



**“Zee Learn Limited Q2 FY2019
Earnings Conference Call”**

October 17, 2018



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Moderator: Good day ladies and gentlemen and welcome to the Q2 FY2019 earnings conference call of Zee Learn Limited, hosted by Edelweiss Broking. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal 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!

Praveen Sahay: Good evening everyone. Thank you for joining to the earning call of Zee Learn Limited. On behalf of Edelweiss Broking, I would like to welcome the management team of Zee Learn Limited and MT Educare to discuss the results and outlook post Q2 FY2019 earnings. We have with us Mr. Ajey Kumar, MD & Executive Director, Zee Learn Limited, Mr. Debshankar Mukhopadhyay, CEO of the company, Mr. Umesh Pradhan, CFO of Zee Learn Limited, Mr. Sandesh Naik, CFO of MT Educare, and Mr. Subodh Khanna, AVP Finance, Zee Learn Limited. I would now request Mr. Mukhopadhyay for opening remarks and then after we will open the floor for Q&A. Over to you Sir!

Subodh Khanna: Thank you Praveen. This is Subodh Khanna here. Good evening everyone. Our sincere apologies for the rescheduling of the call due to unavoidable circumstances. Thank you for joining us today. This conference call has been organized to update our investors on Zee Learn Limited and MT Educare Limited performance for Q2 FY2019. We hope you have had the chance to go through the results, which has been uploaded on our company website www.zeelearn.com and www.mteducare.com. To discuss the result and performance joining me today is Mr. Ajey Kumar, Director, Mr. Debshankar Mukhopadhyay, Chief Executive Officer of Zee Learn Limited, Mr. Umesh Pradhan, CFO, Zee Learn Limited and Mr. Sandesh Naik, CFO MT Educare.

To begin with, we will start with a brief statement from Mr. Debshankar Mukhopadhyay on Q2 performance for FY2019. We will then open the floor for discussion for question and answer. I would like to remind everybody that anything that we say during the call that refers to our outlook for the future is a forward looking statement and much to be taken in the context of the risk we take. I would now request Mr. Debshankar Mukhopadhyay to address the audience.



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Debshankar M: Good evening everyone. First of all thank you for attending this call at a revised date and time and I would like to take this opportunity to hand over the call to our Executive Director, Mr. Ajey Kumar to take it forward.

Ajey Kumar: Thank you Deb. This is Ajey here. I am happy to welcome all of you to this quarterly investor call. I am sure all of you would have seen the results by now. This was a good set of numbers. The revenue almost doubled and there were significant increases in EBITDA, PBT and PAT, so we will ask Deb to give qualitative notes to the result and thereafter Umesh will fill in on the financial performances and then we will be open to Q&A session. Thank you very much. We will take it forward from here.

Debshankar M: Thank you Ajey. The growth is impressive looking at the prevailing market conditions. The company is well positioned to achieve the overall numbers for a year. We will continue to focus on improving our margins and as you are aware our EBITDA margins has improved to 44% over 39% during the last year on standalone operations. As you are aware, education industry around the world is going through some significant changes and India is no different. Technology has opened up new possibilities for the educators and has multiplied their educational delivery choices. I want to highlight Robomate, a robust ed-tech platform under our umbrella now. We are strongly positioned to capitalize on this new growth opportunity. Our deep understanding of the Indian consumers will be as instrumental in helping us become the leaders in the ed-tech educational space as well as helping us to achieve the leadership in elementary education. At financial levels our consolidated revenue is at Rs.126 Crores up by 108% over Q2 of FY2018. Consolidated EBITDA is at Rs.33 Crores up by 42% over the same period. Consolidated PBT is at Rs.20 Crores up by 19%. Consolidated PAT is at Rs.14 Crores up by 24%. If I have to highlight the financials, the consolidated revenue at Rs.239 Crores up by 89% FY2018. The consolidated EBITDA is at Rs.76 Crores up by 53%, PBT at Rs.55 Crores up by 50% and PAT at Rs.38 Crores up by 58%. I would like now to Umesh to talk about the details as we go forward.

Umesh Pradhan: I would like to start the session by question and answer so that any questions related to financials I will take one by one and answer your questions. I and Sandesh could be giving the details of Zee and MT Educare.

Moderator: Thank you. Sir should we open it for Q&A now Sir?

Umesh Pradhan: Yes.



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Moderator: Thank you. We will now begin the question and answer session. Ladies and gentlemen we will wait for a moment while the question queue assembles. The first question is from the line of Rajesh Mehta from MC Capital. Please go ahead.

Rajesh Mehta: Sir I wanted to know exactly what is your plan with MT Educare because the government receivables was knocked off, so now what are the business verticals remaining and could you give us some targets on Robomate because under previous management Robomate has not been able to get out to market successfully, so could you tell us plans on Robomate and plans on classroom business and some financial targets for the next three to five years please and also Zee Learn as a group do we plan to make it part of our companies in the future so that if I am holding MT Educare share I get Zee Learn share, could you please answer these questions?

