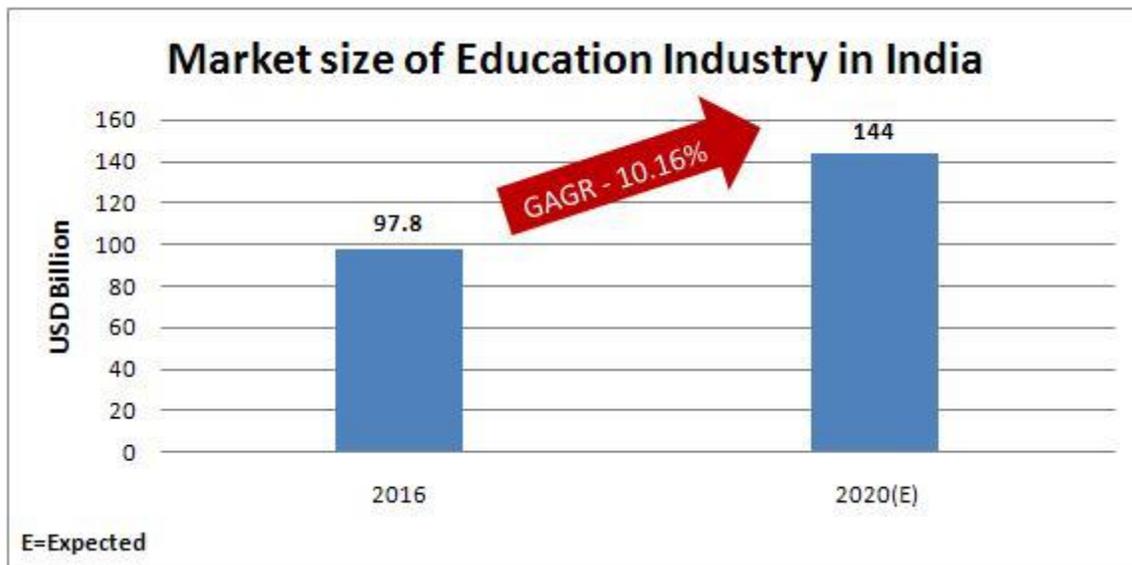


India has strong foothold in the global education industry. The sector has gone through major changes in last couple of years, resulting in substantial increase in the market share. The country has more than 1.5 million schools with over 260 million students enrolled and about 750 universities and around 41,500 colleges. However, there is huge demand supply gap in India with an additional requirement of 200,000 schools, 35,000 colleges, 700 universities and 40 million seats in the vocational training centres. This creates plenty of opportunity in the education system and the sector is expected to attract enormous investment from Private Equity firms in the next 5 years.

**Market size**

With around 28.1 per cent of India's population in the age group of 0-14 years, as of 2015, education industry in India provides great growth opportunity. In 2015, 34.2 million students enrolled in approximately 40,760 colleges and institutions for pursuing higher education. India's higher education segment is the largest in the world and the government's target is of Gross Enrolment Ratio (GER) of 30 per cent for higher education by 2020 to drive investments.

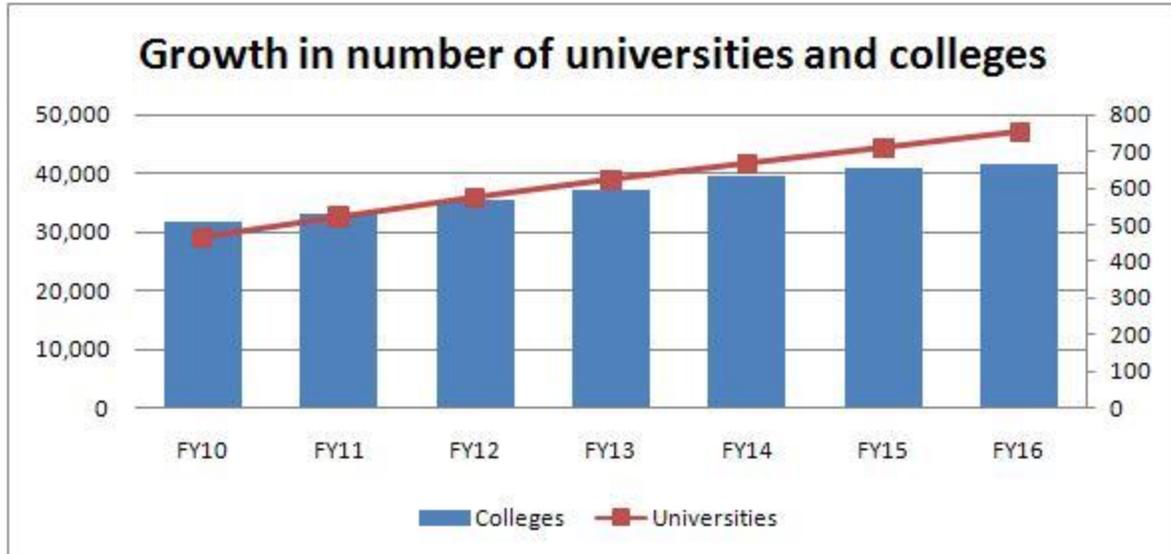
The education industry in India is estimated to reach \$144 billion by 2020 from \$97.8 billion in 2016. India has become the second largest market for e-learning after the US. The sector is currently pegged at \$2 billion and is expected to reach \$5.7 billion by 2020.



