



## “Zee Learn Limited Q4 FY2017 Earnings Conference Call”

April 26, 2017



**ANALYST:**

**MR. PRAVEEN SAHAY – EDELWEISS BROKING  
LIMITED**

**MANAGEMENT:**

**MR. DEBSHANKAR MUKHOPADHYAY – CHIEF  
EXECUTIVE OFFICER – ZEE LEARN  
MR. UMESH PRADHAN – CHIEF FINANCIAL  
OFFICER – ZEE LEARN  
MR. SUBODH KHANNA - AVP FINANCE – ZEE  
LEARN  
MR. SIDHARTHA ACHARYA – SENIOR MANAGER  
INVESTOR RELATION – ZEE LEARN**



*Zee Learn*  
*April 26, 2017*

**Moderator:** Ladies and gentlemen good day and welcome to the Zee Learn Limited Q4 FY2017 earnings conference call, hosted by Edelweiss Broking Limited. As a reminder all participant lines will be in the listen only mode and there will be an opportunity for you to ask the questions after the presentation concludes. Should you need assistance during the conference call please signal for an operator by pressing “\*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Sahay from Edelweiss Broking. Thank you and over to you Sir!

**Praveen Sahay:** Thank you operator. Very good morning to everyone. Thank you for joining to the call. On behalf of Edelweiss Broking, I would like to welcome the management team of Zee Learn Limited. To discuss the result and outlook post Q4 FY2017 earnings we have with us Mr. Debshankar Mukhopadhyay – Chief Executive Officer, Mr. Umesh Pradhan – Chief Financial Officer, Mr. Subodh Khanna - AVP Finance and Mr. Siddharth Acharya – Senior Manager Industrial Relation.

I would now request Mr. Pradhan for his opening remark post which we can open the floor for Q&A. Over to you Sir!

**Umesh Pradhan:** I would request Mr. Debshankar Mukhopadhyay our CEO to start with the opening remarks and then I will start with some key numbers and then we will throw the dais for the questions. Now I request Mr. Debshankar Mukhopadhyay to start with the opening statement and before that Subodh will just talk about the conference call.

**Subodh Khanna:** Thank you, Mr. Pradhan. Thank you Praveen. Good morning. This is Subodh here. Thank you ladies and gentlemen. Thank you for joining us today. This conference call has been organized to update our investors on the company and its performance for Q4 FY2017 and full financial year result FY2017. We hope that you had a chance to go through the company’s result, uploaded on the company’s website [www.zeelearn.com](http://www.zeelearn.com) . To discuss the result and performance joining us today is Mr. Debshankar Mukhopadhyay – Chief Executive Officer of Zee Learn Limited and Mr. Umesh Pradhan – CFO.

We will start with the brief from Mr. Debshankar Mukhopadhyay on the quarter and the financial year results. We will then open the discussion for question and answer. I would like to remind everybody that anything that we say which relates to our future outlook should be taken in context of the risk that we take. We would like to add that this call is



*Zee Learn*  
*April 26, 2017*

purely for investors and analysts. Thank you. I will hand over the phone to Mr. Debshankar Mukhopadhyay for the address.

**D Mukhopadhyay:**

Good morning everybody. Thanks Umesh and Subhodh. First of all, thank you for joining the call early in the morning. I am delighted to share the performance of the company for Q4 of the last financial year and for the full financial year 2017.

As a Company we have witnessed consistent growth across all the business segments, which strongly underlines the fact that franchise and parents confidence towards the Company's brand is growing with every passing years.

Zee learn has Zee Learn Limited has invested considerable resources in developing learning designs, student learning materials and e-content for pre-schools and K-12 schools. We have closed financial year 2017 on a new high with a positive drive and a confident of sustaining this drive as we go forward. The high demand for the all new Kidzee version 2.0 was overwhelming and as it surpassed all our expectations.

With new product introductions coupled with our existing offerings we are fairly confident that our growth momentum will continue. Also it is imperative there are qualitative improvements in our network coupled with strong focus on franchise relationship and availability of tailormade children and student specific programmes will be pivotal in aiding a planned growth for the future.

