

# Education Industry - Where is the biggest opportunity?



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# Executive Summary

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*India's demographic dividend is both a boon and a curse. With an ever growing population and increasing global demand for workforce, India is the destination where Education is taken as a synonym for Value addition. If however the Indian youth remains uneducated and unskilled, it will be one of the biggest time bombs in the world*

- India has the world's largest population in the age bracket of 5 to 24 years of ~450 million which highlights the importance and key role of the education sector
- The working population (age bracket of 25 to 59 years) is ~500 million and is expected to increase continuously making India a major potential supplier of work force to the whole world
- Currently, the literacy in India stands at 75% as compared to 12% at the time of the British rule in 1947, but is still well below the average of the World's literacy rate of 85%
- Over the past 5 years, the spending on education has risen by 21% which indicates the ever rising consumption pattern of households towards education
- More recently, the Indian Education Sector has made a shift from a mere knowledge based education economy to a skill based one in order to prepare its people for the job-market
- At present, the sector is at a developing stage whereby huge potential lies ahead but the key to growth remains improvement in terms of course-content, teacher training, infrastructure and private sector involvement
- The public and private sector play overlapping roles in the K-12, Higher Education and Vocational training segments
- However, the private sector holds a substantial grip over the ancillary education sector which includes coaching, tutorials, multimedia and technology etc
- Vocational training has emerged as an important segment that helps in bridging the huge gap of demand–supply in the manufacturing sector for the blue-collar employees, which is a key to reviving the manufacturing sector and the overall Indian economy
- If India can solve its education and vocational training challenges, it will be on its way to becoming a global super power in terms of talent and skills, otherwise such a large uneducated and unskilled population can become a global threat and burden

## Industry Overview

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# The Education Sector in India

## Overview

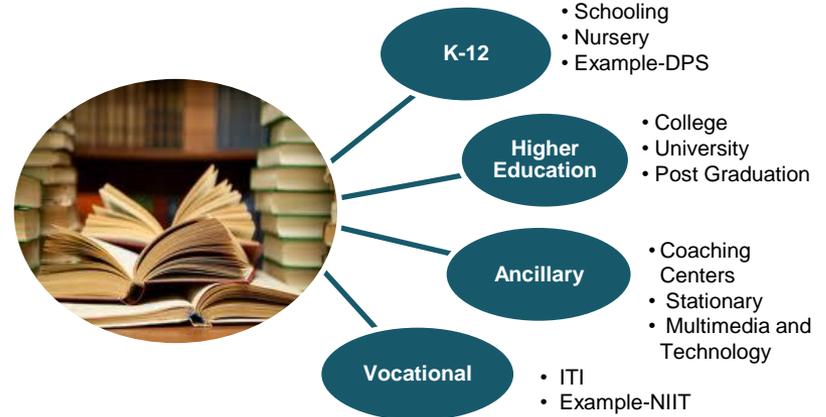
### Industry Statistics

- The market size of the Indian education sector was ~US\$ 54.20 billion in FY 2012 and the industry is expected to reach ~US\$ 95.80 billion<sup>1</sup> by FY 2015 growing at a CAGR of 20.91%
- There is a huge demand for upgradation of education and skills as India is expected to have an additional 47 million people in the working age group by 2020
- The sector is considered as one of the key areas of investment by both public and private enterprises, with a strong focus on the upgradation of the quality of education and reach across the country
- As a result, the formal education (K-12 and higher education) and the informal sector (including coaching institutions, pre-schools and vocational institutions) are witnessing rapid growth and attention

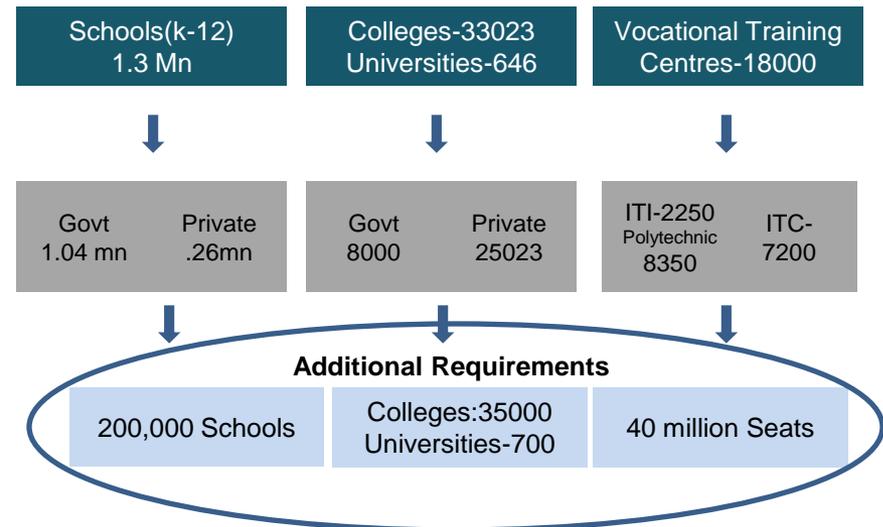
### Segment Statistics

Segment	Key Points
K-12	• Segment was ~US\$ 15 billion in 2012 and is expected to reach ~US\$ 20 billion by the year 2015 growing at a CAGR of 10.60%
Higher Education	• Segment was ~US\$ 21 billion in FY12 and grew at a CAGR of 18.13% during FY04-FY10
Ancillary	• Segment is ~US\$ 15 billion and is expected to grow at an average pace of 15.40% and to touch ~US\$ 40 billion in the next 7 years
Vocational	• Segment was ~US\$ 3.7 billion in the FY 2012 and is expected to reach US\$ 7.3 billion in FY 2015

### Indian Education “Segments”



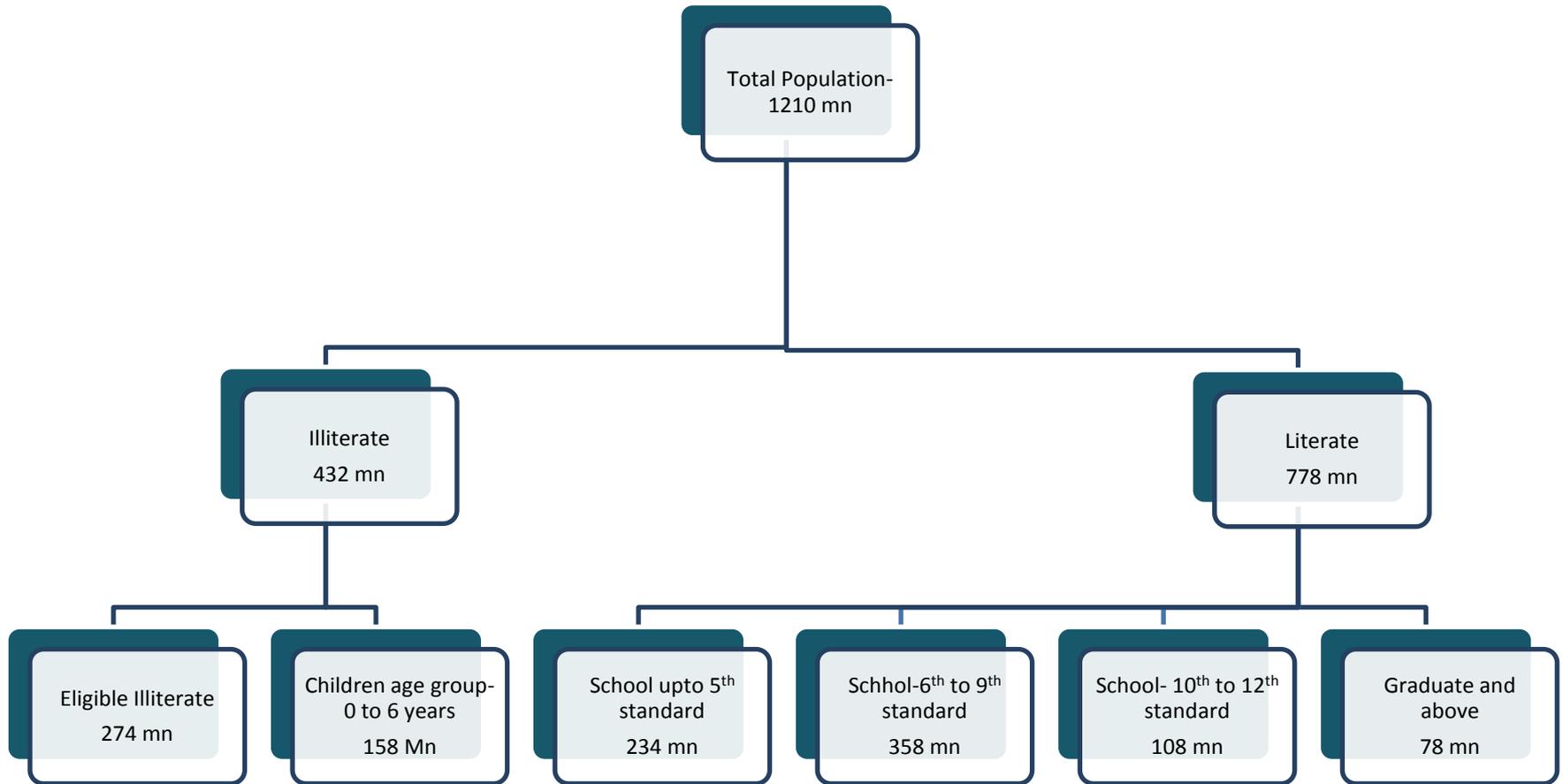
### Overview of Education Infrastructure<sup>2</sup>



