



# METAMORPHOSIS - a change for the better





# Education lifecycle



## PRE SCHOOL INITIATIVES (2-5 YEARS)



## HIGH SCHOOL INITIATIVES (5-18 YEARS)



### Digital content solutions



### High schools



The  
**Millennium**  
School



**UNIVERSAL**  
**ACADEMY**  
Education that empowers



### Professional Development

## Contents

02	CORPORATE INFORMATION
03	FROM THE CEO DESK
04	DIRECTOR'S REPORT
09	ANNEXURE TO THE DIRECTOR'S REPORT

13	CORPORATE GOVERNANCE
22	CERTIFICATE ON CORPORATE GOVERNANCE
25	MANAGEMENT DISCUSSION & ANALYSIS

56	AUDITOR'S REPORT
59	STANDALONE BALANCE SHEET
60	STANDALONE PROFIT & LOSS ACCOUNT
61	STANDALONE CASH FLOW STATEMENT
63	SCHEDULES





## HIGHER & VOCATIONAL INITIATIVES (18-21 YEARS)

Higher education

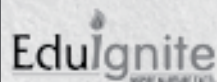


Vocational education

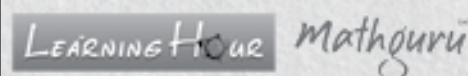



## ONLINE & SUPPLEMENTAL INITIATIVES (5 - over 25 YEARS)

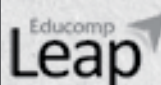
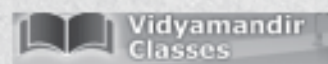
Assessment & counselling



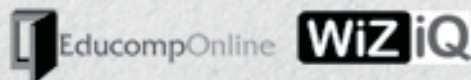
Tutoring services



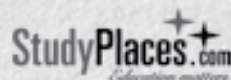
Test Preparation



E-learning platforms



Admissions advisory services



72 NOTES FORMING PART OF  
STANDALONE ACCOUNTS

88 CONSOLIDATED BALANCE SHEET

89 CONSOLIDATED PROFIT & LOSS  
ACCOUNT

90 CONSOLIDATED CASH FLOW  
STATEMENT

92 SCHEDULES

101 NOTES FORMING PART OF  
CONSOLIDATED ACCOUNTS

118 STATEMENT PURSUANT TO SECTION  
212 OF THE COMPANIES ACT, 1956

120 SHAREHOLDER INFORMATION



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

(AS ON 04TH AUGUST 2011)

SHANTANU PRAKASH  
JAGDISH PRAKASH  
GOPAL JAIN  
SANKALP SRIVASTAVA  
SHONU CHANDRA  
RAJIV KRISHAN LUTHRA  
SHYAMA CHONA

CHAIRMAN & MANAGING DIRECTOR  
WHOLE-TIME DIRECTOR  
INDEPENDENT NON EXECUTIVE DIRECTOR  
INDEPENDENT NON EXECUTIVE DIRECTOR  
INDEPENDENT NON EXECUTIVE DIRECTOR  
INDEPENDENT NON EXECUTIVE DIRECTOR  
INDEPENDENT NON EXECUTIVE DIRECTOR

## COMMITTEES OF THE BOARD

### AUDIT COMMITTEE

SANKALP SRIVASTAVA  
SHONU CHANDRA  
GOPAL JAIN  
SHANTANU PRAKASH

CHAIRMAN, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, PROMOTER & EXECUTIVE DIRECTOR

### SHAREHOLDER'S INVESTOR GRIEVANCE COMMITTEE

SANKALP SRIVASTAVA  
SHONU CHANDRA  
JAGDISH PRAKASH

CHAIRMAN, INDEPENDENT & NON-EXECUTIVE DIRECTOR  
MEMBER, INDEPENDENT & NON-EXECUTIVE DIRECTOR  
MEMBER, NON INDEPENDENT & EXECUTIVE DIRECTOR

### REMUNERATION COMMITTEE

SANKALP SRIVASTAVA  
SHONU CHANDRA  
GOPAL JAIN

CHAIRMAN, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, INDEPENDENT & NON EXECUTIVE DIRECTOR

### FINANCE COMMITTEE

SANKALP SRIVASTAVA  
SHANTANU PRAKASH  
JAGDISH PRAKASH

CHAIRMAN, INDEPENDENT & NON EXECUTIVE DIRECTOR  
MEMBER, PROMOTER & EXECUTIVE DIRECTOR

## REGISTERED OFFICE

1211, PADMA TOWER I, 5, RAJENDRA PLACE NEW DELHI-110008

## CORPORATE OFFICE

EDUCOMP TOWERS, 514, UDYOG VIHAR PHASE III, GURGAON- 122001

## AUDITORS

- ANUPAM BANSAL & Co., CHARTERED ACCOUNTANTS
- HARIBHAKTI & Co., CHARTERED ACCOUNTANTS

## BANKERS

- STATE BANK OF PATIALA
- STATE BANK OF BIKANER & JAIPUR
- ICICI BANK LTD
- STANDARD CHARTERED BANK
- CANARA BANK
- STATE BANK OF INDIA

