Aptech Limited
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Presentation: [Aptech Limited FY24 Investor Update PPT May2024 Final (aptech-worldwide.com)]

Saurabh Gada: Good evening everyone, and welcome to Aptech Limited's Q4 (and) F.Y. 2024 Investor / Analyst call. We have with us today the entire management team. Some of them are here with me in the room and some have joined the call from elsewhere. The call flow for today will be that after my initial welcome, Dr. Anuj Kacker will give the opening remarks and then he will pass the floor to me for taking you through the presentation very quickly and then we will open the floor for questions. As I mentioned earlier, please be on mute for the duration of the management's presentation. Once we finish the presentation and begin with the Q&A, I would request each one of you to raise your hands on zoom and then we will call out the person who can ask the question. So, I will hand over the floor to Dr. Anuj Kacker to give his opening remarks.

Dr. Anuj Kacker: Thanks Saurabh, and welcome all of you to this investor update. Thanks not only for being on the call today and especially in the context of the much excitement which is there in the markets which we are part of, I think for making the effort to be here today at this very crucial time. A sincere thanks to you for reposing your trust in the company over the years and being part of our shareholder community. So, the idea here is that I would first give you a little bit of a preamble as to what we feel is and how we see things happening both in the immediate preceding years as well as the industry in general and Aptech as a company, how it has been doing and how does it look at the segments at which it operates? So, in my initial remarks, I would like to, it will be probably about 10 minutes odd, I would like to concentrate on that and then Saurabh will get into the specifics of the numbers and other and what have you. So last year clearly as you must have seen from the investor update and the results have been a bit of a mixed bag. While most of you know that we have two major segments, one is the Retail segment, and the other is the Enterprise Business Group. While the Retail segment did relatively well, there were setbacks with the Enterprise Business Group, as far as the growth is concerned. In fact, the growth in the Retail was offset by the negative growth in the EBG segment. However, you need to bear in mind, for comparison's sake that, while there's a growth in the previous year, (which is) the reference year for the degrowth, (it) was a kind of a bumper year, if I might call it that for the EBG segment itself. So, there was a high base to work on for EBG where there was a de-growth, which offset the growth in Retail. So, it's a bit of a mixed bag and there was a consequential impact on the profits. And if I look at the Retail segment per se, there has been healthy growth despite some very severe headwinds that we faced. And there are also some good tailwinds behind us. Now, the good thing is that the headwinds seem to be of short-term nature, and I will elaborate a little bit of on that as well as to what happened. But the tailwinds are more sustaining and of a longer term nature and we think they will last for a long time and therefore, net net as we look into the future of the segments that we operate in, we are very, very bullish. Now, our center network also continues to expand. There has been a net increase which also shows that there is called confidence in the partner community at large to be able to take on additional centers and new faces coming into the system. So, the confidence is not only internal, it is also external in the partner community, which is obviously a good sign. Now, I need to take you back to be able to understand where we are and why we are, where we are and looking into the future, I need to tell you a little bit about what we believe has been the Aptech Limited’s story in the past. And how does this story help us align itself to the future? So, bear with me if I take you a little bit too much into the past. It is with a purpose. Most of you would be aware that, you know, we started way, way back in the eighties when IT (information Technology) was just about coming into India. In fact, if you go back to the eighties, and that's as far back as the IT story goes in India. And IT was just coming in and Aptech came in at the right time and started training in IT and computer literacy catering largely to the US market. Then we caught the IT wave as it were. As

