Earnings Concall was hosted by Systematix Institutional Equities (Host: Sidharth Agrawal)

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Sidharth A: Hello. On behalf of Systematix, I would like to welcome the top management team of Aptech on today's Q1 FY24 conference call. Well, at the outset, I would like to offer my heartfelt condolences for the passing away of the M.D. and CEO late Dr. Anil Pant who was extremely dear to me. We shall always miss him, and his kind words shall remain etched forever in our memories, but as we know we always have to move on, and Dr. Pant shall always be remembered for his energy, exuberance, and enthusiasm. Today on the call we have Dr. Anuj Kacker – Chief Executive Officer (Interim), Mr. T. K. Ravi Shankar – Chief Financial Officer, Mr. Pravir Arora – Chief Marketing Officer, Mr. Neeraj Malik - Chief Business Officer, Enterprise Business Group & Government Initiatives, and Mr. Saurabh Gada – Investor Relations Consultant. Now I would like to hand over the call to Dr. Anuj Kacker for his opening remarks. Over to you Dr. Kacker.

Anuj Kacker: Thanks, Sidharth and welcome everybody on this Q1 investor call. ***[Slide 3]*** Firstly, as Sidharth mentioned, our MD and CEO Mr. Dr. Anil Pant passed away earlier in August. Prior to this he had gone on an indefinite leave from June 20th onwards and the board considered it appropriate to have one interim CEO and I was privileged to be stepping into that position. Although I have been participating in some of the investor calls earlier, but they were primarily anchored by Anil so just by way of introduction, I think it may be in order, I have been in the company with Aptech for now about 20 odd years and almost entirely as part of Global Retail and I have been on the board of Aptech since 2011 as a Wholetime Director and Executive Director and President of the company in charge of the Global Retail business. Neeraj Malik who has been with the company since 2016 and headed the

Enterprise Business Group, had left us a few months back for another assignment and he has re-joined us back with effect from August 2023. So, in essence as much as we mourn Anil's passing away, the respected business heads and things are in place now with me coming and stepping into position of CEO, all the other CXO's continue as earlier. So, there is continuity in the company anyway. Coming straight now into the quarter itself, we have had a good quarter undoubtedly. Both the Global Retail business as well as the Enterprise Business which a lot of you will know are the two main businesses in our company have fired well in Q1. The overall revenue growth has been 119% and the PAT has increased by 169% on a YOY basis in this quarter. The Global Retail business the revenue has jumped by 73% on YOY basis, but I must say we have this by saying that this is also partly contributed by the change in accounting methodology as we have been moving over a period of time into the accrual system of accounting which we will tell little bit more in subsequent slides, but at the PBT level which by and large remains unimpacted by this accounting change we have had a YOY growth of 26%. The AVG business had a loss last year against that we have got a profit of 3.17 crores in this quarter which is a good showing. The domestic business which is part of the #5 box, but if you were to cull that out as the Domestic Retail business contributed by growth of 35% in the Booking terms; Booking is the totality of the student's commitment to pay over a period of his course, so that growth is a very important metric that we monitor and that has grown as 35% because it is also partly an indicator of the income to come and whereas the Global Retail Booking has grown by 28%. Now for the detailing, I would hand you over to Saurabh who will take us through the further details.

Saurabh Gada: Thank you very much Anuj and thanks a lot Sidharth as well for hosting the call. I will quickly run through the slides and once I am done, then we can open the floor for Q&A. ***[Slide 4]***As Anuj mentioned, in case of the Retail business, the Booking is a very important metric because it is an indicator of the future revenues to come and if we look at the performance in Q1 FY24, in Domestic Retail we have had more than 35% growth and just for the sake of comparison we have also given the performance vis-à-vis Q1 FY22 when the second phase of COVID had hit India at that point in time and hence the CAGR is 98%. Similarly, if you look at International (Retail) where the COVID impact was not as much, there also we had a CAGR of 32% over FY22. It is a good performance while on a YOY basis it is slightly subdued, but I would also like to highlight that the season for us in International (Retail) is in the Q2 the second quarter of the year. So, we can recover in coming quarters.

Anuj Kacker: Yeah… If I may comment, for those of you who have been carefully following the performance of the company over a period of time are well familiar with these terminologies, but for anybody who are recently logging in I might want to emphasize one fact; there are the metrics which are Booking and Billing and also the Enrolment are not impacted at all by the change in my accounting methodology. The accounting methodology largely affects only the income figures or the revenue figures driving them upwards, and the profit by and large would be comparable to previous quarters. Having said that, Saurabh has done the number crunching to give you a sense of what these numbers would look like, even the income numbers, if one were to negate for the accrual figure change in methodology. So, that should help you evaluate the performance of the company. Of course, people like I said, those who have been following us for some times are well aware of the methodology. Back to you.

