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mbasaka – A web 2.0 initiative in the Indian Higher Education

Sector

by

Sunny Gaurav Bharel

2009

A Management project presented in part consideration for the degree of
MBA.

Executive Summary

mbasaka is a unique Web 2.0 initiative that aims to tackle the problem of quality higher education in India (especially for the MBA) by aiding learning amongst students through its array of subscription and ad-revenue based online streaming lecture videos by professional lecturers and professors.

The growing need for quality education in India, the lack of government infrastructure and the easy reach of the internet have created the perfect environment for mbasaka to be born.

mbasaka will require a total investment of Rs. 8816000. Rs 2500000 will be made available by the Owner and Director at mbasaka leaving a sum of Rs 6316000 for investment for a period of 4 years by the Venture Capitalist. Financial forecast predicts a break-even in Year 3. mbasaka is prepared to give away 25% stake of its business for this investment. Two exit options are provided to the Investor at the end of this period. However, the company does not aim to go public in the near future.

The organization is headquartered in Himachal Pradesh, which guarantees tax free holiday for 5 years. This results in substantial savings for the firm.

The cost of Operation will be Rs. 2204000 on an average across the 4 years and at the end of it the net profit obtained will be Rs 9204000.

The firm's key criteria are to bond with the customer, to synonymise itself with quality in the field of education and to bridge the gap between the consumer and the supplier.

Contents

Executive Summary	2
1. Business concept.....	8
a. Summary of Business	8
b. History behind the Business Idea.....	8
c. Proposed Investment	9
d. Contact Details.....	10
e. Definitions.....	10
2. The Company	11
a. Organization.....	11
b. Management Team.....	13
3. Service Overview	15
a. Service Details	15
b. Service Protection	16
c. Technology Used	18
d. Any R&D Spend and Outsourcing	18
4. Market Environments	20
a. Competitors and Market Share	20
b. Size and Growth.....	21
c. History and Prospects	22
d. Domestic and International	23

5.	Operations.....	25
a.	Equipment or Content	25
b.	Suppliers and Vendors	25
6.	Business Strategy and Development Plans.....	26
a.	Measurable Objectives.....	26
b.	Overall Business Strategy	26
c.	Marketing Plan and Proposals	29
d.	Pricing Policy.....	30
7.	Investment Proposal	32
a.	Amount and Percentage of Ownership	32
b.	Growth Prospects	32
c.	Valuation and Returns.....	34
d.	Potential Exit routes for Investors.....	38
8.	Financial planning	39
a.	Expected Capital Expenditure.....	39
9.	Objectives and Milestones.....	41
10.	Risks and Rewards	42
11.	Summary	45
12.	Appendix A.....	48
13.	Bibliography	49

List of Figures and Tables

Serial Number	Figure/Table Number	Figure/Table Name	Page No.
1.	Fig(i)	Size and Distribution of Online Streaming Video Market	20
2.	Fig (ii)	Net Profit Chart	35
3.	Fig (iii)	Website Revenue Chart	35
4.	Fig(iv)	Ad Revenue Chart	36
5.	Fig(v)	Revenue and Cost Curve Chart	40
6.	Table (i)	Snapshot of Financial Forecast	34
7.	Table(ii)	Key Valuation Figures	37
8.	Table(iii)	Detailed Financial Forecast	39

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I am deeply appreciative of the enormous support, strength and understanding rendered to be by my parents -- Mr. S.K. Bharel and Mrs. Vijay Bharel, the encouragement rendered to me by my wife and business partner – Mrs. Kaur, and the due help and cooperation from my parents-in-law, friends and social circle.

This report is dedicated to all these special people in my life.

1. Business concept

a. Summary of Business

mbasaka ('saka' is the Turkish equivalent of 'fun' in the English language) is a web 2.0 creation that aims to help MBA students especially in the Indian subcontinent to add to their learning experience. mbasaka hosts multitude of video lectures, transcripts, references and sample reports for various modules taught on a typical MBA course and makes learning fun.

These lectures are not the property of any institution or Business School rather they are delivered by professionals working for mbasaka.

Students access the website and on payment of a small fee, they gain access to the video lectures via a username and password combination issued to them. They are then free to access these lectures anytime and any number of times during the length of their subscription.

b. History behind the Business Idea

The Indian education sector is poised for growth and the government in its upcoming 5 year plan has made it the key focus of its efforts to reform, repair and grow the education sector. Almost 50% of the investment in the higher education scenario in India is private. With the Indian government spending 10.7% of its earnings on education

and 19% of this amount being spent on higher education alone, it indicates the level of commitment and serious effort that the government has put into the education sector. The demand for education has also elevated due to the fact that many multi-national corporations have set up base in India. Bangalore has been put on the world map as the next 'Silicon Valley' and the need for trained and well learned professionals is required to be fulfilled by Indian Universities and education system.

Thus, with such great demand, the supply is bound to increase. Therefore any investment in the education sector at this particular point in time will result in excellent growth possibilities. It is these changing times in the marketplaces that see massive growth potentials for firms with a vision and appropriate strategy.

c. Proposed Investment

Mbasaka requires a total investment of Rs. 8816000. The Director and Owner will arrange a sum of Rs. 2500000. mbasaka proposes the Venture capitalist invest Rs 6316000 over a period of 4 years. This investment may be made in full or in part over a period of time not exceeding four years.

d. Contact Details

Corporate and Registered Regional Office:

MBASAKA

115- Industrial Avenue, Baddi

Himachal Pradesh, India

Tel: 0091 (0) 9811 369 636

web: www.mbasaka.com

e. Definitions

ISP= Internet Service Provider

2. The Company

a. Organization

mbasaka is headquartered in Himachal Pradesh in India. The reason being that the state government is currently welcoming industry to be set up in this region (especially Baddi) and is providing lucrative incentives such as tax holidays or exemptions varying with type and size of industry. No Income Tax for 5 years, 30% rebate for another 5 years thereafter and No Sales Tax on IT Products.

