



India Edu Infra Report

FOCUS: K12 | 2016

EXECUTIVE SUMMARY

CERESTRA



Cerestra Advisors Ltd is a real assets focused fund targeting investments in India and offering first in class & novel products for Indian real estate and infrastructure space. Cerestra intends to partner with private equity capital seeking risk mitigated investment avenues across the segments & life cycles of real estate, especially in "socially relevant" and "business critical" sectors

Cerestra Edu-Infra Fund, the maiden fund of Cerestra, is an investment vehicle dedicated to the acquisition and ownership of "yield generating", "socially relevant", educational infrastructure assets across India. The Fund pools investments from Indian and offshore HNIs and institutions, invests these in identified assets through its domestic, offshore and Shariah compliant structures, and provides high double-digit returns. These returns comprise recurring yields paid half-yearly, along with capital appreciation at the exit. The Fund has recently announced its first close in Feb 2015 and is in its investment period.

Please visit www.cerestraedufund.com for further details.

Knowledge Partner



Eduvisors is India's leading education sector focused research & business consulting firm. Its practice areas span capacity development and performance improvement across all sub-segments in Education Sector - pre-K12, K12, higher education, skills development & continued professional education. Eduvisors is the firm that world's Education leaders turn to for forward-looking thought leadership and strategic turnkey solutions. Deep sector knowledge combined with hands-on implementation experience differentiates Eduvisors vis-à-vis its peers in the industry. Please visit www.eduvisors.com for further details.

India Edu Infra Report 2016 |

Focus: K12

The executive summary* attempts to present an easily understandable overview of the Indian education eco-system with focus on the private K12 education sector. It discusses the current education landscape in India including regulatory framework, segmentation, economics of private school and challenges faced by private schools. The report showcases

the relevance and opportunity for private sector participation in the massive and dynamic Indian K12 education system which includes standalone schools and school chains. School Infrastructure requires an estimated additional investment of US\$ 130-140 billion by 2030, providing private participants a tremendous opportunity for investment in K12 Educational Infrastructure.

*This executive summary is an abridged version of the India Edu Infra Report. For detailed insights regarding K12 education, please refer to the main report which is made possible by Cerestra Edu Fund with Eduvisors as knowledge partner. The report contains details about Indian Education System, profiles of leading schools education entities under different segments, insights into various evolved school operating models, detailed projections of the potential of investments in education infrastructure and opinions of school education stalwarts who have provided their perspective on the vision for school education in India.



Foreword

Indian economy has witnessed significant economic growth in recent past, growing at 7.3%. The size of Indian economy is estimated to be US\$ 2.2tn (nominal GDP). Indian economy is the seventh largest economy globally. Recent economic policy changes are also expected to strengthen the Indian economy further, in a challenged economic scenario. The rapid growth of the Indian economy has led to a substantial expansion of India's "middle class". Rapid urbanization is the major structural change occurring in India as a result of expanding middle class.

India's burgeoning middle class and urbanization is creating significant demand for quality social infrastructure. Unlike most countries of comparable size & scale, private sector has played a significant role in providing quality social infrastructure across the urban India. As India moves to "Smart Cities", demand for social infrastructure and private investment in social infrastructure is expected to grow manifold in next few years.

Education, one of the key elements of social infrastructure, has seen tremendous growth in last few years. India is an important education hub in the global education industry with over 50% of its population falling under education seeking population. Rapid growth of the sector has also lead to shortage of teaching staff and high leverage at operational level. Such financial and operational challenges bolstered the need to increase private sector participation in the dynamic education system.

In 2015, the Government outlined its vision for the education sector by releasing themes of new education policy. According to the new policy, the Government will also promote the public-private partnerships (PPPs) to finance education and seek ways of increasing India's spend on education from existing 3.9% of gross domestic product (GDP) to more than 6%. Such support from the Government is expected to have a positive impact on the growth of private partnership in the sector.



Private sector participation is expected to increase leading to more focus on overall development, sports, technology etc., creating more demand for quality infrastructure. It is estimated that the school infrastructure requires an additional investment in the range of US\$ 130 -140 billion by 2030.

The education sector has seen increased private sector involvement in last decade and is expected to further witness significant increase in next few years backed by increasing demand for quality education by growing middle class population and extended support from the Government.

With the increase of private sector involvement, the focus of Indian education has shifted from traditional methods of delivering academic knowledge to a balanced educational approach which gives importance to a holistic development of the student. The delivery methods have evolved with providing not just skills and knowledge but also a suitable environment in terms of quality infrastructure in education.

The education providers as well as seekers also realized that quality infrastructure is significant in enabling school to deliver improved education outcomes. Hence, school infrastructure, its design, quality and day-to-day management is becoming an integral part of the education system.

Currently there are an estimated 460,000 private schools with over 40% of the total student enrolment in India and is expanding further. As highlighted above, private sector

participation is expected to further increase leading to more focus on overall development, sports, technology etc., creating more demand for quality infrastructure. Hence the infrastructure requirement per student is also expected to increase significantly in next few years. As per recent study undertaken by globally renowned real estate services firm & Eduvisors, our knowledge partners for this report, it is estimated that the school infrastructure requires an additional investment in the range of US\$ 130 -140 billion by 2030.

This report attempts to provide a comprehensive view of education infrastructure opportunity and its likely growth trajectory in India. We have focused specifically on K12 infrastructure demand in this release. This report also discusses possible models for “OpCo” – “PropCo” structure and provides detailed overview on school chains in India.

Happy Reading !!

