

Date: 20th March 2025

Project Malabar Concept Memo

Premise

- Project Malabar is Virtue's mass-premium school offering, operating at Rs. 1.5-3.0 lakhs ARPS.
- The Malabar Schools will run as an independent brand of K12 schools, distinct from the test prep identity of Virtue.
- However, the brand will leverage synergistic linkages for test-prep students.

Target Consumer Set

- Aimed at upper middle-class families with income from Rs. 10-50 Lakhs.
- Parents focused on all-round personality development in early years, with the choice option of multiple careers post-school.
- Students considering enrolment in higher education in good Indian universities.

Product Positioning

- Outcomes: Balanced learning and good university admissions
 - o Focused on holistic development with emphasis on CBSE syllabus
- Till Class VIII: Balance of academic, co-curricular and extra-curricular activities for all-round development of students
- Class IX-X onwards:
 - o Specialized foundation batches (coaching) running in synergy with Virtue
 - o Regular (non-coaching) batches
- Class XI-XII
 - o IIT JEE / NEET batches running in synergy with Virtue
 - o Light-coaching for CUET, CLAT, IPMAT for non-STEM students
- Equivalent brands in market:
 - o DPS, NPS, Vibgyor, Euroschools and Orchids International

Value Proposition for Students & Parents:

- Non-Coaching Student:
 - o High quality, balanced, holistic learning
 - o Good infrastructure providing co-curricular and extra-curricular learning opportunities
 - o Career counselling and coaching support for CUET, CLAT, IPMAT and other exams
- Coaching Student:
 - o Syllabus synchronized across school and coaching
 - Batch A: Morning Shift Virtue, Afternoon Shift School
 - Batch B: Morning Shift School, Afternoon Shift Virtue
 - o More efficient for student, less wastage in repeating syllabus due to synchronization
 - o Student can spend more time on extra-curricular activities for personality development
 - o **[Note: To discuss SOP on scheduling of hours and syllabus pattern]**

Synergies for Virtue

- **Test Prep:** We will benefit from having access to a sister-concern school, reducing dependency on 3rd party SIPs and dummy schools.
- **K12 school:** In addition to normal students, we will benefit from driving higher utilization via Virtue students, especially grade XI-XII
 - o *Note: Need to check ability to run inverted pyramid of enrolments, i.e. more sections in Class XI & XII*

Infra Requirements:

- Campus as per CBSE norms – 1 acres inside city limits and 2 acre outside city limits
- Approximately 1,25,000-1,50,000 square feet built-up space including classrooms, library, labs
- Sports infra facilities – sports ground, multi-purpose court, swimming-pool

Infrastructure Strategy:

- **Option 1: Master Services Agreements with Existing Schools**
 - o Enter into MSA agreement with trusts or societies that are running existing schools
 - o 3rd party relationship preferred with Trusts or Societies, no control on paper
 - o Revenue to be kept in escrow under MSA, and other controls to be built accordingly
- **Option 2: Built-to-Suit Campuses**
 - o Third party builds school campus that Virtue takes on rent as service provider
 - o Structurally cleaner, but requires higher capital commitment
 - o To be done in later years once our business is stabilized
- The third-party owner can either be a local partner or an ed-infra fund like Alta Capital
 - o We may choose to invest some initial money to do capex for furnishing and building adequate infrastructure

Ideal School:

- CBSE school with 400-700 enrolments, good space available
 - o Struggling to increase enrollments, founders willing to lease out
- Close to Virtue's existing center with 2,000+ strength
- Virtue's ability to drive ~500 enrolments in the first year, taking total enrolments to 1,000 in Y2
- Typical rent of ~Rs. 40 psf on 1.25-1.50 lakh square feet ~Rs. 6-8 cr. annual rent cost
- With 1,000 enrolments, in Y2 we should breakeven and rough PnL to look like following:
 - o School Fees: Rs. 1.5L * 1,000 = Rs. 15 Cr.
 - o Operating Expenses: Rs. 7.5 Cr.
 - o Rent: Rs. 6 Cr.
 - o System EBITDA: Rs. 1.5 Cr.

Roll-out Plan:

- Consider starting 2 schools this year (AY26) – focus on building SOPs, management team and strategic integration with coaching
- If this year is successful, aim to scale to 20 schools (AY27)

Org Structure Design:

- **Note:** Below is the long-term organization design, we will get started with lesser team members at the central level and more at the school level.
- **Central Team:**
 - o **Segment Head** (Responsible for end-to-end KPIs and P&L)
 - o Curriculum (development, research, innovation in pedagogy, teacher training)
 - o Business Development (Opportunity scouting, evaluation and negotiation)
 - o Operations (SOP setting, excellence audits, logistics, EHS etc.)
 - o Legal & Compliance (specialized in contracting related to K12 and liaising with CBSE)
- **School Team:**
 - o Head of School: Principal [Note: Principals are usually only responsible for academic delivery, and not for PnL]
 - o Academic Staff: Department Heads, Teachers, Extra / Co-Curriculars
 - o Admin: Marketing, Housekeeping, Logistics, Safety