The organization firmly believes in quality since the primary driver for its existence is the fact that the website aims to aid MBA students and help them learn better. Mbasaka recognizes that its potential customers will be students already registered at a business school. However, the key factor for their visits to mbasaka will be the quality lectures and material provided at the website that is superior in nature and easy to understand and access.

The organization is web-centric. All or most of the business conducted at mbasaka will be driven via online transactions. Clients or students will log onto the website and download information in various media formats such as text, video or even audio. Therefore the mode of exchange between the client and the firm will be web-based. This provides the organisation with some key benefits as follows:

- mbasaka will be able to reach a high amount of people across the geographical spread of India (and even abroad)
- The level of infrastructural investment required for such a deep reach into various geographic regions will be miniscule as compared to real life infrastructure.
- mbasaka will not be delimited by resources such as the availability of good lecturers in any particular region for it to offer its services locally. On the other hand, the website will enable mbasaka to make available lectures from key people in the industry for its entire client base.
- Due to the nature of this exchange (electronic) the lectures may be viewed / read time and again at any point in time by students as per their convenience.
- Due to the fact that mbasaka is an online business, the time it takes mbasaka to reach its intended consumer base will be extremely short as compared to if mbasaka had to individually set up small offices in regions all over India to interact with clients physically or in person.
- Management issues will be far less to manage due to the fact that mbasaka will be centralized instead of having numerous branches all over and hierarchies of management. Also, there will be far less people to manage resulting in quick and efficient managerial decision making as well as decision implementation.

- With a lot less people on the payroll, mbasaka will do away with the overheads of having to pay salaries to the high number of employees.

b. Management Team

mbasaka, since it is a start-up has a small management team to begin with, though, these numbers will grow with time.

The management is headed by Sunny Bharel, CEO and Owner of mbasaka. Mr. Bharel is responsible for all major decisions of the firm strategic, marketing, financial or otherwise at a higher level.

Dr. Kaur is appointed the Director at mbasaka. She is a former lecturer at University in Delhi and is instrumental towards instigating and following up the changes in the organization apart from general administration and reports to the CEO. Dr. Kaur also features on the video lectures on mbasaka.com.

The staff roles are so chosen due to the following reasoning:

- Dr. Kaur, due to her extensive experience in educational field, teaching and training of students has developed her capability to serve in a role that is best suited to her past experience. The same is true for Mr. Bharel who is an MBA with a technical background.

- The theory of Resource Based View as well as the inference from the adjoining research report to this business proposal also concludes that it's best for a firm to realize and identify its key resources and build its capabilities based on these resources.

The CEO and the Director are the only two permanent staff at this point in time. The reason is simple: We do not intend to take mbasaka public. Also, we do not intend to have too many cooks in the management. This will result in loss of the entrepreneurial decision making freedom of the founders. More people in the management will result in increased arguments, divided opinions and slow response of mbasaka to market trends and changing environmental and external influences. Mbasaka would like to remain a company that is dynamic in its capabilities and able to quickly adapt and respond to the market stimuli in its best interest and take advantage of any new windows of opportunity that may open up.

The rest of the professional staff who feature on the video lectures for various subjects on the MBA is guest. They are booked for their time as and when deemed necessary.

There is also the web-hosting and website-maintenance aspect to the business which has been outsourced to an appropriate and reliable partner.

3. Service Overview

a. Service Details

mbasaka provides its users with the facility to log into the mbasaka website and gain access to MBA video lectures for various modules ranging from finance and economics to business English and motivational lectures. It also provides transcripts, references and sample reports and possible questions for exams wherever possible.

These services may be availed by logging into the website by a username and password combination. Each subscriber will be provided with his own login details and a subscription that is time based.

These subscriptions will be initially charged at a small fee. However, the aim is to turn the website into a free-for-use information portal for students and earn revenue through advertisement channels. The aim in the long run is for mbasaka not to tax the students or the clients, but to tax the people who stand to derive some level of profit from this connection point of two parties – the website mbasaka, where the students log in to access information and the firm (mbasaka) provides knowledge. If a third party acknowledges that it stands to gain by advertising its services at this junction, and then the third party is liable to pay a fee for this benefit.

One of the key aspects of such an arrangement is that it speaks volumes about the popularity and credibility of an online website and provides feedback in real time. If the website is doing well, one will know by the

amount of advertisers signing up to put their advertisements on the website. Conversely, if the business is not doing too well, the advertisements will go down.

Also, it is easier to toy with the amount and rate of advertisements on a frequent basis depending upon the increasing or decreasing popularity of the website than to change the subscription fee for the website (this is akin to product firms that offer discounts or freebies on their products for a promotional period but seldom alter the pricing to reflect the same effect).

In the future mbasaka will offer services to cater to the learning needs of primary and secondary level education through sister concerns or other websites owned under the mbasaka corporate umbrella.

These websites will offer services akin to mbasaka but will be aimed at school level education.

b. Service Protection

Service protection is provided to both parties. The customer (student) benefits from the services of the website. Due to the nature of the service, disruption may be caused by technical unavailability of the servers at the ISP or the Web Host. To tackle such situations, the web-host has been asked to mirror the mbasaka website across various servers to minimize chances of service disruption. Also, the web-host has been chosen based on his past track record of servicing other clients.

The lecturers or professors who feature on the instructional videos are protected in the sense that they are working independently and these videos are shot at locations other than the respective universities they teach at. Therefore, the Universities do not own rights to the videos. Mbasaka is the sole owner and proprietor to these instructional/learning videos.