<sup>1</sup> IBEF article on education sector in India, September 2013

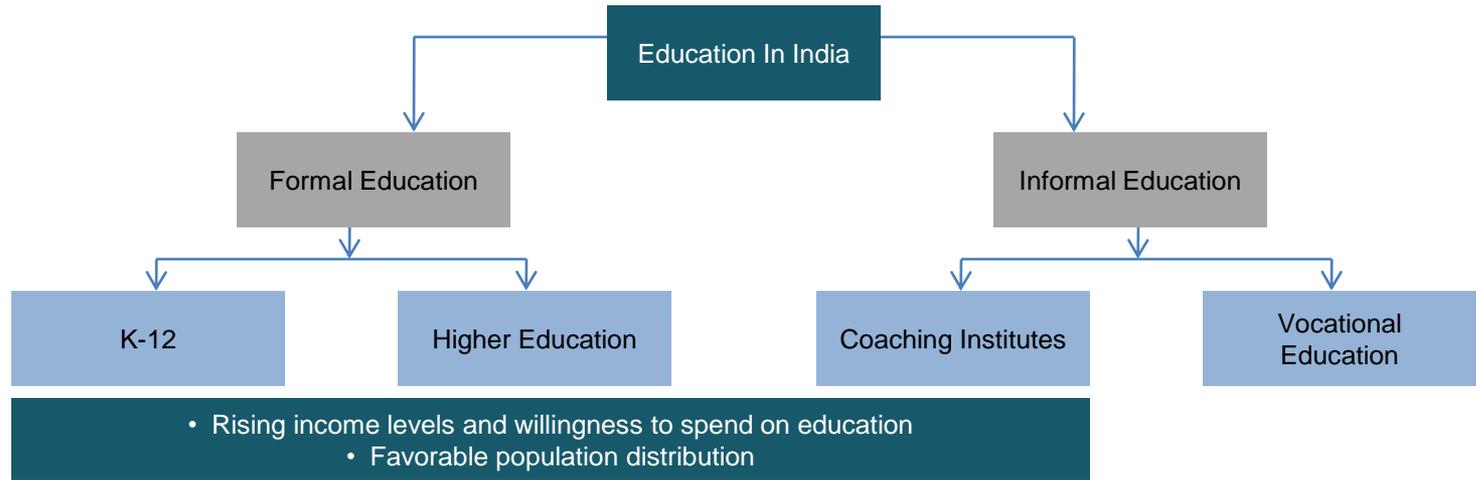
<sup>2</sup> Technopak Analysis, July 2012

# Current level of literacy in India



Source: Technopak Analysis, July 2012

# Growth Drivers and Challenges in the Education Sector

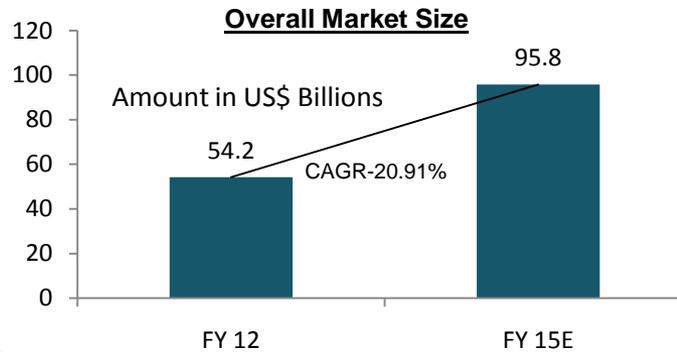


Drivers	<ul style="list-style-type: none"> <li>• Consumer preferences for private schools</li> </ul>	<ul style="list-style-type: none"> <li>• Growth of service sector</li> <li>• Private players entering education</li> </ul>	<ul style="list-style-type: none"> <li>• High student teacher ratio in schools which is accompanied with lack of attention on individual students</li> <li>• Increasing competition for professional courses</li> </ul>	<ul style="list-style-type: none"> <li>• Demand of skilled labour on the increase</li> <li>• Low employability levels in the system</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>• Low gross enrollment ratio and high drop-out rates</li> <li>• Low penetration of technology and multimedia content in schools</li> </ul>	<ul style="list-style-type: none"> <li>• Low gross enrollment ratio</li> <li>• Low public spending on higher education</li> <li>• Not-for-profit mandate of the government</li> <li>• Lack of large players in the market</li> </ul>	<ul style="list-style-type: none"> <li>• Fragmented and person centric business</li> <li>• Inadequate teaching talent</li> <li>• Lack of government and financial support</li> </ul>	<ul style="list-style-type: none"> <li>• Poor perception of vocational diplomas</li> <li>• Lack of adequate financial support for students</li> </ul>

# Current Trends in Education Sector

- Emergence of new operating models such as Franchising
- Foreign Partnerships
- Hybrid Teaching Methodology
- Emergence of International schools
- CBSE board going global
- Upward integration towards K-12 (for pre-school)
- Rising levels of Income

## K-12



- Collaboration with foreign players
- Multi Campus Model
- Increasing adoption of technology
- Indian players expanding abroad
- Stricter policy landscape

## Higher Education



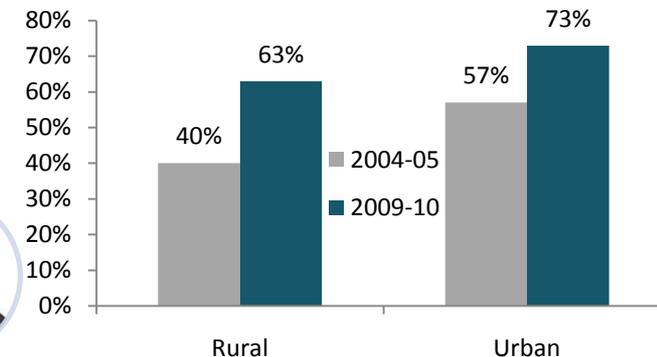
**Trends that are changing dynamics of the Education sector in India**

- Growing competition for entrance exams
- Leveraging Technology and satellite based classes
- Shift of educational trend from mere academics to application based education
- Increasing complexities in syllabus

## Ancillary



% of families spending on Education (As per NSSO Survey)



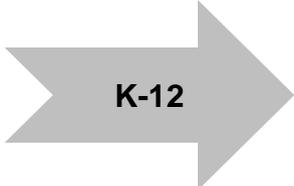
- Growing interest of PE/VC firms
- Rise of online and correspondence courses
- Partnerships between corporate and institutes
- Focus and Facilitation by government
- Upgradation of quality of education

## Vocational



# Government Initiatives in Education Sector

## Steps and Anticipated Benefits

	Initiative	Description	Anticipated Benefits
 <p><b>K-12</b></p>	Right to free and compulsory education bill	Education as a fundamental right to children in the age group of 6-14	<ul style="list-style-type: none"> <li>• Fall in drop out rates</li> <li>• Higher General enrollment Ratio in higher education</li> </ul>
	Private Public Partnerships	Tender awarded in a Build-Own Operate-Transfer (BOOT) model for infrastructure and IT education	<ul style="list-style-type: none"> <li>• Improvement in Information &amp; Communication Technology (ICT) infrastructure</li> </ul>
	Mid Day Meal Schemes	Mid-day meal to students in the I-VIII standards	<ul style="list-style-type: none"> <li>• Improvement in attendance rate</li> <li>• Fall in drop out rates</li> </ul>
	Sarva Shiksha Abhiyan	Overall thrust to universalize elementary education by: <ul style="list-style-type: none"> <li>• Building capacity in the system</li> <li>• Teacher skill development and improved course content</li> </ul>	<ul style="list-style-type: none"> <li>• Improvement in teacher quality</li> <li>• Fall in drop-out rates</li> <li>• Higher GER</li> </ul>
	Increasing Public Spending	70% of the education budget is focused on schooling	<ul style="list-style-type: none"> <li>• Adequate funding for initiatives</li> </ul>
 <p><b>Higher Education</b></p>	Establishment of National Commission for Higher Education and Research (NCHER)	An apex regulatory body to replace UGC and AICTE	<ul style="list-style-type: none"> <li>• Fall in drop out rates</li> <li>• Higher General enrollment Ratio in higher education</li> <li>• Better coordination &amp; improvement in various aspects of the institutes</li> </ul>
	Foreign Education Bill	Allow entry of foreign educational institution into the Indian market	<ul style="list-style-type: none"> <li>• Tighter accreditation norms and better quality institutes</li> <li>• Has attracted US\$ 723 million of FDI during FY04-FY10</li> </ul>

## Segment Analysis

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### I. K-12 Segment

# K-12 Segment

## Overview

### Segment Statistics

- The K-12 sector covers the schooling segment which consists of enrollment in a school from kindergarten till class XII
- The private and government sector has around 1.3million schools in India. Unlike higher education, K-12 is not governed by any regulatory body
- However, schools need to be affiliated with either State Boards, CBSE or ICSE. These boards while granting the affiliation requires the schools to be managed by trusts and run on a non profit basis. Formation of a Trust and a management company structure may not be the cleanest way, but has found favour with investors
- Due to rising levels of income and concern for quality education, expenditure on this segment by households is rising

### Enrollment level in traditional K-12

School Level	Eligible (Mn)	Enrolled (Mn)	Gap (Mn)	Enrolled Percentage (%)
Grades 1-5 (ages 6-11)	118	133	-15 <sup>1</sup>	113%
Grades 6-8 (ages 11-14)	68	55	13	81%
Grades 9-12 (ages 14-18)	160	49	111	31%
Total	346	237	109	68%

