

CL EDUCATE LIMITED ANNUAL REPORT

FY 2016

TABLE OF CONTENTS

Contents

About the Company	2
Overview	2
Historical Data for CL Educate (FY 2012 – FY 2016)	3
Historical Data for Consolidated CL Group including K-12 (FY 2012 – FY 2016)	4
Board and Committees (As on July 28, 2016)	5
Directors' Report 2016	6
1. Results of Our Operations	6
2. Financial Highlights	7
3. Industry Overview and Developments	7
4. Overview of Our Company	9
5. Subsidiaries & Associates	9
6. Change in the status of subsidiaries/associate companies/joint venture:	11
Management's Discussion and Analysis	13
Introduction	13
Competition	14
Results of our Operations	15
Company's Future Outlook	24
Various Matters & Disclosures	28
1. Dividend	28
2. Capital and Finance	28
3. Disclosure of Energy conservation, Technology Absorption & Foreign Exch. Inflows & Outflows	29
4. Internal Financial Control Systems	30
5. Particulars of Employees	31
6. Directors and Key Managerial Personnel	32
7. Auditors	32
8. Internal Auditor	34
9. Cost Auditor	35
10. Public Deposits	35

TABLE OF CONTENTS

11.	Corporate Social Responsibility	35
12.	Extract of Annual Return	36
13.	Annual Evaluation by the Board	36
14.	Particulars of Loans, Guarantees and Investments	36
15.	Particulars of Contracts or Arrangements with Related Parties	37
16.	Amount proposed to be carried to any reserves	37
17.	Material changes	37
18.	Risk Management Policy	37
19.	Vigil Mechanism / Whistle Blower Policy	37
20.	Sexual Harassment of Women at Workplace	37
21.	Corporate Governance	38
22.	Directors Responsibility Statement	45
	Annexures to Directors' Report 2016	46
	Annexure I: AOC – I Features of Financial Statement of Subsidiaries	46
	Annexure II: Particulars of Employees	49
	Annexure III: CSR Policy	50
	Annexure IV: MGT-9 Extract of Annual Return	55
	Annexure V: AOC – II Contracts/Arrangements with Related Parties	70
	Annexure VI: Risk Management Policy	81
	Annexure VII: Process of Determination of Director's Remuneration	88
	Annexure VIII: Corporate Governance Report	93
	Financial Statements - Standalone	98
	Financial Statements - Consolidated	180
	a) In case of one of the subsidiary, cl media private limited, the procurement policy implemented for purchase of goods and services was not operating effectively, which could potentially result in the company procuring unnecessary goods and services, or procuring goods of lower quality, or procure goods and services at unreasonable prices.	185
	AGM Notice 2016	270

About the Company – CL Educate Limited

About the Company

Overview

We are a diversified and integrated technology-enabled provider of education products, services, content and infrastructure, with a presence across the education value chain. Since we commenced our operations in 1996, we have diversified our operations across six business segments, spanning the education value chain. The diversity of our business portfolio enables us to touch students across multiple age groups across their educational lifecycles.

At CL Educate, we operate across a broad spectrum of segments in the education industry, including test preparation & training services, publishing & content development, integrated business, marketing & sales services for corporates, vocational training, integrated solutions to educational institutions & universities and K-12 education. We have state of the art infrastructure across 162 test preparation and training centers (Of which 4 are temporary 'Smart Career Centers') spread over 22 states in India.

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.