Ajey Kumar: Thank you Rajesh. Ajey here. The Mahesh Tutorial business, there are four or five strategic business units. The first business unit, which is the historical State Board of Maharashtra that they used to provide tutorials too, so there they have been doing a good performance in the IX, X, XI, and XII levels, now they have added VIII to it and they have also started the ICSE and CBSE coaching, so this is their school division. The second SBU is the science SBU, which is the engineering and medical test prep and entrance, which in many areas gets presented as Lakshya. You would know in the last two years IT toppers were from Lakshya and that business grows well with good margins. Then there is an MT Commerce business, which is for chartered accountancy and XI and XII commerce test preparation. That also goes well and a new plan has been put in place to make it even better. Then there is an integrated model in Karnataka under the brand name Aryan where the students study XI and XII of junior college and test preparation together and some places they are also provided residential facility, so they have about 20 to 22 odd centers that business also is growing well and we have also tied up through Sri Gayatri Society in Andhra and Telangana again for the integrated test paper and tutorial model and of course is the government business. The finance guys can brief you further. In this you will probably see a decline in the revenues, but they have changed the way revenue recognition is done. Earlier most of the revenue used to get booked on getting of the order, now they have linked it to milestones like delivery and placement of students, etc., so if it is to be spread over two years periodically as achievements happen, the revenue and expenses would get booked, so these in nutshell are the businesses of Mahesh Tutorial and they have revived well post our acquisition and there is still a lot of low hanging fruits to catch there, so you would quickly see the margins, etc., getting nearer to Zee Learn standalone businesses. The other part on the synergies and where these businesses will go, for the Mahesh Tutorial side.



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Rajesh Mehta:

What about Robomate, Robomate is a part of Mt Educare right?

Ajey Kumar:

I am coming to that. First let me run you through the synergies. The Mahesh Tutorial team will get access to Zee Learn students, the Zee Learn franchisees, which are there in 800 plus cities, so they are right now presented only four or five states, so they can do geographical expansion. They can use the franchise partners of the Zee Learn business for further expansion in asset like mode, etc., and similarly for the Zee Learn side there are synergies in getting access to high end content and curriculum especially for the senior classes. Lastly coming to Robomate, Robomate has two parts or rather three parts. One whoever buys the course of a test paper or tutorial, he gets the Robomate platform for him to learn and for assessment, etc., so Robomate business unit from there derives one income. The second is the B2C where they sell it directly to the students in a standalone mode and revenues are derived. Then thirdly is the B2B mode where they tie up with other school chains, etc., where sometimes Robomate name is used, sometimes the white lable will use it, so these are three subsets of revenues. Exact numbers Umesh and Sandesh can tell you, but see what had happened when these guys had launched Robomate initially in November 2014, so after that Mahesh Tutorial did not have enough money to promote it either by way of marketing conventionally or digital marketing and secondly also that time demonetisation, etc., had happened so there was lot of noise in the market because of which their effort had got sidelined, so they are in the process of completely revamping the marketing, the communication, the brand ambassador, etc., and there will be higher focus on the B2C side and you will see the results of that in coming time. Right now what the numbers are, Umesh and Sandeep can tell you.

Rajesh Mehta:

Before we get into that who is the management of MT Educare is Mahesh still there?

Ajey Kumar:

Yes Mr. Mahesh is still very much there is a director on the board of Mahesh Tutorial.

Rajesh Mehta:

But who is running the company actively now after this selling to Zee Learn?

Ajey Kumar:

The board is running the company.

Rajesh Mehta:

What is the difference now in terms of management quality?

Ajey Kumar:

Rajesh all of us here who are on the Zee Learn team are also part of Mahesh Tutorial. I am on the board of Mahesh Tutorial, Debshankar is on the board of Mahesh Tutorial, two of our three independent directors are on the board of Mahesh Tutorial, so the board continues



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to give its inputs. There are new people in the Mahesh Tutorial team, which are getting hired and making the function stronger. We are also looking out for chief executive officer for that company on a standalone basis, so one is the input from our side and the second is the new professionals joining that company on a standalone basis.

Rajesh Mehta: Because one suggestion change in management would have a big positive impact on that company?

Ajey Kumar: Well we take your suggestion. It is for the results that will speak of the quantum of the positive change or the investors would judge the performance, but we are trying our best to steer it in the right direction.

Rajesh Mehta: Could we get the financial projections for MT Educare?

Ajey Kumar: Sir for financial projections of MT Educare, we do not give earnings guidance; however, we can qualitatively tell you where the businesses are headed and what are the current numbers, but as a system we do not provide earning guidance.

Ajey Kumar: Can I have the next question please?

Moderator: Thank you. The next question is from the line of Jinal Fofalia from Turtle Star Portfolio Managers. Please go ahead.

Jinal Fofalia: Good evening Sir. Sir my first question is relating to your expenses. why is that your expenses have jumped up YoY as well QoQ?

Ajey Kumar: I will hand it over to Umesh; however, do not look at QoQ because we are a seasonal business. Our Q4 and Q1 are typically the higher businesses and Q2 and Q3 are lower businesses because that is the seasonality of how the education schools or test papers work, so YoY should be your benchmark of looking, so I will give it to Umesh who will be able to tell you better.

Umesh Pradhan: You are comparing with YoY or you are comparing with the previous quarter I need to understand?

Jinal Fofalia: YoY?