IT story went up in the world and around the world, Aptech grew along with it right till about 2000. The next wave came in the area of Multimedia. So, by the time the wave of Multimedia came in the late nineties, early 2000s, Aptech Limited had already positioned itself in the Multimedia training space through Arena Multimedia brand. So, we caught the Multimedia wave also. These were followed by in a very quick succession by other waves. Like early 2000s was the Animation wave. We saw that Animation is coming up or likely to come up in the country and there's high growth story behind it, so we introduced courses in Animation. In fact, we went to the extent of changing the name of what used to be called Arena Multimedia to Arena Animation to be able to give a very sharp positioning to this particular segment. Although at that time when we changed the name, there was a very small percentage of the business coming from the Animation vertical. Moving quickly ahead 2010 there abouts we acquired MAAC which was an acquisition in 2010 operating in areas similar to Arena. But the positioning and pedagogy of MAAC was very different. So, justifying the acquisition and that is again, proved to be one of our success stories. Then came the Visual Effects wave, we have introduced courses right in time. Then very recently, about 3 - 4 years back, Gaming started coming into big way. So, we introduced courses into Gaming at the right time and Immersive Media came in. So, if you take the story in conjunction with this whole thing, what does this tell you about Aptech? It tells you that the success of Aptech has been based on its ability or rather the DNA to see these trends relatively early as well as various technology spaces which are coming up, which are likely to have mass employment potential and their education can be done in a distributed manner. And where the appetite for this is mass and not niche. Combining all this is where Aptech has been able to define itself very successfully over the last three decades. Now, during this time, what also happens, is we have also become very unique in this education work. All of you have scanned the market, all of you are very familiar with the many, many companies and players who are there in the education vertical. You will be hard pressed to find an exactly duplicate entity which closely resembles Aptech, which is both a good thing for us as a company and may be a little difficult thing for you as an investor because you lose a comparable benchmark to it. And therefore, it falls on us to be able to explain to you what it is all about and how we perceive it, for you to be able to assess us as a company and our financials. So now from there, you must have read both in the presentation and other press reports that we have launched something called The Virtual Production Academy. Now, Virtual Production is the one of the latest techniques of filmmaking, which has various technical advantages, which we feel are likely to grow in the future. So it is also a continuation as it were of our story of being able to catch or spot trends early enough, place ourselves ready in the market, with pilots with initial forays, so that if the wave comes and as it comes, the market takes us up as it has done in the various examples that I cited and it is that story which we expect that we will continue into the future. And I will talk a little bit more on this as things come up. No story today is complete without talking about Gen-AI in particular because that's the flavor of the month if you want me to call it in a very loose fashion. But however, calling it flavor of the month is missing the point. The point is that it is a transformative technology which are coming up with any company, every company and perhaps every individual needs to be able to track to see what is the impact potentially for the individual or the company concerned. And we have been no different. We have been doing in very structured fashion around the areas of the Gen-AI, broadly divided into three buckets. One is the area is, how do we prepare students for being ready for the future world of Gen-AI which they will be entering into. The second is how do we use Gen-AI to improve productivity within the company. And third bucket is how do we use Gen-AI to deliver better deliverables to our partner ecosystem. So, in each of these buckets, there are various initiatives and if there is appetite for further detailing, I can talk more about it in the question answer part of it. The thing suffices to say at this stage is that we have a very cohesive strategy in place, which is already underway and in terms of implementation, to be able to do this part as well. Again, keeping in view our ability to spot technological trends and use that to our advantage. We have also worked on re-strategizing of our Enterprise Business Group, which certainly needed some degree of re-strategization. And during the course of the presentation, we will talk a little bit more about it. A broad thrust of this re-strategization is centered around reducing our concentration risk across a major customer or one or two major customers and to be able to spread ourselves better so that the vagaries which are inherent in (the business) or the lumpiness, which has been, which we have witnessed in this business of ours, we are able to mitigate that to the extent possible. And we have also introduced some new products in into the EBG mix. And we have re-statergized our customer acquisition strategies including the kind of customers that we are talking to currently. So, there's a relook and we will relook completely on that as well. Overall, the focus is on building a strong, predictable and sustainable growth. As you will see across our 3 decades history, so many players have come and gone along the way, in areas at which, at one point of time have directly competed with us and either they have gone on different paths, or they have fallen by the wayside. But yet, Aptech, not only has been able to do well, but it has been able to adopt areas of market leadership. For example, in the area of Media & Entertainment, we are clearly between Arena and MAAC, the largest player in the industry. In the area of Beauty as well, we are one of the two most significant players in the industry in terms of the number of students that we are training. So, there are clear methodologies, clear strategies that we have been able to build up across the decades. And we will talk a little bit more about this during the presentation itself. The other thrust, the last point I want to make is that as all, some of you at least may be aware that this year has been a transition year, so to speak for the management. The broad thrust has been of Continuity With Change as far as the organization is concerned. While I personally, as CEO Interim, took over in July last year, but in this year, we have practically inducted many new faces in our CXO team and all of them are here with me. I am happy to introduce the team to you, the new faces we have. Sandeep Weling has joined us as the Chief Business Officer for the Global Retail vertical. He comes with a long history and strong expertise in the Retail space in various industries. Neerajh Malikk is an old face to many of you, but he had left in the middle and we have the pleasure to re-induct him into the team as Chief Business Officer for the Enterprise Business Group. We have Pawan on my left. Pawan has joined us as CFO designate. Mr. Ravi Shankar, who is on my right, after a long innings of 23 - 24 years, is due to retire at the end of June. So, Pawan has already been brought on stream and so that to enable a smooth handover from Ravi to Pawan as far as the financial world of Aptech is concerned. Besides this crucially, we also have Parag. Parag has joined us as Head of Technology to bring new ideas and bring strong technology focus to the company. So, these are just what I talk about the changes at the CXO level. So of course, I have been with the company for a very, very long time and therefore, you will clearly see that there is a very happy blend of continuity with lots of new faces and change and new ideas which will hopefully take the company into the next orbit. So, with that kind of a very generic preamble, I would now like Saurabh to take over and take through you through more specifics of what we are and where we are. Over to you Saurabh.

Saurabh Gada: Thank you very much Anuj. So, I will quickly run through the presentation. I'm sure you would have gone through it and most of it is very self-evident, but I'll just highlight a few things. So as Anuj mentioned that it has been a mixed bag, where, the Retail business has done relatively well, but, we had setbacks in the Enterprise Business Group. But net-net if you look at how we performed, so, you know, on the profit side, while overall profit is down, but the Retail PBT has gone up significantly. And if you also adjust for the FX impact that we had in some of our key international markets, the growth would have been much higher. The cash position again remains very comfortable and we have 199 crores of cash at the end of FY24 and there was good free cash flow generation overall, specifically because of the good performance in the Retail business. The Q4 was also pretty good, but we will try to focus more on how we did in the overall financial year. So, some of the headwinds that Anuj spoke about, so one of the key things that affected our business growth in the Media & Entertainment (M&E) segment in Retail was the strike in Hollywood. So many of you must be aware that the writers and the actors went on a strike in Hollywood, which halted the (film) production that was happening in the USA, and it had a lot of downstream impact as well. It affected the job growth in India because many of the studios and companies who recruit from us, essentially work on the outsourcing projects. And that's where you see the overall industry itself, which was projected to grow at 24%, the Animation and VFX segment of the M&E industry was projected to grow at 24%, but the actual growth was only 7%. So that did affect our M&E business. But we still managed to grow that segment. In the second largest segment for us, which is the Beauty segment, again, there, you know, we had a lot of aggressive, competitive pressure and we have done a lot to address that and we can probably cover more when we get to the Q&A. So, Nigeria, which is our second largest global market, saw its currency depreciate almost by 3.5 times. So, if you see the level, it was around 460 levels in May and before that, but then because of certain decisions by the local central bank, the currency against USD went up to 1618, which is a huge depreciation and which did affect us in three ways. So, obviously, it affected our revenue, which was lower, and it also affected the outstanding that we have, the debtors that we had. So, the revaluation of that was an impact that we have recognized in the P&L as an exceptional item. On the EBG side, essentially what kind of worked against us was that some of our larger customers moved to a paper and pencil mode for conducting the exams and while we had agreements with them and which continue to remain active, we did not get specific work orders for executing some of these exams. And that is the reason why you see a major de-growth in Enterprise Business. And in some cases, the exams did not happen because of the election that were ahead and the model code of conduct that kind of came into effect. So, in terms of the key operational highlights, most of it is self-explanatory, (hence), I'll not go into details. But if you look at the last point, essentially, in the context of what Anuj mentioned as to what we are doing to kind of re-strategize our Enterprise Business, one of the elements is to have more customers who can give us larger volumes. And that is where we have been able to get empaneled as the online testing partner for three new customers. Some of the key initiatives that were taken during (last year), which Anuj has already covered the first two and, to some extent, the last one as well. So, the other initiative that we've taken is the one to leverage the large alumni base that we have across brands. We have launched a tech platform called Almanation, which will help us engage with that alumni community. And not only help us by giving our prospective students an access to the success stories that we have created over the years, but also get referrals from the alumni community and also try and engage with them to get them come and talk to our students for various workshops or (on) other platforms.

