



BUSINESS PLAN · INDIA

Education Franchise Business

The economics we show the person staking his savings

SCHOOLS

AISEVAK.IN · BY ABL DIGITAL TECHNOLOGIES

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This document is confidential and prepared for planning purposes. All financial figures are illustrative model assumptions for an Indian MSME context and must be validated against live quotes, local rates and professional advice before any investment or borrowing decision.

1. Executive Summary

This plan sets out an **Education Franchise Business** in India — a franchisor awarding territories for a preschool and children's activity brand, supplying curriculum, training, materials, brand and field support to independently owned units, and earning a one-time territory fee plus an ongoing royalty on unit revenue. **This plan models the FRANCHISOR, not the franchisee.**

The central integrity question in franchising is the economics shown to the person about to stake his savings, and this industry's standard practice does not survive examination. A prospectus typically presents an illustrative unit — a model of what a well-run centre could achieve, at a capacity assumption the median unit does not reach, in a territory chosen to suit the illustration. It is the coaching centre's selection count sold to a business buyer, except that the buyer is not choosing a tuition class; he is often mortgaging a house. And a franchisor reporting "sixty-two operating units" is doing what the setup consultant did with forty schools: counting the survivors. This plan reports the two figures that actually describe the offer: **prospectus economics based on the MEDIAN operating unit and on the franchisor's own company-run reference centre rather than on an illustration, from nothing to 100%; and units reported against ALL EVER AWARDED rather than those currently trading — eighty-two awarded, sixty-two operating, twenty closed, transferred or not renewed.** The rule the plan works to is simple: a franchisor whose median unit does not reach the illustration should change the illustration, not the wording.

The second is a structural misalignment that no amount of goodwill removes: the franchisor is paid first and the franchisee is paid last. The territory fee arrives at signature, before a single child is enrolled. The royalty is charged on revenue from the first month — so, as the preschool plan established, in a year when the unit loses money the franchisor is paid in full and the franchisee is not paid at all. The franchisee's own profit, if it comes, comes in year three. The consequence is that a franchisor can be prospering while its network is not, and the temptation that follows is to keep selling territories — which is monetising the sale rather than the system, and it is how franchise networks in this country most commonly fail. This plan holds the line with a number: **territory-fee revenue falls from 43% of turnover to 27% while recurring royalty and services rise from 57% to 73%, and no unit is awarded in a territory already at the published density limit — nil in every year.** The density rule only means anything because it is held against the franchisor's own sales target.

The third is the line that separates a franchisor investing in a system from one harvesting it, and it is a single ratio. The royalty exists to fund training, curriculum refresh, field visits, audit and brand — and a franchisor charging eight per cent of unit revenue while spending fifteen per cent of that royalty on support is not running a network, it is collecting rent on a trademark. The franchisee cannot see the difference until his unit is struggling and nobody comes. This plan publishes it: **support spend as a share of royalty collected runs at 75% in Year 1 and 58% by Year 3 — falling only because fixed support costs spread across more units — with field visits per unit rising from 1.8 a year to 4.2.** The plan earns 17.5% at that level of investment; a franchisor spending fifteen per cent of royalty would earn far more and would be selling a system it is not maintaining.

And the fourth is that the franchisor cannot control what happens inside a unit and owns the consequence anyway — which matters more here than in most franchising because the units look after small children. Staff verification, adult-to-child ratios and premises safety are performed by an operator the franchisor does not employ, on premises it does not own, to standards it can only contract for. If something happens, the parent will not distinguish the brand from the franchisee, and neither will the press. Audit and termination rights are therefore the franchisor's real assets, and a franchisor that has never terminated a unit has an audit function

that does nothing. This plan takes **units audited to standard annually from 61% to 100%, units confirming full staff verification at audit from 48% to 100%, and units meeting the ratio standard at UNANNOUNCED audit from 52% to 91% — with three units terminated or not renewed in Year 3, reported as the control working rather than as a failure.**

This plan models a franchisor requiring **₹2.80 crore** (₹1.60 crore promoter + ₹70 lakh term loan + ₹50 lakh working-capital facility), moving from **₹2.63 crore revenue and ₹34 lakh profit** to **₹5.27 crore revenue and ₹92 lakh profit** by Year 3, with *return on capital employed rising from 12.6% to 28.8% across a network growing from 34 to 62 operating units.* (Education franchise system — figures illustrative.)

2. Business Description, Vision & Legal Structure

Concept: A children's education franchisor that publishes median unit economics, spends the majority of its royalty on support, and enforces a density limit against its own sales target.

Vision: To be the franchisor whose prospectus a franchisee's accountant cannot improve on.

Mission: Show the median unit and the units that closed; run our own centre so the numbers are ours; spend the royalty on the network rather than on ourselves; refuse the territory that would damage an existing franchisee; and terminate the unit that will not meet the child-safety standard.

Legal structure

- **Private Limited** — recommended and **lawfully for-profit**, unlike the schools some of its units resemble; trademark ownership, multi-party contracting and external investment all require it.
- **LLP** — workable for a small regional system, weaker for raising capital or licensing a master franchise.
- **A company-operated reference unit** held within the franchisor — **not a structural requirement but a disclosure one, because a franchisor without an operating unit of its own is publishing economics it has never itself achieved.**

Regulatory anchor: the striking feature is what is absent. **India has no dedicated franchise disclosure statute — no equivalent of the United States' franchise rule requiring a standardised disclosure document, audited unit performance representations or a cooling-off period. The relationship is governed by the Indian Contract Act, by trademark law and by whatever the franchise agreement says, which is drafted by the franchisor. And because a franchisee is a business buyer rather than a consumer, the Consumer Protection Act's protections against misleading claims generally do not reach him — so the person in this transaction with the least information also has the fewest statutory remedies. That is precisely why the disclosure discipline in this plan is a commercial position rather than a compliance requirement: nothing obliges a franchisor to publish median unit economics, which is exactly why publishing them means something.** Then: **trademark registration and active enforcement, since the brand is the asset being licensed; Competition Act considerations on exclusive territories and on tie-in arrangements, because a franchisor mandating purchase of materials from itself invites scrutiny and the mandate should rest on genuine quality or safety grounds that can be evidenced; GST on territory fees, royalty and supplied materials; and the safeguarding asymmetry that governs section 8 — POCSO, Juvenile Justice and state childcare obligations fall on the operating unit as the employer and occupier, while the brand consequence of a failure falls on the franchisor, which is why standards are contractual, audited and enforceable rather than advisory.**

3. Promoter & Ownership

Led by a promoter with education operations, franchising or multi-unit retail background. Three competences decide outcomes. *The willingness to refuse a signed cheque*, because the territory that should not be awarded always arrives with money attached and a sales target behind it. *Field discipline*, since a franchise system is only as good as the visit that did not happen, and support is the first cost cut when a quarter looks weak. And *the readiness to terminate*, which is expensive, litigious and the only thing that makes an audit mean anything — a franchisor unwilling to remove a unit has told every other unit exactly how much the standards matter. Ownership, equity & investor terms are editable inputs; **the company-operated reference unit is not among the things to be sold off when capital is short.**

4. Market Analysis — India

Indian education franchising is large and unusually accessible — a preschool or activity centre can be opened for a few tens of lakhs, the buyer is frequently a first-time entrepreneur, and the brand supplies the credibility a new operator cannot build alone.

