



Investor Presentation

June 2013

The image features a modern, abstract graphic design. On the left side, there is a vertical stack of three-dimensional rectangular blocks. The top block is dark blue, the middle one is light green, and the bottom one is a darker blue. A white rectangular cutout is visible in the middle green block. The background is divided into three horizontal sections: a light gray top section, a light blue middle section, and a bottom section with a wavy, gradient-like transition from light green to dark blue. The text 'Company Overview' is positioned in the light blue section.

Company Overview

India's Largest Organised Education Services Player ...

Company Overview

- Diversified education services provider with a presence spanning the entire education ecosystem
 - ~**34,500 schools** and ~**22.8mn students** serviced across business lines
- Leadership in multiple attractive segments of the ecosystem
 - **#1 player** in digital content based, interactive school learning solutions
 - **#1 corporate player** in K-12 schools, with 51 schools operational and 48 more in the pipeline
 - **Leading player** in pre-schools with 225 pre-schools operational across the country
 - **Largest K-12 digital content library** in the country with over 16,000 modules of rich 3D multimedia educational content
 - Set up high quality infrastructure in higher education segment
- **Focused on developing IP** to bring innovative solutions to the market
 - Supported by large investment in R&D for content development and pedagogy

Company Overview (Contd ...)

- **High brand equity** creates significant and as yet unrealized cross-selling business opportunities
- Business models with **annuity type revenue streams** (3yr to 12yr annuity streams)
- **Low levels of penetration** even in our most scaled businesses
 - Digital content solution SmartClass has 90% headroom available for growth
- **Multiple engines of growth & value creation** – many of them in early stage
 - Digital content in schools
 - K-12 schools
 - Higher Education
- Best positioned to benefit from the **growing middle class aspirations**, growing consumption of quality Educational products as well as growing numbers (because of economic growth, urbanization as well as high birth rates)

... In India's Fastest Growing Sector

	Total Expenditure (\$bn)	
	2011	2020
Education and Leisure ⁽¹⁾	95	300
Housing and Consumer Durable ⁽²⁾	240	750
Health	60	185
Transport and Communication	220	665
Clothes and Footwear	75	25
Food ⁽³⁾	385	895
Others ⁽⁴⁾	175	565
Total	\$1,250	\$3,585

Source: Euromonitor, NSSO: BCG Indian Consumer Survey December 2010, N=6278, BCG analysis.

Note: All spends in nominal dollars. Years represented as calendar year, 1 USD = Rs. 46.

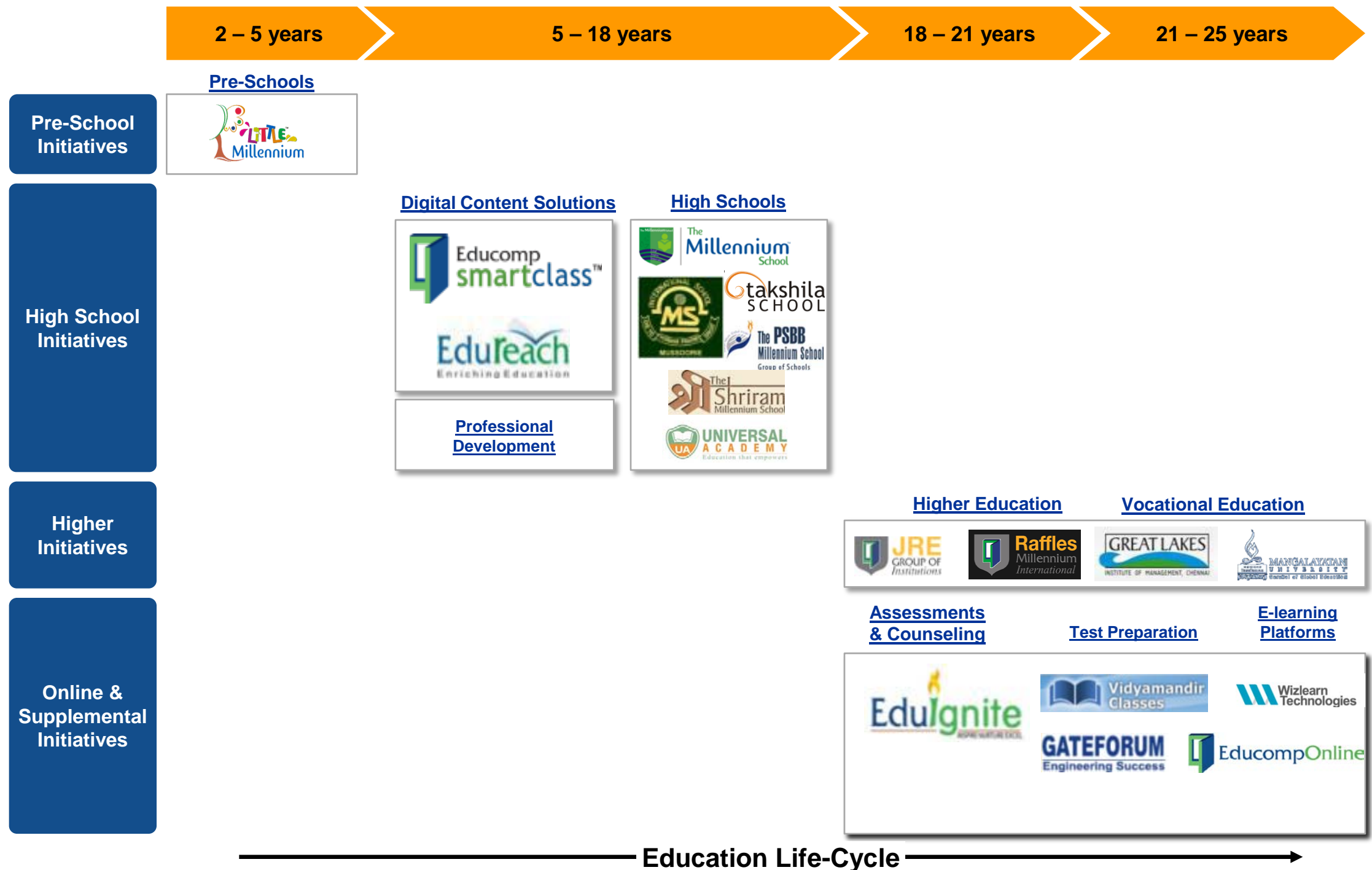
1. Includes spend on: Internet, entertainment (picnic, eating out), children education.

2. Includes spend on: Utilities, homecare products, servant salaries, consumer durables, home renovation, rent.

3. Includes spend on: Alcoholic beverages and tobacco (excludes food sold by catering services such as restaurants, hotels, kiosks).

4. Includes: Personal care, baby care, EMI, loan payment, Holidays, social gatherings.

Snapshot of Our Business – Comprehensive Offerings Across the Education Ecosystem



Our Mission and Core Values



To apply innovative solutions to solve critical problems relating to quality of education and access to education for all in India



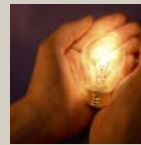
Entrepreneurship

A commitment to have a large vision of the organization and innovate resources to achieve challenging goals, with speed of execution without any bureaucracy



Innovation

A commitment to Inspire people by making bold decisions in difficult situations that continuously sets and raises the bench mark in our business of being the Market Leader.



Quality and Excellence

A dedication to recognize new ideas, get behind them and make them a reality



Financial Prudence

A commitment to conserve the precious financial and non financial resources of the company while innovating creative ways of execution



Leadership

A commitment to achieve Quality of Service delivery through effective business processes that would persuade people to work smarter in the search for continuous improvement.



Key Highlights

Multiple Engines of Sales and Value Creation

	Current Market	Educomp Presence	Current Penetration	Market Position	Value Creation
Multimedia Content	\$1bn	SmartClass	< 18% (by schools) < 5% (by classrooms)	No. 1 player	High
ICT	\$90m	EduReach	< 2%	No. 1 player	Medium
Pre Schools	\$1bn	Little Millennium	< 3%	Leading Corporate Player	High
K-12 Schools	\$20bn	Millennium, Takshila, Universal Academy	Shortage of 200,000 schools	No. 1 corporate player	High
Professional Development	\$15m	Teacher Training	NM	No. 1 player	Low
Higher Education	\$7bn	Raffles JV	Shortage of 1500 universities	Growing presence	High
Online & Supplemental	\$7bn	VMC, Gateforum, EducompOnline	NM	No. 1 player in test prep and No. 1 player in e-learning	High

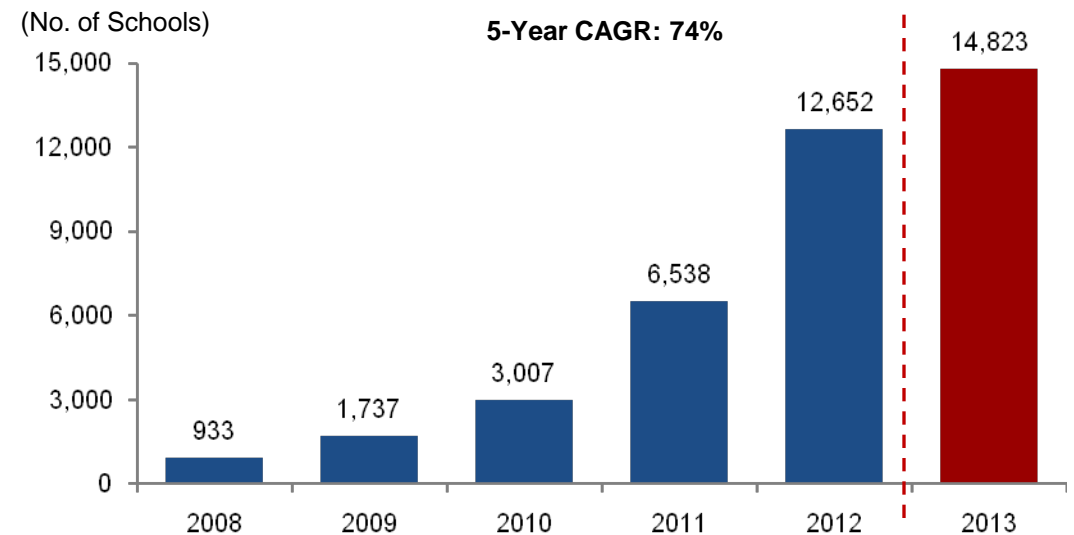
Source: Company data

Smart Class – First of its Class Digital Curriculum Product in India

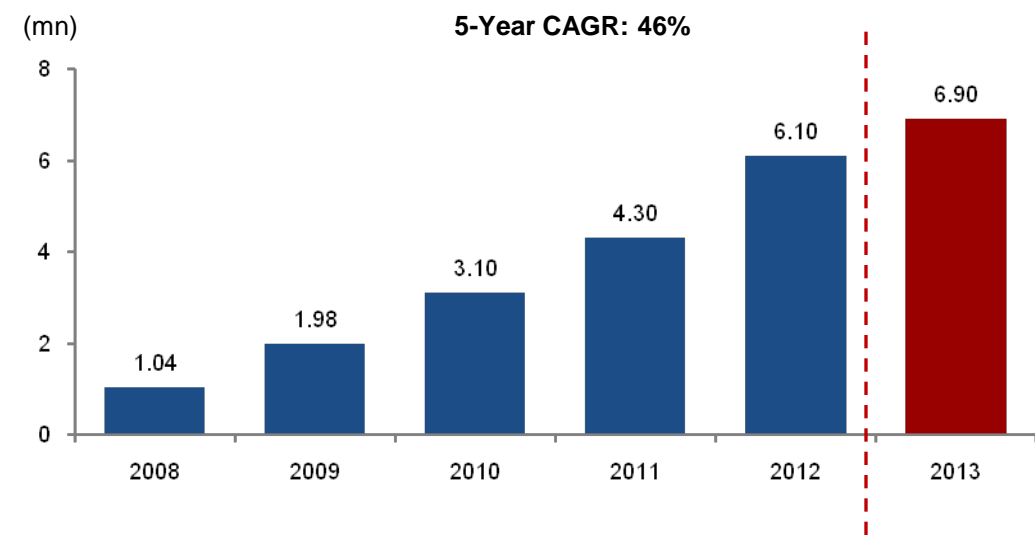
Market leading digital content solutions targeted at K-12 private unaided schools



