

Improving Livelihoods in India through Educational Lending

UpSkillCapital 

Lisa Mohr
Meike Scheffer
Tobias Schimmer
Kathleen Schindler

Six months can transform a life

Below poverty line

Vocational Education

Lower middle class



Left school at age of 10,
working in temporary jobs
with unreliable income

Earns on average
\$22 per month



6-month course
*learning basic
communication
skills*



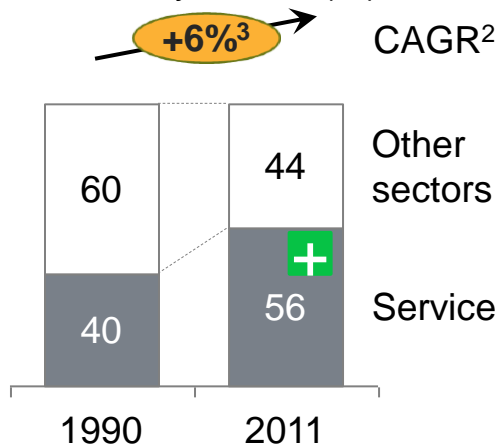
Employed at RelianceMart
as a customer service
officer

Earns a steady
\$144 per month salary

Gap of 450M skilled labourers over next 10 years

Rise of service industry
and strong growth...

India GDP by Sector (%)



...but Government
intervention insufficient



- ITI curriculums do not reflect employer demands
- ITI graduates suffer **poor employment rates**

Vocational Education Training providers (VETs) are stepping up to fill the gap!

1. Accumulated need to maintain current growth levels 2. CAGR of GDP from 1950 to 2011 3. K.C. Roy 2005, Historical pattern of India's economic growth: salient features , International Journal of Economics
Source: Reserve Bank of India Economic Statistics; McKinsey analysis
(<http://mobile.globalpost.com/dispatch/news/regions/asia-pacific/india/110616/shiva-rules-india-economy-labor-shortage-vocational-training-corporate?page=full>)

UpSkill Capital is the missing link between students, corporates and VET providers



