



What Learning Can Be

Building on Strengths to Reach Higher Potential

ANNUAL
REPORT
2013-14

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Reaching Higher Potential

We aim to **reach higher potential** through our multiple business initiatives by **leveraging the latent potential** in every student - from the age of 2 to 25.

We have developed a holistic educational ecosystem that serves educational institutions, governments, teachers and students in a manner that will enable them to realize their inherent potential.

As we complete 20 years of our existence, we are geared to take the next big leap in our growth through what we call Educomp 2.0.

Through Educomp 2.0, we seek to expand our role in the country's education ecosystem. Our six-point agenda, under the umbrella of Educomp 2.0, will steer the next chapter of our growth through focus on two concurrent approaches. On the one hand, we shall move forward with a renewed focus towards digitization. On the other, we shall strive to address the access and capacity issues in education through greater thrust on asset backed offerings.

Our six-point Educomp 2.0 agenda encompasses focus on core competencies, cautious growth, cross selling of products and solutions using our existing sales and distribution network, correction of asset-liability mismatch, working towards being a leaner organization, and combining experience with freshness in our leadership.

During the year, our focus was on improving operational efficiencies and strengthening our balance sheet. We also worked consistently towards enhancing our cash flows and launching new products & services through our existing sales and distribution network.

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A key achievement of the year was the successful culmination of our Corporate Debt Restructuring (CDR) program for two of our companies that were carrying high levels of debt. These companies are Educomp Solutions Limited and Education Infrastructure & School Management Limited. Lenders agreed to restructure the debt of these two entities after making an incisive assessment of our fundamentals and taking into account prospects for the next 10-15 years.

Our aim is to transform our organization into an engine for delivering long-term and sustainable value. We are continuously working towards strengthening our presence across the education value chain



Building on Strengths Across the Educational Value Chain

Educomp is India's premier comprehensive education services provider, with a presence that spans the entire education ecosystem. Our services reach 22.6 million students and educators across 33,000 schools worldwide.



- * Leading player in preschools, with 241 operational centers
- * #1 corporate player in K-12 schools, with 47 schools operational
- * Largest chain of 110 Test preparatory centers
- * #1 in teacher training, having trained over 1.6 million teachers
- * #1 player in digital content-based, interactive school learning systems
- * Largest K-12 digital content library, with 20,000 modules of rich, 3D media educational content
- * Innovative bouquet of educational aids that include 750 text books and work books, 19,000 lesson plans, 26,000 work sheets, 11,000 activities and 3,000 projects with over 500 teaching manuals
- * Unique IP driven business model that offers innovative solutions to the sector
- * Huge R&D capabilities for content development and pedagogy
- * Partnered with 14 state governments to implement large-scale public-private partnership projects, taking IT education and IT enabled learning to the remotest of schools across the nation
- * Largest online education company in India with 6.1 million users





Chairman's Communiqué

Dear Shareholders

The year 2013-14 was an epochal year for the Company. I would like to call it a year of consolidation and restructuring, to take advantage of the new opportunities in the world of education and continue to grow our impact in a challenging environment. As you are aware, for over a decade and a half, Educomp has been a trailblazer in education content, elearning, school management and other education services, which we have successfully delivered to over 22.6 million students and impacted 33,000 schools in India and in several parts of the world. The last year presented a unique set of challenges both internal and external. One of the traits that Educomp has displayed over the years has been our entrepreneurial DNA to meet the challenges with agility and resilience. There can be no doubt that the past couple of years have been very challenging for education companies, not just in India, but also worldwide. The investment rush of 2008 to 2010 resulted in a plethora of start-ups, and new capital been deployed across a number of strategic and non-strategic participants in the education industry. The result of this was a confusing array of 'me too' products being available to consumers. For example, in our flagship smartclass business in India, we had as many as 12 active competitors in 2012. Today, that number of competitors stands at less than five. Similarly, in our Edureach business, from over 10

“**Consumers are voting to have the Educomp smartclass content inside their classrooms**”

active competitors, the active competitor universe has now shrunk to 3 companies. Several economies across the world simultaneously went through a structural readjustment such as the US, and other South East Asian markets, resulting in a lack of budgetary and regulatory support, that shrunk the available dollars on education roll outs.

