enriching customer experience

In the international market, the Company is also focusing on leveraging its vast retail network and experience in skill development to participate in many capacity development projects by governments and multi-lateral institutions. This is in addition to its constant efforts to expand its franchise network in more countries, with more brands and more locations. It has also developed products in adjacent spaces, such as IT curriculum for schools and a full-fledged school offerings on the lines of Aptech's existing partnership model to expand its market.

In the Enterprise Business segment, the Company has invested significantly in its own testing platform to offer best in class solution to its customers for their assessment needs. This platform will be able to address varied needs of the customers from a volume, complexity, speed, process and analytics perspective. For the Training Solutions business, it has developed in partnership with customers attractive offerings for the new-age companies in the digital space. This will continue to be its strategy going forward to scale-up the division.

FY2015-16 Financial Performance

The Company's Total Operating Revenue on a consolidated basis for the year ended March 31st 2016 stood at ₹ 16,332.83 lac. Major factors that have impacted the top line are:

- MAAC account policy change in 2011, own center exits and withdrawal of degree offering resulted in an decline in accrual revenue under MAAC to the tune of ₹ 434.27 lac
- Decline in income from examinations conducted for a leading customer due to lower exam enrolments resulted in an impact of ₹ 423.04 lac
- Withdrawal from alliance with a leading software major for content and certifications in the Domestic Retail segment negatively impacted the IT Training revenue by ₹ 148.15 lac as compared to previous year
- Reduction in Other Operating Income of ₹ 15.75 lac on account of no management services charge due to exit from AICAR

Overall profitability margins have suffered due to this decline in revenue. In addition to this, change in the revenue mix for International Retail, i.e. more project revenue vs. lower franchise business in developing countries with difficult political and economic environment, have had an adverse impact on the margins. Impact on the Operating EBITDA margins was 213 basis points. Operating EBITDA for FY2015-16 was ₹ 2,006.97 as against ₹ 2,458.28 lac for FY2014-15. Income from Interest declined by ₹ 75.27 lac on account of decline in the quantum of fixed deposit amounts. Depreciation at ₹ 1,033.38 lac was higher than ₹ 977.59 lac in FY2014-15 due to increase in content development investments. As a result, Profit Before Tax came down by 32.1% in FY2015-16 as compared to FY2014-15. Average tax rate for the year went up again from 17.9% in previous fiscal to 21.4% in FY2015-16. Overall the EPS for the year was ₹ 2.55 vs. ₹ 3.92 in FY2014-15, down by 35.0%. Debt on the balance sheet continued to be nil and the debtor days stood at an average of 90 days.

Segment – wise Financial Performance

(₹ in lacs)

	FY2014-15	FY2015-16	Variance	FY2014-15	FY2015-16	Variance
Segment	Retail			Non-Retail		
Operating Revenues	13,382.17	13,026.43	-2.7%	3,516.67	3,222.56	-8.4%
Operating EBITDA	4,095.57	3,530.32	-13.8%	536.70	114.10	-78.7%
Operating EBIT	3,457.50	2,813.72	-18.6%	369.04	-12.94	-103.5%
Capital Employed	3,023.45	3,070.25	1.5%	1,106.07	981.45	-11.3%

INDIVIDUAL TRAINING

Retail Center Network as on 31st March 2016

Brand	Domestic Network	International Network	Total
IT Training	340	121	461
Arena Animation	202	51	253
MAAC	98	1	99
Aptech English Learning Academy	31	18	49
Aptech Aviation & Hospitality Academy	50	0	50
Aptech Banking & Finance Academy	16	0	16
Lakme Academy Powered by Aptech	7	0	7
Grand Total	744	191	935

International Individual Training Business (excluding China)

Individual Training business segment in the international market is one of the key growth driver for the Company. Over the years, this business has continuously increased its overall contribution to Aptech's revenue. From a 33.0% share of Company revenue in FY2014-15, the contribution from International Retail jumped to 37.2% in FY2015-16. This was on account of 8.2% growth in revenue in FY2015-16. This performance was achieved in a difficult macro environment globally from an economic, political and security perspective.