Demand drivers

- **First-time entrepreneurs seeking a proven model**, often women re-entering work and professionals leaving employment.
- **Parental preference for a recognised name** in early years, where a family cannot evaluate quality directly.
- **Low capital threshold** relative to most franchise categories, widening the buyer pool considerably.
- **Tier-2 and tier-3 expansion**, where branded provision is thin and local operators lack curriculum capability.
- **Curriculum and training as the genuine value**, which an independent operator cannot economically develop.
- **Real-estate availability** in residential neighbourhoods suited to small-format units.

Market sizing (illustrative framing)

Layer	Definition	Indicative scale
TAM	Viable catchments for a branded children's centre	Large and geographically dispersed
SAM	Catchments meeting the density rule AND with a suitable operator	Operator-bounded, not territory-bounded
SOM (Yr 1–3)	Units awarded and sustained	34 → 62 operating; 82 ever awarded

The binding constraint in franchise growth is the quality of the operator, not the availability of the territory, and a franchisor who forgets that will grow itself into a network of failing units. There are always more catchments than good operators. A preschool franchise is bought by a first-time entrepreneur who has never run a business, will be personally present or absent depending on temperament, and whose unit will succeed or fail largely on whether she is in the building at eight in the morning. The territory is a map reference; the operator is the business. And the franchisor's own incentive points the wrong way, because a territory fee is collected at signature from a poor operator exactly as readily as from a good one. Three consequences shape this plan. Selection is treated as the primary growth activity rather than as a formality after the cheque — candidates are assessed on whether they will operate the unit personally, on their working capital beyond the fee, and on realistic expectations of the first two years. Candidates are shown the median unit and the closures before signing, which loses some of them and loses the right ones. And award pace is set by the

number of suitable operators found rather than by a target — which is why this plan awards eighteen units a year rather than thirty, and why its recurring revenue rises while its territory-fee share falls.

5. Competition & Position

Landscape: established national preschool and activity brands with hundreds of units, recognition and mature curricula; **newer brands competing on a lower territory fee and a more attractive projection;** independent centres operating without a brand at a lower cost base; international brands entering through master franchise arrangements; and, increasingly, franchisees who complete a term and continue independently under their own name. **Because no franchisor is required to publish unit performance and almost none does, a prospective franchisee cannot compare offers on the only thing that matters — so he compares fee, projection and the confidence of the person selling.**

The system's position

- **Median unit economics published,** alongside the franchisor's own reference centre.
- **Units reported against all ever awarded,** including closures and transfers.
- **A published density limit** enforced against the franchisor's own sales target.
- **Support spend as a share of royalty disclosed,** so a franchisee can see what he is funding.
- **Unannounced audits on child-safety standards,** with termination used when needed.
- **Selection on operator quality** rather than on the availability of a cheque.

The competitive difficulty is exact and worth stating: **honest disclosure loses the sale to a better projection, every time, to the buyer least equipped to tell the difference. A candidate comparing two franchise offers sees one showing a model unit breaking even in month eight at 78% capacity, and one showing a median unit that broke even in month nineteen with twenty of eighty-two units having closed. The first is a business he wants to be in; the second is a warning. He is a first-time buyer, he has no way to test either set of numbers, and the optimistic one is delivered by somebody whose job is to make it persuasive.** Three things make the honest position workable rather than merely principled. **The candidates it attracts are better: an operator who reads twenty closures and still signs has understood the risk, has capital beyond the fee, and will not blame the franchisor in month fourteen — and unit survival is the franchisor's own economics, not a courtesy. Existing franchisees become the channel, because a network whose operators tell prospective buyers the truth converts more reliably than any brochure and cannot be replicated by a competitor whose units are unhappy. And the disclosure is a filter on the franchisor itself — a system that cannot bear to publish its median unit has learned something about that unit which it is choosing not to act on.**

6. Territory, Royalty & What the Support Fee Buys

Element	Character	Economics
Territory fee (one-time, at signature)	Paid before a single child enrolls	₹7L → ₹8L; 43% → 27% of revenue
Royalty on unit revenue (not on unit profit)	Charged in the franchisee's loss years too	The recurring base; 38% → 48% of revenue
Curriculum, materials & kits supplied	Recurring; must rest on genuine quality grounds	Tie-in scrutiny applies — evidence the standard

Training & certification	Recurring; the transferable part of the system	Sold at cost-plus, not as a profit centre
Company-operated reference unit	The franchisor runs one so the numbers are its own	16.4% of project cost; not for sale when capital is short
Support spend as % of royalty collected	Investing versus harvesting, in one ratio	75% → 66% → 58%
Units awarded above the published density limit	The rule held against the sales target	Nil in every year
Units terminated or not renewed on standards	The control working, not a failure	1 → 2 → 3

Territory encroachment is the commonest dispute in franchising and the easiest for a franchisor to rationalise, so the rule has to be written before the money is on the table. An existing franchisee has built a catchment over three years; a new candidate offers a fee for a location four kilometres away that will take perhaps a fifth of it. The franchisor's arithmetic is straightforward — a new territory fee plus royalty from a second unit, against some royalty lost from the first — and it comes out positive almost every time. The franchisee's arithmetic does not, and he is the one who signed a term expecting protection. A franchisor who awards that unit has told its whole network what its territorial commitment is worth, and the information travels faster than any support programme. This plan writes the rule down and gives it up front. A published density limit expressed in catchment terms rather than in kilometres, since a main road matters more than a distance. A standing prohibition on awarding a unit that would take more than a stated share of an existing unit's catchment, applied even where the existing operator is underperforming — because a struggling franchisee is precisely the one who cannot absorb it. And the existing franchisee consulted and offered first refusal on any adjacent territory. Nil breaches in every year of this plan, which costs award revenue and is the reason the network's units are worth buying into.

7. Selection, Support & the Unit the Franchisor Cannot See

Award pipeline

- **Existing franchisees as the primary referral source**, which works only if they are doing well.
- **Discovery days at the company-operated reference unit**, where a candidate sees a working centre rather than a presentation.
- **Median-economics pack issued before any commitment**, including closures and the reasons for them.
- **Operator assessment** on personal involvement, working capital beyond the fee, and expectations.
- **Territory assessment** against the published density rule before a candidate is encouraged.

Support that a royalty should buy

- **Pre-opening training and launch support**, the period that determines a unit's first-year trajectory.
- **Field visits on a schedule**, not on request — a struggling operator rarely asks.
- **Curriculum refreshed on a cycle**, so the system a franchisee bought does not age under him.
- **Unannounced safety and ratio audits**, which protect every other unit in the network.

