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Pratham Books Business Plan

A Book in Every Child's Hand

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1.0 Background and Statement of Purpose

Pratham Books is a not for profit Public Charitable Trust that publishes children's books in India. It was set up in 2004, to fill a gap that existed in the market for high quality, reasonably priced children's books in a variety of Indian languages. It was aimed at enabling reading among children in the 3 to 14 year age group whom the existing market was not catering to. Pratham Books wanted to democratize reading and its mission statement is "A book in every child's hand".

At the time that Pratham Books was conceived, Pratham (www.prathambooks.org) was setting up many reading centres (libraries, resource centres, child centres) around the country and the need for good content was high. There were no publishing sources that were willing to supply this content at affordable costs. Pratham Books was therefore set up to create content and change the **publishing paradigm from high-cost-low-volume to low-cost-high-volume** without compromising on quality of content or production.

As of March 31, 2008, Pratham Books completed 51 months of operation. During this period:

- Pratham Books shipped over 3 million books
- Pratham Books printed and shipped 4.5 million story cards
- Pratham Books published over 140 titles
- Books were published in as many as 11 languages
- All books were priced at under 60 cents per copy
- Operated with a small amount of donations – grew on cash flow.

The success of the Pratham Books model has been show-cased to other publishing houses that have now started to supply books to the Pratham network at lower costs than before. This catalysis was one of the original goals for Pratham Books.

Despite these successes, Pratham Books believes that a lot more needs to be done to ensure "A book in every child's hand"

2.0 Market Overview

2.1 Market Size

India has truly arrived on the world publishing stage. There are around 16,000 publishers in the country producing an estimated 70,000 titles every year. Most of these publishers have a localized presence and there is inadequate industry level data available. The annual turnover of the industry is estimated at \$1591 million. About 40% of the titles are in English, making India the largest producer of books in the English language after the UK and the USA.

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"Fifteen years ago, the children's book market was only \$0.68 million. Now, thanks to educated parents and spiraling salaries, it is a \$22.7 million market," says T. N. Shanbhag, proprietor, Strand Book Stall.

Of the \$22.7 million children's book market – the share of Hindi and English titles is around \$15.9 million. With the split being 30:70 percent, for Hindi and English respectively,' says Manoj Sharma of Kitabghar Prakashan. If one were to go by these numbers we can safely assume that the remaining \$6.8million must be the other regional language publications.

Though the numbers may seem huge, for now, publishers of children's books seem to have just "scratched the surface" of the market. There aren't many publishers who sell over 10,000 copies of their books consistently (an ideal bestseller scenario) as they grapple with distribution challenges and marketing constraints. The spokesperson for Landmark, the Chennai-based book retailer chain, says most Indian books sell about 5,000 copies. And even for seasoned publishers such as Rupa and Penguin, it is more a case of hit-and-miss, with an odd book here and there doing well, he says.

2.2 Key Players

Penguin Books India

Penguin Books India is the largest English language publisher in the subcontinent. Headquartered in New Delhi, the company's commercial activity includes the publishing of its own books in the English language and the distribution of books from overseas publishers including the Penguin Group, Time Warner Books Group UK, Faber & Faber, BBC (adult) Books and Bloomsbury.

Penguin's biggest publishing initiative in the recent past is the re-launch of Puffin, its children's imprint, in 2002. The Puffin list is characterized by writing from the best fiction and non-fiction authors, stunning illustrations by the leading artists in the country, and production quality that meets the highest international standards. Since its re-launch, Puffin has published over 40 titles in India, which have met with a tremendous response, several of these titles becoming bestsellers.

Following the success of Puffin, Penguin India began publishing Indian stories in Ladybird's internationally best-selling Favorite Tales series in September 2003. This was the first time that Ladybird books were published outside the UK.

Penguin In India – along with Penguin UK, Bloomsbury, LadyBird, Dorling Kindersley, Faber & Faber have about 830 titles in India targeting all children's age group and prices ranging from \$1.70 – \$20.30.