No. of Schools Covered



No. of Students Covered

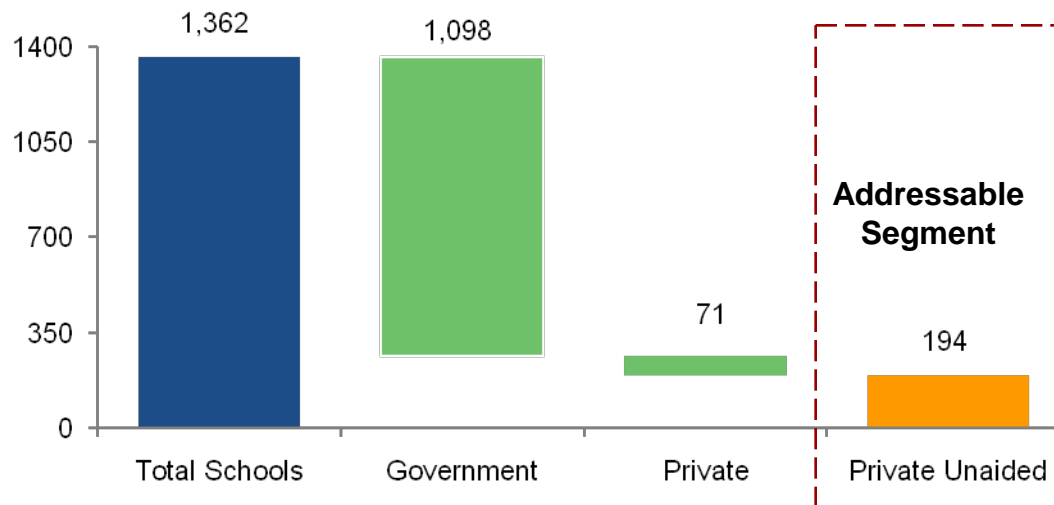


Source: Company data

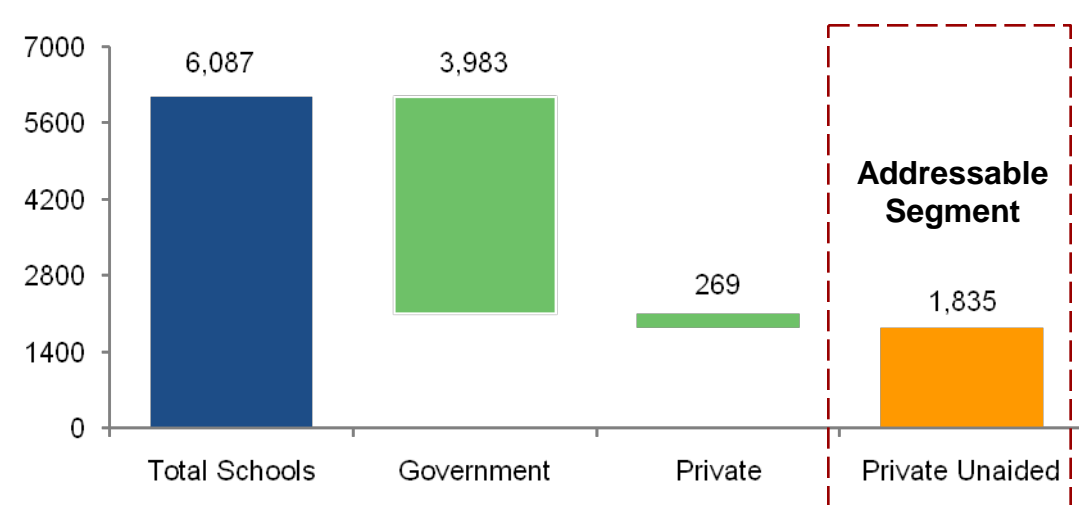
Significant Addressable Segment Still Available

Our addressable market is 194,000 private unaided schools with 1.8 million classrooms

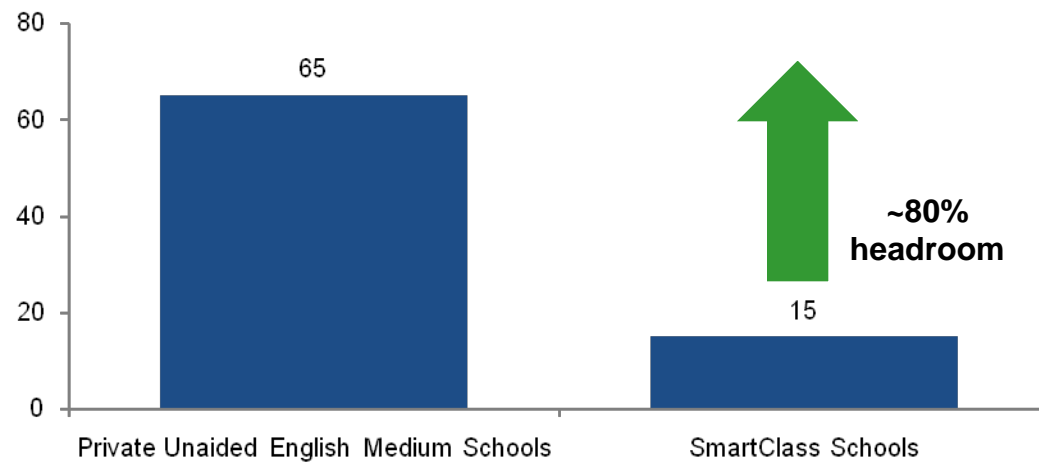
Number of Schools in India as in 2011 ('000)



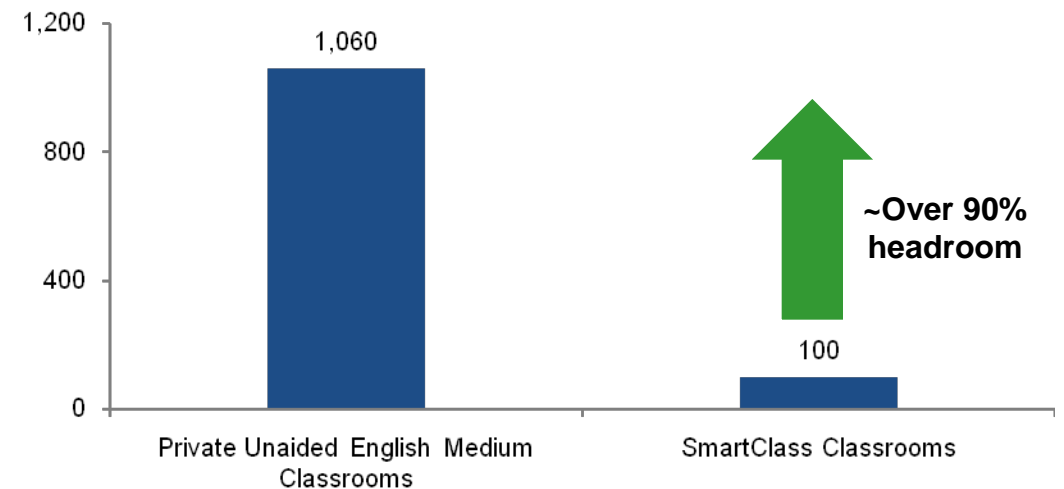
Number of Classrooms in India as in 2011 ('000)



Number of Private Unaided English Medium Schools in 2011 ('000)



Number of Classrooms in Private Unaided English Medium Schools in 2011 ('000)

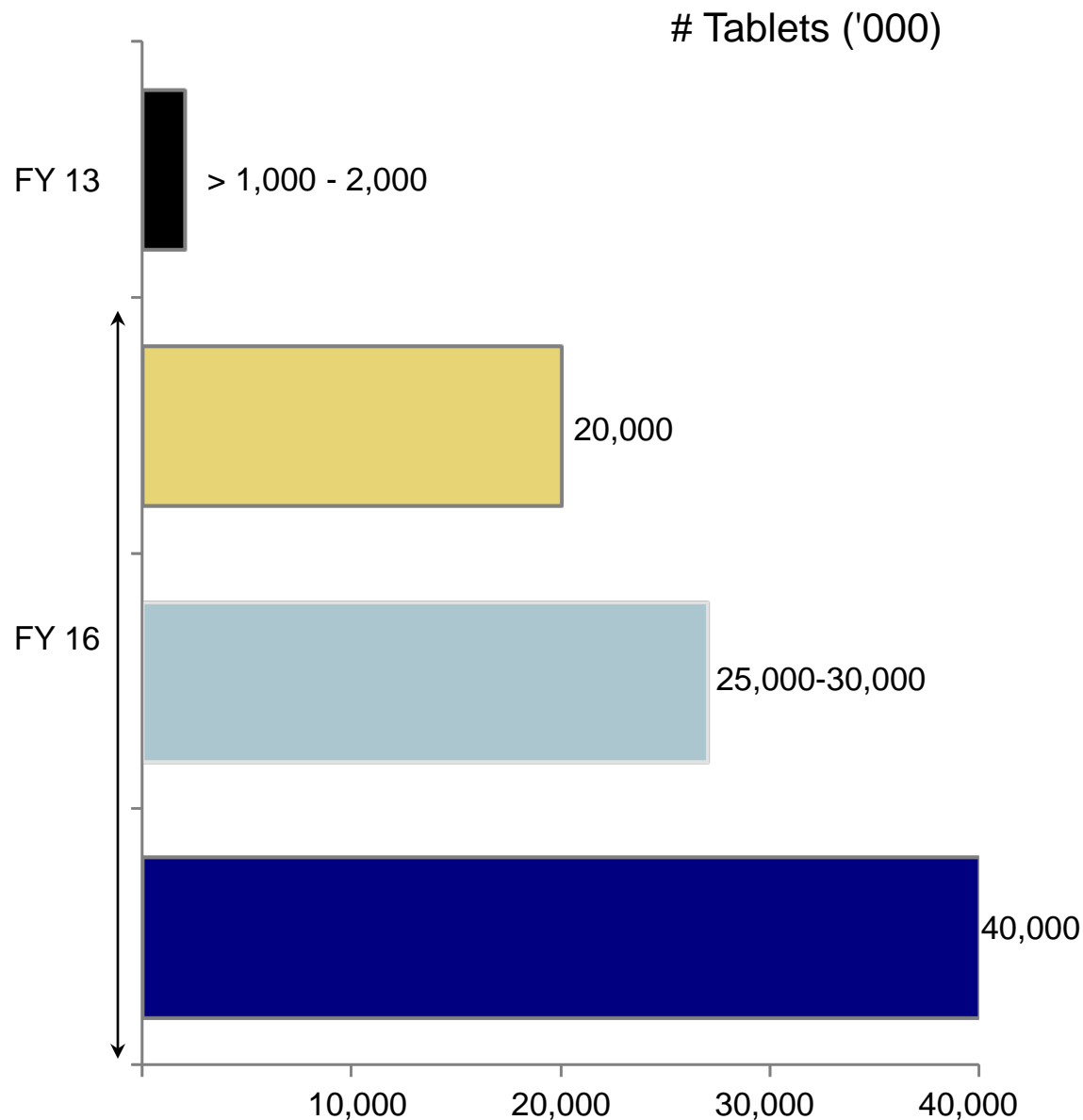


Significant headroom for growth exists for SmartClass...and Vernacular medium schools are a further upside

Source: Industry research.