At a very high level, I think I should highlight consolidated revenues for the year is INR 1789 million which is all time high. Kidzee as a brand has crossed the one billion mark and Company at operating EBITDA as a percentage of revenues reaches 35% against 29% in the last year. Our consolidated PAT is INR 366 million against INR 150 million and has increased by 2.4x, our EPS reaches 113% for the face value i.e.1.13.

I would like to invite my CFO, Mr. Umesh Pradhan to take this forward and I would be happy to answer questions.

**Umesh Pradhan:**

Good morning all of you. I am glad to announce the splendid performance of the year for the quarter by your Company and I am sure all of you might be delighted that the numbers are in line with the discussions that we had on earlier calls wherein we have talked about the operating leverages and about the economy of scale etc., so all of that is now proving true and therefore the model of the Zee Learn Limited is truly paying the dividends now.



*Zee Learn*  
*April 26, 2017*

I am sure this is a result of rising scale and rationalization of vendors and the company has prudently managed cost of goods, while simultaneously improving the quality. We perceive this initiative as potent operating and profitability margin boosters. The consistency of our performance is a result of managing our business dynamically and fitting our strategy with even greater rigor and discipline.

This sustained focus on investing behind brands and our continuing sharpening our execution capacities and driving market development will enable us to win with consumer in a rapidly changing market and we are confident of doing that.

Now before I start taking your questions there are certain key numbers that I would like to highlight apart from what you have in front of you. We have done 327 Kidzee sign up during the year and as far as Mount Litera Zee School sign up are concerned we have done 22 sign ups so new franchise who have signed up our agreement for Mount Litera Zee School is 22 and for Kidzee 327.

We have serviced the student's kits to Kidzee partners around 128000 during the year and as far as the Mount Litera School kits sale is concerned we have done around 51000 student kits that we have dispatched during the year. This is phenomenal growth and as far as Mount Litera Zee School is concerned we have about 20% and as far as Kidzee is concerned our growth is around 15%.

Apart from that there are certain key statistics that we would like you to understand. We have generated approximately 96 Crores of operating net cash flow as against 31 Crores last year. I thought I would share these vital and important statistics with you.

I will now open the dais for the question and answer session.

**Moderator:**

Thank you very much. Ladies and gentlemen we will now begin with the question and answer session. The first question is from the line Shayan Chatterjee from Moon Capital. Please go ahead.

**Shayan Chatterjee:**

Hi Deb, Umesh. Firstly congratulations on such amazing set of results. I think a lot of skeptics amongst us would really have to dig deep into the results, otherwise but you know I guess just a couple of points that I missed. If you can just quickly go through how many students that you passed, you actually sent for the year to Kidzee and if you can just talk about the debt reduction, because a lot of restructuring at the trust level is taking place as



*Zee Learn*  
*April 26, 2017*

the debt reduction, standalone and consolidated as well as the interest cost that you have seen I think you been able to renegotiate or going forward what sort of interest rates you can see? That is it. Thank you.

**Umesh Pradhan:**

Good morning Shayan and thank you very much for your encouraging statements on the performance of the Company. We value your support. Specifically as far as the student numbers are concerned, in Kidzee we have served 128000 number of students during the year as against around 116000 numbers for the last year. As far as the Mount Litera School is concerned, we have served approximately 51000 numbers of students as against around 45000 numbers of students last year.

As far as debt is concerned, on a standalone basis, we have reduced around Rs.10 Crores from our term loans, the term loan to the extent of 10 Crores has been repaid and this repayment is as per the schedule of repayment and as far as the promoter loans are concerned, we have repaid around 14 Crores promoter's loan during the year. So in total around 25 Crores has been repaid from our borrowings on a standalone basis.

As far as the subsidiary is concerned, we have restructured 125 Crores term loan, which were sitting in subsidiary balance sheet i.e. on Digital Ventures so to the extent of 125 Crores the loans has been reduced. There has been marginal rate decrease that has happened in during the year in Digital Venture. Our rate of interest used to be around 13% during the previous year. Now we are around 11%-11.5% in Digital Venture. As far as Zee Learn is concerned, the rate reduction in Zee Learn by way of loan restructure will happen in this financial year and I promised you there will be substantial rate reduction that will be happening in Zee Learn and most likely we will be able to throw some light on that in the coming quarter. We are actively negotiating with couple of bankers and the proposal would be approved soon.

