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shikshaa public school: options for growth

Atul Arun Pathak and Madumitha R wrote this case solely to provide material for class discussion. The authors do not intend to illustrate either effective or ineffective handling of a managerial situation. The authors may have disguised certain names and other identifying information to protect confidentiality.

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On March 15, 2020, Ranjit Narasimhan, the director of Shikshaa Public School (SPS), a privately owned school with 785 students, in Chennai, the capital city of the state of Tamil Nadu, India, was in a meeting with his wife and co-founder, Kanchana Ranjit, reviewing the school’s performance and considering its strategy going forward. New construction to expand the school building was nearly completed, which would increase SPS’s capacity to accommodate 3,000 students. The co-founders were considering how to increase the enrolment of new students to raise SPS’s revenue and profitability. They were also wondering whether to relocate SPS to an upmarket location, which might attract students whose families had the potential to pay higher fees. Also, on the table was a proposal to purchase another school in an attempt to expand rapidly and better leverage the SPS brand. Ranjit and Kanchana were keen to make these decisions within the next two weeks, which would leave them with enough time to implement changes before the start of the forthcoming academic year, in June 2020.

the Education industry in India

In 2019, India had a total population of more than 1.36 billion and approximately 26.16 per cent of the total population was in the age group of 0–14 years.[[1]](#footnote-1) In 2019, approximately 250 million children were enrolled in schools in India. The education sector in India, including schools and higher education, was estimated to be worth approximately US$101.1 billion in fiscal year (FY) 2019.[[2]](#footnote-2) Education was a priority sector for the Government of India, which in its Union Budget for FY 2020–21 allocated US$8.56 billion to the Department of School Education and Literacy.[[3]](#footnote-3)

Based on ownership, the nearly 1.5 million schools in India were segmented into government schools, government-aided schools, and privately owned schools. Compared with a global average of 23.65 students per teacher, Indian schools had a ratio of 35.22 students per teacher, as a result of an overall shortage of nearly one million teachers. Additional challenges included high dropout rates, poor learning outcomes, and poorly qualified teachers, especially in government schools, and more so, the government schools located in rural areas.[[4]](#footnote-4) In the previous decade, the number of privately owned schools, especially English-medium schools (i.e., schools whose primary language of instruction was English), had grown rapidly in India. The increased demand for privately owned schools was due to the government schools’ relatively poor quality of infrastructure and education instruction. In 2017, about one in four of all schools in India was a privately-owned unaided school, and some 47 per cent of all school students were enrolled in privately owned schools.[[5]](#footnote-5)

THE REGULATORY ENVIRONMENT IN INDIA’S EDUCATION SECTOR

The Indian education sector was highly regulated. State, national, and international boards oversaw the curriculum, pedagogy, assessments, and functioning of schools. Among the largest boards, the Central Board of Secondary Education (CBSE) had 21,217 affiliated schools, and more than 325,638 students enrolled for writing 10th-grade exams in 2019. In addition, India had state boards, the Council for the Indian School Certificate Examinations with more than 2,100 schools, the National Institute of Open Schooling, and the International Baccalaureate Organisation, which governed school education. Each formal school was required to be affiliated with a board and to adhere to that board’s criteria. For schools, the board affiliation process was cumbersome, time-consuming, and expensive.[[6]](#footnote-6)

Setting up new schools in cities involved high initial costs. About a dozen different permissions and licences were needed from government departments before a school could begin operations. Each such licence was granted for a specific duration and needed periodic renewal.[[7]](#footnote-7)

By mandate, all schools in India operated on a not-for-profit basis (i.e., with the intention of community service.) Hence, privately owned schools could be owned and operated only by charitable trusts, not-for-profit societies, or companies registered under Section 25 of India’s *Companies Act[[8]](#footnote-8)*. All profits generated from schools were required to be reinvested into the development of the school or for educational purposes only, and could not be diverted to any individual or company. Due to this regulation, companies that ran schools often set up a two-tiered administration. In this arrangement, a trust was created to run the school, and a separate independent subsidiary provided services to the school such as teacher training and consulting, and the subsidiary earned revenue in return. All profits that the trust received were eligible for full income tax exemption. Each year, 50 per cent of all donations to the trust were exempt from income tax. Further, 85 per cent of the school’s total revenue was to be utilized within the same year, unless it was being saved for a specifically defined purpose (such as future construction). Revenue that was saved could be held in an account only for a maximum period of five years. If this regulation was not followed, the school’s entire income was deemed to be taxable.[[9]](#footnote-9)