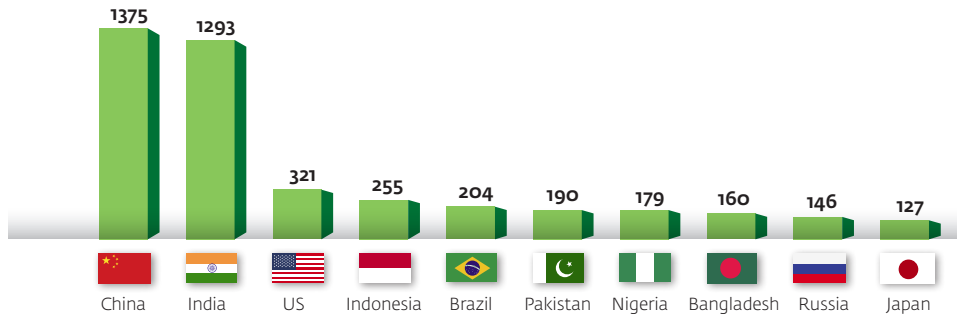


Jasmeet Chhabra
Managing Partner,
Cerestra Advisors Limited

Rapidly Growing Human Capital of India

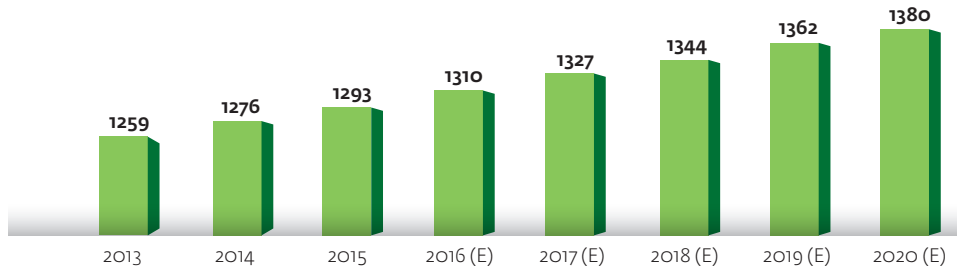
India has the second largest population in the world

Total Population in 2015 (in millions)



With an estimated growth rate of 1.3%, India is projected to become the most populous country by 2020

Population Projections (in millions)



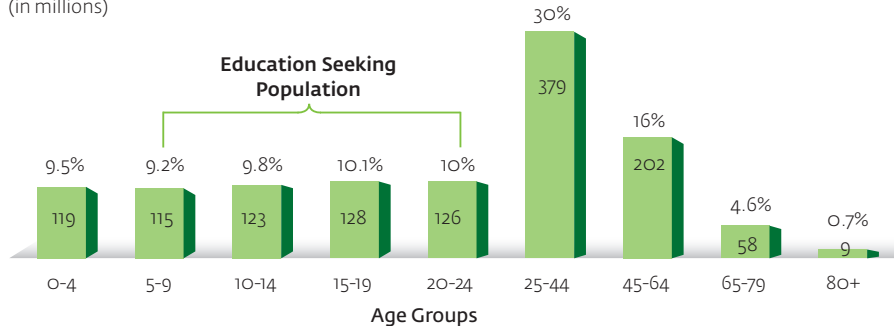
Source: IMF World Economic Outlook Database Oct 2015

Expanding Education Seeking Population

Approximately 500 million people fall under education seeking population

Total Education Seeking Population 2015

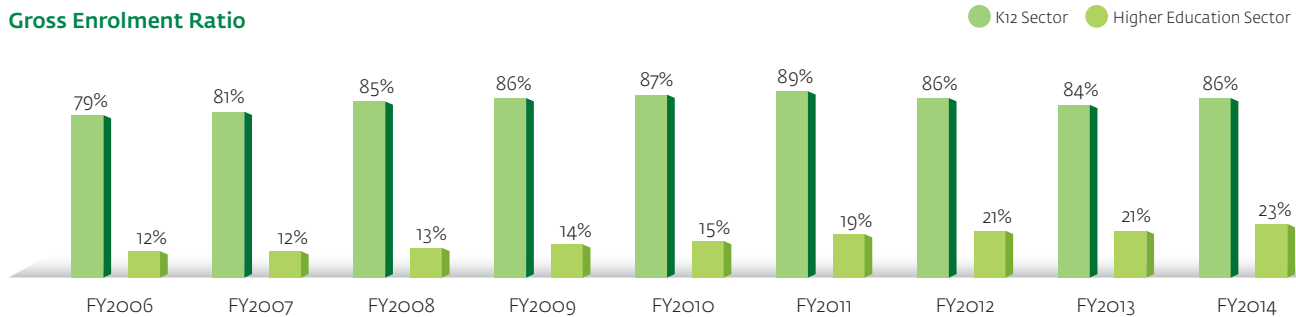
(in millions)



2/5 of India's population is seeking education in 2015

Although India's GER at K12 level is significantly high at 86%, GER at HE level is only 23% indicating high scope of enrolment

Gross Enrolment Ratio



Source: Ministry of Human Resource & Development

Indian Education: Regulatory Heatmap

K12 and Higher Education sectors constitute the core of Indian Education System (IES) and are most regulated sectors in the IES



