



# CL Educate Limited Annual Report

FY 2013 - 14





## About the Company – CL Educate

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### Overview

CL Educate Ltd is one of India's leading educational services providers. Since the inception in 1995, we have evolved from a one-man MBA test-preparation ("test prep & training") company into one of the most diversified educational service providers in India. The diversity of our business portfolio enables us to touch students across multiple age groups across their educational lifecycles.

At CL Educate we 'enable individuals to realize their potential & achieve their dreams'. In the past 19 years, the CL brand has diversified and effectively established itself as a household name in India. We operate across a broad spectrum of segments in the education industry, including test preparation, K-12 education, vocational training and further education.

We have state of the art infrastructure across more than 200 learning centers spread over 22 states in India. We are over 3,000 people strong; with teachers, trainers & academicians making up 65% of this workforce, and are

committed to delivering path breaking education across the various segments mentioned above to all our students.

### Core Ideology

We believe that the only unchanging part of any business entity is the core ideology. Our clarity about our core ideology equips us to effectively keep reinventing ourselves over time and makes us capable of converting every change in the environment into an opportunity for growth and success.

Our core purpose is to "Enable people realize their potential and make their dreams come true" and our core values are summed up in the internal acronym 'ROOHI'

**Risk Taking** Acting decisively based on sound judgment and intuition.

**Ownership** Accepting responsibility for action and carrying the team forward in a crisis situation.

**Openness** Regularly sharing experiences with team members

and customers, and encouraging feedback and initiative from them.

**Honesty & commitment to customers** Communicating clearly & honestly to customers, the deliverables and expectations from them.

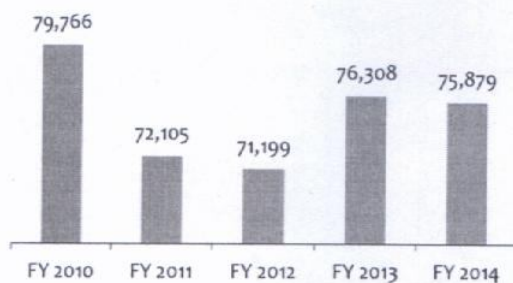
**Innovation** Creating products, systems and processes with enhanced effectiveness to meet customer needs.

We follow our core values in all aspects of our operating practices and at all our locations. We believe that our adherence to these core values has enabled us to grow our business and our brand and we will continue to adhere to these principles.

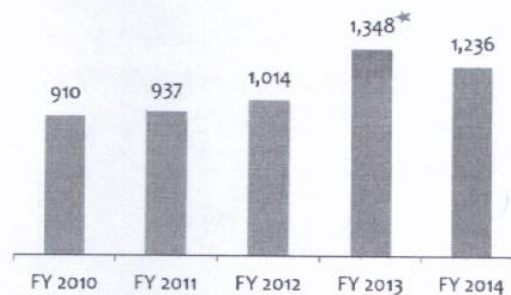
Further, our core values have taken the shape of a core value test that has been designed in consultation with external experts in the realm of psychology and psychometrics. Any new recruit to our Company is required to take this test prior to their meeting for the recruitment process.

## Historical Data for CL Educate (FY 2010 – FY 2014)

Gross Enrollments – Test Preparation

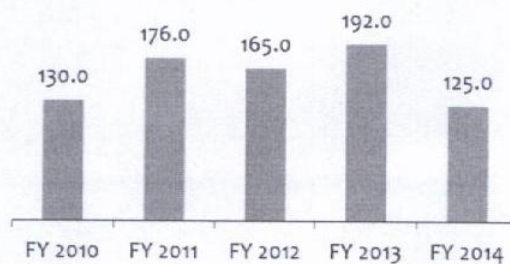


Total Income (in Mn)