The *Right to Education Act* (RTE) mandated that all privately owned schools reserve 25 per cent of seats at the entry level (typically kindergarten or Grade 1) for children from economically weaker sections of society. These children were to be provided free education, and the government reimbursed their fees to the school. However, in practice, it was an arduous and time-consuming task for the schools to collect the reimbursement from the government in a timely manner.[[10]](#footnote-10)

Some regulations were state-specific. For instance, in Tamil Nadu, buying or selling an operational school was disallowed. The trust or company that wished to buy a school was allowed to purchase, at market value, only the land where the school was situated. However, usually in such transactions, to get around the regulation, the seller would quote a price that included the value of the building and infrastructure. Further, in Tamil Nadu, each privately owned school’s fees were determined by the state government’s Fee Determination Committee, and the fee rate depended on the school’s location, infrastructure, expenditure on administration and maintenance, and a reasonable surplus required for the growth and development of the school.[[11]](#footnote-11)

the Founders of shikshaa public school (sps)

During her studies at Madurai Kamaraj University College, Kanchana had been a top performer in the master of science degree program with a specialization in econometrics. She also held a master’s degree in philosophy. She had led SPS from its founding in 2012 until 2016 and was part of its core leadership team.

Since 2016, Kanchana’s husband, Ranjit, had served as president of SPS. He held a bachelor’s degree in technology from the Indian Institute of Technology Madras, and had obtained a master’s degree in business administration from the Indian Institute of Management Calcutta. Prior to joining SPS, Ranjit had a stellar career in the information technology (IT) industry. In 2010, he retired as the chief executive officer of HCL Technologies, a leading Indian IT company. Ranjit was a serial entrepreneur and had started multiple successful ventures, including Riviera Confectionaries (a chocolate manufacturer) and Shikshaa EduTech (a coaching institute.)

Shikshaa Public School (SPS)

SPS was a CBSE-affiliated, co-educational school. Ranjit explained the vision and mission of SPS:

From the very beginning, I had thought deeply about why I intended to start SPS. The vision of SPS was to foster excellence in the field of education. It would strive to create an institution which is “better than the best.” In order to work towards achieving the vision, we had decided that the mission of SPS was to offer education of global standards at an affordable cost by adopting standardized, innovative and continuously improving delivery systems and processes to achieve excellence.

SPS started off with 154 students in a temporary campus in 2012. In 2016, it relocated to a campus spread over 2 acres (0.8 hectares) of land that had been purchased for ₹21.6 million.[[12]](#footnote-12) Initially, SPS had a 195-square-metre building area and had recently constructed three additional floors. SPS now had a constructed area of 1,910 square metres, and an additional 2,370 square metres of playground area. With this expansion, the school had capacity to accommodate 3,000 students.

SPS had ₹80 million of long-term bank debt, which amounted to two-thirds of the total construction cost. Under this debt arrangement, SPS could borrow funds as and when necessary and interest was paid monthly on the net amount borrowed. The rate of interest offered was 1 per cent above the bank’s marginal cost of funds-based lending rate (MCLR),[[13]](#footnote-13) which was presently at 8.7 per cent. At present, SPS had utilized ₹50 million of the long-term bank debt. Two of the three floors were operational for the 2020–21 academic year, and the third floor was scheduled to be completed by June 2021.

SPS had good infrastructure with 20 air-conditioned, technology-enabled classrooms; a spacious library; and a well-equipped play area. The recent expansion allowed SPS to set up laboratories for physics, chemistry, biology, mathematics, and computer science. The Atal Tinkering Lab of 140 square metres, which the government subsidized to promote a scientific temperament and interest in innovation among the students, was also included. In addition, the school had an auditorium with a seating capacity of 1,000 persons, an indoor sports room, and an outdoor basketball court. Ranjit explained:

Given how cumbersome, expensive, and time-consuming it was to get building plans approved, we decided to build three floors together. However, expensive expansion meant that we were under pressure to significantly increase the number of students enrolled.