**Shayan Chatterjee:**

Would it be fair to say that we could see single digit interest rates?

**Umesh Pradhan:**

Yes, absolutely, 100% sure.

**Shayan Chatterjee:**

Wow! That is amazing if you could just give the current outstanding loan amounts at the standalone and the consolidated now as of today?

**Umesh Pradhan:**

Yes, so as far as Zee Learn is concerned, we have 65 Crores NCD. We have about 36 Crores term loans and we have about 12 Crores of promoter loans as per standalone is



*Zee Learn*  
*April 26, 2017*

concerned. As far as Digital Ventures is concerned, we have 125 Crores term loan on the BKC and we have about 25 Crores sanctioned in Digital Ventures which would be additionally drawn down during the year in order to complete the school construction.

**Shayan Chatterjee:** That was your 50 Crores peak capex etc., that you had highlighted last quarter results, I think. Perfect. Thank you.

**Moderator:** Thank you. We have the next question from the line of Rohit Chawla from Axis Securities. Please go ahead.

**Rohit Chawla:** Good morning. Congratulations for a splendid excellent set of results. I have some questions. First is there has been a cap on the school fees, which has been imposed in a state of Gujarat and what is the likelihood on that to transfer or to percolate to other states and what will this impact in our Company, Zee Learn?

**Umesh Pradhan:** Rohit, before I throw this question to Deb, I want all of your voice to be little more encouraging. I do not see you are very happy with the numbers. You should be be happy while asking questions. While that was on a lighter mood, Deb would take that question.

**D Mukhopadhyay:** Yes, you are right, there is some legislation that is being formulated at various state levels. Remember education as a subject is on the concurrent list and therefore it appears both at the center and state level. However if you see the legislations, which are yet to become an act, it caps a certain amount for the primary, secondary and in the state of Gujarat while we also have a Gujarat Regulation of Fee Act of 2007. If you go through the details of the act it says that the school manager has to justify the fee structure and get it approved from the state authorities. We are in the process of looking into the details of the registration and we will formulate appropriate strategies for it. Just to highlight, in the past we have seen similar legislations in the state of Tamil Nadu and Andhra Pradesh where we have successfully defended our case. So I want to give that confidence to all the investors on the call as that while we will see more and more regulations and we welcome these regulations but we will also put forward our responses to the appropriate authorities and we are fairly confident that we will be able to help them seek merit in our argument. So at this point of time it is too initial. We are still going through the legislation and we are in the process of taking appropriate strategies to mitigate the challenges.

**Rohit Chawla:** Okay that great Sir. Now Sir, we are in the month of April so most of the locations we would have a sense of the number of children that we would be teaching for FY2018 so



*Zee Learn*  
*April 26, 2017*

what would be the approximate growth we could see in both Kidzee and Mount Litera in the coming year?

**Umesh Pradhan:** Rohit, we normally avoid throwing any forward-looking statement but to give you a sense, I can assure you that the Company will grow in line with the industry CAGR that is being registered by the respective sectors. Pre-school is growing by around 15% to 20% and the K-12 is growing by about 25% at the industry level. We are confident that we will be able to grow in line with the market.

**Rohit Chawla:** Sir one more small data point what is the number of schools that have been closed in this year?

**Umesh Pradhan:** I told you as far as sign ups are concerned, we have signed up 22 Mount Litera Zee school that means twenty two new people have initiated the agreement signing with us and they have paid a sign up fee. They will be starting the school in a gap of around two to three years, which is the normal period everybody takes to build a school. As far as Kidzee is concerned, we have signed up around 327 schools during the year. Some of them are already started because the sign up happened initially at the start of the year and the rest of them will start their schools in another six months time.

**Rohit Chawla:** Last question Sir, so the government is keenly focusing on the mission on skill India so can we play some role in that opportunity?

