



Educomp Solutions Ltd.

Oct 22, 2008

Q2 FY'09 (July - September, 2008)

savvica

mathguru™

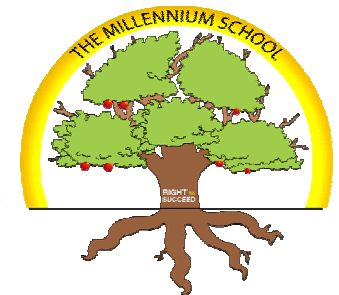
authorGEN

LEARNING HOUR

Educomp
smartclass™

asknlearn
Innovating education

Roots to
Wings™



- 1. Financial Review-Consolidated**
- 2. Financial Review-Standalone**
- 3. Segmental Performance-Standalone**
- 4. Business Initiatives**
- 5. Education Value Chain**
- 6. Education Business in Times of Crisis**
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Strong Quarterly Growth Trend Continues – More than 151% growth in Consolidated Revenues

Consolidated Performance Review Q2 FY'09 Vs. Q2 FY'08



- **Total Revenues up 151.3%** from Rs 56.9cr to Rs 143.0cr driven by strong growth across key business segments
- **EBITDA up 130.9%** from Rs 23.3cr to Rs 53.8cr
- **EBIT up 129.9%** from Rs 16.2cr to Rs 37.2cr
- **PAT up 119.8%** from Rs 13.1cr to Rs 28.8cr

**Given the seasonal nature the industry, the results of any quarter may not be a true indicative of annual performance. Historically company has observed the following seasonality i.e. Quarter I amounts to approximate 10 to 12% of the total revenue, Quarter II amounts to approximate 18 to 20% of the total revenue, Quarter III amounts to approximate 25 to 30% and Quarter IV amounts to approximate 38 to 47% of the total revenue.*

Strong Quarterly Growth continues with more than 118% growth in Standalone Revenues

Standalone Performance Review Q2 FY'09 Vs. Q2 FY'08

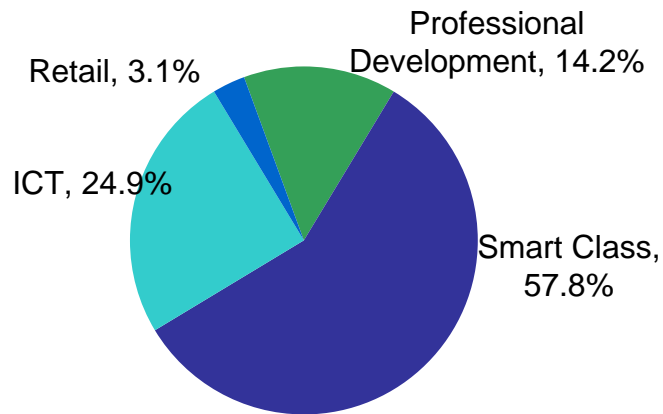


- **Operating Revenues up 118.4%** from Rs 44.9cr to Rs 98.1cr driven by strong growth across key business segments
- *** EBITDA up 118.7%** from Rs 23.2cr to Rs 50.7cr after considering foreign exchange loss of Rs 12.08 Crores mainly on account of Mark to Market for zero coupon FCCB due July, 2012
- **EBIT up 115.7%** from Rs 16.2cr to Rs 35.0cr
- **PAT up 86.4%** from Rs 13.6cr to Rs 25.4cr
- *** EBITDA margin at 51.7%** in Q2 FY'09