Furthermore, mbasaka asks the lecturers to write and sign a declaration that the video is the intellectual property of mbasaka and that it does not infringe the copyrights of any other institutional or single body. These videos are also not allowed to be used or distributed to another party by the lecturer since they are solely meant for use on mbasaka website.

Another going concern is that of piracy. Students or customers visiting mbasaka may be able to download these videos using software commonly and freely available today known as 'flv downloader'. This is the same software that is currently being marketed to announce that it can save YouTube videos to hard drives. Once saved, these videos can be played back using free software known as 'flv player'.

Although this situation is protected by means of copyrights, no particular step can be taken to alleviate the condition wherein a user to the website might download and freely distribute the videos online or using Peer to Peer network services. Unfortunately, this is a battle that the film and music industry is continually fighting and this would require intervention from the government regulatory bodies along with ISP support to prevent such incidents.

In UK, with the help of the government, a law has been passed that can be used to block internet access for a person if he or she is found to download music obtained illegally over the internet.

With time, such law might come to prevail in India as well but until then this evil needs to be dealt with.

c. Technology Used

mbasaka is a website based on the web 2.0 platform and uses the latest online technology to deliver its content to its intended audience. Its primary feature is the online streaming instructional videos or lectures. In computer parlance, this is a dynamic web-portal that is vertically aligned to cater to MBA academic material for students.

d. Any R&D Spend and Outsourcing

The mbasaka website and concept is based on similar technology to that of YouTube and other popular streaming media websites such as metacafe. R&D spend therefore, has been minimal.

Furthermore, the website development, maintenance and hosting has been outsourced to a vendor since they cater to such requests on a day-to-day basis and have the expertise to handle the technical aspects of the website.

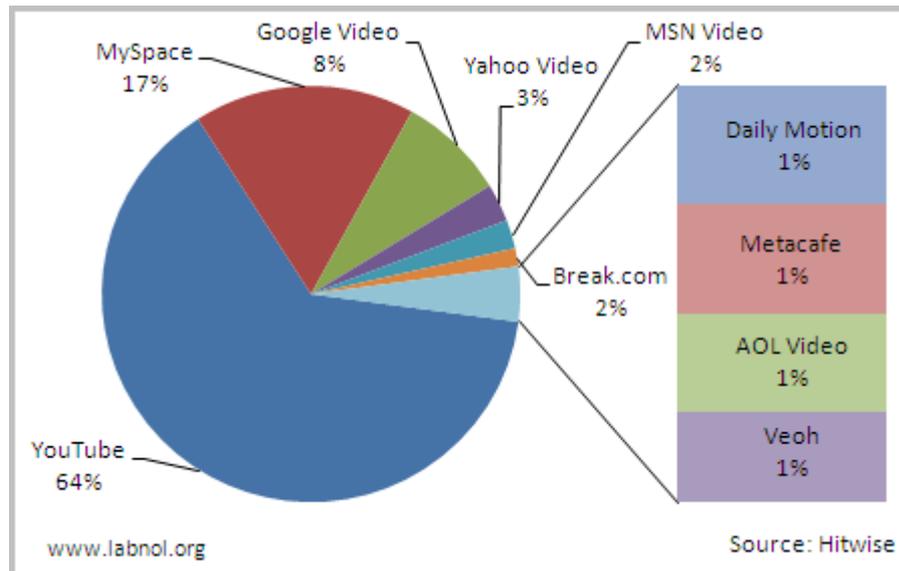
This decision primarily reflects the outsourcing nature of mbasaka. It is very important to identify the key business one is in and then to focus on the key business.

mbasaka provides information and knowledge to students to aid them in learning. The website is simply a means of communication. The quality and quantity of the content is really what matters and that is what mbasaka will have a direct and strong control over. However, the website is simply a delivery vehicle. As long as the website is clear, coherent, easy and fast to load, easily understandable and serves requests without failure, the purpose of the website is accomplished.

4. Market Environments

a. Competitors and Market Share

The size of the market and the number of players is best depicted by fig(i):



(Digital Inspiration, 2007)

Fig(i)

Size and Distribution of Online Streaming Video Market

As is depicted in the diagram above, the market for Web 2.0 websites offering streaming video services (including youtube.com/edu which is a division of YouTube offering education and university related videos, seminar footage etc. from American Colleges) are about a handful in number.

The biggest share by far is occupied by YouTube at 64% of the total pie. However, there is no such service offering educational MBA lecture videos especially in the Indian market and hence a direct comparison is not possible.

The closest comparison may be made with [youtube.com/edu](https://www.youtube.com/edu). However, it offers videos only from the American subcontinent and most videos are inspirational speeches, talks and disjoint lectures rather than sets of complete lectures across a range of modules, as mbasaka intends to sell.

b. Size and Growth

The Indian education sector is growing and has the potential for a sustained and aggressive growth.

“The number of students and the demand for more educational institutions are increasing” (Raju, 2006).

“India is predominantly a higher education market, approximately 70 per cent postgraduate, 30 per cent undergraduate”(British Council, 2008).

“The increasing demand in the higher education sector along with growing enrolment rates, government is not able to provide sufficient infrastructure and make investments in the education especially, higher education sector. This gap is presently filled by the private providers in the country” (Raju, 2006).

Therefore, I see a gap in the level of quality higher-level education (specifically MBA level) that is provided in India at present.

To realize the potential of this opportunity mbasaka will use the wide spread tentacles of the Internet to supplement learning in the country.

India currently has a user base of 45 million Internet users. (IAMAI, 2008)

c. History and Prospects

Traditionally, education has been given high importance in India. Typically, parents are expected and usually do pay for the child's education right through schooling to higher education. The Indian mindset has been to get the right and best education for one's child and higher education is eyed upon as a natural extension to primary schooling and not as an option to be considered post schooling. Education is also a symbolic reference to the status symbol of a family or individual in the society and hence, Indians usually consider spending on education as an investment and do not approach it with a financially conservative mindset.