### Schooling Covered Under K-12



#### I. Pre-Schools

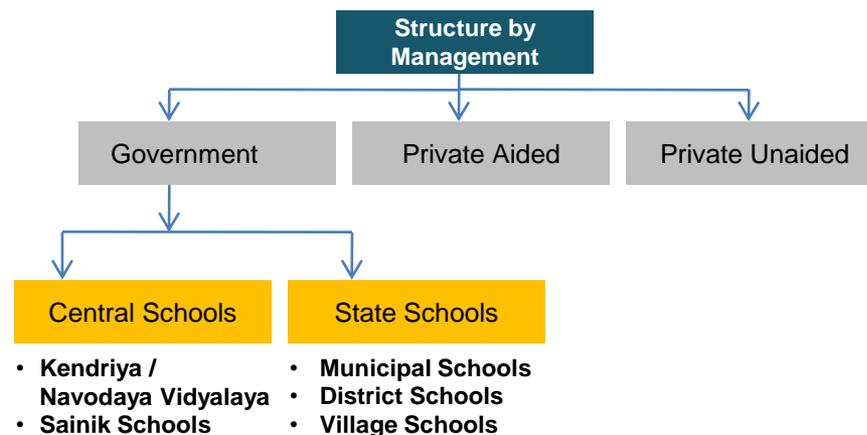
The sub-segment cater to the age-group of 1 to 4 years



#### II. K-12 Schools

This sub-segment covers schooling from grade I to Grade XII

### K-12 schools : Management Structure



Note:<sup>1</sup> The gap is in negative because students who should have been enrolled in Grades 6-8 were enrolled in Grades 1-5

# Porter's Analysis on K-12 sector in India

## Bargaining Powers of Buyers

- Limited number of K-12 schools
- Even lesser number of schools under private management and control
- Few players providing superior quality education



This leaves a limited number of options for the buyers and hence their power is **low**

## Threats of New Entrants

- High Investment
- Long gestation periods
- Strict regulatory issues
- Conditions under RTE Act



The conditions laid down as regulatory issues and basic nature of long gestation period keeps the new entrant risk factor ranging from **low to medium**

## Threat of Substitutes

- Poor quality of government schools
- Increasing awareness among parents for imparting education to their children
- Very few attend institutes providing quality formal K-12 type of education



Due to remote availability of high quality education, the share of private end schools is increasing and hence this risk falls under **low category**

**Overall: Attractive**

## Bargaining Powers of Suppliers

- Limited number of seats for eligible candidates and strict regulatory issues
- Scarcity of quality teachers and teachers' training
- Few Schools with sufficient acceptable teaching infrastructure



Considering the above mentioned points, the bargaining power of schools is at **medium** at best

## Industry Competitors

- High demand for quality education
- Few private players matching the demand
- However, competition is rising in metros and tier 1 cities



Intensifying competition among private schools in metros but high demand for superior education keeps the risk from **low to medium**

# Overview of Right to Education (RTE) Act in India

## Free & Compulsory Education for Grade 1<sup>st</sup> to Grade 8<sup>th</sup>

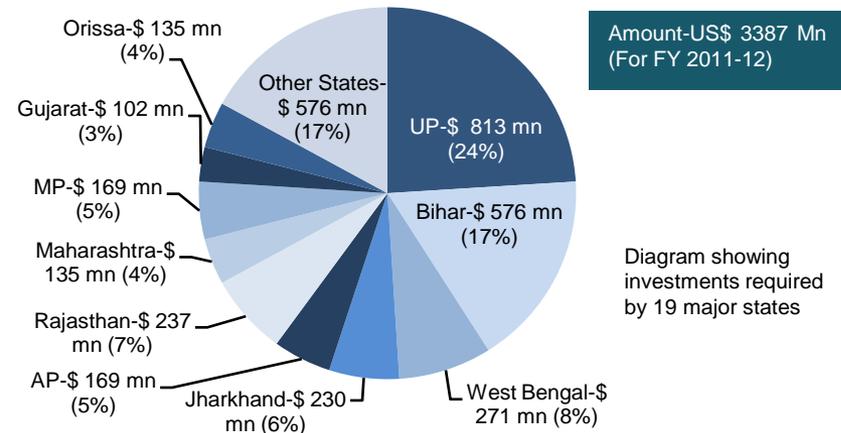
### Overview-Right to Education-RTE Act

- The RTE act is the first central act in the domain of elementary education
- The Act aims at removing financial barriers that may prevent a child from obtaining 8 years of elementary education from neighborhood schools
- The Act also specifies the minimum norms and standards in terms of infrastructure and education
- It also increases the accountability of state governments and local administration towards the goal of making education free and compulsory
- The age of a eligible child ranges from 6 years to 14 years

### Features of the Act

- **Right of Children to free and compulsory education**
  - No child will be liable to pay any kind of fee or charge, which may have earlier prevented him or her from pursuing elementary education in government schools
- **Standards for recognition of schools**
  - Prescribed norms and standards such as ideal student-teacher ratio and minimum number of working days
  - Certificate of recognition from competent local authority for the operating school
  - Minimum qualification laid down to be appointed as a teacher at the school

### Investments required by states to Implement RTE Act



### Challenges for Implementing RTE Act

- **Human Trafficking**
  - Every year around 65,000 children fall victim to trafficking which prevents them from enrolling in schools
  - Many children are also involved in child labour which keeps them out of schools
- Lack of community involvement and awareness among people towards government plans and programs
- Lack of coordination among implementing agencies
- Inadequate infrastructure and supply of quality teachers
- Lack of accountability and effective performance-monitoring systems
- Tendency of the people to force their children into work early rather than into education, especially in rural areas (more earnings hands)

# I. Pre-Schools

## Market Understanding

### Overview

- Pre-schools fall under the sub-segment of k-12 segment of Education sector and cater to the age-group of 1 to 4 years
- It is an informal segment providing sessions of innovative activities of basic nature in a relaxed environment
- Pre-schools sub-segment was valued at US\$ 2 Billion in 2012 and is expected to touch US\$ 2.9 Billion in 2015 growing at the CAGR of 13%
- Mostly unorganized neighborhood institutions currently dominate this segment
- However, playschool chains like Euro kids, Kidzee etc. are now coming into the picture

Source: Edelweiss Education Sector July 2012

### Potential Population for pre-schools

	2010	2015
Population (1-4 years, '000)	<ul style="list-style-type: none"> <li>• Urban - 38268</li> <li>• Rural - 90316</li> </ul>	<ul style="list-style-type: none"> <li>• Urban - 39818</li> <li>• Rural - 87080</li> </ul>
Pre-School enrollment ( %)	<ul style="list-style-type: none"> <li>• Urban - 25</li> <li>• Rural - 5</li> </ul>	<ul style="list-style-type: none"> <li>• Urban - 33</li> <li>• Rural - 5</li> </ul>
Fees (Rs/year)	<ul style="list-style-type: none"> <li>• Urban - 9000</li> <li>• Rural - 2400</li> </ul>	<ul style="list-style-type: none"> <li>• Urban - 9600</li> <li>• Rural - 2640</li> </ul>
Revenue (US\$ Bn)	2	2.9

### Business Models

#### • Self Owned Model

- Greater Quality Control and Cash flow
- Greater capital expenditure requirement and lower scalability

#### • Franchisee Model



- Faster Scalability
- Ready available content
- No incremental cost in terms of manpower/capital investment
- Higher revenues but lower margins as major percentage of margin is bagged by the franchisor

### Growth Drivers

- Going forward, the growth in pre schools will be driven by increasing paying prosperity and organized supply creating awareness about the importance of preschools
- The pre-school market is non-regulated and hence entails no regulatory barriers for new entrants. Also the growth of the Franchisee model is facilitating the expansion of pre school segment
- As research on teaching methodologies is growing, various new and child-friendly teaching methods are introduced into the preschool curriculum. This is promoting the creativity of the child in a playful manner
- The demand for the preschools is growing considerably in the smaller towns and cities. The common people are well aware of the increased competition in terms of education has fueled the demand of the preschools

# I. Pre-Schools

## Organized pre-school market in India - Key Players

Player	History	Status	Current Network	Business Model	Key Strengths
	Started in 2003	Part of Zee group. Listed under ETCN	~900-pan India	Franchisee Model	Ready access to Kid Zee High – 9 operational, 23 signed up
 THE PRE-SCHOOL SPECIALIST	1997 – JV between Indian Express & Egmont; 2001 – Egmont International Holdings, Denmark bought back shares of Indian Express in JV; Egmont exited Euro Kids, now an Indian private co.	Private (50% stake acquired by Educomp)	884-pan India across 311 towns	50% publishing, 50% preschools (Franchisee model)	Plans to have K-12 schools
	Started in 1993	Private	89 centres across India, Dubai and Maldives	JV model. Niche player expanding to a basic model through 'Brainworks' and mall schools through 'Kangaplay	Strong brand in western urban areas. Opting for a mix of pure franchisee and JV model for better economics, quality control & lower attrition. Ready to access Billabong High schools; 6 operational
	Started in 2003	Private	~450 pan India	Primarily owned model	High operating margins due to accounting for nominal lease (promoter owns property) & ability to compete on pricing
	Started in August 2005	Part of the Amity University Group	Currently operates in Delhi, Gurgaon, Ghaziabad and Noida	Owned model	Several other branches in the pipeline and have the well recognized Amity brand

# II. K-12 (Grade I to XII)

## Market Understanding

### Overview

- These schools broadly address education needs of students between the age group of 3-18 years. They are globally known as K12 (Kindergarten to 12th grade), come under the formal education space
- India has the largest population globally in the K12 age group (5.5x USA's K12 population), however only a mere 37% of the K12 age group are enrolled on school rosters
- Once a school crosses the elementary level (8th grade), it needs to be affiliated with a Board of Education in order to conduct 10th and 12th grade exams
- Most schools in India in the K-12 segment are standalone schools and any chains till recently were usually set up by private charitable, political and/ or religious groups