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Tulika Books:

Tulika is an independent publishing house producing quality books for children. The key focus is to give children images of India. Tulika's publishing programme, therefore, involves and draws inspiration from writers and illustrators sensitive to these issues. They have bilingual books and all Tulika titles are available in English, and some in Hindi, Tamil, Malayalam, Kannada, Telugu, Marathi and Gujarati.

The range of books starts with picture and bilingual books for the 2+ age group, fiction and non-fiction for the 8+ age group, to resource books for teachers. The prices range from \$1 – \$ 5 at list prices. The Pratham network now gets these books at lower than list prices.

National Book Trust (NBT), India

NBT, established in 1957 as an autonomous body within the Government of India, owes its birth to independent India's first Prime Minister, the late Pandit Jawaharlal Nehru. Out of the several objectives laid down, of particular interest to us would be the category Nehru Bal Pustakalaya which is: A treasure house of enjoyable and informative literature which children can read at their own initiative. Books in this series cater to four age groups, which are pre-school, 6-8 years, 9-11 years and 12-14 years. Illustrative material for these books is commissioned separately and all books carry color and/or black and white illustrations, line drawings and photographs. They have about 285 titles in this section and books range from 25 cents to \$6.

Kairali Children's Book Trust

This is the largest publishing house of Children's Literature in Kerala. Started in 1980, the Founder Chairman of the Trust was Sri K M Mathew, Chief Editor, Malayalam Manorama and, Jnanpith Laureate and patriarch of the Malayalam literary world, was the Vice-Chairman. In addition to seeking out and producing the best works in children's literature the Trust has also instituted annual awards for the best works in children's literature in Malayalam. With a view to fostering the reading habit among children, the Trust is actively involved in a host of activities involving schools. One of these is Ente Ozhivukala Vayana (Vacation Reading Programme). Children are given books for leisure time reading during their vacation and asked to submit a review of the books they read. The reviews are evaluated and the best ones are given prizes.

Scholastic

Scholastic India was set up in 1997 to help create a better reading and learning environment for children in India. Their mission is to bring the best books and other learning materials from Scholastic worldwide and from select local and international publishers to students in India. Scholastic India also runs a dynamic publishing programme that aims to bring out innovative titles from the best of Indian authors and illustrators. In India they work with 3000 schools and over 3 million children.

Their strategy:

School-teacher-parent: They work with teachers, parents and students to encourage reading and promote the highest quality of educational material in English and Hindi. They also work with trade distributors to sell books through retail stores throughout the Indian subcontinent.

- **Book Fairs:** Scholastic Book Fairs are conducted across schools and books directly sold to the children. There are special browsing sessions too. Not only does the book fair contain hundreds of books, including the best and latest titles at the most affordable prices, there are also reading-related activities—author talks and readings, literary quizzes, creative writing, games—conducted around the fair so that children can partake of the magic of books.
- **Book Clubs** The Scholastic School Book Club in India is a unique channel that brings children and books together. An age-appropriate mix of the best International and Indian books selected by experts and educators is offered at the best prices through vibrant, informative and comprehensive catalogues that are distributed to students through the school. There are three Scholastic Book Clubs in India:
 - **Champ** is the club for preschool to Class 3. Champ is a child's first book club and has lots of great read-aloud books, picture books, classics, home learning materials and activity books for new readers.
 - **Ace** is the club for Classes 4 and 5. Ace has a wide range of illustrated storybooks, classics, science and reference books, home learning materials and activity books to hone the reading skills of young readers and help them boost their scores and get them hooked on books.
 - **Star** is the club for Classes 6 to 9. Star offers an amazing selection of new fiction, award winners, science and reference books with strong curriculum links, books on life skills, hottest media and activity titles to appeal to pre-teens and teens and help them expand their reading horizon.