Students

Leave poverty – increase salary from \$22 to \$144/ month

✗ Funding gap, students cannot pay for tuition upfront

✓ Willing to give up a share of increased salary



Corporates

Stay competitive – access to pool of qualified employees

✗ Not willing to pay for education

✓ Willing to pay high salaries for skilled workers



VET providers

Fulfill mission – educate as many students as possible

✗ Funding gap, cannot claim tuition of student/ corporates

✓ Can prepare students successfully for well paying jobs

Provide tuition funding for students enrolling in these programs

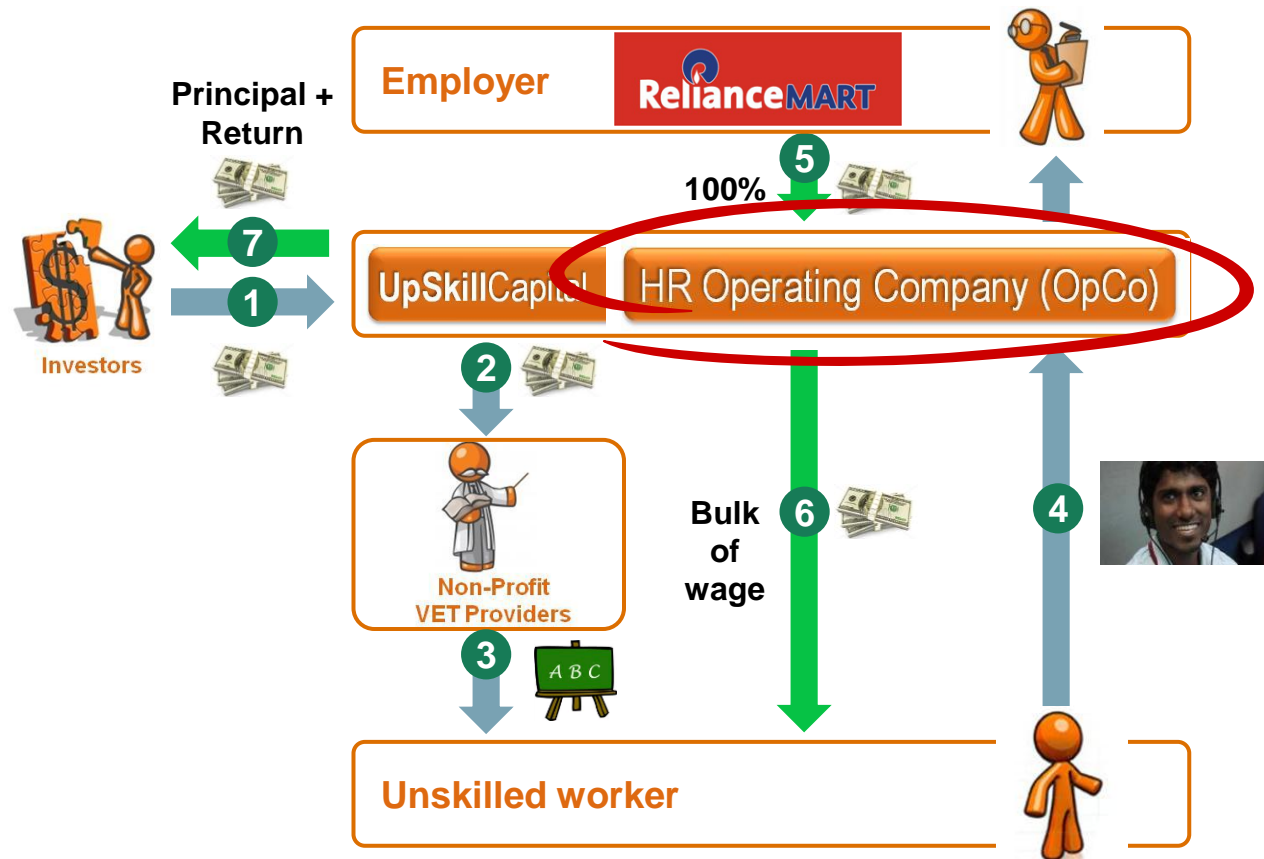
Collect on students earnings in first 6 months