The prospects of higher education have been discussed in the 'Size and Growth' section above and are indicative of the boom in the current Indian Higher Education market where new private players are entering the scene almost every other day. One must take into account India's growing population and the need for skilled jobs, which gives rise to the need for good education.

In the last 5-8 years there has been a growing trend for almost anyone (engineer or a humanity stream graduate) to acquire a MBA degree to increase job prospects manifold.

To examine the prospects of the business in greater detail, the idea of mbasaka had been introduced to a local Business School in Delhi, India and

their students responded to a very short and basic questionnaire consisting of two key questions. One asked whether they were interested in a service such as one offered by mbasaka and the other asked whether and how much they were willing to pay for it.

The results were optimistic. However, the study is at a very small scale of 80 students and we do recognize that they are all local to one business school.

d. Domestic and International

As already discussed, the government has been lacking on infrastructure to provide more seats to students for higher education, only the top performing students in selection exams are able to gain admission to government colleges. For the others there have been predominantly two choices to brighten their career.

One is to head abroad to UK, USA, Australia or another country of choice to gain quality education. However, not everyone is able to afford the fee structure and living expenses that are applicable in this context. Therefore the result is that only students who are able to afford such elaborate and extravagant expenses, in other words students hailing from upper class of the society were able to benefit from such education and the rest of the masses were clearly devoid of this choice.

Another trivial aspect was that students who did go abroad to study seldom returned back to their homeland resulting in brain drain for the country.

The other option for those lesser bestowed monetarily has been to rely on the few yet rapidly growing number of private institutes and colleges in the country. However, these private colleges were initially plagued with problems such as lack of quality teaching as well as lack of proper accreditation.

Increasingly, the government has tightened its control over these private institutes and the growing competition amongst private colleges is beginning to see better quality education being provided. However, as compared to the institutes and colleges owned by the government, it still leaves a lot of ground to be covered.

It is quite interesting to note that markets such as the US have online universities and online teaching aids and intranets that the students can avail for the purpose of learning. Sadly, such a concept is missing in India.

The prevalent approach and mentality of Indians is to shun online courses and Distance Learning of any kind. Therefore, mbasaka has been wise in effect that mbasaka does not aim at offering an MBA degree online...it simply aims to help students already registered at a regular university by providing them online access to educational material that is of high quality, thereby diminishing the effect on a student of having to opt for a lower ranked University or college when he/she is unable to score a place in the top institutions of the country (which are very limited in number).

5. Operations

a. Equipment or Content

The content is in the form of digitized lectures in video format that are uploaded to the servers with our website and web hosting partner.

The other forms of equipment used is the online website mbasaka.com which features all the lectures, transcripts, relevant references, sample papers and reports to help students.

b. Suppliers and Vendors

Ev1Servers (www.ev1servers.net) is identified as our vendor and partner for website design and web hosting service for mbasaka.co.in. This partner is chosen due to its service reliability, cost and option of providing us with the type of bandwidth required for the purpose of a web 2.0 streaming media website.

Other insignificant suppliers include the telephone service company- Airtel that provides telephonic ability at our regional head office in Himachal Pradesh providing us with corporate plans.

Electricity is provided directly by the state government of Himachal Pradesh.

6. Business Strategy and Development Plans

a. Measurable Objectives

Following are a few objectives that may be used to monitor the progress of the project.

- i. Before the end of Year one, we should see at least 400-500 users as permanent subscribers to the website.
- ii. There must be at least 300-360 ad offers in Year One for mbasaka.
- iii. In Year 2 and 3 the user base must grow to about 2500 and 7500 respectively. Figures substantially shorter than these will seriously damage projected financial forecasting.
- iv. A feedback from the student body must register mbasaka being synonymous with Gen X, a fun company offering quality educational aids.
- v. Total spending in each year to be curbed to 10% error margin of the projected spending as per the financial forecasting and no more.

b. Overall Business Strategy

The business strategy has been laid out in parts and will be executed depending on the response of the business and the external market conditions. This is also in line with the conclusion from the research

report along with this business proposal that cites Rumelt's view on strategy in that it is episodic in nature.

In Year One, the focus of the business strategy will be to deliver quality teaching material on its website. The material may not be exhaustive. However, the user should be able to perceive that mbasaka is different and adds value to the user's learning experience through its sheer quality of teaching and material.

This is also the year when mbasaka will receive the most of its publicity through marketing. In this year we will give our users free access to a pool of preview videos and motivational talks. A nominal fee will be charged for subscription which will unlock the entire website content for the user to view as many times as he may so wish.

In Year Two, we will focus on earning from advertisement on the website through private college ads, student deals for mobile phones, trendy wear, upcoming concert tickets etc. . The advertisements will also feature at the beginning of each lecture.

We will also incorporate test sections of other streams of learning such as Master of Arts and Master of Science on the website and include their video lectures as well. If the response is appropriate, we will take these test sections and expand them into full sections with full length lecture videos of all topics under those streams of academics.

We will also introduce a new section wherein we would have star guest lecturers coming in to lecture on their favourite topic. These can be men

and women of high stature in the academic community. These lectures will be charged for and we will also include an option of viewing HD or high Definition videos of all lectures (i.e., the quality of videos will be a lot better).

In Year Three, the strategy continues. We will also introduce extra paid sessions in real time online for students who wish to interact with lecturers in real time over the internet using a web-cam, mic, speakers and some form of input medium (chat, tablet) to clarify doubts. This session can range from 20 minutes to an hour and will be charged.

In Year Four no major activity takes place. The market is responding to the goodwill created by mbasaka and customer base increases.