## SHARE TRANSFER AGENT

- LINK INTIME INDIA PRIVATE LIMITED, A-40, 2ND FLOOR, NARAINA INDUSTRIAL AREA, PHASE-II, NEW DELHI-28

## LISTED AT

- NATIONAL STOCK EXCHANGE OF INDIA LIMITED & BOMBAY STOCK EXCHANGE LIMITED

## COMPANY SECRETARY

- MOHIT MAHESHWARI

# FROM THE CEO'S DESK

Dear Shareholders

FY 2011 has been a remarkable year for us. This was the year in which we took bold new steps in innovation and created, re-created and reformed several of our market leading products and services, yet again. This was also the year which saw some fresh new thinking from the government to address some of the critical challenges of the Indian education system. Your company has been at the forefront of creating unique innovative solutions for the Indian education market. Our products and solutions reach out to over 16 million learners and close to 26000 schools, making us one of the largest Education companies in the world, in terms of customer reach. And yet, we are just getting started. The shortages in the Indian Education landscape are so large that the market offers an almost limitless expansion opportunity.

Your company is the only Education company worldwide which is present across the entire Education life-cycle of our customers, the students. Someday, we hope to create a seamless learning path for kids from 2 years to 25 years of age. Our presence in each of the Education verticals is marked with technology-enabled products, high quality people, structured processes and entrepreneurial leadership that come together to deliver unmatched value to our customers. It is because of our obsession with high quality in everything we do, that Educomp is fast becoming a single trusted brand that defines Education.

Over the course of the year ending March 2011, our business and our reach grew by leaps and bounds. Our multimedia content business SmartClass grew from strength to strength and we added more than 3,400 schools to the SmartClass list of schools in a single year. This number was more than the cumulative number of schools that we have added for SmartClass over the last 7 years. Apart from that, we spread our K12 schools presence and are now providing infrastructure and services to 56 schools countrywide. We also received the AICTE license to launch Engineering and PGDM programs. We became the largest company in India for CA training, by using our breakthrough VSAT model technology. We acquired Vidya Mandir Classes and Gateforum to become the leading Test Prep business in India and our Online Educational ventures continued to grow rapidly reaching close to 3 million registered users. In the International markets, we signed an exclusive agreement with China Distance Learning, a leading education company of China, to provide our SmartClass content in the Chinese market in the Mandarin language.

Still our market penetration, even in our biggest businesses, is in the low single digits in each of our businesses. There is a long runway of opportunity ahead of us. We have built a solid Educational platform and all we need to do now, is to continue building the business. The Indian middle class customer is hungry for quality education and is willing to invest a substantial amount of their income in the Education of their children. The regulatory environment is improving. The Education Boards like CBSE are encouraging schools to adopt multimedia content materials for teaching in schools. The government is increasingly looking at PPP models to address some of the critical challenges. The country is getting enabled by digital infrastructure like high speed broadband, wireless broadband and 3G. Clearly, the stage is set, for us to deliver continued high growth for years and years to come.

I am delighted to share with you that even after years of undisputed leadership in the Education sector, our innovation engine continues to churn revolutionary products to solve key classrooms problems and add value to the teaching experience where its most needed. Your company has recently launched a new, improved version of SmartClass which will raise the barriers to entry for our competition even higher. The SmartClass Class Transformation System (or CTS) and the SmartClass Digital Teaching System (or DTS) are the biggest and most innovative initiatives in the space of digital classroom content and digital classroom hardware respectively. The CTS is poised to introduce the next generation of SmartClass in schools and is a big leap forward in enabling excellence in schools. It will encompass any facet of teaching-learning process and become an inseparable tool in the hands of teachers. The DTS is the world's first fully integrated one-switch Digital Interactive Teaching system, designed with real classroom challenges and Indian classroom needs in mind. Armed with the SmartClass CTS and DTS, we plan to take this business to greater and greater heights in the years to come.