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Karadi Tales

Combining heritage, culture, learning and fun through stories, songs and music, Karadi, the wise old bear from India, delights children using voices of noted Indian and international theatre actors Karadi heritage comprises of popular stories from Indian classics, the Panchatantra and the Jataka.

Book and cassette sets cost \$2.25 while book and CD sets cost \$2.80. They have sold over 800,000 copies of its 36 titles in the children's segment at an average of 20,000-30,000 copies of each title.

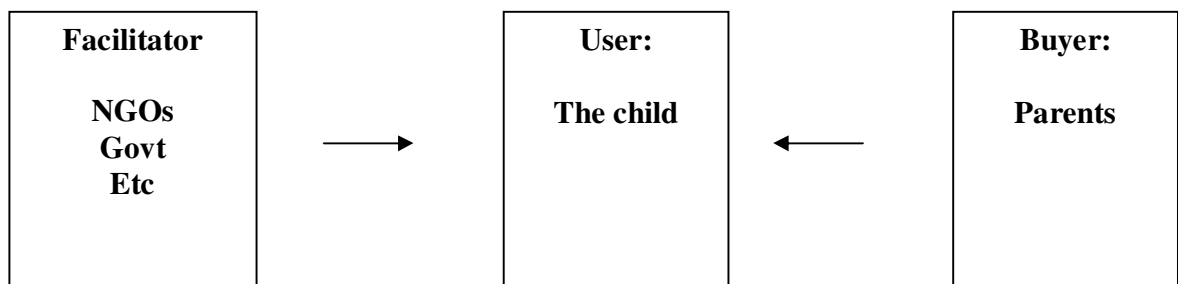
Schoolnet India Limited

Schoolnet was incorporated by Infrastructure Leasing & Financial Services Limited as part of a broader initiative to address the requirements of the social infrastructure sector, in specific, the learning training segments. Schoolnet is committed to enhancing the quality and delivery of education across the learner spectrum and learning segments.

Schoolnet works in partnership with education institutions and the Government agencies to supplement and support their existing initiatives.

3.0 The Target Audience

While the target readers for Pratham Books are children between 3 and 14 years, there are multiple buyers for this segment. We need to understand the various constituents and arrive at strategies for each.



Defining the key constituents:

User:

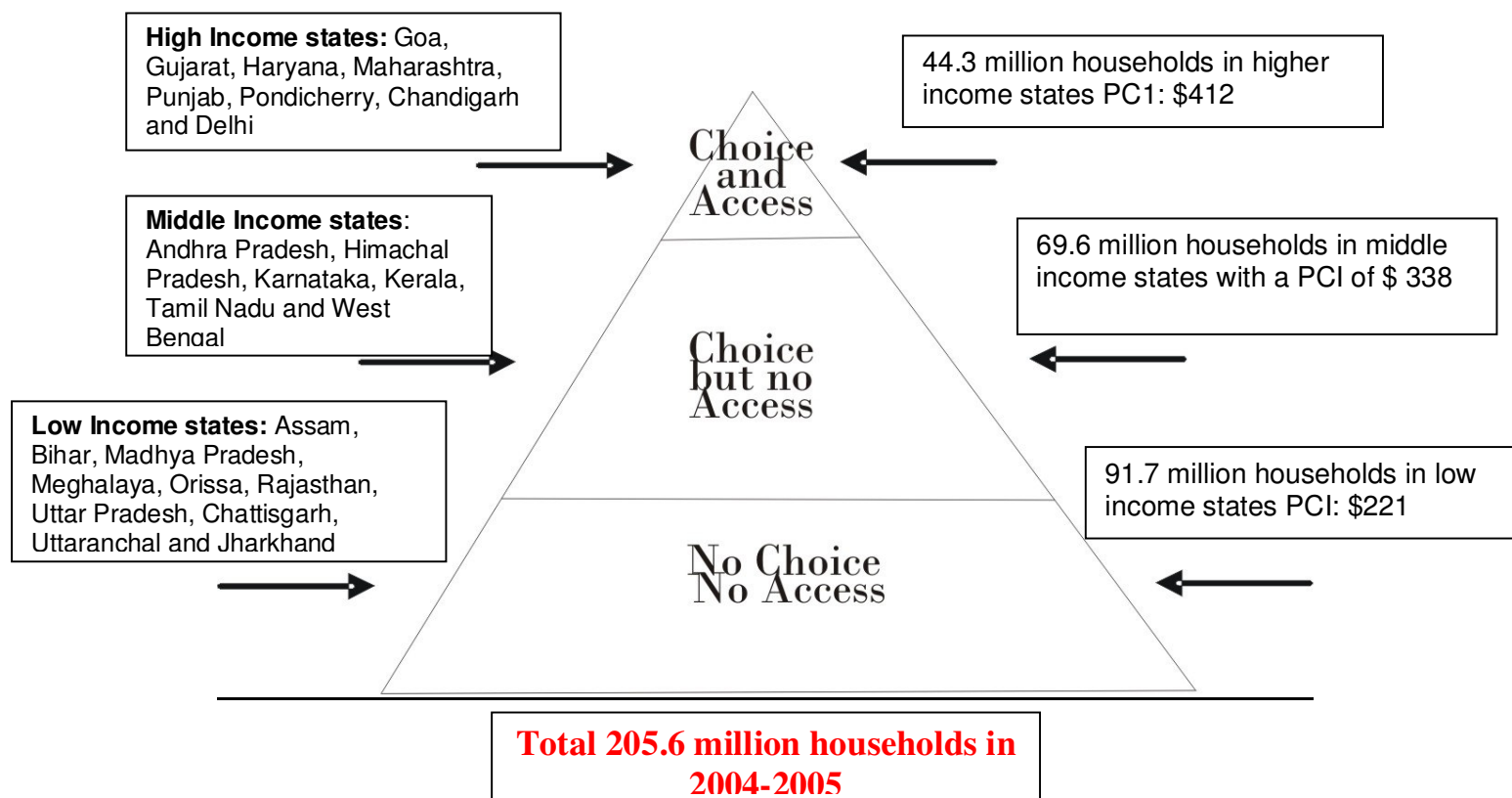
While Pratham Books can be read by all children in the age group of 3-14 years, the core audiences are children from economically backward classes for whom traditionally books have been out of reach.

Buyer:

The Pratham Books buyer could be a “facilitator” or an end user

Facilitators are the intermediary agents that play a role in reaching the book to the child. These are governments, NGOs and others who are working with children and subsidize the cost of the books to enable children to read.

End Users are households that would buy books for their own consumption. We have tried to segment this market below.



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There is no dearth of access or affordability for the households at the top of the pyramid. It is the middle and the bottom layers of the pyramid that is of interest to Pratham Books. The bottom of the pyramid is currently served by the facilitators and this will continue since these households are unlikely to be able to afford the direct purchase of books.

Households in the middle section are the ones that are upwardly mobile with high aspirations. There is a great value placed on education and their children are likely to go to private schools.

PCI: Per capita income means how much each individual receives, in monetary terms, of the yearly income generated in the country

4.0 Three-Year Objectives

Pratham Books would like to:

- Generate about 150 titles per year. Each title should be available in up to ten Indian languages including English.
- Increase coverage by shipping between 7-10 million books per year in the third year of this phase.
- Establish newer and non-traditional channels of distribution to reach out to libraries and children in all parts of the country.
- Build a team to start to research into content produced and content required by the target audience
- Look at the next generation of content – electronic and other forms of media and distribution capability.

We believe that in the first year we could generate close to 75 titles and achieve the 150 title per year goal at the end of the third year

5.0 The Marketing Mix

What do we need to do to make “A Book in Every Child’s Hand” a reality?

5.1 Product:

Over the past 2-3 years, Pratham Books has been successful in generating what we believe is good content. We have a large number of well known authors who have written for us and our content pipeline is strong and well functioning. We have been equally successful in getting access to good illustrators, translators, reviewers and layout specialists across the country.

