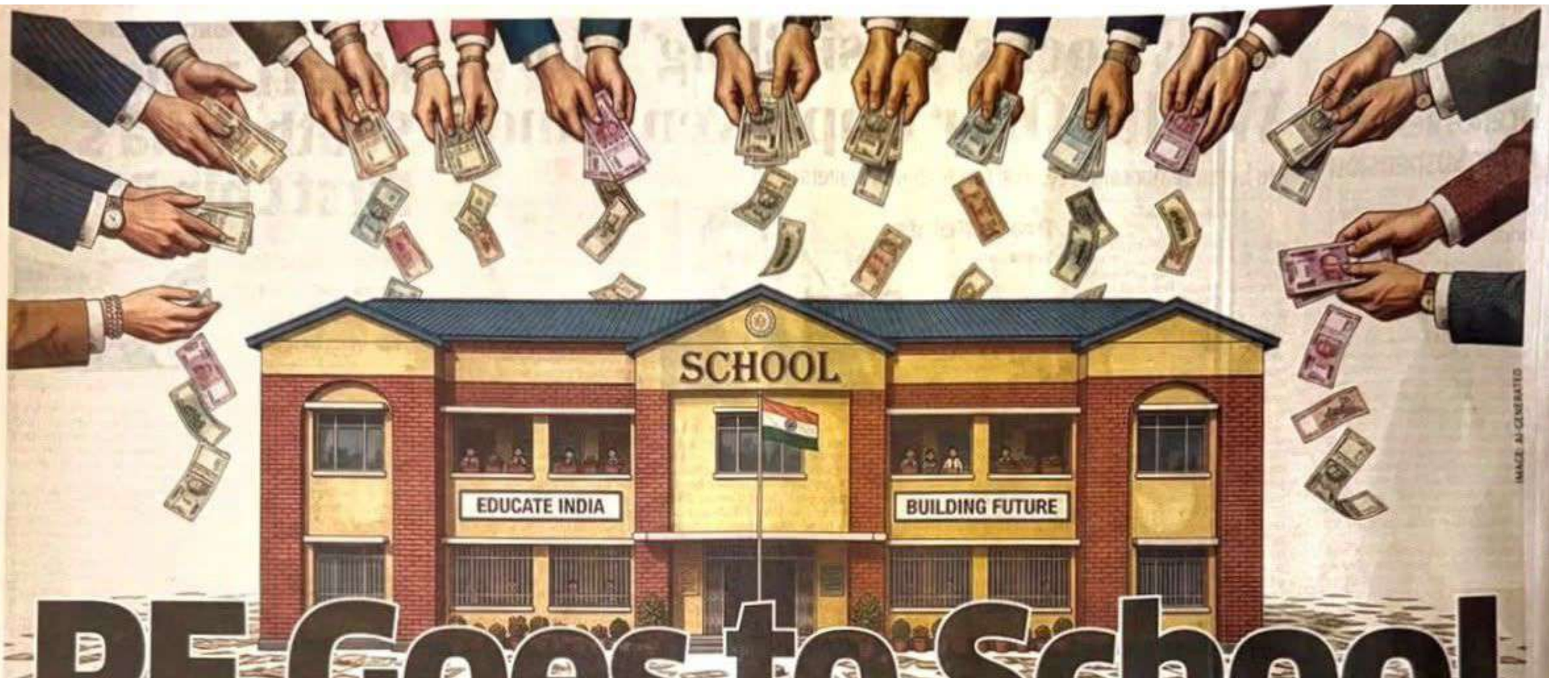

PE Goes to School

After making inroads into healthcare, private equity players are targeting India's schools, ploughing over $1.5 billion into the sector in the past decade

Alenjith K Johny & Mohit Bhalla

If you woke up in 2026 after a decade in a coma, you would be surprised by the extent to which private equity players have made inroads into India's private hospitals. Most big private hospital chains have tasted PE money at some point. Major names like HCG are majority owned by KKR, while others like Manipal Hospitals have inducted global investors such as TPG and Temasek.

For years, hospitals were set up as charitable trusts, which on paper meant promoters could not take money out of them directly. But PE, a class of capital that seeks very high returns, has quietly established itself in this critical sector, navigating complex regulations such as price caps and quotas for economically weaker sections as it seeks to generate quick returns. They drove consolidation of hospitals and funded expansion.

In the last few years, PE majors have set their sights on another one of those traditionally conservative sectors in India—school education. Hospitals and schools bear similarities in that they were both historically viewed as philanthropic activities, not meant to be profited from.

Marquee names have made their moves. KKR has backed Lighthouse Learning, a platform that owns schools that operate under multiple brands such as Billabong High, EuroSchool, Heritage Xperiential and Centre Point. Blackstone has bought into Jayshree Periwal International School. Kedaara Capital has backed K12 Techno Services, which operates Orchids schools. As much as $1.5-2 billion in PE money has flown into education in the last decade, according to industry sources.

For PE, the attraction is obvious: fees arrive upfront, students tend to remain enrolled for years and parents rarely reduce education spend even during a downturn. Since schools operate through nonprofit entities, these investors participate through service, management and infrastructure companies built around them, which is not unlike how they cracked healthcare.