The performance in other parts of our business has been equally impressive. The no. of K12 schools under our reach has now grown to 56 schools making us one of the largest corporates to provide infrastructure and management services to private schools. Our businesses in higher education and vocational education have shown fantastic traction growing several times over, even though those businesses are in investment mode right now. Our ETEN students bagged 52 All India Ranks including 4 All India No. 1 Ranks in different CA exams over the year. In the supplemental education area, our VMC students bagged 5 of the 6 students from the Delhi Zone in Top 50 of All India Rank List of IITJEE. 21 Gateforum students got top 10 ranks and 141 students were among the Top 100 ranks across 7 streams of engineering in GATE 2011. Our online business WizIQ has now reached 1.2 million users growing 20% QoQ for the last 8 quarters in a row.

We feel privileged to be able to serve millions of customers in India through our products and services. When we acquire a customer, we think of ways in which we can retain that customer for his/her entire learning life. Being an Education Ecosystem company, we can easily do that. Being present across the entire educational lifecycle gives us an opportunity to acquire the customer once and monetize the same customer multiple times. Our margins therefore would remain high. As we grow our business, we have realized that the most important thing for us to deliver is high quality. We are obsessed about quality. We look at our customers not from the perspective of a single sale, but from the eyes of life-long relationships. Most of our businesses have annuity style business models and long term contracts. We work very closely with our customers to make sure our products add value where it is most needed.

The core DNA of your company revolves around (i) Entrepreneurship (ii) Leadership and (iii) Execution. I am grateful to have a highly entrepreneurial leadership team who have brought the Educomp enterprise to where it is today. Educomp reaches over 16 million students and 26,000 schools. We operate close to 800 preschools, we have enabled 56 high schools, 7 colleges, 1 higher education campus, close to 340 vocational training centres, trained over 2 million teachers, installed SmartClass in over 6500 schools, set up 10,550 ICT labs in govt. Schools and have close to 3 million students enrolled in our eLearning websites. We have leadership in most of the areas that we operate in.

FY12 and the years beyond will be an exciting phase of our growth as we move towards our vision of becoming one of the largest education companies in the world. I am deeply thankful and grateful to our team members, our investors, bankers, shareholders and partners who have supported us at each stage of our evolution and believed in us.

Warm Regards

**Shantanu Prakash**  
Managing Director





# DIRECTOR'S REPORT

Dear Shareholders,

The Directors of your Company have pleasure in presenting herewith the 17th Annual Report of your Company together with the audited accounts for the Financial Year ended 31st March 2011

## 1. Financial Performance:

The consolidated and standalone audited financial results for the year ended 31st March 2011 are as follows:

Particulars	(₹ in million)			
	Consolidated Year Ended		Standalone Year Ended	
	Audited		Audited	
	31.03.2011	31.03.2010	31.03.2011	31.03.2010
Sales and other Income	13970.24	11650.16	10617.73	8727.12
Profit (+)/Loss(-) Before tax	4083.07	4391.73	4363.05	3718.27
Provision for Tax	677.74	1584.19	474.37	1499.61
Net Profit (+)/Loss(-) after tax	3405.33	2807.54	3888.68	2218.66
Minority interest and equity in earnings/ (losses) in affiliates/ Pre acquisition Loss/(profit)	38.61	48.90	-	-
Net profit for the year	3366.72	2758.64	3888.68	2218.66
Appropriations				
Interim Dividend	13.20	103.24	-	94.93
Proposed Dividend on equity shares	57.59	187.67	57.59	171.72
Corporate Tax on distributed dividend	(0.29)	46.59	(0.29)	43.87
Transfer to Debenture Redemption Reserve	349.95	0.00		-
Transfer to General Reserve	389.11	239.48	388.87	221.87

## 2. Dividend:

Based on the Company's performance, and keeping in view future fund requirements of the Company, Your Directors have recommended a dividend of ₹ 0.60 per Equity Share (30% on face value of ₹ 2/- each) for the Financial year ended as on 31st March, 2011, which on approval at the forthcoming Annual General Meeting, will be paid

- to those Equity Shareholders, holding shares in physical form, whose name appear on the Register of Members of the Company at the close of business hours on 16th September 2011 after giving effect to all valid transfers in physical form lodged with the Company or its Registrar and Share Transfer Agent till 16th September 2011
- to those beneficial owners, holding shares in electronic form, whose name appear in the statement of beneficial owners furnished by the Depositories to the Company as at the close of business hours on 16th September 2011

The final dividend on the Equity Shares, if approved by the members would involve a cash outflow of ₹ 66.92 million including dividend tax for the Financial Year 2010-11 as against total dividend payout of ₹ 305.83 million for the previous year

The register of members and share transfer books will remain closed from 17th September 2011 to 24th September 2011 (both days inclusive). The Annual General meeting of the Company will be held on 24th September 2011.

