CL Educate Ltd — May 2026 Quarterly Analysis

1. VERDICT & BUSINESS QUALITY SNAPSHOT

Result: Inline (Revenue) / Beat (Assessments EBITDA) **One-line:** The B2B engine (Assessments) has successfully stabilized post-integration with 100% retention and high visibility, but a worsening "structural reset" in legacy B2C coaching has pushed the recovery timeline further out, keeping the thesis locked in a deleveraging race.

Dimension	This Quarter	Signal / Evidence	Sentiment
Beat/Miss vs Guidance / Prior Quarter	Inline	FY26 Revenue □570 Cr vs □368 Cr LY (+55% YoY).	□
Earnings Quality	Low	Group PAT is positive but slim after □85 Cr combined Interest + Depreciation drag.	□
Guidance Confidence	Weak	EdTech recovery timeline pushed back from "2-4 quarters" to "another four quarters."	□
Management Credibility	Neutral	Successfully integrated DEXIT (100% retention) but paused the critical □50 Cr fundraise.	□
Business Quality Signal	Improving (B2B)	DEXIT order book visibility for FY27 already at 80-85% of FY26 revenue.	□
Key Q&A Exchange	Q# 1 (NEET Opportunity)	DEXIT is "fully equipped" to handle large nationwide digital exam shifts post-NTA crisis.	□
The Street's Primary Anxiety	Fundraise Delay	Mgmt admitted fundraising is on a "slight pause" despite prior "10-week" timeline.	□
Capital Cycle Stage	Consolidation	Integrating DEXIT technology (BYOD, AI Proctoring) and sweating IP (mySATHI).	□
Margin / Return Ratio Trajectory	Improving (Op)	Assessment EBITDA margins expanded to ~23% from 19.5% in H1.	□
Pricing Power	Bifurcated	EdTech ARPU fell 12-14% (erosion); Assessments successfully renewed all contracts.	□
FCF Conversion & Quality	Strong	Robust cash from operations of □79 Cr (vs □26 Cr LY).	□
Competitive Moat Signals	Widening	DEXIT and one other player now control 80-85% of the digital assessment market.	□
Balance Sheet Strength	Stressed	Debt at □233 Cr; □194 Cr cash is a liability earmarked for NSE capital reduction.	□
Working Capital Efficiency	Improving	Working capital cycle optimized to 50% despite 50% revenue growth.	□
Mgmt Guidance Track Record	Mixed	Delivered on DEXIT integration; missed on EdTech bottoming and fundraise timing.	□
Key Vulnerability / Red Flag	Interest Burden	Piramal debt remains at □180 Cr with high 11.9% coupon.	□
Management Tone	Pragmatic	Candid about B2C "structural disturbance" and need for "re-pivoting."	□

Sentiment: □Positive (B2B/Assessments) | □Negative (B2C EdTech/Fundraise Delay) | □Neutral (Net Profitability)

Key Takeaways (Positives & Negatives): * **Positives:** The DEXIT (Assessments) acquisition is a thesis-saver, delivering □51 Cr EBITDA (23% margin) with 100% client retention and an order book for FY27 already covering 85% of FY26 revenue. The group has hit the □500 Cr revenue milestone and is generating high operational cash flow (□79 Cr). The hire of Abhay Jere (ex-AICTE) significantly boosts institutional credibility for the new B2B2C university play (mySATHI). * **Negatives:** The legacy B2C EdTech business is in a freefall, with EBITDA crashing 73% YoY to □10 Cr as students migrate to low-ticket digital modular products. The interest burden is staggering, with interest and depreciation (□85 Cr) essentially wiping out the operating profit of the group. The "slight pause" in the promised □50 Cr equity raise is a setback for the deleveraging timeline. * **The Street's Main Concern:** Investors are hyper-focused on the □194 Cr cash "liability" due to NSE and the high cost of the Piramal debt. Management's response suggests the NCLT hearing (scheduled for May 15, 2026) is the final hurdle to clearing the capital reduction, but the delay in raising new equity keeps the balance sheet under pressure. * **Watchpoint:** Success of the "mySATHI" IP and university empanelments to replace the high-margin classroom coaching revenue that is permanently eroding.