Market for Tablets in India expected to grow strongly and education focused tablets be 15-25% of the market

Tablets can reach 20-40 Mn units by FY 16



Three potential scenarios exist for educational tablets

Conservative case – 15% of the market

Threat of substitutes on content

- Availability of free apps and content from philanthropists

Aggressive pricing strategies employed by competition

- Google, Apple, Kindle etc. to introduce low price tablets

Technology disruptions replacing tablets

Base case - 20% of the market

External environment remains the same

- No threat of substitutes or technology innovations

Aggressive adoption case – 25% of the market

Schools to aggressively push for education tablets

- Tablets as an integral part of the learning system

Parents/students to push for tablets

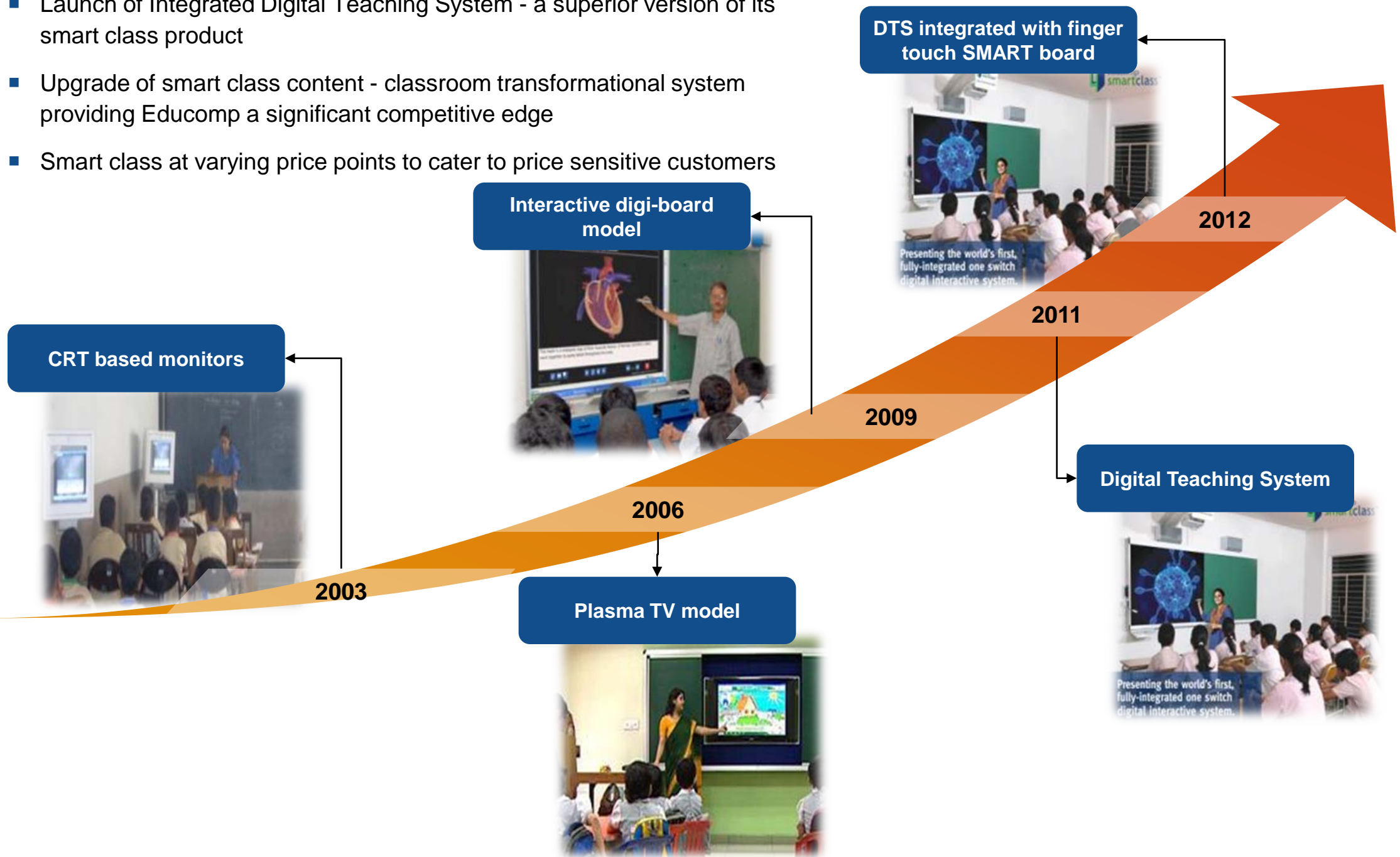
- Value proposition – content on the go; assessment tool

Prices decline more steeply than expected

Source: Gartner, IDC, BCG analysis

Rapid Innovation in Smartclass

- Launch of Integrated Digital Teaching System - a superior version of its smart class product
- Upgrade of smart class content - classroom transformational system providing Educomp a significant competitive edge
- Smart class at varying price points to cater to price sensitive customers



EduReach Business Overview

Partnering with the Government to improve access to IT in public schools

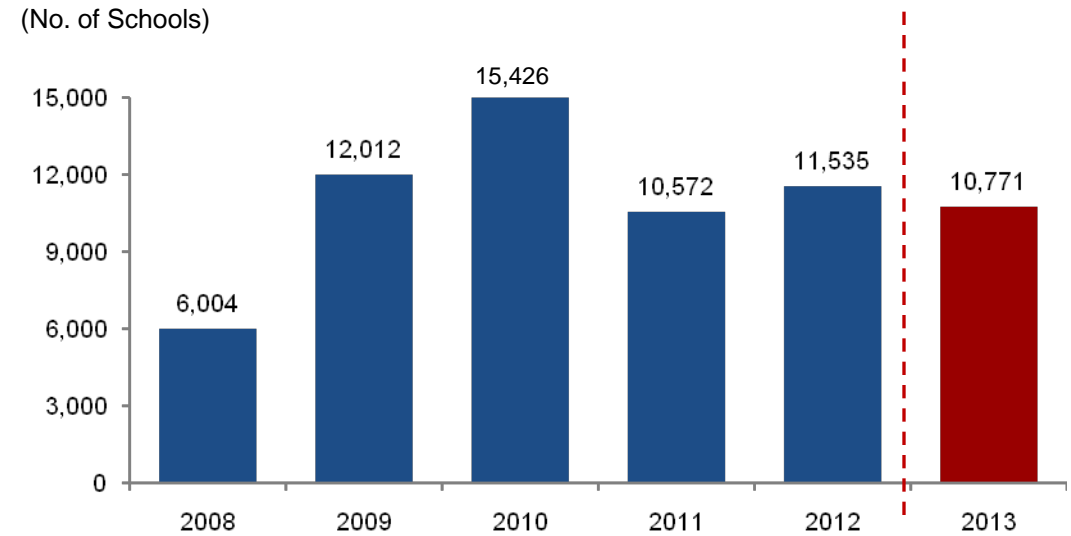
Overview of EduReach

- ICT@Schools program is a government initiative in the Public Private Partnership model to IT enable potentially ~1mn Government schools
- Solutions provided include:
 - Setting up computer labs
 - Providing multimedia in regional languages
 - Testing and certification programs in computer education
 - Teacher training
 - Full time assistants and supervisory services
- Allows the company to form strong relationships with the Government and contribute to the Country's education policy making process

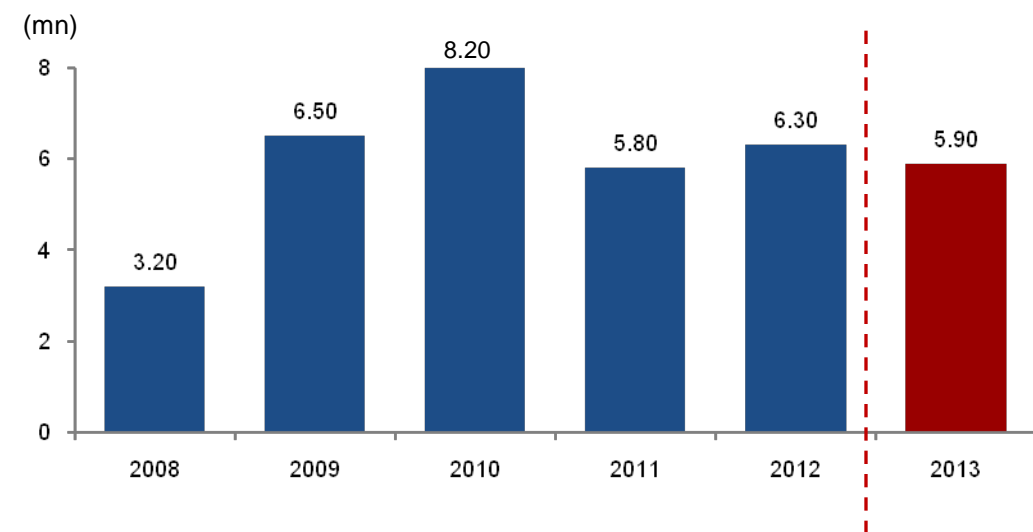


Source: Company data

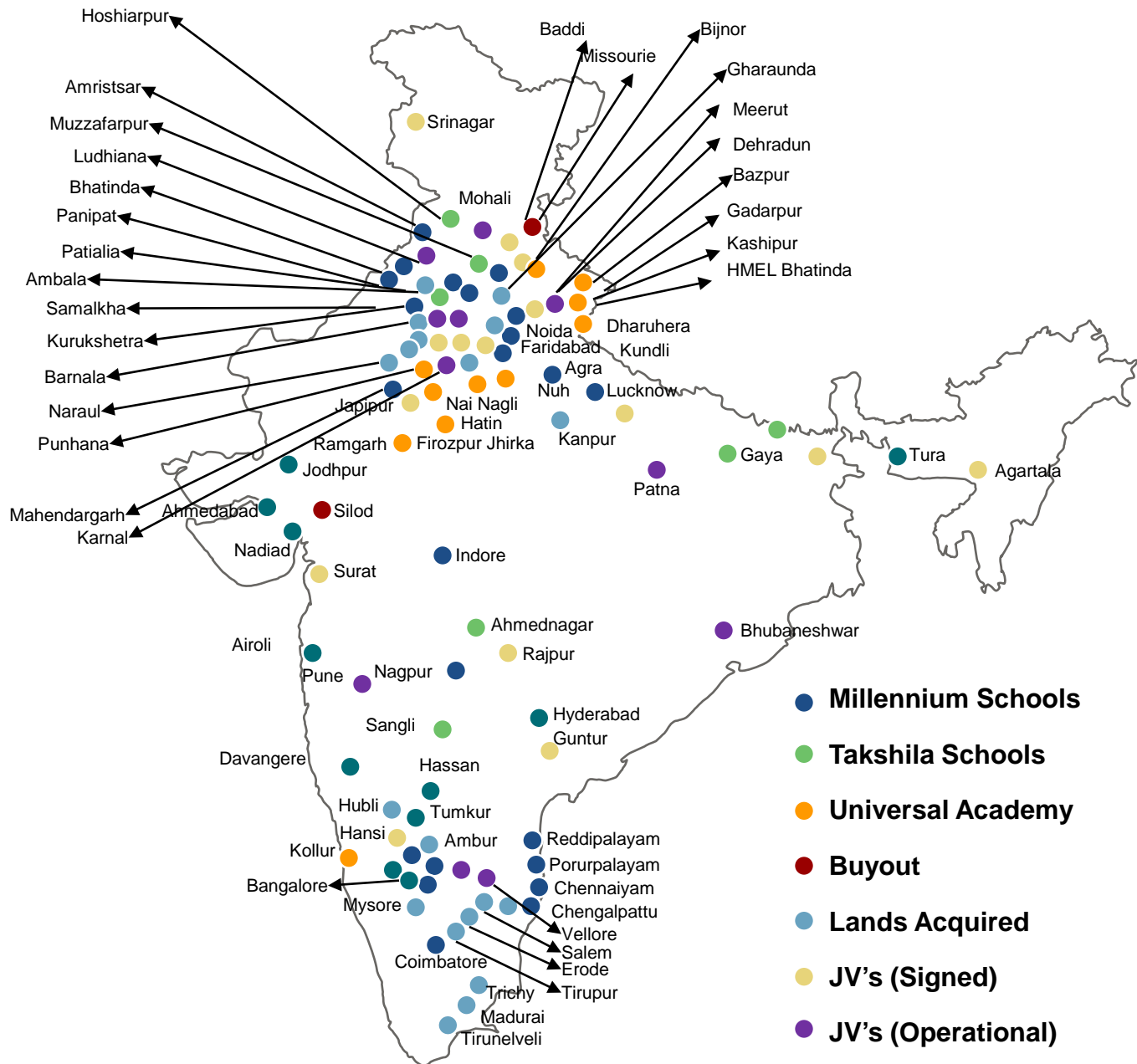
No. of Schools Covered



No. of Students Covered



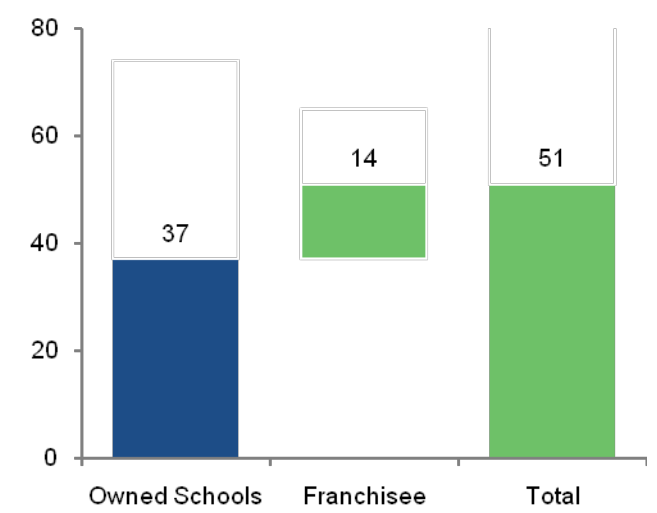
K-12 Business – Stability through Long Term Annuity Cash Flows