**D Mukhopadhyay:** So this is Debshankar here. We would like to partner with the government on various initiatives that have been currently run across the country. We have a very strong presence especially on the vocational side through ZICA and ZIMA, Creative Arts and Media Arts. We are in the process of expanding that reach, so very soon you will see some action happening on the vocational side. We have reached out to all our partners. We are also talking to potential partners who would like to partner us in that journey. There are some regulations, which will bring in a degree of standardization especially in the vocational education space and we are working very closely with the authorities to ensure the same.

**Rohit Chawla:** Okay that is great Sir. So extremely happy with the results of the Company. This is from my end as of now.

**D Mukhopadhyay:** Thank you.



*Zee Learn*  
*April 26, 2017*

- Moderator:** Thank you. The next question is from the line of Dhruv Bhatia from AUM Advisors. Please go ahead.
- Dhruv Bhatia:** Sir first question, I understand you have booked 327 sign ups during the year for Kidzee. Could you tell us how many schools were operational during FY2017, the new additions which have already been in operational for FY2017 for Kidzee as well as Mount Litera?
- Umesh Pradhan:** So currently we have around little more than 100 K-12 schools, Mount Litera Zee School in operations and around 1700 schools of Kidzee that are in operation.
- D Mukhopadhyay:** I will just correct with the data, if you only look for the financial year 2017 we have operationalized 14 schools, Mount Litera Zee school in financial year 2017 and around 350 Kidzee in FY2017 alone.
- Dhruv Bhatia:** Sir could you also give us the breakup of the revenue between Kidzee and Mount Litera just a broad breakup of what percentage because I understand earlier it was 70% of your revenues were coming from Kidzee and the remaining from Mount Litera if you could help us with the FY2017 numbers?
- Umesh Pradhan:** Yes, so Kidzee has contributed approximately 68% and Mount Litera has contributed approximately 22%.
- Dhruv Bhatia:** Sir do you expect the margins, which you have delivered this year to be sustainable going forward because you know that will be with the growth that you are talking about there should be more leverage playing out for you?
- Umesh Pradhan:** So rather than commenting on what would be the margin percentage in future, I would remind you all about what we said during the investor relations activity I have done or Deb has done during the entire year , we have always tried to explained you the business model that we are adopting, the franchise model and where the leverage will definitely play role and will keep on playing; however, this year was marked as a growth year, while we will be keep growing in future years in same line, the margin improvement in terms of the percentage would not be as big as what we have recorded this year but obviously our margins will keep on improving year-on-year.





*Zee Learn*  
*April 26, 2017*

**Dhruv Bhatia:**

Sir just a last question, your receivables at the end of this year was almost 100 days compared to 70-odd days in FY2016 could you just help us with what the reason of the receivables going up?

**Umesh Pradhan:**

The major receivables in terms of the numbers are from the schools, the Mount Litera Zee Schools where we receive the management fees both through the franchises and our own managed schools that are operated through the different trusts. As far as the outstanding from the franchises in terms of the royalty is concerned (because all of our schools pay the student kit amount in advance so there is only royalty that is outstanding) the same is to the extent of around 3 Crores from the Mount Litera Zee School franchises is to be receivable, which will be received in coming six months. That is the normal trend that we see in our industry. As far as our self managed schools are concerned, considering that the schools are going through, these are the young schools and therefore the cash generated by the schools will be improving year-by-year. Current year we have collected approximately 12 Crores from the schools and we expect that these collections will keep on increasing year-on-year in relation to the number of students that get added into the schools. The schools are averaged four year schools so as and when the schools keep on getting more older, more cash flow will start generated through the schools and we will be able to recover the debtors more fast and then the debtor's numbers will keep on reducing.

**Dhruv Bhatia:**

Sir could you talk about the competitive intensity? Are you seeing any new players or some more competition where you are facing in any particular region or across in terms of competitive intensity?

**D Mukhopadhyay:**

Let me answer that question. We are now fairly established both in the pre-schools as well as the K-12 segment and I presume everybody on the call knows that Kidzee has not only crossed the one billion mark for the first time and is also the largest pre-school brand in Asia. So on the pre-school side, we continue to grow fairly robustly over the years and we expect that to continue. If you see the landscape per se there is enough room for us and competitors to operate, so I do not see any particular brand, which is very close to us especially in the pre-school segment; however, in the K-12 we are now probably the third largest in the country and the aspiration is that we have a fairly long number of schools which are expected to get operationalized in the next two to three years. So because from the time of sign up to operationalization of the school it takes time, however the lead is fairly long and we are confident that in a couple of years time we will be probably the number two largest K-12 chain in the country, but as I said especially in these space there is enough room but each one of us to exist into it.



