CL Educate Ltd — Feb 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

The fundamental thesis has transitioned from a B2C coaching story to a B2B "High-Stakes Assessment & Digital Infrastructure" play. While the legacy EdTech (test-prep) business is enduring a painful structural reset, the DEXIT (formerly NSEIT) acquisition has emerged as a high-margin annuity engine that now generates nearly 75% of group EBITDA, effectively floor-padding the valuation.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline (Revenue) / Beat (DEX EBITDA)	9M Revenue up 67% YoY (□445 Cr); DEX EBITDA margins reached 21.6% (vs 19.5% LY).	□
Earnings Quality	Low (Accounting Loss)	Consolidated PAT of -□15.7 Cr is obscured by □28 Cr in non-cash IndAS entries and □5.3 Cr one-time labor costs.	□
Guidance Confidence	Neutral	Mgmt admits EdTech "difficult period" to last 2-4 more quarters; DEX rollover is 100%.	□
Management Credibility	Strong	Successfully renewed IRDAI (critical client) at "substantially increased price" post-acquisition.	□
Business Quality Signal	Improving (B2B)	Shift toward on-demand assessments (mySathi) creates a scalable, non-seasonal IP.	□
Key Q&A Exchange	Q# 4 (Fundraise)	Promoters providing bridge loan to address "acute short-term stress" ahead of □50 Cr equity raise.	□
The Street's Primary Anxiety	Leverage & Interest Cost	Actual interest cost of □21 Cr plus □19 Cr non-cash interest is consuming all reported profit.	□
Capital Cycle Stage	Consolidation	Integrating DEX and sweating assets while seeking a "strategic unlock" (DEX IPO/Sale).	□
Margin / Return Ratio Trajectory	Deteriorating (Net)	PAT margins crashed into negative territory due to □68 Cr combined Finance + Depreciation drag.	□
Pricing Power	Eroding (B2C) / Expanding (B2B)	EdTech shifting to low-ticket "1000 series"; DEX securing price hikes in regulatory renewals.	□
FCF Conversion & Quality	Distorted	Operating EBITDA is strong (□59 Cr), but cash is swallowed by debt servicing and escrow locks.	□
Competitive Moat Signals	Widening (DEX)	70 Lakh exam capacity and empanelment with institutions like IIT-M and IIM-B.	□
Balance Sheet Strength	Stressed	□210 Cr acquisition debt remains the primary overhang; bridge loans from promoters required.	□
Working Capital Efficiency	Stable	Receivable cycle at 60-75 days; DEX provides steady annuity-like inflows.	□
Mgmt Guidance Track Record	Reliable	Delivered on DEX margin expansion and synergistic "Live Exam" center usage for CL students.	□
Key Vulnerability / Red Flag	Cash Stress	Promoter bridge loan confirms that debt-servicing is currently outstripping internal accruals.	□
Management Tone	Pragmatic	Candid about B2C "structural disturbance" while aggressive on "disruptive" mySathi IP.	□

Sentiment: □Positive (DEX/MarTech) | □Negative (B2C Margins/Interest) | □Neutral (Accounting Net Loss)

Key Takeaways (Positives & Negatives): * **Positives:** The DEX acquisition is a successful "pivot" for the company; 100% client rollover (including IRDAI) and 12% proforma revenue growth prove the resilience of the B2B segment. The MarTech international arm is scaling (APAC +33%), and the new **mySathi** IP (Adaptive/On-Demand Testing) leverages DEX infrastructure to create a potentially high-margin SaaS funnel for universities. * **Negatives:** The legacy B2C EdTech business is in a "structural flux" as students migrate from premium classroom coaching (High-ARPU) to self-study/low-cost digital variants (Low-ARPU), leading to a 39% drop in EdTech EBITDA. The □210 Cr Piramal loan carries a heavy 11.9% interest rate, which, combined with non-cash IndAS 116/RPS interest, has driven the bottom line into a significant accounting loss. * **The Street's Main Concern:** Analysts are hyper-focused on the bridge loan from promoters and the timing of the □50 Cr fundraise. Management's response indicates this is a temporary liquidity gap caused by the heavy backend loading of the acquisition debt, but it highlights that the company is currently "living on the edge" of its cash flow. * **Watchpoint:** Success of the **mySathi** monetization (target: □6,000-8,000 per student via EasyApply upsells) and the execution of non-core asset sales (□25-30 Cr target) to de-lever.