The big question: Can PE replicate its hospital playbook in the classroom, and at what cost?

ATTRACTIVE PROPOSITION

PE interest stems from how families treat schooling. "Parents don't pull their children out in the middle of an education cycle. Unlike healthcare, where if the doctor moves, the patient follows, in education, the child stays through the full cycle of 12 years, regardless," says Jacob Kurian, former partner of New Silk Route, a PE firm that was a pioneer in investing in K-12 schools. It once owned a significant stake in Sri Chaitanya Schools, which it sold back to the promoters.

A school is run by a non-profit. A PE fund builds a for-profit company that provides services to the trust for a fee

Once a child is enrolled, the relationship with a school can last over a decade. Add to that a country where private schooling is in high demand and government spending has not kept pace, and it is easy to see why investors have gotten involved.

Government spending on health and education, individually, is under 5% of GDP. And the population that needs schooling is enormous. India has close to 500 million, aged 3 to 23 years. That is a formal education cohort 1.4 times the size of China's, according to a DRHP filed by educational platform Elevate Campuses.

For Jayshree Periwal, founder of Jayshree Periwal International School, PE capital has resulted in expansion. "We can reach out to more children and more cities. We can empower children," she says. Her schools in Jaipur include three large campuses and five kindergartens. Only one of the big schools runs an international curriculum, and it's residential as well, drawing students from Singapore, China, Taiwan, Japan, Italy, the UK, the Netherlands and Spain.

Enrolment Pattern

Year	Total Enrolment in Schools (mn)	Enrolment in Pvt Unaided Schools (mn)	Share of Enrolment in Pvt Unaided Schools (%)
2001-02	201.5	33.5	**16.6**
2023-24	248.0	90.1	**36.3**

Source: DRHP by Elevate Campuses

MONEY FLOW

To understand PE money flow, it helps to understand how a school is set up.

A school in India cannot be owned by a company. It has to be run by a trust, society, or something called a Section 8 company, all structures that are legally not for profit. This trust does two main things. It runs the school and it pays teacher salaries.

Everything else can be outsourced. The school bus, uniforms, catering, IT support, HR, finance, marketing, teacher training—none of this has to sit inside the trust. Most schools hire outside companies to handle these.

This is where PE has found its opening. A fund doesn't buy the trust. It builds a separate company that provides these outsourced services, and that company charges the school trust a fee. The trust stays nonprofit, exactly as the law requires. The company earning the profit sits one step away.

According to a Bengaluru-based lawyer specialising in education, structures are "set up with isolated buckets or silos for the not-for-profit trusts", which continue to operate the schools. "All the licences sit with those trusts and employees and teachers are employed by the trust. You essentially have service providers who come in to work with these trusts."

It also means clearing several layers of government approval before a single class can begin. "Broadly, this is a three-layered regulatory regime," the lawyer says. "State-level compliance, which is what you need just to commence operations. Central compliance, which is fundamentally the Right to Education Act. And affiliation-specific compliances, depending on which board you are affiliated to."

On top of that come two rules that hit a school's finances directly. Several states cap how much fees a school can raise each year. Private schools are also required to set aside a share of seats for students from economically weaker families, at reduced or no fees. Both rules exist to keep education affordable. Both also cut into what a school, or the company servicing it, can actually earn.

That combination—a not-for-profit trust at the centre, and a for-profit services company built around it—is what people in the sector call a grey area. It hasn't been challenged or tested in any major way yet.

THE PARALLELS

Mukesh Tiwari, partner at Alta Capital that owns and invests in Elevate Campuses, says, "There are multiple platform plays. You have platforms that invest directly in schools. And you have NBFCs doing the financing side. Coaching is a platform, but that's a discretionary spend. In between all of these, nobody was focused on the essentials—the real estate and infrastructure management of schools. That's where we come in," he says.

Hospitals faced similar restrictions, and built the same kind of structure around it, called opco-propco structures in legal parlance. To put it simply, an operations company and a property management company are put in place. They charge the trust for services and manage the real estate. Now it doesn't matter if the trust runs a hospital or an educational institution. The money it earns can still be redirected to these companies.

"Opco-propco structures exist in hospitals as well but in the healthcare sector for-profit companies are allowed to exist," says Raajiv Singhal, CEO of Marengo Asia Hospitals, which is backed by Samara Capital, the Godrej family office and the Havells family office. Max Hospital Saket, one of Delhi's largest, is registered as a trust, with a separate opco that charges its fees. Fortis Hospital Vasant Kunj is structured the same way. So is BL Kapoor Hospital in Delhi.

Singhal sees real upside in the entry of PE in education, like in healthcare. "Private equity can achieve certain things by entering education. Professionalism will come. Scale will come, especially if they can build brands—they can take it to tier-2 cities, where people want better offerings."

All of which is welcome.

"The soul should remain in the school. It should not be too much about cost optimisation"
—NIPUN GOENKA, MD, GD Goenka Group

THE CONCERNS

But for those who have spent years building schools, the worry is about what changes once a fund is involved.

