



Annual Report

2014-2015



INSIDE THIS REPORT

Corporate Overview / 03 - 09

- 03 / About CL
- 04 / Historical Financial Performance – Standalone
- 05 / Historical Financial Performance – Consolidated
- 06 / Board and Committees
- 07 / Results and Financial Highlights
- 08 / Industry Overview and Developments
- 09 / Overview of Our Company

Subsidiaries / 10 - 11

Management Review / 12 - 38

- 12 / Management's Discussion and Analysis
- 36 / Company's Future Outlook

Various Matters & Disclosures / 38 - 51

- | | |
|--|---|
| 38 / Dividend | 44 / Extract of Annual Return |
| 38 / Capital and Finance | 44 / Annual Evaluation by the Board |
| 39 / Energy Conservation, Technology Absorption
& Foreign Exchange Inflows and Outflows | 44 / Particulars of Loans, Guarantees or Investments |
| 40 / Internal Financial Control Systems | 44 / Particulars of Contracts or Arrangements with
Related Parties |
| 40 / Particulars of Employees | 44 / Amount carried to Reserve |
| 40 / Directors and Key Managerial Personnel | 45 / Material Changes |
| 41 / Auditors | 45 / Risk Management |
| 43 / Internal Auditor | 45 / Vigil Mechanism |
| 43 / Cost Auditors | 45 / Sexual Harassment of Women at Workplace |
| 43 / Public Deposit | 45 / Corporate Governance |
| 43 / Corporate Social Responsibility | 50 / Directors' Responsibility Statement |

Annexures to Directors' Report / 52 - 84

- | | |
|---|--|
| 52 / Annexure-I : AOC-1 | 72 / Annexure-V : AOC-2 |
| 54 / Annexure-II : Particulars of Employees | 74 / Annexure-VI : Risk Management Policy |
| 55 / Annexure-III : CSR Policy | 79 / Annexure-VII : Directors' Remuneration Evaluation |
| 58 / Annexure-IV : MGT- 9 | 82 / Annexure-VIII : Corporate Governance Report |

Financial Statement / 85 - 225

Standalone

- 85 / Independent Auditor's Report
- 90 / Balance Sheet
- 92 / Profit and Loss Account
- 94 / Cash Flow
- 97 / Notes to the Financial Statement

Consolidated

- 148 / Independent Auditor's Report
- 155 / Balance Sheet
- 157 / Profit and Loss Account
- 159 / Cash Flow
- 162 / Notes to the Financial Statement

Overview

CL Educate Ltd is India's leading diversified provider of educational products, services, content and infrastructure. 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 20 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 & Training, publishing & content development, K-12 education, and vocational training.

We have state of the art infrastructure across more than 200 learning centers spread over 22 states in India. We are over 2,000 people strong; with teachers, trainers & academicians making up more than 50% 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 '**ROOH**'

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.

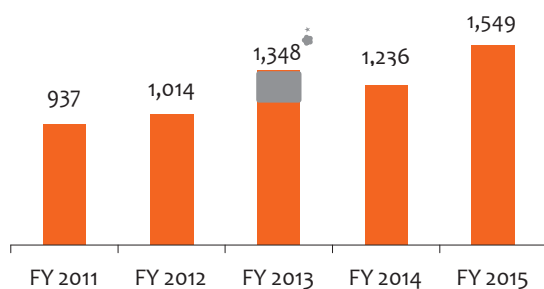
Innovation Creating products, systems and processes with enhanced effectiveness to meet customer needs.

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.