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- Umesh Pradhan:** So the consolidated YoY represents the financials with MT Educare. Last year MT Educare was not consolidated, so you see all the expenses of MT Educare for the period coming into our consolidated, which were not there earlier.
- Jinal Fofalia:** On operational level expenses is it the same, I can see from expenses breakup?
- Umesh Pradhan:** In fact we are drawing lot of synergies from our core business operations, you can see that is reflected in our standalone results.
- Jinal Fofalia:** So on consolidated basis, for how many years we will see this pent up expenses ?
- Umesh Pradhan:** This is for this current year only, once our consolidated financials or for the full year along with MT from next year onwards it becomes comparative numbers. When we go forward for the next financial year quarter-by-quarter results will be comparable because entire year of this financial year will be along with MT.
- Jinal Fofalia:** So that we will see improvement in margins are still from next year?
- Umesh Pradhan:** Yes.
- Jinal Fofalia:** So any margin guidance on consolidated basis?
- Umesh Pradhan:** No we do not give any forward looking statements, but as we always say that Zee Learn as an entity has always for past four years shown the records that they have improved their margins, so MT would not be different since we are now into the management of MT we will improve MT also.
- Jinal Fofalia:** What is our total net debt on the books?
- Umesh Pradhan:** You will have to understand it by entity by entity. I will have to take you through the entity, consolidated debts as on September 30, 2018 is around Rs.444 Crores versus same period last year it was about Rs.254 Crores, but that was excluding MT, so if you add Rs.180 Crores of MT at that point of time the picture is more or less comparable; however, giving you breakup of Rs.444 Crores about Rs.164 Crores comes into Zee Learn Limited about Rs.120 Crores comes into digital venture, which is over 100% subsidiary and Rs.159 Crores comes from MT. Now MT Rs.159 Crores includes about Rs.35 Crores of debt, which has come from recently acquired Labh Ventures Entity. If you exclude that MT debts are about



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Rs.112 Crores it has reduced from Rs.176 Crores and these are all gross debts obviously net debts after deducting the cash is different.

Jinal Fofalia: So how much is net debt Sir?

Umesh Pradhan: Net debt you can reduce about Rs.118 odd Crores, which is lying in MT.

Jinal Fofalia: Rs.326 Crores?

Umesh Pradhan: Yes.

Jinal Fofalia: Any plans to reduce the debt for FY2019?

Umesh Pradhan: Yes, largely from MT balance sheet about Rs.50 Crores to Rs.60 odd Crores debts will be reduced. By March we have a schedule, it is depending upon the rate of P&L interest that has been charged by the bank, so we will try and reduce that burden and the plan is already there.

Jinal Fofalia: Okay Sir. I will get back in queue for further questions. Thank you.

Moderator: Thank you. The next question is from the line of Tushar Sarda from Athena Investments. Please go ahead.

Tushar Sarda: Thank you for the opportunity. I wanted to understand on the business front, there seems to be a significant slowdown in both preschool and K-12 business, so if you can share the number of enrolment done in preschool and in K-12 that would be helpful.

Ajey Kumar: The Kidzee business grows at around 8% to 10% enrolment number and the way we compare it see the way enrolments go, it is not only at the year beginning, it is an ongoing thing, so what happens typically is at the end of every year there is a rollover from last year, then new admissions happen and there is some attrition also of children who get transfer. So for example at the end of September 30, 2017 in the last academic year there were 118000 students actually studying in the system, September 30, 2018 there were 128650 students studying, so 10000 over 118000, would be the growth of the students in the centers. Similarly if you go for Mount Litera, Mount Litera you will probably see a slightly better percentage because while in Kidzee there are only four layers, in Mount Litera there are 16 layers starting from playgroup, so there the average age of each school is three or four



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years, so every year, one grade keeps getting added. So same time last year, there were about 54000 students, now there are 63000 students so which is let us say 15%, 17% growth.

Tushar Sarda: That is very good actually because it is not reflecting in revenue, so is that the sign ups have reduced?

Ajey Kumar: Sign ups what we have done, we have tightened up the process of sign ups, so earlier there were people coming who are getting very interested in the money that people make out of education, but we have decided to put a more stronger filter that the people who joined our network would be true to our brand, would be true to the better worthy that we profess, which is holistic education would be fully very highly careful of the safety of the children and hygiene in the system, so sometimes people come who are ready to pay us the signup fee immediately we will give you right now, but we have started doing a strong check and stuff and we are actually rejecting some of those people. The franchising is as good as your franchise partner, if not good then for immediate short term gains we do not want to screw up our brand, which we have very painstakingly build up over the years.

Debshankar M: Thank you Tushar for the question. In the past what we have seen that most of the people who get associated with us and I am talking particularly with our MLZS franchise, they are usually businessmen and we have seen as their fortune change over a period of time, so for example some of the partners that we have along with us had deep interest in mining and as that industry went downhill we found that their ability to continue to stay invested in a school because it is a time for the school to break even over a period of five years on an average is significantly impacted and therefore the school suffers. We have taken a collective call internally that there is no change in terms of the target that we have for the year, therefore the kind of partners that we on board will have to go through some kind of a due diligence or scrutiny at our end.

Tushar Sarda: What is the sign up for preschools and for K-12 this year?

Debshankar M: The numbers that we have is roughly around 150 preschools that we have signed in the first six months and the number of K-12 is around three, which is less than we had done for the same period last year and also the target

Tushar Sarda: What will you end the year with in preschool and K-12?



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Debshankar M: Let me put it in this way that it would be in line with our projections and it would be in line with our past performance.

Tushar Sarda: So can we expect 250 preschools and 10 to 12 K-12?

Debshankar M: Yes, you can safely assume that, we are fairly confident that we will deliver better results in what you expect.

Tushar Sarda: Thank you and any progress on hiring of the schools into trust, not into trust, but into REIT?