Overall mbasaka will remain close to its customers by means of constant feedback and monitoring of website usage statistics. Also, the product offering will be of consistent high quality. Mbasaka will constantly scan the environment for changes or stimuli and respond accordingly by either shifting its capabilities or by rebuilding them. The entry strategy adopted by mbasaka is one of focused entry wherein we target a specific group “MBA students” and offer specific product “information”. However, as the business progresses adjacent fields of academics will also be incorporated on the website and the entry strategy will change to one of “Adjacency”. This is akin to spreading risk and avoiding the age old mistake of keeping all the eggs in the same basket. The difference in the various websites and various domains that the firm will cater to will be good enough to guarantee risk averse state of the firm and the adjacency

of the nature of business of the firms will see benefits in the form of synergies of the multiple firms such as sharing chartered accountants or HR personnel, sharing infrastructural requirements or ISP costs etc.

c. Marketing Plan and Proposals

The Marketing plan will see the most vigorous and aggressive display in Year One. Mbasaka believes in starting with a bang to grip the customer's attention.

In Year One, our marketing channels will be promotion through University road shows, campaigns, karaoke contests, Quiz Contests, pamphlets, TV and Newspaper ads. These will be targeted by timing them a month in advance of the beginning of examinations at the MBA level in the country. Frequency of ads will be high during this time and both aggressiveness and the frequency will dip thereafter for the rest of the year.

We will also promote University bands and rock concerts through mbasaka.

In Year Two, the focus will be on the fact that mbasaka has proven itself and gone free as well as the inclusion of lectures by star lecturers and professors. At the same time, other streams of academics which will be included on mbasaka will be advertised. The budget will be slightly less than Year One.

In Year Three, mbasaka will take on a more serious marketing approach with slightly less zeal in its colours and zany pictures on the ads. The focus will be on the seriousness of mbasaka and its dedication towards providing education via cutting-edge technology.

This strategy will continue in Year Four as we wait to reap benefits from the goodwill created by the website during this time and see our revenue increase along with the customer base.

d. Pricing Policy

mbasaka is not cheap to run in the Indian subcontinent due to high cost of bandwidth in the country as compared to more developed countries. Therefore, we decided to host the website in the US.

The average student will learn 12 modules during the course of the MBA. If each module consists of 33 lecture hours and if the bandwidth costs mbasaka Rs. 5/GB (After conversion from USD) then each new subscriber will take up Rs 101 worth of bandwidth after calculating the bandwidth requirement of the video feed that mbasaka will provide.

To start, In Year One, subscription fee will be Rs 500 per customer (This has been calculated based on a small scale primary and quantitative poll, please see Appendix A), which is a very reasonable price to pay even considering students. Ads by companies will be charged at Rs 2000 per ad. These ads will be on the website for a week's time. At any point of time we estimate about 10 ads to be live.

We do understand that some users will probably view any one particular lecture more than once. At the same time, other students might not view all the lectures on the website. Therefore, the odds of bandwidth usage average out.

Starting Year Two, the revenue will also be collected by ads on the website and just before the lecture video starts. The ad revenue basis will be calculated based on the number of ad requests to mbasaka as well as the number of customer base and bandwidth usage at that time. This we estimate to be about Rs 2000 per ad in Year two as well.

Also, in Year Three, the student to teacher web-cam sessions in real time will be charged on actual (the cost of the lecturer's time). This will be a no-profit activity for mbasaka and will be marketed this way to reflect the integrity and dedication of mbasaka towards the student community.

In Year Three, the ad rates will reach Rs 2200/ad. We expect about 900 ads in this year and goes up to Rs 2400/ad in Year Four.

7. Investment Proposal

a. Amount and Percentage of Ownership

mbasaka will give away 25% of its ownership to the Venture Capitalist for a funding of Rs. 6316000.

This we believe is a fair and generous offer. At the end of Year 4 of Operations, the firm will have a collective Revenue of Rs 18020000. And a profit of Rs. 9204000

Given the unique idea and its strong selling points based on market research and general trends, the firm has good capability and earning potential in the future.

b. Growth Prospects

Given the fact that the education industry is thriving in India and that such a business idea is unique in itself in the Indian scenario, the growth prospects are high.

The internet is fast spreading its user base in India especially in metros and amongst students. With access to broadband and the growing culture of social networking and online shopping, people are spending more time with their computers.

Students therefore, will see this learning platform as a natural progression of the internet age and the ease and convenience of use will entice them.

The site offers quality learning material which students will find very helpful. Most students do not have complete notes or grip on the fundamentals and rely on studying just before the exams. In such times, the website can prove to be a boon to help one understand the difficult topics at hand or practice sample questions and prepare answers.

Real time help by a lecturer is also available through chat and web-cam sessions. This is a first of its kind in India.

Beyond Year Four, mbasaka will aim for the following:

- Approach the University Grants Commission (UGC) and based on the goodwill created by mbasaka in its years of operation, request the department to consider mbasaka as a possible business partner in the private sector. Mbasaka will push for being recognized by the UGC as an educational partner offering learning aid to students in the higher education sector. Though, mbasaka will still be in the same business as before, it will now be endorsed by the UGC—a government body. This will result in higher traffic generation to the website.
- mbasaka will also approach the NCERT and AICTE (government bodies controlling and regulating primary and secondary education) and try and partner with them as their online partner for aiding school children the same way as mbasaka aids MBA students. It will then develop content for primary and secondary education as well and open up a sister website which will cater to this domain. To focus energy on the newfound venture, mbasaka

will appoint a management personnel to look after mbasaka higher education website which will be already in a steady and streamlined flow by that time, and both Mr. Bharel and Mrs. Kaur will then spend the greater fraction of their time developing the primary and secondary education market by closely studying markets, client base and pricing and marketing policies. The additional funding required for this project is estimated to be made available by means of profit income generated by mbasaka. A small loan from a bank or even an investment from an angel investor may also be considered depending upon the situation in Year Five and estimated costs at that point of time.

c. Valuation and Returns

	2009	2010	2011	2012
Total Cost	2560500	1825500	2058500	2371500
Total Revenue	970000	2690000	5730000	8630000
Profit Before Tax				
Tax	(1590500)	864500	3671500	6258500
Tax @ 0%	0	0	0	0
Net Profit	-	864500	3671500	6258500

(Amount in Rs.)