Benefiting from the overall public perception that CBSE-affiliated schools offered better-quality education than state-board affiliated schools, SPS had seen growth in the number of students over the years (see Exhibit 1). Most of SPS’s students had lower- and middle-income backgrounds, and were drawn from the neighbourhood. SPS’s fees were about 25 per cent lower than those of its competitors. Fees were increased annually by about 5 per cent on average (see Exhibit 2).

SPS employed 42 teachers and 12 non-teaching staff. Employees’ salaries increased by an average of 13 per cent annually and were on par with salaries offered by local competitors. As required by CBSE, SPS’s teachers held at least a relevant postgraduate degree and a bachelor’s degree in education. The school was perceived by the employees to have a supportive and non-stressful work environment. Overall, SPS had developed a reputation for providing technology-aided, high-quality education. Ranjit explained:

I believed that what would set our students apart was their ability to apply what they learned. It was important to equip them with the knowledge of latest technologies. We were one of the few schools that taught robotics from Grade 3 onward.

SPS had set up virtual classrooms and an e-learning platform. Teachers used technology to upload their lectures online, provide students with additional information, and complete student assessments. All SPS classrooms were equipped with smart-class facilities that included an Internet-connected computer and audiovisual equipment. Closed-circuit television (CCTV) cameras were installed throughout. Parents of kindergarten students had real-time access to the live footage of CCTV cameras to stay informed about their child.

To increase learning beyond the classrooms, SPS had pioneered a mentorship program, whereby academically well-performing students mentored students who needed schoolwork assistance. All students were given daily assignments to complete after school. The mentoring students completed their own assignments and then helped their protégés, as required. Both parents and students appreciated this program.

To help students develop their personality, SPS operated co-scholastic students’ clubs that catered to such interests as language, hobbies, arts and crafts, heritage, debate, and ecology. SPS students could also join sports teams, including volleyball, throwball, and cricket, in addition to participating in extracurricular activities such as karate, yoga, and dance. Shikshaa’s school teams had not yet achieved any significant victories in inter-school competitions.

THE Current status of Shikshaa public school (SPS)

Given SPS’s recent capacity expansion and the resultant increased debt burden (see Exhibit 3), SPS focused on increasing new student enrolments. Ranjit had recently commissioned market research to better understand the factors that parents considered when choosing a school for their child. He explained:

Obviously, parents wanted their child to avoid commuting long distances through dense city traffic and gave priority to good schools in their neighbourhoods. Since there was no objective official schools-ranking, parents evolved their own mechanisms.

According to SPS’s market research, many parents from affluent and middle-class backgrounds preferred English-medium schools affiliated with the CBSE over regional-language state board schools. When comparing similar schools, parents considered the performance of students in the 10th- and 12th-grade board exams. The parents considered schools as being academically successful when their students achieved top ranks in the city or district in the board exams. Parents preferred schools where all the students successfully graduated each year and attained high average scores in the board exams.

Schools commonly advertised their success in the board exams in local newspapers and on large billboards to attract new admissions. Relatively new schools such as SPS were at a disadvantage, as they had a track record of only a few cohorts of students who had completed their 10th- or 12th-grade exams. Schools also publicized how many of their students cleared competitive entrance examinations and entered prestigious higher-education institutes such as the various Indian Institutes of Technology (IITs). This publicity was done even though the school may have actually played a minimal role in the students’ success as most students who qualified through these competitive entrance examinations had attended specific professional tutorials outside of school hours.

When choosing a school, parents also considered the size and quality of the school building, infrastructure, and teacher-to-student ratio; use of modern technology and pedagogies; measures taken to ensure hygiene, safety, and security; and the size of the playground. Parents were also interested in the school’s performance in inter-school co-curricular, extracurricular, and sports activities. The school’s success in these competitions was perceived as an indication of the overall development of the students’ personalities. Finally, the fees charged by the school and other associated costs such as the cost of books, academic material, and uniforms influenced the parents’ choice of school for their child. According to Kanchana:

Our market research revealed that the parents informally assigned weightages to parameters such as the school’s reputation (30 per cent), past results (20 per cent), infrastructure (15 per cent), marketing (15 per cent), fees (9 per cent), other facilities (5 per cent), and distance (6 per cent), in making school choice decisions for their child.