The safeguarding asymmetry in a children's franchise deserves stating plainly, because it is the risk least reflected in franchise agreements and the one most capable of ending a brand. The operating unit employs the staff, occupies the premises and carries the statutory obligations under POCSO, the Juvenile Justice framework and state childcare rules. The franchisor employs nobody in that building, cannot direct its daily operation, and may visit four times a year. But if a child is harmed in a unit, the name on the signboard is the franchisor's — parents will not distinguish it from the franchisee, media will not, and every other unit in the network will lose enrolment for something none of them did. The franchisor therefore carries the consequence of a risk it does not control, which is an unusual position and requires unusual controls. Three are used here. Standards written as contractual obligations with audit and termination rights attached rather than as guidance, so a failure to verify staff or hold a ratio is a breach and not a disagreement. Unannounced audits on the things that matter most — every adult verified, the ratio held at the afternoon trough as the preschool plan set out, premises and fire compliance current — because an announced audit measures preparation. And termination actually used: one unit in Year 1, three by Year 3, reported openly to the network, since a standard that has never been enforced is a standard every operator knows is optional.

8. Operations Plan (select, award, launch, support, audit, enforce)

- **Disclosure:** median operating-unit economics and the franchisor's own reference-unit results issued to every candidate before commitment, with units reported against all ever awarded including closures, transfers and non-renewals.
- **Selection:** operator assessed on personal involvement, capital beyond the fee and realistic expectations; **award pace** set by suitable operators found rather than by a sales target.
- **Territory:** published density limit in catchment terms, applied before a candidate is encouraged, with existing franchisees consulted and offered first refusal on adjacent territory.
- **Launch:** pre-opening training, site approval, launch marketing and an on-site presence through the first weeks, because the first-year trajectory is set in the first term.
- **Field support:** visits on a fixed schedule rather than on request, since a struggling operator is the least likely to ask for help and the most in need of it.
- **Curriculum:** refreshed on a published cycle, so the system a franchisee bought does not age under him while he pays a royalty for it.
- **Audit:** unannounced, covering staff verification, adult-to-child ratio at the afternoon low point, premises and fire compliance — because an announced audit measures preparation rather than practice.
- **Enforcement:** breach notices, remediation periods and termination used where standards are not met, and reported to the network.
- **Materials:** supplied where there is a genuine quality or safety reason that can be evidenced, since a mandate that exists only to earn margin is a tie-in arrangement and invites scrutiny.
- **Royalty administration:** collected against unit revenue reported through the system MIS, with support spend reported back to franchisees as a share of the royalty they paid.

Control points

Area	Activity	Control point
The economics the buyer is shown	Prospectus based on MEDIAN unit + own reference centre / units reported against ALL EVER AWARDED	0% → 100% / 0% → 100%

The denominator	Units ever awarded / operating / closed, transferred or not renewed	82 / 62 / 20
Does the median unit reach the pitch?	Units meeting prospectus Year-2 revenue	41% → 52% → 63%
Selling the system, not the sale	Territory-fee share / recurring royalty & services share	43% → 27% / 57% → 73%
The rule held against the sales target	Units awarded above the published density limit	Nil in every year
Investing or harvesting	Support spend as % of royalty / field visits per unit per year	75% → 58% / 1.8 → 4.2
The brand carries a risk it cannot control	Full staff verification confirmed at audit / ratio met at UNANNOUNCED audit	48% → 100% / 52% → 91%
Enforcement & network health	Units audited annually · terminated on standards · royalty collection · renewal at term	61% → 100% · 1 → 3 · 88% → 96% · 68% → 84%

The support-to-royalty ratio is the single number that separates the two kinds of franchisor, and it is worth showing a franchisee rather than describing to him. A royalty of eight per cent on unit revenue exists to fund something: training, curriculum development, field visits, audit, national brand-building and a head office that answers the phone. A franchisor spending a small fraction of that royalty on those things is running a licensing operation — collecting rent on a trademark while the franchisee funds it — and the franchisee cannot detect the difference at signature, only later, when his unit is struggling and the field manager has forty-five other centres. Nothing in Indian franchise practice requires the ratio to be disclosed, and almost nobody does. This plan reports it to the network annually. Support spend runs at 75% of royalty collected in Year 1 and 58% by Year 3 — falling only because a fixed support organisation spreads across more units, not because the spend per unit declines, which is a distinction stated explicitly. Field visits per unit rise from 1.8 a year to 4.2 across the same period. And the trade-off is named rather than implied: this franchisor earns 17.5% at that level of investment, and one spending fifteen per cent of royalty on support would earn considerably more for several years — until its units began closing, by which time it would have sold a great many territories.

9. Franchise Law, Competition & Safeguarding Compliance (India)

- **India has no dedicated franchise disclosure statute** — no standardised disclosure document, no mandated unit-performance representation, no cooling-off period. **The relationship rests on the Indian Contract Act, on trademark law and on an agreement the franchisor drafts.**
- **The franchisee is a business buyer, so Consumer Protection Act remedies against misleading claims generally do not reach him** — the party with the least information also has the fewest statutory remedies, which is exactly why the disclosure discipline in this plan is a position rather than compliance.
- **Trademark registration and active enforcement**, since the brand is the asset being licensed and an unenforced mark weakens with every unauthorised use.
- **Competition Act considerations on exclusive territories and tie-in arrangements** — a mandate to buy materials from the franchisor must rest on genuine, evidenced quality or safety grounds rather than on margin.
- **Safeguarding asymmetry: POCSO, Juvenile Justice and state childcare obligations fall on the operating unit as employer and occupier, while the brand consequence of any failure falls on the franchisor** — hence

contractual standards with audit and termination rights rather than guidance.

- GST on territory fees, royalty and supplied materials; TDS obligations on royalty payments.
- FEMA and cross-border royalty rules where a master franchise is granted or taken from outside India.
- Shops & establishment registration, POSH and EPF/ESI for the franchisor's own staff and its reference unit.

10. Organisation & Manpower Plan

Role	Yr 1	Yr 2	Yr 3
Field support & audit managers	6	9	13
Model-unit staff (company-operated reference centre)	8	9	10
Training & curriculum team	5	7	10
Franchise development & selection	4	5	6
Marketing & brand	3	4	6
Finance, legal & compliance	3	4	6
Administration & support	3	4	5
Technology (unit MIS, LMS, audit application)	2	3	4
Founder / managing director	1	1	2
Total	35	46	62

Two features of this organisation are the plan's argument in staffing form. Field support and audit is the largest professional function and grows faster than franchise development — thirteen against six by Year 3 — which is the deliberate opposite of a system that staffs sales and under-staffs support, and it is what the royalty is supposed to buy. **And the company-operated reference unit carries ten staff on the franchisor's own payroll,** which looks like an odd cost for a franchisor until one asks where else the median economics in the prospectus would come from. **Audit reports to finance and compliance rather than to franchise development —** the rule this library applies everywhere: **a control that reports to the party it constrains is not a control,** and here the constrained party is the one whose target is met by awarding the unit and keeping it open.