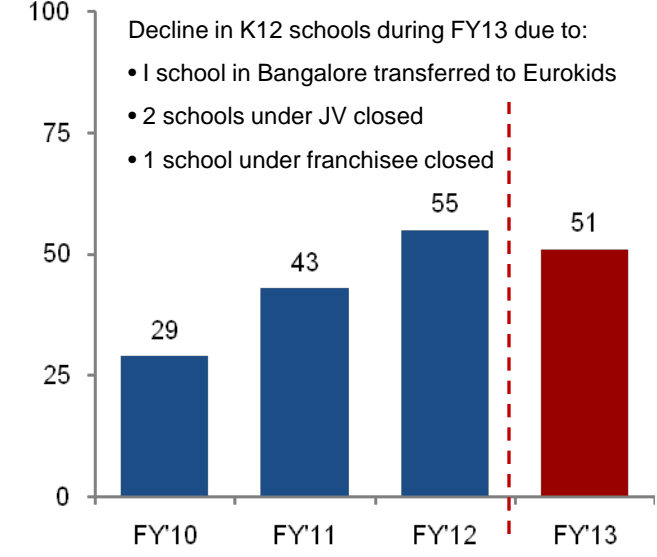
■ **99 Schools Visibility**

- 51 Operational (37 Owned, 14 Franchisee)
- 21 Land Parcels
- 27 New Franchisee Agreements Signed

Distribution of Schools by Type



Number of Schools



High-quality K12 Schools across the country



The Millennium School, Lucknow



The Millennium School, Mohali



**PSBB Learning Leadership Academy,
Bangalore**



The Millennium School, Patiala



The Millennium School, Noida



The Millennium School, Panipat



The Millennium School, Amritsar



The Millennium School, Kurukshetra



Takshila School, Gaya

High-quality K12 Schools across the country



Takshila School, Hoshiarpur



PSBB Millennium School, Coimbatore



Mussoorie International School



The Millennium School, Meerut



Universal Academy, Tavru



PSBB Millennium School, Chennai Porur



PSBB Millennium School, Chennai OMR



Shriram Millennium School, Noida



Millennium School, Karnal

High-quality K12 Schools across the country



Takshila School, Ahmednagar



Millennium School, Agra



Millennium School, Bhatinda



The Millennium School, Indore



Universal Academy, Dehradun



PSBB Millennium School, GST Road, Chennai



The Millennium School, Nagpur



Takshila School, Barnala



Takshila School, Sangli

Building High Quality Design Programs in India



An Educomp Raffles Joint Venture



Hyderabad Campus



Kolkata Campus



Ahmedabad Campus



Chennai Campus

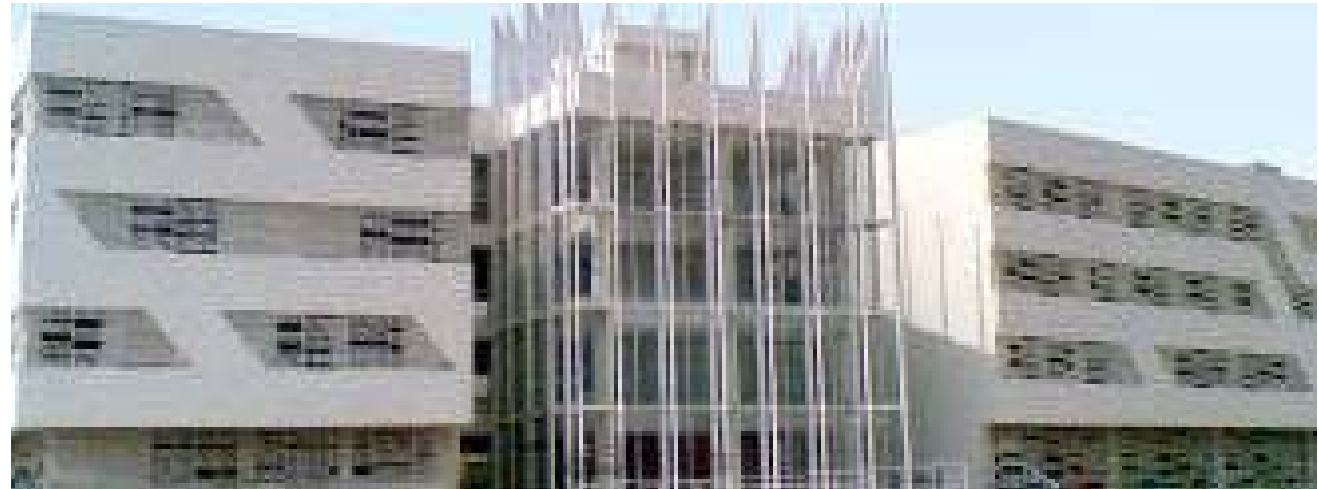


Bangalore Campus



Delhi Campus

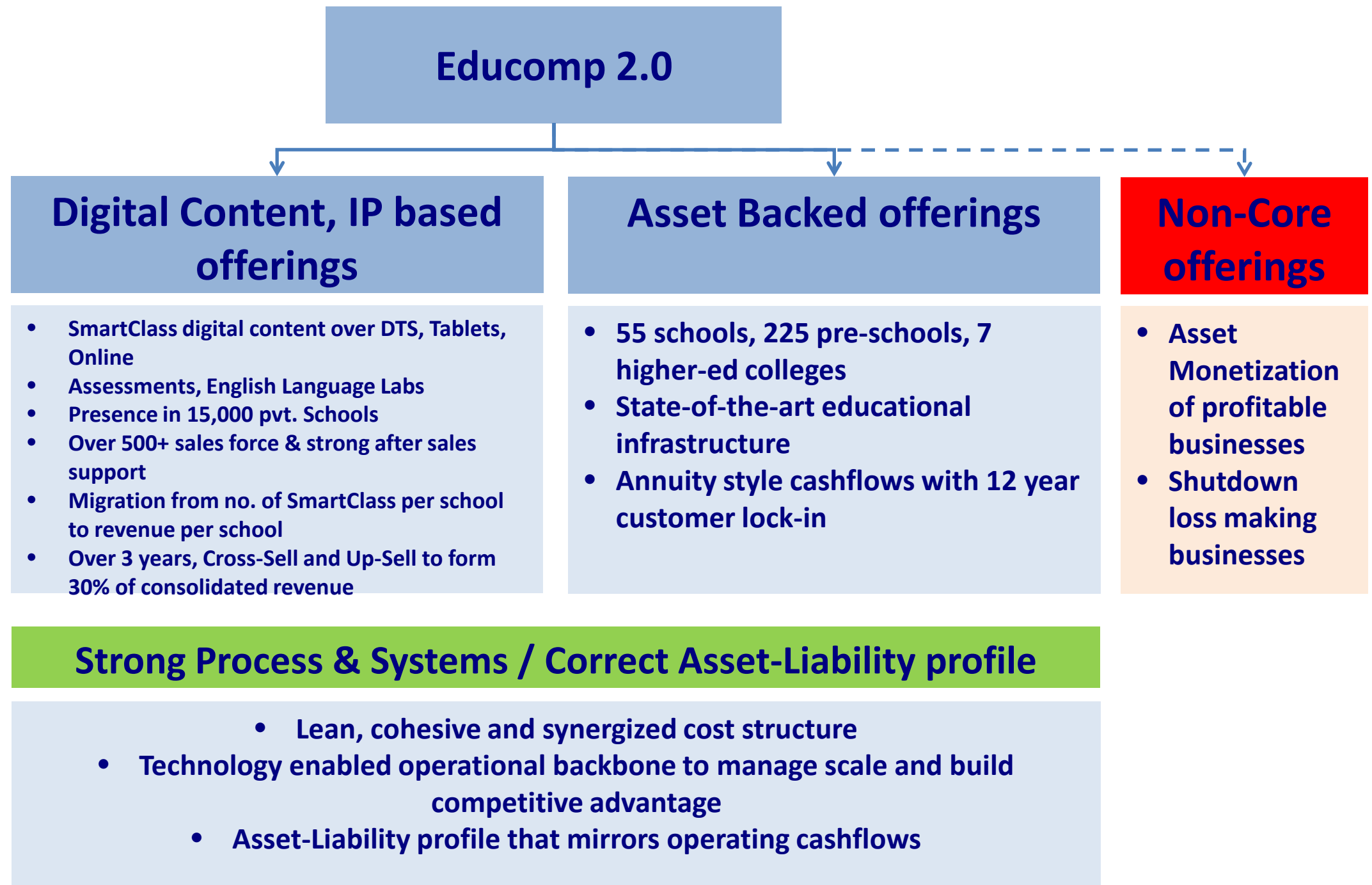
Building International Quality Higher Education Campus





Strategic Priorities Going Forward

Educomp 2.0



Business Transformation – 6 Point Agenda

1. Focus

- Focus on Core businesses - Long term big ticket opportunities ie. Digital Content and School Solutions, K12 schools, Higher Education
- Exit Non-Core businesses/ Identify assets and monetize

2. Cautious Growth

- Focus on improvement in operational efficiencies & strong backbone
- Then rapid growth with solid operational capability in place

3. Leverage on existing SmartClass base of 15,000 schools, vast sales network and brand equity

- Initiate cross-sell/ up-sell of products/solutions . Introduce new products in super growth areas such as Tablets and Assessments, using existing sales network and customer base
- Migrate from product company to a solutions company

4. Correction of Asset-Liability Mismatch

- Prepare the right structure to unlock value
- Move to cash based, high margin, high IP business with zero capex

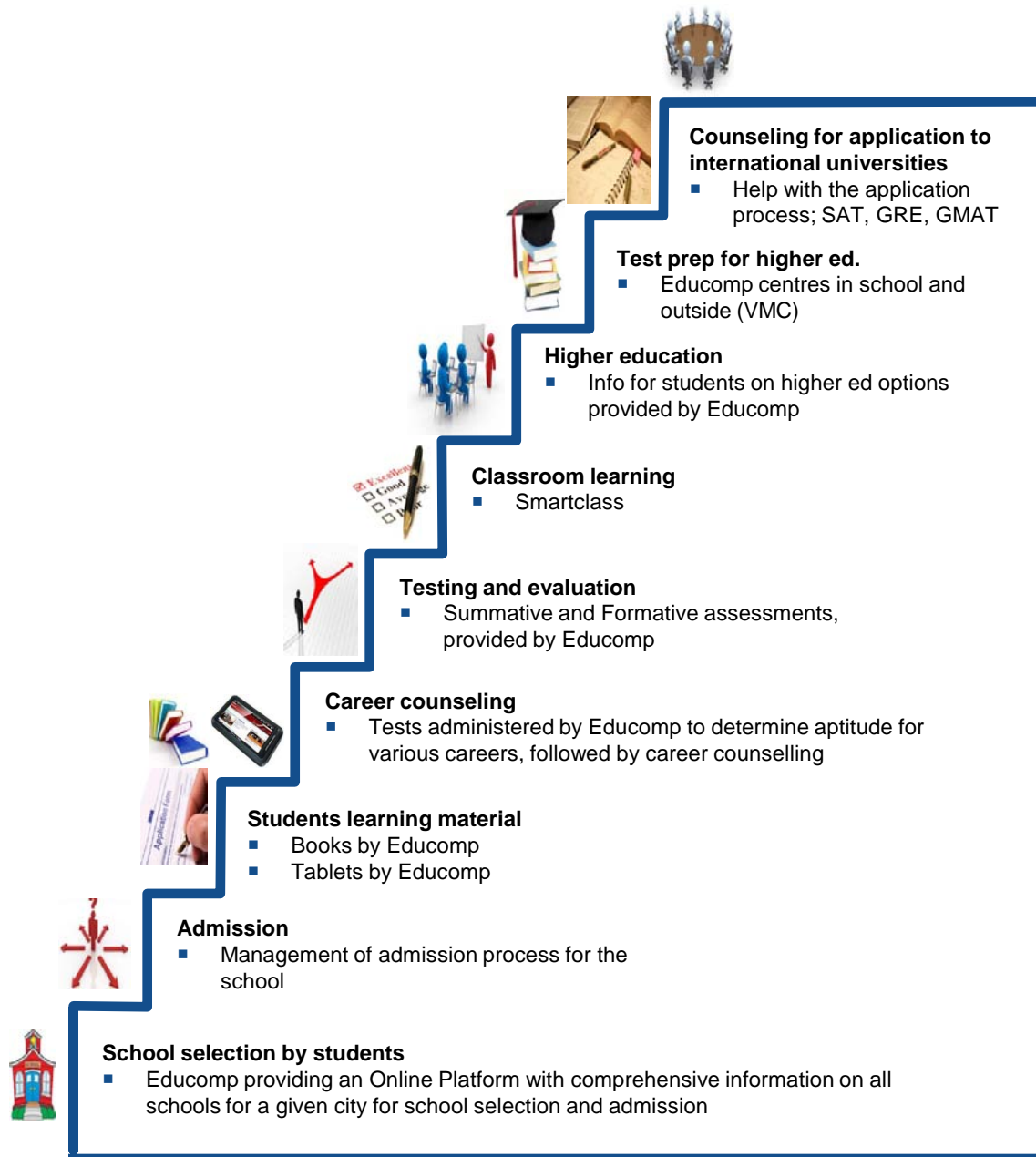
5. Right-size the organization

- Leaner cost structure
- Outsourcing non-critical activities
- Technology to replace and/or optimize existing cost structure