Table (i)

Snapshot of Financial Forecast

Table (i) depicts a key snapshot of the financial forecast for mbasaka. Also, as per figure(ii) barring Year One, the rest of the three years are profitable, and break-even is achieved in Year Three.

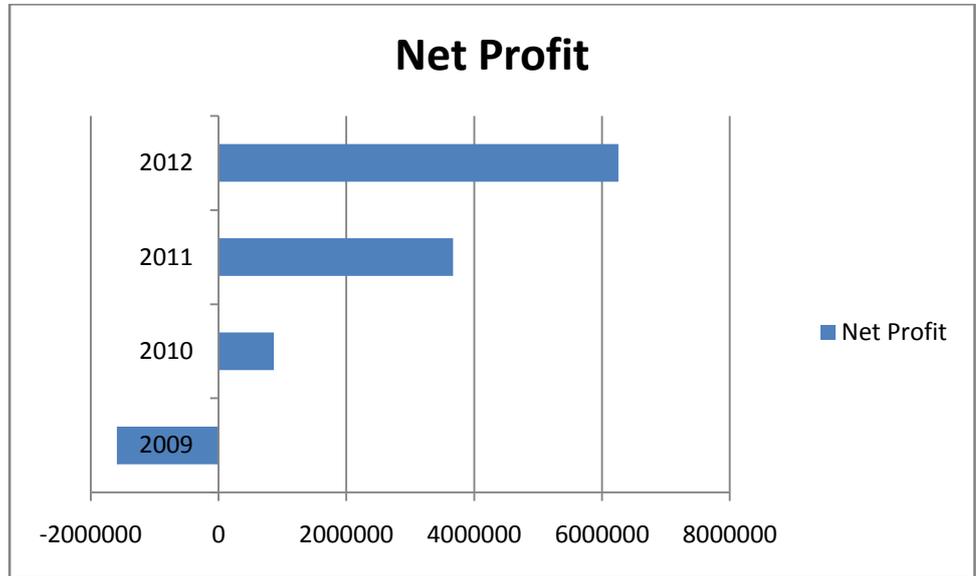


Fig (ii)
Net Profit Chart

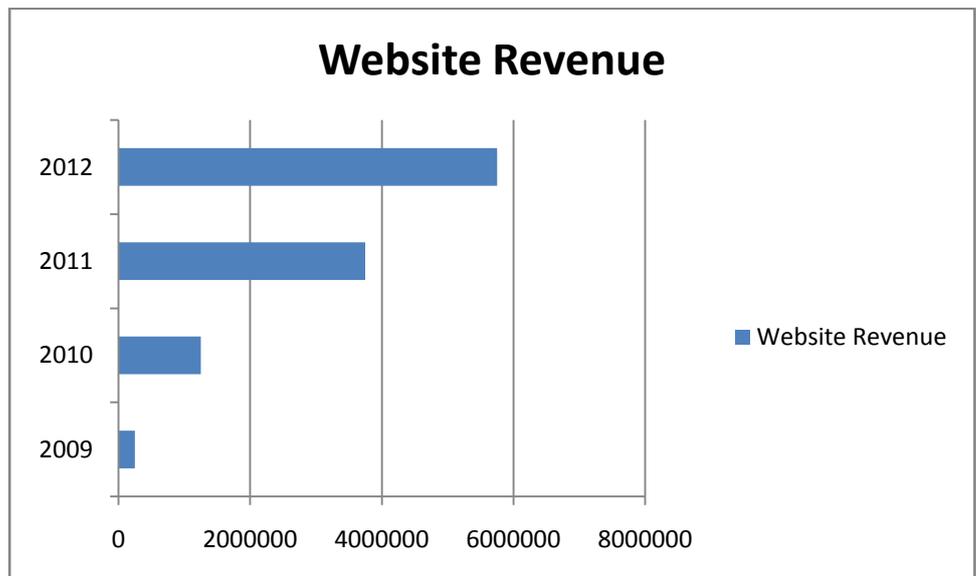
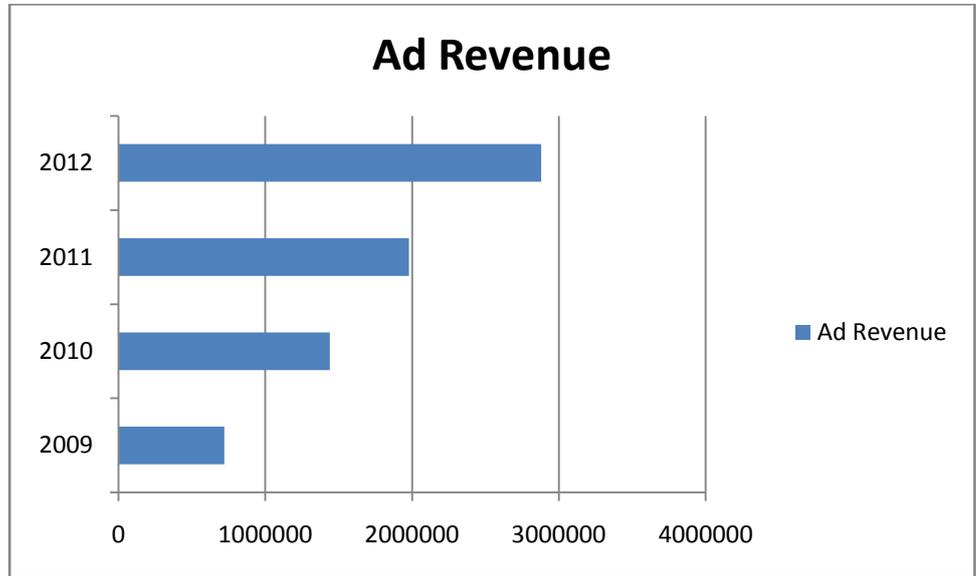


Fig (iii)
Website Revenue Chart

Figure (iii) above depicts revenue from website subscription. The subscriber base increases steadily during the first four years of operation as per our forecast.