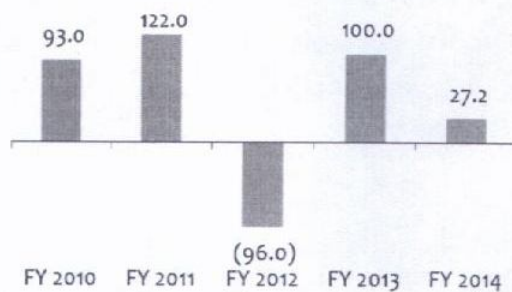


\* Includes a Provision write-back to the tune of ₹112.8 mn

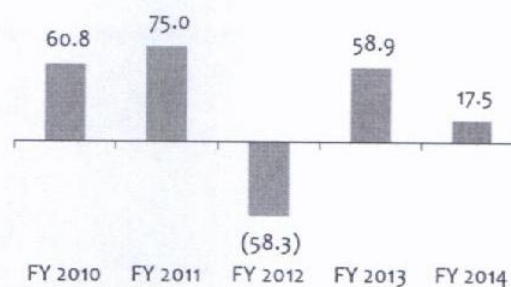
Operating Profit - EBITDA (in Mn)



Profit before Tax - PBT (in Mn)



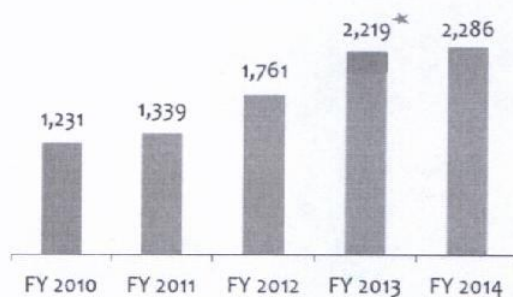
Profit after Tax - PAT (in Mn)





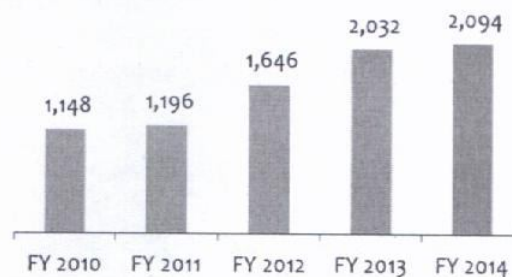
## Historical Data for Consolidated CL Group including K-12 (FY 2010 – FY 2014)

Total Income (in Mn)

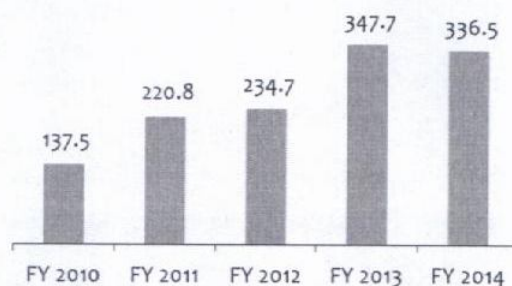


\* Includes a Provision write-back to the tune of ₹112.8 mn

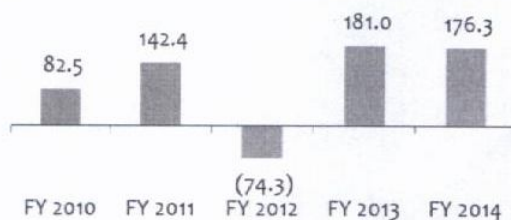
Total Expenses (in Mn)



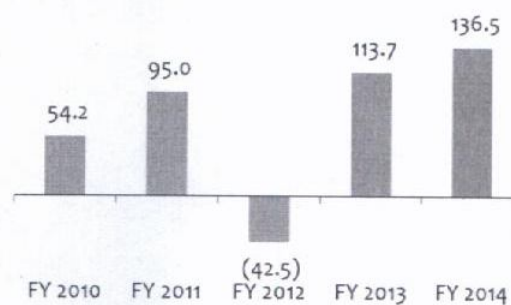
Operating Profit - EBITDA (in Mn)



Profit before Tax - PBT (in Mn)



Profit after Tax - PAT (in Mn)