SPS’s objective, other than increasing overall enrolment, was to target a greater proportion of students from families with good socio-economic backgrounds. The co-founders believed that these students would improve the academic performance of the school, and help SPS build a city-wide brand by winning inter-school competitions. Having parents from better economic backgrounds also gave SPS a better chance of increasing its fees significantly.

SPS’s Marketing Activities

Previously, SPS had advertised in newspapers and on neighbourhood billboards, and had organized on-campus marketing fairs to attract new student enrolments. The ads highlighted SPS’s CBSE affiliation, its modern physical infrastructure, and its students’ academic achievements in the board exams.

SPS also advertised by painting on the walls of neighbourhood residential compounds. In 2018, 20 walls with an average size of 6 metres long by 1.2 metres high were painted at the cost of ₹2,500 per wall. In addition, SPS distributed 20,000 marketing pamphlets through local newspaper insertions. Pamphlet printing cost ₹1.25 per pamphlet and SPS paid ₹0.30 per newspaper insertion. SPS also organized Spectra, an annual inter-school science fair, and Spark, a cultural festival, to increase the number of visitors to the school and word-of-mouth publicity. Each event was organized with a budget of ₹50,000. These events were also published in the local newspapers as public relations activities for ₹2,000 per article. SPS incurred a per-event cost of ₹2,500 to broadcast the events on local television channels.

Every year, SPS students organized and participated in three rallies for social causes (e.g., saving water and tree planting). SPS spent ₹15,000 to publicize each event. SPS also had a student referral program and offered ₹2,000 to anyone who referred a student who attended the school.

SPS’s digital marketing team ensured that the school’s ratings on Google, Facebook and JustDial (an Indian online directory) were maintained at a score of 4.5/5 or above. Listing on JustDial cost SPS ₹35,000 annually. Also, SPS spent ₹30,000 per year on Facebook advertising. It actively posted about the activities in the school, students’ achievements, and events on its Facebook page.

The road ahead

Kanchana and Ranjit were considering ways to achieve profitable growth for SPS. They were considering three options. First, they needed to effectively use a limited marketing budget to attract a larger enrolment of new students to ensure better capacity utilization in the school. Second, as the locality where the school was situated played a major role in determining the socio-economic composition of its student base, they were considering the possibility of constructing a new SPS campus in a more upmarket location. Finally, they were also open to the possibility of inorganic growth through the acquisition of another school. Ranjit explained:

We were keen to ensure that we made the right choices. I commissioned a market research to understand the differences among various localities of Chennai district. I sought information on the average price of plots of land in various localities of Chennai district [see Exhibit 4]. I planned to use the land prices as a proxy for determining whether a locality was upmarket or middle class. Also, if I decided to shift the school to another locality, the prevailing price of land would give me an indication of the financial costs involved. Further, I carried out market research to understand the average monthly rentals of two-bedroom apartment houses in various localities of Chennai district [see Exhibit 5]. I felt that this was a good proxy indicatory of the income and socio-economic class of the population of the respective locality.

Build Another Campus

SPS was located in a neighbourhood where residents were predominantly from lower-middle- and middle-class socio-economic backgrounds. These demographics limited the client segments SPS could target and the fees it could charge. The mediocre performance of students drawn from the neighbourhood affected SPS’s brand, and it faced difficulties in attracting high-potential students from a better socio-economic status. Kanchana believed that to break this vicious circle, the school needed to move to a relatively upmarket high-income locality. SPS would then be able to admit students from higher socio-economic status who were more likely to have relatively better academic and all-round performance, thereby improving SPS’s reputation.

In upmarket localities, the market price of land was about ₹150 million to ₹200 million per acre (₹370.65 million to ₹494.21 million per hectare). However, in upmarket locations in Chennai, it was difficult to purchase or lease a contiguous parcel of 2 acres (0.809 hectares) of land, to satisfy the minimum requirements of CBSE affiliation. The cost of constructing a ground floor (including the foundation) was ₹2,500 per square foot (₹26,909 per square metre) and the upper floors could be constructed at about ₹1,500 per square foot (₹16,145.87 per square metre). Furniture, furnishings, and other sundry development works would cost approximately ₹500 per square foot (₹5,381.96 per square metre). A minimum built-up area of 1.86 square metres per student was needed to meet the school’s basic requirements. SPS would need to take out further bank loans to fund this project.