	Pre-School	K12	Higher Education	Professional Education	Skill Development (Government)	Skill Development (Private)	Support Services
Major Entities	<ul style="list-style-type: none"> Pre-School/ School Chains Standalone Pre-Schools 	<ul style="list-style-type: none"> Schools (National Boards) Schools (Intl. boards) 	<ul style="list-style-type: none"> University College Distance Education Research Institute 	<ul style="list-style-type: none"> Technical Edu. Institute Professional Edu. Institute 	<ul style="list-style-type: none"> Industrial Training Institutes (ITIs) 	<ul style="list-style-type: none"> Industrial Training Centres (ITCs) NSDC Funded Institutes 	<ul style="list-style-type: none"> Tutoring Test Prep. Course content ICT Providers Publishers
Regulatory Control	<ul style="list-style-type: none"> Not Regulated 	<ul style="list-style-type: none"> Federal and State Govt. National Affiliating Board State Govt. Intl. Affiliating Board 	<ul style="list-style-type: none"> UGC AICTE State Laws 	<ul style="list-style-type: none"> AICTE Statutory Authorities 	<ul style="list-style-type: none"> DGET Various Govt. ministries / dept. 	<ul style="list-style-type: none"> DGET Various Govt. ministries / dept. 	<ul style="list-style-type: none"> Not Regulated
Choice of Entity	<ul style="list-style-type: none"> Not Regulated 	<ul style="list-style-type: none"> National Board, Society/Trust/ Section-8 Co. Intl. Board – Subject to State Laws 	<ul style="list-style-type: none"> Society Trust Section 8 Co. 	<ul style="list-style-type: none"> Society Trust Section 8 Co. 	<ul style="list-style-type: none"> Society/Trust if regulated State Laws 	<ul style="list-style-type: none"> Not Regulated 	<ul style="list-style-type: none"> Not Regulated
Some Additional Conditions	<ul style="list-style-type: none"> In case of Franchise – minimum requirement stated by Franchisor 	<ul style="list-style-type: none"> Minimum infrastructure requirement 	<ul style="list-style-type: none"> Minimum infrastructure requirement Fee regulation 	<ul style="list-style-type: none"> Minimum infrastructure requirement Fee may be regulated 	<ul style="list-style-type: none"> Minimum infrastructure requirement 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None

Focus Area of the Report

● Highly Regulated
 ● Greater Autonomy
 ● Unregulated

Indian K12 Sector: Segmentation of Schools

The K12 sector in India can be segmented by ① Management, ② School Type, ③ Ownership & ④ Board of Affiliation

Segmentation of K12

Management	Government	Private Aided	Private Unaided	
School Type	<ul style="list-style-type: none"> • School Chain • Standalone 	<ul style="list-style-type: none"> • School Chain • Standalone 	<ul style="list-style-type: none"> • School Chain • Standalone 	
Ownership**	<ul style="list-style-type: none"> • Government owned and Government operated 	<ul style="list-style-type: none"> • Privately owned; Funding provided by Government 	<ul style="list-style-type: none"> • SS/ FS/ MS/ MFS/ SALS/ MALS/ FALS/ MFALS 	<ul style="list-style-type: none"> • SS/MS SALS/ MALS
Board of Affiliation*	<ul style="list-style-type: none"> • National Board (CBSE, CISCE) • State Board 	<ul style="list-style-type: none"> • National Board (CBSE, CISCE) • State Board 	<ul style="list-style-type: none"> • International Boards (CIE, IB, EdExcel, CBSE-i) • National Board (CBSE, CISCE) • State Board 	

*Schools offering international board, typically offer national boards as well

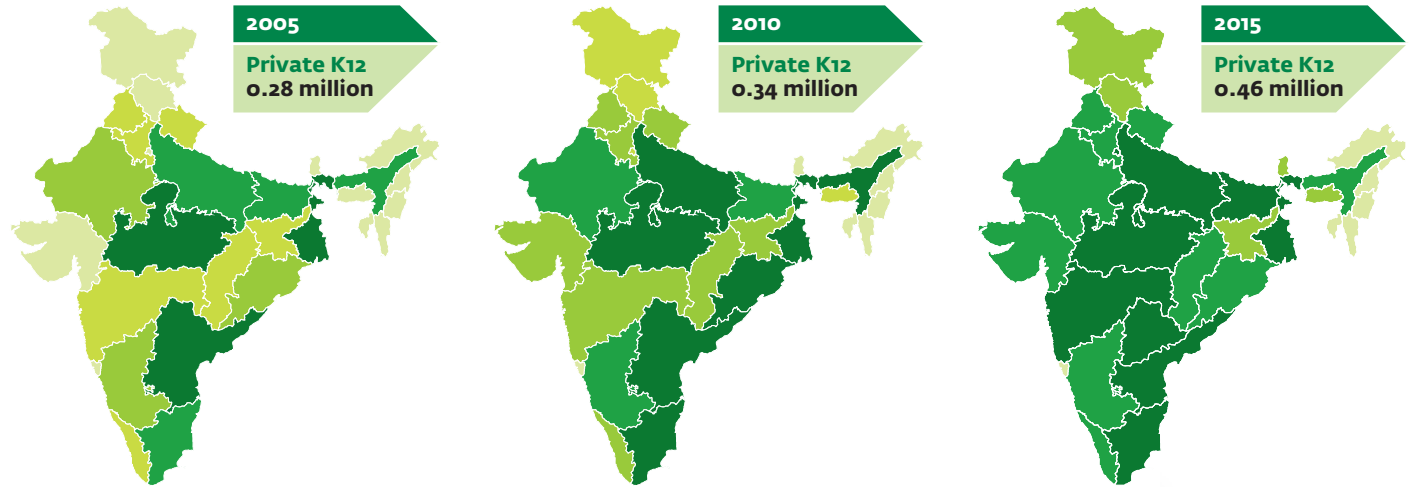
**Key Abbreviations:

- Standard Schools (SS)
- Franchise Schools (FS)
- Managed Schools (MS)
- Managed Franchise Schools (MFS)
- Standard Asset Light Schools (SALS)
- Managed Asset Light Schools (MALS)
- Franchise Asset Light Schools (FALS)
- Managed Franchise Asset Light Schools (MFALS)



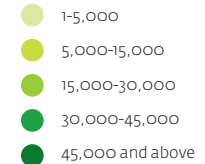
Growth of Private K12 Across India

The number of schools in India has grown at a CAGR of 10.66% from 2005-2015 and private schools have penetrated all cities across India



- In the past decade, the share of private schools has significantly increased and now constitutes 29% of all schools in India
- In the past decade the Private K12 schools have significantly grown at a CAGR of ~5% to reach 0.46 million in 2015
- Failure of the public education system, coupled with a high propensity within India's middle class to spend on education has resulted in the emergence of private schools. Therefore, private K12 has become the most attractive segment for investment within the education sector.