Fig(iv)

Ad Revenue Chart

As can be seen in fig(iv) the revenue from the ads climbs steadily at a high growth rate. This is estimated based on the popularity of mbasaka and its increasing customer base.

Some of the key Valuations are described below in table (ii) (Amount in Rs):

Expected Online Users	500	2500	7500	11500
Bandwidth Rate	101	101	101	101
Subscription Fee	500	500	500	500
Fee per Ad	2000	2000	2200	2400
Number of Ads	360	720	900	1200

Table(ii)

Key Valuation Figures

As per Table(ii), we forecast that we will win 500 subscribers in Year one and this number will gradually move to close to 12000 subscribers by Year 4.

The Bandwidth cost we bear per user is Rs 101 and the subscription fee we charge is Rs 500 (which is not substantial).

Also, for ad purposes, we charge Rs 2000/ad in Year One and go up to Rs 2400/ad in Year 4. These ads stay on the website for up to a week's time.

Number of ads is expected to be about 360 in Year One and grow to 1200 by Year 4.

d. Potential Exit routes for Investors

Investors are welcome to exit by any of the following means:

- i. Selling the 25% stake to another willing party
- ii. Selling the 25% stake back to mbasaka management and earning 15% interest on the total investment.

mbasaka will personally like option (ii) to be exercised instead of option (i). The reasoning is that by selling the stake back to mbasaka, it rids the firm of any monetary liabilities. Also, it rids the firm of having to report constantly to the investor regarding business matters and also discuss major decisions with the investor. This hampers the nature in which the entrepreneur envisions to carry out his business. Also, by exercising option (ii), the firm will no longer be in debt or no longer be geared. Hi-tech companies must be low geared as already stated by Myers and cited in the research report accompanying this business plan. However, still option (i) exists as an alternative option to safeguard the interest of mbasaka in case our forecasting is skewed and mbasaka is unable to buy itself back at the end of Year Four.

8. Financial planning

a. Expected Capital Expenditure

The financial forecast is available in Table(iii) as below (Amount in Rs):

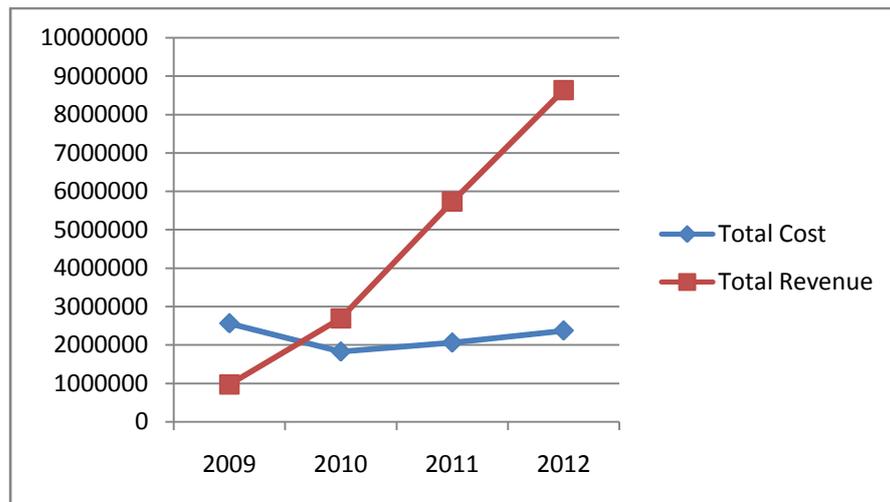
Expenses				
Type of Expense	2009	2010	2011	2012
Office Rent	240000	240000	240000	240000
Office Maintenance	50000	5000	5000	10000
Office Electricity	36000	36000	36000	36000
Web Site Building	1000000			
Web Site Maintenance	10000	200000	25000	25000
Bandwidth Cost	0	0	0	0
Marketing Cost	700000	500000	400000	300000
Insurance	30000	30000	30000	30000
Telephone	24000	20000	20000	22000
Security & Misc.	60000	62000	65000	67000
Salaries	360000	480000	480000	480000
Income				
Website Revenue	250000	1250000	3750000	5750000
Ad Revenue	720000	1440000	1980000	2880000
Total Cost	2560500	1825500	2058500	2371500
Total Revenue	970000	2690000	5730000	8630000

Profit Before Tax	(1590500)	864500	3671500	6258500
Tax @ 0%	0	0	0	0
Net Profit	(1590500)	864500	3671500	6258500

Table(iii)

Detailed Financial Forecast

As per table(iii), taxation is at 0% due to the subsidy and tax holiday available by the Himachal Pradesh state (discussed before). Break-even is achieved in Year 3. Total cost for 4 years of operation: Rs 8816000 and Total Revenue from 4 years of operation: Rs 18020000.



Fig(v)

Revenue and Cost Curve Chart

Figure (v) above shows the Total Cost and Total Revenue curves. The Revenue curve cuts the cost curve towards 2010 and thereafter, it is a steady and high growth of the revenue while the costs are linearly escalating.

