

# Educomp Solutions Limited

The Bloomberg of Education....



## *INVESTOR UPDATE*

**July 25, 2006**

**QUARTER ENDED JUNE 2006**

**Four-S Services**  
Strategies and Services for Stakeholder Success

The logo for Four-S Services features a stylized 'F' icon on the left, composed of a blue square with a white 'F' shape inside, and a red square to its right. To the right of the icon, the words 'Four-S Services' are written in a bold, black, sans-serif font. Below 'Four-S Services', the tagline 'Strategies and Services for Stakeholder Success' is written in a smaller, black, sans-serif font.

## Educomp records 132% YoY increase in net profit from Rs 8.1mn to Rs 18.8mn in the quarter ended June'06

- Net income from operations up 75% YoY to Rs 93.7mn

### Financial Highlights - (Q1 FY'07 v/s Q1 FY'06)

- **Net Income from Operations up by 75.0%** from Rs 53.5mn to **Rs 93.7mn**
  - ✓ Revenues from Smart\_Class up 170.4% to Rs 23.8mn from Rs 8.8mn
  - ✓ Revenues of ICT segment up 31.6% to Rs 26.3mn from Rs 20.0mn
  - ✓ Revenues from Professional Development up 62.1% to Rs 35.4mn from Rs 21.8mn
  - ✓ Revenues from Retail up 181.0% to Rs 8.2mn from Rs 2.9mn
- **Operating Profits up 39.5% to Rs 35.0mn** from Rs 25.1mn
- **Operating Margins down to 37.4% from 46.9%** due to
  - ✓ Increase in administrative & other expenses for enhanced business activities in SBU's
- **PAT up 132.0%** from Rs 8.1mn to **Rs 18.8mn**
- **Net Profit Margin up to 20.0%** from 15.1% in AMJ'05 due to:
  - ✓ Increase in other income from Rs 1.0mn to Rs 8.8mn
  - ✓ Drop in financial charges from Rs 1.4mn to Rs 0.7mn due to lower debt with scheduled repayments

### Operational Highlights

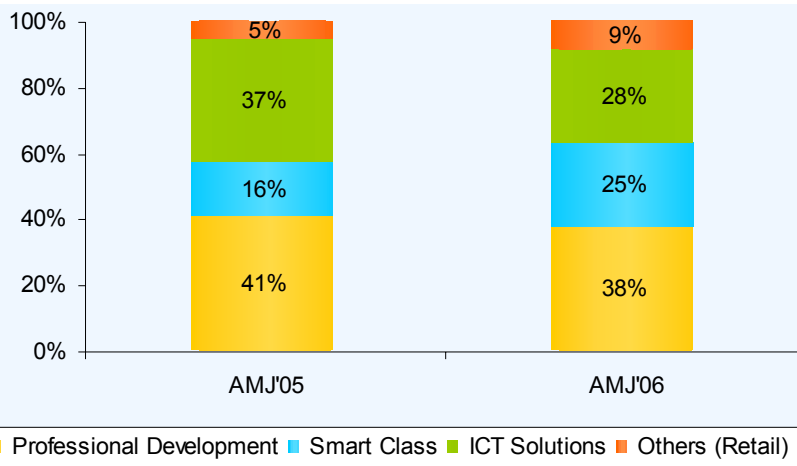
- Total **number of schools** in Smart\_Class **increased to 102 from 91** in March'06
- Signed approx. **Rs 100mn 3 year contract with Gujarat Council of Primary Education** for 500 elementary schools. Additional contract of approx. Rs 120mn for 150 schools signed in West Bengal
- **Added 60 professionals** at the senior and middle management levels
- **Trained 50,000 teachers** in the professional development segment
- **Launched Mathguru.com**, an innovative math-help program for students following the CBSE math curriculum, **in July 2006**. Developed over 12,000 content modules for the portal till date.
- **2 new schools signed in Singapore** for Smart\_Class and an **order pipeline of over \$300,000**

### Others Highlights

- Declared a **dividend of 15%** for FY'06
- **Adopting ESOP plan** for a maximum of 625,000 shares
- Passed the enabling resolution for **FCCB for \$25mn**