Ajey Kumar: It is a double edge sword. In the current hardening interest rate regime there are many people who come to us for taking those school assets and leasing it back to us, but the type of returns they are asking have to literally chase them out of the room . Because today the interest rate is 8%, 9% when we do this deal we will be giving out the schools and taking it back on lease for a period of 20, 30 years. After 10 years who knows the interest rate might be half of this after 20 years might be one third, after 30 years it will be like Japan, they will ask you money to keep it in their bank right, so in our hurry to do it we do not want to sign up something, which will keep coming back to haunt us, so we are being extremely choosy and we are negotiating hard to get a good deal because ultimately whether the trust pays the rental to DVPL or the yield to the new owner or the loan ultimately it is a financial burden. It has to be spread out in such a manner that it makes logical sense for us and in line with what the school economics, so therefore we are actively negotiating and indulging in discussions, but we would like to get a good deal before we freeze upon something.

Tushar Sarda: Thank you and all the best.

Moderator: Thank you. The next question is from the line of Avinash Kumar from Moon Capital. Please go ahead.

Avinash Kumar: Good evening all. I know you touched upon the REIT briefly, is there any development on standalone sale of school assets has there been any recent development on that front if you can help us with that?

Ajey Kumar: Avinash similarly in line to what I had mentioned to Tushar, we are in discussions for two or three school properties, but the type of returns that they are asking for 20, 30-year period is not justified and they have a point because they would want to take it and they quote the



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currently prevailing hardened rates of interest, etc., and therefore we are actively engaging, but we have not closed yet.

Avinash Kumar: Fair enough. Moving to my second question might be Umesh might be handle this. Umesh can you help me what will be your core FCF generated post interest tax and capex?

Umesh Pradhan: In second quarter we have generated about 19 Crores FCF and second quarter from cash flow perspective is a bit tough because slowly once the fourth quarter of the financial year and the first quarter of the financial year ends then we normally drag from the cash flow, which is available in the business for second and third quarter.

Avinash Kumar: Right, so this 19 Crores is for ZLL business?

Umesh Pradhan: 19 Crores.

Avinash Kumar: And for MT business?

Umesh Pradhan: This is consolidated (ZLL excl. MT Educare)

Avinash Kumar: Can you breakdown for both the businesses?

Umesh Pradhan: Little difficult because currently we have done it on consolidated basis, but I can work it out for you and tell you separately.

Avinash Kumar: Okay, thank you so much and similarly can you help with what would be the capex spend on ZLL and MT business in the current quarter?

Umesh Pradhan: Yes, on a capital expenditure we have spent about Rs.4.5 Crores excluding MT. MT generally have capex of about Rs.1.5 Crores, which is essentially some part of content and largely in the capex goes into the new centers or the centers, which get shifted to new locations.

Avinash Kumar: Right fair enough and Umesh also can you help us with any guideline or may be any strategy you have been placed whereby you can pay down ZLL debt and can we expect any substantial reduction in ZLL debt may be let us say by this year end?

Umesh Pradhan: Avinash that is largely depend upon the hiring of schools frankly because at the end of the day we will have to start generating free cash flow from the schools, which will take some



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time about two to three years as I always said. Till such time Zee Learn while we will generate and increasingly generate the free cash flow that will be stay invested into the business for new schedule and to some extent another two, three years we will have to fund the trust to repay their debts awaiting.

Ajey Kumar: And Avinash something conceptual Ajey here. My business can generate a return, which is higher than the cost of debt then some amount of leveraging makes good business sense. I would leave you with that thought. In Zee Learn type of businesses you are enjoying a very high margin, so some amount of debt is probably healthy and our debt equity ratio Subodh can tell you how much is it Subodh.

Subodh Khanna: 0.75.

Ajey Kumar: He says it is 0.75, I do not know whether it is on a consolidated or standalone basis.

Subodh Khanna: It is consolidated basis.

Ajey Kumar: It is consolidated basis. While all of us seem to love this debt free logic, but debt at the right cost could actually increase your return on equity.

Avinash Kumar: I agree that.

Ajey Kumar: Still we will try to reduce it, I was just saying it conceptually.

Avinash Kumar: Right, I agree that. What I understand is do not have any kind of debt reduction plan for ZLL business?

Ajey Kumar: Of course we have. Any of the properties that get sold and leaves back that amount will go towards debt reduction plus there is Rs.100 Crores lying in Mahesh Tutorial, which will go for debt reduction.

Avinash Kumar: Basically concern with ZLL business not with MT, MT obviously acquisition amount will go into the debt retirement.

Ajey Kumar: Surplus cash that we generate also goes into partially towards retro tier.



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Umesh Pradhan: Obviously all these borrowings have a schedule repayment also so therefore whatever cash gets generated into ZLL business part of the money is repaid as a principle repayment, which happens regularly.

Ajey Kumar: Because all our debts are now on schedule repayment.

Avinash Kumar: Yes, I agree, I understand what you are saying. Moving onto that Ajey you briefly touched upon Robomate, what I am more concerned is the other investors on the call, how is this business ramping up because this is the big part of your MT ecosystem? And also to give you a brief background I mean Byju is recently was able to raise money at around \$2 billion valuation, so what is the monetization plant for Robomate coming from you, do you want to hive it off as separate entity, there is some money through it, so basically what is your plan for this Robomate business?