---

2. BUSINESS PERFORMANCE

2A. KEY METRICS

Metric	Current Qtr (FY26)	YoY Change	QoQ Change	Trend	Mgmt Commentary
Revenue (□Cr)	570.0	↑ 54.9%	↑	↑	Volume-led growth driven by DEXIT consolidation (□223 Cr) and MarTech gains.
Gross Margin (%)	Not in doc	N/A	N/A	→	Focus shifted to EBITDA margins by segment.
EBITDA (□Cr)	69.0	↑ 109.1%	↑	↑	DEXIT expansion offset the 73% crash in EdTech EBITDA.
EBITDA Margin %	12.1%	↑ 310 bps	↑	↑	Driven by DEXIT (23%) and MarTech International scaling.
PAT (□Cr)	Positive*	↑	↑	↑	*Group PAT is positive but "slim" after □85 Cr int/dep charge.
ROCE (%)	Not in doc	N/A	N/A	→	Suppressed by high acquisition goodwill.
Cash Flow (OCF) (□Cr)	79.0	↑ 203.8%	↑	↑	Significant improvement from □26 Cr in previous year.
Net Debt / (Cash) (□Cr)	233.0	↑	→	↓	Acquisition debt reduced to □180 Cr (from □210 Cr).
Interest Coverage	0.81x	↓	↓	↓	Calculation based on □69 Cr EBITDA vs □85 Cr Int/Dep charge.
Working Capital	50% Size	Improved	Stable	↑	Tight management led to □20 Cr net cash addition on BS.

2B. SEGMENT BREAKDOWN

Segment	Revenue (□ Cr)	YoY Growth	Margin	Trend	vs Co. Avg	Key Development
Assessments (DEXIT)	223.0	↑ 8.8%	22.8%	↑	Above	100% rollover; FY27 order book at 85% of FY26 revenue.
EdTech (L&D)	163.0	↓ 10.4%	6.1%	↓	Below	ARPU down 12-14%; shift to "1000 series" low-ticket products.
MarTech (Kestone)	161.0	↑ 11.0%	8.1%	→	Inline	International revenue grew 20% (Adobe, Moody's added).

3. MANAGEMENT OUTLOOK & EXECUTION TRACKER

Dimension	Category	Management Target / Claim	Required Run-Rate / Mathematical Feasibility	Historical Delivery	Risk Flag
Guidance	EdTech Bottoming	Flat for next 4 quarters.	Needs aggressive volume scaling to offset 14% ARPU erosion.	Missed (Prior forecast was 2-4 Qs)	High
Guidance	Margins	Re-pivot to high-margin products (CEP, VOSMOS).	Needs VOSMOS/VIRSA to scale to >20% of MarTech revenue.	In Progress	Moderate
Strategy	DEXIT Growth	Accelerate from stabilization to growth in FY27.	Needs new academic client wins (IIM-B already added).	Delivered (Integration)	Low
Strategy	Capital Allocation	Debt reduction via FCF and fundraise.	Equity fundraise currently on "slight pause."	Delayed	High
Balance	Deleveraging	Principal reduced to □180 Cr.	Servicing □210 Cr debt via internal accruals.	Delivered (Servicing)	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	Rahul Bhansali	NEET Opportunity	Business Overview	Does the current controversy surrounding the NEET examination opens up new opportunities for DEXIT?	Yatrik Vin confirmed DEXIT is fully equipped with AI surveillance and microservices technology to handle nationwide nationwide digital exam shifts. Success here would transform DEXIT from a certification player to a national infrastructure anchor.	None	5.0	Specific and ready
2	4.5	Henil Bagadia	DEXIT Contracts	Financials	What is the average duration of contracts and the split between private and government?	Mgmt noted a 45/55 Govt/ Private mix with varied durations (1-5 years), but emphasized that price sensitivity is high across both. This confirms DEXIT's moat is execution efficiency rather than locked-in long-term pricing.	Specific H2 targets	4.0	Directional evidence
3	4.0	Henil Bagadia	DEXIT Selection	Business Overview	What kind of criteria does the government look at, given the size and scale of the	Vin explained that RFPs carry 65-70% technical weightage where DEXIT's 15-year brand	None	5.0	Quantified weightage

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
					different applicants?	and lean operations provide a competitive edge. This suggests DEXIT can maintain margins even in competitive government tenders.			
4	4.5	Rahul Bhansali	Fundraising	Capex and Allocation	Where are we on the fundraising plans spoken about previously?	Satya Narayanan stated fundraising is on a "slight pause" due to the overall environment but remains on the board's mind. This is a walk-back from the "10-week" timeline given last quarter, increasing risk of high interest drag persisting.	Specific new timeline	2.0	Hedged / Walk-back
5	4.0	Pratik Giri	Discontinued Ops	Financials	Are the losses from discontinued operations over?	CFO Arjun Wadhwa noted the bulk is done, with only "residual impact" expected in Q1 FY27. This provides a clear path for net margin normalization in the coming fiscal year.	None	5.0	Specific guidance