The adverse economic environment did have a significant impact on the new sign-ups with the income from Technical Know How (TKH) and Master Franchise (MF) renewal fees declining by more than half. The growth in revenue has largely come from non-linear opportunities through project deliveries and university partnerships, thus justifying Company's strategy to focus on these opportunities for growth. However, decline in sign-up fees and increase in project-based income did impact overall profitability since the latter has a significant variable cost component.

Key highlights for the business in FY2015-16 are:

- Aptech Vietnam won the ICT Gold Medal For Highest Turnover (Category: Training) and Top ICT Training Cup from HCM Computer Association for the 13th year in a row (2003 – 2015)
- Aptech Uganda won the award for Best ICT Training in Uganda for the 3rd consecutive year
- New countries: Egypt, Bhutan and Zambia
- Master Franchisee partnership signed for Aptech Computer Education brand in an African Country
- Signed-up partnership with a prominent training company in Mexico under the certification model for Aptech's Java courses, which were approved for subsidy eligibility by MexicoFirst, a quasi-government institution formed by the government and local IT association CANIETI
- Continued training projects from Ministry of Communications & IT, Afghanistan during the year
- Successfully delivered a medium-sized training project from Malaysian Administrative Modernisation and Management Planning Unit (MAMPU) for capacity development in Malaysia
- Panama (first) leg of Government of India's Center of Excellence in IT (CEIT) project for three Latin American & Caribbean countries successfully executed
- New offerings under development include:
 - Aptech International School, to be launched in Kabul for 2017-18 academic year
 - Distance learning courses from Middlesex University, from Jan 2017
 - University partnership offering in Vietnam
- Key marketing initiatives in the major markets include Mission I.T. campaign in Nigeria for scholarships and participation by South Asian Country in the Express Education Expo,

Region-wise International Revenue

(₹ Lac)

Region	FY2014-15	FY2015-16
Africa	1,118.12	2,356.62
Americas	3.48	34.90
Asia Pacific	3,639.30	3,364.96
Eastern Europe and CIS	44.79	56.67
Middle East	814.29	266.17
Grand Total	5,619.99	6,079.31

Segment-wise International Revenue

(₹ Lac)

Brand	FY2014-15	FY2015-16
IT Training	3,376.55	4,071.33
Arena Animation	1,423.36	1,256.28
Customer Service Training	820.08	751.71
Grand Total	5,619.99	6,079.31

Domestic Individual Training

The Domestic Retail business is the foundation of Aptech's franchise 'platform' on which the Company has created many successful brands. The business however was challenged with an difficult demand environment, which impacted the growth along with other factors such as accounting policy change in MAAC and alliance exit in IT Training. Overall revenue for the domestic business declined by 11.3% on an annual basis in FY2015-16. Some of the major initiatives common across multiple brands that have helped the Company perform to this level in a difficult market are as follows:

- Continuous update and market alignment of our courses is consistent theme across all our brands and similarly in FY2015-16 we launched many new and revamped products in IT Training (ACCPPro with .NET or JAVA or Open Source specializations, ACCPPro eCommerce, Aptech Certified Web Designer and Smart Pro.NET and JAVA short term courses), Arena (AIP: Animation, VFX and Broadcast) and MAAC (Advance Program in Digital Media & Design and International Program in Visual Arts & Design)
- The Company had adopted events as a major thrust area in FY2014-15 from a student and Company value proposition perspective. In the FY2015-16, the Company strongly improved upon the scale and reach of these events
- Digital marketing is a key part of Aptech's marketing mix for the domestic brands and of our 'Digital' strategy. In FY2015-16, the enrollments through Digital channel went up by 18.5% and total billing from these enrollments by 43%
- Domestic market showed a good traction in new center sign-ups especially in IT Training and Aptech English brands. New brands Aptech Banking & Finance Academy and Lakme Academy powered by Aptech also found wide acceptance in their first year of launch. The Company launched a business proposition for signing up of a single center for multiple brands combined.