No. of Schools



Source: District Information System for Education (DISE) Statistics

*Map not to scale

Legal Construct of a Typical K12

- Being a not-for-profit sector, K12 schools are operated and managed by:
 - ~ Trusts registered under Indian Trusts Act, 1882 or formed under local State laws
 - ~ Societies registered under Societies Registration Act, 1860
 - ~ Company incorporated under the Section - 8 of the Companies Act, 2013
- The not-for-profit entity is responsible for complete operations of the school – academic and non-academic

Expenditure

- Academic and non-academic
- Teacher salaries
- Staff salaries
- All other operating expenditure

School Trust / Society / Section - 8 Company

- Non-profit body generating a 'reasonable surplus'
- Responsible for complete operations
- Owns real estate

Revenue

Non-academic revenue

- Transport
- Uniform
- Books
- Others

Academic revenue

- Tuition fee
- Admission fee
- Security fee

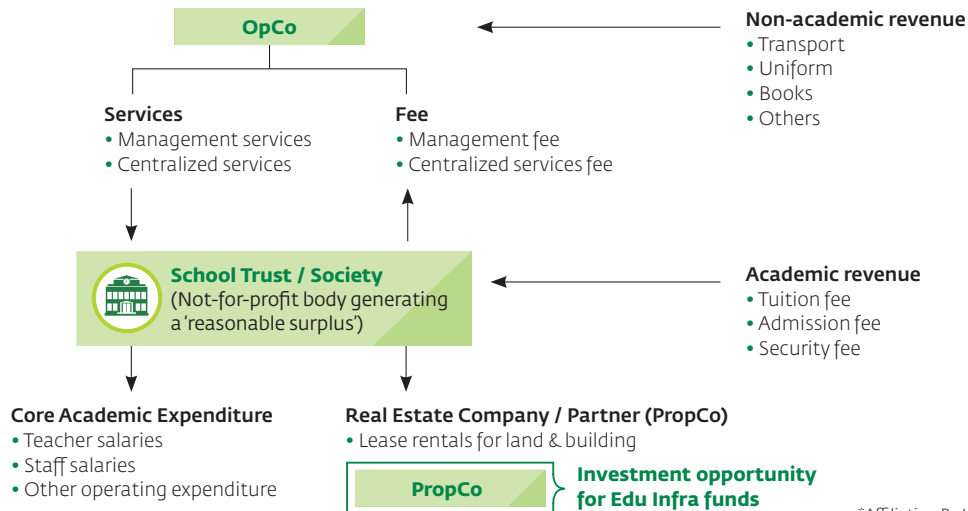


Evolved Legal Construct in New Private K12

Government and private aided schools have Government involvement in terms of either infrastructure or funding to execute the operations. However private unaided schools are run independently.

Private unaided schools have adopted the legally acceptable two-level structure to address the not-for-profit regulatory regime, wherein:

- The **School Trust/Society/Section-8 Company** is responsible for all 'core' academic operations
- **Operating Company** or an OpCo is responsible for **all non-core operations** of the school
- Real estate infrastructure is owned by a **Property Company** or PropCo and leased to the operating Trust/Society/Section - 8 Company, long-term, for a period as mandated by the affiliating Board – e.g., minimum of 30 years for CBSE affiliated schools*



*Affiliation By Laws - CBSE



School Economics of a Typical Private K12



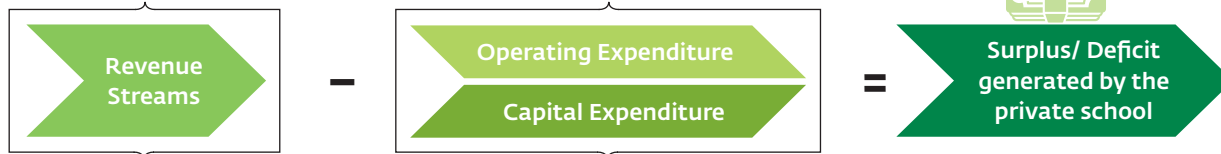
It is important to understand school economics* as variety of factors ranging from revenue generated to the expenses incurred have direct impact on the operational and financial viability of an entity operating a private school in India

Fee charged to students:

- Prospectus
- Registration fee
- Admission fee
- Security deposit
- Tuition fee
- Term fee
- Books and Uniform
- ICT fee
- Sports fee
- Transportation fee

Different types operating expenditures:

- Academic staff salaries
- Non academic staff salaries
- Staff welfare
- Teacher training
- Infrastructure running expenses
- Sales, Marketing and PR
- Academic and Co-curricular activities
- Sports
- IT



Additional revenue streams:

- Conducting events such as fairs, national and local competitions etc
- Providing after school activities
- Becoming an external exam centre
- RTE reimbursement by State Govt.