Select best VET programs based on performance metrics

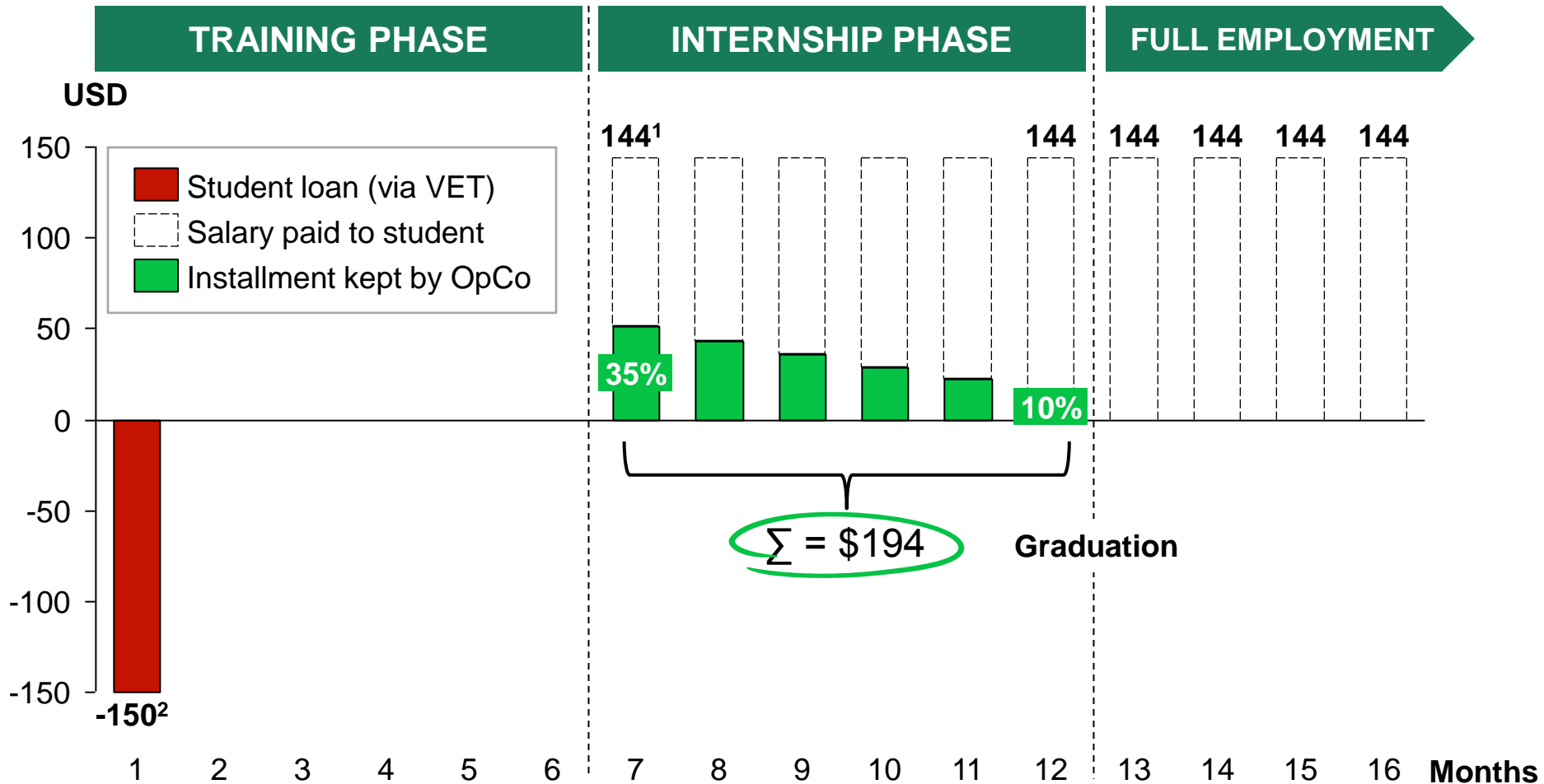
UpSkillCapital

UpSkill Capital operating model

- 1 Investors provide funding to UpSkillCapital
- 2 ...which funds VET provider
- 3 ...who trains students
- 4 ...who then is employed through HR OpCo after training
- 5 Employer pays OpCo
- 6 OpCo passes on the bulk of wage to student
- 7 OpCo passes on portion of wage to investor (through UpSkillCapital)



Simple repayment mechanism



1. Average post graduation salary at Etasha 2. Full tuition cost is \$150 minus student downpayment of \$9 at start of program
Source: UpSkillCapital financial model

Soft-skill VET market to grow to 4.5bn by 2022

	annual 2012	annual 2022
# Service sector-focused VET providers	~150 schools	~1,500 schools
# enrolments per school	1,000-3,000 students	10,000 – 20,000 students <i>(based on best practice)</i>
# student enrolments	~150k students	~30m students
Tuition cost per student	US\$150	US\$150
Market Size	\$22.5 – 67.5m	\$2.3 – 4.5bn

~1% of the current Indian VET market

anudip
Livelihood initiatives through knowledge

DR. REDDY'S
FOUNDATION

CAP
FOUNDATION
Linking Learning and Livelihood

ETASHA
A Society for Enabling and Training
Adolescents for Successful and Healthy Adulthood

