
Kapurthala International School Project

An Education- School Project in Punjab



Prepared by
ARCS Advisors Pvt. Ltd

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Executive Summary

Opportunity

- Investment opportunity of upto **INR 12.5 crore** to develop a 1,220 student International School in Kapurthala, Punjab

Proposed Project

- 1,220 student** Internationally branded and managed School with Boarding facilities from Nursery to Grade 12 (IB Curriculum) in Kapurthala
- Campus Size: 24 acres approx

Accessibility

- Kapurthala is 3 hours driving distance from most major cities in Punjab.
- Total target population of over 10 mill. people with 1.5 hour drive time
- As of date, this type of schooling and facilities that have been proposed do exist in this geography.

Project Cost

- Total Project Cost: INR 26.5 crores**
 - Equity: 57-75% (INR 15-20 crore)
 - Debt: 25-43% (INR 6.5 11.5 crore)



Proposed Transaction

Transaction

- An investment opportunity to acquire a stake in the management company of a 24 acre boarding school in Kapurthala, Punjab and develop an international boarding school that will be branded and managed by an established overseas group.
- **Project land** (~24 acres-192 Kanal, 4 Marla) which will be given on a long term renewable lease basis from the Trust who current own it to the Manager.
- The Investor will be buying a stake into the Management Company for the rights to manage and develop the school and participate in all upside from the Project as per the lease agreement with the Trust, less all expenses due to an third party sub managers/ contractors

Current Status

- The land is located in the village of Kadahal Kala in Kapurthala District, near Kapurthala in Punjab. It is held in the name of a Trust-Nirmal Takhat Baba Buddha Sahib Charitable Trust.
- This land has been/ will be given on long term lease by the Trust to SJS Pvt. Limited a company incorporated in India (Manager) to manage and develop a school.
- Change of Land Use (CLU) from agricultural land to land for educational use has been done for 15 of the 24 acres as of October 2012. The balance can be done as required.
- The Trust will also pledge the land as collateral for debt financing but all costs, interest and principle repayments will be made by the Manager.

Project Details

About Nirmal Takhat Baba Buddha Sahib Charitable Trust

- The Trust was formed in November 1992
- The Trust is a family trust with a total of 5 Trustees all of whom are members or are closely related to the family.
- Dr Puneetpal Gill, a medical doctor by training is the Trust Secretary and also has instrumental in expanding the activities of the Trust – they have setup a Fertility Hospital in Jullundhar as setup various social upliftment schemes and activities in the area for underprivileged women and children under Trust.
- Amongst the various objectives of the Trust is to construct and manage schools. As the Trust does not have the skill set to run, manage and develop a school it has approached the Manager to do the same so that the land is optimally utilized.

About SJS Pvt. Ltd, India

- SJS Pvt Ltd. is a company that was setup October 2012 as a company to manage and consult on various development projects by its promoters and their advisors
- It was founded by Simrin Gill and Y. Simrin has extensive experience as an entrepreneur in the garment business as well as in the public domain.

Kapurthala and surrounding areas: An Overview

Demographics & Other Key points of Note

- Population: As per the 2011 census Kapurthala district has a population of 817,668. More importantly, the population within a 1.5 hrs driving radius is over 10 million. To equate this Jakarata, Indonesia has a similar population with over 30 International Schools at a price point of USD 2-25,000, similarly the NCR area also has over 30 International Schools. As of date the proposed location has none.
- Punjab has one of the densest per capita presence of NRI's in the country with this particular area – Jullundhar/ Kapurthala/ Phagwara being considered as the NRI belt of Punjab. A lot of NRI's wish to have their children educated back in their home towns in Punjab but are short of finding quality options.
- Per capita income for Punjab for 2011-12 was INR 78,171 with the income levels in this “NRI Belt” being significantly higher, boosted in part by large overseas remittances from NRI's how are predominantly based in the US, Canada and the UK. The per capita income in the surrounding area is one of the highest in the country with high levels of purchasing power and increasingly strong international brand awareness.
- Ludhiana, Amritsar and Jullundhar are the top contributing districts totaling over 30% of State income with Ludhiana being the highest followed by Jullundhar and then Amritsar.