The other critical feature in terms of content has been that we have been able to translate our books into many Indian languages. Currently books are available in English, Hindi, Marathi, Gujrathi, Tamil, Telugu, Kannada, Bengali, Urdu, Punjabi

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and Oriya. With this spread we are able to cover over 90% of the total available market in the child's language of learning.

In addition, to reaching out to authors directly, we are also able to secure content from other publishers and content creators like SchoolNet , Wheatstone, Magnum Publications, Penguin, Orient Longman, etc.

Product Innovation: Story cards

Story cards are a new format that Pratham Books has developed and tested successfully in the year of 2007. These are simple, colorful four-page reading material for early readers in an A5 size. The material is adapted from our existing storybooks for younger children. The cards are priced 4 cents (Rs.2) per card. Usually the cards are sold as a set of 24 cards or 40 cards. These cards are being used widely by State governments to promote reading in public schools. The cards have been successfully translated in Hindi, Bodo, Assamese, Bangla, Gujarati, English and Tamil.

We have printed and shipped 4.5 million story cards to date and sent them to over 8 states.

Recently other NGOs like UNICEF, Pratham, Akshara and have also bought these cards for their reading programs.

Going forward Pratham Books will experiment with new media like e-downloads, print on demand, audio books etc with the aim to increase both reach and affordability.

5.2 Production:

Currently Pratham Books prints an average of 12,500 copies per title. This includes all the language versions. To put this number in perspective, most children's book publisher in India would be printing an average of 4000 – 5000 copies per title. So while this easily makes us the largest children's book publisher in India, the aim is to spruce up print runs to 50,000 copies per title. This will be necessary to achieve the goal of "A book in every child's hand". Printing at such quantities will also enable us to achieve efficiencies of scale and bring down the printing cost of the book which will help us to bring down the prices of our books further.

With more titles and languages plus planned increased sizes of print runs, it is essential that Pratham Books has access to a reliable source of cost-effective printing. Most large printers today, provide a host of services like pre-press assistance, value engineering in terms of advice on optimal sizes based on low wastage of paper in the production process; packing, and forwarding to customers and also stocking in their facilities for short durations of about 3-4 months.

5.3 Pricing:

Pricing is the most significant factor in accomplishing our goals. Till date it is not clear where the sweet spot is in terms of pricing – in other words, what is the price at which point a parent will definitely purchase a book for her child. We believe that this spot will be in the 20 to 23 cents (Rs. 8-10) range – the question is will it be possible to hit that price point. Today, with print runs of between 12,500 and 15,000 copies in as many as 9 languages we are able to secure a paper & printing cost of about 20 cents (Rs 8.4) for an A4 size book of 24 pages with 130 gsm inside paper and 220 gsm art card for the cover. If we were to add the book development cost plus other overheads of Pratham Books then we need to factor in an additional 10 cents (Rs 4.5) which means a total cost of 30 cents (Rs 13). The cost of the book varies depending on the size, number of pages, creative costs etc. Currently we sell the book at three price points Rs. 15, Rs. 20 and Rs. 25, building in a 25% margin. But in the future as we hire more people and other overheads increase this percentage may very well come down. Lowering print and production cost will allow us to build an affordable margin for channel costs when it comes to retail sales.

5.4. Distribution

So far, Pratham Books has sold its books through these channels:

- **Institutional sales:** Our largest buyers are institutions who are working with children. These include governments and NGOs. Our largest buyer is Pratham. Others include Unicef, Room to read, Naandi Foundation etc. Institutional sales account for approximately 88% of our total sales.
- **Website:** We have our books on sale on our website and we done some sporadic selling through this. This, however, has not been an area of focus
- Recently Pratham Books entered into a sales arrangement with Indiaplaza, an online store. This enables real time online sales.
- **Book fairs:** Pratham Books has participated at multiple industry level book fairs along with school based book fairs. We have also done book fairs at corporate offices, usually at their behest during festive seasons.
- **Distributors:** Some “individual” distributors have shown interest in our books. They buy books from us and usually sell them to schools, at fairs and even to other book shops. The margins offered to this channel are 20%.