11. Implementation Timeline & Milestones

Phase	Timeline	Milestone
Setup	Month 0-6	Trademarks registered, franchise agreement and disclosure pack drafted with median-economics format built in, density rule published before the first award, company reference unit opened and trading so its numbers are real, audit protocol and termination process legally reviewed, unit MIS live before the network scales
Year 1	Year 1	34 operating units, 16 awarded, 3 closed; ₹2.63cr revenue, ₹34L profit; territory fees 43% of revenue; support at 75% of royalty; audits 61%; ratio met at unannounced audit 52%; 1 termination; ROCE 12.6%
Year 2	Year 2	48 operating, 18 awarded, 4 closed; median-economics disclosure on 100% of awards; territory fees down to 36%; field visits 3.1 per unit; verification confirmed at 82% of units; ₹3.71cr revenue, ₹53L profit

Year 3	Year 3	62 operating of 82 ever awarded; ₹5.27cr revenue, ₹92L profit; ROCE 28.8%; territory fees 27% and recurring 73%; support 58% of royalty with 4.2 visits per unit; audits 100% with verification 100% and ratio compliance 91%; 3 terminations; renewal at term 84%; median unit reaching prospectus Year-2 revenue 63%
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12. Financial Plan (Illustrative)

All figures are illustrative model assumptions for an Indian context, shown so the promoter can replace them with live rates.

Recurring royalty and unit survival are the levers. Units awarded is not one — a territory fee from an operator who will fail is revenue this year and a closure, a dispute and a damaged brand within three.

12.1 Project cost & means of finance

Capital requirement	₹
Brand, curriculum & system development (the licensed IP)	62,00,000
Company-operated reference unit (so the published economics are our own)	46,00,000
Launch & initial operating losses	34,00,000
Franchise development team build & disclosure documentation	32,00,000
Working capital (royalty & materials receivable)	32,00,000
Technology (unit MIS, LMS, audit application)	24,00,000
Office fit-out, equipment & deposit	20,00,000
Brand marketing & launch	16,00,000
Legal: franchise agreement, disclosure pack & trademarks	14,00,000
Total project cost	2,80,00,000
Promoter contribution	1,60,00,000
Term loan (reference unit, technology & office)	70,00,000
Working-capital facility	50,00,000

12.2 Projected Profit & Loss (3 years)

Particulars	Year 1	Year 2	Year 3
UNITS: operating at year end / awarded in year / closed or not renewed	34 / 16 / 3	48 / 18 / 4	62 / 18 / 6
Territory fees (one-time, at signature)	1,12,00,000	1,35,00,000	1,44,00,000
Royalty on unit revenue	99,00,000	1,56,00,000	2,51,00,000
Curriculum, materials & kits supplied	38,00,000	58,00,000	98,00,000
Training & certification	14,00,000	22,00,000	34,00,000
TOTAL REVENUE	2,63,00,000	3,71,00,000	5,27,00,000
Field support, training & audit team salaries	42,00,000	62,00,000	84,00,000

Head-office salaries (finance, legal, marketing, technology, admin)	30,00,000	44,00,000	62,00,000
Cost of materials & kits supplied	26,00,000	40,00,000	66,00,000
Franchise development & selection	34,00,000	40,00,000	44,00,000
Curriculum development & refresh	18,00,000	26,00,000	34,00,000
Field travel & unit visits	14,00,000	20,00,000	28,00,000
Brand marketing (over and above the collected marketing fund)	16,00,000	22,00,000	30,00,000
Legal, compliance, disclosure documentation & disputes	12,00,000	16,00,000	22,00,000
Technology (unit MIS, LMS, audit application)	10,00,000	14,00,000	20,00,000
Office rent & CAM	10,00,000	12,00,000	16,00,000
Bad debt (royalty from struggling units)	8,00,000	12,00,000	18,00,000
Depreciation (reference unit, office, technology)	5,00,000	6,00,000	8,00,000
Finance cost	4,00,000	4,00,000	3,00,000
Total expenses	2,29,00,000	3,18,00,000	4,35,00,000
Net profit before tax	34,00,000	53,00,000	92,00,000
Net margin	12.9%	14.3%	17.5%
AVERAGE CAPITAL EMPLOYED / RETURN ON CAPITAL EMPLOYED	₹2.70cr / 12.6%	₹2.90cr / 18.3%	₹3.20cr / 28.8%
UNITS EVER AWARDED / operating / closed, transferred or not renewed	46 / 34 / 12	64 / 48 / 16	82 / 62 / 20
Prospectus economics based on MEDIAN unit + own reference centre	0%	100%	100%
Units reported against ALL EVER AWARDED (not just operating)	0%	100%	100%
MEDIAN UNIT REACHING PROSPECTUS YEAR-2 REVENUE	41%	52%	63%
TERRITORY-FEE (one-time) SHARE / recurring royalty & services share	43% / 57%	36% / 64%	27% / 73%
SUPPORT SPEND AS % OF ROYALTY COLLECTED / field visits per unit per year	75% / 1.8	66% / 3.1	58% / 4.2
Units awarded above the published density limit	Nil	Nil	Nil
Units audited annually / full staff verification confirmed at audit / RATIO MET AT UNANNOUNCED AUDIT	61% / 48% / 52%	86% / 82% / 78%	100% / 100% / 91%
Units terminated or not renewed on standards (the control working)	1	2	3
Royalty collection rate · renewal at term · revenue per operating unit	88% · 68% · ₹7.7L	92% · 76% · ₹7.7L	96% · 84% · ₹8.5L

12.3 Unit economics & break-even

- Recurring revenue is what makes this business worth owning, and territory fees are what make it look good early. Territory fees fall from 43% of revenue to 27% while royalty and services rise to 73% — and the direction matters more than the level, because a franchisor whose one-time share is rising is growing its network faster than its network is growing.
- Support spend at 58% of royalty is the plan's central cost decision and its central claim. A franchisor spending fifteen per cent would show a materially higher margin for several years — until units began closing, by which time a great many territories would have been sold. The ratio falls from 75% only because a fixed support organisation spreads across more units, not because spend per unit declines.
- Twenty of eighty-two units awarded are no longer trading. That is the figure this industry does not publish, it is a normal outcome rather than a scandal, and a franchisor unwilling to state it is telling a first-time buyer that closures do not happen.
- Bad debt reaches ₹18 lakh — royalty from units that are struggling. It rises with the network and is the honest early indicator of unit health, since a franchisee stops paying royalty some months before he closes.
- Profitable from Year 1, unusually for this library — because a franchisor's costs are largely fixed and its revenue arrives at signature. That is exactly why the discipline matters: this business can look successful for three years while its network deteriorates, and the only figures that would reveal it are the ones nobody is required to publish.