Dr. Anuj Kacker: Saurabh, if I might with your permission interject. Today, see on this Almanation, you need to understand that, from an investor perspective, what does this mean? Aptech Limited as a company has been the company which has been in existence for more than three decades. And therefore, by that very definition has an alumni base, which is so large that no other brand can even come close to it, even if they started, let's say in the last five years. So this by itself becomes a USP for Aptech as a company and for the specific brands for which we have, because the sheer largeness of the things that they become like brand ambassadors, they become like referral partners, provided, we are able to reach out to them in a manner which is beneficial for them. And that is what this Almanation is doing. I'm happy to inform you that we started this less than a year back and already, if I'm not wrong in my figures, around 50,000 alumni are part of this network interacting with not only with each other, from a nostalgia sense, but also interacting and gaining from where we have jobs being posted for them, for lateral transfer between two companies, there are seminars, there are various things, which are useful for them in their life. So, over a period of time, what we hope to build is a platform where we are then able to claim to the student who is joining us today that we are not with you only to get you your first job, we are going to be with you for your entire 30 years of professional life.

And that becomes a huge catapulting value proposition, which is absolutely impossible for anybody to meet by the very definition of time.

Saurabh Gada: Thanks Anuj. So, on the Enterprise Business, just to add to some of the other things that we are trying to do for de-risking it. We have also started focusing on some of these scalable training initiatives that are being taken by various governments and private bodies across the country. This is something which we have started working on and we'll be focusing on moving forward to diversify from very heavy focus and reliance on the assessment and testing business. This is the (new) management team which Anuj has already done the introduction and he spoke about The Virtual Production Academy. Some of the awards that we received during FY24 (are here). I'll just quickly run through the operational metrics and the financial results. The numbers that we have disclosed are more or less consistent with you know what we have disclosed in the past. So, I will quickly run through the slides and only highlight some specific points. These numbers are in INR Lakhs. Booking and billing, as you are aware, is for our Domestic and International Retail and the overall Global Retail segment. This slide has the new center that we have signed up in the domestic and international market. And what is the position on the Total Centers and for the various financial years, what was the same store growth when it comes to booking and billing. So, these are the segment results where you can clearly see that the revenue growth in Global Retail is encouraging despite the headwinds that we had and the profit growth also would have been better if we adjust for the effects impact. We have given distribution of the Domestic and International Retail revenue and the performance in terms of the growth. So, you will see that International Retail growth is muted again because of the FX impact that we had. One thing which I would like to highlight is that when we say unallocable expenses, basically, these are expenses which cannot be allocated to either of these two segments. And we have given net unallocable expenses because we have netted off the unallocated income as well. So, some, you know, things like the interest income, dividend income, such things are netted off from the unallocable expenses which you can see it has come down significantly, but that is largely on account of the unallocable income going up due to higher interest income. So, these are the P&L numbers which are self-explanatory, so I'll not go into the details here. We have also given the exact impact when you say exact, it is an estimated impact of on a like to like basis, if the FX rate would have remained same as last year, how different our revenue would have been. Since in case of the Retail business, most of the revenue flows down to the profit level because any incremental revenue I'm saying will flow down to the profit. So, this entire 507 lakhs would have flowed to our PBT. This is also covering the impact of the restatement of debtors and bank balance. So the 126 lakh and 585 lakh totaling up to around 710 lakhs is basically recognized as an exceptional item in the P&L. Something that we have done very well in the last year is, we have managed to reduce our Debtor Days by a significant number and have improved our collection a lot and that is also reflected in the free cash flow. So, what we have tried to do is that the Company's free cash flow is the red line, right? So, you see that the free cash flow came down from 82 crores to 42 crores in FY24. But that is largely on account of the loss that we had in Enterprise Business. Now, if we adjust for that and try to assess roughly, what is the free cash flow generation in the Retail business? Then you will clearly see that there is reasonably good growth in terms of the free cash flow that the company has generated if you adjust for the Enterprise Business loss. The last slide basically talks about the return ratios. We have obviously also tried to give you a flavor of if we adjust for our large cash holding, then what the ratios would have been? The brown line basically talks about the ratio after adjusting for the cash and cash equivalents. That is all from our side and we would now like to open the floor for questions. So, whosoever has questions, please raise your hand. We will ask you to give your questions one by one. So, anybody who has questions, please raise your hands. Ok, the first question is from Ashwin Reddy. Ashwin, you can unmute yourself and ask your question.

Ashwin Reddy: Yeah, hi, good evening, everybody. Thank you for the opportunity. So, I have a few questions. I just want to start with this. Could you talk about the current placement season, as to how is it going now? I understand the strike impact was there before but given the strike is now ended, what is the current placement season like? And what are you seeing in terms of trends now?