Animation and Multimedia Training (Arena Animation and Maya Academy of Advanced Cinematics (MAAC))

With its leadership position in the Animation and Multimedia space in the domestic market through its two brands, the Company has been

able to withstand the competitive onslaught from other private and University players offering similar courses. With the shift in jobs towards VFX and Post Production, both the brands have aligned their offerings as well. Some of the operational highlights for both brands from FY2015-16 are as follows:

- Overall growth in booking for Arena was 10.4%, whereas MAAC booking jumped by 7.2%. Correspondingly the enrolment growth for both the brands were 26.1% and 30.7% respectively.
- The revenue for the segment declined by 7.6% largely due to change in MAAC accounting policy, which came into effect from 1st July 2011, franchising of MAAC owned centers and unavailability of degree courses.

24FPS is the showcase event for MAAC and Orbit Live is the premier event for Arena. Some of the important updates about the brands and events, for the segment in FY2015-16 were as follows:

- Orbit Live event for the first time was marketed at the prestigious International Animation Film Festival in Annecy, France. Live streaming of the event was done for the first time and an app was also launched
- Announced an Orbit Live Short Film Contest based on student's experiences at the event
- Multiple city editions of Kalakari event were launched this year by Arena brand leading to greater participation from across the country
- All major events including Creative Minds and Perspectives of Arena and National Students Meet and MAAC Creative League of MAAC had record participation. These events also generated significant income for the brands, which was in many cases more than the cost of the event.
- MAAC students' film from Rashbehari and South Extension centers won awards in International Film Festival Chandigarh, 2015 in Best Animation Short Film and Best Computer Graphics Advertisement category respectively
- At the MAAC R&D workshop – Pixelation – during NSM Kutch event, students created a portrait of Prime Minister Mr. Modi, which has a chance of setting a record and getting published in Limca Book of Records Edition 2017

IT Training (Aptech Computer Education and Aptech Hardware & Networking Academy, formerly known as N-Power)

Aptech has largely maintained its position in the domestic IT Training market with its two brands even though the market as a whole is on a steady decline. The Company has taken many steps to sustain the income and profits for this segment, including closure of own centers, rationalization of franchise network, ending of non-profitable software vendor alliances and generating new sources of income such as events. The operational highlights for the financial year, reflecting some of these initiatives, were as follows:

- Partnership Agreement with a leading software vendor for content and certifications was discontinued. This led to a drop of ₹ 148.15 lac in revenue as compared to previous year. Oracle Alliance was however continued with 83 centers signing-up
- Overall revenue for the segment declined by 26.8%

- While the enrolments grew by 9.6% over FY2014-15, the booking declined by 6.2% due to greater number of short term enrolments. This was achieved on account of greater focus on graduate segment for short term Smart Pro courses
- Together, both the brands had a total of 340 centers in India as on 31st March 2016 vs. 334 in the previous year. This was due to a spurt in new center sign-ups to replace the old and defunct centers closed as part of the network rationalization exercise
- A total of 47 new centers were signed in this segment vs. 25 in the previous year
- India was represented by Aptech at World Skills Competition in IT skills at Sao Paulo
- “Code Tadka” event was launched under Aptech Computer Education with a total participation of 2900+ students including 1200+ external students

Customer Service Training (Aptech Aviation & Hospitality Academy, formerly known as Avalon Academy and Aptech English Learning Academy, formerly known as English Express)

In the Customer Service Training segment, Aptech brands offer training programs which impart hard (albeit non-technical) and soft skills involved in customer handling, business process management and language & communication for many verticals, primarily in the service sector. Aptech Aviation & Hospitality Academy caters to the vertical focused skills, whereas Aptech English Learning Academy addresses horizontal skill of language and communication.