Acquire Another School

Ranjit also considered acquiring another already-operational school, which would enable SNS to better leverage its brand, focus on a new segment of students at a different location, and grow overall revenues. Ranjit was aware that Sri Jayendra Golden Jubilee School (SJGJ), a CBSE-affiliated co-educational school in Kanchipuram, Tamil Nadu, was potentially available for acquisition. The founder of SJGJ was nearing retirement age and was looking to exit the business. Ranjit informally estimated that SJGJ could be acquired for a one-time cash payment of ₹75 million.

SJGJ had 482 students from kindergarten to Grade 12, was built on 3 acres (1.2 hectares) of land, and had a constructed area of 3,900 square metres that included 20 classrooms. The school’s infrastructure was as required by the CBSE norms but had no modern technological facilities. SJGJ’s students were from lower- and middle-income backgrounds. The school’s performance in academics and extracurricular activities was poorer than that of SPS. SJGJ had 35 teachers and four non-teaching staff. The teachers held at least a postgraduate degree and a bachelor’s degree in education and had an average experience of 6.5 years. The average salary paid to SJGJ teachers was ₹20,000 per month. On average, it charged lower fees than SPS (see Exhibit 6). Considering SJGJ’s financials (see Exhibit 7), Ranjit felt that the acquisition could be funded through additional bank debt at an interest rate similar to its current facility.

Increase Enrolment at Shikshaa Public School’s (SPS’s) Current Campus

Ranjit had recently carried out a competitor analysis of major schools in the vicinity of SPS’s campus (see Exhibit 8). These schools were located within 5 kilometres of SPS. He wished to combine this analysis with his market research on how parents decided on their child’s school. Using this information, he hoped to streamline SPS’s operations and focus on those activities that would differentiate SPS from its competitors. He also planned to develop an effective marketing program to increase students’ enrolment and to achieve better capacity utilization.

Conclusion

Ranjit and Kanchana needed to decide quickly whether to continue to try to increase the revenue and profitability of the existing SPS school, shift to a better locality, or pursue growth through acquisition. They also understood that more than one of these alternatives could be considered simultaneously although doing so would stretch their management capacity and financial resources. Finally, any choices they made should not significantly disrupt the existing school’s operations.

Atul Arun Pathak is an associate professor in the Strategy & Entrepreneurship area at the Indian Institute of Management Nagpur, India. Madumitha R is a student in the MBA program at the Indian Institute of Management Nagpur, India.

EXHIBIT 1: number of students, teachers, and staff at shikshaa public school, by grade, 2016–2020

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Year** | **PKG** | **JKG** | **SKG** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **Total** | **Teachers** | **Staff** |
| 2016 | 12 | 23 | 22 | 34 | 34 | 27 | 36 | 19 | 28 | 20 | 0 | 0 | 0 | 255 | 16 | 5 |
| 2017 | 13 | 62 | 32 | 47 | 41 | 38 | 27 | 37 | 21 | 28 | 23 | 0 | 0 | 369 | 22 | 8 |
| 2018 | 0 | 128 | 65 | 75 | 59 | 40 | 40 | 34 | 40 | 23 | 26 | 0 | 0 | 530 | 30 | 11 |
| 2019 | 0 | 96 | 117 | 77 | 74 | 59 | 40 | 38 | 35 | 38 | 23 | 23 | 0 | 620 | 32 | 13 |
| 2020 | 18 | 94 | 107 | 144 | 80 | 82 | 63 | 39 | 47 | 35 | 38 | 17 | 21 | 785 | 40 | 17 |

Note: PKG: Pre-kindergarten; JKG: Junior Kindergarten; SKG: Senior Kindergarten.

Source: Company sources.

EXHIBIT 2: Shikshaa Public School ANNUAL fees, by grade, 2019–20 (in ₹ THOUSANDS)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Grade** | **PKG** | **JKG** | **SKG** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** |
| Annual fees per student | 32.5 | 35 | 37.5 | 40 | 42.5 | 42.5 | 42.5 | 45 | 45 | 45 | 47.5 | 47.5 | 52.5 |
| No. of students | 18 | 94 | 107 | 144 | 80 | 82 | 63 | 39 | 47 | 35 | 38 | 17 | 21 |

Note: PKG: pre-kindergarten; JKG: junior kindergarten; SKG: senior kindergarten; No. = number.

Source: Company sources.