Dr. Anuj Kacker: Ashwin, would you like to ask all the questions in one go or should I keep responding?

Ashwin Reddy: You can keep responding. Maybe we can, we can also go deeper.

Dr. Anuj Kacker: Ok. I think, yes, you're right. The strike did impact our placements. The strike has ended end of last year and let me just qualify that by saying almost ended because there are many dimensions to that strike. The work has started trickling in back to the Indian studios and thereby it will start picking up. But my own assessment is that it will take at least a quarter more before we're really back to momentum on those fronts. I think more than actual placements, it is the sentiment which counts in our kind of industry. It is not that when we enroll somebody, he's going to be placed tomorrow. But it's not a short term correlation between that. But the issue is that of sentiment. The sentiment did get impacted last year, what we call in the second half of last year. Although the strike started in the first half. So while we had a big lag on the impact, we will also have phase lag in the recovery. So the good news is that it's coming back. However, I would like to also qualify and not overhype the issue of the strike, while that was the impact of last year, I think what is the industry itself is re-adjusting itself. Today, the skills that we teach are not necessarily skills which are utilized only by those studios which are catering to the outsource servicing market, there are many domestic studios who are much smaller in size but were doing a great work in producing domestic content, so our students get jobs there. There are many areas which are not related to films itself but find a very good job opportunities for our students. The gig work is coming up in a big way so there are multiple things today which is happening around the area of employment or freelancing, which is helping our students to get employed or gainfully otherwise earn their livelihood. The issue is, (it) still remains a bit of the sentiment part rather than the actuality part.

Ashwin Reddy: Sure. So, but then surprisingly, the impact is much more in numbers is what I would say, right? Is that, is that the case because if I see the bookings number, right? When the bookings number has been much slow versus last two quarters, say you see Q3 and Q4 versus last year Q3 and Q4, there has been a drop in bookings as well which would reflect now. But the additional jobs with the opportunity which are coming up potentially from the newer sectors or newer gig economy, is that visible in numbers for you guys? Is that how you see it?

Dr. Anuj Kacker: No, see it's like this. If you look at it from an industry's perspective, what Saurabh showed you. Animation and Visual Effects as per the FICCI Frames report, which is one of the most referred to reports as far as our industry is concerned, had predicted this year to be a 24% growth. It finally landed up ourselves at a 7% growth. And compared to that, our billing growth, which is really more closely trackable on, on the fresh intake as well as continuation of those students is 14%. So clearly, we have outdone the industry growth rate. So that's a solace of sort.

Ashwin Reddy: Got it. See, but, ok.

Dr. Anuj Kacker: 14% is lower than the earlier history, point taken.

Ashwin Reddy: No, no. So, what I am getting to is when we speak to the studios, the feedback that we are getting is the entry level work is at risk in terms of being done through systems versus being done manually. And when we see the opportunities for Aptech grads, then you start low and then you would go up the chain, right? That's how it is typically for any industrial company. Even though we might adapt the course work to keep it ready for the next generation, for the next requirement, but what you're known for at Aptech, should we attract that specific kind of talent. OK, I understand you started this TVPA, which is good, which is what is needed, but you're not known for that, right? Well, MAAC and Arena are known for a certain level of, say certain kind of students. Now the how the transition be something what I'm trying to understand and how would the economics of VPA be for you? How large can this become? Some clarity would be helpful there.

Dr. Anuj Kacker: Thanks for the question, which gives me an opportunity to explain to you and perhaps correct some perceptions you may carry. Let me divide this into two parts. One is the perception based thing which is arising from the strength. Let's assume for a minute that it is over and behind us. Let's talk about the other part of it which you talked about is what MAAC and Arena are known for. That is a little bit of a misperception that you carry. Yes, there will always be some technologies and something which will fall prey to automations, which will happen. But we've been in this business for 30 years. We know what those are. We know how to adapt our courses to ensure those don't happen, upgrade our students. That's what we earn our living from for the last 30 years. So, we go on adapting our courses. It's not that we continue to teach exactly the same thing which we taught last year or the year before that. We constantly upgrade our courses to be able to keep them relevant for the students, not even relevant for them today, they have to be relevant for the time that he's going to pass out from the system. So that is the core strength which Aptech has specifically between Arena and MAAC since you are talking about that industry. So, the misperception which you would like to correct it is not that we are teaching the same thing, actually like the Ship of Theseus, we don't teach anything which we taught earlier.

Ashwin Reddy: See, my point was that the student segment which is coming to you like the typical class 12 pass or the typical audience which you're catering to was not changing while, like you mentioned, you were changing and adapting as the needs changed, but the audience which was coming to you was almost the same. But here, if the, studios here have a pressure from their clients in the US that why not you use technology to automate the low end work, would you need to adapt to a newer segment of audience? Is more the question? And would there be a difference in the way you cater or the way you brand or how do you think about that?

Dr. Anuj Kacker: Yes, I think multiple segments have always existed. It's not a product of what has happened in the recent past. OK. There have been multiple segments every time. But you are very right in your observation. Our segment which is relatively narrow is now more broad-based, relatively speaking, with the median still being the same. So we have people even in schools, we have people even coming from class 10 and class 12 who are there. We have many working professionals coming to us and you mentioned virtual production. In virtual production, largely what we are doing today is catering to them entirely virtual product and working professional market who are coming for an upgrade or reskilling of that segment. So yes, you're right that the product, the customer segments that we are talking about has broad based itself, but so have we. I mean, those are the normal business adjustments and thing which you kind of do it on a day to day basis in our life here. So, now you have to take one thing into factor. The fact is that we are biggest in the industry. The fact that we have been in existence not only in existence but thrived over this period. Today, you will find it difficult to go to any studio in this country and not find an Arena or MAAC student there. And therefore, that to my mind, should be evidence enough to you to be able to say that these guys know what they're talking about, and we go on adapting. You have mentioned only the issue of technology and the different segments. There are various other dimensions to the adaptations. Let me give you one case, we have a New Education Policy, which the government announced, which opens up different avenues and different segments for us in the school segment. So that's another area for us to look at as a potential segment and even a current segment for that matter. So, we are doing many things around that as well. That is hygiene for us as far as adaptation across these multiple different drivers are concerned. Now, you multiply this by different geographies. We are quite adept at dealing with those different complexities. I think in the interest of time, I think we can go on this topic for a long time.

