

ANNUAL
REPORT
2013/14

Leading in Education



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www.zeelearn.com



ZEE LEARN ANTHEM

You are within me, you are infinite,
You are unique,
my potential inside!

You are the wings, beneath my flight,
You define me,
my potential inside!

Today I pledge, with all my might,
I shall achieve you,
my potential inside!



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We nurture the unique potential of children to improve the human capital of our country



KIDZEE
INDIA'S FAVOURITE PRESCHOOL



Mount Litera School
INTERNATIONAL

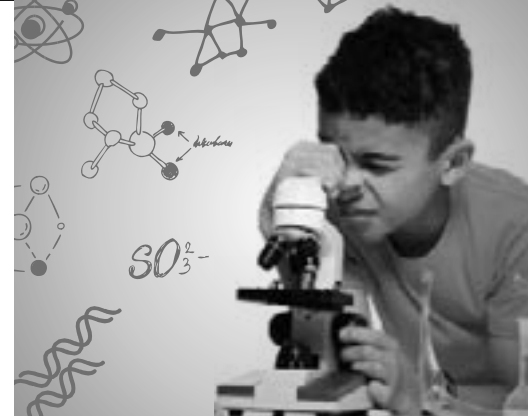


Mount Litera
Zee School
Great School. Great Future

Mount Litera
World Preschool



BrainCafé
A new world of learning



ZIMA
ZEE Institute of Media Arts
www.zimainstitute.com

Zee Learn Ltd. is a leading education company, founded with the purpose of 'Improving Human Capital'. The company has contributed in the field of education across age groups, all the while maintaining its core values of integrity, ownership, leadership, trust and continuous learning. We believe that every child has a unique and infinite potential and we are committed to help children realize their capabilities.

Under its Portfolio, Zee Learn is currently operating over 1200 pre- schools & 81 K-12 schools, through its leading brands, " Kidzee" & " Mount Litera Zee School" respectively. By the current financial year end Kidzee has reached to over 3,50,000 students & MLZs has reached to about 23,000 students through its network of school chain.

For subject and skill-specific interventions in schools, Zee Learn provide a curriculum-mapped activity-based science program called Braincafé Science to schools across India.

The youth is looking to explore vocational courses outside the traditional curriculum. Zee Institute of Media Arts (ZIMA) provides diploma courses in TV and film making courses and Zee Institute of Creative Art (ZICA) provides diploma courses in 2D and 3D animation.



board of directors

- 1 Subodh Kumar Non-Executive Chairman** He holds an M.Sc in Physics and several diplomas and management certificates from IIM-A, IIM-B, IIM-C, Harvard Business School, IDS Sussex, IMF amongst other Ivy League institutions. He had one of the most illustrious careers in the Indian Administrative Service, spanning 35 years, heading various key government agencies with stellar integrity and transparency.
- 2 Himanshu Mody Non-Executive Director** He is M.Sc in Finance from University of Strathclyde, Glasgow. He has rich experience and skills in Corporate Strategy and Finance. He has worked for over 12 years in various Corporate Strategy, Fund raising and M&A initiatives undertaken by the Essel Group.
- 3 Dr. Manish Agarwal Independent Director** He is M.B.B.S from University of Bombay, D. (Ortho) from College of Physicians & Surgeons, M.S. (Ortho) from University of Bombay, D.N.B. (Ortho), National Board of Examination, New Delhi and Diploma in Tissue Banking from National University of Health, Singapore. He is an Orthopaedic Oncologist involved in clinical, teaching and Reserch work.
- 4 Surjit Banga Independent Director** He is a Graduate in Sociology, Fellow of All India Management Association and is a Certified Associate of Indian Institute of Bankers. He has held the position of Managing Director of SBI factors and Commercial Services Limited and was associated with the State Bank of India in various capacities in his 40 years career in Banking.
- 5 Sangeeta Pandit Independent Director** She is commerce graduate and fellow member of the Institute of Chartered Accountants of India. Presently, she is associated with Sydenham Institute of Management Studies, Research and Entrepreneurship Education (SIMSREE) as HOD Finance.

