Management Discussion

Unidentified Participant
Good afternoon, everyone. This is the fourth and final day of Bharat Connect Conference. I welcome you all to the call of Career Point Edutech Limited. Today, from the management side, we have Mr. Pramod Maheshwari, Managing Director and CEO of the company; Mr. Par Maheshwari [Phonetic], Associate Investor Relations; and Ms. Priyal Maheshwari, Business Analyst.

Before I hand over call to the management, I will lay out the flow of the event. We will be starting with brief introductory remarks by the management and then we will move on to the question-and-answer round. Any participant who would like to ask questions can raise their hand or put them in the chat box. First, we will take questions from the participants who have raised and then we will move on to the chat box. If time persists in the end, we will take questions that I have received from the clients who were not able to participate.

With this, now I hand over call to the management. Over to you, sir.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Thank you very much. Good afternoon, ladies and gentlemen. This is Pramod Maheshwari from Point Limited. To give you a brief, I have a small presentation through which I will take you through quickly so that will set the context of our discussion and perhaps that you will help you to understand the business also. So I'm sharing my screen.

I'm sure it is visible to everyone.

Unidentified Participant
Yes, sir. It is visible.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Right. Thank you very much. So see, we are 30 -- more than 30-year education company based out of Kota. Most of the people in India know why Kota is famous that is for the test prep. And I'm the among the first one who started this test prep story of Kota. So Career Point was founded long back in 1993 as a test prep company where we used to provide material services, test and preparing for various competitive examination and gradually we diversified into formal education. When we say formal education like we have set-up universities and schools and also into the skill development space. As on date, more than 8,000 students currently associated with Career Point managed universities and schools, and we have more than 44,000 students capacity under management in formal education of formal education.

See, our business, we have around 37 test prep centers across India. We also partner with the school where we provide live interactive classes to the students directly into the school. We have more than 90-plus school partners. And across test prep centers, we have more than 5,500 students. So cumulatively, you can say we have close to 13,000-plus students enrolled across our test prep centers and formal education institutions like university and school.

Very quickly, I will just take you through the return on operating capital employed is 146% because we are a kind of a consulting business. We are into the consulting business. Return on capital employed is 46% and return on equity is 34% and the company is debt-free.

I will just take you through this whole journey. So we started in 1993 in April and I think it's very clear. So most of the people knows about us. It's a long-story. I will take you through directly on the

business overview. So, as I said in the initially that we have -- we are into the two businesses. One is formal education service, other is a test prep service. See, Career Point, we started as a test prep company where we used to run our coaching classes in Kota and other places across the country. Gradually, we transformed ourselves into a consulting -- education consulting company and the content provider. And now we have two vertical. One is formal education service vertical, other is a test prep service vertical.

Under formal education vertical, we provide variety of educational services to universities and schools, like university, school management services. When I say management services, it is end-to-end, like from admission enrollment till the graduation of the students for the entire students live journey we provide various services, under the various brands like Career Point University, Edupoint, Career Point Institute Skill Development, Career Point Gurukul which is our residential school brand, day school with the name of Career Point World School and play school with the name Career Point Kids. These are the brands under which we operate and provide our formal education services.

We're also continuing our legacy business which is test prep. However, we do not run any classroom setup. Ourself, we run our -- we provide our test prep services to the student through franchisee centers or with partnership with the schools. So when franchisee centers with the name Career Point when we partner with the school, we call it as a Career Point Techno Academy wherein we partner with the school and provide live interactive classes to the students who are studying in the school directly from our head office in Kota. We also provide online education services under the brand E-Career Point, and we have more than 400-plus education books, titles, material, which we publish under the brand CP Publication. So these are the two key verticals in which we operate.

I will take you through the first formal education, a vertical. Under the formal education vertical, we have two mode of partnering with the institutions. One is called enterprise solution and other is called modular solution. The kind of services we provide to the institution includes admission management services, infrastructure and facility management, digital [Phonetic] record management, curriculum development, specialized content and study materials. When we say specialized content like nowadays, artificial intelligence is being introduced in most of the universities where they do not have a relevant talent to build the content curriculum methodology. We provide those kinds of services to the schools and university. We also help schools and university to recruit staff and faculty members and also provide training to them. We manage their IT infrastructure, we provide them digital support, also take care of examination system, examination support, transport, etc.