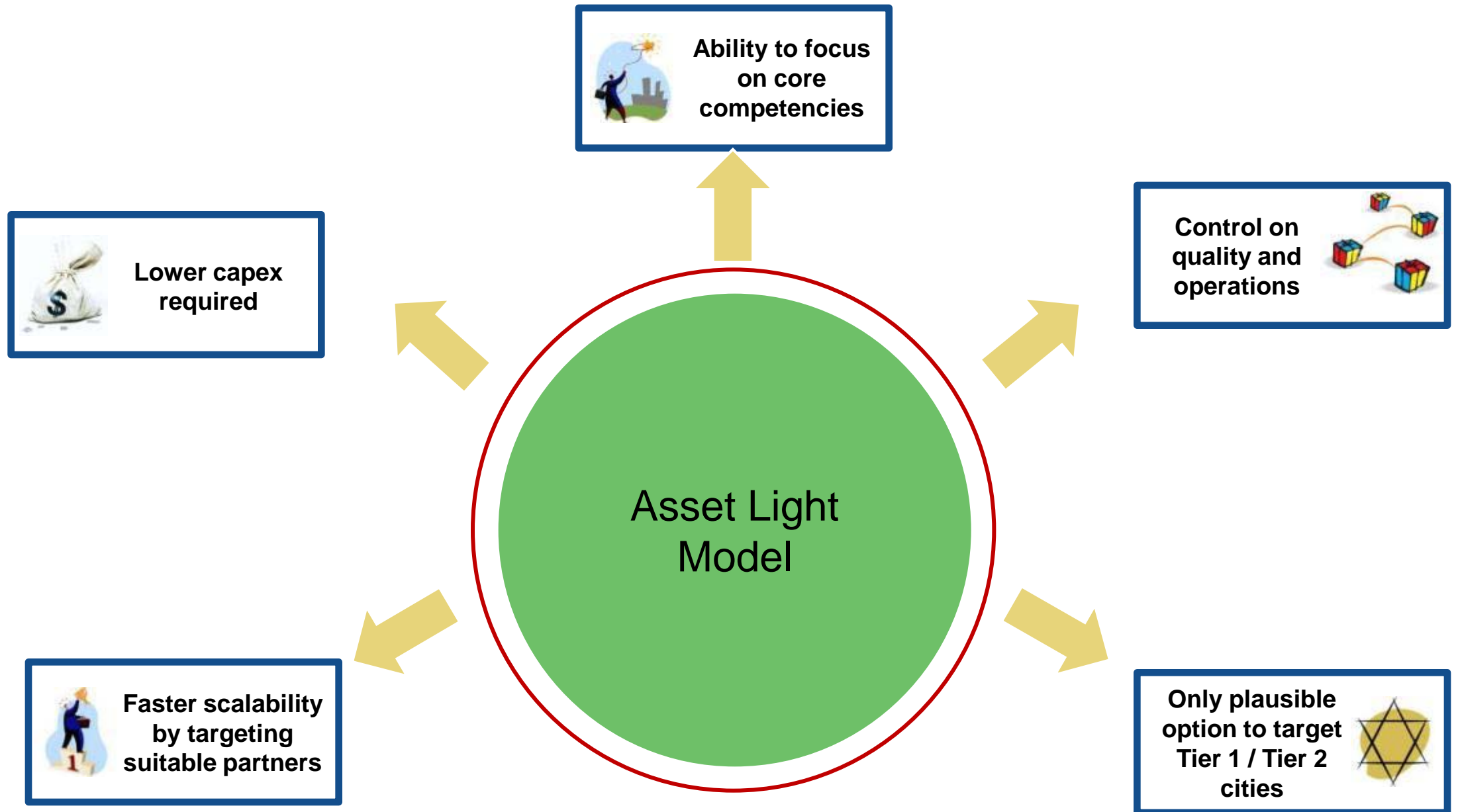
6. Increase human capital bandwidth by bringing in new proven talent at leadership level

- New business head for Smartclass Business
- Existing experienced talent given larger corporate responsibilities within the group

Up-Sell and Cross-Sell to be an Education Partner to schools for all student needs

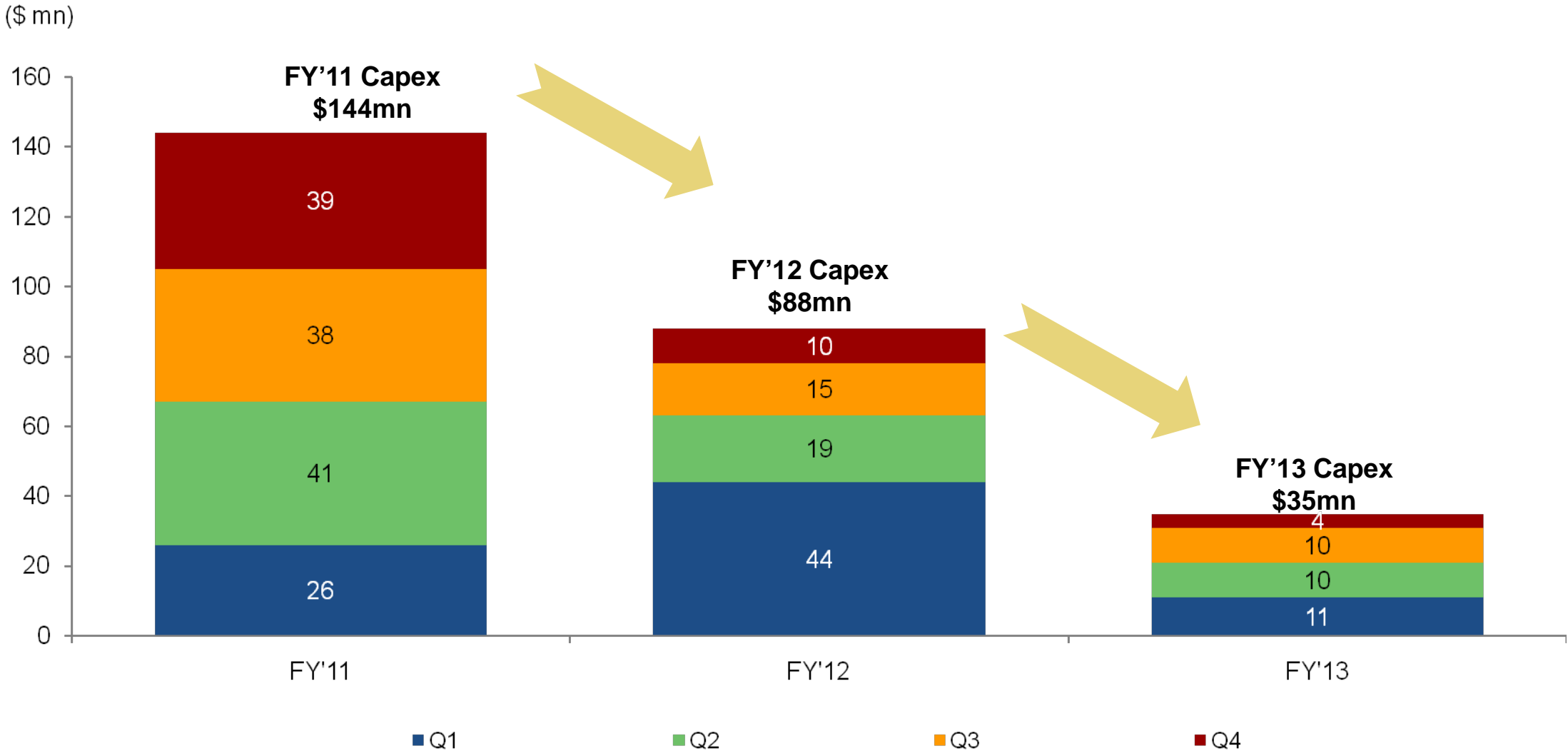


Grow K-12 schools portfolio on the back of Asset-light JV model



Asset light model enables rapid expansion without heavy capital investment - Joint Venture to be the favoured mode

Focus on reduction in Capital Expenditure; Focus on Free Cashflow

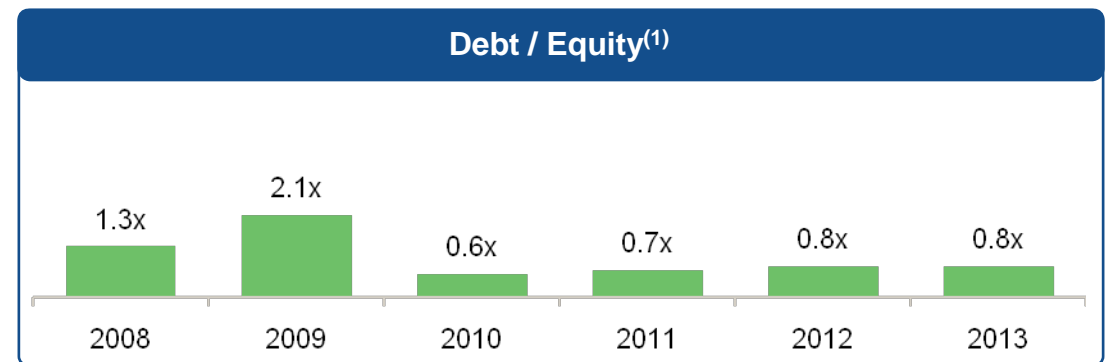
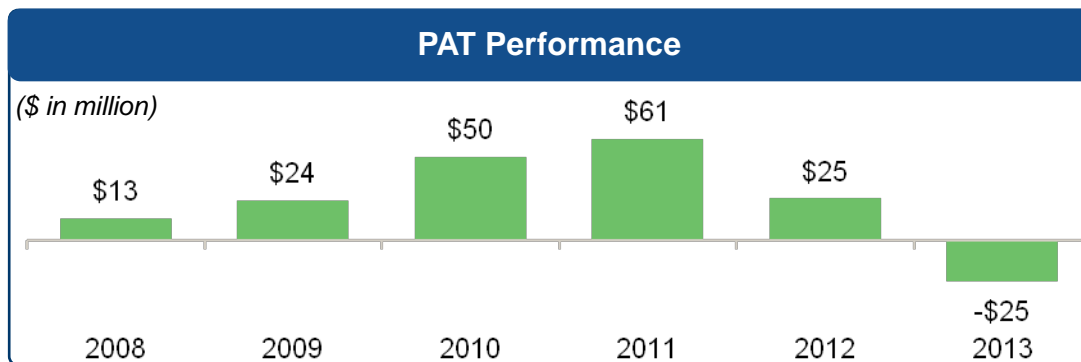
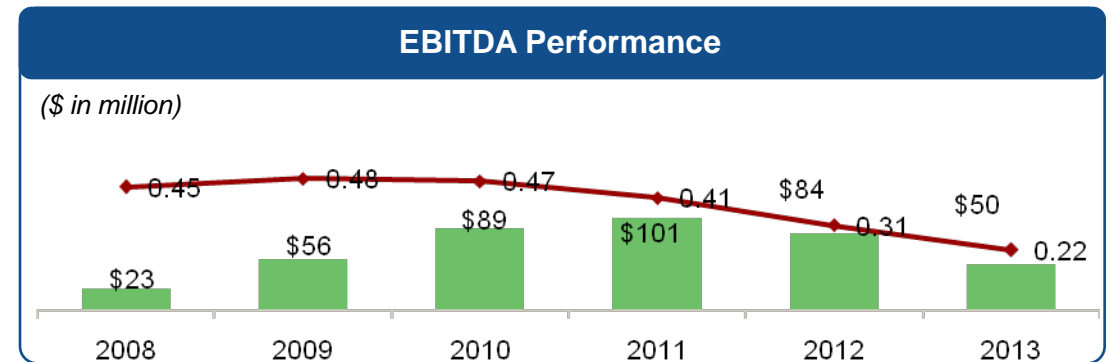
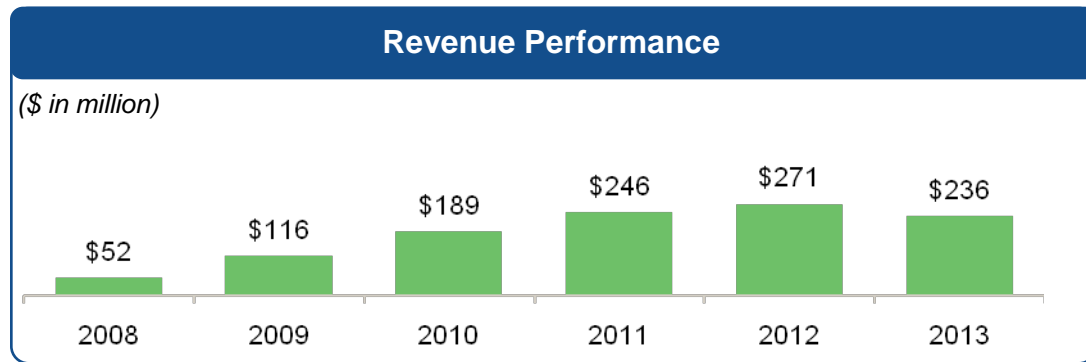


