

# 21<sup>st</sup> Century Digital Classroom Solutions







## 21<sup>st</sup> Century **Digital Classroom Solutions**

Educomp Solutions Limited | **Annual Report 2015-16**



## BUSINESS OVERVIEW

21 <sup>st</sup> Century Digital Classroom Solutions	03
Chairman's Communiqué	06
Impeccable Education eco-system for 21 <sup>st</sup> Century Learning	08
Transformational Digital Classrooms for 21 <sup>st</sup> Century Learning Solutions	10
Wider learning avenues for 21 <sup>st</sup> Century Learning Solutions	12
Skills Development & Digital Empowerment for 21 <sup>st</sup> Century employability	14
Aspiring K-12 Schools for 21 <sup>st</sup> Century Learning Infrastructure	16
Learning, fun and development for 21 <sup>st</sup> Century kids	18
Global footprints and knowledge with 21 <sup>st</sup> Century Learning Solutions	20
Engaging with stakeholders of 21 <sup>st</sup> Century Learning Eco-System	21
Caring, sharing and progressing inclusively with 21 <sup>st</sup> Century Business	22
Trust and recognition for 21 <sup>st</sup> Century Learning Solutions	24
Corporate Information	26



## MANAGEMENT REPORTS

Directors' Report	27
Management Discussion and Analysis	62
Report on Corporate Governance	71



## FINANCIAL STATEMENTS

Standalone Financial Statements	94
Consolidated Financial Statements	150

### Caution regarding forward looking statements

Certain statements in this annual report concerning our future growth prospects are forward-looking statements, which involve a number of risks, and uncertainties that could cause actual results to differ materially from those in such forward-looking statements. We have tried wherever possible to identify such statements by using words such as 'anticipate', 'estimate', 'expect', 'project', 'intend', 'plan', 'believe' and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward-looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, our actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.



## 21<sup>ST</sup> CENTURY DIGITAL CLASSROOM SOLUTIONS

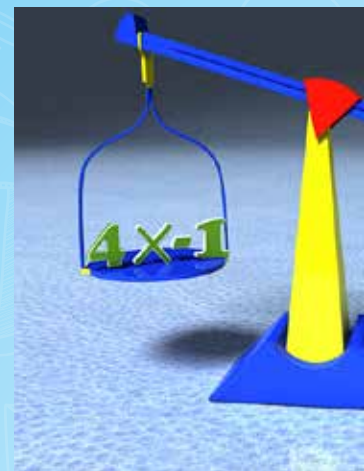


The world is gearing up for a dynamic tomorrow, and India too is trying in small measures to match pace with it. And marching ahead in the 21<sup>st</sup> Century, our nation of 1.25 billion is riding high on knowledge and technology to catch up fast with the ever-changing world. These two important factors are also determining the impact and success of change at the grassroots level, both feeding on each other to help the country take rapid strides on the various development parameters. Going by technology's widespread impact in our lives, it goes without saying that it has transformed the way knowledge is disseminated. Today, everything including education is digital. The transformation has heralded a new beginning, brought about newer challenges, and a plethora of opportunities and more importantly, it has introduced a whole new way to approach the process of education, making it simpler, more enjoyable and easier to access.

**Technology-enabled education will provide strength, direction and vision to the nation of tomorrow. The 21<sup>st</sup> Century Digital Classroom Solutions by Educomp will transform many a lives in the years to come, with objective to make our future generations smarter and better.**



As pioneers in the digital learning space for the last 21 years, Educomp Solutions has been consistently present to assist where education needs it the most. With 25,000+ K-12 learning modules, 30 million learning beneficiaries across 65,000 schools, Educomp is indisputably the largest and unmatched digital learning enabler. It has harnessed the two key pillars of success in this mission – knowledge and technology. With unparalleled infrastructure, pioneering initiatives, steadfast commitment and vision for a change, Educomp is creating the 21<sup>st</sup> Century Digital Classroom Solutions. Digital is the way to go, succeed and sustain for businesses, industries, and individuals, and Educomp is enabling the future of the nation to garner this wave of transformation through knowledge and technology in the education sector.





Working in this direction, Educomp has aligned all its strategies, operational efficiencies, and financial strengths to make its mission to build and grow 21<sup>st</sup> Century Digital Classroom Solutions a success. The FY16 witnessed a further finesse in the execution of our Educomp 2.0 strategy and the resultant improvements in our operational agility, performance stabilization and financial strengthening. During the year under review, we launched SmartClassPro – the revolutionary new way of learning; SmartStem – India's First unique learning platform for Science & Mathematics Subjects; entered into strategic association with FlipLearn – most comprehensive learning management platform; and more. These actions are surely going to position us better to garner future growth opportunities, keeping our industry leadership intact. Educomp Solutions believes that its scale of operations, and sector's potential are going to help the Company strengthen its leadership position and establish it as the 21<sup>st</sup> Century Digital Classroom Solutions provider of choice.





