



Investor Update

Educomp Solutions Ltd.

April – June 2007



July 27, 2007



- 1. Financial Review**
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Performance Review Q1 FY'08 Vs. Q1 FY'07



194%

Revenue



282%

EBITDA*



218%

PAT*

- **Revenues up 193.6%** from Rs 93.7mn to Rs 275.0mn driven by strong growth across key business segments
 - Smart_Class up 607.9% to Rs 168.4mn
 - ICT up 39.8% to Rs 36.8mn
 - Professional Development up 71.7% to Rs 60.8mn
 - Retail & Consulting up 10.5% to Rs 9.1mn
- **EBITDA up 282.1% from Rs 35.0mn to Rs 133.8mn resulting in growth in EBITDA margin from 37.4% to 48.6%**
 - Increased penetration of Smart_Class enabling it to leverage content & marketing set up
 - Implemented 65 schools during the quarter
- **PAT up 218.1% from Rs 18.8mn to Rs 59.7mn resulting in growth in Net Profit Margin from 20.7% to 21.7%:**
 - Other income increased by 339.4% to Rs 38.6mn on account of foreign exchange gain on conversion of FCCB to equity leading to reduction of the liability from loan to equity.
 - Interest expense grew by 685.5% on account of enhancement of Working Capital as well as Term Loan facility.

Acquisition/Alliances

- Acquired 69.2% stake for Rs 500mn in Educomp Infrastructure Pvt. Ltd. and 68% stake for Rs 50mn in Educomp Management Services Ltd. This K-12 initiative will make Educomp a complete provider of services in the education space.
- Acquired Singapore based Ask 'n' Learn Inc. for S\$ 7.03mn (i.e. S\$ 5.98mn in cash in addition to options worth S\$ 1.05mn) through SPV.
 - Ask 'n' Learn, a leading education technology company, caters to over 120 educational institutions in Singapore, China, Thailand, Japan, Brunei, etc.
 - It has revenues of S\$ 6mn with net profit of S\$ 1mn in CY06
 - Acquisition will bring synergies in content development & marketing at both ends.

Fund Raising

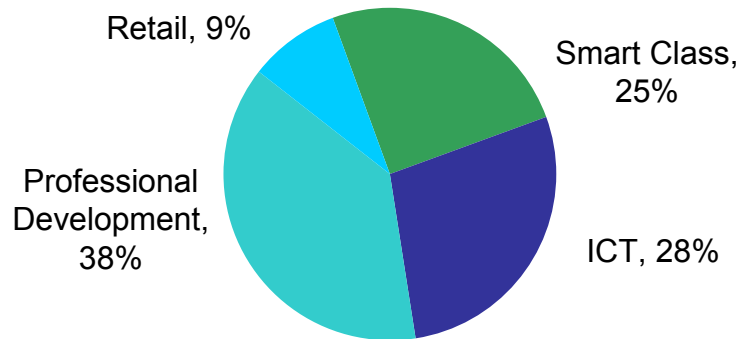
- Raised US\$ 80mn via FCCB, a Zero coupon bond having YTM of 7%, at a conversion price of Rs 2,949.83 with a maturity date of July 25, 2012 to fund capex & overseas acquisitions.

Other Developments

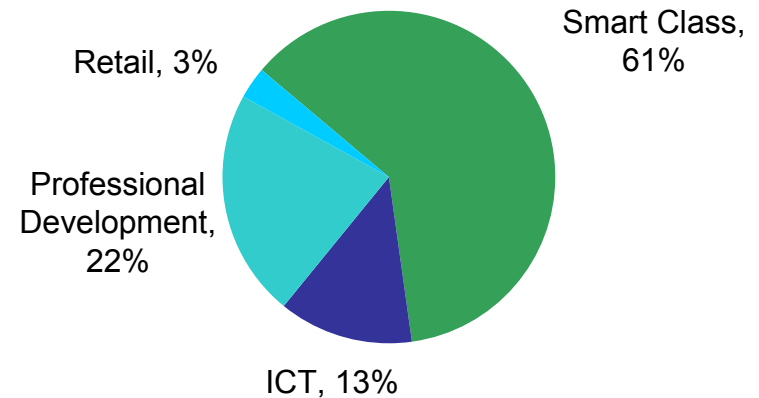
- During the quarter, FCCB (issued in Q2 FY'07) worth US\$ 22.61mn has been converted into equity shares of 1.1mn