EXHIBIT 3: Shikshaa Public School brief financials, 2016–2019 (in ₹ thousands)

|  | **FY2019** | **FY2018** | **FY2017** | **FY2016** |
| --- | --- | --- | --- | --- |
| **Income** |  |  |  |  |
| School fees | 22,603 | 14,632 | 8,218 | 4,828 |
| Other income | 145 | 42 | 45 | 32 |
| Total income | 22,748 | 14,674 | 8,263 | 4,860 |
| **Expenses** |  |  |  |  |
| Employee salaries and welfare | 10,229 | 8,069 | 5,161 | 3,067 |
| Printing and stationery | 205 | 150 | 49 | 13 |
| Other administrative expenses | 336 | 375 | 184 | 105 |
| Power and lighting | 815 | 659 | 256 | 73 |
| Repairs and maintenance | 207 | 219 | 189 | 24 |
| Advertisement expenses | 177 | 37 | 49 | 5 |
| Legal and statutory expenses | 23 | 7 | — | — |
| Depreciation expense | 6,294 | 264 | 207 | 147 |
| Interest paid—Bank loan | 4,103 | — | — | — |
| **Profit before tax** | 359 | 4,894 | 2,168 | 1,426 |

Note: FY = fiscal year.

Source: Company sources.

EXHIBIT 4: Average Land prices in and around chennai (in ₹ per square foot)

|  |  |  |
| --- | --- | --- |
| **District** | **Location** | **Rate (Rs / Square Feet)** |
| Chennai | Perambur | 5,079 |
| Ayanavaram | 7,098 |
| Aminjikarai | 7,544 |
| Egmore | 13,324 |
| Mambalam | 8,542 |
| Guindy | 7,098 |
| Velacheri | 6,142 |
|  | Mylapore | 12,495 |
|  | Purasawalkam | 7,395 |
|  | Tondiarpet | 6,014 |
| Thiruvallur | Ambattur | 4,442 |
| Poonamallee | 4,101 |
|  | Thiruvottriyur | 4,569 |
|  | Madhavaram | 4,909 |
|  | Maduravoyal | 5,525 |
| Kanchipuram | Sriperumbudhur | 3,060 |
| Alandur | 6,672 |
| Tambaram | 4,229 |
| Sholinganallur | 5,037 |

Note: 1 square foot = 0.092903 square metres; Rs. = rupees; a location’s land price was indicative of the costs Shikshaa Public School would incur if it purchased land to construct a new campus.

Source: Company sources.

EXHIBIT 5: Average monthly rent for typical two-bedroom apartments in various locations in and around chennai district (in ₹)

|  |  |  |
| --- | --- | --- |
| **District** | **Location** | **Rate (Rs / Square Feet)** |
| Chennai | Perambur | 11,173 |
| Ayanavaram | 17,321 |
| Aminjikarai | 14,131 |
| Egmore | 18,700 |
| Mambalam | 16,256 |
| Guindy | 13,536 |
| Velacheri | 14,596 |
| Thiruvallur | Ambattur | 9,846 |
| Poonamallee | 9,582 |
| Kanchipuram | Sriperumbudhur | 8,270 |
| Alandur | 15,770 |
| Tambaram | 8,976 |
| Sholinganallur | 15,665 |

Note: 1 square foot = 0.092903 square metres; Rs. = rupees; the average monthly rental of two-bedroom apartments was indicative of the average income and socio-economic classification of residents in that location.

Source: Company sources.

EXHIBIT 6: Sri Jayendra Golden Jubilee school’s ANNUAL fees, 2019–20

(in ₹ thousands)

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Grade** | **PKG** | **JKG** | **SKG** | **1 to 5** | **6 to 8** | **9 to 10** | **11 to 12** |
| Tuition Fees | 13.53 | 13.53 | 13.53 | 15.73 | 17.16 | 21.45 | 23.10 |
| Miscellaneous Fees | 5.5 | 7.3 | 7.3 | 15.1 | 17.2 | 17.35 | 22.50 |
| Total Fees | 19.03 | 20.83 | 20.83 | 30.83 | 34.36 | 38.80 | 45.60 |
| New Admission Fees | 0 | 5 | 5 | 5 | 5 | 10 | 10 |

Note: PKG: pre-kindergarten; JKG: junior kindergarten; SKG: senior kindergarten; tuition and miscellaneous fees were charged annually. New admission fees were charged at the time of admission.