"I believe the soul should remain in the school," says Nipun Goenka, MD of GD Goenka Group, which operates over 120 K-12 schools. "It should not be too much about cost optimisation—after all, you are dealing with students. If a private equity player comes in, it's all about the bottom line."

He also sees clearly why funds are drawn to the business. It's a good annuity model, he says. Schools are also increasing fees by 5-10% every year—a good compounding return over 12 years.

There are also questions around whether consolidation of the sort that happened in hospitals will happen in schools, resulting in the rise of chains and franchises.

The sector does have plenty of room for upsides. "The market is characterised by a persistent supply-demand imbalance, with limited capacity in high-quality schools. Coupled with rising household incomes, this has strengthened parents' willingness to spend on premium private education offering best-in-class infrastructure and international curricula," says Aakansha Sethi, partner at LEK Consulting's global education practice.

The predictability of the cash flow works in a fund's favour too. "It has a negative working capital model since fees are collected at the start of the academic year," says Sethi. "It offers long-term revenue visibility, with students typically enrolled for 12 years. It's resilient to economic downturn, as parents tend to prioritise education spending over most other discretionary expenses."

Even so, the question is whether they can replicate the success in hospitals. Nobody has had an exit. No large PE-backed education platform has gone public. None has been sold at the scale of hospital chains. The management-company structures built around school trusts have never been through a public market, or any real stress test.

But then, hospitals had an almost 10-year head start and, even there, big exits are a fairly recent development. Education is further behind that curve. Simply put, the capital arrived well before anyone has proven it can be multiplied.

alenjith.johny@timesofindia.com

Major PE-backed Players

School Operator	Investors	Deal Size (₹ cr)	No. of K-12 Schools	Areas of Investment	Location	Year of Investment
Lighthouse Learning	KKR, PSP Investments	8,260	60	Operations and management	Chennai, Bengaluru, Hyderabad, Mumbai, Pune, Delhi, Gurgaon, Noida, Bhopal	2019, 2025 (two tranches)
K12 Techno Services	Kedaara Capital, Peak XV Partners, Sofina Ventures	2,406	113	Operations and management	Hyderabad, Chennai, Kolkata, and cities in Karnataka, Maharashtra, Haryana, Madhya Pradesh and Rajasthan	2023
Elevate Campuses	Hillhouse Investments	2,700	15	Infra and property management	Tamil Nadu, Kerala, Andhra Pradesh, Punjab	2025
Jayshree Periwal School	Blackstone	NA	6	Operations and management	Jaipur	2026

Source: Media reports, Tracxn, school websites, DRHP by Elevate Campuses

GRAPHICS: VIJAY

atory re-
tate-level
you need
rations.
is funda-
ucation
compli-
h board

les that
irectly.
h fees a
Private
et aside
ts from
s, at re-
exist to
oth also
compa-
arn.
or-prof-
r-profit
nd it—
r call a
lenged
t.

t Alta
ests in
ere are
u have
ctly in
doing
ng is a
onary
se, no-

care sector for-profit companies are allowed to exist," says Raajiv Singhal, CEO of Marengo Asia Hospitals, which is backed by Samara Capital, the Godrej family office and the Havells family office. Max Hospital Saket, one of Delhi's largest, is registered as a trust, with a separate opco that charges its fees. Fortis Hospital Vasant Kunj is structured the same way. So is BL Kapoor Hospital in Delhi.

Singhal sees real upside in the entry of PE in education, like in healthcare. "Private equity can achieve certain things by entering education. Professionalism will come. Scale will come, especially if they can build brands—they can take it to tier-2 cities, where people want better offerings."

All of which is welcome.

"The soul should remain in the school. It should not be too much about cost optimisation"
—NIPUN GOENKA, MD, GD Goenka Group

THE CONCERNS

But for those who have spent years building schools, the worry is about what changes once a fund is involved.

"I believe the soul should remain in the school," says Nipun Goenka, MD of GD Goenka Group, which operates over 120 K-12 schools. "It should not be too much about cost optimisation—after all, you are dealing with students. If a private equity player comes in, it's all about

Tune in to ETPlay.com. *Available on* EconomicTimes.com/podcast, Amazon Prime Music, Apple Podcasts, JioSaavn *and* Spotify.

The sector does have plenty of room for upsides. "The market is characterised by a persistent supply-demand imbalance, with limited capacity in high-quality schools. Coupled with rising household incomes, this has strengthened parents' willingness to spend on premium private education offering best-in-class infrastructure and international curricula," says Aakansha Sethi, partner at LEK Consulting's global education practice.

The predictability of the cash flow works in a fund's favour too. "It has a negative working capital model since fees are collected at the start of the academic year," says Sethi. "It offers long-term revenue visibility, with students typically enrolled for 12 years. It's resilient to economic downturn, as parents tend to prioritise education spending over most other discretionary expenses."

Even so, the question is whether they can replicate the success in hospitals. Nobody has had an exit. No large PE-backed education platform has gone public. None has been sold at the scale of hospital chains