We have not yet developed a retail distribution model for Pratham Books since the existing retail models are unviable from the cost perspective. The current models are

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Publisher ----- Wholesaler -----Retailer

The wholesaler and retailer work on margins of 33% each which adds 66% to our current costs and we simply could not afford this. We need to find newer, non traditional methods of retailing that are in line with our philosophy.

6.0. The Way Forward

Pratham Books needs to expand its scope if it is indeed going to realize its mission of seeing “a book in every child’s hand”. With a population of 375 million children in the age group of 3 to 14 years, the objective of 50,000 copies per title is miniscule. It therefore becomes imperative to increase reach exponentially since higher print runs will help reduce costs and therefore improve access. Some of our ideas/new initiatives are:

6.1 Building a content portal:

We want to create a content portal to enable reading for children. The portal will be a resource platform for educators and will have

- A database of all children’s story books in India in all languages, a database of authors, illustrators and publishers
- Free downloads of illustrations used in our books available for creative use
- Research related to reading

The portal will also be a content aggregator and we are developing a book development platform through an open access initiative. It will be a platform where readers and content creators could participate in a collaborative, creative and mutually beneficial process.

We would also want to use this portal to reach geographies which might be hard to reach through a traditional off-line sales model by enabling printing on demand.

6.2. Retailing through “untied” agents:

1. Many NGO’s have experience, with the independent balwadi and community library programmes, of “seeding” micro-businesses. This model has the additional appeal of taking the books to the kids, rather than waiting for the kids to come to the books. We can use the power of their network to sell the books and open school markets.
2. Put books in the hands of any type of vendor that is either ubiquitous or that comes directly to the home. Good suggestions of this type of business include cable personnel or Railway station shops or newsagents; certainly there are more examples. The key consideration in this case is the margins and logistics.

6.3. Direct selling to public schools through government, selling to semi-aided and non aided schools.

Schools are already great venues for marketing and distributing books. There is already a successful model for retailing books using school personnel and, ultimately, the kids themselves, as agents. The book fair and book club approach taken by Scholastic merits serious attention.

Most schools have moderate sized budgets for purchase of library books and in most states this is a decentralized function. If one were to create attractive packages for schools, it would definitely open up huge markets and almost guarantee large penetration into the child population.

6.4. Selling to institutions like UNICEF and other NGO's

UNICEF has been setting up libraries across rural India – till date they have had significant programmes in Tamilnadu and Maharashtra; and they have purchased books for these states from Pratham Books.

While currently our sales are skewed 60% to a single agency [Pratham] one needs to ensure that to meet the goal of “A book in every child’s hand” all NGO's are reached out to.

6.5 Internet sales.

Through this channel we may not reach out to our core target market, but it is a very effective medium that cuts down many intermediate costs and therefore may enable us to sell at lower prices in the future. For e.g by making the book available for download and enabling local agents to print and distribute the books, it is very much possible to bring down the cost of the book. This model can work well where the cost of transportation to reach the books to the end user may be higher than the cost of the book itself.

By 2009 we will also have a full fledged website which will cater to real time online sales and also track our inventory on a real time basis.