Main CapEx items:

- Land
- Building construction and renovation
- Transportation
- School furniture
- Sports equipment
- IT

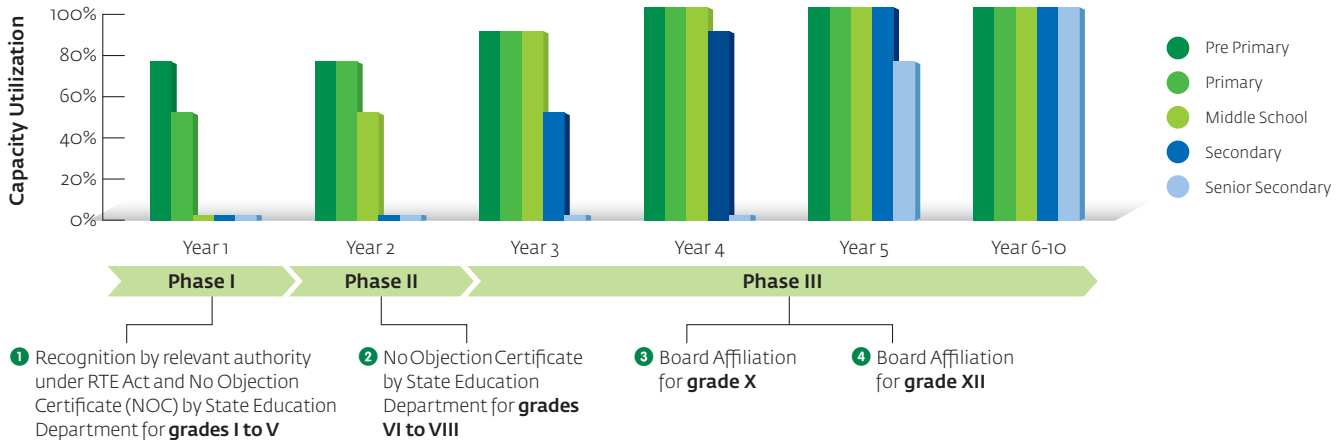
*Representative example of typical revenue and expenditure incurred by a private K12 in India



Core Regulatory Requirement

Education related regulatory requirement have been outlined with respect to timelines

Student Ramp Up across grades



A) RTE Compliance, NOCs and Board Affiliation

- The school needs to obtain the certificate of recognition from relevant authority under RTE Act and once the school has started grades in the first year the school must apply for the following:
 - For grades I to VIII:** Depending on the State, a NOC is required from the State education department to commence operations for a private K12 school – usually up to grade V or grade VIII; and
 - For grades X to XII:** Once the NOC has been received the school applies for board affiliation up to grade X (if applying to national or international boards) and then up to grade XII (if applying to national or international boards)

B) Other regulations

- Besides the above necessary regulatory requirement, a host of other requirement* are needed by a private school which include various licenses, permits, registrations, governmental approvals and clearances

*Indicative list of Regulatory Documents required to setup a school:

- NOC from Fire Department
- Health & Sanitation Certificate
- Building Permit
- Building Safety Certificate
- Occupancy Certificate

Categorization of Private K12s by Fee Point

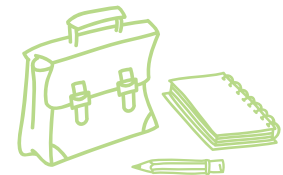
Private schools in India can be broadly classified based on the income segment they cater to:

Segmentation Based on Spending Capacity				
Income Segment (\$ p.a.)	<5,000	5,000-17,500	17,500-30,000	>30,000
	Aspirers	Seekers	Strivers	Global
Segment description	<ul style="list-style-type: none"> Rural and semi urban areas Lower and lower-middle class 	<ul style="list-style-type: none"> Urban and semi urban areas Middle class and upper middle class 	<ul style="list-style-type: none"> Urban areas Upper middle and Upper class 	<ul style="list-style-type: none"> Urban areas Upper class Non-Resident Indians Expatriates
Share of education expenditure per child (national or international boards)	4%-6%	6%-9%	8%-10%	13.5%
Spending on education per child (~\$ p.a.)	<300	300-1,200	1,400-2,500	>4,000

Private School Category*	① LFS Low Fee Schools	② MFS Medium Fee Schools	③ HFS High Fee Schools	④ UHFS Ultra High Fee Schools
Total Cost to Parent (\$ p.a.)	80-300	300-1,500	1,500-3,000	>3,000
Board of Affiliation	<ul style="list-style-type: none"> State Boards CBSE/ CISCE 	<ul style="list-style-type: none"> CBSE/ CISCE CIE 	<ul style="list-style-type: none"> CBSE/ CISCE CIE/ IB/ EdExcel/ CBSE-i 	<ul style="list-style-type: none"> CIE/ IB/ EdExcel/ CBSE-I CBSE/ CISCE
Main Presence	<ul style="list-style-type: none"> Rural Semi-Urban 	<ul style="list-style-type: none"> Semi-Urban Urban 	<ul style="list-style-type: none"> Urban 	<ul style="list-style-type: none"> Urban
K12 Strength	250 to 3,000 students	500 to 5,000 students	500 to 1,500 students	500 to 1,000 students
Student Teacher Ratio	>35:1	30:1 to 40:1	15:1 to 25:1	10:1 to 15:1

US \$1 = ₹ 63 | Source: National Sample Survey Office, 2011

*Examples of each category of schools (categorized by fee point) are provided in the followings pages followed by a note on private residential schools with examples. It may be noted that private residential schools operate across multiple fee point categories.



K12 Education Infrastructure

Education Infrastructure in K12 Schools rests on the following pillars of tangible and intangible interdependent assets

1

Real Estate

Land and building premises of education institutes, core opportunity for investments



2

Ancillary Facilities and Services

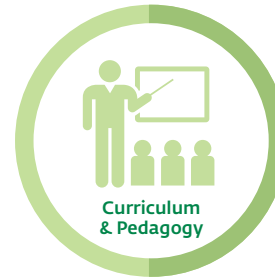
Equipment and furniture; Technology in and out side classroom, Residential facilities and services; Sports facilities and services, etc



