



“CL Educate Limited Q1 FY 2025 Earnings Conference Call”

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Management:

[Mr. Satya Narayanan R](#) – Chairman, CL Educate Limited

[Mr. Nikhil Mahajan](#) – Executive Director & Group CEO, Enterprise Business, CL Educate Limited

[Mr. Arjun Wadhwa](#) – CFO, CL Educate Limited

Earnings Call Link: [CL Earnings Conference Call Q1 FY25](#)

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 **[Standalone Results – Q1 FY25](#)**

Investor Presentation: [CL Investor Presentation Q1 FY25](#)

CL Educate Limited: Earnings Conference Call – Q1 FY 2025

Arjun Wadhwa: Good Afternoon, ladies, and gentlemen, and welcome to **CL Educate Limited's Q1 FY25 Analyst Call**. My name is **Arjun Wadhwa**. I'm the CFO of CL Educate and I'll be your host today. Welcome once again to our homegrown Metaverse platform called VOSMOS. We've been using it for the last 10 quarters now for our analyst calls. This call as always will be recorded, transcribed, and made available in the investor zone on our website within the next 24 to 48 hours. Should you have any questions during our session please type them in the chat box at the bottom right-hand corner of your screen, and we will address them at the end of the session. We'll keep making notes of the questions as and when they keep coming and we'll tackle them all at once at the end.

Joining me on this call today are **Mr. Nikhil Mahajan**, our Executive Director and Group CEO of our Enterprise Business, and **Mr. Satya Narayanan**, the founder and Chairman of CL Educate. I'd like to start this session by inviting **Satya** to say a few words before Nikhil turns us to the presentation spending some time on the financial and business updates.

Over to you Satya.

Satya Narayanan R: Thank you Arjun, welcome everybody, good afternoon, I will dive straight into the one-slide summary that I'll take you through. As you might have already taken a look Q1 was a bit of a flat quarter, we will explain some of those in detail. However, our forward-looking outlook continues to be healthy, the quarter 1 as you know also was a big event from the perspective of general elections. Many things were in a state of limbo or some important decisions, and seasons, all of those got deferred by a few weeks but all of those will catch up in Q2 and Q3. Getting a little bit more texture to on the EdTech side, the MBA side, one of the things that we also have been consciously working upon is to grow our market share and if it means that there are places and markets where we have to be a little bit more aggressive in our pricing to gain more market shares, we have done that, especially in the MBA segment, you will hear a little bit more about those numbers down the line and as a result of that, while the enrollment numbers have gone up, there is a bit of a drop in the margins, etc. We think these things can be recovered once we get to a certain market share that we have set for ourselves.

On the Kestone side, a little bit of delays and a little bit of right-fisting has been evident in Q1 but as you all know, the coming quarters have traditionally been more important for us and we think that there will be a make-up to be able to reach our internal set goals for the year, we look forward to that. Overall, a little bit of a tightness of pricing is visible, we are very aware of that, and appropriate decisions on managing costs, overheads, etc. are also being kept in mind without losing out on being on a positive and investment kind of an outlook that we are holding for ourselves for the next 4-12 quarters. Meanwhile, investments are continuing to happen from a medium-term to long-term perspective both on the EdTech side as well as the MarTech side, we have ended the bandwidth in terms of people, and investments in technologies that are happening on the test prep side this has been especially in the realm of partner and franchisee expansion and making additional investments in the digital as well as the CoCo(Company Owned Company Operated) center side. On the Kestone and the platform monetization part, we think that they are at a good place So as you know, investments of people to get an additional vertical heads, strengthening our teams in Singapore, Indonesia, and the US, those are continuing, so it will be a temporary phase of margins or the profitability feeling squeezed but we think that these are very necessary and desirable things for us to do keeping our 4-8 quarters in mind. As I mentioned Q2 and Q3 are crucial, and they are looking okay from our internal assessment point of view. On the broader, larger growth trajectory, we are focused on both kinds of opportunities, organic, wherein the business as usual, additional products, and additional geographies, those are happening, at the same time we are also looking at a couple of M&A opportunities It's too premature to perhaps go deep into it but I think in the next quarter, at least one of those is likely to take some concrete shape and at that stage we will come back and give you the updates on the same. So, the business as usual and the new products that I have mentioned, both of those are going to be focused on ensuring that the targets set for organic growth and 25 financial year numbers, those are met. I'll pause there and hand it back to you Arjun to get Nikhil

in for the detailed presentation.

Arjun Wadhwa: Thanks Satya. Nikhil, would you like to just provide a quick overview of our businesses for all new joiners and then maybe jump into the financial updates and the business updates for the quarter?