*Zee Learn*  
*April 26, 2017*

- Dhruv Bhatia:** The last question on any inorganic opportunities that you are looking for, any plans for growth for you?
- Umesh Pradhan:** We are not looking out for any specific inorganic opportunities currently but we keep on evaluating the market in terms of whatever inorganic opportunities are available in education sectors and that we see and we keep on evaluating the same time to time. But there is nothing as such that we have currently looking out.
- Dhruv Bhatia:** Thank you so much.
- Moderator:** Thank you. We have the next question from the line of Sunil Shah from Axis Securities. Please go ahead.
- Sunil Shah:** Good morning Umesh and good morning Mr. Deb. Sir I just joined a bit late and missed out on the opening remarks, I do not know if it has been covered, but Sir I just want one strategic thought process. Company is evolved by building brand then they look at building their internal architecture and then move on to the final part which is the innovation. So if I look at the whole journey of the Company we really have established our brand and we have internal architecture also because we are growing big time in terms of the numbers whether it is Kidzee or Mount Litera School group so what is it on the innovation what is the next leg which will give us sustainable growth, it will keep us miles ahead of competition so how are we working on that direction if you could share some thoughts on that please.
- D Mukhopadhyay:** Thanks for the question and I am delighted to share. See some of the things that we are working on whether it is the curriculum or the delivery part of it is something that I will share some specifics with this group today. On the AR augmented reality space, we have done some very interesting and as a part of child kit, we have steadily made progress with regard to AR. Today, the learning the engagement that we have significantly improved as we continued to develop our offerings on the technology side and also if you look at a school level, we are in the process of creating an ecosystem where the entire content delivery would be digitized. That significant steps forward and we would be glad as new and new technologies both on AR and VR augmented and virtual reality comes into play and at the cost it comes down, and you will see our offerings would be embedded with such technology interventions as we go forward. So on the innovation side just to, is that we have made already, the Kidzee as well as for K-12 has some elements of it but as we go forward it will become larger and larger and I see a day not in distant future, but the entire delivery



*Zee Learn*  
*April 26, 2017*

would be digitized and it will definitely we are confident that it will lead to superior learning outcomes and better engagement with all key stakeholders.

**Sunil Shah:** Thank you so much for the insight Sir. Thanks so much.

**Moderator:** Thank you. We have the next question from the line of Giriraj Daga from K M Visaria Family Trust. Please go ahead.

**Giriraj Daga:** Good morning. Sir my question is related to are like subsidiary Digital Venture where last year like we had about 12.5 Crores Revenue and this year we have moved to 17 Crores Revenue, so what kind of growth or what kind of numbers do we estimate on that side of the business since it is bit difficult to model in that segment?

**Umesh Pradhan:** That is a good question to ask frankly. The Digital Ventures is into leasing out the structure that has been built for running the schools and therefore the revenue of digital ventures depends upon the area, which has been let out to run the school operations. The lease rentals at DVPL are based on the areas that have made available to the trust to run the schools especially in terms of the classrooms and other facilities. Therefore as and when the number of student increases in the schools the lease rentals of these schools will keep on increasing.

**Giriraj Daga:** So just to understand let me correlate this question if you look at the balance sheet we have cut down on the long-term debt, I think as you have said we have transferred the part of the debt to the trust.

**Umesh Pradhan:** That is right.

**Giriraj Daga:** Okay, that segment is showing in not on current other long-term liabilities?

**Umesh Pradhan:** Sorry, can you repeat please

**Giriraj Daga:** That amount other long term liabilities is has gone up from 8 Crores to 133 Crores so what head we had put to this amount?

**Umesh Pradhan:** So that is a re-grouping as far as balance sheet is concerned that is a re-grouping but on an overall balance sheet basis as I told you last year we had about 250 Crores term loan sitting on the Digital Ventures out of that 125 Crores has already moved out of the digital ventures and put into with respective trusts.