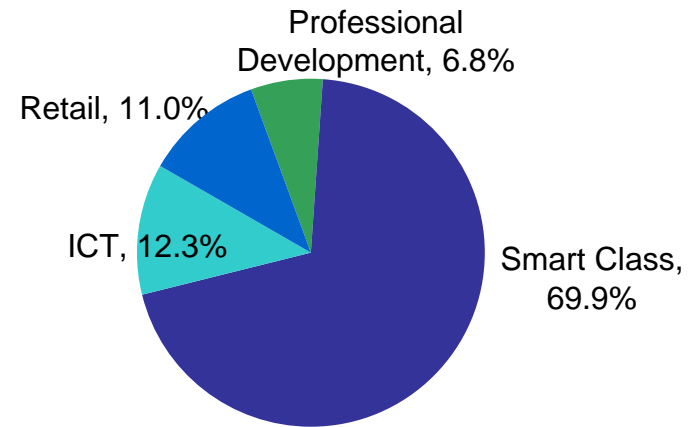
Diversified Revenue Streams

Revenue Break-Up On Standalone basis

Q2 FY'08 – Rs 44.9cr



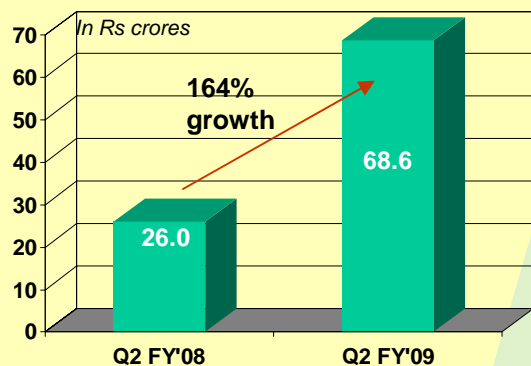
Q2 FY'09 – Rs 98.1cr



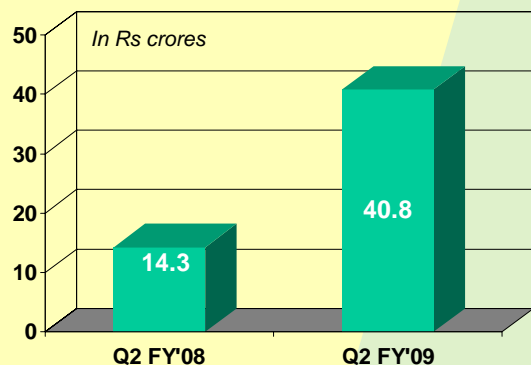
Smart Class – Reaches 1.43 million students and 1267 schools

Key Developments during Q2 FY'09

Revenue Growth



PBIT

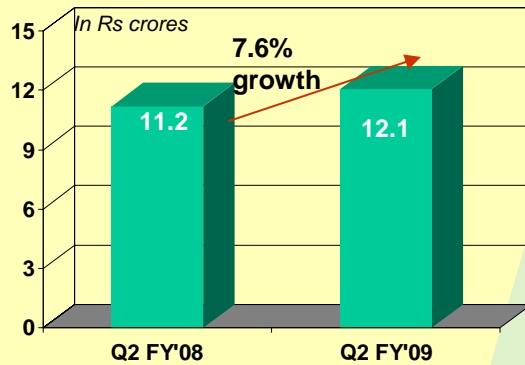


Additional number of schools signed :	231
- <i>BOOT</i>	209
- <i>Outright Buy</i>	22
Additional number of schools implemented:	197
- <i>BOOT</i>	175
- <i>Outright Buy</i>	22
Cumulative number of schools signed:	1267
Cumulative number of schools implemented:	1233
Cumulative number of students:	1.43 Million
Strength of Sales Team:	180+
Sales Initiatives:	Plans to cover 80 cities with 140 seminars under Next Gen programme in partnership with Intel, Dell and Acer 27 cities covered till Q2
YoY Revenue Growth:	164%
PBIT Margin during the quarter:	59.5%
Capex during the quarter:	Rs 38.7 crores