3

Curriculum & Pedagogy

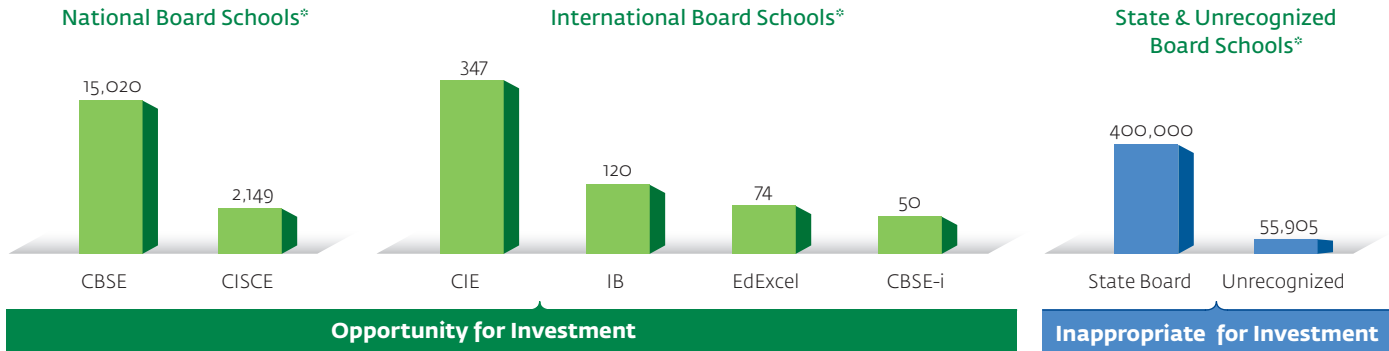
Adherence to regulatory norms such as Student Teacher Ratio; Staff qualification; Curriculum norms and standards; teaching methodology, etc



Investment Opportunity in Private K12 Segment

- Indian education sector market is estimated to be at 67.54 billion US\$, of which K12 is the largest segment with a market size of 29.90 billion US\$
- Between 2010-13, the private education players have raised equity or debt capital aggregating over 980 million US\$ for their growth and expansion plans
- Of the 0.46 million private schools in India, there is immense potential of investment in national and international board affiliated schools due to higher growth potential than schools affiliated with other boards

Private K12 segment comprises of ~17,000 national board schools, ~500 international board schools*** and 0.45 million State & unrecognized schools**



*Board Specific Websites – CBSE, CISCE, CIE, IB; No. Of CBSE-i and Edexcel have been estimated from other reliable sources (reports, articles) due to unavailability of data

** Does not include pre-schools as they come under non-formal school education sector

*** Many schools in India offer dual board curriculum i.e. either offering both national board or national board and international board(s) for different grades.

Hence, there is some overlap in number of schools reported

Investment Potential in School Chains

Parameter	Religious Group/ Minority Backed	Non-Corporate Education Group*	Corporate Group	
			Core Education*	Non Core Education
Board Preference	<ul style="list-style-type: none"> National Boards State Boards 	<ul style="list-style-type: none"> State Boards National Boards International Boards 	<ul style="list-style-type: none"> State Boards National Boards International Boards 	<ul style="list-style-type: none"> State Boards National Boards International Boards
Fee Range	Low to Medium Fee	Low to Premium Fee	Medium to Premium Fee	Low to Premium Fee
Schools (examples)	<ul style="list-style-type: none"> DAV Schools Montfort Schools Guru Harikishan Public Schools 	<ul style="list-style-type: none"> Delhi Public Schools City Montessori Schools Bharitiya Vidya Bhavan's Schools 	<ul style="list-style-type: none"> Mount Litera Zee Schools Indus World Schools Millennium Schools 	<ul style="list-style-type: none"> Aditya Birla Schools Shiv Nadar School DY Patil International Schools
Investment Potential	<p>✘ Low to medium</p> <ul style="list-style-type: none"> Charity and providing affordable education is end objective Adequate funds for scaling up Operating at peak capacity Unfavorable legal structure of schools 	<p>✔ High</p> <ul style="list-style-type: none"> Funds required for scaling up and expanding operations Usually in growth phase and yet to achieve peak capacity Favourable legal structure of schools 	<p>✔ High</p> <ul style="list-style-type: none"> Funds required for scaling up and expanding operations Usually in growth phase and yet to achieve peak capacity Favourable legal structure of schools 	<p>✘ Low</p> <ul style="list-style-type: none"> Requirement of funds is usually fulfilled internally Revenue maximization and rapid expansion is usually not the objective

Amenable segments for investments

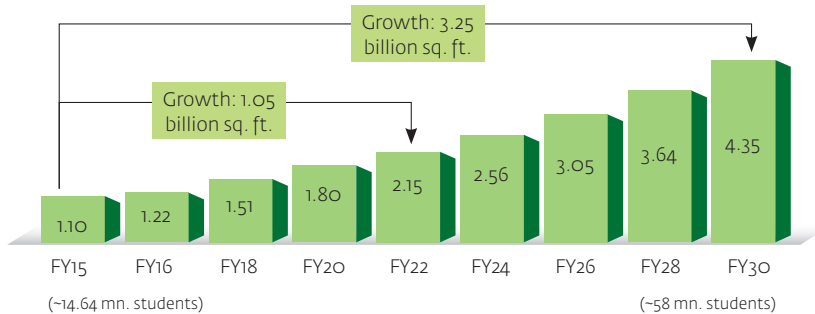


*Including Franchise

Student-Centric Estimated Growth & Market Size of Investible K12 Edu Infra

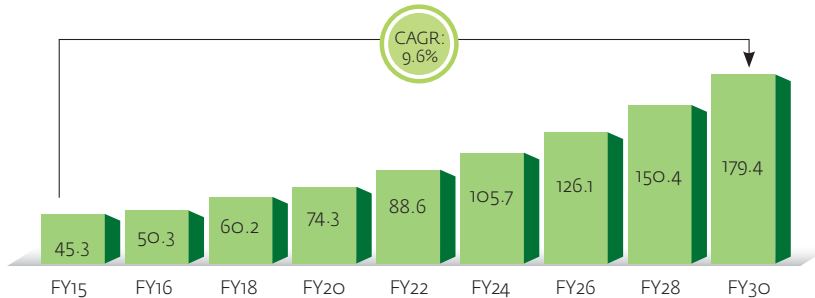


Projected Growth in Built-Up Area Available for Investment (in billion sq. ft.)*



- The targeted enrolment is estimated to grow at a CAGR of 8-10% in the next 15 years. Therefore, the target student enrolment will increase from 15 million in FY15 to ~58 million by FY30
- ~50% of targeted student enrolment is coming from KG and primary education level
- With rapid urbanization, majority of this student population growth is estimated to be in Tier-II & III cities
- The current overall built-up area stands at 1.1 billion in FY15 and is projected to grow at 9.6% to 4.35 billion by FY30