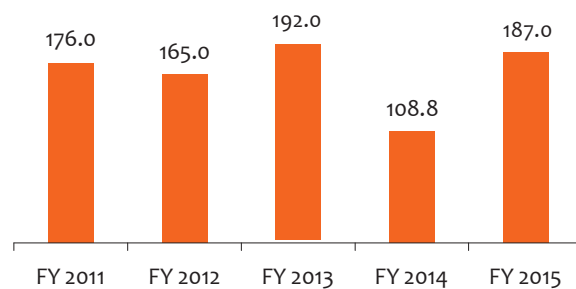
Historical Data for CL Educate (FY 2011 – FY 2015)

Total Income (in Mn)

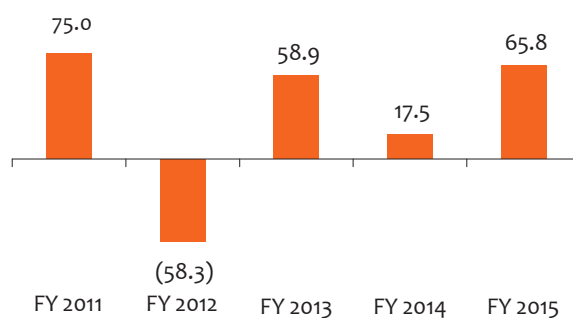


* Includes a Provision write-back to the tune of ₹ 112.8 mn

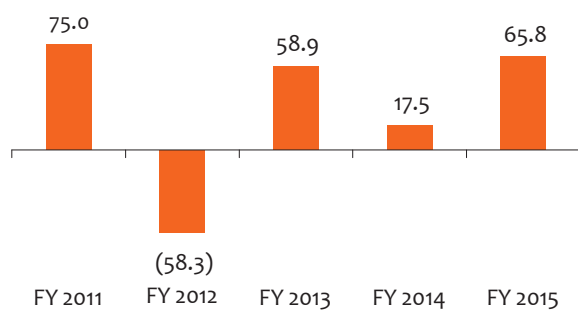
Operating Profit - EBITDA (in Mn)



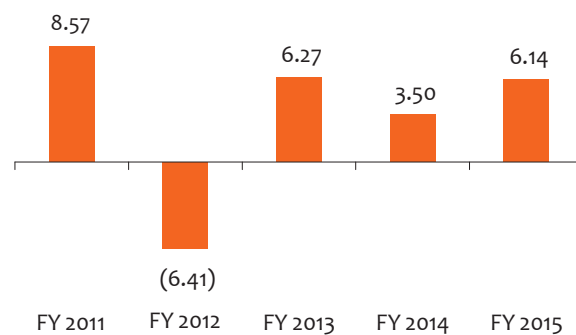
Profit after Tax - PAT (in Mn)



Return on Capital Employed - RoCE

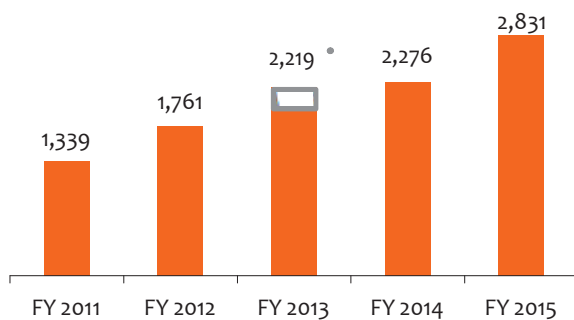


Earnings per Share – EPS

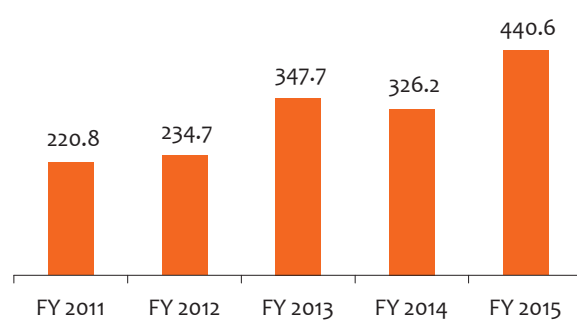


Historical Data for Consolidated CL Group including K-12 (FY 2011 – FY 2015)