- FY'13 capital expenditure down by more than 50% y-o-y based on continued asset-light strategy in K-12

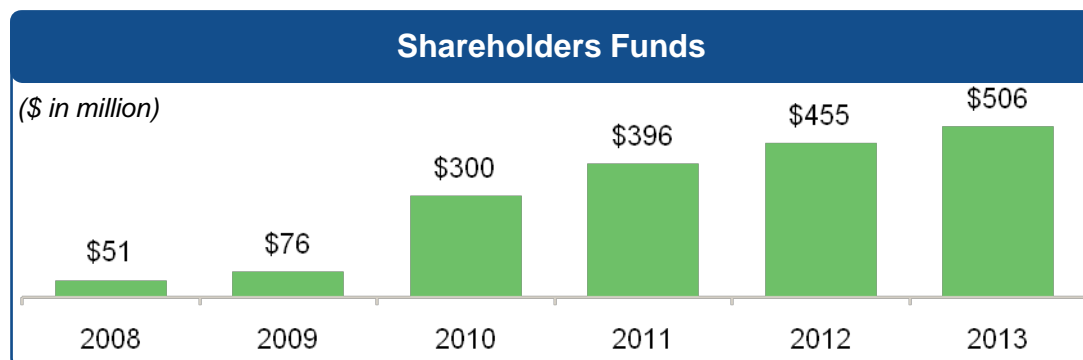
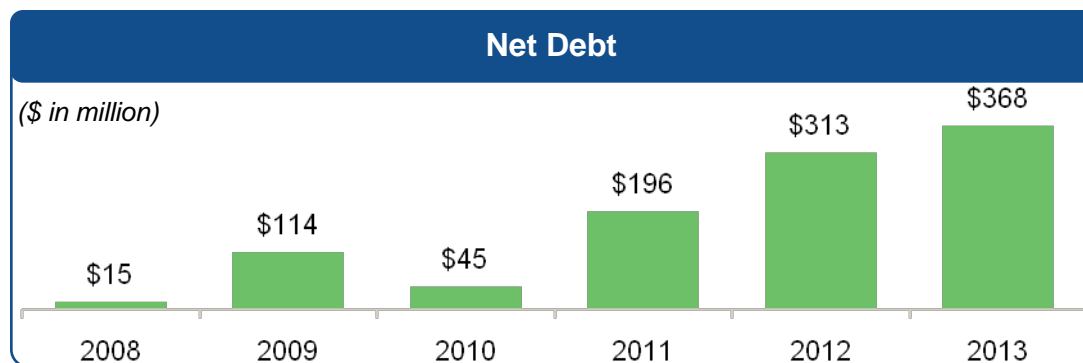
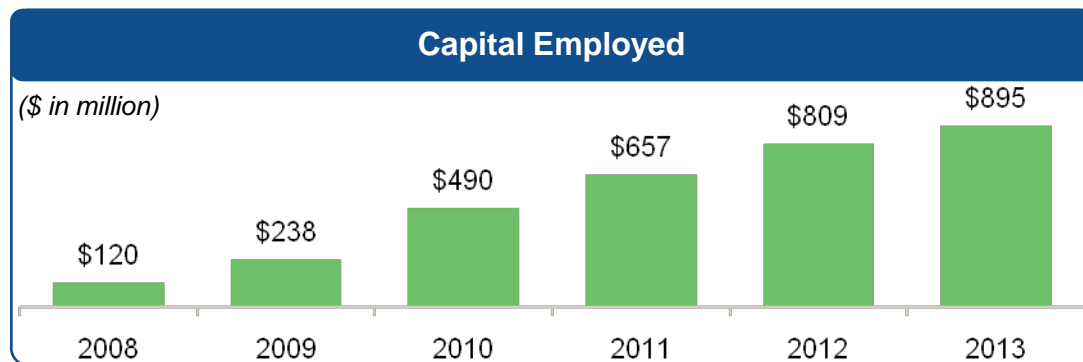
The image features a complex abstract design. On the left, there is a 3D effect of overlapping rectangular planes in dark blue, light green, and medium green. A white rectangular cutout is visible within the green layers. The background is divided into three horizontal sections: a light gray top section, a light blue middle section, and a bottom section with a wavy, multi-colored gradient transitioning from light green to dark blue. The text 'Financial Metrics' is positioned in the light blue section.

Financial Metrics

Financial Performance



Financial Performance (Cont'd)



Credit Overview

- ✓ First-mover advantage, innovative business offerings, market leadership in multimedia education, and a diversified presence across key segments of the education sector covering pre-schools, K-12 education, multimedia and higher education.
- ✓ Benefits from the growing stickiness in the K-12 business and strong renewal rates in smart class business.
- ✓ Lower focus on heavy ICT contracts for government schools and shift to asset-light JV model in K-12 business expected to lower the capex requirements and improve cash flows
- ✓ Ability to survive intense competition in the core smart class segment through
 - ✓ Launch of Integrated digital teaching system - a superior version of its smart class product,
 - ✓ Upgrade of smart class content - classroom transformational system providing Educomp a significant competitive edge
 - ✓ Launch of smart class at varying price points to cater to price sensitive customers
- ✓ Recent infusion of long term capital will not cause stress on cash flows
- ✓ Successfully paid off FCCB in tight credit conditions

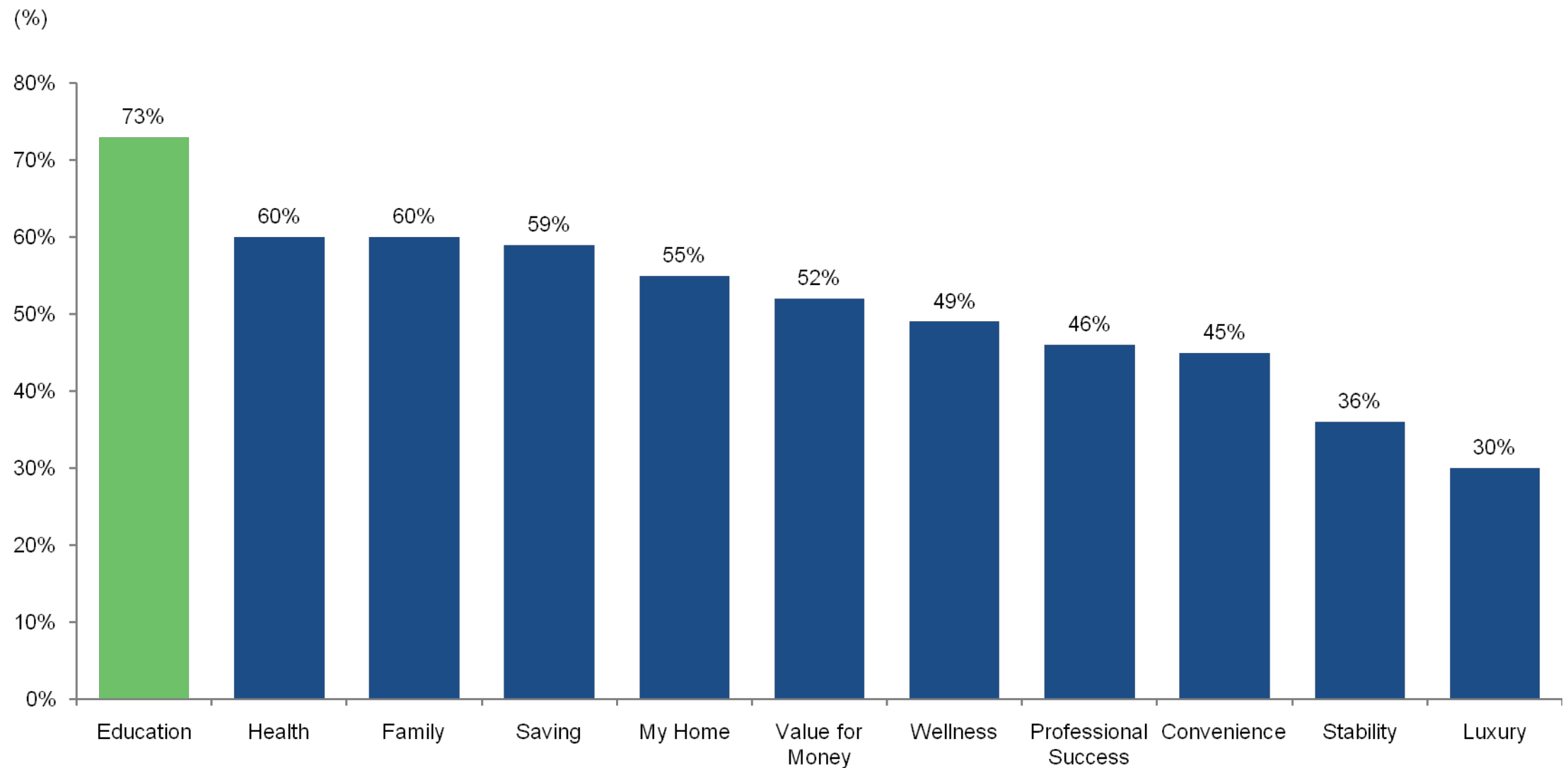
Source: FITCH (India) Ratings Report , 24 Feb 2012; Company Investor Presentation



Appendix

Indians Give Prime Importance to Education, Even Surpassing Health and Savings...

% of Consumers Who Believe Category Is More Important than Two Years Ago



Source: BCG Global Consumer Sentiment survey 2012; n=2201.

Note: Survey among Indian Consumers.