## 3. Transfer to Reserves:

The Company proposes to transfer ₹ 388.87 million (Previous year ₹ 221.87 million) to the General Reserve out of the amount available for appropriations. An amount of ₹ 7294.81 million (Previous year ₹ 3852.30 million) has been proposed to be retained in the Profit and Loss Account.

## 4. Operating Results and Business:

In year 2010-11, Company's performance was quite satisfactory and has shown a CAGR over a period of 3 years of 28.5% on consolidated basis and 26.8% on standalone basis.

On Standalone basis Company's Total revenue increased to ₹ 10617.73 million as on March 31, 2011 from ₹ 8727.12 million as on March 31, 2010, registering a growth of 21.66%. The profit before tax and after prior period items increased to ₹ 4363.05 million (42.75% of Net Sales) as on March 31, 2011 from ₹ 3,718.27 million (44.68% of Net Sales) as on March 31, 2010. The profit after tax & prior period items increased to ₹ 3888.68 million (38.10% of Net Sales) as on March 31, 2011 from ₹ 2,218.66 million (26.66 % of Net Sales) as on March 31, 2010.

On Consolidated basis Company's Total revenue increased to ₹ 13970.24 million as on March 31, 2011 from ₹ 11,650.15 million as on March 31, 2010, registering a growth of 19.91%. The profit before tax and after prior period items increased to ₹ 4083.07 million (30.22% of Net Sales) as on March 31, 2011 from ₹ 4,391.73 million (42.25 % of Net Sales) as on March 31, 2010. The profit after tax, minority and pre-acquisition profits & prior period items increased to ₹ 3366.72 million (24.92% of Net Sales) as on March 31, 2011 from ₹ 2,758.64 million (26.54 % of Net Sales) as on March 31, 2010.

The Company's performance over the years has shown a consistent and upward trend. The Profit Before Depreciation, Tax & Interest & Misc. expenditure (operating profit) decreased by ₹ 212.91 million to ₹ 5903.00 million (42.25% of total revenues) as on March 31, 2011 from ₹ 6,115.91 million (52.50% of total revenues) as on March 31, 2010.

### Segmental Performance (Standalone):

The EBIT margins in the School learning solutions (SLS) Segment of the Company for the year amounted to ₹ 5201.96 million or 52.08% of SLS revenues as on March 31, 2011 as compared to ₹ 4,517.74 million or 56.27% of SLS revenues as on March 31, 2010.

The EBIT margins in the K-12 Segment of the Company for the year amounted to ₹8.99 million or 34.37% of K-12 segment revenues as on March 31, 2011 as compared to ₹ 6.20 million or 7.11% as on March 31, 2010.

The EBIT margins in the Higher learning solutions (HLS) segment of the Company for the year amounted to ₹ 48.26 million or 28.57% of HLS revenues as on March 31, 2011 as compared to ₹ 55.93 million or 28% of professional development revenue as on March 31, 2010.

The EBIT margins in Online and Retail segment of the Company for the year amounted to ₹-59.48 million as on March 31, 2011 as compared to ₹-5.02 million of Online and Retail revenues as on March 31, 2010.

### Expenditure(Standalone):

Personnel expenses have increased from 13.25% of our revenue as on March 31, 2011 from 11.45% as on March 31, 2010. This increase is due to the fact that our company is growing rapidly.

Administration & other expenses have decreased to 9.81% as on March 31, 2011 from 12.33% of our revenue as on March 31, 2010.

We have benefited due to economies of scale and our net profits after tax for the year has registered a growth of 75.27%. Our Profit after tax amounted to ₹3888.68 million or 36.62% of revenue as on March 31, 2011 as compared to ₹ 2,218.66 million or 25.42% of revenue as on March 31, 2010.

We enjoy long-term annuity relationships with both private schools as well as government customers, ranging from three to five years. Our revenues are predictable & locked in for three to five years on account of the contractual nature of our business. In the Smart Class™ segment, we have added 3461 new customers taking the total number of schools to 6538 as on March 31, 2011 as compared to 3077 as on March 31, 2010.

In Edureach (formerly ICT) business segment, we have an ongoing partnership with twelve state Governments & are catering to 10572 Government schools in various states as on March 31, 2011 as compared to 15426 Government schools in various states as on March 31, 2010.