In 2012, we were the first company in India to have the foresight to understand the challenges that are going to come down the line and we embarked on a business transformation agenda, that, inter alia, involved pushing innovation within our research and development centers, focusing the Company to an internet/cloud based approach, reduction in operating costs and a business reengineering program that re-examined at our existing processes and finally an overhaul of our business model.

You will be happy to note that the business transformation agenda has yielded spectacular results, notwithstanding the costs and the charges of business restructuring which impact our balance sheet on a quarter-on-quarter basis. Our overall cost of operations in our smartclass business declined by 31% between FY13 and FY14. Our corporate overhead declined by 51% in the same period of time.



The Company launched several new products and initiatives, which should be looked upon as seeds that we are planting, which would grow and yield fruit in the years to come. Our path-breaking new products include League India, Educomp Smart School, Educomp Online and Uniclass. For many of these initiatives, we have partnered with best-in-class research and development organizations, to harness the collective potential for intellectual property, rather than developing everything in-house.

Post a Boston **Consulting Group study**, the Company also decided to focus its energies on a few **large core businesses** and decided to divest others. We also went through a corporate debt restructuring program with the active support from our bankers and our **CDR was approved in March 2014**.

With the support of our bankers, equity stakeholders, and employees; the Company has now embarked on a path of growth and shareholder value creation again. However, the contours of this path are fundamentally different from that of the product and portfolio mix, which Educomp had since 2007 to 2012. The focus now is on direct to consumer delivery of education content, leveraging the power of cloud-based computing, and the growing proliferation of 3G and 4G networks. Our sales team now focuses on pushing of our vast repository of content to schools on a 'content only'

licensing mode while encouraging our customers to pay for the hardware on an upfront basis. Our collection processes and credit appraisal processes have been substantially revamped to ensure that we have a strong platform as we add new customers.

You will be happy to note that our consumer franchise and customer loyalty is strong. Consumers are voting to have the Educomp smartclass content inside their class rooms. This is evidenced by the high rate of renewal of customer accounts.

But, what is equally exciting is the demand for cheaper and better solutions, as educators realize that digital content is not a luxury but a must-have product. Over the coming months, the Company proposes to grow our portfolio in direct to consumer and content only solutions with more aggression.

The world of education is changing rapidly, and Educomp is in the right place, at the right time with the right mix of products to leverage the new education scenario unfolding in India. With agile management and our new product portfolio, we are well placed to ride the new phase of economic growth in India.

I want to thank our bankers, our employees, our clients, our equity shareholders and all our stakeholders, who have supported the Company, and who believe in our mission to provide best-in-class education solutions for improving quality and access to education.

Regards

Shantanu Prakash
Chairman and Managing Director

Leveraging Strengths Across our School Learning Systems

At Educomp, we are continuously building on our strengths in digital content and computer-based training to achieve higher learning outcomes. Our focus encompasses the expanding network of institutions that use our education solutions. Our aim is to leverage our School Learning Systems to positively impact millions of students.




Educomp smartclass is a market leader with presence in over 15,000 schools across the country. It is a teacher-led, content-based solution that has a dramatic impact on the learning outcomes of students.

Educomp smartclass is powered by India's largest digital content library of curriculum-mapped, multimedia rich, 3D content.



Since its launch 10 years ago, Educomp smartclass has impacted students across private schools through 80 million sessions. It is currently reaching out to over 16 million students and the number of Educomp smartclass enabled schools is growing at almost 10 schools a day.