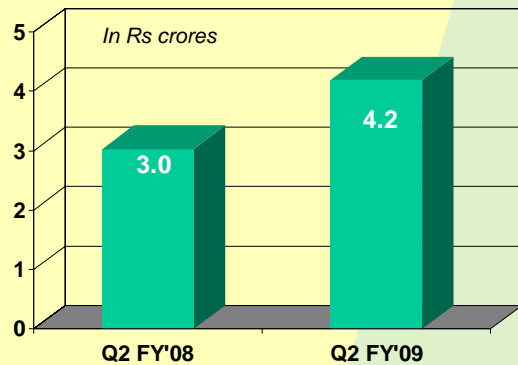


Key Developments during Q2 FY'09

Revenue Growth



PBIT



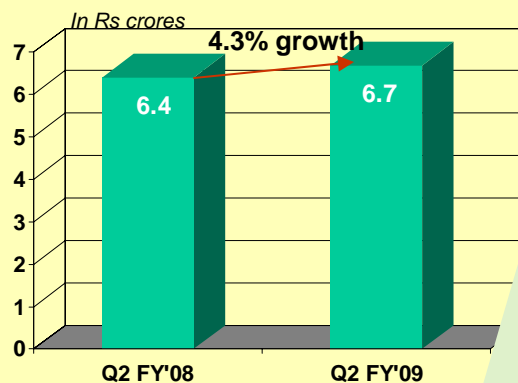
Additional Number of schools signed:	1,626
- <i>BOOT</i>	55
- <i>Out right Buy</i>	1,571
Total Contract Value:	Rs 109.75 crores (Karnataka)
Cumulative number of schools covered:	8915
Cumulative number of students covered:	Over 5 million
Key States Added	Punjab thereby taking the total states covered to 14
Strength of Sales and Project Management Team:	40+
Sales Initiatives:	EDUSAT: Imparting education through satellite, Received LOI from Punjab Government for CONTENT for EDUSAT for 841 modules
PBIT Margin during the quarter:	34.8%
Capex during the quarter:	Nil



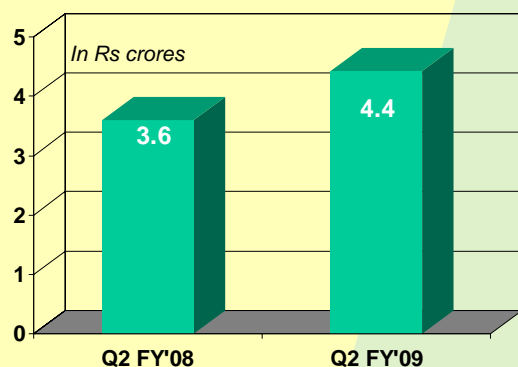
Professional Development – 1.2 Million teachers trained

Key Developments during Q2 FY'09

Revenue Growth



PBIT

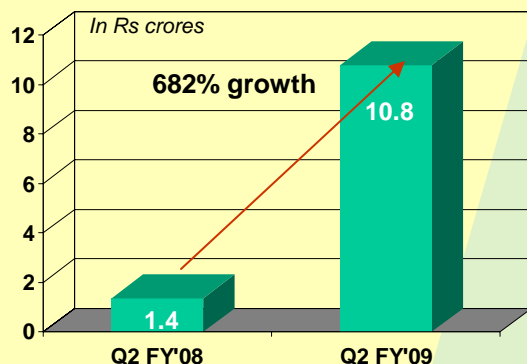


Teachers trained during the quarter:	81,379
Cumulative number of teachers trained:	1,216,674 (1.2 Million)
YoY growth in teachers trained:	51%
Strength of Teacher Training Team:	180+
Sales Initiatives:	<ul style="list-style-type: none"> ▪ States like MP and UP added for imparting teacher training ▪ Introduction of rural computing ▪ 3 teachers chosen out of over 58,000+ teachers countrywide to participate in Worldwide Meet on Education sponsored by Microsoft to be organised in Hong Kong
PBIT Margin during the quarter:	66.2%
Capex during the quarter:	Not Applicable