# CHAIRMAN'S COMMUNIQUÉ

*Dear Shareholders,*

The year 2015-16 has indeed been an action packed year for the company. We started 2015-16 taking off for on the approval of our CDR in 2014 by a consortium of domestic tenders subsequent to which the company embarked on implementing a revival plan for the organization which focused on six strategic incorporate initiatives. On these strategic incorporate initiatives, among which were included change in the business model of the SmartClass business, organizational restructuring of the organization to become more customer focused, concentrating on the delinquent customers which fall in the red ERP category to recover the due moneys, further cost rationalization and working on the core areas of strength and trying to divest the non core areas.

You will be happy to know that we have progressed very well on our strategic initiatives. We won orders from 742 new schools in FY16 compared to 490 new schools in FY15, an increase of 51%. It was also a year that was marked by an excellent renewal rate of our past customers showing the confidence that customers had on the company as well as two new strategic initiatives to leverage not only new channels of distribution for our existing products but also leveraging our existing sales channel to sell other value added products to the consumer.

On both fronts we have made substantial progress. We have signed agreements with online portals such as FlipLearn for monetization of the SmartClass content as we recognize that the future is to directly sell our content to consumers through internet and online and given the resource constraints of the company as well as the obligations of the

organization post CDR, we have moved forward to utilize and monetize our intellectual property by inking exclusive distribution arrangements to sell our content through other distribution channels.

Further, the company has leveraged its rather large network of people across the country to introduce other value added products so that our cost of sales and cost of collections should be normalised and rationalised. These initiatives have shown sufficient traction and endorses our belief that Educomp is back to being the leading digital content company across the country. We continue to innovate across our entire product line and have focused on trying to provide and position the latest technology to our customers. We have also tried to unlock the distribution strength of the company to ensure that we position Educomp as a company that is a trusted brand providing various solutions to schools.

In our education infrastructure business, we continue to advocate policy change and try to create awareness for the importance of private sector education in the country as our shareholders are aware that this high potential business has in the past been hampered by various regulations that have limited value creation such as fee regulation, the right to education act as well as the multiple approvals required to set up and manage schools. Further, the taxation policy of the government turned adverse towards the education sector by taxing the income generated from schools. Notwithstanding all of this, we have shown net increase and net enrolment across all the schools has increased from 24,871 students





**We continue to innovate across our entire product line and have focused on trying to provide and position the latest technology to our customers. We have also tried to unlock the distribution strength of the company to ensure that we position Educomp as a company that is a trusted brand providing various solutions to schools.**



in FY15 to 25,774 students in FY16, an increase of 4%. The fact that our schools across the country stand for quality education and have won the trust of the consumers is testimony to the fact that eventually consumers will choose quality no matter what. Further, to bolster our brand presence, we have tied up with organizations to license our Millennium School brand so that more Millennium schools can come across the country, thereby popularizing the brand as well as bringing a healthy license fee to the organization.

Lastly, as a part of our Government business, we have shifted focus to working with the Ministry of Skill Development and Entrepreneurship to work in the Skill India initiative and our Edureach team has already signed several contracts across 5 States in this space. Additionally, we are also implementing the Honorable Prime Minister's flagship programme PMKVY in 8 States.

Our focus on monetizing non-core assets continued and we successfully sold our Singapore company to Japanese listed company as well as took concrete steps towards monetizing other non-core assets. We have further divested our investments in other non-core assets such as Vidyamandir Classes and are closely looking at other divestments as well.

I am very thankful to team Educomp who have proved beyond doubt that they are the number one team in the education sector, a team that is dynamic, vibrant, committed to our ideals of ethics, innovation, transparency, accountability and trust and a team that is ready to take on the challenges of 21<sup>st</sup> century education and learning. While we are proud of our team, I also thank the other stakeholders, specially our customers who have stood steadfast in believing in the company, we assure them that we are fully committed to their long term success and every action that the company takes is fundamentally on a 'Customer First' principle and concept.

Finally, I would like to thank our bankers who have worked very closely with the company and are always receptive to our ideas and work with the positive mindset with us to find ways to work together to unlock shareholder value as well as serve the education sector in our country.

We look forward to Team Educomp contributing to the Indian education story for several decades to come.

Best wishes

**Shantanu Prakash**  
Chairman



## IMPECCABLE EDUCATION ECO-SYSTEM FOR 21<sup>ST</sup> CENTURY LEARNING

Educomp Solutions is India's largest Education and Technology Company having a highly diversified portfolio of products and services for the varied stakeholders in the education sector.

Educomp Solutions was established in 1994 with the Digital Classroom Solutions wherein the school teaching methodology changed to technology-driven and highly engaging, thus improving learning efficacy and results. Over the years, Educomp Solutions added an array of diversified products and services to its portfolio. Today, besides being

an undisputed leader in the Digital Classroom Learning Solutions, Educomp has a leading K-12 School chain on brick and mortar model. Adding further, Educomp Solutions has one India's fastest growing pre-school chain; Higher Education and Vocational & Skill Development Solutions; Online Supplemental Learning Solutions; and a remarkable global presence.

Educomp's vision is to solve critical education problems by applying innovative solutions focused on 'Quality of Education' and 'Access to Education'.

### EDUCOMP SOLUTIONS LIMITED – A DISTINCT MARKET STANDING