Nikhil Mahajan: Yeah, sure. Thanks Arjun and welcome everybody.

CL Educate has two broad lines of business. One is our EdTech business which largely goes under our consumer-facing brand Career Launcher. We are a pan India test player preparation with multi-product penetration and a presence not only in India but also in the Middle East with about seven locations outside India. Our product segments are reasonably diversified with significant or large market shares in MBA, Law, IPM, CUET that helps us diversify any product risk which might come once in a while in one product segment or the other. We are currently present in close to 200 locations of which about 190 are in India and about seven in Middle East. We have been focusing significantly over the last 4-6 quarters to work towards enhanced center coverage, and enhanced locations being manned by CL partners. While we had set an ambitious 3-year goal to reach 500 locations, we are working tenaciously towards that goal without compromising on the aspect of being able to get the right people to be our partners. We have decided not to lower our benchmarks in terms of the people whom we sign up as our partners because that work has helped us over the last 20 years with a partner retention of close to 80% and with many partners being in the system for last 20 years plus. Our endeavor is anybody who comes in, signs up as a CL partner, and stays for almost his lifetime and that's what we are consciously working so while the signup rate might appear slow, we are continuously working towards getting the absolutely best fit right partners to us.

As I shared earlier, predominantly in the test prep segment we are market leaders in three to four product segments like MBA, Law, IPM, and CUET which is an emerging product segment. Though the number of test takers are pretty huge in terms of about a million plus, but the opportunity is still evolving and developing because currently the exam appears to be, reasonably simple. And over the next couple of years as it gets more settled in with adoption by a larger number of universities, the playing field will become slightly tighter and more defined, we expect that the volumes, the students who will need prep assistance to be able to reach out to the right college would only increase. So, it's a game which has to be played out over the next three to five years and we are consciously investing both in locational coverage as well as the right people at the right places to be able to corner a larger market share.

Kestone, our experiential business marketing support service business is close to a USD 17-18Mn business last year with a presence in India, Singapore, Indonesia, the US, and the Middle East. International business contributes around 35% of the total of this segment and has been growing at a pretty fast pace. Even in the last quarter it has grown close to 50%. And we are extremely bullish in terms of our international expansion and penetration in the existing markets as well as getting into newer markets as and when we think the opportunity and timing is right for those markets. As you can see some of the most, some of the largest brands are our customers, we keep on adding newer and more powerful brands to our portfolio. Yes, as Satya outlined, there has been a bit of enhanced cost consciousness in terms of slight trimming in the marketing spends, and the scale of experiential marketing events is slightly on a smaller scale. There is heightened margin pressure, slightly more tight-fisted, and that has impacted on our gross margins a bit. It happens once in a couple of years. We have been re-pivoting our revenue mix in order to re-align towards slightly higher margin businesses and larger events, larger experiential properties wherein we are able to get higher margins. The first quarter was slightly slow because as Satya outlined, the general elections in April and May, till the new government came in, most companies wanted to play a wait-and-watch game before they started opening up their marketing spends. Our pipeline and execution outlook for Q2 and Q3 is pretty healthy with some big-ticket events lined up for execution in the months of August, September, and October. So, we are significantly optimistic and bullish about a reasonable growth in this line of business in the current fiscal.

Now coming to a brief snapshot of the financials, last year in Q1 we did Rs. 92 crores of revenue, this has grown marginally only by 4% to about Rs. 96 crores this year. EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) is also more or less flattish with hardly a 1% growth, growing from Rs. 11 crores to Rs. 11.1 crores.