Projected Market Size of Available Built-Up Area in K12 Schools (in billion US\$)*

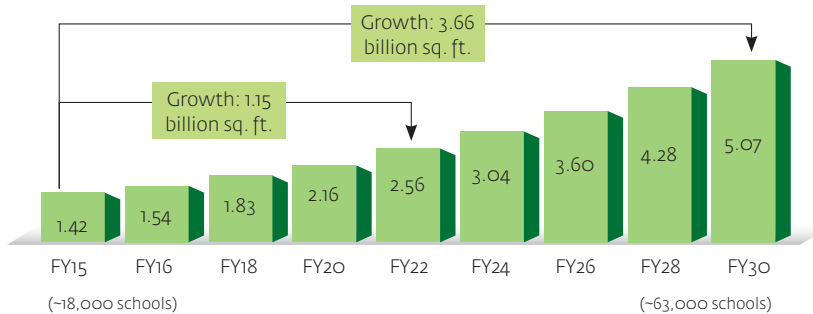


- The current market size for the target student enrolment segment stands at US\$ 45.3 billion and is estimated to grow at a CAGR of 9.6% to 179.4 billion in the next 15 years (FY30)
- It is estimated that the market size will increase nearly 4 times in the next 15 years, indicating strong potential for education infrastructure funds

*Source: CBRE Analysis

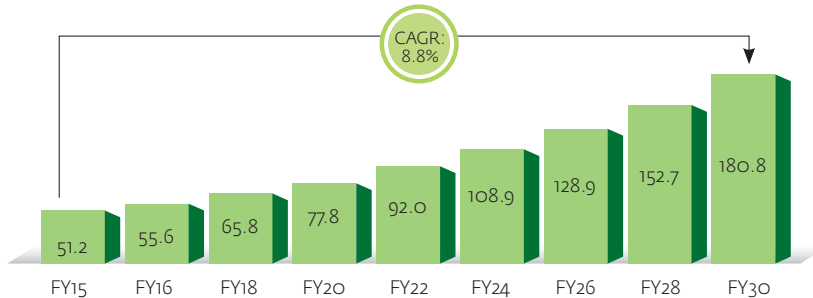
School-Centric Estimated Growth & Market Size of Investible K12 Edu Infra

Projected Growth in Built-Up Area Available for Investment (in billion sq.ft.)*



- Private schools in India are estimated to grow at 7-10%. As a result, potential school available for investment will increase from ~18,000 in FY15 to 63,000 in 15 years (FY30)
- Majority of this growth is estimated to be focused in Tier II and III cities, where there is growing demand for quality private K12 education
- Schools affiliated to international boards are expected to grow at ~6%, majority of which are expected in Tier-I cities
- The overall built-up area is estimated to grow at 8.8%, from 1.42 billion sq ft. in FY15 to 5.07 billion sq ft. in FY30

Projected Market Size of Available Built-Up Area in K12 Schools (in billion US\$)*



- The current market size for shortlisted schools for investment stands at **US\$ 51.2 billion** and is projected to grow at **8.8% CAGR** over the next 15 years
- It is estimated that the market size will increase by close to 4 times in the next 15 years, indicating strong potential for education infrastructure funds

*Source: Eduvisors Analysis


Impediments to Private Sector Participation & Solutions to Overcome Challenges



- Inflexible input based norms
- Complex regulatory framework

- Poor implementation of RTE
- Inadequate compensation and late reimbursements by the government for 25% EWS

- High capital cost
- Inability to access equity funding
- High upfront cost in initial years


 • Setup compliance department to handle all complex regulatory processes

• Single window clearance for all regulatory norms

• Moving from input to output based norms

• Reduce land area requirement

• Offer flexibility in land ownership


 • Timely payment of reimbursement

• Improving standards and quality of govt. schools

• Efficient capacity utilization of existing govt. schools

• Better implementation of Public Private Partnerships

• Turning around weak Govt. schools with the help of the private sector

 • Raising capital from venture capitalist, private equity investors

• Asset Light Business models

• Capital structuring through Special Purpose Vehicle Finance



Round Table Discussion of Leading School Education Experts

- Eduvisors conducted a brief online round table to understand the vision and approach of leading entities in the school education space
- Following topics were broadly covered during our interactions:
 - ~ Key growth drivers
 - ~ Vision and philosophy of their school group
 - ~ Future plans and expansion objectives
 - ~ Understanding their current and prospective target audience

Mr. Prabhat Jain

Director, Pathways - leading international K12 and pre-primary schools in Delhi NCR



Dr. Vinay Jain

CEO & Managing Director, Witty Group of institutions - an Organisation founded and promoted under the aegis of VJTF Group of Companies



Mrs. Sunita Nambiar

COO, Kunskapsskolan Eduventures - a Sweden based company offering a modern educational concept through Kunskapsskolan Schools



Mr. Prajodh Rajan

Promoter, Executive Director and CEO of EuroKids International - a network of pre-schools (Eurokids) and schools (EuroSchool)