Saurabh Gada: Yeah… thanks, Anuj. Similarly, if you see the performance in terms of Billing which is the collection from the students; there as well the performance has been excellent (with) 82% growth in Domestic (Retail) and overall, 19% and if you look at the CAGR versus FY22, it is almost 50% at the Global Retail level. Enrolment numbers are basically just to give you a sense of what is the scale of operation and the kind of impact that we are having. What you should focus more on is the Booking and Billing numbers, because those translate directly in terms of the financial performance. In Q1 FY24 we have signed 28 new centres out of which 19 were in Domestic Retail and 9 in International Retail which is a slight improvement over the same quarter in the previous year, but we hope to increase the momentum of new signups going forward and similarly if you look at one of the very important metrics which is same store growth, it is something which we are very proud of that we have been able to grow our same stores at a very high rate and while you will see in FY23 the numbers were astronomical, but that is also due to the fact that Q1 FY22 in Domestic (Retail) we had the impact of the second phase of COVID, but the Q1 FY24 numbers are more in line with the reality and they are nevertheless impressive for a Retail company like ours. ***[Slide 5]*** Now just to give you a sense of what is it that we are doing which has helped us in achieving these numbers in the Retail domain as well as in the Enterprise Business. Like Anuj mentioned, we almost grew our revenue by 400 plus percent, right? So, if you look at our historical trajectory in our AVGC brands that is Arena and MAAC so we started that Multimedia then we added Animation then we also moved to VFX and now last year we have added the gaming genre or sub segment to our portfolio of offerings within the AVGC segment and we are focusing very heavily on this segment and that has also contributed significantly to our growth in this quarter and the other change, I would not say change, but in last few years our focus has heavily been on marketing and customer acquisition. If you leave aside the 2 years when there was impact of COVID, we have invested heavily in marketing and brand building and customer acquisition and there are various activities that we have done over the years, we have created many new properties under our individual brands and we are also investing in direct marketing where the focus is more on the digital media and that is wherein if you see in Arena we have done an extensive campaign around the time of IPL on Jio platform which has helped us deliver very high number of impressions and reach. In Lakme also we have very impressive property for the competition where lot of students participate, and they get huge industry exposure. In the international Arena also, we have various events which involve participants from many countries. And the impact of that you can see in the Booking numbers. So, the AVGC segment has grown by almost 45%. This is what we are focusing on in our Retail business and just to give you a sense of what is the impact on the ground in terms of the lives of our students, we have been able to make available to them 24% more openings than what we had in Q1 of last year. That has been our focus throughout. You know job enablement and we are continuing to do well on that front across all our brands. Another metrics which will just give you a sense of where we are in our transition to the student delivery model, collection which is a more comparable Billing which is a more comparable metric when you want to compare what we are doing in the royalty model and what we are doing in the student delivery model. That share of students who have migrated to the student delivery model so collection from those students is now at almost 66% of the total collection in Domestic Retail excluding the preschool business which continues to operate based on the royalty model. So, our objective is obviously to get this as close to 100% as possible. One of the key points with regards to the impact that we have seen in the international market is that in Nigeria which is one of our top markets, because the local central bank removed the trading restrictions, there was a huge depreciation in the local currency vis-a vis the USD and since we invoice the students in the local currency in Nigeria we had to recognize the Forex laws to the tune of 3.3 crores because we had to reset our bank balances and debtors as per the depreciated value of the currency. We have recognized this as an exceptional item because this is a onetime one off kind of an event. On the Enterprise Business front, we continue to deliver exams which are high volume and high stake across the length and breadth of the country and we have been doing it successfully because we have invested heavily in building that capacity. Last quarter we had highlighted the fact that we were able to achieve more than one lakh students in a single shift so they were able to appear for an exam in a single shift so that count was more than one lakh and only if some of the few companies that can do that, we are one of them. The reason why our other income has gone up significantly is because our interest income from bank deposits has gone up and you can obviously deduce that also from the fact that our cash balances have increased as you will see in subsequent slides. ***[Slide 6]*** Coming to the segment financials, the numbers are there in the presentation and you would have gone through them. Just to highlight an important fact, as Anuj mentioned earlier, we have provided for your reference the numbers as they would have been reported if we would have followed the old royalty models. If you look at the rows with asterisk those are basically numbers based on the erstwhile royalty model. Okay. The current numbers we have restated them based on the royalty model and you can then compare them across quarters without any issue because they are comparable. Similarly, here in the segment PBT table also the last two rows are based on royalty model. ***[Slide 7]*** In terms of profitability, one important fact that we wanted to appreciate is that the advertising expenses have gone up almost by 130 basis points in terms of percentage of revenue so that has had a small impact on the PBT margin, but nevertheless we have still grown well on the PBT level also in Retail. While the corporate overheads have gone up on an absolute basis, as a percentage of overall operating revenue there is decline and hence the margin has gone up if you compare on a YOY basis which is what you would expect as the revenues go up correct? Because we have a lot of operating leverage in our business. ***[Slide 8]*** This is the P&L. Again, the last 3 columns are basically with reference to what the performance would have been if we would have continued to report based on the Royalty model so just for your reference, we have provided these numbers. ***[Slide 9]*** These are the balance sheet numbers and again we continue to improve our return ratios as we move forward the trend which started almost 2 years earlier we have maintained that and the Cash & Cash Equivalents have come down, but that is like highlighted in the last quarter that we received money from one of our customers on the last day of the quarter whereas the vendors were to be paid after we received the money from the customer, so they were paid in the subsequent one and that is where the reduction in trade payables (comes from) and the 25 crores that we have paid as dividend so because of that the Cash & Cash Equivalents have come down, but if you compare on a YOY basis we have nearly doubled the Cash & Cash

Equivalents. So, these are the key highlights which I wanted to just mention in terms of our performance. There are other slides which will also give you a sense of what we are doing in terms of marketing and on that, but which I will let you go through by yourself and now we can open the floor for questions Sidharth.

Sidharth A: Thank you Dr. Kacker and also to Saurabh for the interesting introduction of the company and taking us through the results and now we will open the floor for questions, so it is a very free call. So, anybody who has the question can unmute himself or herself and straightaway ask their question. I would request all the people to kindly put in their name and company name in their names so that we can identify them later and/or when you are speaking so asking a question if you can just introduce yourself and take it forward from there right? So…

Shikhar Mundra: Hi. Shikhar Mundra this side from Vibhav Commercial Limited.

Sidharth A: Yes please.

Shikhar Mundra: So, we had guided for 250-270 crores revenues in the institutional business in the last con call. So, I want to know is that guidance on track and for the next 3 years have there been more orders and how does this guidance look for the next 3 years for the institutional business.