## 5. Changes in Capital Structure:

### Authorized Share Capital

Shareholders of the company on 26th July, 2011 by passing special resolution through postal ballot approved increase in Authorised Share Capital of the Company.

Authorised Share Capital of the Company as on 4th August 2011 is ₹30,00,00,000/- (Rupees Thirty Crore) divided into 15,00,00,000 (Fifteen Crore) equity shares of ₹ 2/- (Rupees Two) each.

### Issued and Paid-up Share Capital

During the year under review, the Company allotted 4,74,102 Equity Shares of face value of ₹2/- each upon exercise of stock options by the eligible employees/ Directors of the Company/subsidiaries under Employee Stock Option Scheme 2006, 2007 & 2008.

On 29th September 2010, Company in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009, has allotted 55,643 Equity Shares on Preferential Basis. The said shares are under Lock in for a period of one year from the date of allotment.

Post 31st March, 2011 & till 4th August 2011, Company has allotted 4,53,434 Equity Shares of ₹2/- each under Employee Stock Option Scheme 2006 & on Preferential Basis in accordance with Chapter VII of SEBI (ICDR) Regulations, 2009

The paid up capital after taking the effect of changes as above, stood at ₹19,19,95,660/- as on 4th August 2011.

## 6. Foreign Currency Convertible Bonds

### US\$ 80 Million Zero Coupon Foreign Currency Convertible Bonds

In year 2007-08, the company had issued at par 5-year, Zero Coupon Foreign Currency Convertible Bonds (FCCB) at an exercise price of ₹2949.83 per share aggregating to US \$ 80 million (₹3,237.60 million as on the date of issue) for financing overseas acquisition, capital expenditure and other expenditure as per RBI regulation. As per terms and condition of the Offering Circular issued by the company for FCCB, the Bond are convertible by holders of the Bonds (the "Bondholders") into fully paid equity shares of the company with full voting rights with par value ₹2 per share of the Company (the "Shares") at any time on or after 4th September 2007 (or such earlier date as is notified to the Bondholders by the Company) and prior to the close of business on 19th July 2012, unless previously redeemed, converted or repurchased and cancelled.

The Bonds may be redeemed in cash in whole, but not in part, at their Early Redemption Amount, at the option of the Company at any time on or after 25th July 2009 and on and prior to 19th July 2012, subject to satisfaction of certain conditions. These bonds are redeemable at 141.087% of the principal amount on July 26, 2012 unless previously converted, redeemed or purchased and cancelled. As on date US\$ 78.5 Million Zero Coupon Foreign Currency Convertible Bonds are outstanding. The Company intends raise fresh FCCB to utilize the proceeds to pay existing bondholders and will take necessary regulatory approvals, if applicable.

## 7. Subsidiaries/Joint Venture/Associates of the Company:

As on March 31, 2011, Company had 50 Subsidiaries, 2 Joint ventures & 2 Associates. Post March 31st, 2011 Company has acquired majority stake in Gateforum Education Services Pvt. Ltd. and it has become Subsidiary of the Company. Company has announced a new Joint Venture with Zeebo Inc., USA. by investing in Zeebo Interactive Studio Pvt Ltd which is an Associate Company.

## 8. Particulars required as per section 212 of the Companies Act, 1956:

Ministry of Corporate Affairs, pursuant to the provision of Section 212(8) of the Act, vide its circular dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies with the Balance Sheet of the Company.



Board of Directors of the company in its meeting held on 30th May 2011 consented for not attaching the balance sheet of the subsidiary companies. A statement containing brief financial details of the Company's subsidiaries for the financial year ended March 31, 2011 is included in the Annual Report. The annual accounts of these subsidiaries and the related detailed information will be made available to any member of the Company/its subsidiaries seeking such information at any point of time and are also available for inspection by any member of the Company/its subsidiaries at the registered office of the Company. The annual accounts of the said subsidiaries will also be available for inspection, as above, at the head offices/registered offices of the respective subsidiary companies. The Company shall furnish a copy of details of annual accounts of subsidiaries to any member on demand.

Further the annual report of the Company contains the consolidated audited financial statements prepared, pursuant to Clause 41 of The Listing Agreement entered into with the stock exchanges and prepared in accordance with the accounting standards notified by Ministry of Corporate Affairs under Accounting Standard Rules 2006. The financial data of the subsidiaries has been furnished along with the statement pursuant to Section 212 of the Companies Act, 1956 forming part of the Annual Report.