Accessibility & Transportation

- Situated 19 km from Jalandhar, a main road and railway junction of the Punjab region.
- The nearest international Airport is approximately 66 km away at Amritsar
- Railways Station in Kapurthala District Kapurthala and at Phagwara Junction

Kapurthala and surrounding areas: An Overview II

Presence of Local and Other Schools

- In the Jalandhar/ Kapurthala/Amritsar area the prominent schools are day schools and include: Saink School Kapurthala, DPS and Montgomery Guru Nanak in Jalandhar and Fateh Academy in Amritsar
- The Boarding Schools of note in Punjab include YPS Patiala and PPS in Nabha
- Boarding Schools in the region that compete for students include BCS, Shimla, Lawrence School, Sanawar, The Doon School, Dehradun, Woodstock, Mussoorie, Welhams Girls, Dehradun and Sherwood College Nainital.
- All the above schools with the exception of Woodstock which follows a US curriculum, follow an India curriculum.
- There is no International Curriculum school in the entire area leaving a **huge market for a Quality International curriculum school, in a large population catchment area with a high level of disposable income.**

Competition Analysis: Cost Comparisons of Relevant Schools

Schools	TUTION		BOARDING FEES		VARIOUS OTHER FEES			Sec Dep. (Refundable)	
	LOCAL	NRI/EXPAT	LOCAL	NRI/EXPAT	ADMN/ APP FEES LOCAL	ADMN/APP FEES NRI	BLDG DEV FEE	LOCAL	NRI/EXPAT
1 YPS , PATIALA - boarding fees includes Tution	INR 33,600		INR 94,200 (Jan 1, 2008)		INR 10,000+ 2,000 annual fee		10,000	42,000	
2 PPS, Nabha- All boarding & tution fees includes advance	INR 65,445	INR 120,180	INR 113,445	INR 206,330	all in 15,250	all in 15,250		8,000	50,000
3 LAWRENCE SCHOOL, SANAWAR			204,900	USD 11,550	20,000	USD 115+975	INR 35K/USD 835	65,000	2,585
4 BCS, SHIMLA			INR 2-210,000	USD 5-6,500	INR 70,00 all in	USD 1,700 all in		INR 50,000	USD 1,300
5 DOON SCHOOL, DEHRADUN			INR 530,000	INR 662,500	INR 100,000	INR 315,000		INR 100,000	INR 180,000
6 WELHAMS GIRLS SCHOOL			INR 330,000	INR 330,000	INR 40,000	INR 40,000		INR 165,000	INR 165,000
7 PATHWAYS ARAVALI	INR 212,000- INR 460,000	INR 256-560,000	300,000.0	360,000	INR 81,000 all in	INR 97,200 all in		50% of current fees	50% of current fees
8 WOODSTOCK, MUSSORIE			INR 565,000 to 770,000	INR 800,000 to 960,000	INR 100,000 establishment fee non refundable	INR 100,000 establishment fee non refundable		INR 165,000 to 180,000 refundable	INR 165,000 to 180,000 refundable
9 OAKTREE, CALCUTTA	INR 300 - 705,000	USD 6-14,100	INR 195-255,000	USD 3,900 to USD 5,100	1500+ INR 50,000	USD 30 + USD 1,000		100,000	USD 2,000
10 SAGAR SCHOOL, TIJARA			INR 240,000	USD 9,600	INR 54,000 all in	USD 2025 all in			
11 MAYO COLLEGE			INR 270,000	INR 540,000	INR 62,000 all in	USD 560+INR 50K	INR 11,000	INR 135,000	INR 270,000
12 SAINIK SCHOOL, KAPURTHALA	72,478							3,000	
13 DPS, JALANDHAR	26,400					16,000		6,000	