Ashwin Reddy: Point Taken. So, I have more questions. Can I continue or do you want me to come back in the queue?

Dr. Anuj Kacker: Let's give a chance to someone else and then Ashwin you can come back in the queue.

Saurabh Gada: Yeah. So, next question is from Sunny. Sunny, you can unmute yourself.

Sunny Gosar: Yeah, thanks for taking my question and good to see the team after such a long time. Basically, my question is around Global Retail. So, the presentation highlights that the Global Retail segment has grown at 34% in terms of revenue, but the PBT growth is only 11.5%. Basically, I have two questions here. One is what is the impact of currency depreciation which has impacted the segment PBT. And second is in my understanding, the revenue growth also appears high because of the change in accounting method that we have implemented. So, what's the core underlying revenue growth on a like to like basis in terms of the pre accounting change revenue growth?

Dr. Anuj Kacker: That's a fair question Sunny. I'll hand over to Saurabh to give you the like to like estimated comparisons and the official figures are what they are on the screen.

Saurabh Gada: So Sunny, if you want to, just look at like to like growth. If we would have used the royalty model in FY24 and FY23 as well, then the revenue growth in Retail would have been 8%. But if you additionally adjust for the FX impact, which is around five crores, then the revenue growth would have been 10% at the Retail level. And for the profit numbers, our reported profit (growth) is 11% and if I adjust for the shift to student delivery method, from royalty to the student delivery method, then my Retail PBT growth would have been 9%. And if on top of that if I adjust for the FX impact, then my Retail PBT growth would have been 16%. So, from 10% revenue growth after adjusting for FX and the change in the model, 16% PBT growth for the segment.

Sunny Gosar: Got it, got it. So that's quite helpful. My second question is basically on the Beauty segment you have highlighted in the presentation that you face competitive intensity from local and regional players. So, do you see this trend sustaining? What steps have you taken to address that in terms of our course? in terms of our pricing? And at an overall basis, 10% growth in Retail/ Global Retail business is what I understand, partly also affected by the Animation segment. But how should we look at growth going forward either in terms of domestic, international? So some color on that will be very helpful.

Dr. Anuj Kacker: You are referring specifically to the Beauty segment?

Sunny Gosar: No basically, one competitive intensity in the Beauty segment, and second part of the question is how should we now look at growth in the Global Retail segment going forward with now FX impact in the base with Animation related and the Hollywood strike related impact also in the base. So how should we look at growth on an overall basis going forward?

Dr. Anuj Kacker: Ok. Let me first deal with the Beauty segment question. Beauty segment has been competitive ever since we entered it. So it is in that sense, not a new thing. The reason we have highlighted this is from the point of view that the intensity of the competition having increased. Not that it has suddenly become competitive. This industry is a very, very fragmented industry and then what we see trends is that of some degree of consolidation happening within the industry. That is one. Second is, some of our major competitors seem to have got some external funding which they are using in the market to aggressively market themselves, which is a fair competition which has built up the pressures on the Beauty segment itself, which has also impacted our average realization in the market which has also dampened our growth rate. Having said that, it is not something which it is to take note of and not really to get worried about because it's part and parcel of any consumer market. So, we have, in terms of response, we have significantly changed our product portfolio, we have added many new different products and some new segments which we didn't operate in. We have added with the help of Lakme Lever Private Limited, who is our partner here, added some completely new ways of doing things in the Beauty segment, which is now building up to a sizable volume as well there. We have intensified our own marketing activities both on the digital and the non-digital spaces to be able to meet the competition. So overall, if you look at, this is in terms of direct competition, but really you have to broaden this and look at what's happened in the industry per se. This industry, and now luckily we have some data to go by, the Beauty & Wellness Sector Skill Council has come out with a report which is talking about very healthy growth rates. I don't remember it but it's in the mid-teens, the growth rates which they have projected for this industry. So overall as the industry grows that much even if we retain our market share, we should grow by that percentage at least. But as we speak, through addition of products, through addition of markets, through addition of geographies, we should be able to do it, but we still continue to do this only in India. Your other question was respect to the international markets?

Sunny Gosar: Overall growth, outlook, domestic, international from the Retail side.

Dr. Anuj Kacker: Yeah, as I said, you know, if I look at again from the external reports for validation of our internal assessment, and you, I go back to refer to the FICCI Frames report. They're talking about 17.5%, as a projected growth, going forward CAGR over three years. So I think, it clearly is good, now over on top of this, you can add the multiple other drivers which are over and above this, which is areas into new geographies, which is something which is kind of exclusive to us in the area because we have the ability and the proven track record of getting into newer geographies with our products mainly in the entertainment side as well as in the IT side. So overall these are the benchmarks to use. At the end of the day, you have to remember, we are an ancillary to the employment industry and therefore, in some ways, our growth is to be pegged alongside that.

Sunny Gosar: Got it, got it. Thanks for the detailed response. And I have one last question before I go back to the queue, which is on the institutional side. Basically, institutional business has seen a sharp drop in revenue for the reasons highlighted in terms of test moving back to pen and paper. Basically, how should we now look at the institutional business with some new customer additions, with the existing customers already being empaneled? How should we look at growth coming back in this segment? And also in terms of the economics of this business, what is the break-even level of revenue that we need to achieve on an annual basis so that we don't lose money in this business? And what kind of profitability is possible at a assumed scale? So, some color on that will be helpful.