#### 9. Directors:

Board of Directors of Educomp Solutions Limited comprises of two Executive Promoter Directors namely Mr. Shantanu Prakash, Chairman cum Managing Director & CEO and Mr. Jagdish Prakash, Whole Time Director and five Independent Non-Executive Directors, namely Mr. Shonu Chandra, Mr. Sankalp Srivastava, Mr. Gopal Jain, Dr. Shayama Chona and Mr. Rajiv Krishan Luthra.

As per section 255 and 256 of the Companies Act, 1956 Mr. Sankalp Srivastava and Mr. Rajiv K Luthra are the Directors liable to retire by rotation and further being eligible, offer themselves for re-appointment at the ensuing Annual General Meeting. Board recommends their re-appointment for your approval.

The brief resume and other details relating to the directors, who are to be appointed/ re-appointed as stipulated under Clause 49(IV)(G) of the Listing Agreement, are furnished in the Notice of AGM forming part of the Annual Report.

The Company also has Audit Committee which is constituted as per requirement of Section 292A of the Companies Act, 1956 and Clause 49 of Listing Agreement. Audit Committee has 4 members out of which 3 are Non-Executive Independent Directors and one is Executive Director. Chairman of Audit Committee is Independent Non-Executive Director.

#### 10. Statutory Disclosures:

None of the Directors of your Company is disqualified as per provision of section 274(1)(g) of the Companies Act, 1956. The Directors of the Company have made necessary disclosures, as required under various provisions of the Act and Clause 49 of the Listing Agreement.

#### 11. Human Resource Management:

Educomp is an equal opportunity employer with total employee strength of 13,917 as on March 31, 2011 as compared to 12,101 as on March 31, 2010.

Educomp's HR policies and processes are aligned to effectively drive its expanding business and making inroads into emerging opportunities. The Company has a suitable recruitment and human resource management process, which enables us to attract and retain high caliber employees. Company has created incentive driven remuneration policies which act as an effective retention tool.

#### 12. Directors Responsibility statement:

In pursuance of provisions of Section 217(2AA), we hereby confirm that:

- 1) That in the preparation of the Annual Accounts for the period ended as on 31st March 2011, the applicable Accounting Standards have been followed and no material departure has been identified.
- 2) Accounting Policies have been consistently applied in a reasonable and prudent manner so as to give true and fair view of the state of affairs of the Company for the financial year ending 31st March 2011 and of the Profit and Loss Account for the financial year ending as on 31st March 2011
- 3) Proper and sufficient care has been taken for the maintenance of adequate records in accordance with the applicable provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- 4) The Annual Accounts for the Financial Year ended on 31st March 2011 have been prepared on the going concern basis.

#### 13. Auditors & Auditors' Report :

M/s Anupam Bansal & Co, Chartered Accountants & M/s. Haribhakti & Co., Chartered Accountants Joint statutory auditors of the Company, will retire at the conclusion of the ensuing Annual General Meeting of the Company and being eligible have expressed their willingness for appointment as joint statutory auditors of the Company. They have confirmed that their appointment, if made, will be within the prescribed limits under Section 224 (1B) of the Companies Act, 1956.

The notes on accounts referred to in the auditors' report are self-explanatory and therefore don't call for any further comments by the Board of directors.

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification or explanation.

#### 14. Share Registration Activity:

Company has appointed "LINK INTIME INDIA PRIVATE LIMITED" a category-I Registrar and Share Transfer Agent reregistered with SEBI to handle the work related to Share Registry.

#### 15. Consolidated Financial Statements:

As required under the Listing Agreements with the Stock Exchanges Consolidated Financial Statements of the Company and all its subsidiaries are attached. The consolidated Financial statements have been prepared in accordance with Accounting standard 21, Accounting standard 23 and Accounting standard 27 issued by The Institute of Chartered Accountants of India and showing the financial resources, assets, liabilities, income, profits and other details of the Company and its subsidiaries as a single entity, after elimination of minority interest.

#### 16. Listing of Shares:

The Equity Shares of your Company are listed on National Stock Exchange of India Limited (NSE) and Bombay Stock Exchange Limited (BSE). The Listing fee for the year 2011-12 has already been paid to BSE and NSE.