*Zee Learn*  
*April 26, 2017*

- Giriraj Daga:** I understood but like this understanding that long term liabilities 134 Crores what are the specific heads of this 134 Crores what means we have given to that head?
- Umesh Pradhan:** These do include the borrowing and the other current liabilities as far as the construction business is concerned.
- Giriraj Daga:** Okay so now going to next year onwards this trust will repay only the money, which is left after paying interest?
- Umesh Pradhan:** That is right.
- Giriraj Daga:** So the number can be even slightly lower also?
- Umesh Pradhan:** No so there are a couple of things that you need to understand is irrespective of what trust will generate in terms of the cash flow, the billing will be done on the accrual basis so based on the area that is made available to the trust Digital Ventures will keep on generating the revenue on accrual basis. That is important from arms length perspective also because we cannot let the premises make available to anybody free of cost. As far as the recoveries of those leased rentals are concerned you are right the schools would keep on paying Digital Venture after they share the interest cost from the operating surplus.
- Giriraj Daga:** What is the number of strength in these six schools you are talking about?
- Umesh Pradhan:** So last academic year we had around 3000 students that were studying in our CBSE schools and approximately around 300 students that was studying in our BKC schools.
- Giriraj Daga:** How is the trend in this year?
- Umesh Pradhan:** Trend continues as per the last couple of year's trend.
- Giriraj Daga:** So this year the intake is like say 12%-15% higher?
- Umesh Pradhan:** Yes.
- Giriraj Daga:** Thanks a lot from my side.
- Moderator:** Thank you. We have the next question from the line of Dev Kohli as an individual investor. Please go ahead.



*Zee Learn*  
*April 26, 2017*

**Dev Kohli:** I wanted to know in the BKC School, is that going to be fully operated in the company and the second follow up question on the BKC School is that how many students have we reached right now in the IB school?

**Umesh Pradhan:** To answer your first question BKC School or for that matter any K-12 School cannot be run in a profit making entity so therefore these schools also runs into the trust. So as the arrangement for other schools we have rented out the premises which we have build up and invested into to the trust which is operating the BKC school. No.2 currently we have about 60-odd admissions for the new academic year and the admission sessions for the IB curriculum goes on till August so therefore we see that more number of students will be coming.

**Dev Kohli:** Thank you. I also wanted to know you all incorporated a new subsidiary Librium can you just explain what is goal for that?

**Umesh Pradhan:** Sorry, could you please repeat

**Dev Kohli:** You have incorporated a new subsidiary Librium right? Can you just explain what is your goal for that?

**D Mukhopadhyay:** So we are exploring this fast expanding area of training, hiring manpower as it dwells well with our presence in the vocational staff like ZICA and ZIMA, teacher training, etc. When we want to create education with employability that is the key. We want to provide vocational courses to students and also help them place incorporate and help the corporate to improve their productivity. So basically this is the trial that students who want vocational training job and corporate who want productive manpower who can facilitate this marriage given ask is that. So it is a natural extension of what we are doing. The idea is to make it more interesting then commensurate manpower outsourcing firm by giving them a sense of providing values added service to both students and the corporate. From an impact it is a very high impact area for emerging markets including India. So that is what sort of Librium is all about.

**Umesh Pradhan:** Very importantly I would like to add one comment to what Deb has said this sector has nil assets and works on negative working capital and while this particular sector give us a moderate margins but this will have a very high ROCE.

**Dev Kohli:** I understand. This makes a lot of sense. Thank you.



*Zee Learn*  
*April 26, 2017*

**Moderator:** Thank you. We have the next question from the line of Tanmay Revandkar from the Athena Investments. Please go ahead.

**Tanmay Revandkar:** Thank you for the opportunity Sir. Sorry I joined in late so the question might be repeated. I wanted to know the number of enrolments and the number of schools during the year?

**Umesh Pradhan:** As far as the number of enrolments are concerned currently we have approximately served 128000 students in Kidzee school sector and the number of schools that are in operations are currently around 1700 and as far as Mount Litera Zee school is concerned we have little more than 100 schools that are currently in operations and approximately 51000 number of students we have supplied the student kits during the year.