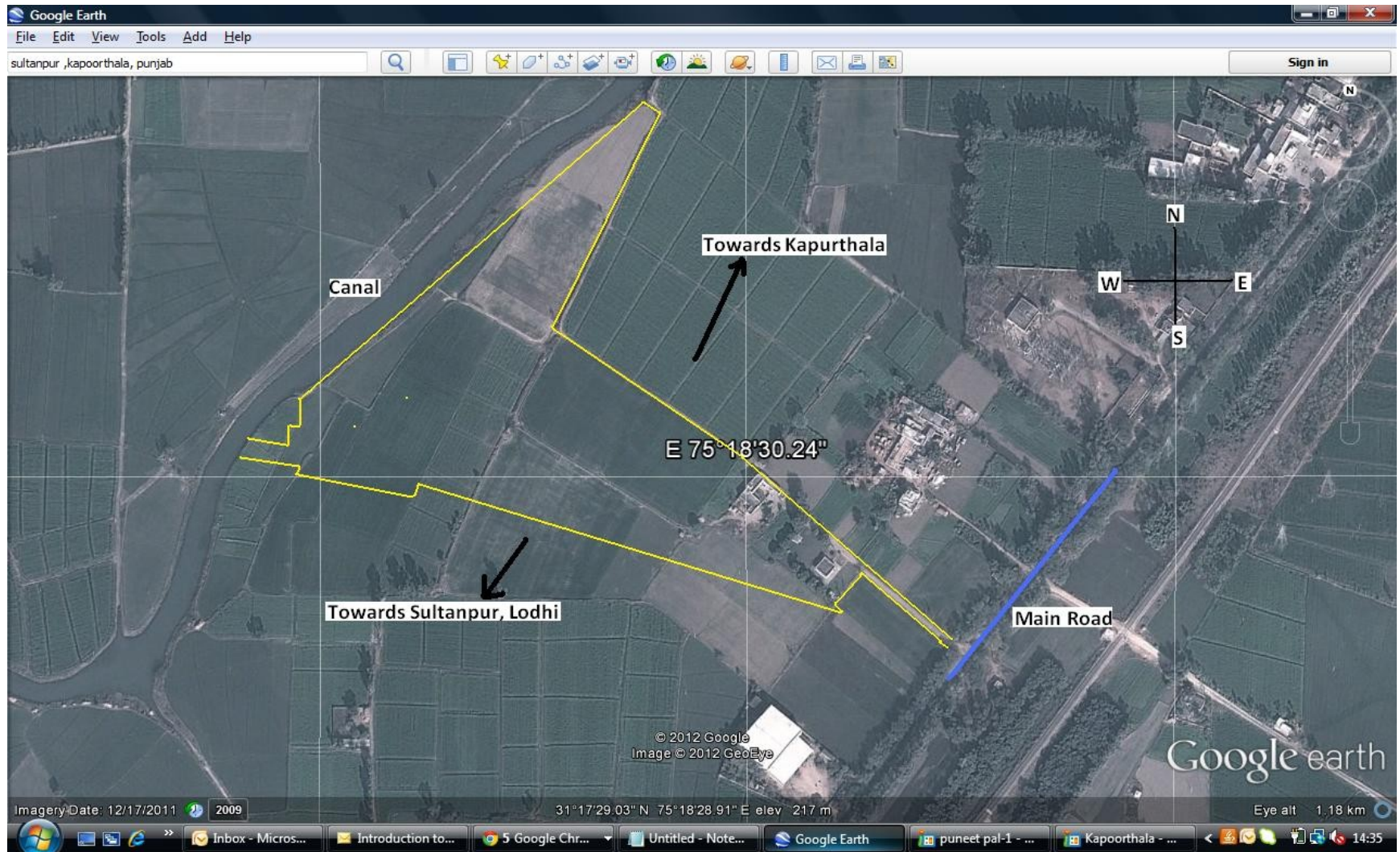
Kapurthala: Location Advantage in Punjab