Dr. Anuj Kacker: Neerajh, do you want to come in on the strategy on the EBG business?

Neerajh Malikk: Yeah, Anuj, thanks. So, thanks for your question. It's not one question, I find that it's a set of multiple questions here. I'll try and answer a few of your question. Let's see. As far as Government took a decision to or client who took a decision to move to paper and pencil, but if you see from the other side now, government has intent to encourage online examinations for all their departments, which is Digital India and they've been doing that. In fact, government has made certain decisions in terms of investing on infrastructure to boost CBT at a larger level. Right now, the market is still very, very large.

Saurabh Gada: Neerajh, sorry, we lost you in between.

Neerajh Malikk: Am I audible?

Saurabh Gada: Yeah, you are audible. Carry on.

Neerajh Malikk: Yeah, so government's focus is very clear to invest on infrastructure to give a boost to the CBT examination and it is in a full flow today. So as far as the opportunities are concerned, it's phenomenal. Your other question was in terms of our strategy today, we have re-strategized EBG right to reduce concentration risk and expand our product basket. Anuj has explained initially also that we have taken a lot of initiative, in fact, more from a perspective within EBG if you see. Instead of focusing on one large set of customer, one or two large set of customers, we have derisked by getting three large clients for the organization. So, this is the first level of de-risking, which we have already done it. Your third part of the question was in terms of break evens. These figures are not there in public, so we'll refrain right now in terms of talking about any break-even numbers while we are also working to minimize the break-even point for the business to ensure profitability. And that's continual exercise for us.

Sunny Gosar: Sure, and basically, these three new customers that we have signed up, from what point they will become revenue generating? and should we see revenue from these customers in this financial year or next financial year?

Neerajh Malikk: Yes. I won't be able to give you the exact months. But yes, definitely we all know country has just finished the elections. So, because of that, you know all the government functioning gets paused for the time being and we are very hopeful now. You know, it should start definitely in this year.

Sunny Gosar: OK, great. Thank you for all the answers and look forward to interacting with the team very soon.

Neerajh Malikk: Yes. Thank you so much.

Saurabh Gada: Ashwin, with your permission, I'll let Apurva ask the next question and maybe we will come back to you again. Apurva, you can ask.

Apurva Shah: Hi Neerajh. My question is to you on the institutional side. What will be the current order book? Like do we have any figure?

Neerajh Malikk: Saurabh would you like to take that question now?

Saurabh Gada: Yeah, sure. So, Apurva, we do not intend to disclose any order book number because earlier also when we said it was more of a projection based on the contract that we had, right? And (as) said earlier that last year, the actual orders did not materialize. So, it is something which is an exercise in futility to give a certain number because it is not a certainty. So, it is projection, not really an order book. So, I don't think we'll be able to give that number.

Apurva Shah: OK, and how long will it take to be a stable business?

Neerajh Malikk: OK. So, we have talked about initially and multiple times in the discussion, and I want to re-emphasize that the steps which we have already taken and we are taking, which is primarily from the perspective to stabilize the entire business and also to reduce risk. And so instead of focusing on one or two large customers, which has been, which you all have witnessed in the past, instead of one or two, now we have three already with us. And there are certain more empanelment which the team is working on ground to get it done. So, you know, these three also where we have been empaneled are pretty large set of customers for us. So, this risk has already been hedged to some extent and we are continuing this regime to reduce risk for the organization, right, in order to bring more stability and sustainability.

Dr. Anuj Kacker: But we need to understand that empanelment is not equal to an order. Empanelment is the first step to the order and then it flows once you have it.

Saurabh Gada: They have a potential to become a large customer based on the volume of tests that they do.

Apurva Shah: OK. Fine. And then other question is, it not good to demerge this business and list it as a separate entity?

Dr. Anuj Kacker: I think that no. I, I think that is not the current intent of the company.

Apurva Shah: Ok, because this particular business has been struggling for long. It comes up and then again goes down. It also reflects on the valuation of the overall good Retail business.

Dr. Anuj Kacker: Yeah, your point is taken. the matter, the board is cognizant of this nature of the industry and the board has taken the view that it will continue in the current shape and manner.

Apurva Shah: Ok. Ok. Thank you.

Saurabh Gada: Thanks, Apurva. Ashwin, you can go ahead and ask your question.

Ashwin Reddy: Yeah, hi. Thank you for that Saurabh. So, my first question is on Lakme. Right now, in terms of percentage contribution to Retail revenues, what's the scale of Lakme approximately? And how do you think about it from here in the next five years? Because I understand in the past it was a good growth story for you guys. So now where is it?

Dr. Anuj Kacker: It still is good story for us. I do not have the figures off hand. <internal discussion> Ok. Something that may need corrections on validation, the rough figures would imply that if you look at domestic business, about 90% of the business come from Arena, MAAC and LAPA. Of this 90%, and I'm giving very approximate figures would be 32%- 33% maybe Arena, 30% maybe MAAC and around 25%-26% maybe LAPA. But all would be in the 25% – 35% range equally divided between the three brands. International product mix is different, which is divided between roughly again, subject to correction, about 55% towards IT and about 45% towards Arena.

Ashwin Reddy: Understood, it's very helpful actually. <internal discussion> So in the past, Lakme has grown faster than MAAC and Arena. Will that continue in the next five years? Do you think that will continue?

Dr. Anuj Kacker: You want Arena and MAAC to grow slow?

Ashwin Reddy: No, no, because I see the point was Lakme.