Anuj Kacker: Yeah. Hi. Anuj here. I think you have to understand one thing about our institutional business. It is a very lumpy business and any guidance or otherwise number stated has to be viewed in the context of the business itself. Now if you were to go back and look let us say the last 6 years-7 years track record of our institutional business it has spiked and it has de-spiked in various quarters. Therefore, it will be very difficult for us in fact it won't be right for us to give any guidance of any sort into the future. What we do have is we have long term contracts with various customers and those remain on track. Now it is for the customer to schedule the examinations depending on their exigencies as and when they schedule the examinations, the orders would flow in. So that in essence is how any particular outlook should be looked out on the institutional business. Now if you come to the Retail business, Retail business is obviously a much more stable business in terms of spikiness. The spikiness is there in terms of seasonality, but that seasonality is also largely a predictable seasonality. Therefore, it would make much more sense for you to look at our trends on the Retail business in terms of establishing a trend of any sort and then I would encourage you to do your number crunching on that basis. The other point I want to talk about as far as the Retail business is concerned, see it is a B to C business. Therefore, as in any B to C business it has sense of predictability. It is also important to use what benchmark to use while evaluating whether that trend is a good trend or a bad trend. The benchmark which we internally use is try to benchmark it to the growth of the overall underlying industry that we are operating it. For example, in the case of Arena and MAAC that obviously is the AVGC industry itself. Now, AVGC industry if one were to go by the secondary information which is published by the AVGC task force, it talks about a 14%-16% growth rate. We have been growing at paces much higher than that. Therefore, our track record suggests that we should be able to beat the industry going forward. As far as the AVG business is concerned or institutional business is concerned, it will remain lumpy, that is the nature of the business, so we will have to just wait for customers to schedule the examination. The other factor to note as far as the AVG business is concerned we do carry concentration risk in terms of some large customers having large share of our pie and therefore that concentration risk remains. Now, this concentration risk is nothing peculiar to us. It is partly the nature of the industry is that these large customers have a lion's share of the pie itself. So, it is kind of going both from the customer itself and that is carried forward by us itself.

Shikhar Mundra: Can I know more details about the institutional business? Like the largest customer is contributing how much to our revenues as a percentage term and how many years is the contract for?

Anuj Kacker: Neeraj?

Neeraj Malik: The contract is for 3 years now. So, we have already completed one year and in terms of the largest volumes, it is contributing more than 50% of the revenues for EBG as of now.

Shikhar Mundra: Right. Thank you. I wanted to understand so how is the trend in the institutional business, like because in the last con call we discussed that the industry itself is growing at a very large pace like we expect the industry itself to double in the next 3 years. So, I mean is the trend still going on so how do you look…

Neeraj Malik: See, the trend is much higher today okay, and in fact each of our customers has the capability and such a growing trend. You have to understand one thing about it, what Anuj also explained, the industry is like this. Today when we sign up contract with a customer, there are times when they have examination scheduled after 6 months, 9 months, 12 months, 18 months.

So, each of the customers has today, right, has a capability to give us revenues which can suddenly turn into 30%-40%-50% of the revenues alright? So, it is not only one customer who is giving us the higher revenue today. There are lot of such large customers at the central government level where we are in contract and some day when their schedule based on their requirements and approval within the ministries, it suddenly turns out to be a very large quarter or H1 or H2 for us. So, it is definitely growing. We have larger contracts which are active in nature, and it depends purely on when the customer wants to schedule okay based on the approval which they get. Because it is a long cycle for them to take approvals and going for public and there are political factors involved. So, yes, industry is growing, our clients are growing, and we are also adding clients.

Anuj Kacker: And if I might add specific to this year, we do anticipate a greater volatility arising because we are coming into the election year. Now, election year has its own dynamics which affect our business both positively and could be negatively as well.

Neeraj Malik: We are continually focusing to get more customers for us so that we can start reducing the dependency on any particular delivery. I am not saying customer, but delivery dependencies.

Anuj Kacker: I think Neeraj you could perhaps talk more on the capabilities that we have set up for delivering these large orders.

Neeraj Malik: So, one of the things in terms of both from a technology perspective which we are adding every 2 to 3 months we are adding and more. Then from an operational capability perspective we have now gone into length and breadth of the country. The capacity building has been so strong today that whatever such volumes come into our picture and into our kitty will be able to deliver it without thinking of adding more capability or waiting for clients to come back to us in terms of adding capability. So, the platform has been set and we are on a very strong wicket as compared to the competition in the country today. So, we have been waiting for this opportunity and as a brand we should reach to that higher capability of having largest single ship in the country covering those remote geographies as well, which we have developed now.

Shikhar Mundra: So, who is the largest player in the institutional business and what is their share and how do we differentiate with respect to them as in what capability do we have…

Neeraj Malik: Okay. Shikhar, I want to tell you this if I am reading your name correctly what you are talking… see nobody is able to dominate continuously in terms of the position in terms of staying in #1. So, it oscillates every time okay. You know, again I say it and that is what Anuj very beautifully explained the nature of our industry is depending on the schedule of examinations. It is not a consistent business this spike. So, there are years in a particular financial year or a fiscal year where for one of our players the delivery happens, and they take the #1 slot alright. There are times when the other player gets the slot from a different customer, different examination, so they take our spot. There is no fix which is in the industry that yes this is called as the #1 player, this is called #2 player and they have been dominating continuously. So, it is oscillating every 9 months, 12 months, 18 months, so it is depending on the scheduling which a government does it. You have to understand. So, let us say I will give you an example. So, one of our customers, let us say if they say that yes, we want to conduct exam. The file itself will go to multiple levels for an approval in terms of scheduling examination, funds approval, scheduling examination, asking for an application, conducting examination, giving the results, and then we realize revenue. Okay. So, it might take - sometimes a physical year gets passed or a financial year gets passed. So, having said that, saying someone is the #1 or is #2 is not probably very easy to differentiate today at least in the examination business.

