



Investor Update

Macmillan India Announces Q3 Results For 2008

October 23, 2008

Macmillan India Limited, a leader in information processing business, has reported its third quarter un-audited results for the three months period ended October 2008.

- Publishing Services segmental revenue was Rs 30.43 crores as against Rs 19.92 crores for Q3 2007
- Publishing Services segmental profits before tax was Rs 3.53 crores as against Rs 2.02 crores for Q3 2007

The turnover and profits for the nine months period and quarter ended September 2008 as reported includes revenues and profits generated by the erstwhile wholly owned subsidiaries, Charon Tec Ltd and Macmillan-ICC Publishing Services Pvt Ltd which were merged with the Company pursuant to the approval granted by the Honourable Madras High Court to the Scheme of Arrangement involving 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).

The Appointed Date for the merger was 31.12.2007 whereas the Appointed Date for the demerger of the publishing division was 12.05.2008. Accordingly the results for the 9 months period also include the portion of the demerged publishing division's turnover and profits attributable for the first four and a half months of 2008. Therefore the results are strictly not comparable with the results of the corresponding previous period.

Consequent to the demerger of the publishing business into Macmillan Publishers India Ltd, Mr Rajiv Beri has ceased to be the Managing Director of Macmillan India Ltd though he would continue on the Board as a Non-Executive Director. Mr Rajiv Beri has been appointed as the Managing Director of Macmillan Publishers India Ltd. Mr Rajiv Seth, earlier the Executive Director has now been appointed as the Managing Director. Further, Mr S Chandrasekhar who was the CFO would become the CFO of Macmillan Publishers India Ltd and Mr Gautam Mukherjee has been appointed as the CFO of the Company.

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

We have 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. Large clients are showing increasing interest in large volume relationships spreading across multiple service offerings. We have made a significant impact on customer confidence in terms of our ability to deliver a wide range of services with reliable quality.

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

Digital Services and Fulfillment businesses which, as further parts of our diversification strategy, are expected to be future growth drivers 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 nine months ended September 30, 2008

- Publishing Services business posted revenue of Rs. 90.25 crores. The investments made in people and infrastructure is expected to yield sales growth during the coming quarter.
- PBIT stood at Rs 10.82 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 21.98 cr for the nine months ended Sept 2008, mainly in providing services in the field of content delivery platform to publishers in Europe and USA.

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 23.47 cr for the nine months ended September 2008, a growth of 44% over the previous year. ICC Macmillan Inc has during the quarter ended 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 the 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.

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 had 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 provided 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) had been filed with the Honourable High Court at Madras after obtaining the requisite 'No objection' letters from the Stock Exchanges. Further, the shareholders approval had been obtained with an overwhelming majority at the Court convened shareholders meeting held on 2nd August, 2008. The Honourable Madras High Court has also conveyed its approval to the Scheme of Arrangement vide its order dated 22nd September, 2008.

This has enabled the company 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 will be allotted shares of Macmillan Publishers India Ltd in the ratio of 1:1.

As MPIL is not a listed company the members of Macmillan India Ltd, other than the Promoters who will 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

Business Outlook

The company'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 company'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 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's Publishing Services business 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 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 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.