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① EuroKids seeking high-quality assets in daycare segment: Co-founder Prajodh Rajan

By Debjyoti Roy | © 09 November, 2018



In April last year, **EuroKids International Pvt. Ltd** struck one of **the biggest known deals in the schools business in India** when it acquired two prominent brands in the pre-school and K-12 categories. The acquisition of Kangaroo Kids and Billabong High International helped Gaja Capital-backed EuroKids enter the premium pre-school segment and explore the franchise route in the K-12 category. In an interview with VCCircle, EuroKids co-founder Prajodh Rajan talks about the lessons from the acquisition and the company's expansion plan. Edited excerpts:

What is the status of integration of Kangaroo Kids and Billabong brands?

Kangaroo Kids has a portfolio of premium pre-school centres and Billabong has a chain of K-12 schools. The entity is being independently run and the brands Kangaroo Kids and Billabong continue to thrive in the marketplace. Our brands EuroKids and EuroSchool also continue to run as usual. That's because EuroKids as a group now has a portfolio approach.

We cater to both premium and upper end of the mid-market through Kangaroo Kids and EuroKids. But they are operated independently. There is a CEO who runs both businesses. The integration is at the back end; basically, we have integrated the financial, legal and editorial, and supply chain functions. At the front end, both are independent brands.

How are the acquisitions playing out for the group? How much do they contribute to sales?

The acquisitions are playing out fairly well and as per our expectations. We always wanted a quality premium pre-school play and Kangaroo Kids is a great example of that. It's very well regarded and now we are able to infuse some growth plans that EuroKids has been able to harness well.

One of the interesting things behind the acquisition was related to Billabong. Their portfolio has 17 franchised schools and three own schools. The EuroSchools don't have franchises and only has own schools. So the capability of franchising in the K-12 category was an interesting proposition that came with the acquisition.

Typically, their contribution would be in the range of 25% to our annual sales.

Do you have any other acquisition plan? Is there a preferred category or theme? What would be the size of an acquisition?

We still have appetite for acquisitions. We are constantly on the lookout and do evaluation of pre-schools, K-12 schools and daycare centres. It has been a year since we launched the daycare business. Currently, we have 12 centres across three markets. We are highly interested in acquiring high-quality assets in the daycare space.

In the K-12 space, we are interested in IB (International Baccalaureate) and IGCSE (International General Certificate of Secondary Education) schools. We see demand building up in that space.

I assume that after some time there will be consolidation taking place, at least regionally, and we are ready to evaluate well-run high-quality pre-school centres even if they don't have large scale.

We are fairly agnostic [about regions], so it will be across the country. We are really not bothered about the top line, but it should be worthwhile for our time and effort. So below Rs 50 crore might not interest us. It has to be some sort of scale for sure. We are contemplating on some proposals that are on the table. That might happen in a year or so.

How many pre-schools and K-12 schools do you have? What is your expansion plan? Will the expansion take place under EuroKids or the newly acquired brands?

Kangaroo Kids has 70 pre-schools. Billabong has 21 schools. We have 1,034 EuroKids pre-schools, 10 EuroSchools and 12 daycare centres. Kangaroo Kids also has presence in Dubai, Qatar and the Maldives. EuroKids is largely a domestic play but has significant presence in Nepal. We are the number one brand there. We also have presence in Dhaka and Sylhet in Bangladesh. The K-12 schools are largely in India. The EuroSchools are mainly in the western and southern regions.

With Kangaroo Kids and Billabong, we not only see domestic opportunities but global ambitions as well. The MENA (Middle East and North Africa) region is something we are interested in and we are planning some inroads there. We are already present in MENA through Kangaroo Kids and now we might take Billabong as well into those markets. Billabong is currently only in the Maldives. For Kangaroo Kids, we want to increase the number of schools five times.

We are adding about 250-300 EuroKids centres every year and the plan is to keep growing in the same way. For EuroSchools, the plan is to add 25 more schools in next five years.

Under Billabong, we will operate both own schools and franchisees. Under EuroSchools, we will manage our own schools.

There were reports about the company planning to go public. Is there any such plan?

An IPO is always a viable option. Whether we exercise this option, we need to decide. It's an option that we will consider. Frankly, we don't see the need for raising capital at this stage. If the IPO happens, it will mainly be to provide an exit to financial

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How has been the company's financial performance?

We have seen tremendous growth in business over the past five years. Our revenue has increased four to five times while our earnings before interest, tax, depreciation and amortisation have jumped 10 times. Revenue was around Rs 350 crore in 2017-18. In 2018-19, it will be around Rs 500 crore.