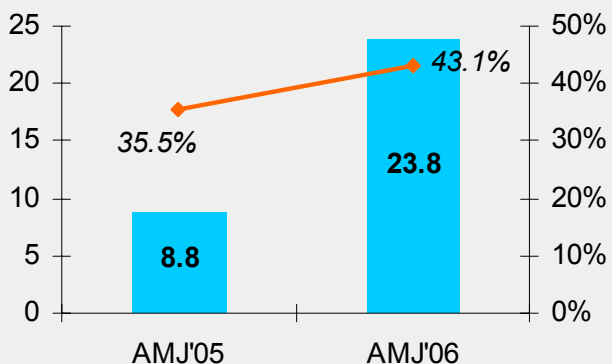
# Segmental Analysis

## Revenue Break-up

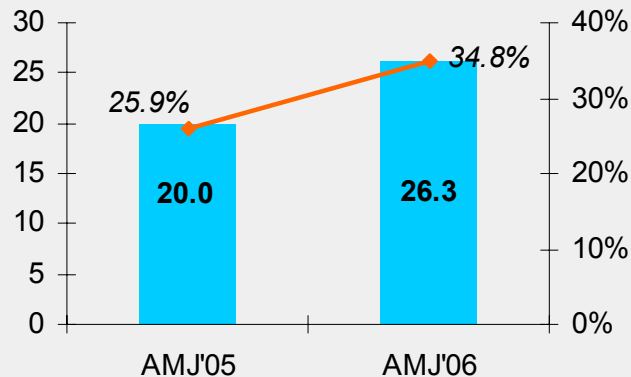


## Segmental Performance

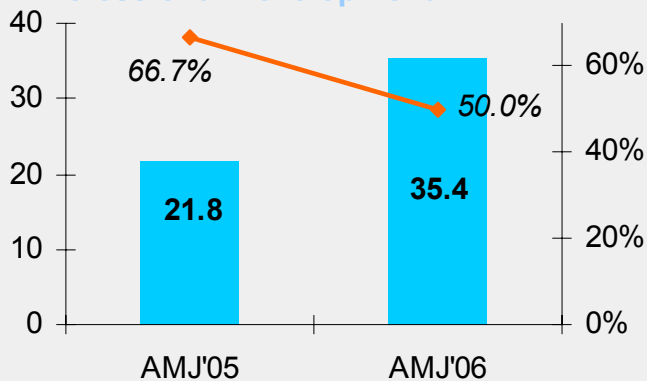
### Smart Class



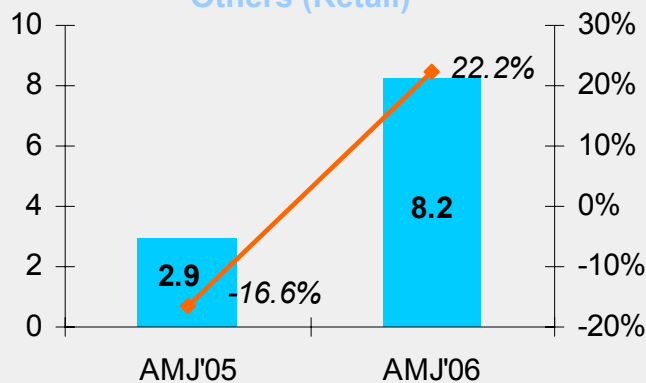
### Instructional & Computing Technology (ICT)



### Professional Development



### Others (Retail)



■ Revenues      — PBIT Margins

Figures in Rs mn

## Financials - Quarterly

### Profit and Loss Statement

Figures in Rs mn

Particulars	AMJ'05	AMJ'06	% Chg YoY
<b>Net Income from Operations</b>	<b>53.5</b>	<b>93.7</b>	75.0%
<b>Total Expenditure</b>	<b>28.4</b>	<b>58.7</b>	106.3%
(a) Purchase of Raw Material	0.7	15.9	2277.4%
(b) Increase/decrease in stock in trade	1.6	(0.9)	N/A
(c) Staff Cost	15.5	21.4	38.4%
(d) Selling, Distribution & Administration expenses	10.7	22.3	108.5%
<b>OPBDIT</b>	<b>25.1</b>	<b>35.0</b>	39.5%
Depreciation & Amortization	11.8	13.7	16.5%
<b>OPBIT</b>	<b>13.3</b>	<b>21.3</b>	59.9%
Finance Charges	1.4	0.7	-47.2%
<b>OPBT</b>	<b>11.9</b>	<b>20.5</b>	72.3%
Other Income	1.0	8.8	802.7%
<b>PBT</b>	<b>12.9</b>	<b>29.3</b>	127.4%
Tax (including deferred)	4.8	9.9	107.8%
FBT	0.1	0.7	1254.0%
<b>PAT</b>	<b>8.1</b>	<b>18.8</b>	132.0%
Basic EPS (Rs.)	<b>0.74</b>	<b>1.18</b>	59.5%

### Key ratios %

Key Ratios	AMJ'05	AMJ'06
OPBDIT/Net Income from Operations	46.9%	37.4%
PAT/ Net Income from Operations	15.1%	20.0%
Total Expenditure/Net Income from Operations	53.1%	62.6%
Consumption of Raw material/Net Income from Operations	4.3%	16.0%
Staff Cost/Net Income from Operations	28.9%	22.8%
Selling, Distribution & Administration expenses/ Net Income from Operations	20.0%	23.8%

\*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

**About Educomp Solutions Ltd.**

Educomp Solutions Ltd is India's largest technology driven education company and a pioneer using digital content to enhance the teaching learning process and a thought leader in Education Process Outsourcing (EPO) in the country. The company provides end-to-end solutions in the education technology domain for the K12 segment (Kindergarten to Class 12) i.e. Digital Curriculum Content (Smart\_Class Program, ICT Solutions, Professional Development), eLearning for individuals (Online Tutoring, Education Process Outsourcing, CDROMs) and Curriculum and Learning Systems (Consulting, Pre-Schools and Middle schools curriculum systems, Whole School Transformation). It employs over 1,200 professionals and has presence in over 2,000 schools in more than 30 cities across the country. The company has partnerships with several major players in the Education Technology space including Intel, Microsoft, World Links, Azim Premji Foundation, GESCI (Global eSchools initiative by United Nations), Wipro etc. It also partners with various governments like Government of Orissa, Tripura, Karnataka, Uttar Pradesh, Ministry of HRD, Ministry etc. Educomp has key long term relationships with DPS Group of Schools, St. Johns, Mayo College, Mothers International School, PSBB Group of Schools, Carmel Convent etc. It was awarded the CNBC ICICI bank emerging India award for Company of the Year 2005 and has been awarded the SM1 and P1 ratings from CRISIL (India's premier rating agency). For more information please visit [www.educomp.com](http://www.educomp.com)

**About Four-S Services Pvt. Ltd**

Four-S Services provides customized business and financial research to organizations across the globe. The company also provides Investor Relations consulting to corporates based on in-depth sectoral and company research. The company has an impressive client profile and a team of experienced analysts covering the key sectors including Finance & Banking, IT & Telecom, Retail, Media & Entertainment, Pharmaceuticals, Infrastructure and Manufacturing amongst others. For further information on the company please visit [www.four-s.com](http://www.four-s.com)

**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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