## 17. Strategic Acquisitions / Joint Ventures :

The Company in order to maintain & strengthen its leadership position in the industry has made the following acquisitions and strategic investments

- (i) **Vidya Mandir Classes**  
Company acquired a strategic majority stake in Vidya Mandir Classes, India's leading IITJEE Preparation Company. Vidya Mandir Classes has built an enviable reputation for providing high quality coaching to help students achieve success in their IITJEE and other engineering entrance examinations. Its teaching and learning methodologies are well recognized in the industry and proven by the high success rate of Vidya Mandir Classes students in their IITJEE and other engineering examinations.
- (ii) **Zeebo Inc**  
Company entered into a joint venture with Zeebo Inc., a Qualcomm funded company to launch the first wireless educational platform for children in India
- (iii) **Gate Forum Educational Services Pvt. Ltd**  
Company acquired a majority stake in Gate Forum Educational Services Pvt. Ltd, India's leading GATE test preparation company.
- (iv) **India Education Fund**  
With a view to pick up strategic minority investments in high growth, innovative companies in the education and allied sectors, Company has entered into a contribution agreement in relation to the India Education Fund (a SEBI registered venture capital fund with a commitment to invest ₹500 million in the fund as an anchor contributor.

## 18. Quality Initiatives:

Reinforcing its commitment to high levels of quality, a ISO 9001:2008 Certification was awarded in application of ICT (Information and Communication Technology) related to computer-aided learning, training and computer literacy projects in schools.

## 19. Conservation of energy, technology absorption, adoption and Innovation, foreign exchange earnings and outgo:

The particulars are prescribed under section 217(1) (e) of the companies Act, 1956, read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988 are set out in an Annexure A attached to this report.

## 20. Ratings, Awards, Achievements & Recognitions:

### Ratings

Credit Analysis & Research Ltd, or CARE, has revised/affirmed the following ratings in relation to our long term and short term financing facilities:

Long term facilities: Revised 'CARE A' (Single A) rating to 'CARE A+' (Single A Plus) to our long term facilities i.e. facilities having tenure of more than one year, aggregating to ₹339.76 Crore.

Short term facilities : Reaffirmed CARE A1 (A One) formerly PR1(PR One) to our short term facilities i.e. facilities having tenure of less than one year, aggregating to ₹327 Crore.

Commercial Paper : Reaffirmed CARE A1 (A One) for the CP Issue for ₹70 Crore.

In September 2010, Fitch, Inc. assigned us a long-term issuer rating of 'A (ind)' and an 'F1' rating for both our short-term debt and working capital facilities.

Dun & Bradstreet assigned a 5A1 rating to us. The rating comprises two parts, a rating of our financial strength (5A) and a rating based on a composite credit appraisal (1). The former is an indication of our tangible net worth whilst the latter is linked to the level of risk in our business and is an overall evaluation of creditworthiness. The 5A1 rating, in summary, reflects that we have a tangible net worth in excess of ₹645,950,000 and that the overall creditworthiness is high.

### Awards, Achievements & Recognitions:

Franchise India presented the "Entrepreneur of the Year" award to Mr. Shantanu Prakash in the Indian Education Awards 2011, organized to recognize and acknowledge the initiatives and achievements of certain individuals and institutions that have contributed significantly towards the growth of the education sector in India in the recent times.

The April 2011 issue of Dare Magazine chose Shantanu Prakash in its list of "50 Inspiring Entrepreneurs – 2011" because "Shantanu Prakash, founder of Educomp, is the man who is responsible for bringing the much-awaited change in the Indian education system".

In March 2011, Shantanu Prakash won the prestigious ET Now "Leap of Faith" Award in the category of Education. "Leap of Faith" Awards attempt to recognize the best and brightest of India's young entrepreneurs; men and women who have stood against all odds and emerged winners.

Sangeeta Gulati, our Chief Financial Officer, was presented with the ICAI Women CFO 2010 Award by the prestigious Institute of Chartered Accountants of India for exceptional performance and achievements as a chief financial officer and recently bagged best CFO award in Sustained Wealth Creation in mid-Size Category hosted by Yes Bank and Business Today.

Shantanu Prakash won the Dataquest "Pathbreaker of the Year Award" for 2010 in recognition of our business model, which aimed at making quality education available in schools across different parts of the country.

15 students trained by IndiaCan secured positions in the top 50 highest scores in the Chartered Accountancy Intermediate exam results in May 2010.

In September 2010, we were conferred the e-India 2010 "Citizen's Choice #1 Award for Teaching Learning Paradigm through ICT Intervention" in Digital Learning Magazine, in recognition of our achievement in ushering a whole new teaching learning paradigm in schools across India.

## 21. Report on Corporate Governance and Management Discussion & Analysis

Committed to good corporate governance practices, your company fully conform to standards set out by SEBI and other regulatory authorities and has implemented and complied with all of its major stipulations. As per clause 49 of the Listing Agreement, a report on Corporate Governance along with Compliance Certificate from the Practicing Company Secretary and Management Discussion and Analysis Report are annexed and forms part of this Annual Report.