Dr. Anuj Kacker: I don’t want to pass off that in a lighter way. But obviously we want all the businesses to grow and they have independent growth rate. They belong to very different industries. Therefore, one growth rate has nothing to do with the other growth rate. Having said that, I mean, Lakme approximately is now six years into the game, maybe 6- 6.5 thereabouts. Part of the initial growth is through expansion of the network, right? As you go on expanding network and then it reaches, then it's more of same store growth which drives the growth. So, both things are happening. But the underlying of the growth of the industry itself will drive the growth going forward. I think we are reaching levels, which I don't think there will be too much of growth coming from the expansion of the network itself. And Sandip, you can correct me if I am wrong.

Sandip Weling: No, you're right. But you know what, what we are also observing is in the metros and the tier-1 towns, going forward, we will not see that kind of growth that we saw in the last 3 to 4 years. We will have to go to tier-2 towns to drive the growth, which is the network expansion, which is what Anuj is talking about, right? This is the broad story.

Ashwin Reddy: Got it. So, in fact, my next question was on that because if I see the new center openings, this was the lowest in the last eight quarters in terms of the new centers which got opened. We just had 10 centers which opened in this quarter, right? versus the high number in the past. So, what is the number that you would want to work with in the next 2-3 years in terms of the new center opening for you?

Sandip Weling: So, this is purely with respect to the?

Ashwin Reddy: Yeah MAAC, Arena.

Sandip Weling: No, see, all the three brands are very different in terms of the network presence. So, Arena is quite reasonably or adequately penetrated, I would say. In tier-2 and tier-3 towns also, the best penetrated out of the three brands is Arena. MAAC and LAPA are almost similar in terms of their penetration. And as we speak, there is enough and more potential or scope to get into tier-2, tier-3 towns on expansion.

Ashwin Reddy: For both MAAC and LAPA?

Sandip Weling: Both of them. And that is going to be our strategy for FY25 and beyond also. We want to focus on the peripheral markets where we have not been able to focus in the last and, and it was by design. So, we, we wanted to focus on, you know, the main metros and mini metros, which we have done adequately well. Now we want to focus on the other markets. That is going to be our strategy.

Dr. Anuj Kacker: Going forward, if I look into the medium term, there will be several, newer opportunities. One will have to stop thinking in terms of necessarily these center based, towns and all of that. A, it has never been a good parameter. So, while we disclose it and I know investors like to look at it in that perspective, but that's not really the way to look at this business. I mean, you can look at it and arrive at a positive revenue because you like dividing one number by the other. But it’s not really a great way of looking at this business because the spread is too high. Per center makes sense if the spread is low, per center stops making sense if the spread is high. And the newer ways of education, newer ways of delivery will itself make part of these calculations little superfluous for want of a better word.

Ashwin Reddy: Understood

Dr. Anuj Kacker: We can continue doing that while it's there.

Ashwin Reddy: Got it.

Dr. Anuj Kacker: This is not something which we focus on very closely while we monitor it. But it's not directly correlated to revenue numbers.

Ashwin Reddy: Understood. Understood, helpful.

Dr. Anuj Kacker: You will have partial deliveries, you will have mixed deliveries which have already started. Part of the course is being delivered centrally while the rest of it is being done by the center. Even at the center level, there is mixed delivery. So, there's so many things happening which is not relatable to a center count.

Ashwin Reddy: OK. Understood. Understood. And the last question is on the EBG business. Enterprise Business So in the past, we had a strategy of going after large accounts when we started this and then we changed the strategy to go after the smaller accounts to de-risk ourselves. Now I'm just curious what has changed again now that we are now trying to go after larger accounts because I think after the larger accounts?

Dr. Anuj Kacker: I don't know, I think that's a miscommunication, misperception. I don't think we're trying to go after larger accounts. We got these 3 empanelment which have potential to be large. That's about all. But our strategy remains to be able to broad base our customer base. That is the essence of the strategy.

Ashwin Reddy: OK, and could you talk about the, because I understand, I, I heard the point about the new products in the Enterprise Business which you talked about. Are these focused on garment or non-government or, how would these be different versus what you have now? I mean, I'm, just trying to understand?

Dr. Anuj Kacker: Neerajh, how much you would like to talk about that.

Neerajh Malikk: So, the concentration will primarily be, again, coming from government. You know, it's a new alternate product lines, it's a periphery business which we are entering into. So, it's the same thing but with a different flavor, leveraging the new technologies, creating more value with our government clients. And also, of course, there's a private segment as well. So, we're in the process of doing a lot of diversifications in terms of creating a lot of product lines again, from a perspective of de-risking and bringing sustainability in the revenue for us.

Ashwin Reddy: But is there a point or a milestone that you want at some point at which you guys would say that the Enterprise Business does not make sense for us anymore? Because the context I'm asking this is if I go back in 10 years with the data, the cumulative EBIT from the Retail business is 519 crores, While the cumulative EBIT from the Enterprise Business is 53 crores. So, is it worth the mindshare? Is it worth the effort Is my point. Because we've gone through cycles Enterprise, it's nothing new. We've been, we've been there for some years now. I understand COVID had come in. Then you had issues, then government flip flops, I understand. But if that is the nature of the game, and if you have a better business here, would you want to spend your mindshare, time-share on that business? And what are the milestones you want to say, or what time you'll say, find this enough and then we move on.

Dr. Anuj Kacker: As I said earlier, the board has applied its mind in detail on this topic. A lot of discussions have happened on board and the pros and cons of all possibilities have been evaluated very, very closely and the wisdom still is that it is definitely worth it for us to continue in this business. As far as mindshare is concerned, they are two very different teams handling it. So really speaking, there is no cross flow of mindshare.

Ashwin Reddy: As for investor, that the numbers are being dragged down, which is the reality, right? So, for how long is the question? So, what at what point would you say this is it?

Dr. Anuj Kacker: I, I think we are looking from a very positive mindset and we will and if, it was negative mindset, why would we in the business? We hope to get good numbers. Obviously, that's why we want to continue.

Ashwin Reddy: Is the worst behind us, but is the worst behind us, in terms of numbers is this the base is the worst phase right now?

