



## Investor Update

# Macmillan India Announces Q1 Results For 2008

### PUBLISHING PBT INCREASES BY 47%

April 22, 2008

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

- Publishing segmental profits have grown to Rs 10.47 crore from Rs 7.12 crore – a growth of 47%.
- Publishing Services segmental profits have declined to Rs 2.85 crore from Rs 6.97 crore – a drop of 58%.

Commenting on the financial performance, Mr. Rajiv Beri, Managing Director said,

The first quarter publishing performance is very encouraging. Overall, we expect a good year for the Publishing business.

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

Though Publishing Services division had a rather disappointing quarter, it has been a period of consolidation. With typesetting getting commoditized and many more suppliers in the market, there is strong pressure on pricing reflecting in the drop in operating margins. This necessitates development of services higher up in the value chain, and a strong focus towards optimization of automation. Also it is important that the company diversifies in less crowded areas of content processing and management services and the build up of the ad design business is one such initiative. Further we are also making significant and strategic investments in people, facilities and markets in the Books and Digital Services businesses and we expect that these investments would pay off over 2008 and 2009. The sales and marketing set up in the USA and UK has been substantially

strengthened and we expect a significant increase in customer acquisitions. We remain optimistic about all our businesses in the medium to long term.

### **Operational Highlights for the Quarter ended March 31, 2008**

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

- Publishing business showed an encouraging growth of 17.36% to Rs. 31.51 cr. over the previous year
- With the acquisition of Frank Bros – the top national level local publisher with a 70 year heritage, Macmillan India now is a leader not just in ELT but over all curriculum subjects and has the largest range of school books in India.

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

- Publishing Services business posted revenue of Rs. 19.94 cr. Though this is lower by about 6% 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.
- Segment PBIT stood at Rs 2.85 cr .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.

In the Board Meeting of Macmillan India Ltd held on 21<sup>st</sup> April 2008, it has been decided subject to requisite approvals, to purchase the Fulfillment business being currently carried on by its wholly owned subsidiary, MPS Technologies Ltd.

The transfer of the Fulfillment Business along with related personnel, assets and liabilities would be done on a slump sale basis at the values appearing in the books of accounts of MPS Technologies as on 31<sup>st</sup> March 2008, which would be approximately around Rs 3.50 crores.

### **MPS Technologies Ltd**

MPS Technologies, a subsidiary , has generated revenue of Rs 11.59 cr in Q1 2008 registering a growth of 58% over previous year, mainly in providing services in the field of content delivery platform and fulfillment consultancy 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 1.58 cr in Q1 2008, a drop of 9% over previous year . This loss is expected to be made up over the rest of the year. 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 6.79 cr in Q1 2008, a growth of 36% over the previous year. ICC Macmillan Inc has during the current quarter 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 22.33 cr in Q1 2008.

### **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 best 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.