Core Values

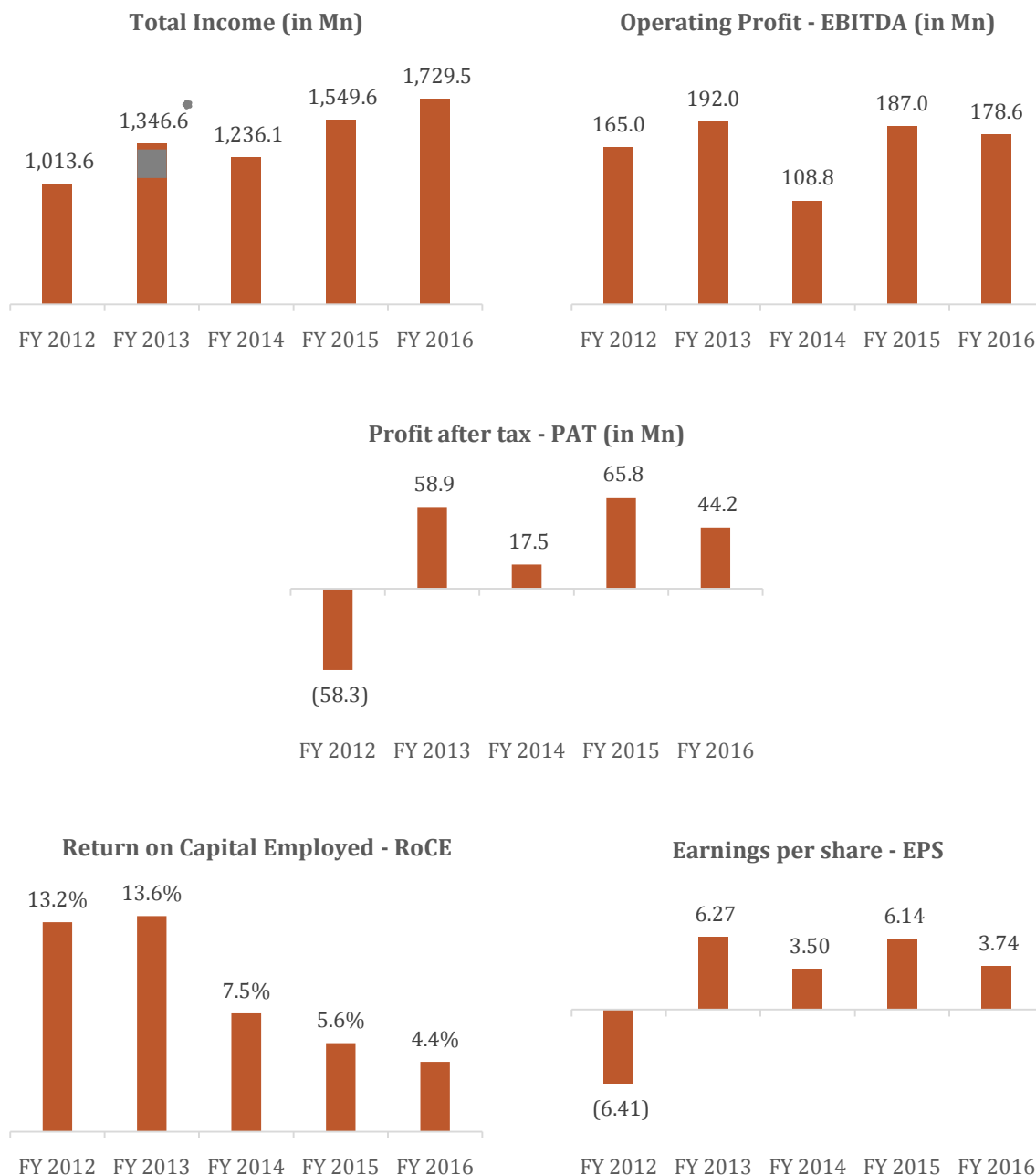
Our core values are summed up in the internal acronym 'ROOHI'

- **Risk Taking:** Acting decisively based on sound judgment and intuition.
- **Ownership:** Accepting responsibility for actions 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.

About the Company – CL Educate Limited

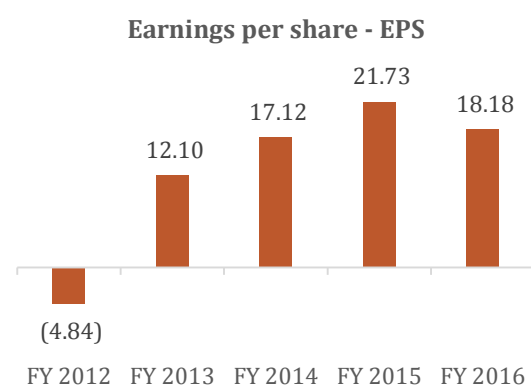
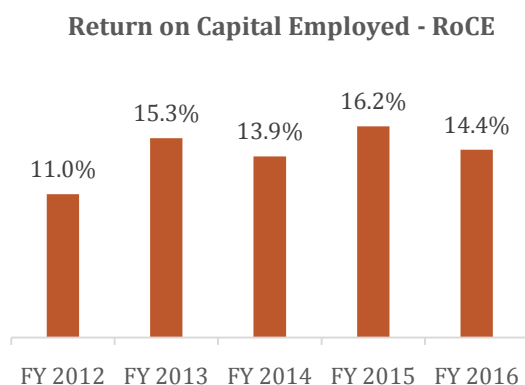
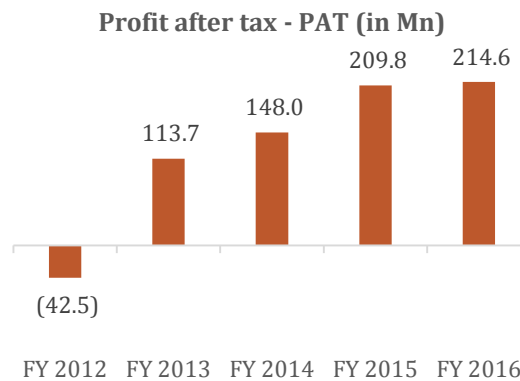
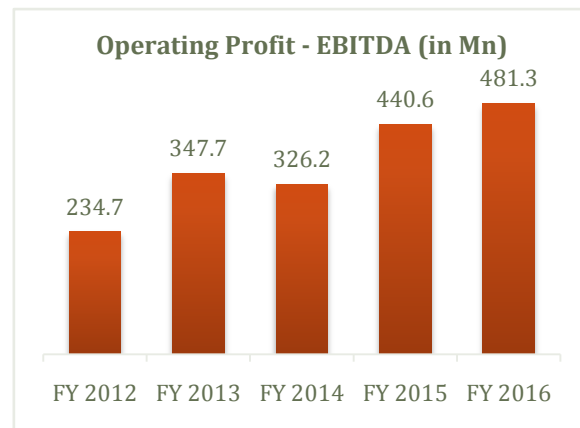
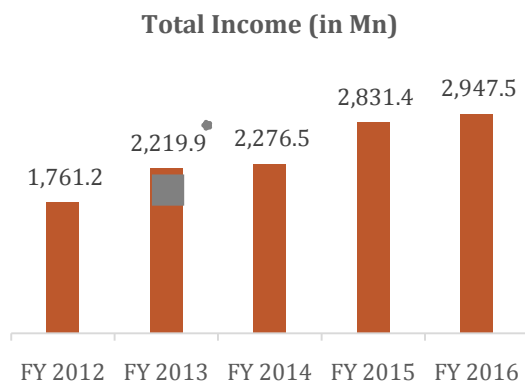
Historical Data for CL Educate (FY 2012 – FY 2016)