**Strong growth in number of universities and colleges**

With both the Government and the private sector stepping up to invest in the Indian education sector, the number of schools and colleges have seen an uptrend over the past few years. Government's initiative to increase awareness among all sections of the society has played a major role in promoting higher education among the youth.

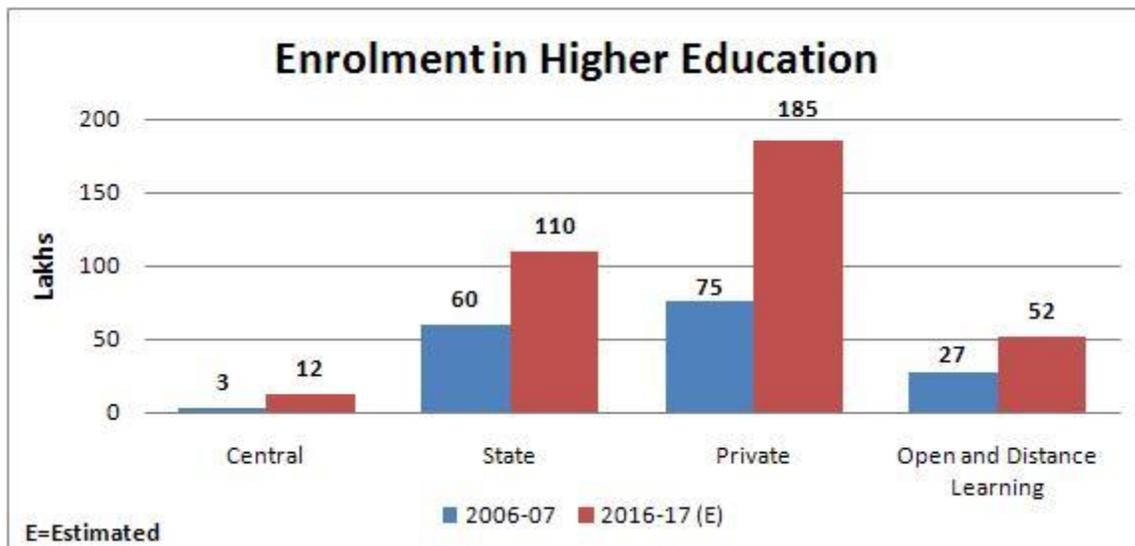
The number of Colleges in India increased to 41,435 in FY16 as compared to 40,760 in FY15 and 39,671 in FY14, while number of Universities in India increased to 753 in FY16 from 711 in FY15 and 666 in FY14.