9. Objectives and Milestones

The firm's objectives and milestones are laid out as below:

- i. To be synonymous with quality in the field of higher education in India, especially the MBA.
- ii. To establish a brand name that invokes a feeling of differentiation based on its superior, technologically innovative and user-friendly approach to teaching.
- iii. To bond with the new generation so as to bridge the gap between the consumer and the supplier and relate better to the client.

10. Risks and Rewards

Some of the risks that can be foreseen are as below:

- i. Bandwidth charges suddenly increase.

The entire calculation is based on bandwidth charges primarily because these are the single most independent chunk of expenses that the website will have to bear. If these charges come to increase, the entire forecasting might be jeopardised and the business might even become non-profitable. However, chances are that with increasing use of multimedia content online and high definition video being made available, bandwidth costs, as historically observed, might just decrease and further benefit mbasaka.

- ii. Bandwidth access in India is not fast enough to stream video content on slower connections.

This is yet another concern and is especially valid in non-metro regions where internet access is via dial-up connections or even broadband connections that are too slow to view video on. Although the government body (TRAI) has regulated that no connection slower than 256Kb can be termed as broadband, a trend is followed by cable operators to make internet access cheaper where they buy one chunk of bandwidth and further

divide and locally distribute it in the neighbourhood for cheap. This results in very poor download speeds.

- iii. Piracy of online material (video lectures)
This is a real and ongoing concern the world over however little can be done to improve or help the situation unless cyber laws are implemented in the country and government bodies such as TRAI come together with ISPs and Police Cyber wings to punish offenders.
- iv. Threat to the innovative methods of the company by other companies imitating mbasaka's business idea.
This threat appears larger than life in the face of any innovator or First Mover in the market. The only means of avoiding this threat is to continually innovate, differentiate and maintain one's position in the market as being on the forefront of offerings. Mbasaka has future plans (described in this report) where it discusses how it intends to keep innovating and differentiating itself beyond Year Four.

Rewards are the following:

- i. Good number of client base.
An increase in the number of clients will see the subscription rates go up. Along with that the rates of

advertisements will also rise as a secondary effect and profits will be earned via both streams of revenue.

ii. Good feedback from the clients

A positive feedback and good site rating will boost the number of new sign-ups to the site as well as the number of advertisers wishing to advertise at mbasaka. This in turn can be exploited by raising the amount per advertisement. However, subscription charges will remain constant or go down as a sign of goodwill to our customer base.

iii. Good response to marketing

This will result in the same effect as the above. More efficient marketing will bring in more people –both clients and advertisers to mbasaka, thereby translating into profits for the firm.

11. Summary

mbasaka is a concept that takes into account India's growing need for quality education and in these times appropriately takes advantage of the penetration of the internet to aid learning via innovative means for students at the comfort of a 'click'.

The concept is well thought of and is facilitated by the fact that Dr. Kaur, the Director in the firm, is herself a lecturer at the University and is able to influence and coax many other lecturers to offer free or guest lectures at no cost.

Sunny Bharel, CEO, mbasaka on the other hand, is a technology specialist with an MBA degree and aims to steer the organization in the right direction with key management strategies and cutting-edge technological aids.

The concept is designed to work in the Indian scenario and the absence of a similar business until now provided mbasaka with the First Mover Advantage as well.

The Pricing, Marketing and other cost structures have been carefully thought of and researched in the market. The projected financial forecast therefore can be referred to as close to being realistic.

The added advantage is the fact that the company is registered in Himachal Pradesh which offers 5 years Tax Holiday. Therefore,

paying off the Venture Capitalist and regaining control of the business will be a lot faster.

mbasaka has great potential in the land of poets, architects, engineers and doctors – where education is sought with pride and zeal. The project will do well and requires relatively small amount of capital to set-up as compared to some other industries.

The exit route proposed is flexible enough for the Venture Capitalist to choose from and the 25% stake being provided in the firm is a reassurance of our confidence in the solidity of the business plan to grow.

mbasaka is strategically poised to win. An opportunity or pain point in the market or the education sector has been acknowledged and identified. Mbasaka starts out by focusing on a single segment by targeting the most lucrative segment of education and coming up with an idea that is clearly differentiated in the market. It sees itself become popular through the right mix of advertising, client intimacy, product leadership and its dynamic capabilities. In the years that follow mbasaka seeks to digress into adjacent streams of business such as website for higher medical education, primary and secondary education. It also seeks government tie-up and approvals, which should not be hard to achieve once a basic level of reputation has been set up in the market and the government is convinced of the abilities of mbasaka to win. To boost this effect, mbasaka has decided to enter the

market with a bang and to spend heavily on marketing especially through means which are most effective.

Eventually mbasaka will be synonymous with an online based learning aid for students, catering to the Indian pattern of education and one that is recognized and certified by the government. This will be the establishment of a business that is built on solid ground and will then deviate from the standard risk that such hi-techs face to one that is more stable in nature owing to its accreditation with the governmental bodies.

12. Appendix A

A small quantitative poll was conducted at IBS College, New Delhi amongst MBA students divided in a class of two with 40 students in each class (Total Sample Size= 80 students). The aim of the poll was to analyze whether students would be interested in a type of service such as the one offered by mbasaka and what they would typically wish to pay for it. The results are as follows:

Q: Would you be interested in an online website that gives you video access to lectures and reports, sample questions and references to MBA material with the same curriculum as your business school but taught by leading faculty in the industry?

67%	responded	with	a	“YES”
17%	responded	with	a	“NO”
06%	responded	with	a	“UNSURE”

Q: If yes or unsure, how much would you be willing to pay for this service annually?

45%	responded	with	“Between	Rs	300-500”
12%	responded	with	“Between	Rs	501-700”
43%	responded	with	“Expect it to be free with lots of ads”		

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