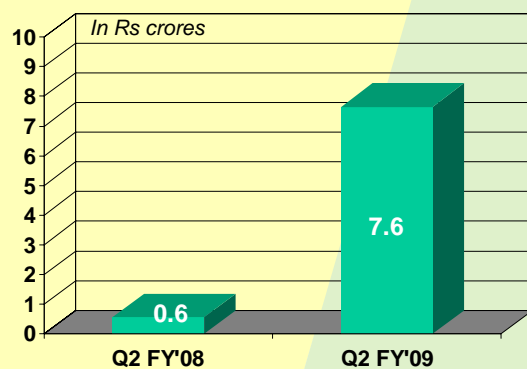


Key Developments during Q2 FY'09

Revenue Growth



PBIT



Mathguru

Number of subscribers added:	15,533
Students served till date	75,271
Total number of paying subscribers:	28,929
YoY Growth in paying subscribers:	682%

Roots-to-Wings

Number of pre-schools	60
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K-12 Initiatives – 11 schools . 14000+ Students



The Millennium School, Noida



PSBB Millennium, Chennai

- Presence expanded to 9 cities through 11 K-12 schools
- Educomp's Millennium Learning System, including its comprehensive school management services has been licensed by DPS Patna, DPS Pune and DPS Ludhiana. Company's school management services will be used by these schools to upgrade the quality of services and improve learning outcomes.
- Acquired 51% stake in Takshila Management Services Pvt Ltd. 3 schools coming up in Tier III cities Hoshiarpur (Punjab), Ahmednagar (Maharashtra) and Gaya (Bihar) by June 2009
- Restructuring of Subsidiary - Educomp Infrastructure & School Management Services Ltd – EISMSL (formerly Educomp Infrastructure Pvt. Ltd.) would now provide both Infrastructure and Content/ IP / services to the Millennium Schools leading to taxation benefits