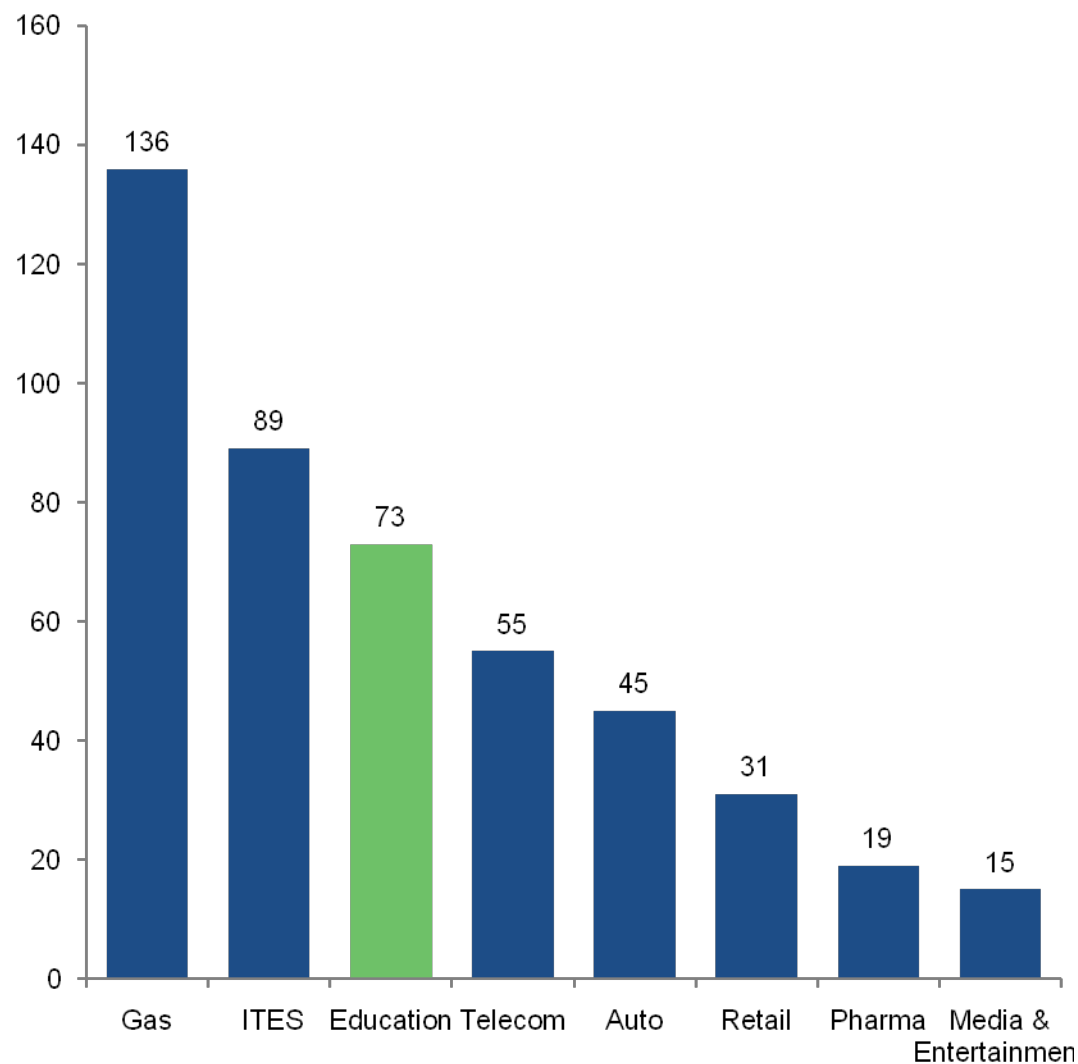
Survey question: Below is a list of terms and values. For each, please indicate if this is something that you would see as being more or less important to you than it was two years ago.

...Making It One of India's Largest Sectors with a Significant Share in Average Household Spending

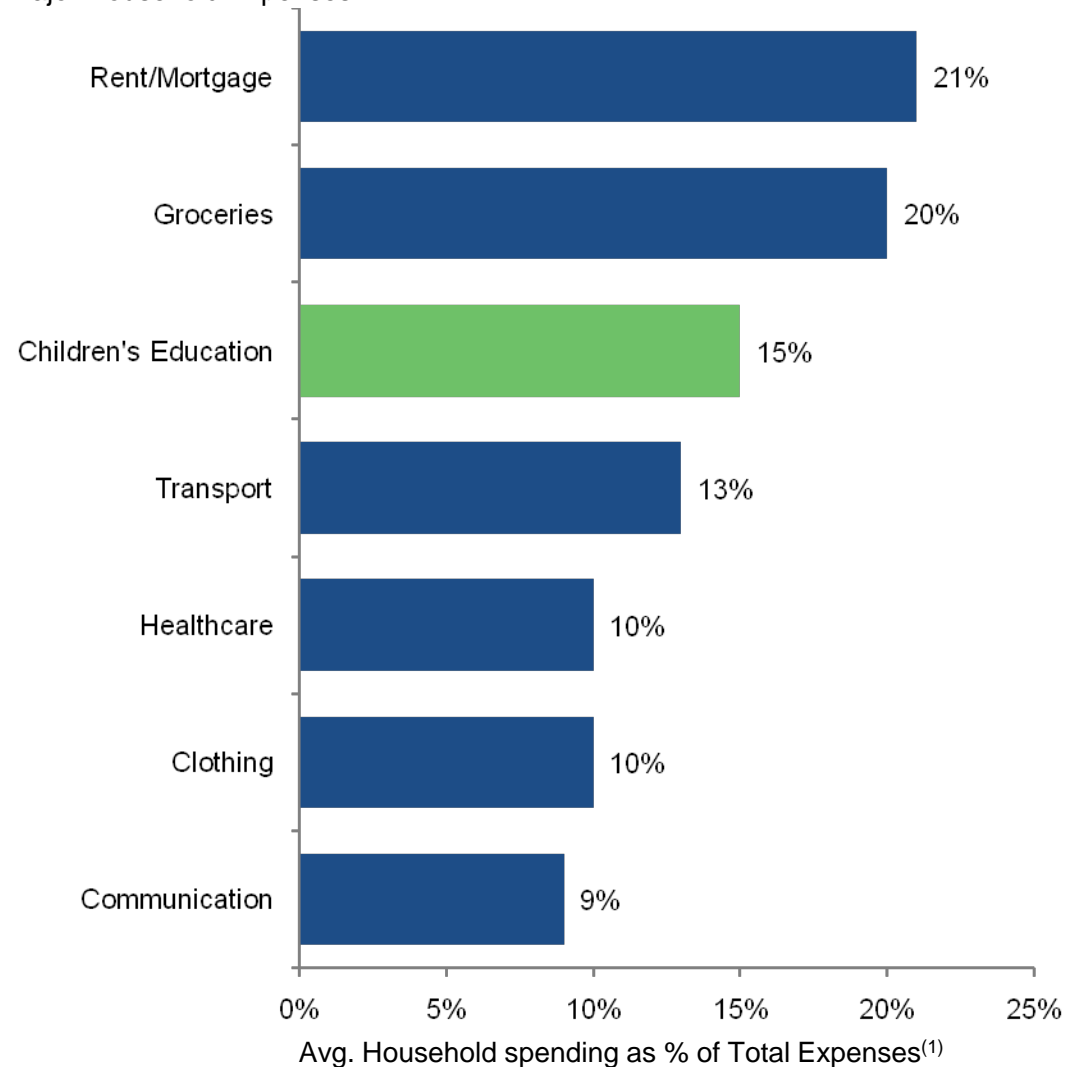
Education Sector Estimated at ~\$73bn in 2010

High Spend on Education

Estimated Market Size (\$bn) in 2010



Major Household Expenses

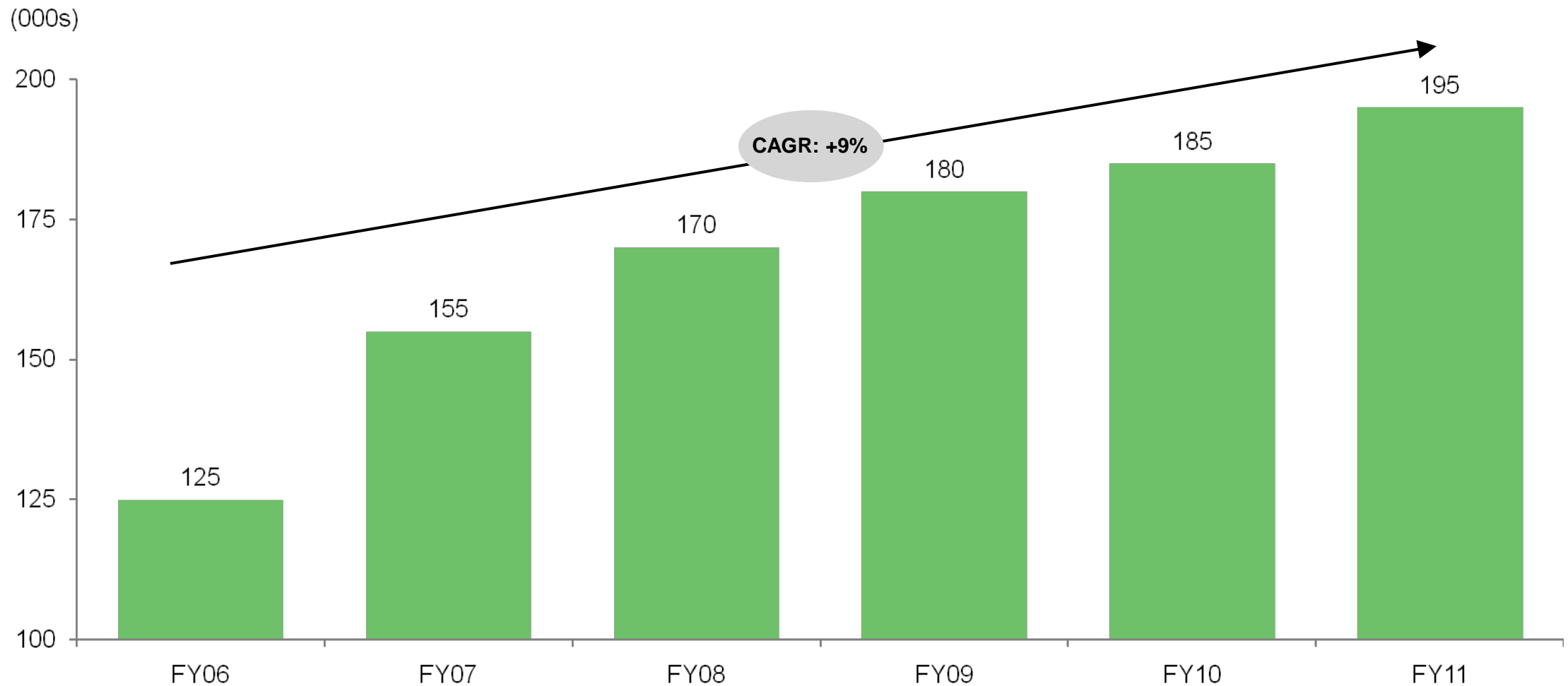


Source: IBEF, Credit Suisse, Cygnus, NASSCOM, Trai, SSKI, Ministry of Commerce, eISA, Prowess, Anand Rathi Securities – Analyst Report.

1. CLSA Report 2009.

India is Witnessing a Rapid Increase in the Number of Schools Over the Years — Private Unaided Schools Growing the Fastest

Number of Private Unaided Schools



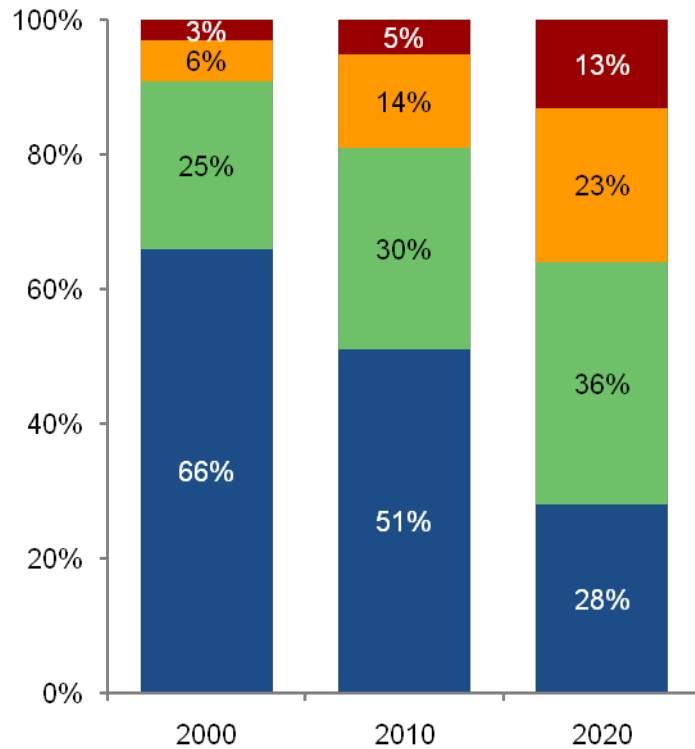
CBSE has estimated a shortage of 200,000 schools in India over the next 10 years - Private unaided schools have emerged as a growth engine in the Indian education landscape

Source: DISE Reports.

Multiple Factors Drive the Growth of Private Unaided Schools

Increasing Income Levels Among HHs

of HHs (%)



■ >\$18.5K p.a. ■ \$3.3k-7.4K p.a. ■ \$7.4K-\$18.5K p.a. ■ <\$3.3K p.a.

