



## Investor Update

# Macmillan India Announces Q2 Results For 2008

### PUBLISHING SERVICES REVENUES UP BY 14%

July 22, 2008

Macmillan India Limited, a leader in publishing and information processing businesses, has reported its second quarter un-audited results for the three months period ended June 2008.

- Publishing segmental profits in the second quarter have grown to Rs 4.23 crore from Rs 4.02 crore – a growth of 5%.
- Publishing Services segmental profits have slightly dipped to Rs 5.86 crores from Rs 6.17 crore – a drop of 5%.

Commenting on the publishing division's financial performance, Mr. Rajiv Beri, Managing Director said:

“Publishing performance continues to be encouraging with half yearly results showing a sales growth of 13% (Rs 55.58 crores) and operating profit growth of 32% (Rs 14.70 crores).”

Rajiv Seth, Executive Director in charge of the Publishing Services Business for the Macmillan India group added that

Publishing Services has made a number of organizational changes and undertaken wide range of development initiatives to remain aligned to the dynamics of the market place. There is a thrust on automation to handle commoditization of basic composition work in Book services. We are exploring the foreign language markets for offering composition and editorial services and have started offering content aggregation services. The aim is to aggressively build a good client base in the STM journals and Magazines Markets as well as develop advanced editing and project management skills in India. Our capabilities to deliver higher-end editorial services are being strengthened.

We are making good improvements in the productivity and efficiency of our core journal and book processing units that should enable us to deliver margin improvements and greater pricing flexibility to enable us to compete more effectively in years to come

The advertising design markets are just beginning to realise the potential cost savings that exist in outsourcing and Macmillan India is uniquely positioned to take up the “first mover” advantage and absorb a lot of this new work.

Digital Services and Fulfillment businesses which, as further parts of our diversification strategy, are expected to be future growth drivers for the publishing services division, have begun the year well and give confidence for the future. From 2009 we should start to see the rewards in terms of growth in revenues, profits and cash generation

### **Operational Highlights for the period ended June 30, 2008**

#### **- Publishing Business:**

- Publishing business revenue showed an encouraging growth of 13% to Rs. 55.58 crores over the previous year.
- Segment PBIT stood at Rs 14.70 crores.

#### **- Publishing Services Business:**

- Publishing Services business posted revenue of Rs. 48.42 crores translating into an increase of 4.5% than the sales achieved during the corresponding period of last year. The investments made in people and infrastructure is expected to yield sales growth during the coming months, especially in the Ad composition business.
- Segment PBIT stood at Rs 8.65 crores. The reduction in the profit over corresponding period of last year is mainly due to customer pricing pressure and the investments made for the restructuring of the Ad composition business, expansion of Book typesetting business and strengthening of the sales and marketing team in the UK and USA. Also, prior year results reflected the captive Ad composition business which was discontinued in July 07.

### **MPS Technologies Ltd**

MPS Technologies, a subsidiary, has generated revenue of Rs 17.23 cr for the six months ended June 2008, mainly in providing services in the field of content delivery platform to publishers in Europe and USA.

### **Charon Tec**

The company acquired Charon Tec Limited, a book typesetting company in 2005 for enlarging its business activity.

Charon Tec has generated revenue of Rs 3.39 cr for the six months ended June 2008. The unit continues to remain focused on the Academic and Scholarly books markets to

provide high quality typesetting, copy editing and project management services to European and US customers.

### **ICC Macmillan, USA (Formerly Interactive Composition Corporation, USA)**

In March 2006, the company acquired ICC, USA. ICC provides content processing services. This acquisition strengthens the company's presence in the North American market & enhances its services to major book publishers. ICC, in its second year of operations has seen a number of changes in the organization. A restructuring of the sales and account management activities in the US side, strengthening of management and appointment of experts in copy editing and project management activities, are some initiatives. Various customer relationship management activities have been transitioned from the US to India and this has helped in cost reduction as well as making the sales team more efficient. The other critical time consuming tasks of invoicing and tracking payments has also been transitioned to India. The unit is now ready to springboard into the emerging opportunities of content development, developmental editing and visually intensive composition needed for the School market.

ICC has generated revenue of Rs 14.79 cr for the six months ended June 2008, a growth of 44% over the previous year. ICC Macmillan Inc has during the quarter ended 31 March 2008, acquired the assets of Compset Inc., a full-service graphics and composition firm with developmental and production expertise in elementary-high school textbooks, higher education, medical reference books, academic and university titles, trade books, and professional journals. The business is located in Beverly, Massachusetts.

This acquisition strengthens MIL'S Publishing Services business position in the "el-hi" market, which concentrates on instructional materials for elementary and secondary schools. The new production group will accommodate el-hi's growing market needs for solid onshore production services.

### **Frank Brothers & Co (Publishers) Ltd**

The company acquired Frank Brothers & Co (Publishers) Ltd in December 2007. This acquisition has enhanced Macmillan's product range to place the Company in a leadership position in school publishing. Established in the year 1930, Frank Bros is one of the oldest publishing houses in India and is engaged in publishing of quality education books for schools, institutes, government and other educational intermediaries. Frank Brothers is today one of the most reputed brands in the field of school publishing and has more than 1000 active titles in all subjects catering to the needs of ICSE and CBSE students and professional institutes in the areas of hotel management and tourism. Frank Brothers operates through 10 offices all over India with its Head Office at New Delhi and enjoys excellent relationship with around 10000 Schools and institutions, and trade links with around 5000 booksellers across India.