12.4 Projected Cash Flow — Year 1 (quarterly, illustrative)

Particulars (₹)	Q1	Q2	Q3	Q4
Opening balance	34,00,000	32,00,000	34,00,000	38,00,000
Territory fees, royalty, materials & training receipts	56,00,000	62,00,000	68,00,000	72,00,000
Support team, development, materials, marketing, interest & overheads	58,00,000	60,00,000	64,00,000	68,00,000
Closing balance	32,00,000	34,00,000	38,00,000	42,00,000

A franchisor's cash position is deceptively comfortable and that is the trap this plan is built to avoid. Territory fees arrive in a lump at signature, before any obligation has been discharged, and they can fund a head office, a marketing campaign and a comfortable year while the network beneath is not yet earning. A franchisor short of cash can always sign another unit — the fee is immediate, the support obligation is spread over five years, and nobody outside the company can see the trade being made. That is the mechanism by which franchise systems in this country hollow out: not fraud, but a series of individually reasonable decisions to award one more territory than the support organisation can carry. Three disciplines follow. Territory-fee revenue is treated as funding a five-year obligation rather than as earnings of the year it arrives, with the support cost of each new unit recognised at award rather than as it is incurred. Award pace is governed by support capacity — a stated ratio of units per field manager — so that a fee cannot be taken for a unit nobody has time to visit. And royalty collection is tracked as a health indicator rather than as a receivable — a unit that has stopped paying is a unit in trouble, and it is the earliest signal this business gets, arriving months before a closure and long before a dispute.

12.5 Key Performance Indicators to Monitor

- **What the buyer is shown:** median unit economics issued before commitment; units reported against all ever awarded; median unit reaching prospectus Year-2 revenue; reference-unit results published.
- **System versus sale:** territory-fee share against recurring share; units awarded above density limit (must remain nil); award pace against support capacity; adjacent-territory first refusal offered.
- **Investing or harvesting:** support spend as % of royalty, reported to the network; field visits per unit; curriculum refresh cycle adherence; support cost per unit.
- **Safeguarding across the network:** units audited annually and unannounced; full staff verification confirmed; ratio met at unannounced audit; breach notices, remediations and terminations.
- **Network health:** royalty collection rate as an early distress signal; renewal at term; closures with reasons recorded; revenue per operating unit; franchisee referral share of new awards.

13. Funding Requirement & Bankability

Total ask: **₹70 lakh term loan plus a ₹50 lakh working-capital facility** against ₹1.60 crore promoter contribution. Four points. **First, this is an unusual credit: profitable from Year 1, largely fixed-cost, and with revenue that arrives before the obligation is performed — which means the accounts can look strong while the underlying network weakens, and a lender relying on the profit line alone will be looking at the wrong page. Second, the security position is thin — brand and curriculum IP with no independent market, a reference unit in leased premises, and technology — so this is a cash-flow lend against recurring royalty, and royalty is only as durable as the units paying it. Third, the diagnostic questions are the recurring share and the survival rate, not units awarded. A franchisor at 43% one-time revenue and rising is selling territories faster than it is building a network; one at 27% and falling has a base. And units against all ever awarded — sixty-two of eighty-two here — is the figure that distinguishes a system from a sales operation. Fourth, and specific to this business: ask what proportion of royalty is spent on support. Nothing in Indian franchise law requires it to be disclosed and almost no franchisor computes it — but a system spending a small fraction of its royalty on training, curriculum and field visits is consuming the asset the loan is secured against, and it will show first in royalty collection and only much later in the profit line.**

13.1 Funding utilisation

Use of funds	₹	% of total
Brand, curriculum & system development (the licensed IP)	62,00,000	22.1%
Company-operated reference unit	46,00,000	16.4%
Launch & initial operating losses	34,00,000	12.1%
Franchise development team build & disclosure documentation	32,00,000	11.4%
Working capital (royalty & materials receivable)	32,00,000	11.4%
Technology (unit MIS, LMS, audit application)	24,00,000	8.6%
Office fit-out, equipment & deposit	20,00,000	7.1%
Brand marketing & launch	16,00,000	5.7%
Legal: franchise agreement, disclosure pack & trademarks	14,00,000	5.2%

Total	2,80,00,000	100%
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14. Risk Analysis & Mitigation

Risk	Mitigation
The economics shown to the person staking his savings	A PROSPECTUS TYPICALLY PRESENTS AN ILLUSTRATIVE UNIT — A MODEL OF WHAT A WELL-RUN CENTRE COULD ACHIEVE, AT A CAPACITY THE MEDIAN UNIT DOES NOT REACH, IN A TERRITORY CHOSEN TO SUIT THE ILLUSTRATION. IT IS THE COACHING CENTRE'S SELECTION COUNT SOLD TO A BUSINESS BUYER, EXCEPT THAT THE BUYER IS OFTEN MORTGAGING A HOUSE. AND "SIXTY-TWO OPERATING UNITS" IS WHAT THE SETUP CONSULTANT DID WITH FORTY SCHOOLS: COUNTING THE SURVIVORS. NOTHING IN INDIAN LAW REQUIRES OTHERWISE, AND BECAUSE A FRANCHISEE IS A BUSINESS BUYER RATHER THAN A CONSUMER, THE PARTY WITH THE LEAST INFORMATION ALSO HAS THE FEWEST STATUTORY REMEDIES → prospectus economics based on the MEDIAN OPERATING UNIT and on the franchisor's OWN COMPANY-RUN REFERENCE CENTRE (0%→100%); units reported against ALL EVER AWARDED — 82 awarded, 62 operating, 20 closed, transferred or not renewed (0%→100%); median unit reaching prospectus Year-2 revenue published and improved (41%→63%); and the governing rule stated: A FRANCHISOR WHOSE MEDIAN UNIT DOES NOT REACH THE ILLUSTRATION SHOULD CHANGE THE ILLUSTRATION, NOT THE WORDING
Paid first while the franchisee is paid last	THE TERRITORY FEE ARRIVES AT SIGNATURE BEFORE A SINGLE CHILD IS ENROLLED; THE ROYALTY IS CHARGED ON REVENUE FROM THE FIRST MONTH, SO IN A YEAR WHEN THE UNIT LOSES MONEY THE FRANCHISOR IS PAID IN FULL AND THE FRANCHISEE IS NOT PAID AT ALL; AND THE FRANCHISEE'S OWN PROFIT, IF IT COMES, COMES IN YEAR THREE. THE CONSEQUENCE IS THAT A FRANCHISOR CAN BE PROSPERING WHILE ITS NETWORK IS NOT, AND THE TEMPTATION THAT FOLLOWS IS TO KEEP SELLING TERRITORIES — MONETISING THE SALE RATHER THAN THE SYSTEM, WHICH IS HOW FRANCHISE NETWORKS IN THIS COUNTRY MOST COMMONLY FAIL. IT IS NOT FRAUD BUT A SERIES OF INDIVIDUALLY REASONABLE DECISIONS TO AWARD ONE MORE TERRITORY THAN THE SUPPORT ORGANISATION CAN CARRY → territory-fee share driven from 43% to 27% while recurring rises 57%→73%; territory fees TREATED AS FUNDING A FIVE-YEAR OBLIGATION rather than as earnings of the year they arrive, with each new unit's support cost recognised AT AWARD; and award pace GOVERNED BY SUPPORT CAPACITY at a stated units-per-field-manager ratio, SO THAT A FEE CANNOT BE TAKEN FOR A UNIT NOBODY HAS TIME TO VISIT
Investing in the system or harvesting it	THE ROYALTY EXISTS TO FUND TRAINING, CURRICULUM REFRESH, FIELD VISITS, AUDIT AND BRAND — AND A FRANCHISOR CHARGING EIGHT PER CENT OF UNIT REVENUE WHILE SPENDING FIFTEEN PER CENT OF THAT ROYALTY ON SUPPORT IS NOT RUNNING A NETWORK, IT IS COLLECTING RENT ON A TRADEMARK. THE FRANCHISEE CANNOT DETECT THE DIFFERENCE AT SIGNATURE, ONLY LATER, WHEN HIS UNIT IS STRUGGLING AND THE FIELD MANAGER HAS FORTY-FIVE OTHER CENTRES. NOTHING REQUIRES THE RATIO TO BE DISCLOSED AND ALMOST NOBODY COMPUTES IT → support spend as % of royalty REPORTED TO THE NETWORK ANNUALLY (75%→58%, FALLING ONLY BECAUSE A FIXED SUPPORT ORGANISATION SPREADS ACROSS MORE UNITS, NOT BECAUSE SPEND PER UNIT DECLINES — A DISTINCTION STATED EXPLICITLY); field visits per unit 1.8→4.2 ON A FIXED SCHEDULE RATHER THAN ON REQUEST, since A STRUGGLING OPERATOR IS THE LEAST LIKELY TO ASK FOR HELP AND THE MOST IN NEED OF IT ; curriculum refreshed on a published cycle SO THE SYSTEM A FRANCHISEE BOUGHT DOES NOT AGE UNDER HIM WHILE HE PAYS A ROYALTY FOR IT; and the trade-off named — THIS FRANCHISOR EARNS 17.5% AT THAT LEVEL OF INVESTMENT, AND ONE SPENDING FIFTEEN PER CENT WOULD EARN CONSIDERABLY MORE FOR SEVERAL YEARS UNTIL ITS UNITS BEGAN CLOSING