Profit after tax has declined, but that's not an absolute cause of worry because last year in the first quarters the taxation was worked under a minimum alternate tax regime and then subsequently in the third and the subsequent quarter we moved into the normal taxation. So, this year in the first quarter itself we are in the normal taxation at 27%, so I think from a year-to-year full year comparison between FY24 and FY25, this one-quarter blip resulted in a slight dip in profitability predominantly because of the tax rate impact. It will get normalized and on a full year basis our average taxation would more or less come to a similar level as last year. Cash position continues to be healthy despite a buyback of about 10 crores last year. We have gross cash of about Rs. 110 crores and our borrowing level is very marginal around 20 crores. So, we continue to expect an equation of cash in the remaining three quarters of the year, so I think we would remain a reasonably cash-positive company over the next couple of quarters until this cash is appropriately deployed for either organic or inorganic business growth. A brief detailed business insight, as Satya outlined consciously, we had set out a goal for working towards enhancing our market share in both MBA and the Law segment, and in order to achieve that goal we had to tweak our pricing strategies to stay ahead of the competitive line. We have definitely added volumes and hence the market share but because of the suitable pricing adjustments our billing has more or less remained flat or even has in a couple of product segments declined marginally. Our platform and publishing business is doing reasonably well with 25% growth over quarter to quarter over last year and our platform business which basically caters to the business, the marketing outreach and admission services to universities start speaking in Q2 and Q3 as right in Q1 they are mostly involved in closing the admissions for the academic season which has just about started or will start in a couple of weeks. As I stated earlier our international business in the market space continues to grow pretty handsomely in Q1, growing at 50%. And EBITDA have more or less stayed at a similar level because of slight tightness in the gross margin since the customers are keeping a tight fist on the size and the pricing of the services that we offer. Q1 in a sense also they were waiting and watching out for the election and set up of the new government in both India as well as Indonesia. So, as I think the new government are settling down businesses are more reassured, and I think the pipeline for Q2 and Q3 strongly reflects the outlook for these markets.

A slightly more deeper dive as shared earlier, MBA enrolment volumes grew by 40% in Q1 and that was our stated goal to garner a larger market share even at the cost of slashed pricing. In Law, there was a marginal enrollment dip, but the overall trajectory stayed positive due to the change in the examination season in the last 6 quarters. Earlier the exam used to be held in May till 2022 but subsequently it has moved to December. So, there is a chunk of the population which feels that they are unable to concentrate and devote adequate time in the preparation for competitive exam in the month of December as well as stay focused for the grade 12 board exam. So, we have seen a slight dip in the test takers, but I think that it will normalize and I think over the next 2 years I see no reason why the number of test takers would go back to the level where it was 2 years ago. And CL being the largest market player with our market share close to 50% of any uptake in the test takers, CL would be the largest beneficiary. So, another positive thing, the way we look at it is a larger chunk of students who used to initially come only for a 6-week crash course now are exploring the possibility of starting to work on it immediately when they move to grade 11. So we are seeing a larger transition of students looking for Law prep in grades 11 and 12 and that obviously happens at a higher price point, however, the shift from the entire segment of the crowd that used to earlier come for the crash course hasn't yet moved into a 1-year or 2-year course, may take a couple of more years for it to stabilize back at 2022 levels. As I stated franchise expansion, and more and more cities coverage has been our stated goal. We have done 3 major franchise appointment engagement events starting with Delhi, then in Bombay, and the last one in Chennai wherein we have met and engaged with 500+ potential partners. While in the last quarter or so we have done 9 sign-ups in significant markets, but the pipeline is strong enough for a significantly larger sign-up in the coming couple of quarters. And as I said, in order to ensure long-term survivability and good outcomes we are not lowering our benchmarks in our endeavor to hit the 500-city mark by lowering the benchmarks of the type of people who become CL partners. So, while the growth rate of accretion of partners might be slightly slow however we are ensuring the quality of people who become partners will play strongly over a long run of period from CL's point of view.

On the EdTech platform monetization business it is doing well, we grew by about 18% in revenue, and we have added new clients, I think Q1 is not a quarter to talk too much about because that is the leanest quarter in the entire 4 quarter cycle. Q2 and Q3 are the biggest ones, and our pipeline is absolutely packed in order to be able

to grow significantly over last year. As shared earlier we had launched a new Common Application Form (CAF) a fully digital platform about two quarters ago that has gained significant traction. We are working towards onboarding roughly around 100 institutions during the course of this year, we have already hit the 50 mark, and we are looking at 10,000 unique individuals buying at least on an average 2-3 forms. The season just is about to begin, the CAT notification came out last week, the Law notification is expected shortly and students will start applying gradually over the next couple of weeks and we see a significant uptick of students to use our platform to apply to these institutions. A new product inventory in the form of Video Asset Monetization (VAM) was launched last quarter, I am happy to share that we have started onboarding customers on a low-ticket size to begin with and as the season gets into full scale beginning Q2, this will gain greater and greater traction. This is a very high-margin business and any scale-up in this business from a 3 to 5-year perspective will not only result in significant revenue ramp-ups but also significant expansions in the EBITDA margin for this line of business as well as the overall CL's EdTech business.

The publishing business did reasonably well in the first quarter with our revenues growing 27%, and our online sales to online players also grew very handsomely by over 100%. As a conscious strategy post-COVID we had chosen to realign our business sales strategy to either focus largely on institutional business to colleges, libraries, and other players or go through the online channel and I think that is beginning to pay results. Our collections to sales ratio has begun to hit the target level which we had aimed at. All in all, this business is showing a very positive healthy growth rate, and we expect that in the remaining three quarters, we will continue to see positive traction in this business as well.