**Tanmay Revandkar:** Okay number of new schools during the year?

**Umesh Pradhan:** We have added 14 new schools in Mount Litera in terms of operational realizations concerned and we have signed up 22 new schools during the year. Kidzee we have signed up 327 new schools.

**Tanmay Revandkar:** How many would be the new joiners like new enrollments during the year?

**Umesh Pradhan:** As far as the school is concerned the meter start from zero, every year even if the student from a earlier grade goes to a upper grade it is treated as a new student because he gets a kit from our side. So we count the student as we supply the kits to them.

**Tanmay Revandkar:** Thank you.

**Moderator:** Thank you. We have the next question from the line of Amit Bagadia from Okasa Finvest. Please go ahead.

**Amit Bagadia:** Good morning Sir. Thank you for the wonderful set of results. I had a couple of questions, we paid 10% dividend for FY2017 so is there any dividend policy we are planning to follow moving ahead?

**Umesh Pradhan:** As far as dividend policy is concerned we are pretty much in line with our group policy, now that we have started making surplus and especially since we have knocked off the carry forward losses, so therefore whatever is left with we would take a call in terms of our



*Zee Learn*  
*April 26, 2017*

growth areas, our investment opportunities, all our tax liabilities etc., and we would like to share our wealth the shareholders and investors.

**Amit Bagadia:** Sir you spoken about this all new Kidzee 2 which have received the tremendous response any light on that?

**D Mukhopadhyay:** This is version 2 so we see significant improvement in terms of pedagogy, our learning resources and therefore with superior learning outcomes, it is slightly premature but our curriculum version 2 has been endorsed by external agencies too and as of when we have the final validation we will share it with all stakeholders, but I am happy to share that curriculum version 2 is a significant improvement over curriculum version 1; however, our journey continues so this is not the end, so as that we progress that we move forward you will see newer versions being created and deployed.

**Amit Bagadia:** Sir also there is a mention of a loss due to fire of around 9.5 to 10 Crores so any light on that, do we have any insurance claim on the same?

**Umesh Pradhan:** Sorry question please?

**Amit Bagadia:** There has been a mention of around 9.5 to 10 Crores in the last quarter so do we have any insurance claim or do we expect any recovery on the same?

**Umesh Pradhan:** Yes, we definitely expect the recovery from the insurance side. There is an insurance policy and we expect the insurance to pay us out of our claims. The total claim is much higher than what we have provided. We on a conservative side have provided and written off to the extent of the insurance claim that might not get passed.

**Amit Bagadia:** Thank you so much.

**Moderator:** Thank you. The next question from is the line of Naval Seth from Emkay Global. Please go ahead.

**Naval Seth:** Thanks for the opportunity and congratulations on good set of numbers. My question on Mount Litera School so you stated slightly more than 100 schools so last year you had 103 this year you added 14 operational so how should we take because this use 117 schools are slightly more than 100 so were there any cancellation or my reading is wrong over here?



*Zee Learn*  
*April 26, 2017*

- Umesh Pradhan:** No are you talking about the previous call references?
- Naval Seth:** No I am referring to the annual report FY2016 it was 103 schools and number of schools added was 14 and franchise signed were again 14 in FY2016?
- Umesh Pradhan:** That is right. I need to explain you a bit. What happens is the number of schools that get added during the year, (for example when we say that 14 schools) will be operationalized during the year and they will contribute us in the coming financial year because these schools academically will start from April or May onwards. Their orders for the student kit will start coming to us in the coming financial year so there will be always an overlapping in terms of academic year and financial year is concerned so while we get certain orders from some of these schools in the Q4 some of the schools out of the new operationalized school will order us in the month of April May June. So when we say as on March we will say that number of schools without including the numbers which have contributed which will be contributing in the coming financial year.
- Naval Seth:** Okay so that means the FY2016, 14 schools added would have contributed in 2017 and similar trend would be?
- Umesh Pradhan:** That is right.
- Naval Seth:** Thank you for the opportunity.
- Moderator:** Thank you. We have the next question from the line of Abhimanyu Kashliwal from Asian Market Securities. Please go ahead.
- Abhimanyu Kashliwal:** Very good morning to the management. I believe you had spoken in the last quarter. I joined the call late so I hope this question not been asked. There was a fire, which happened in this quarter, and you did say that you expect a recovery from insurance, my question is what is the quantum of recovery you are expecting and by what date should the claim be settled? I mean if it is settled in the next two years three years in the next six months, also I had a follow up question that a fire had also taken place in the September quarter of 2015 where I think there was a loss of 14.16 Crores so can you just tell me I mean what is happening I mean so many fires is there any trend or what is happening?
- Umesh Pradhan:** It is a good question to answer because at least the doubts that would be there in the minds of investors, I would be able to clarify with this question. Number one the figures told by