Mrs. Manjula Pooja Shroff

Chairperson, Calorx Group - Professionally managed autonomous institution focusing its activities on K12 education



Mr. C.N. Radhakrishnan

Senior Executive Director, Head of Chairman's Office GEMS Education- a Dubai based firm having schools and education services in 14 countries

Mr. Gilbert James

Director, NACE Schools (A leading international educational group with presence in India, France, Spain, UK and USA. In India, NACE schools operate under the brand TIPS - The Indian Public School)



Please refer to the complete version of the India Edu Infra Report 2016 for a comprehensive Round Table Discussion

Key Growth Drivers Private K12



Your views on key growth drivers for increased participation of the private sector so as to meet the growing demand for private education in India



In a single word – Quality. As also the ability to deliver relevant and contemporary education. Speaking from Calorx's standpoint the pedagogical approaches are designed and refined on a continuous basis. The Academic Taxonomy is the guiding framework for education philosophies, learning standards and practices.

Mrs. Manjula Pooja Shroff
Chairperson, Calorx Group

Shrinking public expenditure on school education coupled with inefficient public schooling system has led to a vastly unorganized growth of private education, primarily taking advantage of regulations which are still emerging and parallel means of financing. Though this has resulted in capacity addition in most places, these private schools are yet to meet the growing demands of the aspiring population and find sustainable ways of funding.



Mr. Gilbert James
Director, NACE Schools



Government run Institutions are unable to set quality benchmarks and hence there has been an enormous increase in the number of private institutions.

Families are relatively smaller nowadays with just one or two children per family and with disposable incomes, parents not only expect good quality in education but also look out for technology advancements, service oriented approach from schools for their children. This need is catered by the private Institutions today and hence the demand.

Dr. Vinay Jain
CEO & Managing Director, Witty Group of Institutions

Key Growth Drivers Private K12



Your views on key growth drivers for increased participation of the private sector so as to meet the growing demand for private education in India



The gap in supply of “quality” in education is staggering in India, calling for investment in terms of billions of dollars. Investment is required to be made in hard infrastructure such as school campuses/building, school specific fit-outs and various types of teaching aids, provision of appropriate technology in schools and most importantly creation of a steady pipeline of talented and motivated teachers. For the private sector to be encouraged in making large scale investments in these areas require a change in regulatory framework with in which educational institutions are required to operate today in India. We should not hide behind this notion that “education should be a not for profit, charitable activity”. Similar to the healthcare sector, if educational institutions are allowed to operate under the organized corporate sector, investments will increase substantially. While the above will result in increased supply, there must be a parallel action by the govt for solving the issue of parent’s ability to fund, accessing quality education. A voucher system enabling parents to pay for their choice of school (private, fee-paying schools) for their children could be introduced. PPP models which incentivizes private sector in participating in turning average/ poorly performing state owned schools to good or outstanding schools, will be another key driver”.

Mr. C.N Radhakrishnan

Senior Executive Director, Head of Chairman's Office GEMS Education

Few of the key growth drivers for increased private sector participation include:

- Perception among parents that private schools provide high quality education
- Better school infrastructure along with facilities and amenities which aid all round development
- Teaching faculty which is accountable and focussed on delivering outcomes
- Curriculum which promotes whole child development
- Easy accessibility & choice



Mr. Prajodh Rajan
CEO, Eurokids International



Impediments to Growth



Your views on the key challenges that your group/ organization has faced in the Indian K12 education system and the way forward to overcome these challenges



K12 is a capital intensive sector. In the initial stages raising even debt was quite a challenge. Due to regulatory norms institutional funds and private equity funds remained restricted. If Education was treated at par with Infrastructure sector it would ease this pressure of funding.

Mrs. Manjula Pooja Shroff
Chairperson, Calorx Group

Private sector participation in K12 education has to be formally recognized and long term sustainability through profit should be allowed as it has happened in other key sectors such as healthcare, infrastructure and power. This will facilitate the inflow of private capital as well other means of affordable long term funding.



Mr. Gilbert James
Director, NACE Schools



Education sector is full of challenges. Regulatory norms, State laws in development of school infrastructure, delay in permissions have been a major deterrent to education entrepreneurs. Politicians continue to rule the education industry and hence do not wish to bring in changes in the same so as to avoid private players entering into the industry.

We need changes at the policy level. The industry needs support from the State education department, HRD Ministry, RBI and Finance Ministry. A simple housing loan is available under priority lending for a 30 year tenure, but schools are expected to repay capital borrowed from bank along with interest in a span of seven years maximum. Many banks are averse to funding schools. Raising capital on these terms is very challenging for the industry. With the launch of education infra focused funds, we are optimistic about the future.

Dr. Vinay Jain
CEO & Managing Director, Witty Group of Institutions

Impediments to Growth



Your views on the key challenges that your group/ organization has faced in the Indian K12 education system and the way forward to overcome these challenges



A major part (almost 75%) of the capital outlay in setting up and operationalizing a school is for its physical infrastructure namely land and building. GEMS believes that in order for children to have a relevant, congenial and productive learning environment, the size and quality of land & building that houses the school should be appropriate. While this can be modelled depending on different tuition fee points, it is still substantial. GEMS operating model envisages this part of the school investments sourced externally from real estate investors, in a lease model. However, the challenge that we have seen in the market is that cost of land in most cities and towns are mapped to return expectations from a commercial development which is not in sync with the fee paying capacity of the target population. Land valuations should be linked to its use.

Mr. C.N. Radhakrishnan

Senior Executive Director, Head of Chairman's Office GEMS Education



Euro Schools have always been a strong proponent of moving away from the input driven model to the outcome based model for scaling K12 schools in India. Sadly the change is very slow and this sector is saddled by over regulation and the recent RTE Act being a case in point.



Mr. Prajodh Rajan
CEO, Eurokids International



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