senior management

K V S Seshasai
Chief Executive Officer

Pradeep Pillai
Chief Operating Officer

Umesh Pradhan
Manager & Chief Financial Officer

Amanpal Singh
Head – Human Resources

Sindu Aven
Head – Academic Content

Vinay Agarwal
Head – Procurement & Supply Chain

Vivek Bhanot
Business Head – Strategic Acquisition Team

Sukhvinder Singh Bindra
Business Head – K 12

Mayank Jain
Business Head – Brain Café

Abhinav Upadhyay
Head - Marketing and Innovation

Deepa George
Head – Legal



letter from the chief executive officer 2014



Dear Shareholders,

The last year was characterised by a troubled economic environment, where growth rates slowed down, consumer and business confidence took a beating and the general outlook for the future was gloomy. In spite of such an environment, I am happy to report that your business was able to perform admirably. While our revenues

grew by 19%, more importantly, we were able to deliver a positive operating EBITDA of Rs.1,036.72 lacs as against an operating EBITDA loss of Rs. 846.08 lacs during FY12. Significantly, we were able to reduce our losses from Rs. 2,122.35 lacs to Rs. 132.65 lacs. Your business is set to become profitable during the Financial Year FY2014-2015.

The education sector in India has tremendous growth potential for companies that bring unique and innovative methods of teaching and highly differentiated and appropriate content. Your Company is uniquely positioned to capitalise on the potential of this sector given its strength in brand building, franchise development and management, content creation and academic execution.

“While we remain committed to our vision of building India's human potential, we are also focused on building leaders for tomorrow through our preschool and K-12 verticals.”

While we remain committed to our vision of building India's human potential, we are also focused on building leaders for tomorrow through our preschool and K-12 verticals.

The Kidzee vertical has grown from strength to strength in the past year and we have extended and solidified our leadership position in the industry. Our chain has now grown to 1200 operating preschools across 500 cities of India and we expect to add at least 300 preschools every year to our chain. This growth is the result of the tremendous commitment and energy shown by our education partners and our employees.

Our Mount Litera Zee Schools continues to remain the fastest growing chain of schools in the country and we are investing a lot of resources in this vertical to gain an intellectual leadership position with respect to curriculum, learning resources and pedagogy. We now have 81 schools operating across the country and expect to add between 15-20 schools every year. There is still a tremendous demand for quality schools in the country and we will seek to fulfil this demand

through the expansion of the Mount Litera Zee School program.

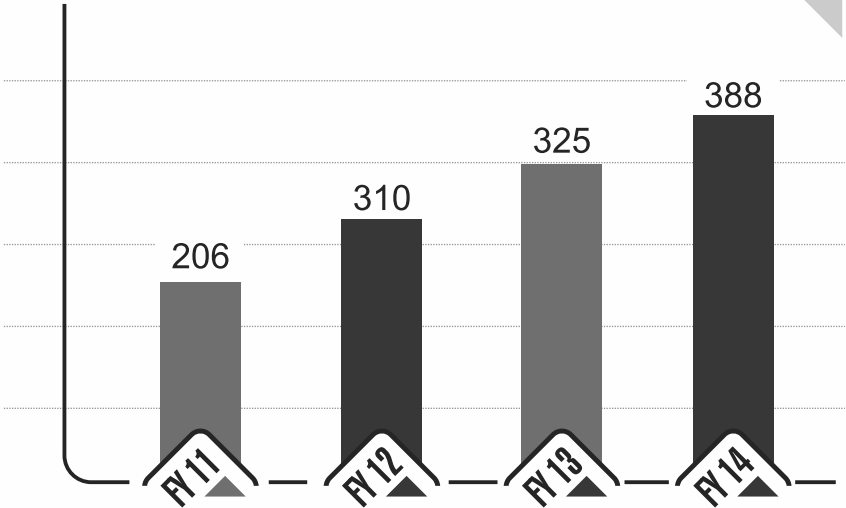
Going forward, we will also evaluate new growth areas, for your organisation like higher education, teacher training and e-learning.

The focus for the current year is to strengthen our brands even further through innovative marketing, increase our profitability through operating efficiencies and fiscal prudence, and drive significant increases in partner, parent and student satisfaction, while continuing to expand geographically and increasing our market penetration.