Anuj Kacker: But some of the major names like TCS, MeritTrac and…

Neeraj Malik: MeritTrac is no more practically in the business, Sify has moved out practically is in a very small scale, NSEIT used to be a competition somehow, they have reduced their penetration in the examination space so right now if you ask me there are two legitimate players. Instead of calling one and two I would say two players competing with each other is TCS and Aptech. Now how much we will get and how much we will deliver, and it is purely depending on individual organizations capability to digest the revenue and chew it better. But industry is available.

Anuj Kacker: Another point which may give you some comfort to your question is the fact that when a customer wants to give a large order it tries to look for past track record of delivering examinations of similar magnitude. The fact that we have delivered large format examinations in the recent past certainly works to our credit in bidding for such large contracts in the future. Which many of the people or the smaller players are unable to demonstrate.

Shikhar Mundra: Alright.

Neeraj Malik: In fact, Anuj just to add one thing on this in terms of giving comfort to everyone, we are also working very aggressively within the organization in terms of creating a strategy which we have already discussed at how to stabilize this business so that the next time or in the coming future when such conversations are happening with you or with anyone, we should be able to give you more comfort in terms of the stability to the business in the AVG which we are continually evolving and working.

Sidharth A: Right Neeraj. I think let us move to the next person. I think Shriram has been waiting for quite some time.

Shriram: Yeah.

Neeraj Malik: Alright.

Sidharth A: Shriram if you could kindly introduce yourself with your full name and your company name.

Shriram R: Yeah. Shriram Rajaram here. I am an individual investor. I have a very basic question. You know as we all are aware that there has been change in regulation with respect to GST and the entire gaming industry is facing tough times. So, I would like to understand how we are impacted. Because we are in the training business so…. Some thoughts on that.

Anuj Kacker: Yeah. I will take that. I think the effect of the gaming of the GST impact or other regulations also on the gaming industry is of very marginal or very delayed peripheral impact on us if at all because the category of gaming which is getting affected by that is mostly online gaming and more in the gambling kind of a phase and that is not really the forte that we would anyway be concentrating on. So, the effect of that would be marginal in my opinion.

Shriram R: Okay. Thank you.

Sidharth A: Thank you Shriram. Yeah. Tarun if you could kindly introduce yourself with a full name and company name…

Tarun Gupta: Yeah. Hi. Good evening, everybody. I am Tarun Gupta from Relay Investments. So, I had a few questions so I will just ask them. One is that if Anuj sir if you could just probably clarify it for the sake of everybody on the… this Jammu and Kashmir board case right. So, I have been reading few articles and I think Dr. Pant earlier also had clarified, but I think there is some still some kind of clarity if you could just throw some light on what actually is the situation if you are impacted and going forward do we see some business degrowth from that particular segment. That would be the first question.

Anuj Kacker: Would you want to ask all of them together?

Tarun Gupta: Yeah. I can… sorry.

T. K. Ravi: Anuj on Jammu and Kashmir can I answer?

Anuj Kacker: Yeah. Sure.

T. K. Ravi: Yeah. This is Ravishankar. So incidentally we just got the order today from the Jammu High Court. The petition which was filed by the petitioners has been dismissed. So, therefore the examination that Aptech had conducted has been declared absolutely okay and in accordance with law and therefore we are now hoping to go ahead with the party and possibly the second phase of the examination may also come through for us. The amount which had to be paid to us is also likely to come through given the fact that the petition has been dismissed and is in our favour.

Tarun Gupta: While on one hand that is good news, I mean I genuinely want to get some kind of at least short term clarity I know it could extend for a longer period of time in sense of these are legal cases, right? So, in that sense in all fairness how do we see that impacting us because again I am sure there would be some counterparty arguments or things like that. So, on a short term basis how do you see that the impact or no impact or if you could just throw some light on that as well.

T. K. Ravi: I guess in the last about 5 years this is the first incident where some of the guys have gone to the court saying that the examination should be declared null and void and likely after the matter was considered in depth by the court, they have dismissed the petition. So, these kind of PILs are very infrequent I would say, and it has not been there for the last about 5 years that I have seen.

Tarun Gupta: So, should we assume that little or no impact on a practical basis assuming a reasonable probability?

T. K. Ravi: Yeah.

Tarun Gupta: Okay. Further question sir I think previously while Dr. Pant was there at the last call, we had given a high level projection of about 700 crores for the coming or ongoing FY about 100 centres addition. So, I know you just explained it is a bit of a lumpy business and there are lot of variations, so on a net-net basis do you think us reaching to that and how do you see the H1 versus H2 spread going forward? In sense of revenue contribution including your global institutional as well as Retail business?

Anuj Kacker: Yeah. As I said earlier, I would like to shy away from giving any guidance whatsoever for the same reasons that I mentioned earlier. Any guidance has to be based on certain factors, which are largely predictable. If the predictability of those factors were beyond a certain bandwidth, then I think those guidance(s) can fall flat or be also exceeded on the positive side by wide margins that will defeat the purpose of any guidance. Therefore, I would like to shy away from giving any guidance whatsoever. However, having said this I think the guidance does come in terms of what is happening in the industry and if one is interested, I can talk more about how I see the industry going in terms of what rates and all of that.

Tarun Gupta: Okay. I just had one final question. I will get back in the queue for more questions. So, I know you have a great team and there is everybody there so on the management succession, do you have any plans or immediate plans, or the current team is good enough to carry the baton forward?

Anuj Kacker: I think the current team is good enough. I mean all people including me and Neeraj. Neeraj, as I mentioned has been with the company since 2016. It was just for a very short time that he had moved away and is back now to head the AVG business which is what he was doing earlier. I have been with the company for 20 years, part of the Global Retail business heading it for the last so many years, so I don’t see challenge as far as the……and all the people in the other teams as well as the teams below us are all in place. So, there is zero impact on continuity.

Tarun Gupta: Okay sir. Thank you for the answers. I will get back in the queue for more questions. Thank you.

Anuj Kacker: Yeah.