Frank Bros has generated revenue of Rs 30.61 cr for the six months ended June 2008.

## **Scheme of Arrangement**

As different strategies are required to achieve accelerated growth for both publishing and publishing services businesses due to differing cash flow requirements, investment profiles and risks, the segregation of the Publishing business has become a commercial requirement for maximising the potential for growth for the two businesses. Given these factors, together with the benefits of consolidating the Publishing Services Business on the one hand and segregating the Publishing Business on the other hand, a Scheme of Arrangement which provides for amalgamation of Macmillan ICC Publishing Solutions Pvt Ltd (MIPS) and Charon Tec Ltd (Charon) with the Company along with the simultaneous demerger of the Publishing business from the Company and its transfer and vesting in an unlisted company, Macmillan Publishers India Ltd (MPIL) has been filed with the Honourable High Court at Madras after obtaining the requisite 'No objection' letters from the Stock Exchanges.

After the implementation of the proposed Scheme of Arrangement, Macmillan India Ltd would be able to effectively take advantage of its strategic position and its ability to provide economical and cost effective services from its established facilities as well as that of MIPS and Charon relating to Publishing Services. MPIL will undertake the development and investment in the Publishing activities.

As per the Scheme, the existing shareholders in Macmillan India Ltd would be allotted shares of Macmillan Publishers India Ltd in the ratio of 1:1.

As MPIL would not be a listed company the members of Macmillan India Ltd, other than the Promoters who would be issued and allotted shares in MPIL, would have the following options, exercisable by them at their discretion post issue and allotment of shares of MPIL in the ratio of 1 Equity share for every 1 equity share held by them in Macmillan India Ltd as per the Scheme:

1. they can retain the unlisted shares in MPIL issued and allotted to them in terms of the Scheme; or
2. they can offer to sell the shares issued and allotted to them in MPIL to the Promoters at Rs. 69 per share based on the Valuation Report submitted by PricewaterhouseCoopers Private Limited

By an order made on the June 20, 2008 the Honourable High Court has directed that a meeting of the equity shareholders of Macmillan India Limited be held on August 02, 2008 for the purpose of considering, and if thought fit, approving with or without modification, the Scheme of Arrangement between Macmillan India Ltd and its share holders and MIPS and Charon and MPIL. The copy of the notice of the said meeting can be accessed by clicking on the following link.

## **Business Outlook**

Macmillan plans to maintain its leadership in educational publishing by gaining a higher market share in the national board markets and by substantially expanding its regional publishing for state schools. Long term outlook for publishing business remains positive due to increasing shift towards English medium and possibility of decontrol of content at the state level. Recent project to offer educational testing and evaluation services to schools is expected to be a major contributor in the coming years. Overall we expect the business to continue to require further investments over the coming years as we continue to grow the business.

Publishing Services division's core strategy revolves around winning large annuity accounts from leading publishers. Based on its domain expertise, the company plans to significantly grow this business while maintaining focus on high value added services. The company has adopted selective inorganic growth strategy to expand its service offerings and customer base. Global outsourcing opportunity, new service offerings, initiatives in US market, continued high levels of investment and strong support from the parent will drive growth in the future. Productivity improvements will contribute to the division's competitiveness.

## **About Macmillan India Limited**

Macmillan India Ltd, 61% owned by Verlagsgruppe Georg von Holtzbrinck, Germany was established in 1893. The company operates in the areas of publishing, information processing and e-business. A highly trained staff, qualified professionals and quality consultants are all part of over 2000 people strong Macmillan India family.

Macmillan India is well known for its school and higher education textbooks, reference books and general non-fiction titles. It is the market leader in English language teaching publications having strong relationships with over 20,000 schools in India.

Macmillan India's Publishing Services division is world-renowned for its typesetting and originating services. Macmillan has built one of the most comprehensive skill sets in the capture, conversion, and structured output of data for scientific journals for foreign publishers over last two decades. The company has one of the largest and most advanced scientific and mathematical typesetting facilities in the world.

Macmillan, UK was established in 1843, in Great Britain. Over the years, the group has grown into one of the leading publishing houses of the world. Today, the Macmillan group is owned by [Verlagsgruppe Georg von Holtzbrinck GmbH](#), a large Germany-based media company with interests in publishing, information technology and internet service providing.

## **Investor Relations**

Macmillan India Ltd is committed to create long-term sustainable shareholder value through successful implementation of its growth plans. The company's investor relations mission is to maintain an ongoing awareness of its performance among shareholders and financial community.

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## **Safe Harbour**

Certain statements in this release 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. The risks and uncertainties relating to these statements include, but are not limited to, risks and uncertainties regarding fluctuations in earnings, our ability to manage growth, intense competition in publishing and information processing businesses including those factors which may affect our cost advantage, wage increases in India, our ability to attract and retain highly skilled professionals, client concentration, our ability to manage our international operations, reduced demand for our books and services in our key focus areas, disruptions in telecommunication networks, our ability to successfully complete and integrate potential acquisitions, liability for damages on our service contracts, withdrawal of governmental fiscal incentives, political instability, legal restrictions on raising capital or acquiring companies outside India, and unauthorized use of our intellectual property and general economic conditions affecting our businesses. The company does not undertake to update any forward-looking statement that may be made from time to time by or on behalf of the company.