Ajey Kumar: First of all Byju and Robomate are not really comparable Avinash. Let me first tell you, Robomate has five or six legs, one the video delivery platform, then second is the RoboAssess, which is the self-assessment tool, or the teacher assessment tool for students then there is a e-book which is for publishing books either by the teacher or by the publishers. Then there is a learning management system, which is for the school ecosystem for administration of the entire thing and last but not the least, there is something called e-store, which is for the school or whoever to retail their products to the parent body. On the other hand, Byju is more a video delivery tool. They also have a little bit of assessment and stuff. So Robomate is a much wider platform. The second is in the strategy, Byju does not get into this B2B and stuff, it is a pure B2C play and whereas Robomate has two B2B arms, one for their own students who come for physical classrooms and the second is for other school chains etc, third is obviously the B2C. Given the history of Mahesh Tutorial and the adverse situations that they had faced in the couple of quarters before we came onboard, they did not have the money to monetize a good product and a versatile I would call it a platform that they had. So a plan is being put in place, which will see the re-branding, re-launching of Robomate for the B2C platform. B2C valuations are obviously the multiples are much higher compared to the B2B game, but the B2B game is less risky and have less investments, Byju is an unlisted company, it has serial investments from many people, it continues to show amazing results, very amazing I must say. Robomate is something, which has come in our kitty very recently two, three months back, and the entire team at our corporate and at the Zee Learn level are applying their mind to it. So you would see activity happening there, but it is too early stage yet to tell you exactly how much it would lead to in terms of numbers etc and the B2B part is more clearer, it is more linked to



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the student numbers of Mahesh Tutorial and B2B partner that they are seeking, but suffice to say that Robomate will have a healthy growth part, it will be accretive to the fortunes of Mahesh Tutorial and adding up to consolidating to the Zee Learn numbers, but please do realize it is a slightly different play to Byju. Byju is a completely valuation play. We would like to have good valuations, but with profitability. We are not going to run a Rs.50 Crores or Rs.100 Crores loss just to get eyeballs.

D Mukhopadhyay:

Hi Avinash. Debshankar here I just like to add to what Ajey just said purely from our perspective, the network perspective and we did discuss this last time Avinash in detail as a part of the call, but if you look at our network especially the MLZS Network. We currently have roughly around 124, 125 schools including our own schools and every year we continue to add around 10 more schools. When I say add, I am talking about operationalization of schools. Now currently my schools are spread in more than 110 cities across the country and we have between 15000 to 18000 children in classes from class 8 to class 10 onwards, we also have very few children in class 11. Now if you look at our network, as the network matures there will be more and more children in high classes and this is the right time for us to introduce something Robomate into our system. We believe it beautifully compliments what we do in the classroom and therefore it will help our student to perform better in the board exams and I hope everybody agrees with this assessment at this point of time while we talk about holistic education and we drive all our initiatives towards it, it is also very important that the student performs very well at the board exams. Good board exams can actually meet an institution standout on its own merit, so therefore we are planning to introduce Robomate this year in our network and as we go forward especially from the next year onwards, we will also start monetizing it.

Avinash Kumar:

This is a very good initiatives Deb I mean introducing Robomate into your MLZS franchise network, this would give you a big leg up. Okay my last question before I join the followup queue, Deb you spoke about few initiatives in the last earning call like Kidzee app, Kidzee daycare and wellness program. Can you briefly touch upon how are those programs ramping up and have you seen revenue accretion happening from those initiatives?

D Mukhopadhyay:

Thank you Avinash. Most of these initiatives will start traction in terms of revenue terms from the next academic year and when I say the academic year typically from Q4 of this current financial year. We have conducted health camps in six locations across the country because all these initiatives that I spoke about are currently in the pilot stage. We want to do a pilot. We want to test the water. We want to make changes and then go ahead and implement it across the country, so as I speak to you the response for the health camps have



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been fantastic. I must tell you that and how do I know fantastic because of if there are 100 children more than 90% of the children had opted for it. We did not push from our side. We gave an option to the children and the parents decided yes this is an important initiative that my child should go through. That is point number one. The challenge with getting something like this is that we are currently working with two partners. We need more such partners. If you look at the strength of our network, we are present in more than 750 cities and therefore to find a partner who can execute it in line with the expectation that we have not only from our perspective, but also from the franchise as well as from the parent perspective is a tough task I must tell you that. Ankuram, we spoke about Ankuram, Ankuram we have few signups already done. Ankuram Schools will get operationalized from January onwards. Signups are happening right now, but they will get operationalized. We have a target of around 50 schools in the Ankuram space and that is a very interesting play. We will see how the market responds, but we are fairly confident that this beautifully complements our main brand, which is Kidzee. On daycare, I think our positioning has been very different. What we are trying out with our existing franchises though is to create an enrichment programme, which is called typically from 8 to 8 so if a child comes to a school typically at 8 o'clock in the morning, there has to be somebody who will take the child back say by 12 or 2 o'clock in the afternoon. In many cases where both the parents are actually working, they find it extremely difficult to manage in such circumstances because we are looking both husband and wife not having the privilege of having their extended family along with them, so that is what we are going to position to our existing franchises and across all the three initiatives that we have spoken about and by the way on the KLP, the Kidzee learning app we have now created an app-based solution and it will get embedded with the curriculum for every child, so if there are 140000 children in our network. Next year onwards this would form a part of the core curriculum for offering. So there are significant upside in terms of revenue. You will see those upsides coming in spread over two financial years, the current financial year and the next financial. I am not in a position to make forecast at this point in time because all of them are undergoing development or being implemented as a pilot.

Avinash Kumar:

Thanks Deb. I will now join the followup queue. Thank you.

Moderator:

The next question is from the line of Pankaj Bobade from Axis Securities. Please go ahead.