**22. Code of Conduct:**

As per Clause 49 (I) (D), the Board of the Company has laid down Code of Conduct for all the Board members of the Company and Senior Management as well and the same has been posted on Website of the Company. Annual Compliance Report for the year ended 31st March 2011 has been received from all the Board members and senior management of the Company regarding the compliance of all the provisions of Code of Conduct. Declaration regarding compliance by Board members and senior management personnel with the Company's Code of Conduct is hereby attached as annexure to this report.

**23. Notes to Accounts:**

They are self-explanatory and do not require any explanations.

**24. Particulars of employees:**

In Terms of the provisions of Section 217(2A) of the Companies Act, 1956, read with the Companies(Particulars of Employees) Rules, 1975 as amended, the names and other particulars of the employees are set out in the annexure to the Director's Report.

**25. Group**

Pursuant to intimation from the Promoters, the names of the Promoters and entities comprising 'Group' are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

**26. Public Deposits:**

During the year, The Company has not accepted any deposits within the meaning of the provisions of Section 58A of the Companies Act, 1956.

**27. Employees Stock Option Schemes (ESOPs)**

The exponential growth of the Company has, in large measure, been possible owing to the wholehearted support, commitment and teamwork of its personnel. Accordingly, the Company has introduced Employees Stock Option Scheme 2006 (ESOP-2006), Employees Stock Option Scheme -2007 (ESOP-2007) , Employees Stock Option Scheme-2008 (ESOP-2008) and Employees Stock Option Scheme-2010 (ESOP-2010) for its employees and employees of its subsidiary companies.

The details of options granted under ESOP-2006, ESOP-2007, ESOP - 2008 and ESOP - 2010 is attached as Annexure B,

Post 31st March 2011, the remuneration committee of Board of Directors of the Company has granted 1,11,385 Stock Options Employees / Director of the Company and its Subsidiaries under ESOP Scheme 2006 and ESOP Scheme 2007.

A certificate from Statutory Auditors, with respect to the implementation of the Company Employee's Stock Option schemes, would be placed before the shareholders at the ensuing Annual General Meeting, and a copy of the same shall be available for inspection at the registered office of the Company.

**28. Disclosure Pursuant To Clause 5A of Listing Agreement**

Pursuant to insertion of clause 5A in listing Agreement as per SEBI notification no. SEBI/CFD/DIL/LA/1/2009/24/04 dated April 24, 2009 the details in respect of the shares lying in the suspense account till March 31, 2011 is as under.

Description	No. of Cases	No. of Shares
1. Aggregate number of shareholders and the outstanding shares in the initiation of suspense account.	3	750
2. Number of shareholders who approached the Company for transfer of shares from suspense account during the year 2010-11	0	0
3. Number of shareholders to whom shares were transferred from suspense account during the year 2010-11	0	0
4. aggregate number of shareholders and the outstanding shares in the suspense account lying as on March 31, 2011	3	750

All the unclaimed shares are being credited to a DEMAT suspense account and all the corporate benefits in terms of securities, accruing to on these unclaimed shares shall be credited to such account. Voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares.

**29. Corporate Governance:**

The Company has always been committed to maintain the highest standards of Corporate Governance and adhere to the Corporate Governance requirements as set out by Statutory Bodies.

With a view to strengthening the Corporate Governance framework, the Ministry of Corporate Affairs has incorporated certain provisions in the Companies Bill 2009. The Ministry has issued a set of voluntary guidelines in the second half of December 2009 for adoption by the companies. The Guidelines broadly outline conditions for appointment of directors (including independent directors), guiding principles to remunerate directors, responsibilities of the Board, risk management, the enhanced role of Audit Committee, rotation of audit partners and firms and conduct of secretarial audit. Your company is already by and large complying with the voluntary guidelines Corporate Governance various requirements, it has initiated appropriate action for compliance.

**30. Acknowledgement:**

Your Directors wish to place on record their appreciation for the Co-operation and support received from the Government and Semi-Government agencies.

Your Directors are also thankful to all the bankers and financial institutions for their support to the Company. The Board places on record its appreciation for continued support provided by the esteemed customers, suppliers, consultants and shareholders.

The directors also acknowledge the hard work, dedication and commitment of the employees of the Company and its subsidiaries. The enthusiasm and unstinting efforts of the employees have enabled the Company to continue being a leading player in the Education field.

For and on Behalf of the Board of Directors

Date : 04th August 2011  
Place : Gurgaon

(Shantanu Prakash)  
Chairman & Managing Director