Source: Company sources.

EXHIBIT 7: brief financials of Sri Jayendra Golden Jubilee school, 2016–2019

(in ₹ thousands)

|  | **FY2019** | **FY2018** | **FY2017** | **FY2016** |
| --- | --- | --- | --- | --- |
| **Income** |  |  |  |  |
| School fees | 15,938 | 13,589 | 11,243 | 8,234 |
| Other income | 2,906 | 2,687 | 2,729 | 2,863 |
| Total income | 18,844 | 16,276 | 13,972 | 11,096 |
| **Expenses** |  |  |  |  |
| Employee salaries and welfare | 8,652 | 6,574 | 5,961 | 5,045 |
| Printing and stationery | 1,649 | 972 | 1,649 | 1,072 |
| Other administrative expenses | 6,071 | 4,817 | 4,753 | 4,310 |
| Power and lighting | 354 | 306 | 319 | 187 |
| Repairs and maintenance | 262 | 837 | 342 | 150 |
| Depreciation expense | — | — | — | — |
| Interest paid – Bank loan | 9 | — | — | — |
| **Profit before tax** | 1,847 | 2,771 | 947 | 333 |

Note: FY = fiscal year; other administrative expenses related to security, gardening, transport, telephone, and postage.

Source: Company sources.

EXHIBIT 8: analysis of shikshaa public school (SPS) and its key competitors

| **School** | **Number of Students** | **Distance from SPS** | **Annual Fees (in ₹)** | **Past Results\***  **(out of 10)** | **Reputation**  **(out of 10)** | **Infrastructure** | **Marketing** | **Other Facilities** |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| NSN Memorial | 2,000 | 3.0 | Pri: 63,330  Sec: 73,885 | 8 | Results-oriented  Highly disciplined (**8**) | Smart classes, multimedia lab, gym, AV | Not much marketing (relied on reputation) | Fit kids (for fitness), Coaching for English & science |
| Srimathi Sundaravalli Memorial | 9,000 | 4.5 | NA | 10 | Good academic results (**4**) | Centralized audio system | Not much marketing (relied on reputation) | Specialized Montessori teaching |
| Vivekananda Vidyalaya | 1,500 | 2.5 | Pri: 40,286  Sec: 47,000 | 6 | Spiritual values,  less pressure,  affordable (**4**) | Per CBSE norms | Not much marketing (relied on low fees) | Not available |
| Sri Chaitanya | 2,000 | 3.5 | Pri: 75,150  Sec: 87,675 | 9 | Good academic results, esp. IIT entrance (**8**) | Per CBSE norms | Marketing team that did door-to-door canvassing | Centralized processes; Coaching for entrance exams |
| Alwin Memorial Public School | 1,500 | 4.5 | Pri: 54,990  Sec: 64,155 | 7 | Good academic results, discipline, extracurricular activities, value for money (**8**) | Per CBSE norms | Not much marketing (relied on parent school’s brand) | Not available |
| MAV Vidyashram | 900 | 2.5 | Pri: 57,500  Sec: 67,085 | 4 | Average school (**2**) | Swimming pool | Not much marketing (relied on word-of-mouth publicity) | Location: residential area |
| Shikshaa Public School | 785 | NA | (see Exhibit 2) | 5 | Focus on academics and all-round development, good infrastructure (**6**) | Smart class, multimedia lab, gym, AV, Atal Lab, CCTV | Pamphlets, billboards, newspaper ads | Mentorship program |

Note: ₹ = INR = Indian rupee; \* “Past Results” refers to a perceptual rating (as evaluated by Ranjit on a 0–10 scale) based on highest marks secured by any student of the school and the number of students with distinctions in examinations; Pri: primary school; Sec: secondary school; IIT = Indian Institute of Technology; AV: Audiovisual; CBSE = Central Board of Secondary Education; CCTV: close circuit television; NA: Not available.

Source: Company sources.

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12. ₹ = INR = Indian rupee; all currency amounts are in ₹ unless otherwise specified; ₹1 = US$0.0135 on March 15, 2020. [↑](#footnote-ref-12)
13. Marginal cost of funds-based lending rate (MCLR) was the floor internal reference lending rate for banks and was fixed by the Reserve Bank of India. [↑](#footnote-ref-13)