MarTech business as shared earlier, the revenue increased by about 15%, and EBITDA was more or less flat. Part of the reason was not just a slight tightening of the margin but also the revenue mix. In the absence of a clear direction on the political outcomes of the result at least in India in the first quarter. The businesses that we executed were more run-of-the-mills, which are slightly lower margins. Most of the higher margin businesses, either the large ticket, experiential events, or the digital marketing spends and the large conventions, most of them are getting rolled out in Q2 and Q3. And we see that on a yearly basis, we expect the gross margin to broadly stay within 100 basis points range of what we had, at the beginning of the year. So, I think when we meet again in 90 days for the Q2 results, I would be in a position to share that the margin story is looking significantly better than what is apparent in Q1. Here are some of the largest events for the sales force recently in which they invited the 1983 India cricket team, you can see Kapil Dev. There were 12,000 participants who attended this event globally in a virtual manner and there are significant large-sized similar events in the pipeline over the next three quarters. And the VOSMOS business though not growing, because a lot of events activity which happened in 2021 and 2022 which were totally virtual. A lot of physical events are taking place. But the VOSMOS and the virtual events platform is continuing to grow steadily at 25-30% and we expect that steady growth rate to be maintained. I think that's all and we are all happy to take any questions from all of you.

Arjun, over to you.

Arjun Wadhwa: Thanks so much Nikhil and Satya.

I've already got a slew of questions that have come my way, so I'll jump in right away. One of the early questions that has been asked by Subrata Das is how many new CoCo centers have been opened during the last one year?

Subrata, the answer is, please correct me if I'm wrong Satya, but I think we've refrained from opening any new CoCo centers. The way our business model works is we're looking to expand our franchise network and that's where the focus is. So, our investments continue to be in franchise expansion as a mode of growth toward achieving our goal of 500 centers over the next three to five years.

Another question is on 361DM which we have programs now from one IIM that is Amritsar. How do we plan to compete with other platforms and what other IIMs, and IITs are we planning on signing up with?

Satya Narayanan R: Okay, so I'll take that 361DM, question Arjun. So yeah, we have signed IIM Amritsar, and the idea is perhaps to add one or two more marquee institutions that have a strong pull factor. And making enrolments successful for IIM Amritsar and whichever one or two come on board will be an important MVP or a project for 361DM. Otherwise, the earlier institutions which are already there on the platform and their enrolments, those are happening as usual. But one of the things that we have undertaken after coming on board is to see if we can add a few more reputed institutions which have a natural pull. But it's too early, we're just finishing one quarter. I think the important principle that we are letting the management team know about is to make sure that the pilots are successful, and we don't go over aggressive on marketing spends, etc. Until certain go-to-market pilots are successful.

Arjun Wadhwa: Thanks Satya. While I have you, I'll just throw one more question your way. Can you talk about the regulatory impact on the physical centers of Career Launcher as well as our competitors?

Satya Narayanan R: Unfortunately, the loss of those lives of young students has come under hard gaze by the government including the Judiciary. Supreme Court has taken a Suo Moto cognizance of the matter and certain observations have been made. We have been fairly militant about not violating most of these to the extent that we can. So, we continue to be vigilant. One of our centers in Noida was affected temporarily. It had to move to online delivery and the gaze is that much harder, more in the NCR region. And almost all players are affected, some more and some less depending upon how much each organization has been vigilant about it or self-restrained about it as far as safety norms are concerned.

Arjun Wadhwa: And Satya, if it's okay, I'll just throw one or two more questions your way before I move on to Nikhil.

There are a couple of questions about CUET and Study Abroad segments in terms of both our focus in those areas going forward and what kind of growth we expect both in those and the MBA and Law segments specifically towards achieving a target of them becoming 100 crore businesses?

Satya Narayanan R: I think MBA, Law, and IPM, would need strategies that help us succeed in increasing our market shares, penetration and a mix of online and offline, those are underway. So, I will skip that, but I think I can close that particular observation by saying that the targets of getting to those 100 crores, the roadmap to that, look achievable as per our internal estimations. CUET, we just wish that the examination became a little tougher because that is necessary both from an academic fidelity point of view and also for any entrance exam to be discerning enough to categorize students and discriminating enough for the right goal to be reached. Currently, the paper is slightly easier than it should be. As a result, the 97 percentile and the 100 percentile look the same because everybody is getting a 100 percentile. So, we are aware of these conversations happening in expert groups. We think that will catch up as Arjun also mentioned over the next season or two and the international education or Study Abroad, that is something that we are bolstering further, and we are taking some steps to further strengthen the team. In addition to executing, the way organically we've been executing it for the last two years, I think we will be able to share some updates about our team strengthening once a particular conversation or two is going to fruition in the next quarter.