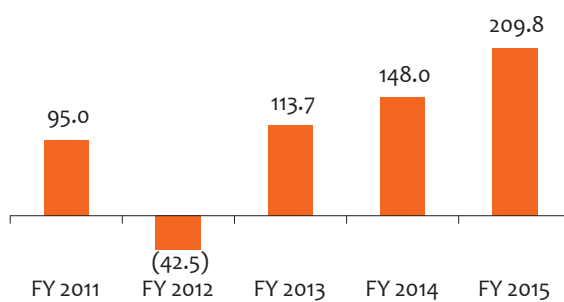
Total Income (in Mn)



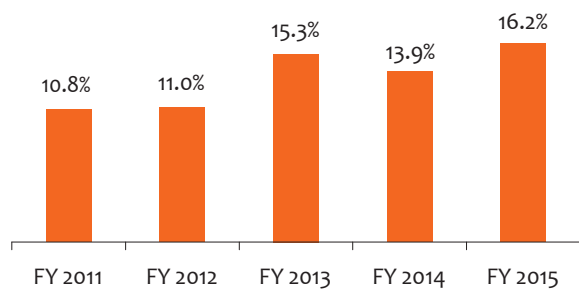
Operating Profit - EBITDA (in Mn)



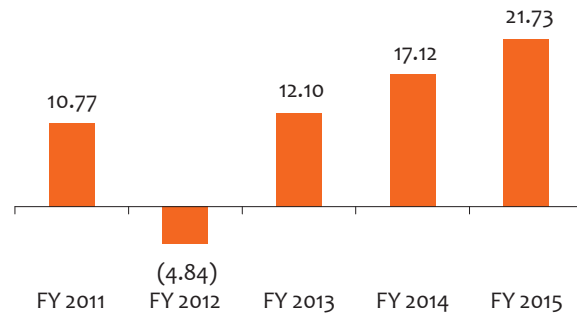
Profit after Tax - PAT (in Mn)



Return on Capital Employed - RoCE



Earnings per Share - EPS



The Board of Directors

Mr. Satya Narayanan. R
*Chairman of the Board and
Whole-Time Director*

Mr. Gautam Puri
Vice-Chairman & Managing Director

Mr. Nikhil Mahajan
*Whole Time Director and
Chief Financial Officer*

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, Member

Mr. Kamil Hasan, Member

Mr. Viraj Tyagi, Member

Mr. Nikhil Mahajan, Permanent
Invitee

Nomination, Remuneration and Compensation Committee

Mr. Viraj Tyagi, *Chairman*

Mr. Safir Anand, Member

Mr. Gopal Jain, Member

Mr. Kamil Hasan, Member

Mr. Gautam Puri, Permanent
Invitee

CSR Committee

Mr. Safir Anand, *Chairman*

Mr. Satya Narayanan .R, Member

Mr. Gautam Puri, Member

IPO Committee

Mr. Satya Narayanan .R, *Chairman*

Mr. Sridar Iyengar, Member

Mr. Nikhil Mahajan, Member

Mr. Gopal Jain, Member

Mr. V. Srinivasa Rangan, Permanent
Invitee

Stakeholders Relationship Committee

Mr. Safir Anand, *Chairman*

Mr. Gautam Puri, Member

Mr. Nikhil Mahajan, Member

Risk Management Committee

Mr. Satya Narayanan .R, *Chairman*

Mr. Gautam Puri, Member

Mr. Nikhil Mahajan, Member

Company Secretary

Ms. Rachna Sharma

Auditors (2014-15)

Haribhakti & Company,
Chartered Accountant, LLP

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 & Corporate Office

A-41, Espire Building,
Lower Ground Floor,
Mohan Co-operative Industrial Area,
Main Mathura Road,
New Delhi – 110 044, India

Tel: +91 011 4128 1100, Fax: 4128 1101

Email: rachna@careerlauncher.com

Website: www.cleducate.com

To the Members,

We have the pleasure of presenting the 19th Annual Report of our Company together with the Audited Accounts for the year ended March 31st, 2015.