Pankaj Bobade:

Thanks a lot for taking my question. First question I would like to ask when I take the standalone, Zee Learn consolidated, the old Zee Learn numbers of this quarter from the new



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consolidated numbers, I should get the numbers for MT, but those numbers are not matching, so is there any difference in that?

Umesh Pradhan: Yes, if I rightly understood your name is Pankaj.

Pankaj Bobade: Yes?

Umesh Pradhan: Pankaj the MT Educare numbers are_____... the declared MT Educare numbers are for six months obviously, but the consolidation in ZLL has happened for only four months, which is affective from June and therefore you will see the difference.

Pankaj Bobade: I mean In Q2 numbers the three months numbers we have sales for consolidated Zee Learn at 126.05 and that for Zee Learn standalone I will put it the old Zee Learn at 69.35, so if I subtract then I should get...?

Umesh Pradhan: There are other subsidiaries Pankaj, which Zee Learn has. One is Digital Ventures, which is basically a leasing company, property leases to the schools that we run and another company is Liberium, which is training and Manpower Company.

Pankaj Bobade: The difference would be coming from that too right?

Umesh Pradhan: Yes.

Pankaj Bobade: No problem. I will get down to those numbers later on.

Umesh Pradhan: If you touch base with me, I will provide you the breakup.

Pankaj Bobade: Sure Sir. One more thing if I take direct expenses to sales ratio for Q2 and Q1 there is vast difference, say for Q2 it is 30% that is 37.7 divided by 126.05 that comes to 30% and same numbers for Q1 28.69 divided by 1113.14 that comes to around 25%? Similarly employee expenses for Q2, it is 29%?

Umesh Pradhan: Pankaj understood. I will tell you the reason. The reason is MT Educare as I just told you to answer your first question. In the first Q1, MT Educare is consolidated only for one month in our results while the consolidation for the quarter happened for the full three months, number one. Number two during June about 20% to 25% of MT's revenue comes in the topline out of the fees that they collect. Whereas thereafter removing that 25% it becomes a



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flat month-on-month revenue. So comparatively the subsequent quarters of MT Educare revenue goes down while the expenses are flattish. So therefore your expenses to revenue ratio will be disturbed from that perspective.

Pankaj Bobade: So you mean to say it will be different for every quarter.

Umesh Pradhan: Yes. At the end of the day you have to understand whether it is MT or whether it is Zee Learn limited, both the businesses are seasonal in that perspective and our Q4 and Q1 quarter are the highest quarters in terms of the topline whereas the expenses remain flattish.

Pankaj Bobade: Sir one last question I missed on the numbers given for preschool for last year and this year post H2, can you please help me with the numbers?

Umesh Pradhan: You mean to say the number of students?

Pankaj Bobade: Yes.

Umesh Pradhan: The number of students for this financial year up to September is Rs.128650 versus Rs.118000 in last year.

Pankaj Bobade: Okay Sir thank you. I will get back to you to get more data and understand it. Thank you Sir.

Moderator: Thank you. The next question is from the line of Sanjay Somani, who is an Individual Investor. Please go ahead.

Sanjay Somani: Hi Umesh I would like to understand what is the average fee hike we have taken this year?

Umesh Pradhan: Sanjay, the average fee hike is done during the Q4 of the financial year so that is already behind whatever fees that we are collecting for this academic year, which basically starts from January to December. We already have done a hike of about 5% in Kidzee and around same in Mount Litera Zee School. The next fee hike will be done somewhere around December, which will be applicable for next academic year.

Sanjay Somani: Okay now my second question is that what exactly is the revenue from educational service and it is overall percentage to revenue because see if you look at your numbers franchise fees is yet smaller than educational revenue so which is little difficult to reconcile



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- Umesh Pradhan:** I am sorry Sanjay I have not understood your question because you....
- Sanjay Somani:** In your revenue for educational services franchise fees is smaller proportion than educational services under education. So I just wanted to understand what constitutes what is the exact breakup why franchise fee is lower than the other...?
- Umesh Pradhan:** Sanjay I understood you, I will answer you, I will tell you the specifics. We have accounted for about 138 sign up we having for Kidzee average you can count it as Rs.2.5 lakhs and there has 3 sign ups that we have done for Mount Litera Zee School average of about Rs.45 lakhs compared to 138 versus 7 during last year respectively; however, we being a largely franchisee company, for us whether it is sign up whether it is royalty on the fees that is charged in our centers everything comes under the education services and related activities.
- Sanjay Somani:** Okay but yet your franchise fees is yet lower than your sign up and sale of kits?
- Umesh Pradhan:** Yes much lower than the royalty and the kits.
- Sanjay Somani:** Another suggestion if I may add is that when you give an earnings release would it be possible for you to put our network size and actual students as a part of the earnings release when you put this out at the end of every quarter?
- Umesh Pradhan:** We can look at it from year-end perspective, but putting this figures every quarter probably it will confuse the investors because the real numbers comes at the end of the year because that is time when you know how many franchisees are dealing with you and how many number of students are there.
- Sanjay Somani:** Yes but regardless I think every questions and answer everybody wants to know your network size and your actual students even if it is static data everybody asks at the end of every quarter?
- Umesh Pradhan:** Sure I appreciate. We will look into your suggestions.
- Sanjay Somani:** Yes so if you could do that I think it will make the quality of our earnings release slightly better. That is it from my end.



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Moderator: Thank you. The next question is from the line of Deepan Mehta from Elixir Equities. Please go ahead.