### School Boards in India

State Education Boards	CBSE (The Central Board of Secondary Education)	CISC (The Council for the Indian School Certificate Examination)
NIOC National Open School (stop-gaps for the schooling systems)	IB International Boards such as IB from Geneva	IGCSE (International General Certificate of Secondary Education)

### Name of Some Reputed Players



### Growth Drivers

- Largest population globally (and growing) in the age group of 3 to 18 years
- Inefficient public schools system in India
- An increasing number of parents are enrolling children in private schools to get quality education
- As per NCERT (National Council of Education and Training) 20,000-25,000 “quality” schools are required in the country
- Various states provide land at subsidized rates for opening up of new schools
- New opportunities are emerging in the form of PPP structures to manage the schools. Ex- 321 School Mumbai etc
- Rising levels of income and concern for quality education resulting in better college admissions is also a major growth driver

## II. K-12 (Grade I to XII)

### Business Model - Analysis (Case Study)

#### Challenges for K-12 Schools

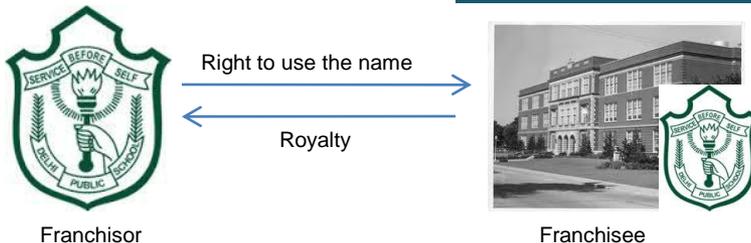
- High capital investment and space constraints are two of the biggest problems for setting up schools
- Due to this the payback period stretches up to 8-10 years and often takes 2-3 years to break even at the earliest
- Often it becomes difficult to establish a brand image and have visibility of cash flows or enrollments
- This puts a constraint in establishing schools and hence creates a demand supply mismatch

#### Business Model for Asset Heavy K-12 School



- Under this structure, instead of investing in their own land & building, a school can be run by entering into a lease agreement with the infrastructure company
- Also, management can be appointed for consultancy services appointing teachers, management of admission procedures etc
- In return, the school shall pay management fees to the management company and lease rent to the infrastructure company
- This will reduce the capital outlay

#### Franchisee Model of K-12



- The biggest advantage of an established brand name is seen in terms of assured cash inflows and enrollments
- Assured cash flows minimize the pay back and the break even period
- However, being in a highly regulated industry and constant royalty payments put a continuous burden on the franchisee

Source: Edelweiss Education Sector July 2012

## Segment Analysis

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### **II. Higher Education Segment**

# Higher Education

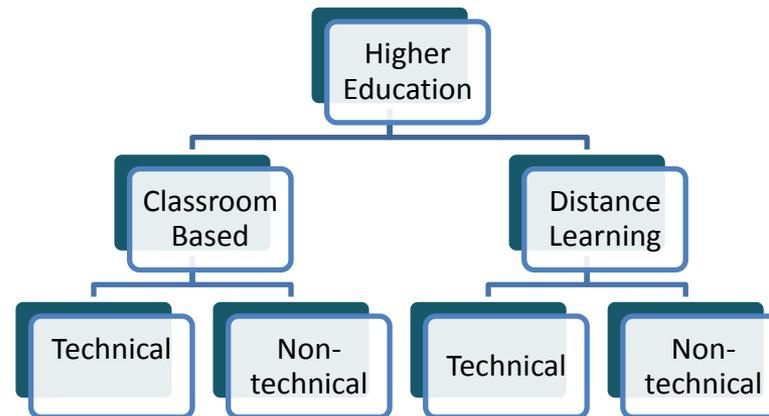
## Overview

- Higher education is the segment of the education sector which pertains to education after K-12
- The segment grew at a CAGR of 18% during FY04-FY10 and was ~US\$ ~21 Billion in FY-2012
- The Higher Education Segment is further divided into technical and non-technical (general) sub-segments
- In 2012, the segment witnessed whopping enrollments of 21.4 million
- As per the estimate ~4% of the GDP is being spent on education by the Indian government
- Currently Gross-Enrollment Ratio (GER)<sup>1</sup> is at 15% and is expected to touch 30% by 2020

## Enrollments/Institutions as per FY-2011-12

Particulars	FY 2011-12
Universities	574
Colleges	35539
Enrollment in the Universities and Colleges (in Lakhs)	203.27
Enrollment in open Distance Learning (ODL) System (in Lakhs)	38.56
Enrollment in Post School Diploma/ PG Diploma (in Lakhs)	23.02

## Sub-segments



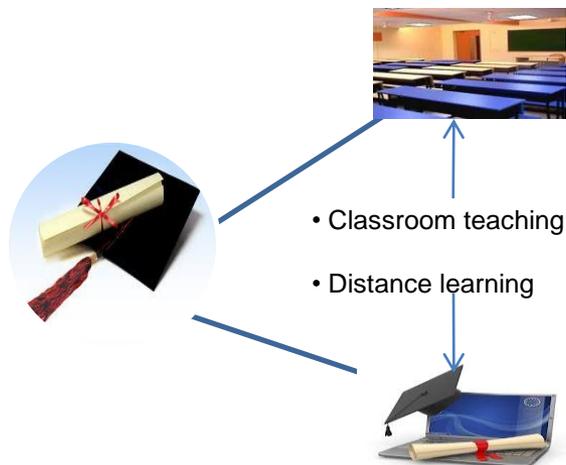
## Private Players in higher education



<sup>1</sup> GER-Gross Enrollment Ratio is the number of individuals enrolled in schools divided by the number of eligible individuals for enrollment in schools

# Business Models for Higher Education Sector

## Business Models



Parameters	Classroom Teaching	Distance Learning
Investments	High capex, High working capital and usually takes 8-10 years for pay back	Limited capex to the extent of content creation and negligible working capital requirement
Enrollments	Enrollments limited to numbers of seats and infrastructure	No limit on enrollments
Staff	Teaching faculty is the biggest standard asset and differentiator	Biggest staff pool consists of content creators, examiners, marketing
Preferences	Courses where technical knowledge and full attendance is involved	Preferred where professionals enhance skills while working full-time
Returns	Takes around 7-8 years to get returns on investment but post this the returns are sustainable (Cash Cow)	Operationally can be profitable from the first year but the returns are volatile as the number of students may vary widely from year to year

### Business model for distance learning University

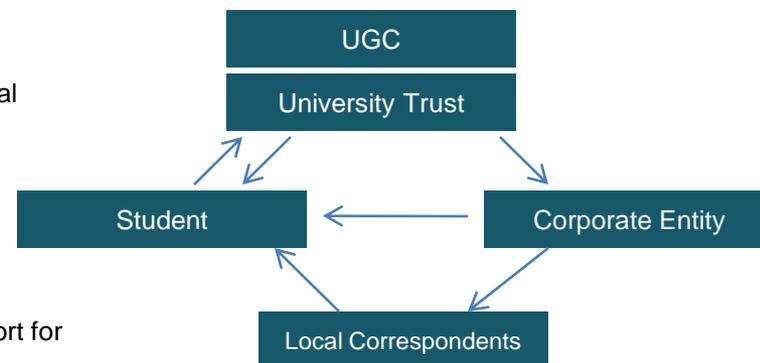
#### • UGC/University Trust

- Defines Eligibility, Curriculum and approves course material
- Conducts exams, awards degrees and certifies courses