Sidharth A.: Yeah. Thank you very much Tarun. Now our next question is from my very good friend Mr. Sunny Gosar. You need not introduce yourself. You are from MK Ventures.

Sunny Gosar: Thanks for taking my question. So, I have one question on the Retail business. So, if we look at the bookings number so like say in FY23 we had a Booking YOY growth of 50%. Similarly, in Q1 on the Domestic Retail again we have like a 35% growth in the bookings. But if we look at the revenue translation for the Domestic Retail, the revenue growth or the Billing growth to say so has lagged the Booking growth and I understand there will always be a lag because the Booking is for the entire course and Billing happens in phases. But when we see these numbers or say 50% Booking growth for FY23 when do these numbers start also reflecting in our revenue growth or is there always a lapse which happens between Booking and the billing? So, how should we look at that and how will the growth look like going forward.

Anuj Kacker: An excellent question and if I permit two minutes of everybody's indulgence to understand it, because it is key to understand the numbers behind our financials. See, Booking is a lead indicator. So, what is booking? Booking is the totality of the fees which the student is committing to pay on let us say enrolled form. So, if it is a 3-year course, the sum total of the 3 years fees is what is called the Booking number. The students have the options of paying this in one lump sum or in equated monthly instalments if not equated, in monthly instalments of various prescribed denominations. The actual money paid by the student in any given period is what is referred in our language as billing. So, you have to see both these numbers in tandem to be able to understand it. The income is derived as a share of the billing, but the Billing and if there are…. let me report it this way - a significant portion of the income is derived from a portion of the billing. Now, here is the thing. There is a something which we call billing-to-Booking ratio. That means how much of that Booking am I translating into billing. Now, as you yourself said there is a lag effect here and as long as one is in a growth trajectory this lag will continuously remain. This lag will catch up with each other only if there is no growth and over a let us say about 2-3 years period if the growth stagnates, then obviously the Billing will catch up with the Booking because it is a rollover coming in from previous periods. Now, when you look at the income figure okay and here, I am talking about the royalty model and not to confuse it with the change in accounting methodology is again a percentage of the Billing figure. Given the fact that we are operating various brands these percentages also vary. So, depending on which brand is moving forward at what growth rate, the brand mix will also determine the translation of these figures. Therefore, suffice to say if you were to look at it at a very microlevel you will be able to decipher the differences but the macrolevel they will work in tandem with each other, but they will not work at exactly the same percentages. They can work either higher or lower, but the good news always will remain with the Booking figure is higher than the

Billing figure in terms of growth. The moment the reverse is happening is indicating a low growth situation.

Sunny Gosar: That is very helpful, but you have sent additional questions to this would be that when does then the Billing catch up with Booking at what lag? Because like last 3-4 quarters we are seeing stronger Booking growth than the Billing growth do whether this Billing growth rates will start matching the Booking growth rate? At what point in time can we look at that.

Anuj Kacker: No. See it is like this. If a Booking number is let us say a 100 okay which is coming at a 20% growth rate and will reach a figure of 100. Now next year there is another 20% growth rate for example it will reach 120. This will go on. Now your question is if my Billing number is continually remaining at say 18% why is it not crossing 20%? Is that the question?

Sunny Gosar: Yeah. Because see I will explain it in some numbers. So, like say last year…

Anuj Kacker: I am sorry I got the question, but if that is the question, the answer is very simple. The answer is that Booking there will be always some difference, small difference between the cumulative Booking and the cumulative Billing over a long period of time. Why is that? Because certain students would choose to get employed even prior to completing their course. Or he may choose to downgrade. So, that is why I said you have to view these flames as heat indicators and not necessarily quickly do the arithmetic to jump from a Booking percentage growth into a future income percentage growth. That would be misleading.

Sunny Gosar: And one more related question to this is right now because you are moving to the student delivery model, is the lag getting accentuated? Because had it been the old model, your recording of the actual revenue would have been faster than the current model. So, as the proportion of student delivery matures, then there could be a more evened out growth. Is that also the right way to think about it?

Anuj Kacker: Yes. It is the right way. Ravi, can you explain it in more clear terms? Once the fully accrual model is matured, let us assume everybody is onto the same model, on to the accrual model, you will find that two things will happen. One is the seasonality effect will become much lower okay because now your accrual model records or recognizes a revenue based on academic delivery. So, if there are classes happening every day which they generally as they would happen, the amount of revenue accrued would be equal. But unlike in the current royalty model it is depending on how much the student is paying. Right? Which can move up and down. So, to answer your question clearly, yes it will even out once the let us say full maturity has taken place or full transition has taken place.

Sunny Gosar: Right. Got it. That is very helpful. My second question is on the International Retail. So, if we look at say the Q1 numbers for International Retail to the enrolment growth is much faster or much higher than the Booking growth. So, Booking growth is at say 2.8% as compared to enrolment growth which is like very high double digit. So, how should we rewrite the…

Anuj Kacker: It is clearly a country mix issue. See in international, we are dealing with a vast mix of countries operating at different price levels and each having their own growth trajectories. This discrepancy or variation which you are seeing in last quarter figures is directly coming from a country mix issue.

Sunny Gosar: Okay. Got it. And is there some impact of the Nigeria devaluation also in the Booking value has that also impacted that? Because the number of students may have remained the same, but because of currency translation your Booking value would have come down. Is there any impact of that?

Anuj Kacker: In Q1 it is marginal.

Sunny Gosar: Okay. Got it. And one last question before I come back in the queue so basically, we have said 147 crores of cash as on June and assuming that we improve upon our FY23 performance, and our cash conversion cycles remain like they are right now, we are left with substantial amount of cash by the end of this year, so how is the company thinking about capital allocation? Is there any thought process in terms of shareholder payouts or any end use of this large cash pool?