## Boards and Committees (As On August 11, 2014)

### The Board of Directors

Mr. Satya Narayanan. R  
Chairman of the Board

Mr. Gautam Puri  
Vice-Chairman & Managing Director

Mr. Nikhil Mahajan  
Whole Time Director

Mr. Sridar Iyengar  
Non-Executive Independent Director

Mr. Safir Anand  
Non-Executive Independent Director

Mr. Gopal Jain  
Non-Executive (Nominee) Director

Mr. Viraj Tyagi  
Non-Executive Independent Director

Mr. Kamil Hasan  
Non-Executive Independent Director

Ms. Sangeeta Modi  
Non-Executive Independent Director

### Board Committees

#### Audit Committee

Mr. Sridar Iyengar, Chairman

Mr. Gopal Jain

Mr. Nikhil Mahajan

Mr. Kamil Hasan

Mr. Viraj Tyagi

#### Nomination and Remuneration Committee

Mr. Viraj Tyagi, Chairman

Mr. Safir Anand

Mr. Gopal Jain

Mr. Gautam Puri

Mr. Kamil Hasan

#### CSR Committee

Mr. Safir Anand, Chairman

Mr. Satya Narayanan .R

Mr. Gautam Puri

#### Exit Committee

Mr. Satya Narayanan .R, Chairman

Mr. Sridar Iyengar

Mr. Nikhil Mahajan

Mr. Gopal Jain

#### Company Secretary

Ms. Rachna Sharma

Auditors (2013-14)

Haribhakti & Company

#### Bankers

HDFC Bank Ltd.

ABN AMRO Bank

ICICI Bank

Standard Chartered Bank

Kotak Mahindra Bank

Corporation Bank

Axis Bank

Citibank

State Bank of India

IDBI

Registered Office

DTJ 925,

DLF Tower B,

Jasola District Centre,

Delhi - 110025, India

Corporate Office

Plot No. 15A,

Knowledge Park-II,

Greater Noida,

UP - 201310, India

Email:

rachna@careerlauncher.com

Tel: +91 120 396 9600

Fax: +91 120 396 9601



## Directors' Report 2014

To the Members,

We have the pleasure of presenting the 18<sup>th</sup> Annual Report of our Company together with the Audited Accounts for the year ended March 31<sup>st</sup>, 2014

### 1. Results of our Operations

#### 1a. CL Educate Standalone

(Figures in `)

	FY 2014	FY 2013
Total Income	1,236,143,403	1,348,049,914*
Total Expenditure	1,192,933,202	1,251,866,903
Profit before tax	43,210,201	96,183,011
Exceptional Expenses	15,488,025	-
Prior Period Expenses/ (Income)	478,904	(3,804,590)
Tax Expenses	9,749,884	41,121,270
Profit after tax	17,493,387	58,866,331
Profits brought forward from previous year	280,926,939	222,060,608
Cumulative Surplus carried to Balance sheet	298,420,326	280,926,939

\* Includes a Provision write-back to the tune of `112.8 mn

#### 1b. CL Group Consolidated including K12

(Figures in `)

	FY 2014	FY 2013
Total Income	2,286,300,123	2,218,858,318*
Total Expenditure	2,094,383,651	2,031,515,572

Profit before tax	191,916,471	187,342,746
Extraordinary Item (Write-off)	(1,793,214)	-
Tax Expense/ (Benefit)	30,179,263	78,536,165
Profit after tax	136,510,131	113,670,315
Profits brought forward from previous year	385,579,272	268,100,464
Cumulative Surplus carried to Balance sheet	525,428,900	385,579,272

\* Includes a Provision write-back to the tune of `112.8 mn

### 2. Financial Highlights

#### 2a. CL Educate Standalone

Our Operating Income increased to `1,194.10 Mn from `1,164.09 Mn in the previous year, at a growth rate of ~2.6%. While our Test Preparation revenues grew marginally to be around `1,027.6 Mn reflecting a growth rate of about 1.5% over the previous year 2013, the vocational business revenue grew by over 11.5% to reach `166.5 Mn.