And when we partner with any university, school, we have two category of partnership, one we call enterprise solution. When we say enterprise solution, it is a full-service exclusive partnership model, right? It is kind of an end-to-end operational support across all departments. Our team becomes the extension of the institution, manage all the critical function except the academy delivery.

There is another mode of association with the universities and schools that we call modular solution. It is a flexible component-based model where institution can ebb for one or more specific service from us. So let's say someone only wants to take our admission services, we provide that. Somebody only wants technology services, we provide that services. So under these two, we operate our businesses.

If I take you through our partners, so currently on the enterprise solution client in higher education. We have 10 colleges of Career Point University Kota, which are our enterprise solution client and

eight colleges of Career Point University, Hamirpur, Himachal Pradesh. We -- enterprise solution client are also Career Point Gurukul Kota, Career Point Gurukul Rajsamand, these are the residential and day school, Global Public School, Kota and Career Point World School, Jodhpur. And in this institution, we have a long-term agreement. So currently across these institutions, which are our enterprise solution partner, we have more than 8,000 students enrolled across CP managed institutions. The capacity of this institution is 44,000 and we are working to grow the capacity in these institutions because our engagement is linked with the enrollment. So our revenue is linked with the enrollment. So we have a significant headroom available to us among these institutions only. So even the modest -- and interestingly, it is completely asset-light for the company and even a modest increase in revenue leads to disproportionate high-growth in the profitability of the company because we get the revenue per student kind of enrollment.

We have also modular solution where we provide variety of services to the institutions. We have more than 25-plus partner, various universities like UPS, Chandigarh University, Shraddha LPU, JCRC [Indecipherable], etc. We also provide -- we provide these services through a portal called Better Study wherein we source leads, council students and help them to choose the right course at the right university. And these university provide us -- partner with us for the enrollment, primarily for the enrollment and we get a service fee for each enrollment, which we provide to the university. Similarly, the employee fund where we have more than 1,500 international university, direct or indirect partnership worldwide. So these are the two kind of a solution we have this.

I skip this. Under test prep services, which is the second vertical, we run -- we provide test prep services via franchisee centers via partnering with schools under CP Techno Academy brand, online E-Career Point and CP publication. As on date, we have around 37 active franchisee centers across India. We have 90-plus school partner across India and also, in E-Career Point we partner with the government like currently we have a partnership with the semi-government agencies of Maharashtra, Tripura, etc., where we are providing online services to the students.

And CP publication, which is kind of a steady material package modules, books, etc. In this segment, the market is very competitive. We used to run the classes, but we deliberately shifted to the content kind of a business where we are providing our expertise and content and enabling our partners to do the business. I will take you to the numbers later on.

See, there is a detail like how is the CP franchisee center or CP Academy works. So I will take this if anybody has a question later on. What we are doing? How we are growing? So gross studies of formal education. See, formal education is very, very stable entity-driven business, reason being a student enrolled in the university or school, they stays with us for minimum four-year to 12 years like in case of universities and stays with us for four-year and for his school, it stays with us for around 12 years. And therefore, the business visibility for upcoming years is pretty visible and very stable. As I already said that currently all our enterprise clients are operating approximately at 25% of their capacity, and therefore, we believe there is a significant room to grow.

And to achieve that capacity, we are introducing new innovative courses like artificial intelligence across all the courses offered by the university, applied health sciences courses which are right in demand. And therefore, we are continuously increasing enrollment in our partner institutions and thereby that is also contributing to our top line and disproportionately in our bottom line.

In case of test prep, we are currently working to completely revamp our franchisee model. The bottleneck in the franchisee model was the faculty resources. However, with the technology, with the kind of percent development in technology, we are now started using technology-enabled

classroom for franchisee, which we believe address a very significant problem of the franchisee location and provide us the stability of franchisee for longer period of time. Also, we are focusing to grow our CP Techno Academy centers partners from 90 to 2,000 schools going forward, adding more offering like CPCUT/ND, etc., and strengthening E-Career Point Personalization, Adaptive Learning, etc.

If I look at -- if I take you through the adjusted numbers, in Q1 FY '27, our revenue was around INR14.31 crores from operations and EBITDA was INR9.17 crores, with EBITDA margin 64.1%. PBT was 10.51% and PAT was INR7.95 crores. Approximately INR8 crores, the PAT margin is 50%.

Just to share with you, we believe that this momentum and these margins are sustainable for -- like for a couple of years from now as -- in fact, they will improve as we increase the utilization of our capacity in our partner institutions.