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

About the Company – CL Educate Limited

Historical Data for Consolidated CL Group including K-12 (FY 2012 – FY 2016)



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

About the Company – CL Educate Limited

Board and Committees (As on July 28, 2016)

The Board of Directors

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

Mr. Gautam Puri
Vice-Chairman & Managing Director

Mr. Nikhil Mahajan
Whole Time Director & 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*

Nomination, Remuneration and Compensation Committee

Mr. Viraj Tyagi, *Chairman*

Mr. Safir Anand, *Member*

Mr. Gopal Jain, *Member*

Mr. Kamil Hasan, *Member*

CSR Committee

Mr. Safir Anand, *Chairman*

Mr. Satya Narayanan .R, *Member*

Mr. Gautam Puri, *Member*

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 (2015-16)

Haribhakti & Company, LLP
Chartered Accountants,

Bankers

HDFC Bank Ltd.

ICICI Bank

Standard Chartered Bank

Kotak Mahindra Bank

Corporation Bank

Axis Bank

Citibank

State Bank of India

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

Directors' Report 2016

Directors' Report 2016

To the Members,

We have the pleasure of presenting the 20th Annual Report of our Company together with the Audited Accounts for the year ended March 31, 2016.

1. Results of Our Operations

1a. CL Educate Standalone

(Figures in ₹ Mn)		
	FY 2016	FY 2015
Total Income	1,729.51	1,549.59
Total Expenditure	1,664.92	1,460.60
Profit before tax	64.59	88.99
Exceptional Expenses	-	-
Tax Expenses	20.42	23.23
Profit after tax	44.17	65.76
Profits brought forward from previous year	354.73	298.42
Cumulative Surplus carried to Balance sheet	398.89	354.73

1b. CL Educate Consolidated

(Figures in ₹ Mn)		
	FY 2016	FY 2015
Total Income	2,947.49	2,831.45
Total Expenditure	2,657.77	2,538.76
Profit before tax	289.72	292.69
Exceptional items (net)	-	22.84
Tax Expenses	75.11	60.22
Profit after tax	214.61	209.85
Profits brought forward from previous year	70.95	453.87
Cumulative Surplus carried to Balance sheet	243.04	70.95

Directors' Report 2016

2. Financial Highlights

2a. CL Educate Standalone

Our Operating Income increased to ₹ 1,643.54 Mn from ₹ 1496.27 Mn in the previous year, at a growth rate of 9.84%. While our Test Preparation revenues increased to ₹ 1,282.58 Mn reflecting a growth rate of about 8.40% over the previous year 2015, the vocational business revenue grew by over 15.27% to reach ₹ 360.96 Mn.

Our Total Income was at ₹ 1,729.51 Mn as against ₹ 1549.59 Mn in the previous year. The Other Income also grew by 61.23% this year to be at ₹ 85.97 Mn vis-à-vis ₹ 53.32 Mn last year.