Our Total Income was at `1,236.1 Mn as against `1,348 Mn in the previous year. The Other Income is comparably lower this year at `42 Mn vis-à-vis `183.9 Mn last year which included Write-backs to the tune of `144.5 Mn. Hence, resulting in higher Total Income.

While the total expenses reduced marginally by `58.9 Mn, the overall PBT for FY14 reduced from `99.9 Mn



to ₹ 27.2 Mn given the drop in the Other Income as detailed above. Similarly, Earning per share (Basic) fell to ₹ 3.50 this year from an EPS ₹ 6.27 the previous year.

In the Test Prep stream, while the MBA market continued to remain flat, the overall Test Prep revenue increased due to our Company's continued efforts to promote non MBA products like LAW, Engineering and market acceptance of the products like Civil Services Aptitude Test (CSAT) and Banking Services/ SSC that were introduced the previous year.

In Kestone Integrated Marketing Services Pvt. Ltd., both Integrated Management Services (IMS) and Manpower Management Services (MMS) streams of business continued to do very well during the year.

In CL Media Pvt. Ltd., there were several new marketing alliances with both institutes as well as corporates. The publishing arm of CL Media also continued to function well with increased demand from both CL Educate and GK Publications in FY14.

We have acquired the balance 24% stake in GK Publications Private Limited to make it a 100% (wholly owned) subsidiary of your Company. GK Publications introduced several new titles in FY14 and also started launching titles in Hindi for the first time.

### 3. Industry Overview and Developments

In India, Education is the key to the task of nation-building. It is also a well-accepted fact that providing the right knowledge and skills to the youth can ensure the overall national progress and economic growth. The Indian education system recognizes the role of education in instilling the values of secularism, egalitarianism, respect for democratic traditions and civil liberties and quest for justice.

There is a huge demand for upgradation of education as India is expected to have a surplus of 47 million people in the working age group by 2020. As a result, both the formal education sector (including K-12 and higher education) as well as informal sector (including coaching institutions, pre-schools and vocational institutions) are witnessing rapid growth.\*

The market size of Indian education sector is expected to increase to ₹ 602,410 crs (US\$ 95.80 billion) by FY 2015 on back of strong demand for quality education, according to a report by India Ratings. Indian education sector's market size in FY 2012 was estimated to be ₹ 341,180 crs (US\$ 54.20 billion). The sector grew at a compounded annual growth rate (CAGR) of 16.5 per cent during FY 2005 – FY 2012. Similarly, India's online education market size is expected to grow to US\$ 40 billion by FY 2017 from the present US\$ 20 billion.\*

The private education sector was estimated to reach US\$ 70 billion in 2013 and to US\$ 115 billion by 2018, according the Education sector report by Technopak. Realising the fast growth of education sector in India, many private companies are looking for relevant acquisitions and alliances in this space. Major investments are being seen in the areas of pre-schools, private coaching and tutoring, teacher training, the development and provision of multimedia content, educational software development, skill enhancement, IT training and e-learning.\*

#### 3a. Overview of key market segments

The Test Preparation segment was estimated to be at least \$ 4 bn in market size in FY14 with an estimated CAGR of ~ 16% over a five year period. While there are no key initiatives or regulations announced by the government, the segment is likely to be driven by the shift of the examination structure from Knowledge based testing to Aptitude based testing leading to



higher market concentration and increased ability to rapidly scale up the operations.

The Vocational Training segment is expected to grow at a CAGR of 24% and reach a market size of at least \$ 4 bn. Almost ~8 Mn people were estimated to be trained in FY14 alone under various vocational training schemes. This number is estimated to grow to ~21 Mn in FY19. The key growth drivers for this segment being increase in working population and labour force, high dropout rates, lack of job readiness among graduates, high demand for courses in IT, retail, BFSI, aviation, English and lack of supply capacity to train. The govt. both at the central and state has launched many initiatives and programmes. The Central Govt. has established the National Skill Development Centre (NSDC) with a mandate to skill 150 mn people as a part of the Government's overall plan to train 500 mn people by 2022.