- Overall center strength of Aptech Aviation brand went up from 45 centers to 50, whereas Aptech English centers remained at 31
- The new center sign-ups during the year were 9 for both the brands as against 10 for Aptech Aviation and 2 for Aptech English
- Combined top line for the segment declined by 13.6% largely because of a 16.4% drop in Aptech Aviation revenue. Aptech English on the contrary grew by 26.6% in revenue terms due to higher income from sign-up fee from new centers and lead partner appointed for South India
- 2nd edition of Panorama was held successfully to celebrate excellence in aviation and hospitality completed

New Initiatives (Aptech-TRRAIN Partnership, Aptech Banking & Finance Academy and Lakme Academy Powered by Aptech)

The Company has constantly endeavored to leverage its franchise platform to launch new brands periodically. In recent years, it had partnered with the TRRAIN foundation to cater to skilled manpower needs of a burgeoning organized retail sector in the country. Similarly in FY2015-16, the Company launched two new brands, Aptech Banking & Finance Academy and Lakme Academy Powered by Aptech, both catering to sectors with high demand for trained manpower. Lakme Academy as the name suggests has been launched in partnership with Lakme, a leading beauty brand of Unilever Corporation, which has developed the curriculum, and provided course content and master trainers (to train the trainers). Aptech also launched Onlinevarsity (www.onlinevarsity.com) as an e-commerce marketplace for virtual courses from Aptech and its partners. Some of the key highlights for these new initiatives in FY2015-16 are given below.

- The TRRAIN partnership has performed excellently over the years, but in the last two years the enrollments have seen extremely high growth. The enrolment trend for the last five years is captured in the table below

Financial Year	Enrolments
FY2011-12	407
FY2012-13	514
FY2013-14	666
FY2014-15	2,924
FY2015-16	5,000

- The Company was able to sign-up 16 franchisees for Aptech Banking and 7 new franchisees for Lakme Academy in the first year of launch. Both the brands have active centers with first set of enrolments bagged.
- Career product 'Aptech Certified Banking Specialist' was launched as part of Aptech Banking & Finance Academy
- First center of Lakme Academy Powered by Aptech (LAPA) was launched in Ahmedabad with inauguration at the hands of well-known Bollywood actress Ms. Soha Ali Khan

Segment-wise Domestic Revenue

(₹ Lac)

Brand	FY2014-15	FY2015-16
IT Training	1,350.15	988.26
Animation and Multimedia	5,731.06	5,292.96
Customer Service Training	847.96	751.08
Grand Total	7,929.18	7,032.30

BJB Career Education (China)

In 2000, Aptech entered the IT training market in China through a 50:50 JV (BJB Aptech) with Beida Jade Bird (BJB). Driven by the economic growth and the government's thrust to make China an important IT outsourcing nation, the IT training market in China has seen strong growth over the last decade. Aligning itself to this growth, Aptech restructured its stake in the China JV in 2009. It divested its 50% stake in the JV and invested the proceeds in the holding company, BJB Career Education Company Ltd. (BJBC). Aptech currently holds 22.4% stake in BJBC and also has a Board seat. BJBC's main lines of business are vocational IT training (BJB Aptech) and distribution of vocational IT educational content to high schools, colleges and universities.

BJBC has not been, for the last about two years, furnishing its financials to its investors, nor have they been convening Board/General body meetings. In order to establish investor protection as also as a measure of Corporate democracy and transparency, a few major investors got together and filed appropriate petitions in the Hon'ble Court of Cayman Island and obtained favourable orders. The same is now being pursued to be served in Beijing, PRC where the company's office is situated, in order to take the matter further and thus conclusively establish shareholders' rights.