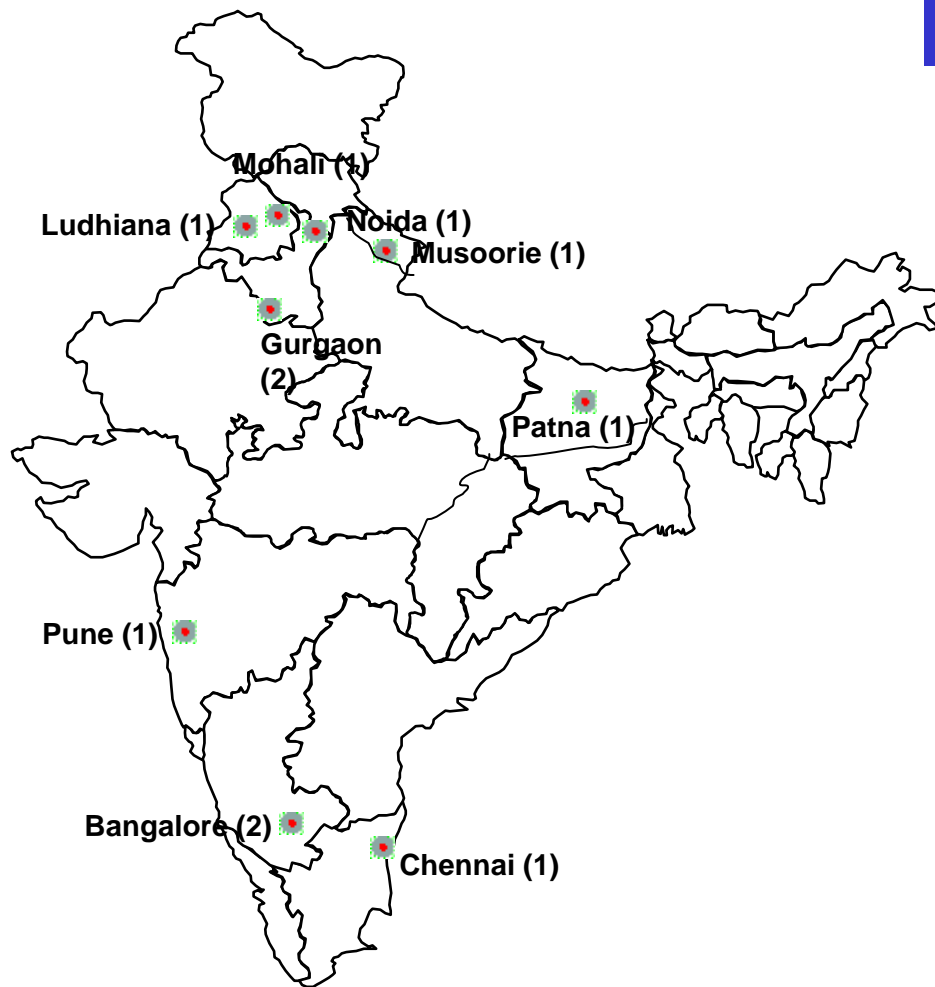


The Millennium School, Mohali



Chiranjeev Bharti

K-12 Initiatives: Widening Geographical Reach



Presence expanded to 9 cities

Key Developments during Q2 FY'09

Number of schools added during the quarter:	3
Total operational schools:	11
Total number of students:	14,000+
Target schools before next academic session:	22- 24
- Operational	11
- Under construction/ acquisitions	11-13
Funding:	<p>K12 business fully funded for next 2 years</p> <p>Received financial closure for Rs 725cr of debt including</p> <ul style="list-style-type: none"> - Non-Convertible Debentures (Rs 100cr) - Under written term sheet with Axis Bank (Rs 625cr) <p>Drawn Rs 250cr till date (further amount will be drawn on need basis)</p> <p>Educomp Contribution : Rs. 125 cr (Debt Equity Ratio 2:1)</p>

Higher / Professional Education : JV with Raffles Education



- 50:50 joint venture with Singapore-based leading education group Raffles Education Corporation marks Educomp's foray in the higher/ professional education space
- Plans to set up 3 "Raffles International College"(RIC) in India in Delhi, Bangalore and Chennai
 - ✓ Real Estate for the schools to be on lease basis
 - ✓ Offerings to include full range of Raffles Education Corporation Courses in India
 - ✓ Proven high profit model
- Existing RIC in Mumbai to be integrated into the JV



■ Mathguru.com

- ✓ Objective : Math Learning for Grades 6 to 12
- ✓ Target Market : India
- ✓ 75,271 users



■ Wiziq.com

- ✓ Objective: Web-based platform for students and teacher to discover, transact and deliver educational services and connect in real time with audio-video and whiteboard capabilities
- ✓ Target market : India and Rest of the world
- ✓ 115,000 registered users



■ Authorstream

- ✓ Objective: Powerful online presentation sharing engine that allows web users to upload and share Microsoft presentation
- ✓ 72,000 registered users
- ✓ Presentations uploaded: 42,000



■ LearnHub.com

- ✓ Objective : Online Educational Communities
- ✓ Target Market : North America , India and China
- ✓ 34,000 users, 12 higher education customers in U.S. and Canada



- Premier provider of web-enhanced curriculum and assessment to provide educators with innovative, web-delivered curriculum solutions

- Key Products
 - ✓ Easy Tech Literacy curriculum for K-8 grade
 - ✓ Tech literacy assessment evaluates student technology literacy at grade 5 & grade 8
 - ✓ Aha!Maths –K-5 math curriculum to improve maths standards

- Key Highlights
 - ✓ *2.5 million students served*
 - ✓ *7,500 schools served*
 - ✓ *Presence in over 800 school districts in U.S*