1. Results of our Operations

1a. CL Educate Standalone

(Figures in ₹ Mn)

	FY 2015	FY 2014
Total Income	1,549.59	1,236.14
Total Expenditure	1,460.60	1,192.93
Profit before tax	88.99	43.21
Exceptional Expenses	-	15.49
Prior Period Expenses/ (Income)	-	0.48
Tax Expenses	23.23	9.75
Profit after tax	65.76	17.49
Profits brought forward from previous year	298.42	280.93
Cumulative Surplus carried to Balance sheet	354.73	298.42

1b. CL Group Consolidated including K12

(Figures in ₹ Mn)

	FY 2015	FY 2014
Total Income	2,831.45	2,276.54
Total Expenditure	2,538.76	2,079.56
Profit before tax	292.69	196.98
Exceptional items	22.84	13.26

Prior Period expen		1.9
Tax Expense/ (Benefit)	60.22	24.49
Profit after tax	209.85	148.00
Profits brought forward from previous year	453.87	385.58
Cumulative Surplus carried to Balance sheet	70.95	453.87

2. Financial Highlights

2a. CL Educate Standalone

Our Operating Income increased to ₹ 1496.37 Mn from ₹ 1,183.11 Mn in the previous year, at a growth rate of 26.48%. While our Test Preparation revenues increased to ₹ 1,183.24 Mn reflecting a growth rate of about 15.98% over the previous year 2014, the vocational business revenue grew by over 92.25% to reach ₹ 313.13 Mn.

Our Total Income was at ₹ 1549.59 Mn as against ₹ 1236.14 Mn in the previous year. The Other Income is quite similar this year at ₹ 53.22 Mn vis-à-vis ₹ 53.04 Mn last year.

While the total expenses increased by ₹ 267.67 Mn over the previous year, the overall PBT for FY15 increased from ₹ 27.13 Mn to ₹ 88.99 Mn. Similarly, Earning per share (Basic) rose to ₹ 6.14 this year from an EPS ₹ 3.50 the previous year.

In the Test Prep stream, while the MBA market started improving marginally, the overall Test Prep revenue increased due to our Company's continued efforts to promote non MBA products like LAW and

market acceptance of the products like Civil Services Aptitude Test (CSAT) and Banking Services/ SSC that were introduced over the last 24 months.

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 FY15.

GK Publications introduced several new titles in FY15 while continuing to launch titles in Hindi as well.

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 to 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 Indian test preparation industry has been through a transitional phase during the past few decades; from a single teacher coaching a handful of students in a small room to the current environment of numerous organised players with strong brand equity providing supplementary teaching to a large pool of students via the latest technology. The Indian test preparation industry was estimated at approximately ₹ 245 billion (as of 2013-14); of which the graduate segment accounts for 68 per cent share while the post-graduate, job based and language proficiency segment account for the balance 32 per cent of the share in the total market size.

The Test Preparatory industry, which grew at a CAGR of 14 per cent during the last eight years, is estimated to grow at a CAGR of 16 per cent during the period 2014-2019. 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; (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 centers 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
- Leading courses in aptitude based test preparation in India

- Strong brand equity built through consistent innovation, superior student outcomes and brand experience
- Track record of successful inorganic growth
- Professionally qualified, experienced and entrepreneurial management team, quality human capital and Robust Governance Structure

5. Subsidiaries

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

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

Our Company had acquired Kestone on 1st 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 ₹ 337.9 Mn in FY11 to about ₹ 1,013.0 Mn in FY15, thus reflecting an almost 200% increase in last five years.

5a.1. Kestone Asia Hub PTE. Ltd., Singapore (previously known as 'Career Launcher Asia Educational Hub PTE. Ltd.', Singapore) - an indirect subsidiary of CL Educate Limited

Kestone Asia Hub Pte. Ltd., a subsidiary company of Kestone, and hence an indirect subsidiary of CL was incorporated in the year 2008. The Company is involved in the same businesses as Kestone ("Holding Company") viz Integrated Marketing Services (IMS) and Managed Manpower Services (MMS) catering to both inland and overseas clients and customers.

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 company also has a publishing arm that provides all the study material to be circulated among the test prep students of CL Educate as well as publishes all the titles that are sold in the retail market through our other distribution subsidiary GK Publications.