Anuj Kacker: Yeah. See shareholder payouts are obviously matter of the decision of the board, however we have a consistent dividend payout policy as per which the board is time-to-time deciding. Either payout either in terms of dividends or any other route. I think as far as the management is concerned, the utilization of the cash in terms of growth is something which constantly occupies our mind. We have been utilising the cash in terms of investing into technological areas and enhancing our content development and enhancing the various elements of digitization which go into our delivery process. And this is both on the AVG side as well as on the Retail side. So, we have been consuming cash on that front. As far as inorganic utilization is concerned of the cash, we are constantly on the lookout to see whether there is any synergistic opportunity. So far there is nothing that I have to report on and if there is something to report on, through the appropriate channels we will get back to you.

Sunny Gosar: Great. Thank you so much for…

Anuj Kacker: We keep our eyes very open and things. Even if I do not look at just one comfort with this question comes up practically in every quarterly call given the high levels of cash, we have been…

Sunny Gosar: And it is a good problem to have to say so.

Anuj Kacker: Yeah. It is a good problem to have certainly. And it is by design. It is by nature of the fact that we have been able to maintain, achieve growth rates which we have and yet have those cash surpluses is a testimony of our model itself and the testimony of the faith of our customers and our intermediaries, franchisees have in our business. So that is a good problem to have. Yes.

Sunny Gosar: Great sir. Thank you so much for the detailed answers and all the best for the coming times.

Sidharth A.: Thank you Sunny Gosar. Your questions were really interesting, and we move on to Ashwin Reddy. Ashwin if you could just introduce your company's name?

Ashwin Reddy: Sure. Yeah. Hi. This is Ashwin from Samatva Investments.

Sidharth A.: Yeah. Welcome, Ashwin. Please go on.

Ashwin Reddy: Firstly, congrats team on very strong numbers and also our heartfelt condolences on Dr. Pant's passing. So, we have a few questions. So, the first one is I am trying to understand historically has there been any correlation between the end user industry and our business in terms of the Retail business meaning right now there looks like there is a slowdown in the VFX and animation industry because of what is happening at Disney with Netflix and Amazon lowering their budgets. Has there been any correlation or with a lack going ahead between the global macro and our business?

Anuj Kacker: An excellent question. Thanks Ashwin. The clear answer is there is no perceived effect that we have seen, and we do not expect to see that effect at least in the near future unless this prevails for a very long time which it won't. It is coming from more a kind of a generative AI driven type situation in the U.S., but this also impacts a very…… just the A++ category of studios. But unfortunately, or fortunately these studios get a larger share of voice in the media and create perceptions. The fact is that the number of students of ours who get employed in those studios which are impacted directly by the services outsourcing industry from U.S. in particular is so miniscule. To be able to directly project this into an impact thing is really an exercise in futility, but having said this, three things are likely to happen as far as the industry is concerned. One is this itself is a short term effect and will go away, #1. #2 the industry even if I talk about the bigger studios today there are multiple sources of revenues that they have, and service is just one of them their own IP creations are going very strong plus the technologies of the training is being utilized across so many different areas then it is just reducing the share of that effect so small that it is not worth talking about.

Ashwin Reddy: Understood. Got it. This is very helpful actually. And just taking a cue from what you mentioned about the gen AI and the stuff so and making this to our course churn for example within MAAC or Arena so how frequently do we change the courses to include these kind of gen AI courses or say some software which are now or is there more which can be taught within MAAC or Arena and is there any churn rate that you measure within the courses that you have within MAAC or Arena etc.

Anuj Kacker: Okay. There are two parts to this question. One is use of Generative AI in terms of creating our courses or for that matter all the other aspects of our business.

Ashwin Reddy: No, no I see sorry. To clarify say for example there could be a course like a RunwayML, or it can be a software where you could design a course on a software like RunwayML. So, how frequently would these things come or what are the churn rates within your existing courses? Again …

Anuj Kacker: Okay. Churn rate is pretty high given the fact that we are in the technology business or training for the technology-oriented jobs. The fact is that of course our churn rate is high. We update our courses on an ongoing basis, but certainly every year there will be 2-3 new courses which will be significant courses that we will be introducing and there would be upgrades to our existing courses. And that is a constant thing which we have been doing over the last 30 years on an ongoing basis and that is where lot of our investments go in. Now specifically on the opportunity presented to teach gen AI, is an area fraught with its own risks because by the time you have conceived it and gone ahead with a course it is likely to be obsolete. So, currently our focus is on use of gen AI rather than teaching gen AI itself.

Ashwin Reddy: Right. Got it. And then moving on to Lakme, so Lakme has an interesting growth since it was conceptualized and scaled up. So, right now where are we and if you could throw some light on the next 3-4 years how do you think about Lakme on the domestic context and is there any option to scale it up at the international level also? Is there anything to tie up with the originator or scale it at the international level and any thoughts on the domestic Lakme for the next 3 years?

Anuj Kacker: Yeah. So, Lakme has been or LAPA as we call it Lakme Academy Powered by Aptech has been one of the businesses in the last 5 years which has succeeded big time for us and today we may be at the #1 in the industry in 5 years' time overtaking other competitors who have been in the industry for 20-25 years. So, that has been a feather in our cap. We are currently in the excess of in the region of 120-130 centres the team will correct me if I am wrong which are currently there, and we are adding centres about 5 in a quarter on that front. Five or seven odd in a quarter so that is a good part of it, but even the broader context of your question which is we are also teaching only certain sub segments now the sub segments themselves are expanding. There are many adjacencies within the beauty space where Lakme has expertise to be able to deliver those process, so we are in active discussion with them to launch some of those courses as well. Now, as you know LLPL that is Lakme Lever Private Limited is part of the Unilever Group. Unilever Group itself has other subsidiaries Dermalogica is one of them and many which are leaders in the skin space for example. We are in discussion with them to launch those courses as well. So, even without going away from the Lakme thing which we do not intend to do right now, there is sufficient scope for us to go on adding and growing to newer segments we added within this current alliance itself. Now the second part of your question whether we want to take it international, currently we do not want to take it international because of the first reason itself because we still want to exploit and finetune everything that we are doing in the domestic space. Having said this our agreement does provide for it on paper. That should both the parties be willing to take it internationally we won't need another agreement, we can do it within the context of the current agreement.