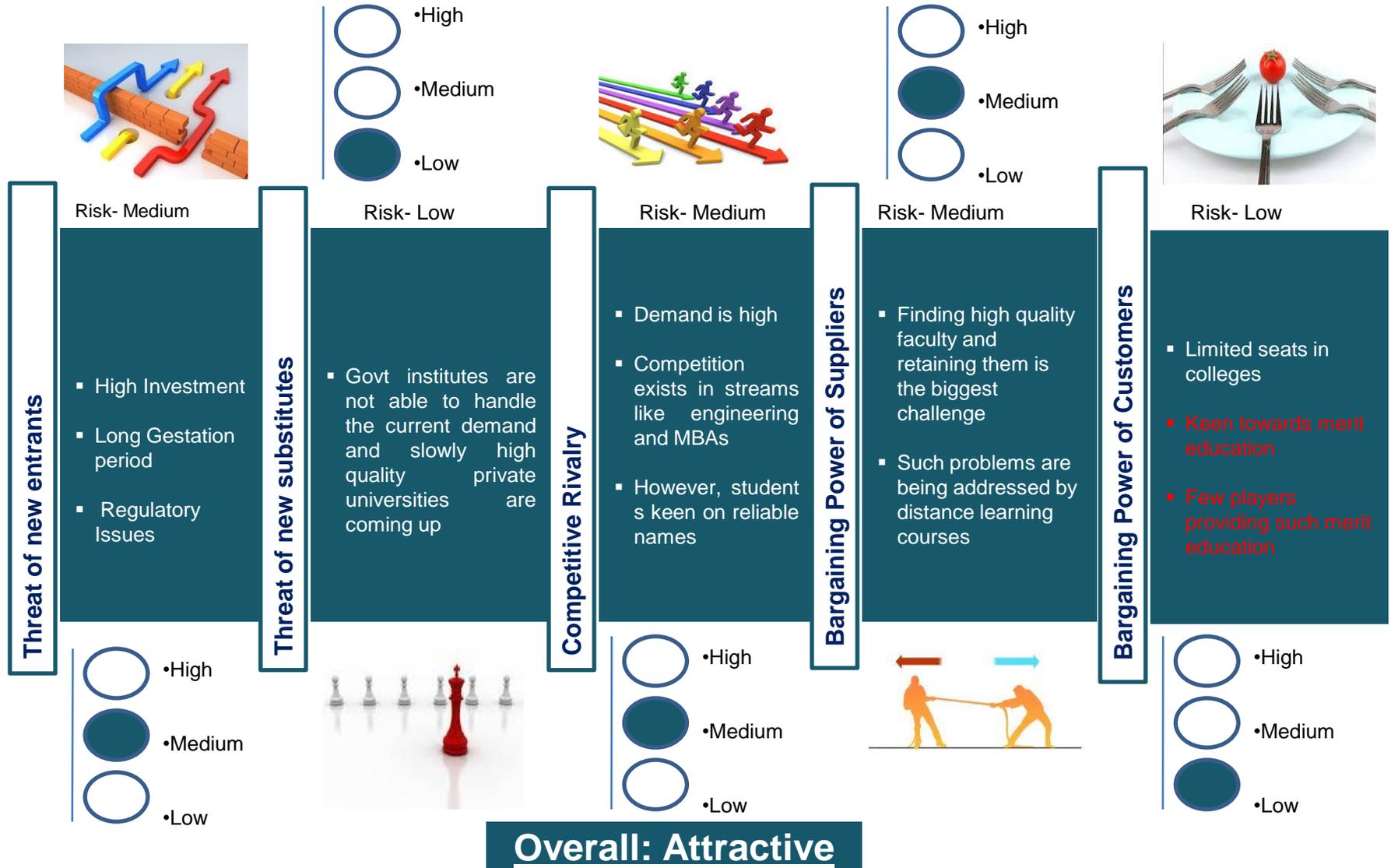
#### • Corporate entity

- Mails course material
- Develops Content
- Supports in hiring faculty and student placements
- Appointing Local Correspondents

- **Local Correspondents:** Provides infrastructure at local area and local faculty support for counseling



# Porter's Analysis on Higher Education sector in India



# Emerging Scenario in Higher Education Segment

## Increasing collaborations with foreign players

- Increasing affordability and growing demand for quality education is driving the entry of foreign players
- Examples - Appejay University signed a MoU with a Dutch University and the BML Munjal University signed a MoU with Imperial College London recently



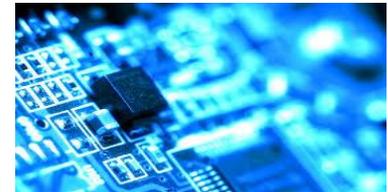
## Multi-Campus Model

- To facilitate scalability, institutes are increasingly adopting the multi campus model
- Example- Private players like Amity, ISB and IIPM have a multi campus model



## Higher adoption of technology

- Institutes are now deeply investing and engaging Information technology for campus management, admission procedures, maintaining student databases etc
- E-commerce companies like Snapdeal are also entering into the Education sector
- Snapdeal has now opened up a portal to provide classroom teachings, provide test-preparation materials, online courses and certificate courses



## Expanding overseas

- Recognition of Indian education in a global arena and ability of Indian Players to compete globally has resulted in expansion into foreign geographies
- Example- Manipal University and Amity University have established campuses in Dubai recently



## Stricter Regulations

- AICTE aims to bring in a new era of accountability and transparency into educational institutes
- Plans to bring in sweeping reforms and mandatory fee disclosure norms (including online disclosure of every institute's fee details, faculty components and admission-related details)



# Key Players in the Higher Education Segment

Player	Status	Revenue	Model
	12 professional streams; 17 institutions, 28000+ students from 53 nationalities	US\$ 214.03 Million	On-campus - Medicine, Engineering, Information Sciences, Allied Health Sciences, Biotechnology, Dental, etc
	Located in the north-eastern state of Sikkim; 550+ Learning Centers, 100,000+ students	NA	India's first university to be built on the PPP Model. Diploma, Bachelors and Masters courses in InfoTech, Management, Allied Health, etc
	100,000+ students across 240 courses, Expanded campuses in Dubai, London and Singapore	NA	Courses like Engineering, Management, Law, Biotechnology etc are imparted
	HQ- New Delhi, branches in Mumbai, Chennai, Ahmedabad, Bangalore, Pune and Hyderabad; Total 9 colleges, 5,100 students (4,500 post grads, 600 undergrads)	US\$ 56.30 Million (FY10-11)	Management and Corporate Trainings
	It has centres in New Delhi, Jaipur , Gurgaon and Greater Noida. Institute offers Courses in Higher Education like PGP, PGR, PGP etc	NA	On Campus – Higher Education Programmes
	6,000 students in 32 different courses	NA	Engineering, Management (ISBM), Hotel Management, Pharmacy, College of Post Graduation
	7 Campuses	NA	Engineering, Law, Management

## Segment Analysis

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### III. Ancillary Segment

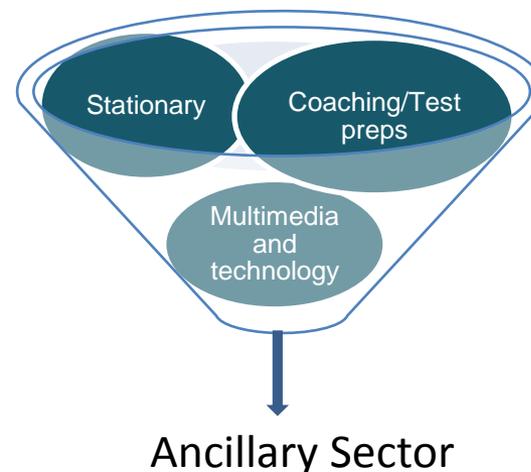
# The Ancillary Segment

## Industry Statistics

- The Ancillary segment of India's Education Sector is currently estimated to be ~US\$ 15 billion and is expected to grow at a CAGR of 15% to touch US\$ 40 billion by 2020
- The segments consists of Education Travel, Education Resources, Tutoring, Transport Management, Test-preps, Uniforms, Stationary etc
- The Segment is largely unregulated and has various asset-light business models
- Increasing competition for entrance exams and layers of tests at the K-12 level has paved the way for many coaching institutes
- The segment is also bringing a slow but steady transformation of education style from a mere school premise to online access(e-learning)

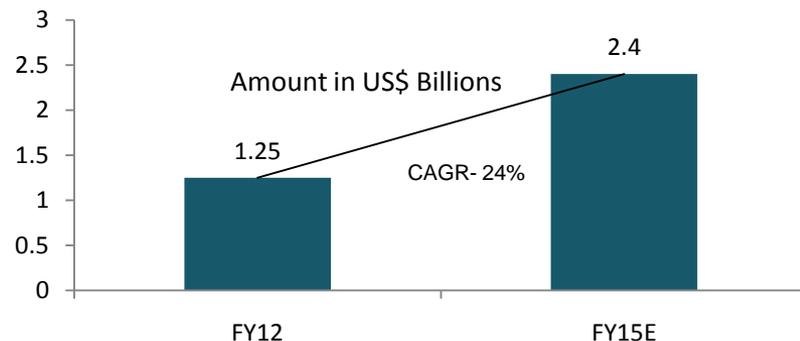
Source: Technopak Analysis, Ancillary outlook April 2013

## Sub-segments

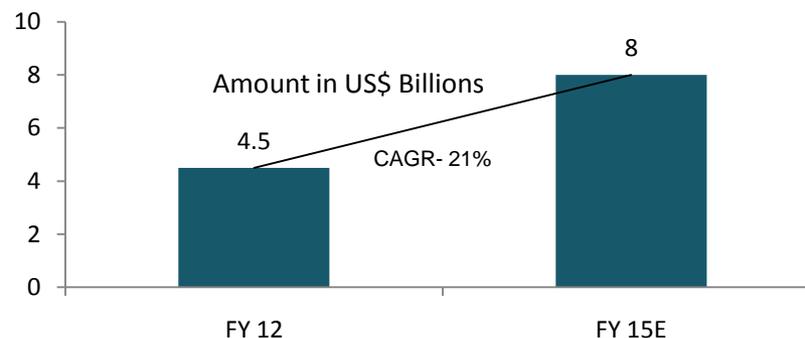


## Segment Statistics (Market Size)

### Multimedia and Technology



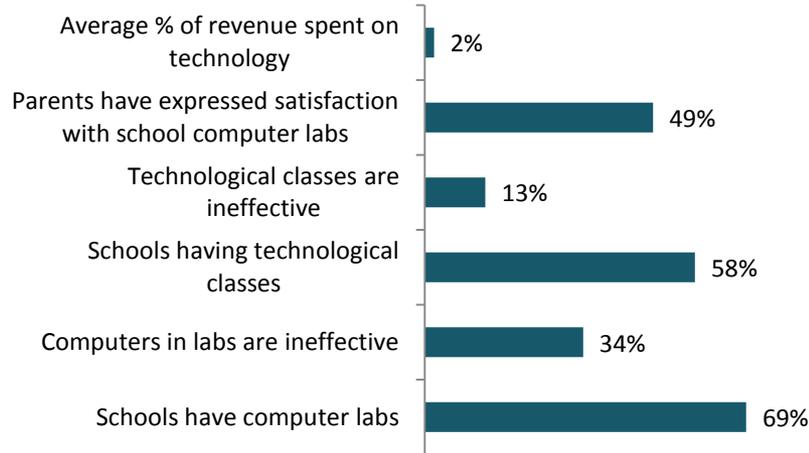
### Coaching/Tutorials



Source: Edelweiss Education Sector July 2012

# I. Multimedia and Technology (1/3)

## Current views on Technology in Education



Source : Gray Matters Capital, Education Technology in India, 2013

## Internet users vs. Computing devices

**Opportunity lies in bridging the gap between the number of internet users and education computing devices**

Despite an increasing number of internet users in India, a majority do not have computing devices which hampers the potential of technology in education