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2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (9M FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	445.1	↑ 67.2%	↑	↑	Volume-led growth driven by DEX consolidation (□194 Cr) and MarTech APAC gains.
Gross Margin (%)	Not Stated	N/A	N/A	→	Focus shifting to Segment EBITDA as primary margin indicator.
EBITDA (□Cr)	58.8	↑ 120.2%	↑	↑	DEX margin expansion (+300 bps) offset EdTech's 39% EBITDA contraction.
EBITDA Margin %	13.2%	↑ 318 bps	↓	↑	9M FY25 was 10.0%. Current mix: DEX (21.6%), EdTech (14.6%), MarTech (9.3%).
PAT (□Cr)	(15.7)	↓ 456.8%	↓	↓	PAT of □4.4 Cr LY. Dragged by □40 Cr Finance Cost (incl □19 Cr non-cash IndAS).
ROCE (%)	Not Stated	N/A	N/A	→	Suppressed by recent high-value DEX asset base/ goodwill.
Cash Flow (OCF)	Not Stated	N/A	N/A	→	Mgmt notes "short-term cash stress" despite □59 Cr EBITDA.
Net Debt (□Cr)	210.0	↑	→	↓	Piramal loan for DEX; Promoters providing bridge loan for liquidity.
Interest Coverage (x)	1.47	↓	↓	↓	Calculated on Total Finance Cost; Actual cash coverage is slightly higher at ~2.8x.
Working Capital	60-75 Days	Stable	Stable	→	DEX receivables are efficient; MarTech remains cyclical.

2B. SEGMENT BREAKDOWN

Segment	Revenue (₹Cr)	YoY Growth	Margin (EBITDA)	Trend	vs Co. Avg	Key Development
DEX (Assessment)	194.0	↑ 12%*	21.6%	↑	Above	100% rollover; IRDAI renewed; IIM-B and Ashoka added as new segments.
EdTech (Test Prep)	127.2	↓ 15.4%	14.6%	↓	Inline	"Structural shift" to low-ARPU variants; CUET performing below expectations.
MarTech (Kestone)	123.9	↑ 6.9%	9.3%	→	Below	Int'l revenue (₹41 Cr) growing faster than India (₹81 Cr); Air India biz restarted.
Publishing	Not Stated	→	~10%	→	N/A	Shifting toward "Product offering" rather than just books; Author-led series growing.
DEX YoY growth based on management's proforma comparison to prior year.						

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	Debt	Entirely deleveraged in 24-36 months.	Needs ~₹70-100 Cr annual FCF or major asset sale; current FCF is tight.	First entry	High
Guidance	mySathi	Monetization to grow from ₹500 to ₹6k-8k per student.	Needs 10x upsell via "EasyApply" (14k forms currently sold).	In Progress	Moderate
Strategy	DEX Integration	100% Rollover of NSEIT clients.	Achieved; final client (IRDAI) renewed in Q3.	Delivered	Low
Strategy	EdTech Bottoming	Recovery in 2-4 quarters.	Dependent on volume scaling of "1000 series" to offset ARPU drop.	Missed (Prior)	High
Strategy	Asset Sale	Monetize land/buildings worth ₹25-30 Cr.	Ongoing; seeking buyers for Raipur land and Delhi/Mumbai properties.	Delayed	Moderate
Strategy	Fundraise	Raise ₹50 Cr via equity/ strategic stake.	Committee formed; discussions with financial/strategic investors ongoing.	First entry	Moderate

4. ANALYST Q&A

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
1	5.0	Guneet Singh	EdTech Performance	Business Overview	Why is the standalone business (EdTech) making losses?	Arjun explained that the □210 Cr DEX acquisition loan sits on the parent books, and the interest cost + IndAS entries for preference shares drive the standalone loss. Investors must separate the operational health of test-prep from the acquisition leverage sitting at the parent level.	None	5.0	Clear & quantified
2	4.5	Guneet Singh	DEX Seasonality	Business Overview	Is there seasonality in the DEX business?	Mgmt noted certification biz (IRDAI, ICAI) is year-round annuity, while recruitment/ entrance exams follow RFP/tender cycles and actual exam dates. This confirms DEX as a more predictable "H1 heavy" anchor than legacy coaching.	Specific H2 targets	4.0	Directional evidence
3	5.0	Unnamed	Fundraise/ Debt	Financials	Why are promoters providing loans and how will the	Satya confirmed promoters are providing bridge liquidity for	Valuation expectations	3.0	Bridge loan confirmed