Ashwin Reddy: Okay. Great to know that. And my final question is on the preschool front. Is there any plan to revive the plans that you had on preschools? Because I think it was there and then it kind of got slowed down. But is there any plan or do you see any vide space where you could get in and expand this?

Anuj Kacker: See, our timing of the entry of the preschool space was a little unfortunate given that we got impacted it came in just a couple of years before COVID and then preschool space was the space which got maximum impacted by the COVID because it was the first to close and the last to open and totally about 100 percent with no scope obviously of any remote delivery and everything else which happened in the K-12 and higher education space. So yes, it was impacted, but post the extended COVID getting over we have started rebuilding that business and today it is not burning money, it is in the black more or less in the black at the business level.

Ashwin Reddy: Okay. Great. Thank you so much and wish you all the very best for the future.

Anuj Kacker: Thank you.

Sidharth A.: Dr. Kacker, if you allow, I would like to ask one question on LAPA.

Anuj Kacker: Sure.

Sidharth A.: Ok, two questions. Who is the target population in LAPA? There is a reason why I am asking.

Anuj Kacker: Yeah. So, our target population is people who are seeking employability at let us say a lower middle class level because there is huge mass out there. Young people who are perhaps not even able to do class 12 or at best struggling to get into graduation and they see a great avenue of earning this livelihood and turning their skill into a productive earning methodology. And in that is where the maximum of our people is coming from. Having said this, the aspiration level of this getting into the salon industry is growing even in the middleclass and the upper middleclass segments. It is getting aspirational even there. So, we are actually introducing certain courses which are attracting them because they obviously have a higher paying capacity. We are titrating our course mix also to be able to attract a vast audience, but still our bread and butter is still the low middleclass to entry level middleclass. Also, it is in the gender mix. You know what was earlier considered almost the exclusive privilege of the female gender today we find almost 20%-30% of our audience coming from the male segment particularly in the hair styling and partly in the beauty segment as well. So, those are trends which are good for us because it increases the total addressable market for us.

Sidharth A.: Yeah. Your time increases and okay and what would be the average duration of the course?

Anuj Kacker: Okay. Caveated answer the most courses are of 6-8 months duration but having said that we have introduced a couple of years back a 3-year program which is an amalgamation of many of these different courses which is getting very good traction. Which is actually growing faster than the other subsegments. So, what we should expect is that going forward or even if you take the last one-year analysis you will see our Booking growth growing faster than the enrolment.

Sidharth A.: Okay, fine. Once a couple of months back, I was traveling in the Mumbai local, and I was pleasantly surprised I saw Lakme, and I just thought I just remembered Aptech, and I read the full ad it was Lakme Academy Powered by Aptech. So, that is the reason…

Anuj Kacker: I am so glad you saw that otherwise you would have questioned our marketing - so my marketing money where it is going.

Sidharth A.: No, no. You know I am a very big fan of Aptech so there is one in Vile Parle close to my office Vile Parle East there is one Lakme I think it is a parlour or salon, but every time I keep on reading has it changed to Lakme Academy Powered by Aptech. But, till now it is the same in pink colour, I think. And sir secondly.

Anuj Kacker: I have to clarify that. Lakme salons work independent of the Lakme Academy Powered by Aptech. So, while 20%-30% of the owners may be common, but that has nothing to do with Aptech. That part of the business the salon business is directly done by Lakme Lever Pvt Ltd., and it is not part of the Aptech academy.

Sidharth A.: So, do you have any tie up for placement over there?

Anuj Kacker: Yes, of course, Lakme is one of our major, let us say, recruiter from the Aptech fraternity or LAPA fraternity.

Sidharth A.: Okay. Sir, second question I am seeing that no one is raised so I am taking the liberty of my second question what does Aptech do so much better I should use that in 5 years we have become India’s largest, and our investment fraternity we have got 30 people on the call they will always think about what are the entry barriers to it. Why cannot anybody else replicate it and we are talking about Aptech doing so much becoming the numero uno player in just 5 years. So, what have we done so differently or what do we always do so differently?

Anuj Kacker: See, I may like to answer this. This is a question I get asked pretty often so I have a canned reply for it. But it is also coming straight form the heart. I think the strength of Aptech besides its brand and all of that is the fact that we have 600 relationships with the franchise community. So, for us to be able to scale up let us say a product like LAPA is to be able to draw people straight from this community and get them to invest. You know our DNA is that of a partner model, so we prefer that route and therefore it is relatively much easier for us to do it. Now just imagine you can take the people in the deepest pockets to come up. They can blow it up in the market to attract the customers. To develop 600 stable relationships, it takes a generation okay and which is the key differentiator we have and that is why we are able to scale up. Second key thing which you asked from a point of view of an entry barrier, see the very fact that we have trained lakhs of students in Aptech gives us access to alumni and referrals coming from the alumni. They are like I did it from Aptech why don't you also go to it or whichever brand of Aptech that they have done it from. So, here recall of Aptech and the relationship we carry with the alumni and the industry is a huge entry barrier for everybody. It is not easy. The kind of marketing money you will need to blow up just to get that level of recall, if you do your arithmetic you need to be a Byju's.

Sidharth A.: No, we do not want to be a Byju's. I got it sir. So, we will spend more time with you later I am just seeing in case any participant has I think yes Shikhar Mundra had a question which is also posted on the chat that what are the fixed and variable costs in the Retail and institutional business and Shikhar in case I have missed any of your questions you can ask you have already raised your hands.