TRAI pegged the number of Internet Subscribers at 165mn with 7 out of 8 accessing internet from mobile phones

## Influential Technology Modes



### Tablets

- Tablets gained momentum in the Indian Education sector when Datawind Ltd. introduced the Akash Tablet- World's Cheapest tablet (US\$ 100)
- They are perhaps the most portable mode of technology in education as they emphasize on e-book formats and learning on the go
- This also helps in harnessing the audio-visual effects of the lessons

### Satellite Based Classes



- This is another revolutionary concept to reach a large population of students at the same time
- Using this technology, live teaching is telecasted to a large number of workstations connected to the satellite

### E-learning



- This is a solely online based learning mode where lessons are imparted in the form of videos on the allocated portal
- The subject matter is uploaded on the portal and the same can be accessed by the given user-ID and password

# I. Multimedia and Technology (2/3)

## Barriers and Benefits

- **Knowledge Gap**

School management is often hesitant to invest heavily in technology upfront. Instead of imparting highly marketable skills like coding, web design etc., teachers are found more involved in basic computer skills

- **Resource Limitation**

Another barrier that adds to the negatives is the high cost of acquiring and maintaining such technology

- **Cultural Barriers**

Schools are often involved in resisting such technology training as they fear that their current staff may become redundant

- **Logistical reasons**

Lack of infrastructure is also a major concern. Institutes are more focused on accommodating more student than investing in space and rooms for computer labs

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- **Audio-Visual**

Technology helps enhance both the audio and visual effects in the subject matter which helps develop a deeper understanding

- **24/7 Access**

This is the inherent advantage of technology. It helps students to have continuous access to the subject matter and the learning is not limited to attending class

- **Wide Coverage**

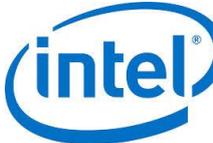
Due to the advent of multimedia and technology, learning is not limited to the school premises anymore. The sources of learning have touched wide horizons and a larger population at a single point of time. Example: Satellite Classes

- **A bridge for innovation**

Multimedia has also paved the way for further innovation. Due to the development of new learning styles, the emphasis of education is more on “out of the box” thinking and learning

# I. Multimedia and Technology (3/3)

## Players and the Play

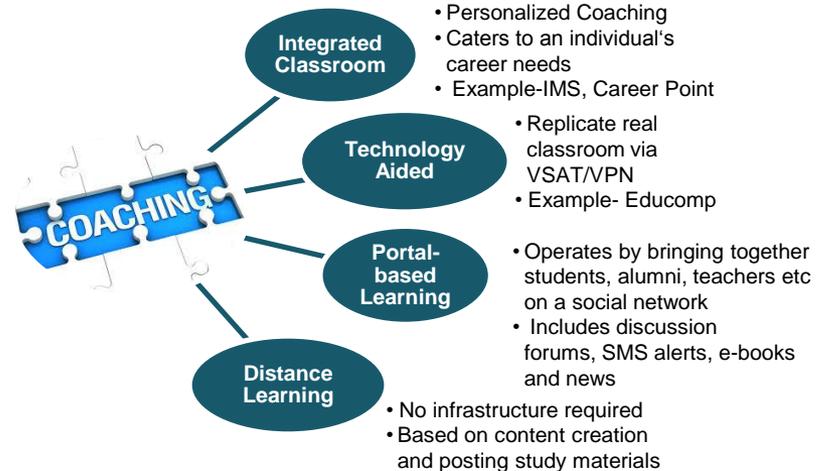
Name			
Description	<ul style="list-style-type: none"> <li>The Company was established in 1994</li> <li>Educomp reaches out to 34,500 schools and ~22.8 Million users and educators around the world</li> <li>It also claims to have the largest K-12 digital content library in the country with over 16,000 modules of rich 3D multimedia educational content</li> <li>The company has many tie-ups and partnerships at the higher education level such as with the JRE Group of Institutions, Millennium School of Business etc.</li> <li>It is the largest company in education solutions space</li> </ul>	<ul style="list-style-type: none"> <li>The company was founded in 2009</li> <li>Edutor has launched a tablet named as student tab which is customizable for a school's curriculum</li> <li>The tablet has a built in assessments feature and the content is a blend of animations, e-books and videos aggregated from several content partners</li> <li>Edutor has designed tablets that can be used for all the three segments such as K-12, Test-preparations and Higher education</li> </ul>	<ul style="list-style-type: none"> <li>The company was founded in the October 2000</li> <li>Hurix systems is focused on transforming the industry by converting old contents into digital by providing e-books converter, simulation labs, animations etc</li> <li>The company is also engaged in HTML5 Services and developing mobile based apps</li> <li>Hurix has the team of 500+ professionals</li> </ul>
Partners	 	  	  

# II. Coaching and Tutorials (1/2)

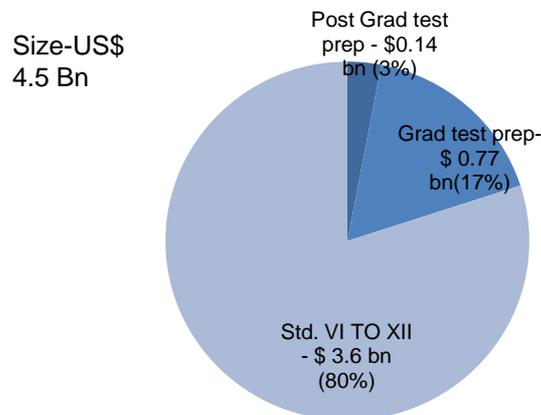
## Industry Statistics

- Coaching is that sub-segment of the Ancillary segment which covers the classes for test-preps , entrance exams, tuitions etc.
- The sub-segment was ~US\$ 4.5bn in 2012 and is expected to touch US\$ 8bn in 2015 growing at the CAGR of 21%
- This Sub-Segment is highly unregulated and unorganized
- The unregulated nature of the industry has attracted a lot of PE/ VC funding
- The coaching industry is basically an Urban Phenomenon accounting for 75% of the total industry
- The success of the players in the industry mainly depends on word of mouth and the prevailing brand image in the market

## Sub-segments



## Coaching Composition



## Growth Drivers

- Poor quality of teaching in the existing education system
- Shortage of quality formal education institutes - increasing competition for admissions at the graduate and post graduate level s
- The market is rapidly growing as the Indian education system lays heavy emphasis on marks scored in an exam. A shortage of quality Higher Education Institutes is further fuelling growth
- Due to the increasing complexities in the professional exams, Coaching centers are now a much needed support system for students
- The size and pace of growth in this segment is huge and it promises to be a large market opportunity

Source: Edelweiss Education Sector July 2012

## II. Coaching and Tutorials (2/2)

### Key Players in the Segment

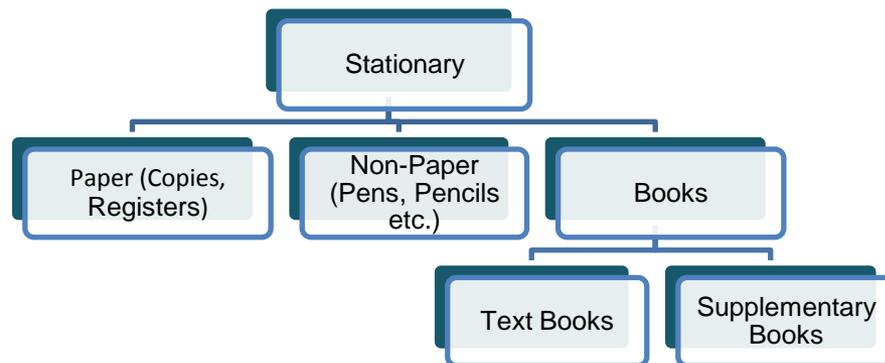
Player	History	Current Network	Revenue	Business Model
	Started in 1977	185 centers	US\$ 6.77 million	Strong focus on MBA test prep, diversifying into Certification Programs, Publications, Language Training & Formal Education
	Started in 1995	135 Centers	US\$ 16.61 million	Strong focus on MBA test prep, diversifying into preschools, K12 schools, HE institutes, vocational training to providing coaching and counseling at all levels
	Started in 1992	150 Centers	US\$ 17.26 million	Focus on MBA/ Engg/ MCA entrance tests
	Started in 1988	168 Centers	US\$ 25.65 million	Focus on 10th,12th grades (Science and Commerce streams), AIEEE, Engg/ Medical, CET, CA
	Started in 1988	96 Study Centres 125 Exam Centres	NA	Focus on medical & engineering entrance exams (well known for IIT entrance training), courses for Olympiads, NTSE are also offered

# III. Stationary

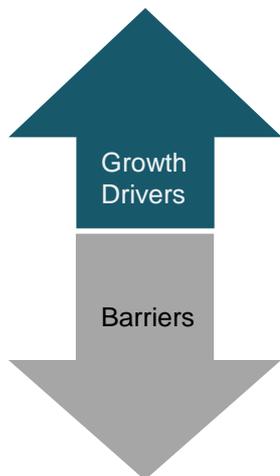
## Industry Statistics

- Stationary is the sub-segment of the Ancillary segment of the education sector that includes supply of books and other non-paper items used for educational purpose
- In the FY 2012-13, the market size of the school and stationary supplies base was estimated at ~US\$ 10-15 Billion
- A huge part of the market is captured by the typical textbooks used in schools such as NCERT, SCERT, State boards' recommended books
- The segment is highly unorganized and unregulated, which paves the way for a large player to capture market share
- The rise in the number of educational institutes and enrollments is driving the demand in the stationary segment every year