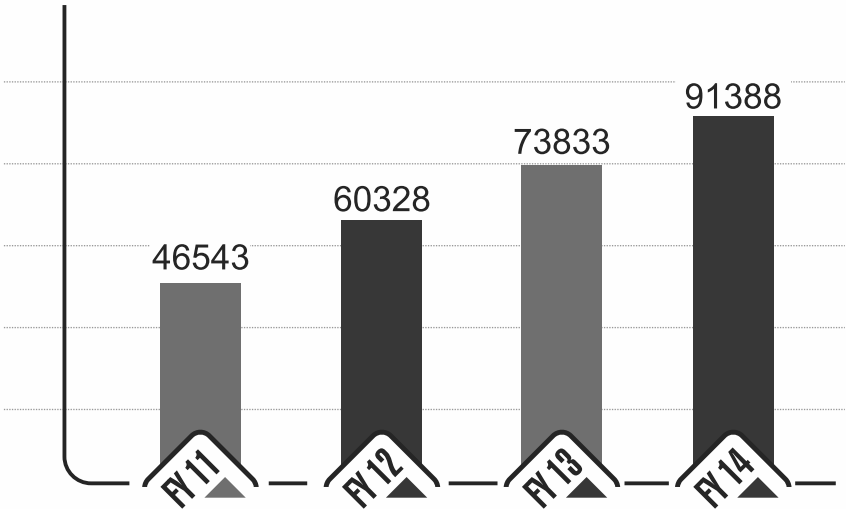
I believe your organisation is poised to become the benchmark in the education sector both intellectually and financially. I look forward to your continued support to help create an organisation that we will be proud of in coming years.

K V S Seshasai
Chief Executive Officer
Zee Learn Limited

Highlights



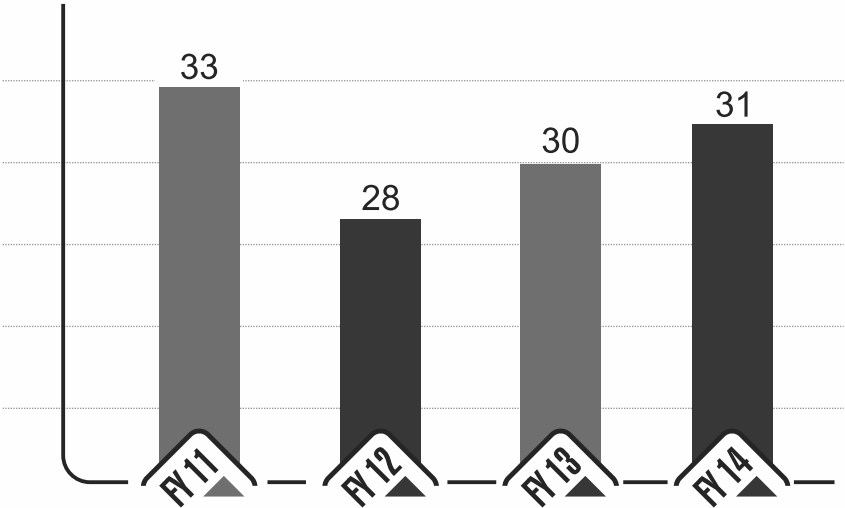
Kidzee Signup



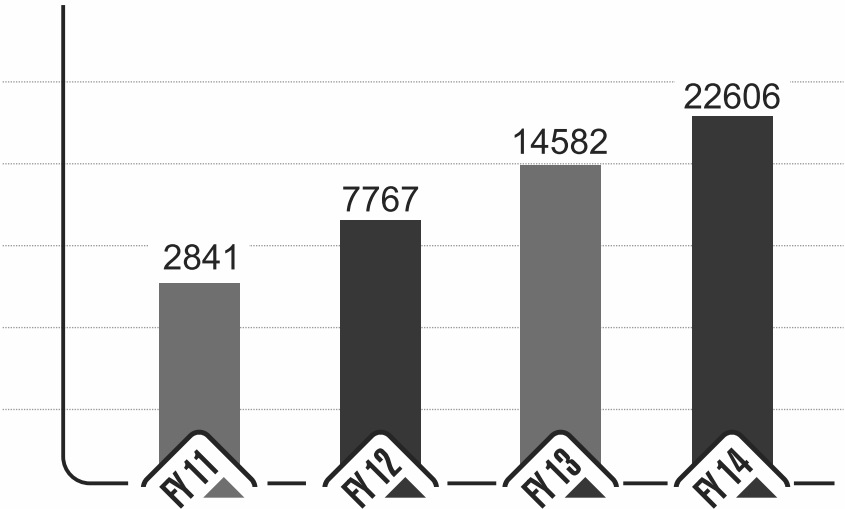
Kidzee Enrollment

Highlights

MOUNT LITERA ZEE SCHOOL



Mount Litera Signup



Mount Litera Enrollment

Helping India achieve its potential



At Zee Learn Limited, 'Helping India Achieve its Potential' is not just a theme. It is the vision, the commitment and the belief that gives us the impetus to go a step further and make quality education the right of every child. We are dedicated to supporting India's brightest and promising minds so that they achieve their potential and in turn help India become a leader in innovation, thought leadership and technical prowess.