7.0 Financials

We anticipate that the typical income and expenditure statement for a 12-month period would be as follows:

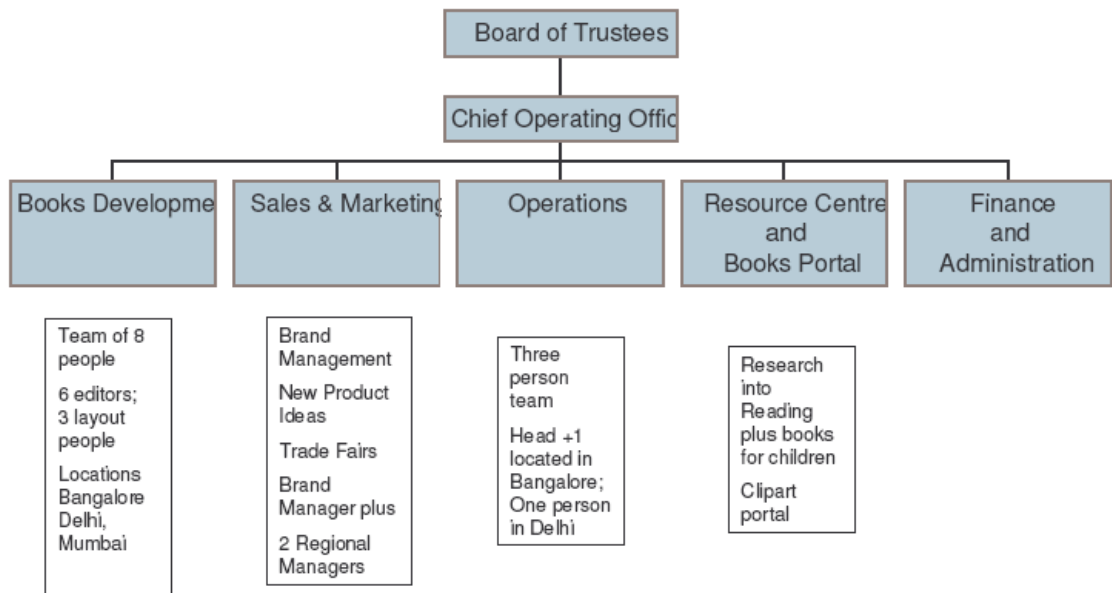
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Sales Revenue	Unit (Rs)	Sell Price	Qty per title	# of titles	Total Qty	Total Value (Rs)
Books with MRP= Rs 25	18		30,000	45	1,350,000	24,300,000
Books with MRP=Rs 20	16		40,000	25	1,000,000	16,000,000
Books with MRP=Rs 15	12		50,000	25	1,250,000	15,000,000
Books with MRP=Rs50	40		10,000	5	50,000	2,000,000
					TOTAL	57,300,000
%age sold	70					
Net revenue						40,110,000
Inventory						17,190,000
Donations for Book Development						3,750,000
Total Revenue						43,860,000
Less Costs						
Paper & Printing Costs						20,055,000
Distribution Costs						1,500,000
Sales Commissions @ 15%						6,016,500
Less Fixed Costs						19,108,000
Less Depreciation						600,000
Less Inventory Costs @ 10% pa						1,719,000
Total Costs						48,998,500
Net Profit / (Loss)						(5,138,500)

This is a partly subsidized model in that we seek out donations for book development and also there is a certain volume of sales to the Pratham network – although this will drop over time. If we meet all these goals we will have a net cash loss for the year but the asset base in terms of inventories will more than offset this loss. If we assume modest growth rates of 20%, it is possible that this enterprise will break even – after shipping between 5-10 million books per year – in about a three-year timeframe.

Appendix 1

Organization Chart



Appendix 1 : Organization Chart for Pratham Books

Appendix 2**Sales Data**

			All figures in Rs.					
	2004-2005	Inc over last year	2005-2006	Inc over last year	2006- 2007	Inc over last year	2007- 2008	Dec over last year
Total Book Sales	3324731	NA	3278044	86%	15462599	142%	8918503	[42%]
Institutional sales*	3314481	99.60%	3160586	96%	13947138	90%	7851141	88%
Others	10250		117458		1515461		8133362	
			Key Notes:					
Online sales started in 05-06 and doubled in 06-07								
Walk in sales picked up in 05-06 and went up by 80% touching 181896 in 06-07.								
*Institutional sales contribution as a percentage of total sales								