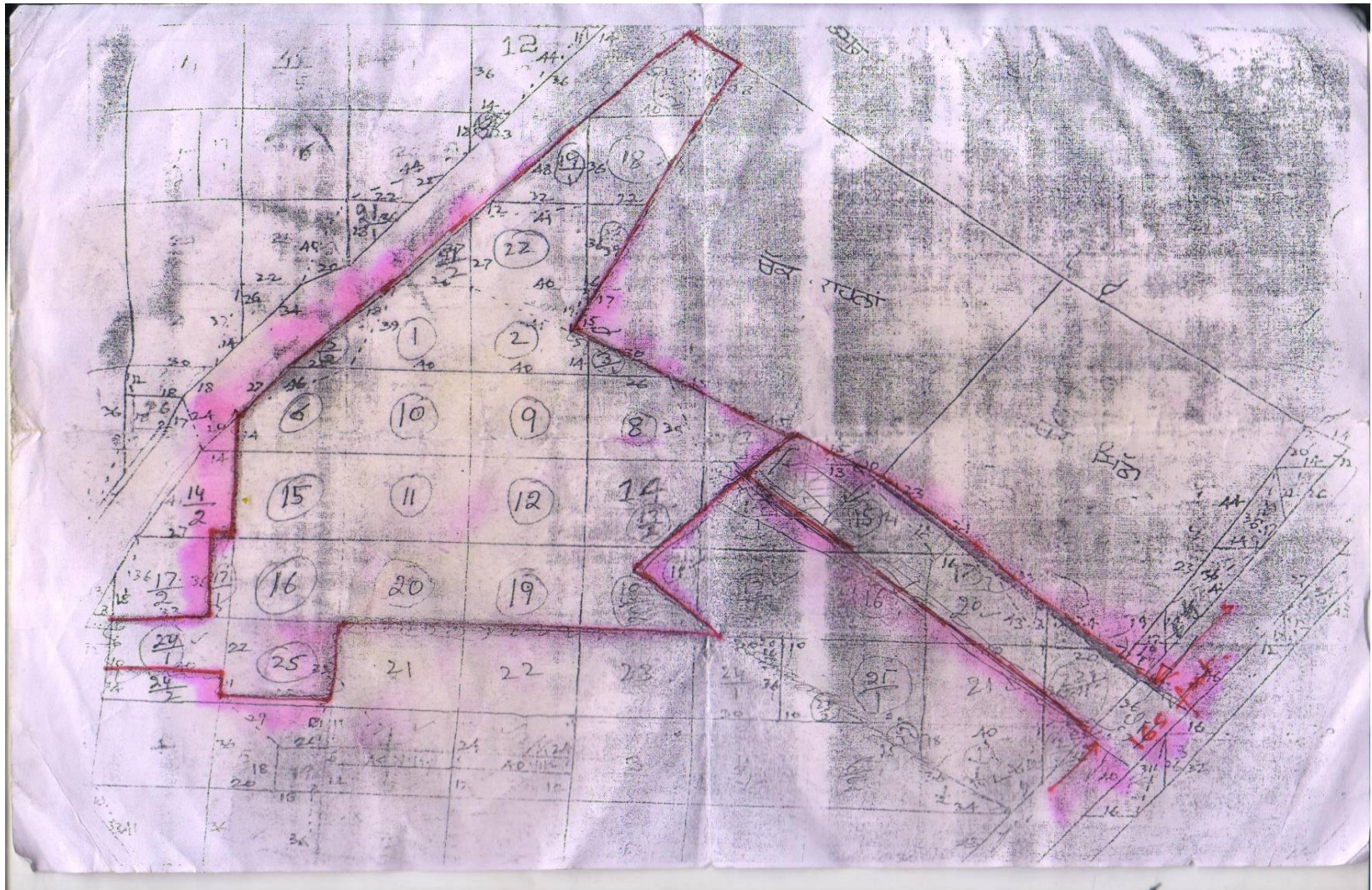
Distance of Important Places from the proposed site:

Kapurthala:	10 Kms.	Amritsar:	77 Kms.	Hoshiyarpur:	70 Kms.
Sultanpur, Lodhi:	17Kms.	Chandigarh:	188 Kms.	New Delhi:	420 Kms.
Jallandhar:	31 Kms.	Ludhiana:	98 Kms.		