ENTERPRISE BUSINESS

Aptech Assessment & Testing Solutions (formerly known as ATTEST)

Aptech Assessment & Testing business is part of a rapidly growing computer aided testing market, and hence it is potential game changer for the Company. The performance in the last two years was challenged due to its dependence on one large customer, All India Council for Technical Education (AICTE), and regulatory impact on enrolments numbers of a leading customer's entrance exam for MBA courses. In addition, the decision by the same customer to conduct only one round of entrance exams in FY2015-16 as against two rounds in previous years also had a major impact. However, the Company has signed up a few potentially large customers and hopes to reduce its dependence on this customer. Other key highlights for the FY2015-16 are as follows:

- The division executed 16.3 lac tests in FY2015-16 as against 17.4 lac in FY2014-15
- Revenue for the division went down by 11.7% in FY2015-16 as compared to previous year
- Company's own new testing software was successfully used in an exam rollout. Further development is ongoing
- Glitch free rollout of MBA and Pharmacy entrance exams for a leading customer with 93,000 candidates across more than 450 centers in a single slot
- Partnered with a leading system integrator to cater testing needs of Professional Examination Board of Madhya Pradesh state government. Executed multiple orders in FY2015-16 and volumes expected to further grow in next fiscal
- Successfully conducted a large assessment roll-out for a non-profit organization linked with defense services

Aptech Training Solutions

In FY2015-16, Aptech Training Solutions business maintained its upward growth trajectory, albeit at a slower pace. The division built upon its strengths in large scale rollouts for executive to middle-management level trainings to scale-up its offerings for the fast growing e-commerce segment. Its regular offerings of IT, Soft Skills and Product trainings continued to gain traction. Some important updates about the division related to FY2015-16 are as follows:

- Overall revenue for the division was ₹ 915.41 lac, a 3.0% growth over FY2014-15
- From practically nil contribution to the revenue, the e-commerce/new age training vertical contributed 10.00% to the overall division revenue
 - Worked with three leading e-commerce players in the country to train their sellers and distributors on respective portals/systems
 - Won order from a cab aggregator for country-wide roll-out of driver training
- Training order received from a leading airline for Behavioral Training to customer facing staff

- Contract signed with a retail company for POS training with roll-out covering 1000+ stores across India
- Many of the existing customers scaled up their engagement with the division, however decline in business from one large customer dampened the overall growth rates

Segment-wise Enterprise Revenue

(₹ Lac)

Brand	FY2014-15	FY2015-16
Assessment and Testing	2,610.88	2,305.81
Training Solutions	888.60	915.41
Grand Total	3,499.48	3,221.22

Asian Institute of Communication and Research (AICAR) Business School

With the overcapacity in the management education space hurting its prospects, and due to slack in demand for MBA programs, the Company is exploring all possible options to transfer / sell AICAR Business School.

Material Developments in Human Resources

Aptech's human resources form the bedrock of Company's success as an Education and Training organization. In alignment with its goal of profitable growth, Aptech has reoriented its structure and consistently improved organization productivity in the last few years. This has been achieved through focus on Company's core competencies and investing substantial resources in retaining key employees and improving their skill profile.

The employee strength of the Company as on March 31, 2015 was 402, and it came down to 377 as on March 31, 2016. The average attrition rate for the year was 19.27%. This was in comparison with average attrition rate in FY2014-15 of 19.77%.

Macro Outlook**India**

Macro-economic stability has returned because of strict fiscal discipline followed by the Indian Government, careful shepherding of the monetary policy and FOREX markets by the Reserve Bank and global slump in energy and commodity prices. India emerged as the fastest growing large economy in the world after overtaking China in the year 2015. The GDP growth in 2014-15 was 7.2% (based on revised base for price comparison to 2011-12) and it jumped to 7.6% in 2015-16. Projections for the fiscal 2016-17 by various multi-lateral institutions vary from 7.4% - 7.7%, while the Government hopes to achieve a growth rate closer to 8%. India attracted record inflows of FDI (includes equity, re-invested earnings and other capital) in FY2016, more than USD 51 billion from April to February (2015-16) as per the Department of Industrial Policy and Promotion, as against USD 44.29 billion in FY2015. It is expected that in the year 2016, FDI inflows to India as a percentage of GDP may exceed that of China.