The Indian book publishing industry is estimated to be of a market size of ~\$ 3 bn. in FY14. It is large and fragmented with around 19,000 publishers publishing more than 100,000 titles a year. However, only around 12,500 publishers have ISBNs (International Standard Book Numbers), and the rest publish books without ISBNs. English and Hindi books account for almost 50 per cent of the books published in India while regional languages account for the rest. Infact, India is the third largest English language publisher in the world (after USA and UK). This industry is estimated to 10-11 per cent over the next 5 years to reach \$ 4.8 bn. by 2018-19. Increase in literacy rates and education levels, rising incomes, development of leisure reading habit are the factors that are most likely to drive this growth.

India has the world's largest and growing K-12 education population. The K-12 education segment is estimated to grow at a CAGR of 14% to reach the

market size of \$ 34 bn. The Indian K-12 education segment is marred with an inefficient public school system resulting in a parental preference of the more expensive private education. The Govt. has, over the years, introduced many policies and regulations like Right to Education Act (RTE Act) to remove the inequalities in the K-12 segment and provide opportunities to all students. The govt. has already announced the establishment of 6,000 high quality model schools, about 2,500 of these would be through PPP model.

#### 4. Overview of Our Company

We were incorporated in 1996 primarily to provide educational and training services. We are India's leading education provider serving 80,000 plus students annually and operate in four business segments namely: (i) test preparation services; (ii) vocational training and further education; (iii) education content and publishing; and (iv) operating kindergarten to grade 12 ("K-12") schools.

The training and education services are conducted through a network of Company operated and franchisee centres across 200 plus locations spread over 100 plus cities and 22 states in India.

Our Company's key strengths being:

- A diversified education services company with pan-India presence
- Highly Attractive Industry with Long-term Growth Drivers
- Unique Platform Serving Most Attractive Segments of the Education Market
- Premium Brand Built through Consistent Innovation, Superior Student Outcomes and Brand Experience
- Robust Business Strategy with Strong Growth Story



- Pioneering Management Team and Robust Governance Structure

## 5. Subsidiary Companies

Your Company has several subsidiaries to carry out activities for various streams of education and other educational training areas. A brief profile of these subsidiaries is given hereunder:

### 5a. Kestone Integrated Marketing Services Private Limited (Kestone)

Our Company had acquired Kestone on 1<sup>st</sup> Day of April, 2008 and it has since been a wholly owned subsidiary. Our Company had acquired Kestone to establish a relationship with leading corporates and have been using Kestone's corporate client list as a platform to provide vocational training services. Kestone focuses largely on the IT/ITES and Telecom sectors to provide a variety of manpower and CRM solutions. Kestone offers two types of corporate services:

- Integrated Marketing Services ("IMS"): Various marketing services through organizing various marketing events/ product launches throughout the country to help deliver the desired messages to customers, partners (dealers and vendors).
- Managed Manpower Services ("MMS"): Kestone recruits manpower and trains them as per the requirements of the corporate clients across a variety of client processes including CRM initiatives. These people are offered jobs from corporates at the start of the training, subject to these people clearing the training. Post training, this manpower is then outsourced to corporate clients.

The business has shown extremely robust growth not only in top line but also in its bottom line. The top line has increased from about ` 272 mn in FY10 to about `

765.5 mn in FY14, thus reflecting an almost 180% increase in last five years.

### 5b. CL Media Limited (CLM)

CL Media, as a subsidiary of CL, was incorporated in February 2008. CL holds 100% equity in this company. The company has been incorporated with an object to maximizing monetization of CL IP Assets, developing new products and education pedagogies and experiment to impart education through various digital and electronic media.

The management of the Company had proposed to merge CLM into CL, and the proposal was approved by the Board on 26<sup>th</sup> July 2013. The application for arrangement was filed with the High Court, and was approved by the Court, vide its order dated 10<sup>th</sup> January, 2014.