Project Site: Google Image



Project Site: Layout



Project Site: Sample Pictures

Project Site

Project site: Entrance from Road



Project site: Land towards Canal



Project Site: Irrigation Channel



Project site: Land



Projected Financials

Financial Summary

Total Development Cost	<ul style="list-style-type: none">• INR 32 crores (excluding cost of land)
Sources of Funding	<ul style="list-style-type: none">• Equity INR 15-20 crores; Debt INR 6.5-11.5 crores: Total between Equity + Debt will be INR 26.5 crores, the balance will be funded by means of Security Deposits
Project Revenues	<ul style="list-style-type: none">• INR 339 crores over 1st 10 year period
Projected EBITA	<ul style="list-style-type: none">• INR 115.75 crores over 1st 10 year period
Projected Net Profit after Taxes	<ul style="list-style-type: none">• INR 59.1 crores over 1st 10 year period
School Details	<ul style="list-style-type: none">• Total Built up area approx 170,000 sq ft• Total students at peak assumed 1,000 with 800 boarders• Student teacher ratio 1:15, 22 students per class/section• Fee increase 8% p.a., starting fees INR 275,000 + Boarding

Key Model Assumptions

- Total Built Up Area required is approx 170,000 sq ft which includes all school facilities, hostel, quarters for teachers, administration, indoor play area and amenity areas.
- Provision for residential facilities for staff to accommodate outstation teachers
- Provision for building a 800 student hostel block (Max 66 % students in hostels)
- Class room sizes to be greater than 500 square feet.
- Maximum 22 students per class.
- Student teacher ratio will be around 1:15
- Fee increase of 8% per annum, including Admissions, Tuitions and Hostel
- Base tuition fees taken at INR 275,000, Base hostel fees taken at INR 180,000
- One time Admissions fee of INR 65,000 with 50% security deposit on total fees at any given time
- Annual cost of expenses is up by 10%
- Royalty, Research and Know how fees 10-15 % of revenue
- Hostel Expenses are taken at 50% of revenue generated from hostel fees
- Financials worked on with maximum of 1,000 students in the School for international program- reaching 1,000 by year 9 with planned capacity of 1,232 students
- School Capex build out taken over 4-5 years for final capacity
- School class build out taken over 4 years to open all classes from Nursery to Grade 12, starting with Classes 6 to 9 in Year 1 and expanding from there in terms of classes as well as additional sections.

Revenues Projections

Numbers in INR

Average Tuition Fees	275,000	Increase in Fees	8%
Admission for new children	65,000	Drop in Students / year	5%
Hostel Fees	180,000	% students in hostel	60%

Figures in Rs. Lacs

Financials	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
No. of Students	60	141	235	412	530	676	882	940	1000	1000	
Net Addition of Students	60	84	101	189	139	173	240	102	107	50	
% Students dropped per year	5%	5%	5%	5%	5%	5%	5%	5%	5%	5%	
Number of classes (Max 25 children / class)	4	10	18	28	36	44	51	52	52	52	
School Revenue											
Annual Tuition Fees with 10 % increase	2.75	2.97	3.21	3.46	3.74	4.04	4.36	4.71	5.09	5.50	
- Fees Revenue	151	387	696	1,317	1,830	2,521	3,553	4,091	4,698	5,074	24,318
Admission Fees increase by 10% annually	0.65	0.70	0.76	0.82	0.88	0.96	1.03	1.11	1.20	1.30	
- Admission Fee Revenue	37	57	73	148	117	158	237	109	123	62	1,121
Hostel Fees increase by 10% annually	1.80	1.94	2.10	2.27	2.45	2.64	2.86	3.08	3.33	3.60	
- Hostel Fee Revenue	86	233	378	544	705	984	1,200	1,333	1,439	1,554	8,457
Total Tuition & Admission Fee Revenue	275	677	1,147	2,009	2,652	3,663	4,989	5,533	6,260	6,691	33,896