## Sub-segments



## The Barriers and The Growth Drivers



- It is a highly unorganized segment which results in lesser restrictions
- It is deeply involved in every other segment of education which is the major driving force behind its growth
- Private players are highly affected by the monopoly of State boards in terms of text books like NCERT, SCERT
- Reference to class notes and second hand books is also a major limiting factor
- Emerging online contents/portal learning is also making the printed books industry obsolete

## Players



## Segment Analysis

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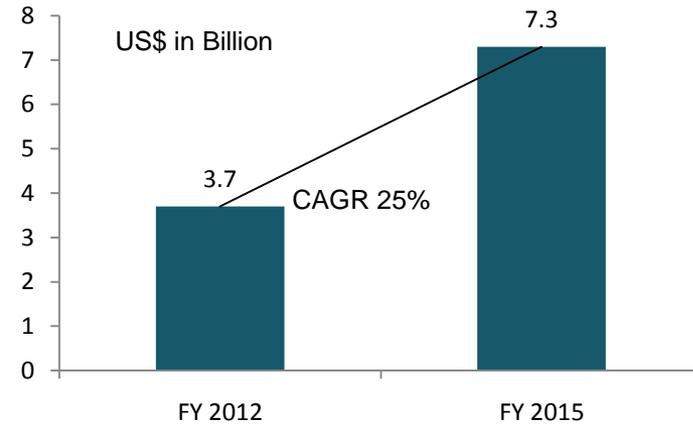
### **IV. Vocational Training Segment**

# Vocational training

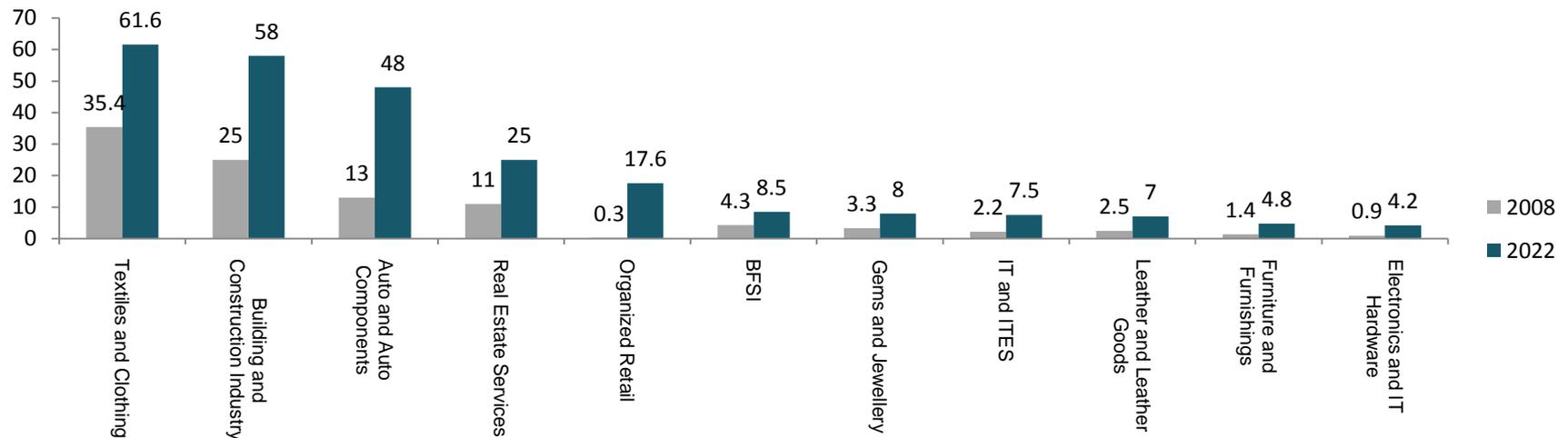
## Industry Statistics

- Vocational training is that segment of the Education industry that prepares people for a specific trade or career (hard skills)
- The segment is focused on enhancing the employability of trainees at the blue-collar level
- This segment was ~US\$ 3.7 billion in 2012 and is expected to touch US\$ 7.3 billion<sup>1</sup> by 2015 growing at a CAGR of 25%
- NSDC-National Skill Development Corporation, established by the government in 2009, is a special initiative undertaken to enhance skills of potential human resources to match the ever growing demand for talent
- It is estimated that 150 million more skilled human resources would be required by 2022

## Market Size

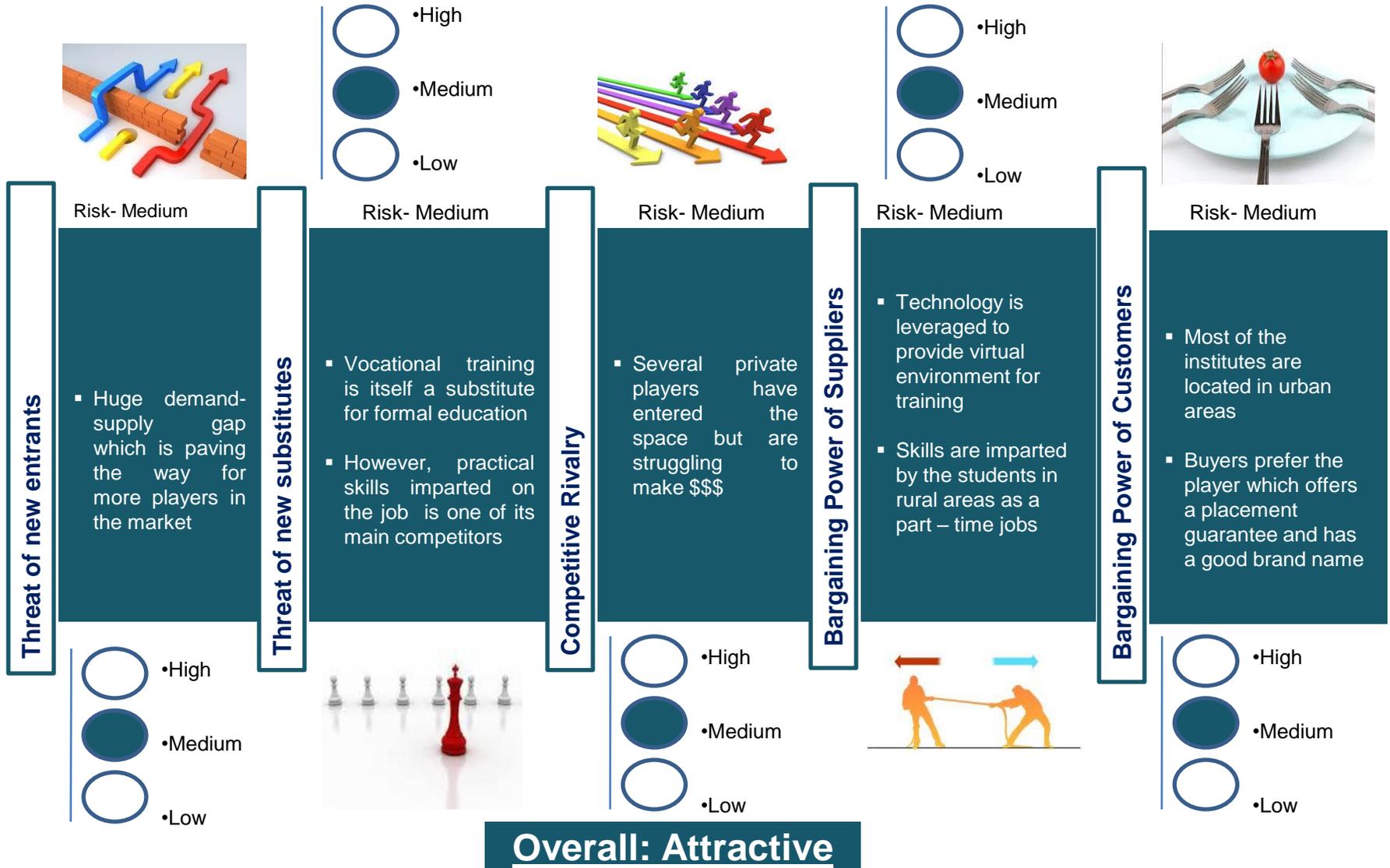


## Projections for human resource requirement till 2022-People In Million<sup>2</sup>



Source: <sup>1</sup>Edelweiss Education Sector July 2012 <sup>2</sup> NSDC Report on Vocational training 2012-13

# Porter's Analysis on Vocational Training in India



# Key Players in the Vocational Training Segment

Player	History	Status	Revenues	Business Model
	Started in 1981	Listed	US\$ 155 million	IT Training (90% of individual training revenues), IFBI (NIIT has 81% stake; remaining with ICICI) for banking certifications, Imperia (tie-up with IIM A,I,C,L) for management programs, Corporate Training
	Acquired Avalon in 2006	Listed	US\$ 27.26 million	Retail Business - IT & Multimedia training. Non-retail business - learning services, training and testing solutions. Avalon is currently in the aviation, hospitality and personality development training
	Started in 1990	Listed	US\$ 5.32 million	110 centers (104 franchisees); Hardware and Networking Training
	Founded in 1999-2000	Private	NA	350 centers (30 owned). Focus on Financial Training
	Started in 1976	Private	US\$ 12.80 (FY-2012)	60 centers. Training in H/W, Networking and IT
	Started in 1981	Private	NA	175+ centers; both franchised and owned (expected to go up 100)
	Started in 1986	Private	NA	30 centers (25 owned, 5 franchised)
	Started in 1993	Private	US\$ 9.89 million (FY-2012)	120 centers. Aviation and Hospitality training; ~17,000 students

Where is the Opportunity and Why?