While the final order is awaited from the Court, the Board of both the Companies have been reconsidering their decision of merging CLM into CL. The reconsideration is keeping in view certain FDI related norms and guidelines, which restrict Foreign Direct Investment (FDI) in publishing business unless the same is approved by the Foreign Investment Promotion Board (FIPB). The Board of both the Companies deliberated upon the matter in detail at the Board Meeting held on 2<sup>nd</sup> July, 2014, and finally passed the resolutions for withdrawal of the merger scheme at their respective Board Meetings held on 22<sup>nd</sup> July, 2014.

### 5c. Career Launcher Education Infrastructure and Services Limited (CLEIS)

CLEIS is a subsidiary of CL incorporated in the year 2005. CL currently holds 57.55% in this company. The company is in the business of promoting educational activities by providing Trade Mark License, and



Education soft skills for K-12 schools run under the purview of Nalanda Foundation Trust. This company owns the brand names "Indus World School" and "Ananda".

As on March 2014, CLEIS operates 11 K-12 schools across India under the IWS brand of which three K-12 schools are owned, five schools are operated through an infrastructure partnership model and another three schools are operated using an educational partnership model.

#### 5c.1. Career Launcher Infrastructure Private Limited (CLIP)

CLIP, a wholly owned subsidiary of CLEIS, and hence a subsidiary of CL was incorporated in the year 2008. The company is in the business of promoting educational activities by providing Infrastructure facilities for K-12 schools.

During the year under consideration, there was a proposal of merging CLEIS into CLIP, which proposal was approved by the Boards of both the Companies on 26<sup>th</sup> December, 2013 by means of resolution passed by circulation, but was declined by the shareholders of CLEIS at its Extra-Ordinary General Meeting convened by the Court on 12<sup>th</sup> April, 2014.

5d. Kestone Asia Hub PTE. Ltd., Singapore (previously known as 'Career Launcher Asia Educational Hub PTE. Ltd.', Singapore) - an indirect subsidiary of CL Educate Limited w.e.f. 3<sup>rd</sup> December, 2013

Career Launcher Asia Educational Hub PTE Ltd. became a 99.993% Subsidiary company of CL with effect from the 20<sup>th</sup> November, 2008. However, it was not engaged in any business activity.

During the year under review, Our Company has divested of 99.99% shareholding in its Singapore subsidiary, by transferring its entire stake to Kestone.

This has the effect of making the Singapore entity, an indirect subsidiary Company of CL Educate w.e.f. 3<sup>rd</sup> December, 2013. The CL Board approved of the disinvestment on 28<sup>th</sup> October 2013, and the shareholders approved of it on 3<sup>rd</sup> December, 2013.

Accordingly, the name of the Singapore entity has been changed from 'Career Launcher Asia Educational Hub PTE Ltd.' to 'Kestone Asia Hub PTE Ltd.', effective 5<sup>th</sup> December, 2013.

5e. CL USA Inc. (not a subsidiary w.e.f. 30<sup>th</sup> August 2013)

CL USA Inc. was a subsidiary of CL, incorporated in the year 2006. CL held 85% shareholding in this company. The company was engaged in the business of online tutoring in USA under the brand name "Powermath".

In view of the continued losses, and discounting of operations, CL has divested its stake in CL USA, by transferring its 85% shareholding in the Company to the only other shareholder in the Company, Mr. Anup Prasad at the valuation arrived at as per the RBI guidelines. The CL Board approved of the disinvestment on 26<sup>th</sup> July 2013, and the shareholders approved of it on 30<sup>th</sup> August, 2013.

5f. GK Publications Private Limited (GKP)

GK Publications Private Limited became a subsidiary of CL Educate Limited on 12<sup>th</sup> November, 2011. As on date, CL holds 100% stake in the Company.

5g. CL Higher Educational Services Private Limited (CLHES)

CL Higher Educational Services Private Limited became a 65.76% subsidiary of CL Educate Limited on 10<sup>th</sup> August, 2011. There were no operations under this company as on 31<sup>st</sup> March 2014, or after that. It is