While the total expenses increased by ₹ 204.32 Mn over the previous year, the overall PBT for FY16 decreased from ₹ 88.99 Mn to ₹ 64.59 Mn. Similarly, Earning per share (Basic) fell to ₹ 3.74 this year from an EPS ₹ 6.14 the previous year.

2b. CL Educate Consolidated

Our Operating Income on a consolidated basis increased to ₹ 2,826.41 Mn from ₹ 2,735.29 Mn in the previous year, at a growth rate of 3.33%. While our consolidated revenues from Sale of Text Books increased marginally to ₹ 425.23 Mn reflecting a growth rate of about 1.50% over the previous year 2015, the consolidated revenue from Sale of Services grew by 5.48% to reach ₹ 2,233.31 Mn.

Our Total Income on a consolidated basis was at ₹ 2,947.49 Mn as against ₹ 2,831.45 Mn in the previous year. The Other Income on a consolidated basis also grew by 25.91% this year to be at ₹ 121.08 Mn vis-à-vis ₹ 96.16 Mn last year.

While the total expenses on a consolidated basis increased by ₹ 119.01 Mn over the previous year, the overall PBT (after exceptional items) on a consolidated basis for FY16 increased from ₹ 269.85 Mn to ₹ 289.72 Mn. However, Earning per share (Basic before exceptional expenses) fell to ₹ 18.18 this year from an EPS (Basic before exceptional expenses) of ₹ 21.73 the previous year.

3. Industry Overview and Developments

India is the world's largest democracy in terms of population, with approximately 1.25 trillion people, and the world's fourth largest economy in terms of Gross Domestic Product ("GDP"), after China, the European Union and the United States of America, with an estimated GDP (by purchasing power parity valuation) of approximately US\$ 8.03 trillion. *(Source: CIA World Factbook, 2015)*

Amidst volatility in the international economic environment, India is expected to be the fastest growing major economy in the world in 2016. In the Advance Estimates of GDP released by the Central Statistics Office, the growth rate of India's GDP at constant market prices is projected to register growth in excess of 7% for the third consecutive year, increasing from 7.2% in 2014-15 to 7.6% in 2015-16. *(Source: Indian Economic Survey 2015-16, Ministry of Finance, GoI).*

Directors' Report 2016

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.

Over the last decade, with the rising focus on literacy and primary education, the Centre's outlay on education has risen at a 17% CAGR, touching nearly ₹ 880 billion in 2014-15. Year-on-year, it grew 23%.

In the Union Budget 2016-17, the Union Finance Minister has announced an allocation of ₹ 723.94 billion to the education sector, reflecting a 4.8% increase over the allocation of ₹ 69,074 billion last year. Allocation to the education sector included allocation of ₹ 435.54 billion to school education and ₹ 288.40 billion to higher education. In addition, ₹ 18.04 billion was allocated towards skill development, ₹ 17.00 billion was allocated towards setting up 1,500 multi-skill development centres and ₹ 5.00 billion was allocated towards promoting entrepreneurship among scheduled castes and tribes.

3a. Overview of key market segments

Over the years, the Indian test preparation industry has witnessed a transition from home tuitions to a host of renowned chains of coaching classes. The mode of knowledge transfer has also evolved from a traditional blackboard class to modern technology driven sessions. Once restricted to textbooks and printed study notes, the segment has evolved to include online content delivery, where students can access course material via online portals and smartphone applications.

Structural changes in the Indian economy, such as rising disposable incomes and growing numbers of nuclear families, along with factors such as rising share of private institutions and enrolments, few quality educational institutions and social issues in regard to high stress on marks in the Indian education system are expected to drive the coaching industry. Also, the coaching industry being a less capital intensive industry, has attracted entrepreneurial interest.

The Indian test prep market is estimated at ₹ 378 billion, as of 2015-16, having grown at a CAGR of approximately 14% from 2008-09, driven by factors including escalation in income levels, increased spend on education, high competition for limited seats in quality institutes and complexity of entrance exams. The Indian test prep segment is estimated to grow at a CAGR of 13 per cent during the period 2016-2021.

As of 2015-16, the graduate segment accounts for 56% share of the Indian test prep industry, while the job-oriented segment accounts for 30% share (on account of high enrolments, largely as Government jobs still enjoy mass appeal among the youth of India, especially in semi-urban and rural areas, although the coaching fees are relatively lower in this segment), and the postgraduate segment accounts for 13%.

The Vocational Training segment is estimated to grow at 21-22% annually between 2014-15 and 2019-20, in volume terms, i.e., from 10-11 million people expected to be trained in 2014-15 to 28-29 million people expected to be trained in 2019-20. Consequently, private players are expected to play a larger role in providing vocational training in the next few years. The share of private players in vocational training is