Arjun Wadhwa: Thanks, Satya. I'll give you a bit of a break. Nikhil, there are a few questions I'd like to throw your way from the group that has come. One of them, in fact, actually three different people have asked about the reason for increasing our borrowing power to about Rs. 400 crores and if there's an acquisition likely to come out or if there's an announcement in the near future expected. So maybe you'd like to take that on first?

Nikhil Mahajan: I think the answer has been given in the question itself. It's preemptive in-principle approval. As Satya had outlined there are a couple of inorganic discussions at critical stages right now. We don't know whether they will fructify. We are putting in all our efforts to hopefully take them to a logical conclusion. The reason for enhancement in borrowing power is to be able to find the same if and when such a thing that materializes. We don't have to go back to the shareholders to take up enhancing of our borrowing limit. Hence, we are just taking the preemptive approval at this stage and will be put to use if and when necessary, if the opportunities do really

materialize. I think as Satya said earlier, if and when there is a concrete update that is worthy to be shared, you will be the first guys to hear about it at an appropriate stage.

Arjun Wadhwa: Thanks Nikhil. There's also a request from Guneet that if we're planning a buyback this year to do so before 1st October before the new taxation kicks in. So that's something we'll take under the advisement of Guneet. Obviously, it has to fit in with the rest of our corporate action strategy. So, your feedback is well taken. We continue to do what we can from a shareholder perspective to return as much value to shareholders and we'll keep you apprised of developments over the next quarter depending on what else moves for us.

Nikhil Mahajan: Just to add to that, anyhow we can't, the 12-month limit doesn't end till November so there is no way, even if we wanted to do one more buyback. 1st October is not really an option right now because our last buyback started in August and ended on 28th November.

Arjun Wadhwa: There are continued questions on CUET and about what growth rate in CUET and International Mobility we can expect going forward and is there any kind of guidance we'd like to give for FY25 as a whole both from a revenue and a margins perspective?

Satya Narayanan R: I think guys we will refrain from giving any specific numbers guidance, but both of these are very much part of our hard focus for growth. And I think over a couple of seasons both of these would end up together contributing a sizeable business when we compare them with LAW or MBA. So, if they become comparable in 3 years' time together, I would not be surprised. I think we need to aim at that or more.

Arjun Wadhwa: Right, thanks Satya. There are more questions about possible M&A and acquisitions which I will refrain from taking at this point in time. I think Satya and Nikhil have both addressed that appropriately for now. As soon as we have something more to share on these, we will definitely update everyone.

Satya Narayanan R: Arjun, just to kind of chip in with one sentence, the approval like Nikhil mentioned is for something for which we have been at work for the last 6-9 months. And this step is directed as a state of preparedness for something like that. So, it's not a random thing and then we don't have anything to go with. So, I just thought I would clarify that. However, perhaps it is premature for us to share until a certain concrete milestone is crossed.

Arjun Wadhwa: Thanks Satya. I will take one last question, again a generalization from 2-3 questions that others have posted that we had exhibited considerable growth in Q1 last year, especially in the test prep space, and what has changed this year?

Satya Narayanan R: Yeah, you know I refrained from referring to the 43-44% kind of growth in Q1 last year and this one was on top of that. So, we think that for reasons such as the shift of exams and the little bit of pushing of admissions season owing to the elections and as you know it affects educational institutions, schools, and colleges calendar a little bit. We think that some of it is a deferment of enrolments and business along with that in MBA there is a conscious price-led intervention that we did to garner market share in a few crucial markets. But overall, we continue to think that we are guided to the goals that we have set internally for ourselves for FY25.

Arjun Wadhwa: Thank you so much Satya and Nikhil and thank you everyone for having joined this call this afternoon. Wish you a pleasant day ahead and look forward to seeing you in 3 months at the most.

Satya Narayanan R: Thanks Arjun, thanks Nikhil.

For more information, regarding CL Educate you can visit our corporate website:

[Annual Report](#) | [Financial Statements](#) | [Quarterly Results](#) | [Telegram Channel](#)

For further information, please contact:

Amit Kanabar

Sr. Manager – Finance & Strategy

CL Educate Limited

Tel: +91 11 4128 1100

Email: amit.kanabar@careerlauncher.com