Insufficiency of Government Initiatives

- Although Government has taken multiple initiatives...
 - Like DPEP⁽¹⁾ and SSN⁽²⁾ to drive reach
 - RTE⁽³⁾ act to focus on primary education
 - PPP initiatives to open more schools
- ...These aren't sufficient
 - CBSE has estimated a shortage of 200,000 K-12 schools over next 10 years
 - Quality of education and infra in Government schools a concern

Higher Demand of Quality Education

- Demand for quality education **across income categories**

I want both my daughters to be engineers. I am even ready to move to the city for their better education.
 – Canteen owner at Airforce Office (Income pa - 1.5-3.5 lakh)

- **Rising propensity to spend on education**

Sending our kids to a good school is very important. We are ready to spend more on education even if that means cutting on other expenses.
 – Retailer (Income pa – 3.5-10 lakh)

Huge opportunity for private schools to step in and fill capacity and quality gap in K-12 space - 70,000 new private schools have come up in FY06-FY11

Source: MHRD, Press Search.

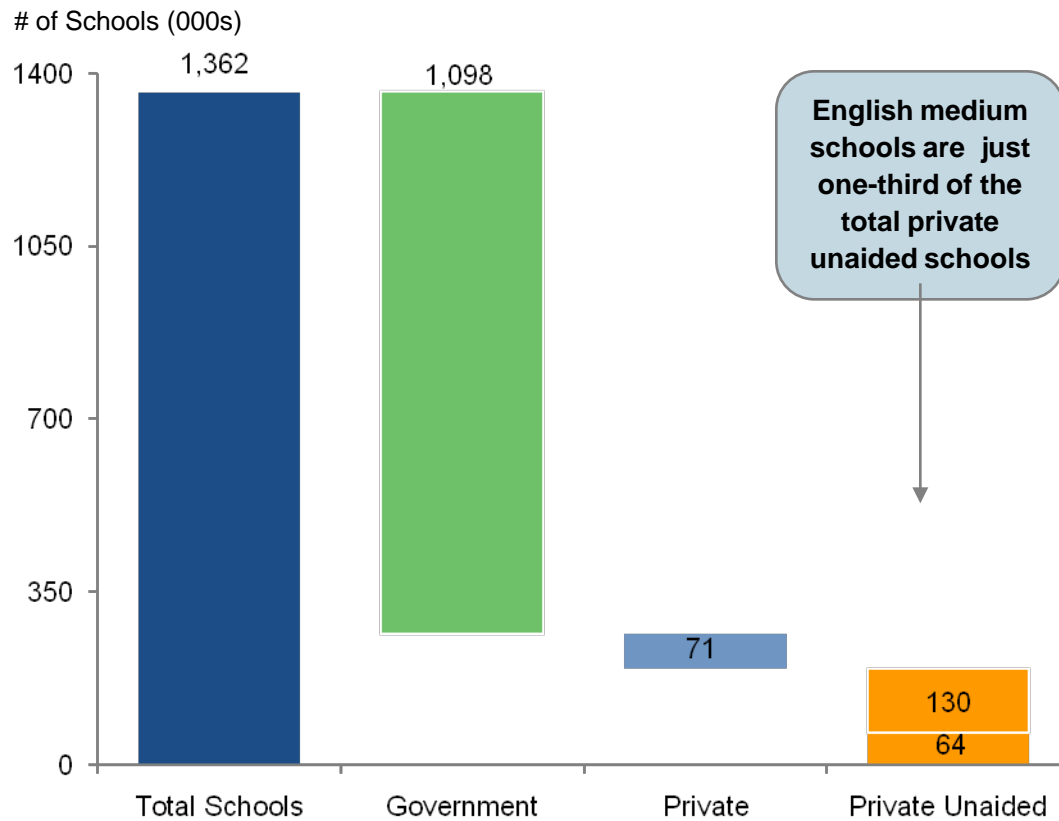
1. District Primary Education Programme.

2. Sarva Shiksha Abhiyan.

3. Right to education.

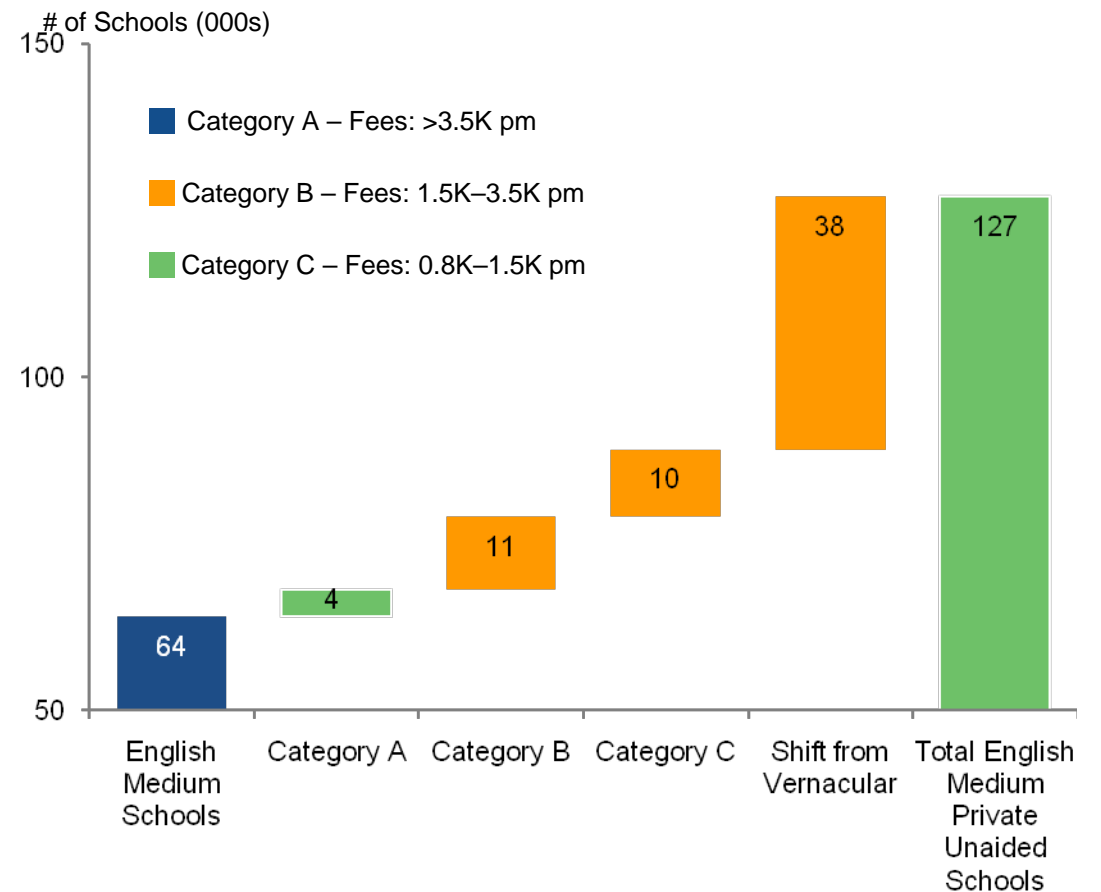
Current Market of ~64K English Medium Private Unaided Schools Has Potential to Add ~25K New Schools by FY16

Total Number of Schools in India as of FY'11



Expected Additions to English Medium Private Unaided Schools by FY'16

Potential of ~25k new English medium PUA schools to be added by FY'16



CBSE has increased focus on digital instructions – “All CBSE affiliated schools are advised to setup at least one classroom for each class in their schools equipped with technology to enable usage of digital instruction materials in the classroom so that students are given adequate exposure to digital materials. Schools are encouraged to progressively move to enabling each classroom with technology for usage of digital materials in the classroom”

Source: District Information System for Education, BCG Analysis, DISE Reports.

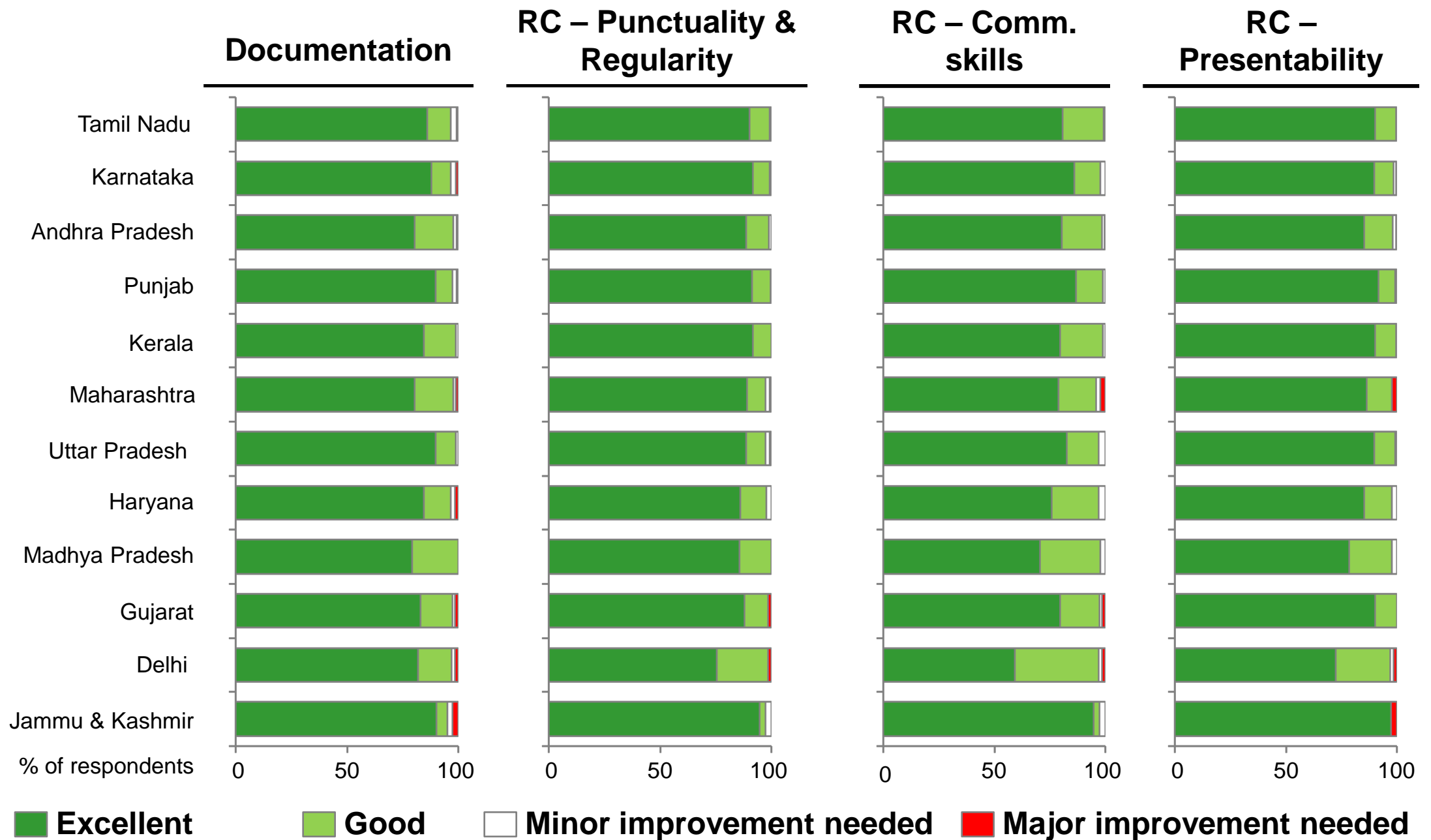
Note: Current numbers include primary only, upper primary only, primary with upper primary, upper primary with sec/higher sec and primary with upper primary and sec/higher sec schools.

Exceeding customer expectation with 90% of customers giving Excellent + Good feedback on Quality, Training and Hardware



Note: Total sample set = 3394 respondents

Exceeding customer expectation with 90% of customers giving Excellent feedback on Documentation and RC services



Note: Total sample set = 3394 respondents

Forward Looking Statement

Certain statements in this document with words or phrases such as “will”, “should”, etc., and similar expressions or variation of these expressions or those concerning our future prospects are forward looking statements. Actual results may differ materially from those suggested by the forward looking statements due to a number of risks or uncertainties associated with the expectations. These risks and uncertainties include, but are not limited to, our ability to successfully implement our strategy and changes in government policies. The company may, from time to time, make additional written and oral forward looking statements, including statements contained in the company’s filings with the stock exchanges and our reports to shareholders. The company does not undertake to update any forward-looking statements that may be made from time to time by or on behalf of the company.

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