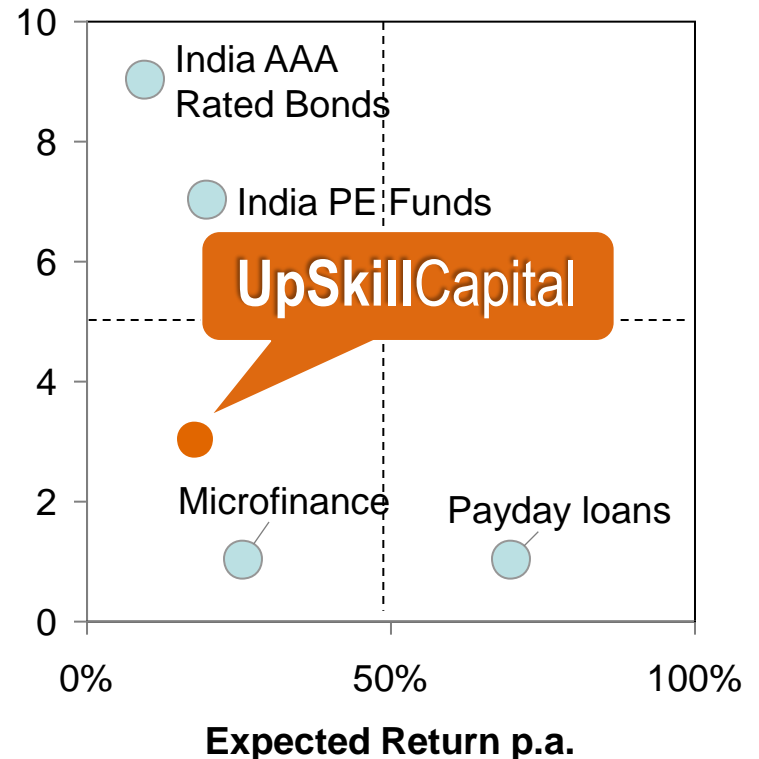
Positioning and deal terms

UpSkill Capital Fund Terms

Fund Duration	<ul style="list-style-type: none"> • 3 years (revolving) • Option to earn annual yield
Target Return	<ul style="list-style-type: none"> • Target Return of 18-22% IRR • Hurdle rate of 10%
Target Deal Size	<ul style="list-style-type: none"> • < \$250k per VET (pilot) • > \$500k per VET (post pilot)
Fee Structure	<ul style="list-style-type: none"> • 2% pa management fee • 20% carry without catch-up

Return v/s Investment Duration

Duration (Years)



Shorter duration and higher returns than bonds and PE funds as well as lower risk than Microfinance