Deepan Mehta: Sir I am just referring to your press release in which is on page 3 you say financial highlights Zee Learn including MT for four months and then the next chart is Zee Learn limited consolidated without MT. So my question is that the Zee Learn without MT does it include the manpower business or it is just the education business?

Umesh Pradhan: No, this includes the other two subsidiaries, why we have been giving this, this would be phenomenon only for this year because MT has come onboard and got consolidated only in this year. So many a times investor do not understand our core business, which was Zee Learn Limited along with this earlier subsidiary and that is the reason we are giving it.

Deepan Mehta: So the manpower is there in the table without MT Educare right? Was not there?

Umesh Pradhan: Yes and another reason why because MT's figure were not there in the earlier year quarters.

Deepan Mehta: I appreciate. So when I am analyzing Zee Learn I am looking at the financial highlights without MT Educare and those includes all the businesses which were resident in it even in the previous year and previous in June quarter right?

Umesh Pradhan: Yes.

Deepan Mehta: Okay now just to analyze the numbers you said you are quite pleased with the performance. So on what basis can you say you are pleased with the performance when your actual PBT has gone up by just 3.6% for the core business and cost have gone for example, employee benefit cost have gone, depreciation has gone up, financial cost have gone up and overall PBT level margins have shrunk but for reduction in taxation, you would have had actually really flat profit, which is quite surprising given the kind of growth dynamics and the potential that the company has got so can you explain exactly what went wrong in the September quarter for you to report such flat performance?

Umesh Pradhan: This is largely coming from the Zee standalone you will have to understand that sometime during last call I have told the participants that last year during same period, we had certain one-time revenues of about Rs.6-odd Crores, which has been accounted during first half of the last year, which obviously has impacted the apparent growth on the phase of the results if you exclude those one-time revenues, Zee Learn at consolidated level without MT has



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increased by about 15% to 16% obviously that has impacted the comparative EBITDAs and comparative PBTs and PATs.

Deepan Mehta: Okay Sir you said there was Rs.6 Crores of revenue but what are the effects of profitability on that?

Umesh Pradhan: Almost out of that Rs.6 odd Crores, the cost was around Rs.1.7 Crores if I remember well. on EBITDA, the effect was about Rs.4.5 Crores. So if you remove that you will see the comparative pictures.

Deepan Mehta: Sir if you can just explain what this revenue was just to refresh our memory and that will be all, thank you?

Umesh Pradhan: Yes, these were transit kit we called it as transition kit, which are basically last year we have converted our centers from non-technological centers to technological centers and we have provided certain additional kit to the centers which are to be kept in the centers in order to bring those centers into technology. So these are certain in tabs and other matters, which we use at the curriculum in our technological centers.

Deepan Mehta: Alright Sir thank you for answering my question. Thank you very much and all the best.

D Mukhopadhyay: I hope now you believe that our performance was good.

Deepan Mehta: It is a question that on the whole sir there is lot of just as a feedback there is lot of requirement for you to improve the reporting, which you are doing Sir for such a company, it is a complex company now with so many businesses coming in and just a 3-page press release just does not suffice I mean you know we need more data points for us to get handle on what exactly is happening in the business division wise as much as you can transparently disclose without affecting your comparative position would certainly help.

D Mukhopadhyay: Deepan I think you have a valid point, with a quick ramp up of the businesses with us at times we are having to work very hard to keep up pace ourselves. Till two to three years this company was like Zee Learn was Rs.100 Crores turnover and Rs.5-10 Crores EBITDA. This year probably it will be five times the turnover and probably Rs.150 Crores EBITDA so lot of businesses are getting added etc., and yes I think you are right that we should device methodology in which you get a flavor of individual subsets also; however while saying that increasingly these businesses will intermingle with each other and that



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differentiation may disappear, but yes we take your point we will ensure that in next quarter when the results are announced some key data is given on individual pieces like someone else suggested. Sanjay I think suggested on the number of students and school numbers etc., so that you are able to understand it better.

Deepan Mehta: Your parent company has a fabulous release Zee Entertainment. When I see the release it is quite informative and does take care lot of the concern which analyst have got?

Umesh Pradhan: That is not our parent company Deepan.

Deepan Mehta: I mean the same group company what I mean to say Sir?

Umesh Pradhan: That is a group company, but not really our parent company. We have Chinese walls between all of entities here so it is better that way.

Deepan Mehta: Thank you Sir.

Moderator: Thank you. The next question is from the line of Vipul Shah from Ripple Wave Equity. Please go ahead.

Vipul Shah: I had a couple of questions firstly in MT Educare, there is a line item in the balance sheet with says that investment property of around Rs. 40 Crores can you just guide me as to what is it?

Umesh Pradhan: This is the property which we has come from recently acquired Labh Ventures, Sandesh will tell you

Sandesh Naik: So in second quarter we acquired company name as Labh VenturesIndia Private Limited, this company has a property and the property valuation is around Rs.57 Crores so basically the property is used by our Karnataka division wherein we are running our test prep segment as well as preuniversity colleges so basically preuniversity colleges are booked under a trust name as Aryan Foundation. So this property has given on rental basis to Aryan Foundation. So 30% of the rental is owned by MT Educare and 70% by Aryan Foundation. So as per Ind-AS what happens the value of the property 30% of property goes as property classified properly plan and equipment and 70% of that valuation goes as individual property because we are handling income from the trust that is why it has been classified as an individual property.