We have a deep belief that every child in this country must and should get quality education. Aply supported by a dedicated R&D team, we have made significant interventions across the spectrum of education with special focus on pedagogy, curriculum design, content creation and teacher training. We have created formidable brand strength in each of our focused segments and have made each of our brands amongst the most sought after across India. As a testament to our popularity, our growth rate is phenomenal and our revenues have more than doubled over the last two years.



Making Smart kids the 'Kidzee' way



Early years are very important for a child's overall development. Studies show that 85 percent of a child's intellect, personality and social skills are developed by the age of five. Pre-school sets the right foundation for a child's learning and all-round development.

While the learning aptitude is high in initial years, every child has a unique way of learning and responding to the given learning environment. We at Kidzee understand this fact very well. After carrying out a detailed research with the help of approximately 20,000 parents, 2000 teachers and 1,30,000 children, we have developed a flexible pedagogy christened iLLUME. iLLUME enables us to observe children on pre-defined parameters and accordingly identify the preferred learning style of each and every child. Subsequently, activities are created around the preferred learning style that empowers children to think and explore.

While our peers stress on using the standard 'Learning while Playing' approach, we emphasize on the overall

development of the learning faculties of the child using iLLUME. The content created is engaging, intriguing and uses the right blend of traditional and modern learning tools. Our digital content and activity-based learning methods allow children to choose the learning path as per their comfort.

To ensure a consistent learning environment across all franchisee centers, we have created a repository of best practices and standards. Each centers must follow these guidelines and are audited on a periodic basis to ensure consistency. The centers also carry similar design and architecture and their teachers are periodically trained by our dedicated academic team to keep them abreast of contemporary teaching methods, tools and technologies.

As a result, brand Kidzee has become one of the largest and the fastest growing preschool networks in Asia. During the year under review, the number of students enrolled has increased to over 91,000 in Kidzee centers across India. Keeping its growth trajectory, Company has signed 388 new centers during the year.



Making Smart adolescents the 'Mount Litera' way

Mount Litera
Zee School
Great School. Great Future

It is an age of technological revolutions. Modern tools and technologies are fast becoming part of everyday lifestyle. Hence, the need of the hour is to provide an opportunity to make the classroom an interesting place to learn and explore.

Mount Litera Zee School provides world-class learning environment through its state-of-the-art infrastructure, contemporary learning and teaching methods, well-researched proprietary content and constructive learning environment. Leveraging modern tools and technologies, Mount Litera Zee School strives to seamlessly integrate the classroom with a child's comfort zone. Also, unlike a traditional one-size-fits-all approach, Mount Litera Zee School follows a flexible teaching model that allows more personalised learning experiences. Zee Learn's additional service offerings like teacher training, assessment, parenting programs, seminars, branding, marketing and enrollment assistance helps it to stay ahead of the curve.

To facilitate deeper concept understanding, Zee Learn has created an integrated educational model, 'Litera Octave', which is practiced in all Mount Litera Zee Schools. The model was developed after years of research and development focusing on pedagogy, infrastructure, classroom design, assessment procedures and tools and technologies.

Zee Learn operates Mount Litera Zee School as both a franchisee model and self-managed schools.

In a short span of time, Mount Litera Zee School has become the fastest growing private-unaided school chain in India. During the current financial year, 20 more schools got operational taking the total number of operational schools to 81 while there were 31 new sign-ups done during the year.



Making Smart Careers the 'ZIMA' & 'ZICA' way

India has one of the largest working age populations and one of the youngest demographics. It is at an enviable position as over the next two decades the working-age population would continue to increase, when for most other nations it would decline. To realize this demographic dividend, it must provide world-class skills that can help create a global standard force.

Zee Learn provides world-class vocational educational programs in Media Arts, Film Making, Design and Animation through Zee Institute of Media Arts (ZIMA) and Zee Institute of Creative Art (ZICA). Through a mix of degrees, diplomas and certificate courses. The institutes offer options to both fresh graduates and professionals to up-grade and refresh their skill-set.