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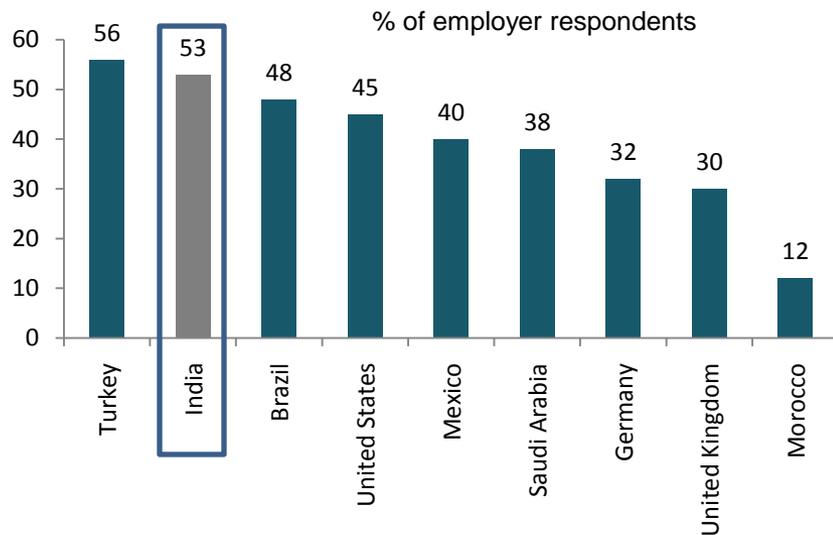
# The Opportunity in Vocational training

## Skill Shortage and The Potential

### Shortage = Unlock the Potential

36% of employers reported the lack of skills caused "significant problems in terms of cost, quality and time"

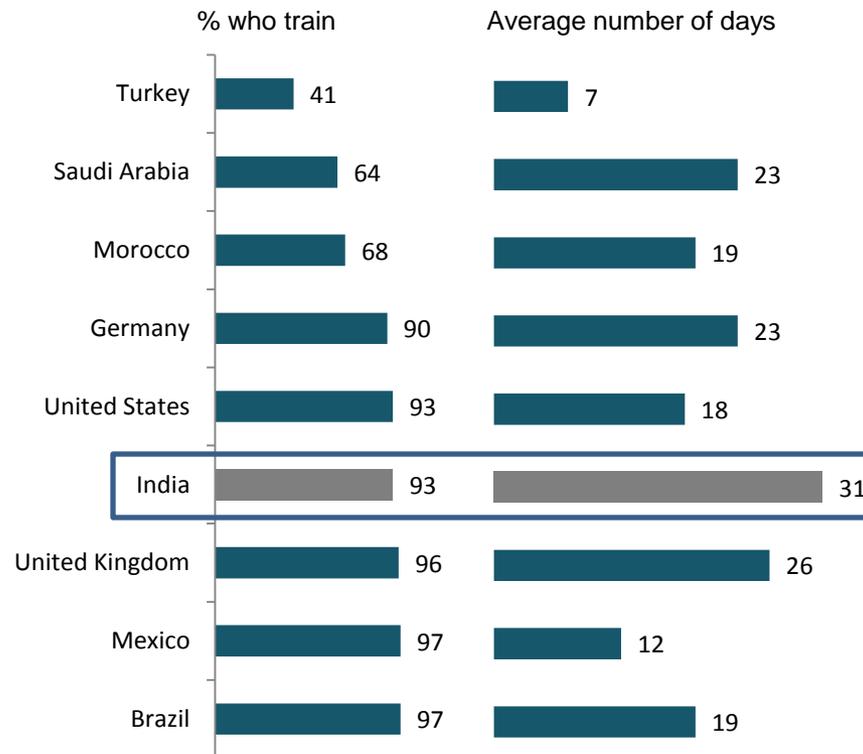
39% of employers say skills shortage is a leading reason for entry-level vacancies



47% of employers were found unaware about the concept of training  
Therefore introducing Vocational training can prove to be a boon for their operations

### Training time

#### Companies with new hire training

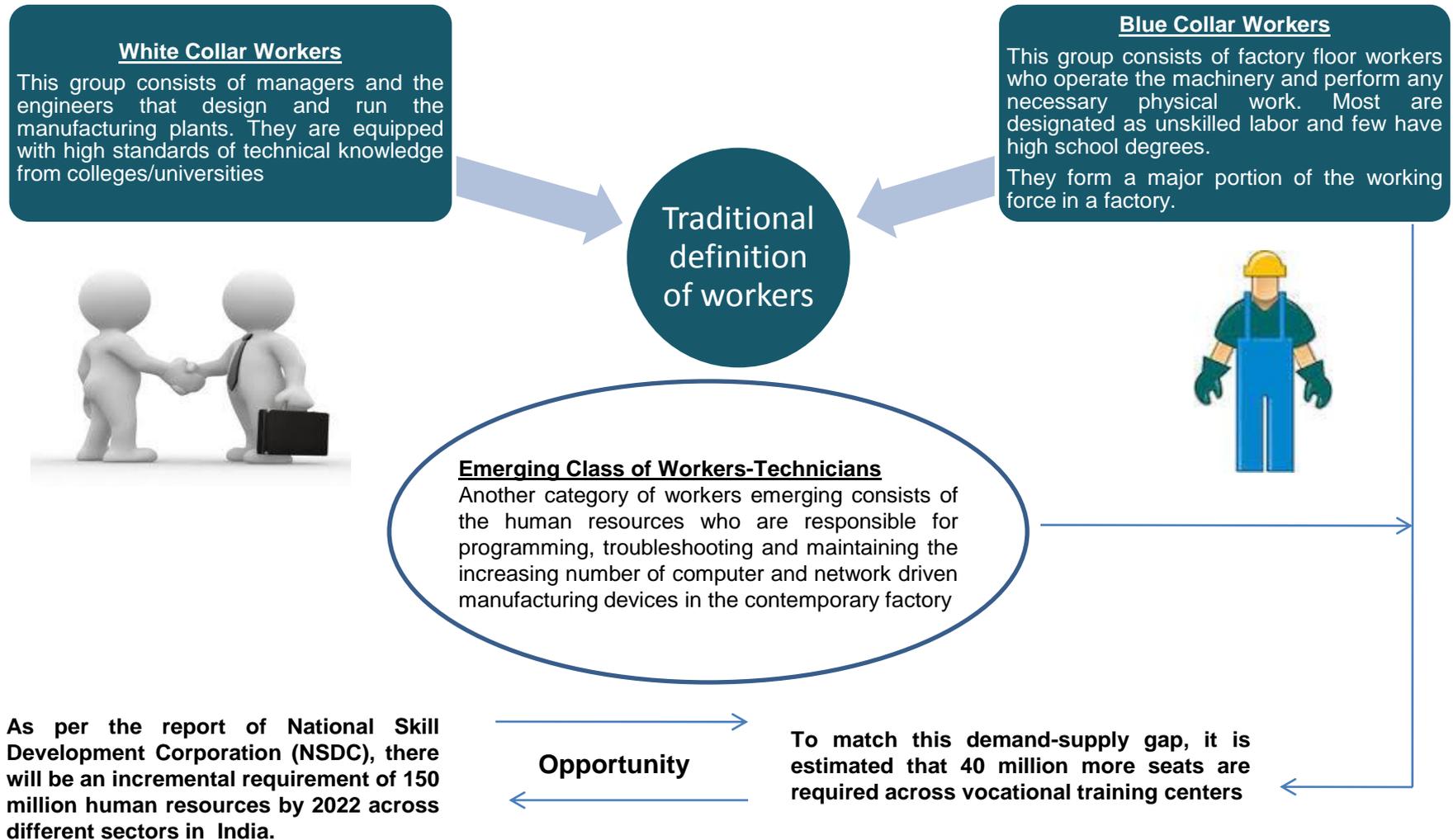


Companies of all sizes state that they would pay an extra 22% on average for training and development

SOURCE: McKinsey survey, Aug-Sept 2012

# Measuring the Demand & Supply Gap

## Changing Rules of the Game and The Emerging Opportunity



# In-house Vocational Programs in the Manufacturing Sector

## Initiative taken by Big Private Players

Industry	Company Name	Training Initiatives
Construction		<ul style="list-style-type: none"><li>L&amp;T has established Construction Skill Training Institutes (CSTIs) in Chennai, Panvel, Ahmadabad, Bengaluru, Hyderabad, Delhi and Kolkata to impart construction vocational training</li></ul>
Textile		<ul style="list-style-type: none"><li>The group has established the Vardhman Training and Development Centre (VTDC) in Ludhiana to enhance employee skills across all functions</li></ul>
Electronic Goods		<ul style="list-style-type: none"><li>The Godrej group has tied up with The George Telegraph Institute (the pioneer in vocational training in eastern India) to launch specialized courses in refrigeration, air-conditioning and washing machine technology. On completing the course, deserving students will be offered employment with Godrej</li></ul>
Automotive		<ul style="list-style-type: none"><li>The company has tied up with ITIs and absorbs students from there for its manufacturing plants</li><li>MSIL has also setup a Technical Training Centre to cater to the training needs of employees working in the manufacturing domain and train them on the latest technologies</li></ul>

# Capitalizing On The Opportunity And Harnessing The Talent



- Vocational Training is an effective tool which can help manufacturing concerns in reducing their training time and will also help them to hire people with appropriate skills
- For Blue-Collar Workers, it can be a boon as it will help them to get better jobs with pay matching their skills
- Also, the training available for the same purpose is available at affordable prices

Manufacturing companies spend a lot of money, time and effort to train new hiring. This reduces the productivity and also brings reluctance to hire fresh new blue-collar workers

Vocational Training

Blue-collar workers find it very difficult to get jobs because they lack appropriate skills. Also, due to the same reason the pay offered is lower.

*"There exists an opportunity to create a world class Blue-Collar training institute with practical hands on training for solving this huge demand-supply gap and creating win-win situation for workers and employers"*





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