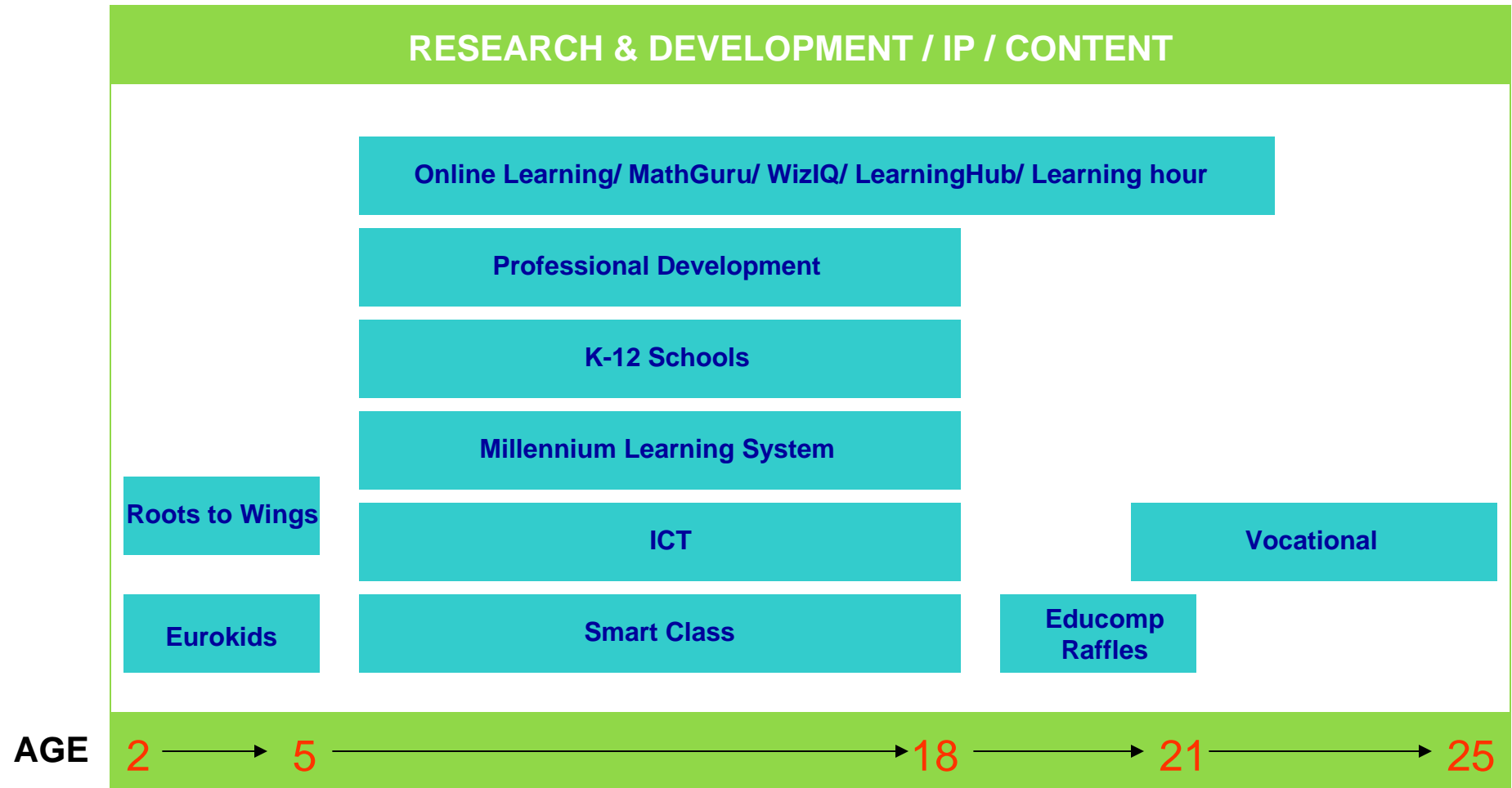
- Revenues (Q2 FY'09) : Rs 22.65 crores
- For more information visit [www: learning.com](http://www.learning.com)