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
6	4.5	Gautam Puri	EdTech Headwinds	Business Overview	Can you provide insight into headwinds across MBA, Law, and CUET?	Gautam Puri admitted that entry barriers have collapsed due to YouTube/AI, causing ARPU to drop as students choose modular products over full courses. This confirms the B2C coaching model is structurally broken, necessitating the pivot to B2B2C.	None	4.0	Candid admission
7	4.0	Henil Bagadia	DEXIT Order Book	Management Commentary	If there is 100% rollover, why isn't it 100% revenue?	Vin explained that while the "order" rolls over, revenue recognition depends on the client's exam dates, which can spill over quarters. This confirms that DEXIT revenue remains lumpy despite high contract stickiness.	None	4.0	Logical explanation
8	4.5	Sameer Joshi	Cash and Liability	Financials	What is the status of the cash and current liabilities?	CFO clarified that 194 Cr of the reported cash belongs to NSE for the capital reduction scheme,	Exact NCLT date	4.0	Clear disclosure

Q#	Relevance	Analyst / Firm	Theme Cluster	Category	Underlying Concern	Management Response & Investment Implication	Evaded / Not Addressed	Credibility	Verdict
						pending NCLT approval. This is critical for investors as it reveals that the "high cash" on the balance sheet is actually a transient liability.			
9	3.5	Unnamed	Talevate	Business Overview	What is the update on Talevate plans?	Nikhil Mahajan noted internal testing is done and 3-4 corporate pilots are underway for recruitment assessments. While small now, it represents the high-margin IP potential of the group.	Scaling timeline	3.0	Early stage

PATTERN FLAGS & SENTIMENT * **The Deleveraging Paradox:** The anxiety over the Piramal debt and the NSE cash liability was high. Analysts pressed on the fundraising status, only to be met with a "pause" response. This posture shifted from "aggressive deleveraging" in Q3 to "cautiously servicing from cash flows" in Q4, suggesting management is waiting for a better valuation window or the NCLT closure before re-engaging. * **DEXIT as the "National Hero":** Following the NEET/NTA crises, management leaned heavily into their technological readiness to solve national-level exam integrity issues. This was a confident, proactive narrative aimed at positioning DEXIT not just as a business, but as a critical infrastructure utility. * **Analyst Sentiment Verdict:** Analysts appeared **skeptical but appreciative** of the DEXIT integration success. Friction centered on the EdTech EBITDA collapse (-73%) and the fundraise delay. Management's credibility was bolstered by the 100% rollover in DEXIT but dampened by the lack of a clear timeline for debt retirement. The single greatest risk remains the high interest cost (11.9%) consuming the operating cash flow before it can reach the bottom line.

GUIDANCE GAPS REVEALED IN Q&A | Topic | What Mgmt Claimed (Prior Q) | What Q&A Revealed | Gap / Walk-back | Risk to Thesis | | :--- | :--- | :--- | :--- | :--- | | Fundraising | Raise □50 Cr within ~10 weeks. | On a "slight pause." | Indefinite delay. | High interest drag remains for longer. | | EdTech Recovery | Bottoming in 2-4 quarters. | Flat for another four quarters. | Timeline pushed out. | Sustained drag on group margins. | | Capital Reduction | Approval expected soon. | Date of hearing is "tomorrow." | Still pending after a full year. | Cash "trapped" as a liability on BS. |

5. WHAT CHANGED vs PRIOR QUARTER

What Changed	Prior Quarter (Q3 FY26)	This Quarter (Q4 FY26)	Direction
B2C Realization	"Flux" mentioned.	12-14% ARPU drop confirmed.	↓
DEXIT Leadership	Integration phase.	Dr. Abhay Jere onboarded as CEO.	↑
Liquidity Support	Promoter bridge loan needed.	□20 Cr net cash added from internal ops.	↑
Fundraising Status	Active (Committee formed).	On a "slight pause."	↓
Order Book Visibility	Not stated.	85% of FY26 revenue already in hand.	↑
EdTech Profitability	14.6% EBITDA Margin (9M).	6.1% EBITDA Margin (Full Year).	↓

INVESTOR NOTES: * **CFO-to-PAT Quality:** FCF conversion is high (□79 Cr OCF on □69 Cr EBITDA), which is excellent. However, this cash is effectively spoken for by the □180 Cr debt and the □194 Cr NSE liability. The business is generating "trapped cash." * **The Pivot Progress:** The thesis has moved from "Can they integrate DEXIT?" to "How fast can they scale DEXIT to outrun EdTech's decay?" With 100% rollover, the downside is protected, but the upside is capped by the interest-rate-driven accounting loss. STOP HERE.