I feel that having question-and-answer is the better way to interact with the people to answer. If you have any question, I would be more than happy to answer.

Questions & Answers

Unidentified Participant
Thank you, sir, for such a brief introduction. So now I would like to open the Q&A round. Any participant who would like to ask questions can raise their hand or put them in the chat box. First, we will take questions from the participants who have raised hand and then we will move on to the chat box.

Sir, we have first question in the chat box. What is your future guidance, growth margin, future expansion plan and any acquisition plan or any long-term goal?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So there are a couple of questions in this. First is the future plan for the existing business. So like we are focusing a lot on our enterprise clients. As I said, the capacity available is around 45,000 students, which currently we are operating at 25%. So our key focus to increase the capacity utilization because we believe is we are sitting on the gold mine, so we don't see -- there is no point of going anywhere else. So one is very clear that we are focused to increase the capacity utilization, one.

And to improve the capacity utilization, we are focusing on new edge courses. So when I say new edge courses, just to answer this particular statement, to clarify this statement, this year, we have introduced artificial intelligence as a core component in each offering of ours. So be it of Bachelor of Arts, BA program or be it the Computer Science, right, from Computer Science to the Bachelor of Arts. In every program, we have introduced compulsory module of artificial intelligence, which is relevant to the particular field and that is helping us to grow the enrollment in making the courses more relevant, more competitive than any other university. So that's the one answer. First answer to growth plan.

Second is in respect to test prep -- coming back to the test prep, we've been facing challenge in the test prep because of the competition as well as the bottleneck of faculty members as retaining the faculty members always become a chance and become very costly and therefore, it make many times the franchisee business unsustainable. Currently, our team is working on a technology-enabled franchisee model wherein all the lectures of the faculty member will be

digitalized. When I say digitalized, it doesn't mean that we will be delivering these remotely. The faculty member will be delivering at the franchisee center, but he will be getting the standard content designed by the experts digitally. So while he is in the class, he need to only pull-up like a PowerPoint presentation and explain it to the student. We believe that addresses significant problem of the faculty members. And once that is being addressed, growing franchisee number -- number of franchisee centers become very easy. That's what we've been doing. Currently, we are operating with 31 center. We have target to have around 65 centers while returning the 37 because retention always been a problem to us and we admit that. So that's another area where we are growing. And there is again within the same business, there is no point of again digging somewhere else when you are sitting on the gold mine.

Third is the partnering with the government. We've been preferred partnership for various government. We have been working with various government for long period of time where we provide test prep services to the students. Currently, we have significant order books around INR200 crores order book to be executed by 2030, out of which INR70 crores to be executed in 2027, '26-'27, INR78 crores, approximately INR70 crores in '27-'28 and INR50 crores in '28-'29 and the manage is INR38 crores. So every year we are having around INR70 crores kind of order book as on day. And we believe we will continue to get more orders from the government, which provides a larger business to us in the test prep segment itself. So these are the existing business.

However, when it comes to expansion, we've been working very -- we've been working with the data a lot. Currently, we are working on a model wherein we will be expanding our university services to the general masses as an extension services, which perhaps we will be able to give some guidance on that in next three months to two, four months' time by the time we execute that. We are actively looking at the companies which have the similar synergy with our business. And whenever you find -- whenever you will find any interesting opportunity, we don't -- we are not adverse to acquisitions. So I think I'm able to cover all the questions.

Unidentified Participant
Yes, sir. Sir, what is the unique economics of franchisee?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So if the franchise is able to enroll 300 centers, it leads to the breakeven. So that's a unit economics. Any number beyond 300 students it makes the franchisee start making profit. So that's how we define. So we can go in more details if you want.

Unidentified Participant
Got it. Any participant who would like to ask question can raise their hand or put them in the chat box. Sir, next question is from Rahul Bhansali, with AI advancement and changes happening in test prep industry, how do you view the competitive intensity?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
See, I believe the AI will -- see, there are two things in the test prep business. You need to divide the entire test prep segment into two segments, one under Class 12 and second after class 12. Under class 12 segment, AI will only assist the student will not disrupt the test prep segment. Reason being students up to class 12, for them education is by force, not by choice. And therefore, any technological intervention cannot replace the classroom environment. And if you have seen it, we have seen it in the past as well. Therefore, the AI will become a kind of an assistance, but not the

replacement of test prep up to grade 12. However, the examination which happened after graduations like most of the examination for various government jobs or private jobs or maybe IS, etc., where the student become mature and prepared for competitive examination by choice. And their AI -- when you start using -- when you start learning something by choice, technology do wonders. And where I see the AI solutions will be very, very beneficial and may pose a challenge to the offline kind of education delivery.