RISK MITIGATION

Inventory of risks

Unemployment or low wages

Student Attrition

Inflation

Risk mitigation by UpSkill Capital



Work with proven VET programs



Income-based repayment

with best corporate relationships



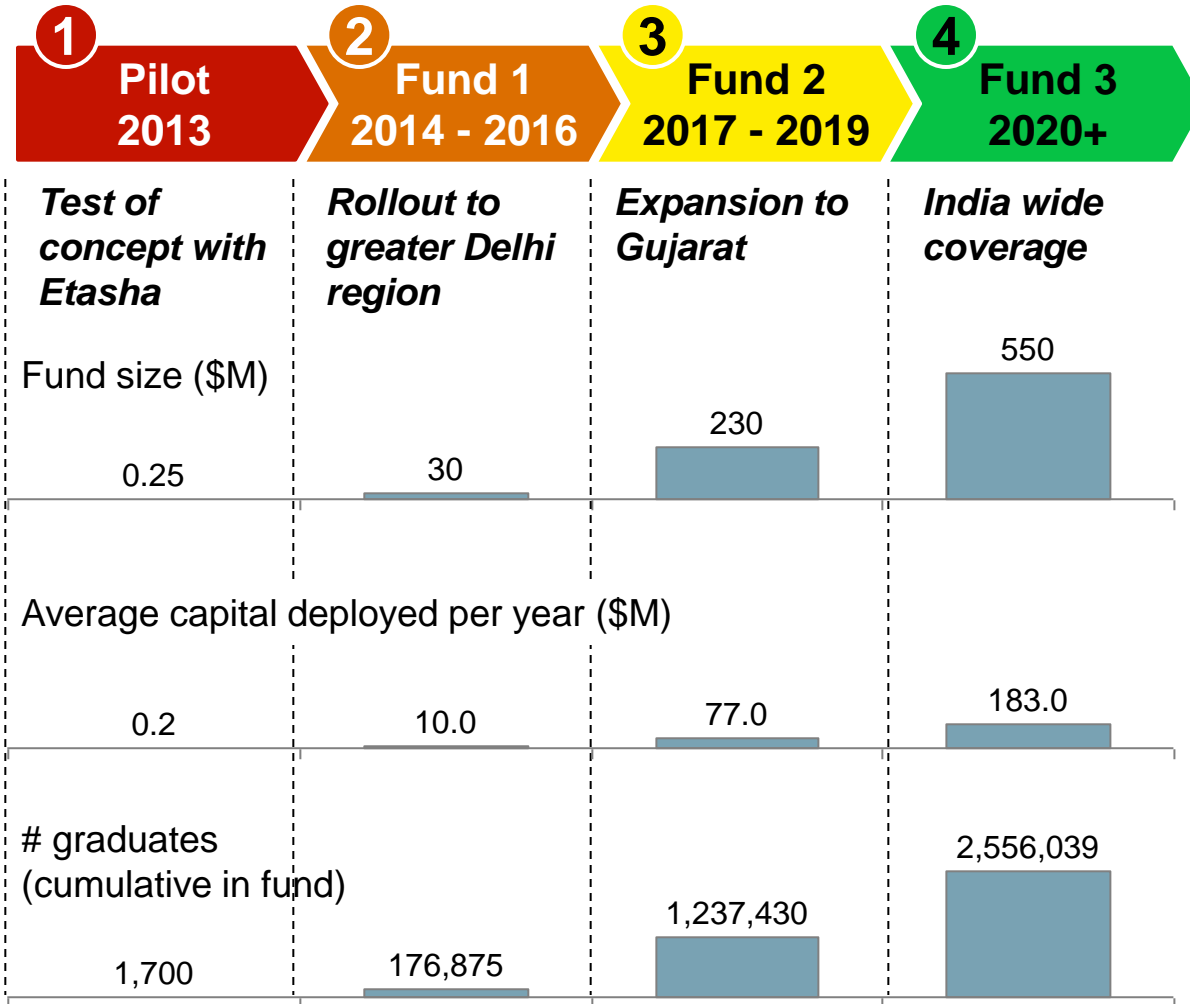
with best placement records



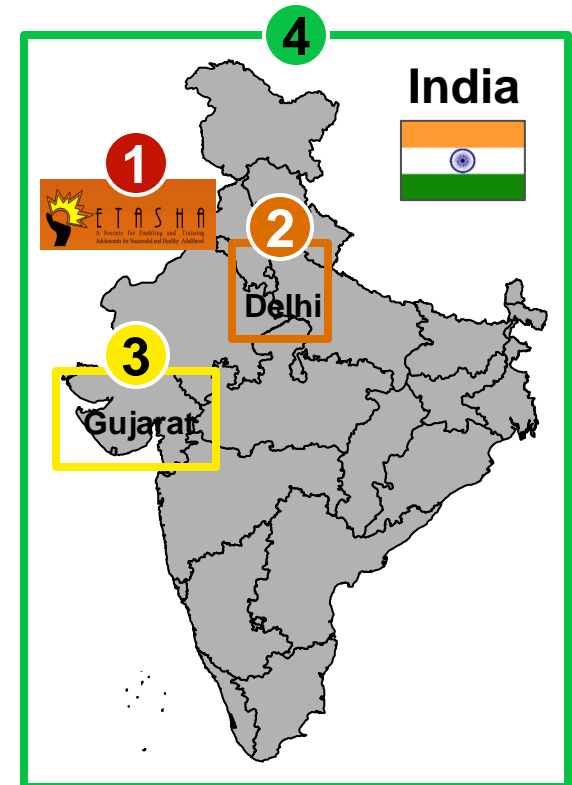
income grows with inflation



Staging of funds



Geographical roll out



Our ask

Pilot
2013

Capital investment of \$0.25M will deliver:

Investors

- Target IRR of 18%

Soft-skill VETs

- Educate 1,700 students

Employers

- Access to appropriately skilled workers

Workers

- Increase salary 6-fold and entry into lower-middle class

Community

- Decreased violent crime rates¹

¹ Fajnzylber, Lederman and Loayza. "Inequality and violent crime*". *Journal of Law and Economics*, vol. XLV (April 2002) University of Chicago.