learnin3.com

- Premier Pan-Asian provider of Education solutions and services which actively helps schools, regional Ministries of Education and corporate clients create innovative content and systems to meet diverse teaching and learning needs
- Presence in over 140 schools and working with National University of Singapore, Regional Universities like MOE Singapore, Brunei, Indonesia
- Collaboration with Pearson Education, South Asia
- Partnering with BESTA Singapore to provide online learning for primary and secondary students, home subscriptions bundled with Besta's ultra-mobile PC
- Key Products
 - ✓ E-Learning management system (WizLearn)
 - ✓ E-Learning Development Tools (Gamebuilder)
 - ✓ E-Learning content for teachers, corporates and K-12 students (Answer Zone)
 - ✓ Multimedia Content Development Services
- Revenues (Q2 FY'09) : 6.21 crores
- For more information visit [www: Asknlearn.com](http://www.Asknlearn.com)



- ✓ Acquired 50% stake in Eurokids International for Rs 390mn to leverage the company's over 7 years of experience in the sector to tap the \$1bn market opportunity.
- ✓ Eurokids is a leading provider and specialist in pre-school education in India
- ✓ It runs 400+ Preschools having Pan India presence and caters to 25000+ kids from age 2-4
- Roots to Wings : Reached a number of 60 Schools



Education Value Chain

- **Recession Free Model – Strong Annuity based cash flows ranging from 5 to 12 years**
- **Clients are locked in via long term contracts assuring non volatility of revenues**
- **Education in India is a mandatory family spent, which is 25-30% at middle income level
Our focus is to capture the mandatory spent via our institutional models & direct customer based models**
- **Our business has assured cash flows – both at part of family’s mandatory spending and Government mandatory spending (increasing at a CAGR of 20% every year) , thus there is no risk of reducing spending in education .**
- **Educomp has diversified portfolio that spans across all parts of the education value chain**
- **Strong internal accruals – Highly profitable business - All capex requirements , manily K-12 Schools , fully funded via equity and debt**
- **Acute demand supply gap across all education services in India**

- Educomp featured in Forbes Asia list of 200 best public companies in Asia-Pacific with sales under \$1 billion a year



Financial Statements – Income Statement

Amount in Rs cr

Particulars	Q2 FY'08	Q2 FY'09	% Chg YoY
Net Income from Operations	44.9	98.1	118.4%
Total Expenditure	21.8	47.4	118.0%
Purchase of Raw Material	16.1	11.6	-28.1%
Increase/decrease in stock in trade	(4.5)	(0.7)	-83.8%
Staff Cost	5.2	13.9	167.1%
Selling, Distribution & Administration expenses	5.2	10.5	101.3%
Foreign Exchange Fluctuation 1	-0.3	12.1	-4126.7%
EBIDTA	23.2	50.7	118.7%
Depreciation & Amortization	6.9	15.7	125.7%
Finance Charges	0.8	1.7	129.6%
OPBT	15.5	33.3	115.0%
Other Income	3.4	5.5	63.6%
PBT	18.9	38.8	105.8%
Tax (including deferred)	5.2	13.4	156.2%
PAT	13.6	25.4	86.4%
Basic EPS (Rs.)	7.95	14.69	84.8%
Diluted EPS (Rs.)	6.48	24.41	276.7%

Key Ratios

Key Ratios (as a % of Net Income from Operations)	Q2 FY'09
EBIDTA Margin after Foreign Exchange Fluctuation	51.7%
EBIDTA Margin before Foreign Exchange Fluctuation	64.0%
PAT Margin	25.9%
Total Expenditure	48.3%
Consumption of Raw material	11.1%
Staff Cost	14.2%
Selling, Distribution & Administration expenses	10.7%

Consolidated Results

Amount in Rs cr

Consolidated Data	Q2 FY'08	Q2 FY'09
Consolidated Turnover	56.9	143.0
Consolidated EBIDTA	23.3	53.8
Consolidated EBIT	16.2	37.2
Consolidated Profit after tax	13.1	28.8