We've been experimenting and observing a lot of AI tools and AI solutions. These solutions currently we see are enabler to the faculty to deliver education efficiently rather than at the recipient to use the technology to prepare for the competitive examination. So I think it will again come in phases. That's my view. Initially, the technology will enable the faculty members or the institution to deliver efficiently and later on once the entire JNG came into the picture and then acceptance of solution to learn something will raise to the students. So it will take -- it has its own journey, perhaps it will take two to three years time from now.

Unidentified Participant
Okay, sir. And sir, will we continue to see average realization per student continue to drop as a student out for shorter courses or start focusing on self preparation?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
See, because we do not provide services directly to the students, so we don't face this challenge because ours is a franchisee business and in franchisee business, we take from the franchisee fee-based on the location. However, because of these students not going for the shorter program, but because of the new companies, the price -- there is always price competition and that we have seen in last five, six years. So initially when average realization per student for a franchisee offline center in IDJ preparation was about INR1 lakh, today it has come down to around INR57,000 to INR55,000 and that is putting a lot of pressure and most of the coaching institutions who are having corporate overheads or corporate functioning are not able to make any money in offline education business. And that's the reason around five years when we realized when margins got pretty thin, initially the margin in offline business used to be around 20%.

Later on and around five years ago, it came into the single-digit because of the average realization came down significantly. And when we realize that it has come into significant single-digit, therefore, operating it -- using the corporate overheads is not financially viable and therefore, we pivot the model and completely turn it Career Point into a franchisee kind of a business where we are using our 30 years of legacy and expertise to enable partners to run the centers.

Unidentified Participant
Got it, sir. And sir, what is your view on Indian test prep industry for next three to five years? Will we see consolidation increasing due to prevailing disruptions?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
I don't see any consolidation because there are only few players, large players are in the market and they have their own market share and smaller players are getting smaller day by day. So rather than consolidation, I see the test prep business will get fragmented. Reason being, the corporate institutions are not able to make any profit by running their own centers and which will force them to close down those locations, one.

And second, there are local players. Those local players are running their centers because they

don't have the corporate overheads, one, and because they directly interact with the students, so they are able to make some profit out of it and pose a very, very tough challenge to the corporate managed centers. And therefore, the business will move to the individuals from the corporate centers. So like initially, if you go back 30 years ago, the test prep business was primarily with the individuals, Career Point and similar companies came into existence, they consolidated the business and take away that business from disorganized player or individual faculty members to the organized format.

Now the reverse is happening. Individual will grow, it's select location. I will not say all the location, but at select location, individual will grow because for corporate running a classroom center is not feasible at those locations. So except metro, many metros and reasonably big centers in all other location corporate centers won't able to survive. Only the franchisee or the local player will be able to do the business because of the corporate overheads.

Unidentified Participant
Got it. Sir, we have our next question from Viraj Yadav. Please go ahead.

Viraj Yadav - Analyst
Hello. I'm new to the company. So can you -- why is there a room that is given to you [Technical Issues] company, which is CP Capital from this company? This is the question.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Virajji, I missed your question. I think you are asking when the CP Capital -- I just got confused. So can you repeat the question, please? Your voice was breaking.

Viraj Yadav - Analyst
INR60 crores of loan that you guys have put into -- from the balance sheet, that is the largest item. So that is --

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Right. Understood. Got it. So see, if you look at the company, this company used to be Career Point Limited earlier. Career Point Limited and CP Capital are the same companies. So with the CMO merger, demerger, in 2026, both the companies get separated. CP, see, Career Point had two businesses, one was NBFC business and other was education business. Education business was demerged to Career Point Edutech and it got separately listed. And because of the legacy business and legacy transition, there is a loan outstanding, it's not a loan. There were certain cash which was lying with the CP Edutech has been given to the CP Capital for -- it's a kind of a deployment with -- it's a kind of a treasury of the CP Edutech and the money is given to the CP Capital for earning the interest.

Viraj Yadav - Analyst
So do we get interest in this company?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Yes, we get around 13.5% interest.

Viraj Yadav - Analyst
Okay. Thank you.