In a major strategic shift, Educomp smartclass is now being offered under the BOOT model, as against the earlier EMI-based purchase combining hardware and software costs. The BOOT model helps us collect the cost of the hardware upfront, thus reducing our requirement of funding. During the year, we clocked 50% of the total sales in this business on the new upfront model.



The BOOT model also helps us forge long-standing transformational partnerships with schools without any vendor or third party intervention. We believe that these partnerships will be a key growth driver for us and also help educational institutes in improving their educational outcomes.

Leveraging R&D to deliver new products for cross-selling

We are continually improving our learning solutions through focused R&D efforts aimed at monetization of our existing customer base of more than 14,500 schools and over 6.9 million students. As part of these efforts, we have developed three new pioneering products – Smartclass Tab, English Mentor and Educomp Insight, which we are cross selling and upselling by leveraging our existing sales and distribution network.



English Mentor – This product is aimed at helping students imbibe English language skills to promote their academic performance. It uses sound pedagogy with smart technology and focuses on speaking, listening, reading and writing skills in English language. The tools under this program include: Read and Write Tutor, Vernacular Translator, Picture Dictionary, Tense Simulator, Read the Text Software, Listening Comprehension, Spoken English, Combination Sounds, and many more. Learning experience is further enhanced through a personal workbook for every learner for home activities and follow-up activity sessions.

Educomp Insight – This is a scientifically designed assessment system that enables students to identify their innate natural potential and guide their career choices accordingly. It works through built-in extensive psychometric tests, counseling, one-to-one sessions, interactive seminars, etc. These multiple tools help students, parents and schools make the right career choice, based on individual aptitude.

Educomp Smart School – A logical extension of the Smartclass model, this is a smart learning suite that delivers a portfolio of tools to schools. These tools include: Educomp smartclass content, Educomp smartclass 3D Lab, English Mentor, Educomp Insight and access to www.educompoline.com. The programme is focused on upselling of new products to schools using Smartclass.

League India – It helps new entrants in the educational domain to get advice on various industry practices. Inputs are provided by industry veterans, thereby setting benchmarks of industry best practices in schools.

“Our aim is to leverage our School Learning Systems to positively impact millions of students”

Building on our Edureach Strength



During the phase of consolidation that began last year, we realigned our Edureach program towards more content services, training and skill development approach. This was in sharp contrast to our earlier focus on asset-based ICT implementation.

As a result of this realignment, we reduced our working capital exposure in the ICT related business. It also helped us sharpen our focus on efficient execution of existing projects.

The approach we have adopted in this business segment is one of **cautious growth**. This enables us to be careful in selection of government orders for implementation and we are able to **focus on more beneficial programs**.

Our efforts in this domain are concentrated on content, training and skill development, which are the core competencies of our organization.

Edureach today is one of the largest players in this domain. The model involves partnering with governments under PPP mode. Edureach helps them set up computer labs in schools, access to multimedia content in regional languages, faculty, IT curriculum and trains teachers in the use of technology-aided teaching and learning. Under the program, EDUSAT / internet facilities are also utilized effectively to deliver subject specific content.

“ A market leader reaching out to more than **8,000** government schools across **11 states**, **Edureach** offers content in as many as **10 regional languages** ”

Edureach is also working with governments to set up schools under the PPP model. In Punjab, Edureach has set up a model school with over 1,000 students enrolled.

Edureach provides 360 degree solutions for computer aided learning in government schools through localized content. A market leader reaching out to more than 8,000 government schools across 11 states, Edureach offers content in as many as 10 regional languages.

So far, government initiated projects across India have reached out to 100,000 schools. Edureach alone has cumulatively, over the years, worked with 35,000 government schools, many of them in remote areas of the country. The impact on more than 17.5 million students has been remarkable.

Our main focus during FY2014-15 will be on ICT, PPP and Skill Development. With greater focus on skill development programs under various government initiatives, we shall strive to build a network of centers across the country to take the programs forward. Edureach shall endeavor to contribute to the realization of the goal of the Government of India of skilling 500 million people by 2022.