Revenue Break-Up

Q1 FY'07 – Rs 93.7mn

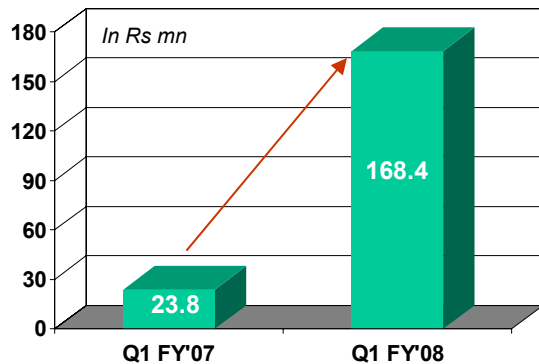


Q1 FY'08 – Rs 275.0mn



Contribution of Smart_Class increasing from 25% in Q1 FY'07 to 61% in Q1 FY'08

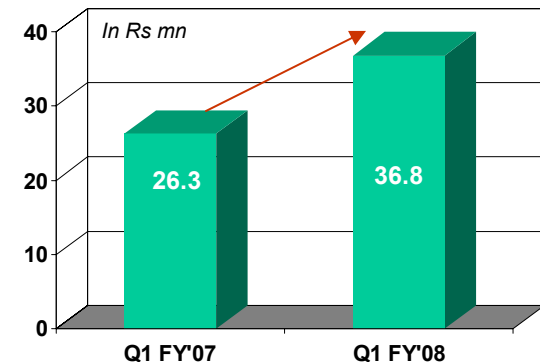
Smart_Class



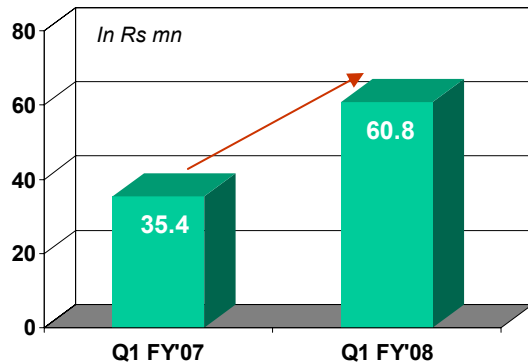
- Number of schools signed increased by 65 to 396 in Q1 FY'08
- Implementation done in 396 schools
- Achieved 14% of guidance for FY'08 – 65 schools vis-à-vis target of 400
- Marketing professionals under Smart_Class increased to 100 which is expected to increase to 150 by end of FY'08

- During the quarter, signed a contract of 2,819 schools with Government of Gujarat of Rs 720mn
- Signed a new contract for 323 schools in Chattishgarh in July'07
- Total number of schools signed increased to 5,950 till date.
- Achieved 79% of guidance for FY'08 – 3,142 schools vis-à-vis target of 4,000

ICT Solutions



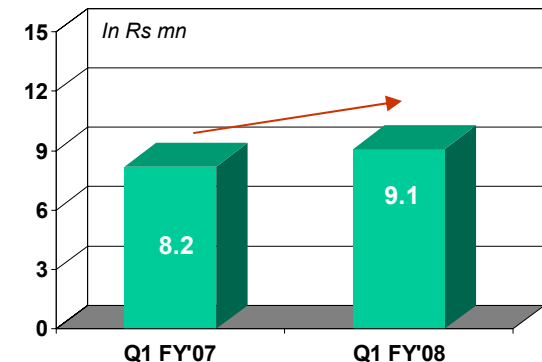
Professional Development



- Trained over 73,817 teachers during Q1 FY'08
- Cumulative number of teachers trained increased to 738,817 as on June 30, 2007

■ Subscription for Mathguru.com increased by 2,676 during the quarter thereby taking total no. of subscribers to 12,189

Retail & Consulting



Financial Statements – Income Statement

Amount in Rs mn

Particulars	AMJ'06	AMJ'07	% Chg YoY
Net Income from Operations	93.7	275.0	193.6%
Total Expenditure	58.7	141.3	140.8%
Purchase of Raw Material	15.9	27.9	75.5%
Increase/decrease in stock in trade	(0.9)	(3.1)	Na
Staff Cost	21.4	79.4	270.8%
Selling, Distribution & Administration expenses*	22.3	37.1	66.5%
EBITDA	35.0	133.8	282.1%
Depreciation & Amortization	13.7	52.7	283.1%
EBIT	21.3	81.1	281.5%
Finance Charges	0.7	5.7	685.5%
EBT	20.5	75.4	267.2%
Other Income	8.8	38.6	339.4%
PBT	29.3	114.0	288.8%
Tax (including deferred)	9.9	53.7	443.3%
FBT	0.7	0.6	(7.7%)
PAT	18.8	59.7	218.1%
Basic EPS (Rs.)	1.18	3.7	213.6%

**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*

Key Ratios	AMJ'06	AMJ'07
EBITDA Margin	37.4%	48.6%
Net Margin	20.0%	21.7%
Total Expenditure/Revenues	62.6%	51.4%
Consumption of Raw material/Revenues	16.0%	9.0%
Staff Cost/Revenues*	22.8%	28.9%
Selling, Distribution & Administration expenses/ Revenues	23.8%	13.5%

* After accounting for ESOP related cost of Rs 41.3mn

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Financial Statements – Segmental Analysis

Amount in Rs mn

Particulars	AMJ'06	AMJ'07	% Chg YoY
Revenue			
Smart_Class	23.8	168.4	607.9%
<i>As a % of Revenue</i>	25.4%	61.2%	
ICT Solutions	26.3	36.8	39.8%
<i>As a % of Revenue</i>	28.1%	13.4%	
Professional Development	35.4	60.8	71.7%
<i>As a % of Revenue</i>	37.8%	22.1%	
Retail and Consultancy	8.2	9.1	10.5%
<i>As a % of Revenue</i>	8.8%	3.3%	
PBIT	93.7	275.0	193.6%
Smart_Class	10.2	95.7	834.1%
<i>PBIT Margin</i>	43.1%	56.8%	
ICT Solutions	9.2	11.8	29.4%
<i>PBIT Margin</i>	34.8%	32.2%	
Professional Development	17.7	35.9	102.5%
<i>PBIT Margin</i>	50.0%	59.0%	
Retail & Consultancy	1.8	5.3	188.2%
<i>PBIT Margin</i>	22.2%	58.0%	
Capital Employed			
Smart_Class	123.1	544.3	342.4%
ICT Solutions	170.4	305.0	79.0%
Professional Development	84.0	91.2	8.6%
Retail And Consultancy	26.0	30.7	17.8%

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 1,400 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 Microsoft, World Links and Wipro etc. It also partners with various governments like Government of Orissa, Tripura, Karnataka, Uttar Pradesh, Gujarat, Haryana, Assam, 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

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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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