Unidentified Participant
Thank you, sir. Any participant would like to ask question can raise their hand or put them in the chat box. Sir, we have our next question in chat box. How is the revenue model across segment under test prep?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So I think they are asking for the breakup. So I don't have breakup right now, but I would say that the biggest contributor is a formal education, which accounts for approximately when you come to the revenue, revenue is -- come from the -- so there are five, four segments. The biggest revenue from the test prep, like out of INR55 crore last year, our test prep contributed close to INR30 crores to INR33 crores, maybe plus-minus INR1 crores here and there. Around INR20 crores -- INR18 crores was from the formal education, around INR2 crores to INR3 crores was from the publication and remaining was from the test prep, which include franchisee and the government projects.

Unidentified Participant
Okay. And sir, how is student base growing for franchisee and school partnership from FY '26 to quarter one FY '27? And what sort of initiative are we undertaking to increase it?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So it's around 10% -- 8% to 10% growth in the formal education. And in case of franchisee, it is almost flat. Reason being, there has been the churning of the franchisee centers. So number remain the same. In fact, last year, we have at this center more than 40. This year we are having 37. So it's almost flat. When you come -- when the other question was what we initially we are taking to increase this number. So with all our partners and institutions, we work very closely to promote the brands, we invest a lot on the brands, outreach activities and also the referral of our existing residents. Those are helping us to grow the numbers.

Unidentified Participant
Okay, sir. And sir, how is -- can you give a top line guidance for current year for FY '27?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So first quarter was around INR15 crores, INR15-odd crores. Going forward, you can see the total revenue would be close to -- because this year there is a INR70 crores of government project so it will be close to INR100 crores. If the government projects are being executed timely.

Unidentified Participant
And for FY '28?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
It will be INR120 crores, INR125 crores approximately.

Unidentified Participant
Okay, sir. And sir, are we looking at any opportunity to collaborate with existing school and running them on management contract just like we have five star hotels where hotel estate is owned by someone and -- but run by professionally by the chains like Hyatt?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So that's what our core business is. So that's what exactly our core business is. Currently, as I said that we have around 45,000 capacity. So we are focusing to grow our numbers there rather than

going for the new partnership. But whenever we find any attractive partnership at a reasonable value, we always go for that. That's what our business. That's our core business.

Unidentified Participant
Okay. So said someone wants to come from INR100 crores to INR125 crores guidance for FY '27, right?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Sorry, come again?

Unidentified Participant
So someone wanted to just confirm like INR100 crores to INR125 crores guidance is for FY '27.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Not for FY '27. I said for FY '27, it will be close to INR100 crores. For FY '28, it will be 125 crores to INR130 crores.

Unidentified Participant
Okay. Sir, we have our next question from Pranesh Shah. Please go ahead.

Pranesh Shah - Analyst
Yeah. Sir, can you provide me that a breakup of student enrollment like between -- the split between the higher education and take rate in our USM? And how is that take rate trending from our gross realization to revenue booking for that segment?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So first, let me first answer your question, then I'll come to the other. So in higher education, the total enrollment is close to 6,000. For school education, it is around 25 -- 2,400, 2,500, right? And your other question was, can you come again?

Pranesh Shah - Analyst
Yeah, what is the take rate trending from like a gross utilization to revenue booking in this --

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So when you say take rates, what the company is charging from the institution?

Pranesh Shah - Analyst
Correct. Yeah, yeah.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
All right. Understood. So cumulatively, it works like this. In case of enterprise solution, we take care of everything right from end-to-end when we say end-to-end services from admission to graduation. In these kinds of operation except all the -- so whatever expenses to be incurred at the university or school level, post that whatever is being -- what is -- whatever is residual is being taken by the company. So this year -- last year it was around INR18 crores we charge from our institutions. This year, we are expecting it will be around INR26 crores.

Pranesh Shah - Analyst
Okay. And I think -- and we mentioned that we highlighted that we are aiming to increase the enrollments at CP Gurukul, which is like having 13% occupancy. So are we seeing any green shoots

and what initiatives have you taken like or what are the challenges which is you're facing to increase the demand in this area or it is because of competition or like what is leading to this under occupancy?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So see, again, it's a legacy business. This campus was set up to run the residential test prep business. Initially, when it was started, it has 1,300 student capacity and for the five, six years it operated with the full capacity. Post corona, it started facing challenges when it turned into the residential -- pure residential. So this campus is hostile for students as I said like it was for the test prep earlier.