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					□50 Cr be raised?	"short-term cash stress" while seeking to raise □50 Cr equity within 10 weeks to retire debt. This is a clear signal that debt-servicing is currently outstripping cash generation, making the fundraise critical for survival/ growth.			
4	4.0	Manoj Bagadia	Debt Terms	Financials	What is the tenure and rate of the □210 Cr loan?	Arjun specified a 6-year loan at 11.9% interest, with repayments back-ended toward the final 3 years. The high coupon rate remains a significant hurdle for PAT growth until the principal is reduced.	None	5.0	Specific terms given
5	4.5	Rahul Bansali	EdTech Pivot	Management Commentary	Are we looking for strategic partnerships for EdTech given structural risks?	Gautam Puri confirmed they are open to partnerships where others ride on their 120-city network, though nothing is currently signed. This	Potential partners	3.0	Vague but consistent

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						signals mgmt recognizes they can no longer "go it alone" in a low-margin B2C environment.			
6	4.0	Henin	MarTech Int'l	Business Overview	How is the mix of international vs domestic revenue panning out?	Nikhil Mahajan stated international is 35% of revenue but growing faster, with a goal to reach 50/50 mix in 3-4 years. This diversification reduces reliance on the stagnant Indian MarTech spend.	Profitability of APAC	4.0	Directional evidence
7	3.5	Henin	Utsav (Weddings)	Business Overview	What is the cash burn in the Utsav business and how will it impact us?	Mgmt noted a lean team of 7 people with a □1.5 Cr overhead burn, expecting break-even in 12 months as FY27 bookings execute. While a small drag now, it's a high-ticket "bet" on luxury spending.	None	4.0	Quantified burn
8	4.5	Unnamed	DEX/ICAI	Business Overview	Can we work with ICAI/ICSI for the DEX business?	Arjun confirmed they already do □20-25 Cr biz with ICAI for modular	None	5.0	Verified client biz

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						tests and are pitching for "on-demand" foundation exams. Success here would transform the CA prep market into a recurring DEX revenue stream.			

PATTERN FLAGS & SENTIMENT * **The Debt Liquidity Gap:** There is palpable anxiety regarding cash flow. Analysts pressed on the promoter loan, which management admitted was needed to bridge a "short-term cash stress." This confirms that while EBITDA is growing, the Piramal debt repayment and high interest (11.9%) are currently a heavy burden on the balance sheet. * **The Death of Premium Coaching:** Management has effectively conceded that the high-ARPU classroom model is broken. They are pivoting to a "Volume/IP" model (mySathi and EasyApply) to capture students at lower price points. Credibility hinges on whether the volume (70L exams) can ever generate the cash flows the old coaching model once did. * **Analyst Sentiment Verdict:** Skeptical on PAT, Optimistic on DEX. Analysts were unconvinced by the "accounting loss" explanation, focusing instead on real cash stress and promoter bridge loans. Management maintained credibility by being transparent about the "acute" liquidity crunch but must deliver the ₹50 Cr fundraise by Q4 to maintain trust.

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5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (H1 FY26)	This Quarter (Q3 FY26)	Direction
Liquidity Posture	Positive on Cash EBITDA.	Promoters forced to provide "Bridge Loan" for debt.	↓
DEX Client Retention	Rollover in progress (IRDAI pending).	100% Rollover complete; IRDAI signed.	↑
EdTech Outlook	"Structural flux" emerging.	Flux confirmed; recovery timeline pushed out.	↓
IP Strategy	SATHI in development.	**mySathi** launched; 18 universities empanelled.	↑
Finance Cost	₹26 Cr (H1).	₹40 Cr (9M); Interest burn accelerating.	↓
Corporate Action	Integration focus.	Committee formed for ₹50 Cr fundraise/Strategic sale.	↑

INVESTOR NOTES: * **CFO-to-PAT Divergence:** While the 9M PAT is -₹15.7 Cr, the Cash EBITDA is +₹59 Cr. The divergence is driven by ₹28 Cr in non-cash IndAS entries and ₹38 Cr in total Depreciation/Amortization. The business is generating cash, but it is currently "trapped" between debt-servicing and IndAS accounting rules. * **The "So What":** If CL Educate successfully raises ₹50 Cr and monetizes ₹25 Cr in assets, it retires nearly 35% of its debt, immediately adding ~₹10 Cr to annual PAT. The thesis now depends entirely on **DEXIT's valuation unlock** (via IPO or stake sale) rather than a recovery in the coaching business.

STOP HERE.