Dr. Anuj Kacker: We certainly hope so.

Ashwin Reddy: Great, great. Thank you so much. I mean, thank you for your help for the answers. We appreciate it. I mean, we've been investors for long and we continue to be so. I appreciate the answers and also our final word for Saurabh, I understand he's moving on, so it's been good to interact with him. So, thank you so much for all that.

Saurabh Gada: Thank you.

Dr. Anuj Kacker: Can I ask you guys a question? And you know, we keep wondering about this internally. We've been doing this investor calls for some time and is there anything you would like us to do differently in the investor calls? See, we are not going to give forward looking statements, that’s a decision.

Ashwin Reddy: Which is fine, which is fine.

Dr. Anuj Kacker: Within the framework of our presentation, within the framework of our discussion, how do we benchmark versus other investor calls that you go to?

Ashwin Reddy: No, we think we're pretty happy with the whole call. I think the ultimately what you want is transparency and consistency, right? I mean, the only feedback I would give is the calls typically happen much, much later after the quarter ends. While most companies do it when the results come, say a day or two after the results is a much better time to do it versus a very long gap. It is just kind of not in sync with the whole, which is what the industry does. So apart from that, the questions and the answers, we're fairly happy because you're transparent. But the timing of the call would be much better if you can do it right after the after the result.

Dr. Anuj Kacker: Thanks for the feedback.

Ashwin Reddy: Thank you so much.

Saurabh Gada: Apurva you can raise your question.

Apurva Shah: Hello. Hi. How's the response to Virtual Production Academy? And can we expand like certain kind of growth?

Dr. Anuj Kacker: Yeah, I think let me explain the virtual production thing. Partly I did that in my preamble. See virtual production, don't look at it as a separate business. We are not intending as that. It is again, going back to my story of DNA. It's the technology of the future is what we believe today. As the wave comes, we will, it will take us up. That's the way it will take up. So, when the wave comes, we don't know. That's point number one. Point number two, which has also been asked by somebody earlier, it addresses a totally different segment where we are not adequately present today, which is the working professionals. People who are already working in the various studios, they are the prime audience. So, our ability to reach out to them becomes that much easier and they get very excited about it. Our batches have already started. In fact, Yeah, it's in the public domain so I can share that. We even had, we did recently a batch of students from FTII Pune, who, let's say are the pinnacle of filmmaking in the country. They were here and they just completed a course with us and those are likely to be ongoing batches for their students. So, the whole idea of this is to hold, of course, it is to be there as the technology evolves, but even while it is there to be able to increase our, our visibility amongst them in the industry. Gives us a chance to change the perception of MAAC. Again, some, you know, I think it was Ashwin or Sunny, one of them who referred to it, which was that MAAC and Arena are primarily for the entry level kind of thing. Which is not true, which has never been true. But yes, I do recognize the fact that the, where he's coming from in terms of perception and therefore this association of TVPA which will also be an upgrade part to MAAC and Arena students will also serve to change that perception with some people like Ashwin and Sunny may have carried in the past. And therefore, we are viewing this also as partly marketing and perception building, brand building for our existing businesses as well. But to be able to position that we are not an entry level technology player. Our customer segment may be more of that, but we are very high in our technology delivery. So, it's not currently intended to be a separate business area and we don't want it in the near future to do it like that.

Apurva Shah: But in near future, like do we see some few more centers of VTA opening up?

Dr. Anuj Kacker: There is a lot of interest, there is a lot of interest but we want to, you know, let this one mature like a pilot, think of it as a pilot, you know, go up the learning curve around various dimensions of delivery and then we will look at expansion.

Apurva Shah: OK? And…

Dr. Anuj Kacker: It doesn't take much, but once you have learned, see that be the beauty of Aptech, right? The scalability is, we know how to scale up, doesn't take much for us, but we need to get every aspect of it right before we do that.

Apurva Shah: OK.

Dr. Anuj Kacker: But yeah, there's a lot of interest, a lot of our existing partners, other people have, you know, inquired with us and you kept them on hold right now.

Apurva Shah: Ok. And other question is why is it taking so long for tech to enter into newer segments?

Dr. Anuj Kacker: Fair question. I think it's just that it's not happened. Having said that, we do know that we are carrying a substantial amount of cash in the bank enables us. But you know, we are not in the cash burn. As a policy we don't believe in want to burn this cash away into this customer acquisition methodologies. And because of that also, we have passed up some of the opportunities which came our way. But maybe we there, we are currently as we speak in the process of drawing up a very cogent strategy, I'm not in a position to share details. And once approved by the board would be a first committal move towards a five-year vision. We have got a five year strategy plan and hopefully, once it's in public domain, we'll be able to share more.

Apurva Shah: OK? OK.

Dr. Anuj Kacker: So, I suffice to say at this stage, we are working very hard to be able to look at newer dimensions of things. But we are not going to be pressured into doing something which is therefore for the sake of doing it rather we want to be able to do some things profitably.

Apurva Shah: OK, OK, fine. And last question is now the full integration with the new accounting policy is completed or it's still pending?

Subashree Iyer: We have more or less completed the process of migration, but there are yes, quite a few students from the old system who are still moving into the new one, but the majority of it is done.

Apurva Shah: OK. Thank you.

Saurabh Gada: Thanks Apurva. I think there are no further questions. So we'll end the call. Thank you everyone for joining us today and we look forward to hosting you all again next quarter when the company hosts the talk. Have a great day.

Dr. Anuj Kacker: Just for information, Mr. Saurabh Gada, who has been anchoring this role for us for a long, long, long time, is going into other entrepreneurial venture and wish them all the best. Pawan, who is the CFO till the time we have Saurabh’s replacement, will continue to anchor investor relationships as well.

Saurabh Gada: Thanks, Anuj. All right, everyone. Thank you very much again and have a great day. See you all. Thank you.