The courses crafted are contemporary, backed by through research and are periodically upgraded. ZICA

has associated itself with renowned universities like Himgiri Zee University and Annamalai University to create content for a some of its courses.

While ZICA operates through a mix of franchise, company-owned-and-company-operated centres, the ZIMA centre remains a company-owned one. Both ZICA and ZIMA offer key services including placements, faculty training, content development and marketing support among others.

The students of both ZIMA and ZICA have won several accolades, including Best Film, Best Animation Movie, Best Director, Best Cinematographer and Best Actor awards at various State and International film festivals held across the country.



Providing Smarter School Solutions the 'BrainCafé' way



The effectiveness of a pedagogy is measured by independence of the learner. The traditional teaching model puts the entire onus of learning on the child as (s)he is expected to raise to the wave length of the teacher.

To bring synergy between learning and teaching methods, Zee Learn has collaborated with Gakken J. Holdings, a leading Japanese education company, to formulate a science program titled 'BrainCafé' for students from K-12

schools in India. It runs along with the regular curriculum and makes learning more interactive, engaging and interesting, thereby, improving the conceptual understanding of the students. With an aim to develop Higher Order Thinking Skills (HOTS) among students through the route of science, BrainCafé has developed programs that helps to bring better understanding and appreciation of science.



Management Discussion and Analysis

Zee Learn Ltd (ZLL) (BSE Code: 533287 and NSE Code: ZEE LEARN) is a leading child development and Education Company in India and is uniquely positioned to cater to unmet needs of large & growing market through its innovative and well researched educational offerings. Our strategy is to improve human capital by offering high quality education services to meet the demand. We are uniquely positioned to capitalize on the growth of the education sector in India with our deep capabilities in content and curriculum creation, education infrastructure management and educational technology. Through its portfolio encompassing one of the largest preschool networks in Asia along with the fastest growing chain of K-12 schools, it aims to improve the human capital of country.

Economy Overview

As per the Asian Development Outlook 2014, the economic slowdown bottomed out last year. A spell of global financial turbulence caused capital outflows and pressure on the exchange rate. India's economic growth during FY2014 was slowed because of persistently high inflation, policy paralysis, little progress on economic reforms, high interest rates and continued uncertainty in global economy. As a result of this, along with other sectors, the Indian automobile sector, real estate sector saw a new low point of their business cycle.

With widespread reform measures initiated in recent months and the global economy poised for a recovery, the Indian economy is expected to witness an improved outlook in 2014-15. India's medium-term growth outlook is positive due to a young

population and corresponding low dependency ratio, healthy savings and investment rates and increasing integration into the global economy.

With the opening up of Foreign Direct Investment (FDI) in several sectors, India is today an eye-catching destination for overseas investors. The relaxation of norms by the government has created a vast opportunity for foreign players, who are competing for a greater role in the Indian market. Sectors projected to do well in the coming years include education, infrastructure, automotive, technology, life sciences and consumer products.

The UN World Economic Situation and Prospects (WESP) 2014 mid-year update said India's economy would grow by 5 per cent in FY2015 and 5.5 per cent in FY2016, only slightly up from 4.8 per cent in FY2014 and 4.7 per cent in FY2013.

Indian Education Industry

Education is the key to the task of nation-building. It is also well-accepted that providing the right knowledge and skills to the youth can ensure overall national progress and economic growth. The Indian education system recognizes the role of education in instilling the values of secularism, equality, respect for democratic traditions and civil liberties and quest for justice. A progressive higher education sector plays a predominant role in economic growth and development of a nation.

Zee Learn, through its leading educational portfolio Kidzee (Pre School) and Mount Litera Zee School (K-12), caters to the growing demand of Indian students.

Market Size

With a median age of 25 years, India has over 570 million people below the age of 25 years. According to Census 2011, over 29 per cent of the 1.2 billion populations are between the age group 0-14 years. This means that the number of people in India needing primary and secondary education alone exceeds the entire population of the US. Since these students will be seeking higher education in India over the next decade, it illustrates the sheer size of the Indian education market.

K-12 sector (including public and private) is expected to reach Rs. 3,050 billion in 2015 from Rs.1,200 billion in 2008, growing at an estimated compound annual growth rate (CAGR) of 14 per cent.