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Vipul Shah: So has the revenue started recognized from this or it will be there going forward. So this gives your ROC and obviously?

Sandesh Naik: We are recognizing the revenue in our books something around Rs.60 lakhs is the monthly rental which we are earning from this property.

Vipul Shah: Sir I had a couple of more questions I think earlier Umesh mentioned about gross debt and you mentioned Rs.118 Crores of cash in MT Educare, could you just also help us about cash which is residing in Zee Learn and its other subsidiaries other than MT?

Umesh Pradhan: It would be approximately around Rs.10 Crores Vipul.

Vipul Shah: So that was one, last year I think on the earlier call on August 14, 2018 you had also mentioned that we had one-time income of Rs.3.2 Crores this is in the six months which you said it is around Rs.6 Crores right is that correct right for the previous participants?

Umesh Pradhan: That is right.

Vipul Shah: So is that now the end of this one-time income, which is booked so that we can have a like for like from this when we analyze the Q3 numbers going forward and also in these quarters this year, there is no such one-time revenue or EBITDA right?

Umesh Pradhan: That is right Vipul so for Q3 and Q4 will be like-to-like comparison.

Vipul Shah: Okay and last is obviously I was taking all the information, which Mr. Ajey Kumar correctly mentioned about the monetisation of properties I think being a tough negotiator helps for all shareholders of Zee Learn, but this last question on Liberium, how is it shaping up. Obviously we have seen some growth quarter-on-quarter but the pace of growth are you happy and can you give some more qualitative information as far as Liberium is concerned.

Ajey Kumar: Vipul, Liberium is very ambitious project, it was born out of a desire to be able to make educated people in India more employable. There is no point having people who have done BA and MA and stuff like that and who are completely thoroughly useless. So many corporates came to us and said you were running such a large successful education company, why do not you help us. We require a lot of manpower, we have very difficult time sitting them up, giving them training and then they runaway once we train them and stuff like that. Their aspirations are different, our aspirations are different and so on and so



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far. That is how we devised this vertical where we provide solutions to corporate. We not only identify the right manpower for them for their particular need so for example there is some company let us say which requires specialized type of sales force or tellers in a bank or selling in a retailing industry etc., so we discuss with them, we identify the right talent, we provide them pre-induction training inputs then we put them on our roles that is in Liberium and then they are used by the client company. So this has had very good response unlike the other manpower providing companies where they just provide manpower. It is a more holistic solution and it actually remove very strong pain point with the corporate. Also do remember that we along with Mahesh Tutorial are today handling almost 400,000 students something like Liberium also helps us outpace this student so that they are gainfully employed. So one we are helping the corporate. Second we are helping our students for getting them placement and last but not the least we are doing a service to society by creating education with employability.

With this these novel idea this company is almost clocking Rs.70 Crores-Rs.80 Crores turnover probably end up doing something like that in the second year of existence. Second part why does it financial makes sense for me, the business has no investment. There is absolutely no investment though my margins are let us say 5% to 10%, my return on capital employed is infinite. When you guys ask us to hive off assets in our school business etc., here is a lovely business which is not even asset light, it is asset is nil. So it is accretive to my business as an education organization. It is highly financially accretive and just to give a bit of insight, this company Teamlease, which is probably one of the better known companies in this space, it has probably an EBITDA margin of 1.5% enjoy the multiple of something like I do not know the exact numbers probably like 100 multiples.

Vipul Shah: We are aware of Teamlease Sir and you know

Ajey Kumar: Perfect this is our small play to the project that I mentioned. I know it sounded very conceptual, but financially it is highly accretive for us.

Vipul Shah: Sir, can you share qualitative what would be nongroup revenue you have booked in Liberium?

Ajey Kumar: Right now the nongroup revenues are minuscule and this is still in a more or less a pilot space where we are fine tuning, but increasingly we have put up the business development effort in and we have four or five customers till now out of the 20 odd customers which are from outside the group but next year, you will see the numbers significantly coming from



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outside the group because when I wish to serve outside the group first I need to perfect the model.

Vipul Shah: It is fair to say that FY2020 the nongroup revenues would be equal to the group revenue?

Ajey Kumar: No Sir I did not make that statement that you are putting words in my mouth and let me also clarify one thing, it is the same business terms and condition on which we do business with the group or the nongroup companies. No company in our group is idiotic enough to give me any sweet deal. Everyone is a listed company has their own financials to protect so if I get a business from our group company I compete along with people like Teamlease and so on and so forth or Global Innova or or an Accord, but I must tell you, our group is very particular or has become very particular about compliances. Many companies in this space would not do proper compliances and as of now because of the extremely high set of compliance that we do, people obviously like to do business with us and yes today the majority of the revenues from group companies and that will go down in the future as the outside group revenue starts trickling in, but difficult for me yet to put number on in.

Vipul Shah: Fair enough Sir last question if I am may, Umesh this consol P&L the minority interest of around Rs.94 lakhs is it totally related to MT?

Umesh Pradhan: Yes Vipul it is only related to MT.

Vipul Shah: Okay thanks a lot.

Moderator: Thank you. Ladies and gentlemen due to time constraint that was the last question. I now hand the conference over to the management for closing comments.

Umesh Pradhan: Thank you everyone I again apologize for the delay in holding the conference call we wish everyone a very happy Diwali and Dussehra. Thank you.

Moderator: Thank you. On behalf of Edelweiss Broking that concludes this conference. Thank you for joining us and you may now disconnect your lines.