Expenses Projections (In INR Lacs)

Description	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	TOTAL
Increase- 10% pa											
DIRECT COST											
PUPIL EXPENSES	7	18	33	63	89	125	180	211	247	271	1,243
SALARIES & BONUS	242	342	457	631	796	1,055	1,282	1,410	1,551	1,706	9,473
Royalty, R&D percentage	15%										
Management / Royalty amount	50	67	115	220	292	402	568	630	723	770	3,838
STAFF WELFARE	12	17	23	29	34	43	50	55	61	67	391
Hostel Expenses	48	128	208	299	388	541	660	733	792	855	4,651
TOTAL DIRECT COST	358	572	836	1,241	1,600	2,166	2,740	3,039	3,373	3,670	19,596
FIXED & ADMINISTRATIVE COST											
OFFICE SUPPLIES	2	2	2	2	2	2	3	3	3	4	24
CLEANING & SECURITY	16	26	39	46	53	58	64	71	78	86	536
UTILITIES	12	22	35	61	84	98	138	161	188	208	1,008
BUILDING & EQUIP. MAINT.	6	10	14	17	20	22	24	26	29	32	200
TRANSPORTATION	6	8	9	10	11	12	14	15	17	18	121
LEGAL & PROFESSIONAL FEE	6	7	7	8	9	10	11	12	13	14	96
ADVERTISING & PROMOTION	28	30	33	17	18	20	22	24	27	29	248
ENTERTAINMENT	6	6	7	7	8	9	10	11	12	13	88
TRAVELLING EXPENSES - SIS	7	8	9	3	3	3	3	4	4	4	48
RECRUITMENT	7	3	3	5	5	8	7	4	4	5	51
OTHER	19	21	23	26	28	31	34	38	41	45	307
TOTAL FIXED & ADMIN COST	114	142	181	201	242	274	329	368	416	458	2,725
TOTAL EXPENSES	472	713	1,017	1,443	1,842	2,440	3,070	3,407	3,789	4,128	22,321

Financials Summary

All figures in Rs Lacs

Description	Yr-0	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Yr-6	Yr-7	Yr-8	Yr-9	Yr-10	Total
Equity	1,500	0	0	0	0	0	0	0	0	0	0	1,500
Security Deposit	0	122	190	218	380	307	445	569	250	260	132	2,872
Capex	691	690	618	532	391	134	25	22	20	24	24	3,169
Loan	0	150	600	400	0	0	0	0	0	0	0	1,150
Loan Repayment	0	0	0	30	150	230	230	230	200	80	0	1,150
Revenue	0	275	677	1,147	2,009	2,652	3,663	4,989	5,533	6,260	6,691	33,896
Total Expenses	0	472	713	1,017	1,443	1,842	2,440	3,070	3,407	3,789	4,128	22,321
EBITA	0	(197)	(37)	130	566	810	1,223	1,919	2,126	2,471	2,563	11,575
Depreciation	0	69	138	200	253	292	305	308	310	312	315	2,502
Interest Paid	0	21	105	157	136	104	71	39	11	0	0	644
Interest Earned	0	5	12	21	36	49	66	89	99	110	115	603
Tax	0	0	0	0	0	0	254	581	666	794	827	3,123
Pre-operative Exp	0	0	0	0	0	0	0	0	0	0	0	0
Profit After Tax	0	(282)	(267)	(205)	213	463	659	1,080	1,237	1,475	1,536	5,909
Net Inflow/Outflow	809	(631)	42	51	306	699	1,155	1,705	1,577	1,942	1,958	
Cumulative Cash Flow	809	179	221	272	578	1,276	2,431	4,136	5,714	7,656	9,614	

Contact

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