Questions

UpSkillCapital 

Lisa Mohr
Meike Scheffer
Tobias Schimmer
Kathleen Schindler

UpSkill Capital has assembled a management team with unparalleled experience within the VET sector

Management Team



Apaar Kasliwal, MBA '12

VP, Funding

- Raised \$400M in for Indian PE fund
- Raised donation funding for Etasha for the last 5 years



Ian McBride

VP, Business Operations

- Worked at London Mayor's Development Agency
- As operations head at Atlantic Telecom, UK

Board



Dr. Meenakshi Nayar, IIM Ahd'78

Founder ETASHA (VET provider)

- Managing consumer lending for MNC bank
- Ex-HR Executive for Indian conglomerate



Yohan Seranate, MBA '12

Strategist at ANZ, Australian Bank

- Developed strategy for consumer lending
- On board for education of leading Australian University

External support team



Tobias Schimmer,
Consultant at BCG



Lisa Mohr
Senior Financial Analyst



Meike Scheffer
Consultant at BCG

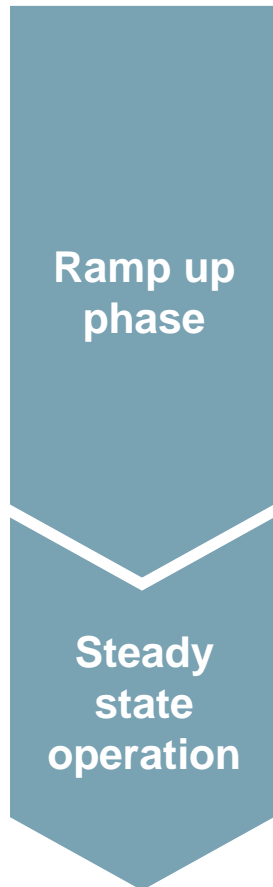


Kathleen Schindler
Manager at PWC



Investors

Who might invest in UpSkillCapital?



*Philanthropic
Venture Capital
funds*

*LGT Capital
Acumen*

“This sounds like a great idea! We would be keen to consider early-stage investment”
~LGT Capital

“Best option would be to finance through MASSIF government fund, managed by FMO.”
~FMO (Dutch Development Bank)

“Partnering with established non-profit might make it an easier sell.”
~PwC Australia Foundation Chair

*Impact Investing
funds*

*Foundations &
endowments*

“Could be sustainable if you have donors fund the first round and then use loan repayments.”
~Endeavor Capital

“I like your idea. I think it could work well for Pakistan (too)... With the right blueprint, you could get investors.”
~Mandala Capital

Default rate and expected graduate student incomes will drive returns for investors

Investor IRR Sensitivity Analysis¹

		Monthly Worker Earnings				
		\$120	\$130	\$140	\$150	\$160
Loan Default Rate	5%	34%	52%	70%	89%	108%
	10%	24%	40%	56%	74%	92%
	15%	13%	28%	43%	59%	76%
	20%	3%	17%	31%	45%	60%
	25%	(6%)	6%	18%	32%	45%
	30%	(15%)	(5%)	7%	19%	31%

Based on Fund 1 calculations Source: UpSkill Capital financial model

Students benefit from a 6.5x increase in earning capacity post-graduation

Prior to VET Enrolment

Prospective students are in **low-paying jobs** within the informal economy (average earnings of **~US\$22 per month**)

At VET Enrolment

Students would be required to pay an **upfront payment of US\$19 (~15% of tuition) to motivate attendance**

Students would be placed in a job through the “HR Operating Company”; during the first 6 months of employment, **a portion of the salary is kept by HR Operating Company**

During Internship

Month	% Kept by HR Op Co	Take-home pay for employee	HR OpCo retained salary
1	35%	\$91	\$55
2	30%	\$101	\$43
3	25%	\$108	\$36
4	20%	\$116	\$28
5	15%	\$123	\$21
6	10%	\$130	\$14
7 onwards	0%	\$144	\$0