Now in case of residential school, the biggest challenge one face that you cannot go beyond 400 students or 500 students. Reason being, they come from different part of the country, across the country. So now we are working to make it day school come residential. So like it's a combination of both, and trying to make it a most premium school of the town, focusing on Cambridge or IB curriculum. So we have not decided yet, but we are planning to implement one of the curriculum and the career path for the student who are enrolling in this campus is for -- the career trajectory is different, not for IDJ in medical, but for -- maybe the renowned any college in India or outside India. So we are working on that. We believe that will help us to grow the number of students in this particular campus.

Else, if we continue to try to enroll the student whose core aim is to get into ID and medical, then we compete with local players who charge only INR1 lakh as a tuition fee and hostel is available only for INR1 lakh a year, whereas our campus fee is INR4.5 lakhs to INR5 lakh per student, which we aim to increase up to INR9 lakh per annum, it's a very beautiful 20 acre campus.

Pranesh Shah - Analyst
Okay. So this will be on higher education and like on the medical or IIT, JEE?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
No, no, no. So it is a gateway school, that is from grade 6 to grade 12. But when any student join a school, he has certain ambition like what will be the career path for him after he graduate from this school. So like few school just simply give that, okay, you just pass 12 and do whatever you want to do, few school prepare student for competitive examination like for ID and medical and few school help student to get admission into the leading university across the globe. So there are a couple of schools who are -- those schools are very, very popular. If you take admission in those schools, you will be getting admission in the universities like -- top universities in the world maybe Stanford, Harvard or maybe you name it. So we are trying to place that this school into that category.

Pranesh Shah - Analyst
Okay. And also, do we -- like how some universities have distance learning programs and we issued a certificates and all that? So are we also into that area?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Yes. So we've been trying for that. So we need to get the net accreditation, A or A+. Currently, our accreditation is B++. So once -- as soon as net window opens, we'll apply again and we are trying to -- like we are confident that we will get A or A+. And once we get A or A+, we will start on that programs.

Pranesh Shah - Analyst
Okay. And sir, what is the criteria for that? Like earlier we are not having any -- we are having for that --

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
There is nothing credit. It's a kind of an inspection government does and then last year this inspection had happened, they were awarded A+ grade. Later on it was revoked because there were some corruption issues in southern part of India in respect to the net. And following that event, they actually revoked the grade awarded to all the institutions across India. For no fault of us, our grade was downgraded from A+ to B++.

Pranesh Shah - Analyst
All right. And sir, just last question on my side. So, like how is the revenue recognition in government projects under test prep, it is like how the booking happens on that?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
In case of franchisee, we book the revenue on receipt basis, not on accrual basis. In case of government, as soon as we raise the invoice, we recognize the revenue.

Pranesh Shah - Analyst
Okay. And do we have performance fees in franchise also like -- or it is just a standard one-time fee with the franchisee pay?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
We charge two fee from the franchisee, one is a license fee for the three-year to five-year, which is a kind of a one-time fee. And second is ongoing support royalty for that we have two format, we charge it per student basis or we charge on blended basis based on the location. So let's say there is a location which we consider the Grade C town, we say irrespective number of students we'll charge INR10 lakh a year. Now how many students you are enrolling in teaching is none of our business. However, all the supports are provided to the franchisee, except one support for which we charge actual fee, which is study material support. So like he has to procure all the study material from us and we charge for that. Remaining like training, recruitment, etc., all are being provided as a part of our ongoing support.

Pranesh Shah - Analyst
So this license fee would be charge annually on -- or how --

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
License fee charge for five years, three to five years. So let's say somebody wants to take a franchisee for Jaipur. My license before the Jaipur is INR25 lakh for three years that we'll charge from the franchisee. After three years he has to renew the license, whereas for supporting the franchisee throughout the year for various services we charge.

Pranesh Shah - Analyst
No, so this INR25 lakh would be fully booked in personal itself or it will be less like --

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Yes. So currently, we are booking it fully book in the first year itself.

Pranesh Shah - Analyst
Okay. Okay. Thanks.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
We used to book on five years basis earlier, but now we changed the policy, yes.

Pranesh Shah - Analyst
Okay.

Unidentified Participant
Thank you. Any participant who would like to ask question can raise their hand or put them in the chat box. Sir, just wanted to confirm like what would be our margins for FY '27, would it be same, including government orders?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
In case of government orders, our margins are usually around 15% to 20%, because there's a lot of execution, things needs to be done and it's a competitive bid, so margins are usually remained low. In rest of the businesses, it will be the same.