*Zee Learn*  
*April 26, 2017*

you are right, we had a claim of 14.16 Crores on a fire and the provision of 9.4 Crores, which have been made gone into the books or I would say the write off that we have taken is on account of this same fire which broke in June 2015.

**Abhimanyu Kashliwal:** So you had not made this provision two years ago you are making it now?

**Umesh Pradhan:** That is right, because we are still continuing to pursue our claim with the insurance company. The claim is not yet granted but keeping in mind with our discussions we have as a prudent policy we have taken a write off in our books as far as the claim that we feel that we will not get.

**Abhimanyu Kashliwal:** Okay but Sir in that case you had not made this provision earlier on you just happened to make it on this quarter or was it that an other factor was that this quarter we perform very well?

**Umesh Pradhan:** Not really like that, what happens is the insurance claim, it takes a while to settle and there is a process and since this was a big fire and a loss by fire was a very considerable amount and therefore lot of process has gone while insurance company processed our claim so there is an investigation, there is a police compliant, there is a forensic and all of those process take time while that has happened the survivor gives the report etc.,, and we have to make lot of follow ups with the insurance company, their head office, etc., so it took time in order to understand where our claim will go as and when we understood that our claim probably will not be to the extent of what we want to receive, as a prudent policy we have provided that. There is no connection with the performance of the company. If we would have understood it in the earlier quarters we would have obviously done the provision.

**Abhimanyu Kashliwal:** No the performance of the company has been fantastic no doubt about that, last point is so when can we expect to see the money back in our accounts paid by the insurance company I mean.

**Umesh Pradhan:** See the differential money can be recovered from the insurance company at any moment however we are trying to still pursue with our original claim of 14 Crores.

**Abhimanyu Kashliwal:** Thank you so much Sir.

**Umesh Pradhan:** Most importantly just to repeat there is only one fire in our life and no other fire has broken our life.



*Zee Learn*  
*April 26, 2017*

**Abhimanyu Kashliwal:** Thank you so much.

**Moderator:** Thank you. We have the next question from the line of Praveen Sahay from Edelweiss. Please go ahead.

**Praveen Sahay:** Congratulations Sir for good set of numbers. So I am just referring to your statement in the commentary regarding the rationalization of the vendors and also you manage some cost as a good so that actually given some room for improvement in the margin so will you please elaborate this statement more?

**Umesh Pradhan:** Praveen, what happens is with the number of students growing every year in our system there is a scope for better negotiations with the vendor, finding more efficient vendors in the system since we procure the various materials that goes into our Illume Kit/ that goes into our student kit from various vendors across India so our negotiations power keep on improving because the number of material that we call for or we purchase is increasing every year-on-year. So that is what I meant so we keep on innovating in terms of our offering, we keep on innovating in terms of our vendor selection and we keep on innovating in terms of our negotiations so as and when the volume increases there is a better scope for negotiating with the vendor.

**Praveen Sahay:** Thank you Sir for taking question. Thank you.

**Moderator:** Thank you. Ladies and gentlemen that was the last question I would now like to hand the conference over to the management for closing comments. Thank you. Over to you Sir!

**Umesh Pradhan:** Thank you all of you for participating in today's earning call. Thank you very much for being with us and give us a patient support through the years and having confidence on us and our model. We hope that you will continue to support us and keep confidence on the management on Zee Learn and on the overall business model of Zee Learn. Thank you so much and congratulations to all of you.

**Moderator:** Thank you very much to the management. Ladies and gentlemen on behalf of Edelweiss Broking Limited that concludes today's conference call. Thank you for joining us now. You may disconnect your lines.