Territory encroachment — the commonest dispute, and the easiest to rationalise	AN EXISTING FRANCHISEE HAS BUILT A CATCHMENT OVER THREE YEARS; A NEW CANDIDATE OFFERS A FEE FOR A LOCATION FOUR KILOMETRES AWAY THAT WILL TAKE PERHAPS A FIFTH OF IT. THE FRANCHISOR'S ARITHMETIC — A NEW FEE PLUS ROYALTY FROM A SECOND UNIT AGAINST SOME ROYALTY LOST FROM THE FIRST — COMES OUT POSITIVE ALMOST EVERY TIME. THE FRANCHISEE'S DOES NOT, AND HE IS THE ONE WHO SIGNED A TERM EXPECTING PROTECTION. A FRANCHISOR WHO AWARDS THAT UNIT HAS TOLD ITS WHOLE NETWORK WHAT ITS TERRITORIAL COMMITMENT IS WORTH, AND THE INFORMATION TRAVELS FASTER THAN ANY SUPPORT PROGRAMME → a PUBLISHED density limit expressed in CATCHMENT terms rather than kilometres, SINCE A MAIN ROAD MATTERS MORE THAN A DISTANCE; a standing prohibition on awarding a unit that would take more than a stated share of an existing catchment, APPLIED EVEN WHERE THE EXISTING OPERATOR IS UNDERPERFORMING, BECAUSE A STRUGGLING FRANCHISEE IS PRECISELY THE ONE WHO CANNOT ABSORB IT; and the existing franchisee consulted and offered FIRST REFUSAL on adjacent territory. Nil breaches in every year — WHICH COSTS AWARD REVENUE AND IS THE REASON THE NETWORK'S UNITS ARE WORTH BUYING INTO
The brand carries a child-safety risk it cannot control	THE OPERATING UNIT EMPLOYS THE STAFF, OCCUPIES THE PREMISES AND CARRIES THE POC SO, JJ AND STATE CHILDCARE OBLIGATIONS. THE FRANCHISOR EMPLOYS NOBODY IN THAT BUILDING, CANNOT DIRECT ITS DAILY OPERATION, AND MAY VISIT FOUR TIMES A YEAR. BUT IF A CHILD IS HARMED, THE NAME ON THE SIGNBOARD IS THE FRANCHISOR'S — PARENTS WILL NOT DISTINGUISH IT FROM THE FRANCHISEE, MEDIA WILL NOT, AND EVERY OTHER UNIT IN THE NETWORK WILL LOSE ENROLMENT FOR SOMETHING NONE OF THEM DID → standards written as CONTRACTUAL OBLIGATIONS WITH AUDIT AND TERMINATION RIGHTS rather than as guidance, so a verification or ratio failure is A BREACH AND NOT A DISAGREEMENT; UNANNOUNCED audits on the things that matter — every adult verified, the ratio held AT THE AFTERNOON TROUGH as the preschool plan established, premises and fire compliance current — BECAUSE AN ANNOUNCED AUDIT MEASURES PREPARATION (audits 61%→100%; verification 48%→100%; ratio at unannounced audit 52%→91%); and TERMINATION ACTUALLY USED — ONE UNIT IN YEAR 1, THREE BY YEAR 3, REPORTED OPENLY TO THE NETWORK — SINCE A STANDARD THAT HAS NEVER BEEN ENFORCED IS A STANDARD EVERY OPERATOR KNOWS IS OPTIONAL, AND A FRANCHISOR THAT HAS NEVER TERMINATED A UNIT HAS AN AUDIT FUNCTION THAT DOES NOTHING
The operator is the business and the territory is a map reference	THERE ARE ALWAYS MORE CATCHMENTS THAN GOOD OPERATORS. A PRESCHOOL FRANCHISE IS BOUGHT BY A FIRST-TIME ENTREPRENEUR WHO HAS NEVER RUN A BUSINESS AND WHOSE UNIT WILL SUCCEED OR FAIL LARGELY ON WHETHER SHE IS IN THE BUILDING AT EIGHT IN THE MORNING — AND THE FRANCHISOR'S OWN INCENTIVE POINTS THE WRONG WAY, BECAUSE A TERRITORY FEE IS COLLECTED AT SIGNATURE FROM A POOR OPERATOR EXACTLY AS READILY AS FROM A GOOD ONE → selection treated as THE PRIMARY GROWTH ACTIVITY rather than a formality after the cheque, assessing personal involvement, working capital BEYOND the fee, and realistic expectations of the first two years; candidates shown the median unit and the closures BEFORE signing, WHICH LOSES SOME OF THEM AND LOSES THE RIGHT ONES; discovery days held at the company reference unit so a candidate SEES A WORKING CENTRE RATHER THAN A PRESENTATION; and award pace set by THE NUMBER OF SUITABLE OPERATORS FOUND RATHER THAN BY A TARGET — WHICH IS WHY THIS PLAN AWARDS EIGHTEEN UNITS A YEAR RATHER THAN THIRTY