Unidentified Participant
So what would be the consolidated margin target for FY '27.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So assuming, let's say, currently it is 16% and if going forward 50% revenue current from the government, then it will be 16%, 20% average out is around 35%.

Unidentified Participant
Okay, sir. And sir, further we have few questions from the clients who were not able to participate. Like for Career Point Gurukul, the capacity -- it has capacity of around 3,000 students and approximately 400 residential students.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
1,300 students and 400.

Unidentified Participant
Okay. So what are the milestone and timelines for admitting day scholars and what enrollment level would make the initiative financially meaningful?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
See, even today, this campus generated around INR15 crores of revenue, around INR14 crores to INR15 crores of revenue with EBITDA close to INR7 crores to INR8 crores. Next year, we are expecting that in residential, we will be growing by around 150 to 200 students. And for the first year of day scholar, we are targeting around 150 students. So next year, our goal is to go around INR20 crores to INR22 crores kind of revenue with EBITDA close to INR12 crores to INR13 crores kind of thing.

Unidentified Participant
Okay, sir. And sir, just wanted to confirm what is other income part in our financial?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
It is interest income. We have around INR70-odd crores cash available on the balance sheet. So it is an interest income.

Unidentified Participant
Okay, sir. And sir, going ahead are you considering any dividend buyback policy?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Yes, it is an active consideration. Last year, we gave dividend of 20% and we have policy to provide dividend or buyback, so that we are actively considering.

Unidentified Participant
And sir, the company is saying it's expanding admission services to new geographies and using them to build relationship for its wider service offering. So which region and institution types are priorities and what conversion milestone will the company report?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
So, our two universities are situated which we have enterprise clients are situated in Kota, Himachal Pradesh and Hamirpur. So far we were focusing on the -- to enroll the student, we were acting only in a radius of around 250 kilometers. So our focus and outreach activities were confined into 200 to 300 kilometer area only. Now we started doing our outreach activities beyond that.

So as we increase our geographical range, we'll start getting incidents from other parts. So like if you look at our history, long back in 1993, when we started, we started coaching center in Kota and Kota students used to come to only from Kota, or maybe town of the Kota. Later on, we moved from Kota to other part -- like we started from other part of the country and gradually from the entire country students started coming to Kota.

The same playbook we are using for our university. Initially, we are focusing Kota and neighboring part of the Kota. Now we started promoting our university operations beyond those 300 kilometers. So let's say for Kota, we started focusing on cities like Agra, we started focusing on Nagaur, we started focusing on Udaipur and beyond Udaipur like that in that way. And same we are doing in case of Himachal Pradesh also.

So as we are doing outreach activities and once we are able to get one student from one city, we started getting flow from that university based on the experience. And that's how we actually -- that's the playbook and we have done it earlier also. So that's how we are growing our business. And we believe this year again, like in our hostel, number of students have doubled. This simply reflect the students coming from outside Kota is increasing rapidly. And we believe that in coming years, we'll be able to get more students.

And also added to this, we are now getting more -- we are getting accreditation for various courses like most recently, we got the accreditation from Indian Council of Agriculture Research, ICR, which are only three or four university in Rajasthan are beyond the government, which have got this kind of accreditation and we believe that we'll start getting accreditation from different part of the country because of that accreditation only. So that's how we are growing our enrollment in these universities. And similarly in case of residential, so even in case of residential school, we are getting accreditation from all part of the country, even from Dubai and other Gulf areas also.

Unidentified Participant
Okay. And sir, further what led to decline in our employee expense in quarter one as compared to quarter one FY '26?

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
See, the registration is happening. So in quarter one FY '26, there were [Technical Issues] just we demerged both entities. So there were lot of overlapping of employees, so which [Technical Issues] is happening one. And second, we stop our number of faculty and [Technical Issues] number of faculty in employing Kota.

Unidentified Participant
Okay, sir, got it. Yes, sir, this answered the most of the question. So we would be taking that question as the last question. I would like to thank the management on behalf of Arihant Capital for sparing time and sharing insight about their company. If the participants have any further doubt, they can get in touch with team at Arihant Capital. Thank you, sir.

Pramod Kumar Maheshwari - Managing Director, Career Point Edutech Limited
Thank you very much. Thank you all for your time. Thank you very much. Thank you all for your time