There are however many areas of concern in the economy, which has led many economists and analysts to question the accuracy of the new GDP series. Some of the parameters which are of particular concern are industrial production, industrial credit growth, declining exports, higher NPAs in the banking sector and lackluster corporate results. Inflation has been trending lower with the Wholesale Price Index in deflation

territory for many months, indicating lack of buoyancy in demand in the domestic market. However, lower commodity prices have supported profit margins of many companies in the absence of robust income growth. Two consecutive droughts have severely stressed the rural economy which is largely dependent on agriculture. Another major concern on the economic front is lack of job growth. However, the Indian government has implemented various reforms and schemes to support the economic growth and job creation, such as:

- Relaxation of FDI norms in major sectors such as Defense, Insurance, Retail, etc.
- Huge increase in budget for agricultural sector to support the stressed rural economy
- Major push in infrastructure sectors
- Implementation of 7th pay commission report and OROP for armed forces
- Legislative reforms such as Bankruptcy Bill, Real Estate Bill, etc.
- Labor reforms in the textile sector to push job growth
- Major initiatives such as Make In India, Digital India, Skill India, Start-up India, etc.

In addition to this, expected normal monsoon and decline in interest rates are also expected to boost the economic scenario going forward.

Education Sector

Education was listed among the 9 pillars of 2016-17 budget by the Government. In this year's budget, the FM announced an allocation of Rs 72,394 crore compared to Rs 68,963 crore for last year, which is 4.9 per cent increase in the education budget. In last year budget Rs 42,219.5 and Rs 26,855 crore was allocated for school sector and higher education sector respectively. In this budget, Rs 43,554 crore (approx 3 per cent increase) is allocated for school education and Rs 28,840 crore (approx 7.3 per cent increase) is allocated for higher education. The Government has shown intent of focusing on skill development by announcing a target of skilling 1 crore youth in the next 3 years under the PM Kaushal Vikas Yojna. Some of the important highlights of schemes and initiatives announced by the Government related to Education sector and relevant for the Company are as follows:

- Allocation of Rs 1,700 crore for 1500 multi-skill development centers
- Allocation of Rs 500 crore for promoting entrepreneurship among SC/ST
- Creation of a Higher Education Funding Agency (HEFA) with initial fund of Rs 1,000 crore
- Make 10 private and 10 public educational institutions world class
- National Digital Literacy Mission for rural India with target to cover 6 crore new households within next 3 years

International

The world's economy is still struggling to regain momentum after the economic crisis of 2008. The slowdown in China, post BREXIT referendum uncertainties, only marginal recovery in oil prices and volatile security situation are resulting in a sluggish growth scenario. This situation has led to the World Bank revising its 2016 global growth forecast down

to 2.4% in June 2016, with significant downside risks, from the 2.9% pace projected in January 2016. According to the World Bank's Global Economic Prospects Report of June 2016, "Growth continues to falter in the advanced economies and, while there is considerable divergence of performance across emerging market and developing economies, their overall growth remains below potential". Declining global trade and capital flows do not paint a positive picture for the prospects of global growth. The advanced economies do not have much room on the monetary policy front and the emerging market and developing economies are constrained by tighter financial conditions, and absence of a large global growth engine like China further limits the prospects.

Aptech is present in many of the emerging market and developing economies, with its major markets showing a mixed picture from a growth perspective in 2016. However, all these economies are expected to be back on the growth acceleration track by the year 2017. Due to the conclusion of the negotiations for Trans-Pacific Partnership in October 2015 and its low cost manufacturing strengths, Vietnam has benefitted in the last few years from increased foreign investments into the country and growth in exports. World Bank expects that in the next 2-3 years the growth would marginally taper-off. As a commodity importer, Pakistan has benefitted from the lower commodity prices and is expected to grow at a faster pace in 2016 vis-à-vis 2015. Russia and Nigeria, which are majorly dependent on income from oil exports, have suffered badly on account of global oil slump. In 2016, Russia's GDP is expected to decline at a slower rate due to absorption of the dual impact due to oil price decline and imposition of sanctions. However, Nigeria's growth in 2016 is expected to be substantially lower than in 2015 due to electricity shortages and security uncertainties. Qatar's economy has benefitted immensely from the construction boom related to 2022 FIFA World Cup preparations and helped it ride the oil price slump with relatively lesser impact. However, this benefit is likely to taper henceforth and will result in further impact on output.