The private education sector is estimated to reach Rs. 5,479 billion by 2020, with enrollments in K-12 expected to grow to 375 million, requiring an additional 36 million seats by 2020.

Government Initiatives

Government support for the sector has also seen a boost, with substantial reforms and increased financial outlays being announced and implemented. These reforms aim at not only strengthening the sector but facilitating planned expansion of the sector.

The following are some of the major initiatives taken by the government for the infrastructural development of the education sector:

The Government has prepared the University Grants Commission (UGC) - Establishment and Operation of Campuses of Foreign Educational Institutions Rules, 2013. Under the proposed rules, Foreign Educational Institutions (FEIs) can set up campuses in India, once they

have been notified as Foreign Education Provider (FEPs) by the UGC, subject to fulfillment of certain eligibility conditions.

The Indian education sector is on the cusp of exponential growth and revolutionary changes. The new government has expressed “Better Education” as one of the six measures that it will focus to meet the demands of the common man. Also, it has brought specific focus on the task to equip and nurture the youth with right kind of education and skill-set.

Road Ahead

India plans to enhance its formally skilled workforce through vocational education and training from the current 12 per cent to 25 per cent by 2017, thereby adding about 70 million people in the next five years. Hence, the higher education segment is expected to undergo intense changes and activities in terms of foreign partnerships and foreign players entering the market in the coming years, with Indian players rejuvenating and improvising their methodology, technology and course content to match the competition.

Industry Segment Overview

Pre School Market

As per Jean Piagets cognitive development theory, human beings learn and grasp the most until the age of 5. During this time, children learn to assimilate information, express interest and develop cognitive & emotional skills. Hence, pre schools play an important role in the overall development of a child’s cognitive skills and intelligence. Over the past few years, preschools have gained in popularity. Rising urbanization, growing aspirations for a quality education, improved affordability and more women joining the workforce are factors driving strong growth in this segment. Preschools are a part of the non

formal education system, with current industry size of INR 69 billion. They cater to children ages 1.5-6 and offer play group, nursery, junior kindergarten and senior kindergarten classes.

Preschool market to grow at a 15% CAGR

Unlike K-12 school education and higher educational institutions, which are barred by law from becoming for profit ventures, preschools are largely unregulated. This makes the industry free to operate on its own terms, which has also led to its highly unorganized nature.

Education Research projects that the overall preschool market will grow at a CAGR of 15% over 2014-20 from the current market size of Rs.69 billion to Rs.159 billion, driven by increasing penetration levels in the industry. Further, the organized market is expected to increase contribution from 20% to 26% over the next four years, owing to rising urbanization. Consequently, the organized preschool market is expected to grow at a CAGR of 26% over FY13-18E to INR 42.8bn from INR 13.2bn currently.

It is estimated that the organized sector will add 8,400 preschools, tripling the count to more than 12,700 preschools. India’s total students catered by the organized preschool are set to reach 1.02 mn from 0.35 mn currently.

K-12 Market

Schooling segment covers the largest population of our society as compared to any other form of education. The segment is also the largest education segment valued at Rs. 717 billion in 2011 expected to reach Rs. 2,944 billion by the year 2020.

The growth momentum in the K-12 educational space will continue owing to the following factors

- Population in the age group 5-19 years (K-12 target population age) comprising approximately 30% of the Indian population represents huge target market both in the immediate as well as long run;
- Growing proportion of country’s middle class population implying higher propensity to spend on child’s education. The per capita public expenditure on secondary education has increased from Rs. 315 in FY08 to Rs. 784 in FY12;
- Lower enrolment rates especially at the upper primary level as compared to other developed nations of the world (with enrolment rates > 90%) owing to the drop-out rate post the primary education remaining high especially in rural India;
- Increase in expenditure outlay during the XIIth plan period earmarked by the Government of India (GoI) for the Primary & Secondary education; and
- Greater role of private entrepreneurs / institutes in the K-12 educational space through Public-Private Partnership.

In view of the above-mentioned factors together with the GoI’s vision to universalize K-12 education in the country, the XIIth plan envisages the following for the growth of Primary & Secondary education

- Integration of pre-school education with primary schooling for the overall development of child right from the early stage;
- Strive to achieve Gross Enrolment Ratio (GER) > 90% at the secondary level and 65% in the higher secondary level by FY17; much in line with the global trends;