Anuj Kacker: You are talking of what are the heads under which each one of these comes or is he expecting the…

Shikhar Mundra: Yeah. Shikhar this side. Just wanted to understand what are the fixed costs and the variable cost so I want to understand the cost structure for each of the businesses institutional and the Retail.

Anuj Kacker: Ravi you will take that?

T. K. Ravi: It is not in the public domain the differentiation between the fixed cost and the variable cost so, it is a call that you have to take Anuj. Because normally we give the net margins in each of the segments.

Saurabh Gada: The PBT levels are there.

Shikhar Mundra: I know. I asked it because we were talking about operating leverage earlier so just wanted to understand how big that can be.

Anuj Kacker: See operating leverage when we talk about it is in the context that the bulk of the investments which are required to run this business comes in from the partner at the centre. The investment in the men, machines, at the centre level comes in from the partner and our investments are very limited as far as that is concerned. So, that is where the operating leverage comes in. That is what we mean when we say operating so if there is any additional investment incremental or marginal investment which is needed to scale up is generally put in by the partner and not by the company. Whereas our costs are more in the nature of sunk cost or long term costs.

Shikhar Mundra: Alright. Thank you.

Sidharth A.: I think we have a follow-up question from Ashwin. Ashwin is it the old hand raised or a new one.

Ashwin Reddy: No. I raised it again.

Sidharth A.: Yeah. Please go on.

Ashwin Reddy: So, I just wanted to get some more thoughts on Creosouls as a product where it is today? Where it is today given the activity in the AVGC industry and all - what can we add to the product to make it better and are we thinking about scaling it up in the next 3-4 years?

Anuj Kacker: It is certainly at some stage a productizable platform. As of now, we have not productized it. But we are going on adding the features. If you have seen Creosouls, every time that you go to it you will see something new there. So, we are going on investing and adding new features. At what stage we will productize it is too early to say. But as of now it is open only…. But the kind of value that our students are deriving from it is immense.

Ashwin Reddy: Got it. Say but versus your initial expectations and where it is today and so what played out better than you thought and what was a little lower than what you thought in terms of how it will play out when you conceptualized it.

Anuj Kacker: Difficult question. I think by and large we are happy with what we are doing there. And every quarter we try to do something new or better today the adoption has become… our initial challenge was really to be able to get students on to the platform. See it is easy to make a platform relatively and it is relatively easy to add new features. But the proof of any pudding is how many people come on to that, right. And there has to be a reason for him to revisit. The student is also charged a small amount for being there. So, in a sense there has to be good enough value addition for the student to be able to come on to it every day or come on to it at a regular frequency. So, that is what we concentrate on and that is true of any online platform really. It is easy to make the hardware and the software, but it is more difficult to get the platform there.

Ashwin Reddy: So, what is the engagement like of your ex-students do they also engage with it, or it is only for the current students, and it is not really for the ex-students of Aptech?

Anuj Kacker: It focuses towards the current students. Now, we have built up a separate platform I think Pravir you (may) want to talk about it.

Pravir Arora: Yeah. Sorry I was on mute. Just as Anuj said we do understand it is very important get connected back with the alumni and we have close to about 7 lakh people and more than 7 lakh people who have in the last couple of years graduated from our centres. We have done a pilot and we have started with the Arena and there is a new platform that is being… it is already on the beta, and we have 42,000 people already enrolled on to the platform. The idea is now to have the rest of the people in Arena get on to. There are whole lot of benefits that we are providing in terms of being able to give them masterclasses, give the alumni what is happening in the industry, giving them in terms of what are the new jobs available in the industry because on Creosouls you will find jobs which are essentially for freshers, but on the alumni portal you will essentially find jobs which are post pre-requisite years of experience. So, there is a whole lot of value adds that is being planned in terms of it. All of that is in place. The content tags are in place. And as I said for Arena, we already have 20,000 people as a pilot on to the platform for a beta testing and we have been successful in doing that. So, the next stage that we are doing there is in terms of rolling out of the balance people in Arena and adding similar stuff for MAAC. So, that is the next level that you will find us doing.

Ashwin Reddy: Got it. And what website is this may I ask? Or what is the name of the product on the website?

Pravir Arora: It is called Arena Almashines. It has got a website and it has also got an app both on the iOS and Google.

Ashwin Reddy: Great. It is a fantastic initiative. Thank you so much for clarifying that.

Pravir Arora: Thanks.

Anuj Kacker: Actually, if I might add one point to this, I think if we could just look at it from a strategic point of view, one is to get connected to the alumni is all great and all of that. But it has got a broader strategic role that till if I don't have this, then what is really happening that I am associated with a student for 2-3 years and then really, he is on his own developing his career. Once all these pegs are in place it is then that my value proposition transcends and says I am not here only to get you your first job. I am with you throughout your working - next 30 years of your working life. Idea is to build up peg points and touch points which go on reconnecting with him in different relevant ways to him to be able to do it. Here again, as I said in the case of Creosouls here again the challenge would be to go on getting enough value adds there for people to go on coming back to the website or website or portal or app. So, the usage of the app the usage will be the key determinate. And of course, once that hook is established then it is easy to get referrals.

Ashwin Reddy: Got it. Great. Thank you so much for clarifying that. Thanks.

Sidharth A.: Yeah. Thank you, Ashwin. Do we have any more questions? Okay. Well, I cannot see any hands raised on my laptop, so with this detailed discussion I would like to thank Dr. Anuj Kacker and the entire top management team of Aptech for your valuable inputs today. Trust me, sir, we all learnt a lot on the sector and Aptech my favourite company in particular and go back extremely excited about the company's future. Also, thanks to all my colleagues at Systematix and all our clients for participating in the call today. Thank you very much Dr. Kacker and the team.

Anuj Kacker: Thank you so much. Thanks to everybody for sparing the time and being here and thank you for all your investments.

Sidharth A.: Yeah. And sir we look forward to an active engagement with you in the next couple of days to go deep into the… okay? Thank you, sir.

-- The End --