GDP growth estimates from World Bank for Aptech's major international markets are provided below.

Country	% GDP Growth in 2015 (E)	% GDP Growth in 2016 (F)	% GDP Growth in 2017 (F)
Nigeria	2.7	0.8	3.5
Pakistan	4.2	4.5	4.8
Qatar	3.9	3.3	3.5
Russia	-3.7	-1.2	1.4
Vietnam	6.7	6.2	6.3

Business Outlook

While the global economy is a mixed bag, three countries (includes India) out of Company's top 5 markets, which contribute nearly 80% of the revenue are beacons of hope on the economic growth front. This is expected to result in a positive demand environment for the Company's service offerings in the Career Education space. The Company expects its revenue growth in FY2016-17 and beyond to be driven by the following businesses:

- Animation & Multimedia brands in India, now that change in accounting policy will not have any noticeable impact on MAAC revenue

- International Retail business, especially the non-linear opportunities through projects
- Aptech Assessment & Testing business, which is expected to stage a recovery after two muted years, on the back of better order book and pipeline
- New initiatives such as Lakme Academy Powered By Aptech, Aptech International School, TRRAIN partnership

While the Aptech IT Training business in the domestic market was impacted heavily in FY2015-16 on account of alliance exits, the growth going forward will continue to remain muted due to drop in hiring across the IT sector as a result of focus on automation. Distinct shift in skill demand from the traditional development-based technologies to cloud, data analysis, mobile and other digital technologies is likely to impact overall volumes. Demand for skilled professionals in the Animation & Multimedia sector is projected to grow at a fast clip, especially in the VFX segment, riding on bright prospects for the industry over the next 5 years. This is going to perforce reflect in interest by students to opt for Animation & VFX courses offered by the Company's two leading brands of the industry. With new aviation policy in India laying emphasis on regional connectivity through greater number of airports and subsidized tickets, it is expected to result in greater demand for qualified manpower. Most airlines have made profits in the last fiscal due to low oil prices and load factors in excess of 80%. Hospitality and tourism industries are also well positioned to profit from the growth in India-bound tourism and greater economic activity. Aptech Aviation and Hospitality Academy is likely to benefit from the buoyancy in these sectors. In addition to existing projects in hand, Aptech is actively pursuing and is likely to win and execute newer projects in the international market. Adoption of digital platforms to conduct assessments or tests has continuously been increasing with more and more institutions conducting tests online or with aid of computers. This has expanded the market in which Aptech would operate, thus giving more opportunities for Aptech Assessment & Testing business to thrive. New initiatives are also likely to contribute handsomely to the revenue growth in FY2016-17. Increased revenue would translate to greater operating profitability because Aptech has been able to maintain its cost structures at similar levels in the last fiscal. Revenue mix, especially mix of project revenue and franchise incomes in the international market, and contribution of sign-up fees to overall revenue would determine the extent of operational leverage benefit to be had by the Company due to expected, robust revenue growth.

Opportunities and Threats

Lack of access to quality education, which imparts skills in demand for the job market in emerging countries has created demand for offerings that the Company has developed. Hence, lack of 'employability focused education' and aspiration for white-collared careers are the underlying opportunities exploited by Aptech's retail brands in the career education space. One of the major area of focus for the Company in the international market is the increasing investments by Governments and multi-lateral institutions in skill and capacity development for inclusive economic growth. Overall the size of opportunity for the Company expands based on increase in demand for skilled manpower in the competency areas and geographical locations where it currently offers courses or is likely to offer courses in future. Some of the trends which are presently impacting the demand for skilled professionals in various industries are captured below:

- Increasing digitization across the world requiring IT skills across the board