Financial Statements – Segmental Analysis

Revenues	Q2 FY'08	Q2 FY'09	% Chg YoY
Professional Development	6.4	6.7	4.3%
Smart Class	26.0	68.6	164.4%
ICT Solutions	11.2	12.1	7.6%
Retail & Consulting	1.4	10.8	681.7%
Total Net Sales/ Income from Operations	44.9	98.1	118.4%

Amount in Rs cr

PBIT	Q2 FY'08	Q2 FY'09	% Chg YoY
Professional Development	3.6	4.4	22.7%
Smart Class	14.3	40.8	185.6%
ICT Solutions	3.0	4.2	38.2%
Retail & Consulting	0.6	7.6	1251.7%
	21.5	57.1	165.5%
Less: Interest (Net)	0.8	1.7	129.6%
Other un-allocable expenses (net of un- allocable)	1.9	16.5	781.4%
Total Profit before Tax	18.9	38.8	105.9%

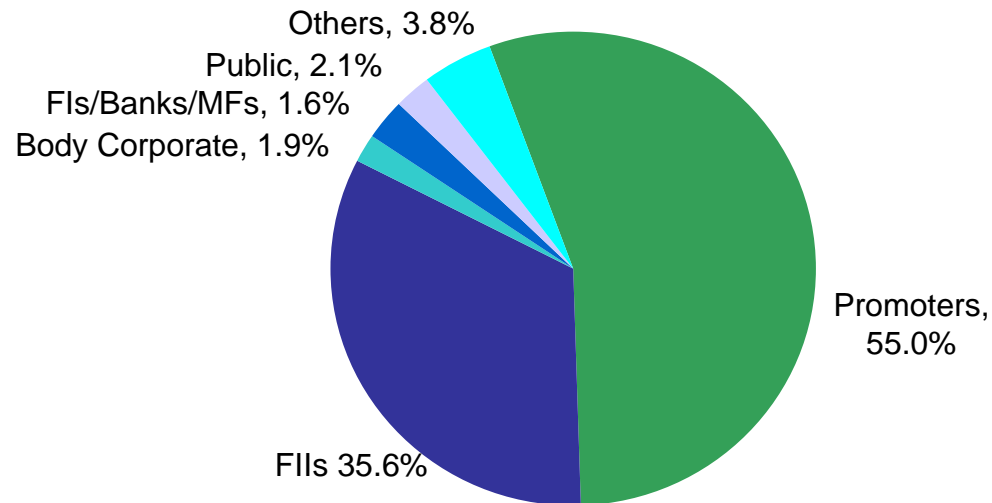
Capital Employed	Q2 FY'08	Q2 FY'09	% Chg YoY
Professional Development	13.0	24.3	87.1%
Smart Class	90.4	212.2	134.6%
ICT Solutions	34.7	67.0	93.1%
Retail & Consulting	3.5	7.3	107.4%
Total Capital Employed	141.6	310.8	422.2%

PBIT Margins	Q2 FY'08	Q2 FY'09
Professional Development	56.3%	66.2%
Smart Class	55.0%	59.5%
ICT Solutions	27.1%	34.8%
Retail & Consulting	41.0%	70.9%

Revenue Break up	Q2 FY'08	Q2 FY'09
Professional Development	14.2%	6.8%
Smart Class	57.8%	69.9%
ICT Solutions	24.9%	12.3%
Retail & Consulting	3.1%	11.0%

As on 30th September 2008

Equity Shares Outstanding-17,280,749



**For any Investor Relations queries
please contact:**

Ms. Sangeeta Gulati, CFO
Educomp Solutions Limited
Educomp Towers,
514, Udyog Vihar Phase III
Gurgaon – 122 001, Haryana
Email: investor.relations@educomp.com
Ph: 0124 - 4529000



Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

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