Honest disclosure loses the sale, every time	A CANDIDATE COMPARING TWO OFFERS SEES ONE SHOWING A MODEL UNIT BREAKING EVEN IN MONTH EIGHT AT 78% CAPACITY, AND ONE SHOWING A MEDIAN UNIT THAT BROKE EVEN IN MONTH NINETEEN WITH TWENTY OF EIGHTY-TWO UNITS HAVING CLOSED. THE FIRST IS A BUSINESS HE WANTS TO BE IN; THE SECOND IS A WARNING. HE IS A FIRST-TIME BUYER WITH NO WAY TO TEST EITHER SET OF NUMBERS, AND THE OPTIMISTIC ONE IS DELIVERED BY SOMEBODY WHOSE JOB IS TO MAKE IT PERSUASIVE → three things make the position workable rather than merely principled: THE CANDIDATES IT ATTRACTS ARE BETTER, SINCE AN OPERATOR WHO READS TWENTY CLOSURES AND STILL SIGNS HAS UNDERSTOOD THE RISK, HAS CAPITAL BEYOND THE FEE, AND WILL NOT BLAME THE FRANCHISOR IN MONTH FOURTEEN — AND UNIT SURVIVAL IS THE FRANCHISOR'S OWN ECONOMICS, NOT A COURTESY; existing franchisees become the channel, BECAUSE A NETWORK WHOSE OPERATORS TELL PROSPECTIVE BUYERS THE TRUTH CONVERTS MORE RELIABLY THAN ANY BROCHURE AND CANNOT BE REPLICATED BY A COMPETITOR WHOSE UNITS ARE UNHAPPY; and the disclosure acts as a filter on the franchisor itself, since A SYSTEM THAT CANNOT BEAR TO PUBLISH ITS MEDIAN UNIT HAS LEARNED SOMETHING ABOUT THAT UNIT WHICH IT IS CHOOSING NOT TO ACT ON
Comfortable cash, tie-in exposure & the early warning	A FRANCHISOR'S CASH POSITION IS DECEPTIVELY COMFORTABLE: TERRITORY FEES ARRIVE IN A LUMP BEFORE ANY OBLIGATION IS DISCHARGED AND CAN FUND A HEAD OFFICE AND A COMFORTABLE YEAR WHILE THE NETWORK BENEATH IS NOT YET EARNING — AND A FRANCHISOR SHORT OF CASH CAN ALWAYS SIGN ANOTHER UNIT, SINCE THE FEE IS IMMEDIATE, THE SUPPORT OBLIGATION IS SPREAD OVER FIVE YEARS, AND NOBODY OUTSIDE THE COMPANY CAN SEE THE TRADE BEING MADE. THIS BUSINESS CAN LOOK SUCCESSFUL FOR THREE YEARS WHILE ITS NETWORK DETERIORATES, AND THE ONLY FIGURES THAT WOULD REVEAL IT ARE THE ONES NOBODY IS REQUIRED TO PUBLISH → ROYALTY COLLECTION TRACKED AS A HEALTH INDICATOR RATHER THAN A RECEIVABLE, BECAUSE A UNIT THAT HAS STOPPED PAYING IS A UNIT IN TROUBLE — THE EARLIEST SIGNAL THIS BUSINESS GETS, ARRIVING MONTHS BEFORE A CLOSURE AND LONG BEFORE A DISPUTE (collection 88%→96%; bad debt ₹8L→₹18L reported as an early distress measure). Plus: COMPETITION ACT SCRUTINY ON TIE-IN ARRANGEMENTS, SO A MANDATE TO BUY MATERIALS FROM THE FRANCHISOR MUST REST ON GENUINE, EVIDENCED QUALITY OR SAFETY GROUNDS RATHER THAN ON MARGIN; trademark registered and actively enforced since an unenforced mark weakens with every unauthorised use; GST on fees, royalty and materials with TDS on royalty; and FEMA where a master franchise crosses a border

15. SWOT Analysis

Strengths Median unit economics published alongside a company-run reference centre, in an industry that publishes illustrations; units reported against all ever awarded; a density limit enforced against the franchisor's own sales target; support spend disclosed as a share of royalty; unannounced child-safety audits with termination actually used; selection paced by suitable operators rather than by a target.	Weaknesses Honest disclosure loses the sale to a better projection, to the buyer least able to judge; a deceptively comfortable cash position that can mask network decline for three years; brand and curriculum IP with no independent market value; a support cost that must be carried before a new unit earns; dependence on operators the franchisor cannot supervise daily; twenty closures in eighty-two awards to explain to every candidate.
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Opportunities First-time entrepreneurs seeking a proven model at a low capital threshold; tier-2 and tier-3 catchments where branded provision is thin and local operators lack curriculum capability; parental preference for a recognised name in early years; existing franchisees as the most credible acquisition channel; curriculum and training as value an independent operator cannot economically build.	Threats Competitors offering a lower fee and a more attractive projection with no obligation to substantiate either; a child-safety incident in a unit the franchisor does not staff; franchisees completing a term and continuing independently under their own name; territory disputes and litigation; tie-in scrutiny on mandated material supply; a network that hollows out quietly while the profit line looks healthy.
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16. Recommended AiSevak Tools for This Business

This franchisor would use AiSevak's Schools vertical tools in operations:

- **What the buyer is shown:** median unit-economics generator from live network data, reference-unit performance publication, ever-awarded versus operating unit register with closure reasons, prospectus-versus-actual variance tracking.
- **System versus sale:** territory density-limit checker in catchment terms with adjacent-franchisee first-refusal workflow, award-pace governor against support capacity, one-time versus recurring revenue split.
- **Investing or harvesting:** support-spend-as-percentage-of-royalty computation reported to the network, field-visit scheduler with per-unit tracking, curriculum refresh cycle monitor.
- **Safeguarding across the network:** unannounced audit app covering staff verification, afternoon-trough ratio, premises and fire compliance; breach-notice and remediation workflow; termination register.
- **Network health:** royalty collection as an early distress signal, renewal-at-term tracking, revenue per operating unit, franchisee referral attribution, dispute log.

17. Key Assumptions & Notes

- Education franchise business: franchisor awarding territories for a preschool and children's activity brand, supplying curriculum, training, materials, brand and field support to independently owned units for a one-time territory fee plus a royalty on unit revenue. **Ninth plan in the schools vertical; the FRANCHISOR sub-model — this plan models the franchisor, not the franchisee.**
- **⚠ CONVENTIONS SET HERE: (a) □ THE ECONOMICS SHOWN TO THE BUYER ARE THE INTEGRITY QUESTION — an illustrative unit at a capacity the median does not reach is the coaching selection count sold to someone mortgaging a house, and "sixty-two operating units" is the setup consultant's forty schools. PUBLISH THE MEDIAN UNIT AND THE FRANCHISOR'S OWN REFERENCE CENTRE, AND REPORT UNITS AGAINST ALL EVER AWARDED. A FRANCHISOR WHOSE MEDIAN UNIT DOES NOT REACH THE ILLUSTRATION SHOULD CHANGE THE ILLUSTRATION, NOT THE WORDING. (b) THE FRANCHISOR IS PAID FIRST AND THE FRANCHISEE LAST — royalty on revenue means the franchisor is paid in full in the franchisee's loss years, so A FRANCHISOR CAN BE PROSPERING WHILE ITS NETWORK IS NOT, and the failure mode is NOT FRAUD BUT A SERIES OF INDIVIDUALLY REASONABLE DECISIONS TO AWARD ONE MORE TERRITORY THAN THE SUPPORT ORGANISATION CAN CARRY. (c) SUPPORT SPEND AS A SHARE OF ROYALTY IS THE ONE RATIO THAT SEPARATES INVESTING FROM HARVESTING — disclose it, and note that it falls with scale because fixed support spreads, not because spend per unit drops. (d) TERRITORY ENCROACHMENT IS THE COMMONEST DISPUTE AND THE EASIEST TO RATIONALISE — a published density limit in CATCHMENT terms, applied EVEN WHERE THE EXISTING OPERATOR IS UNDERPERFORMING, because a struggling**

franchisee is precisely the one who cannot absorb it. (e) **THE BRAND CARRIES A CHILD-SAFETY RISK IT CANNOT CONTROL** — standards contractual with audit and termination rights, **UNANNOUNCED** audits because an announced audit measures preparation, and **TERMINATION ACTUALLY USED**, since **A FRANCHISOR THAT HAS NEVER TERMINATED A UNIT HAS AN AUDIT FUNCTION THAT DOES NOTHING**. (f) **THE OPERATOR IS THE BUSINESS AND THE TERRITORY IS A MAP REFERENCE** — selection is the primary growth activity, and award pace follows suitable operators found rather than a target. (g) **INDIA HAS NO FRANCHISE DISCLOSURE STATUTE AND A FRANCHISEE IS A BUSINESS BUYER OUTSIDE CONSUMER-PROTECTION REMEDIES** — **THE PARTY WITH THE LEAST INFORMATION HAS THE FEWEST REMEDIES, WHICH IS EXACTLY WHY VOLUNTARY DISCLOSURE MEANS SOMETHING**.

- Economics & cash — **PROFITABLE FROM YEAR 1, UNUSUALLY FOR THIS LIBRARY, BECAUSE A FRANCHISOR'S COSTS ARE LARGELY FIXED AND ITS REVENUE ARRIVES AT SIGNATURE** — **WHICH IS EXACTLY WHY THE DISCIPLINE MATTERS: THIS BUSINESS CAN LOOK SUCCESSFUL FOR THREE YEARS WHILE ITS NETWORK DETERIORATES, AND THE ONLY FIGURES THAT WOULD REVEAL IT ARE THE ONES NOBODY IS REQUIRED TO PUBLISH** (Y1 ₹34L → Y3 ₹92L; revenue ₹2.63cr→₹5.27cr; units operating 34→62 of 82 EVER AWARDED with 20 closed, transferred or not renewed; territory-fee share 43%→27% and recurring 57%→73%; support spend 75%→58% of royalty with field visits 1.8→4.2 per unit; median unit reaching prospectus Year-2 revenue 41%→63%; ROCE 12.6%→28.8%; **BAD DEBT ₹8L→₹18L REPORTED AS AN EARLY DISTRESS MEASURE, SINCE A FRANCHISEE STOPS PAYING ROYALTY SOME MONTHS BEFORE HE CLOSSES**; territory fees TREATED AS FUNDING A FIVE-YEAR OBLIGATION rather than as earnings of the year they arrive). Regulatory (section 9): **NO DEDICATED FRANCHISE DISCLOSURE STATUTE IN INDIA** — **NO STANDARDISED DOCUMENT, NO MANDATED PERFORMANCE REPRESENTATION, NO COOLING-OFF PERIOD** — **AND THE FRANCHISEE, AS A BUSINESS BUYER, IS LARGELY OUTSIDE CONSUMER-PROTECTION REMEDIES**; trademark registration and enforcement; **COMPETITION ACT ON EXCLUSIVE TERRITORIES AND TIE-IN ARRANGEMENTS, WHERE A MATERIALS MANDATE MUST REST ON EVIDENCED QUALITY OR SAFETY GROUNDS RATHER THAN MARGIN; THE SAFEGUARDING ASYMMETRY** — **POCSO, JJ AND STATE CHILDCARE OBLIGATIONS FALL ON THE OPERATING UNIT WHILE THE BRAND CONSEQUENCE FALLS ON THE FRANCHISOR**; GST on fees, royalty and materials with TDS on royalty; FEMA on cross-border master franchise. Lender note (section 13): **AN UNUSUAL CREDIT** — **PROFITABLE FROM YEAR 1 WITH REVENUE ARRIVING BEFORE THE OBLIGATION IS PERFORMED, SO THE ACCOUNTS CAN LOOK STRONG WHILE THE NETWORK WEAKENS AND A LENDER RELYING ON THE PROFIT LINE ALONE IS LOOKING AT THE WRONG PAGE**; security thin (IP with no independent market, a leased reference unit, technology); **THE DIAGNOSTICS ARE THE RECURRING SHARE AND THE SURVIVAL RATE, NOT UNITS AWARDED** — **62 OF 82 EVER AWARDED IS THE FIGURE THAT DISTINGUISHES A SYSTEM FROM A SALES OPERATION**; and **ASK WHAT PROPORTION OF ROYALTY IS SPENT ON SUPPORT, BECAUSE NOTHING REQUIRES ITS DISCLOSURE AND ALMOST NO FRANCHISOR COMPUTES IT** — **BUT A SYSTEM SPENDING A SMALL FRACTION ON TRAINING, CURRICULUM AND FIELD VISITS IS CONSUMING THE ASSET THE LOAN IS SECURED AGAINST, AND IT WILL SHOW FIRST IN ROYALTY COLLECTION AND ONLY MUCH LATER IN THE PROFIT LINE**. ₹2.80cr; units 34→62 operating; revenue ₹2.63→5.27cr; 35→62 staff; recurring share 57%→73%; ROCE 12.6%→28.8%. Figures illustrative, exclude GST.

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