**Enrolment in Higher Education**

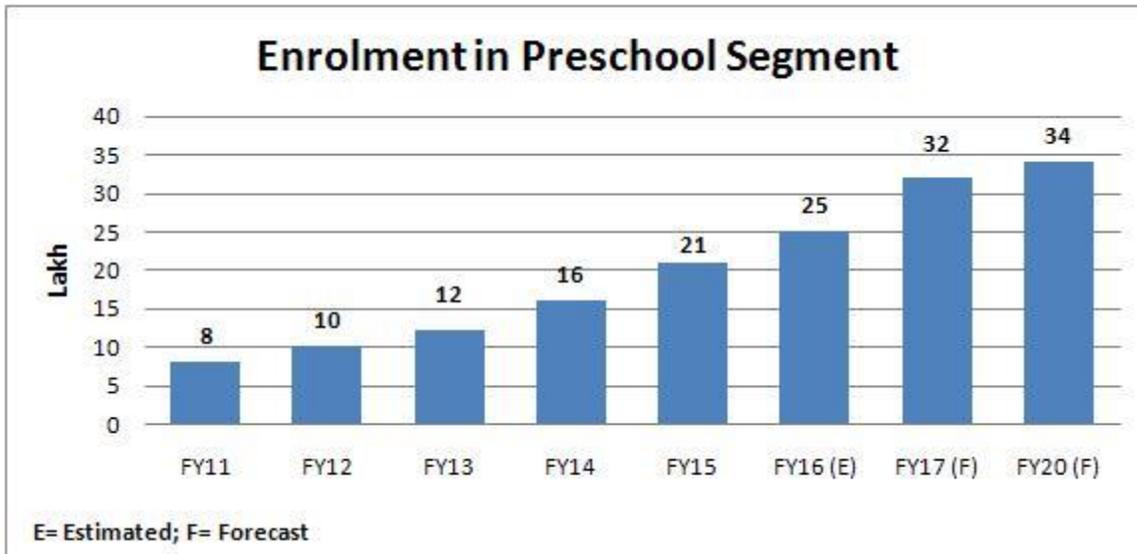
Higher education sector in India is expected to increase to \$35.03 billion by 2025 from \$15 billion in 2016. India ranked second in terms of student enrolment in higher education. Gross Enrolment Ratio (GER) in higher education reached 24.5 per cent in 2016. Government has a target Gross Enrolment Ratio of 30 per cent to be achieved by 2020. As on 2016, gross enrolment for the higher education sector increased to 28.4 million, out of 28.4 million enrolments 52.72 per cent students are males and 47.27 per cent are female enrolments.

In FY17, 12 lakh students enrolled under Central government, while 110 lakh students registered under state government programme. Meanwhile, 185 lakh students enrolled under private colleges, while 52 lakh students registered under open and distance learning programme.



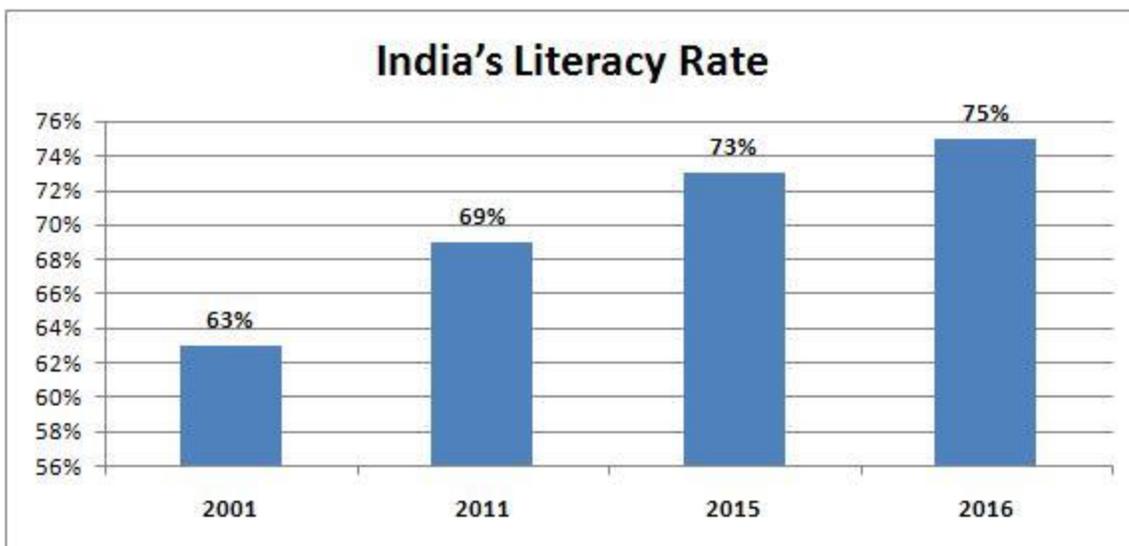
**Enrolment in Preschool Segment**

In the year 2015 the Pre-school segment was worth \$2.1 billion, of which branded Pre-school segment contributing around 33.83 per cent to the total Pre-school industry in India. Pre-school segment in India is expected to grow from \$0.75 billion in 2011 to \$3.4 billion by 2020, exhibiting growth at a CAGR of over 17 per cent. To ensure scalability, preschool chains like Kidzee, Eurokids are upgrading to K-12 schools.



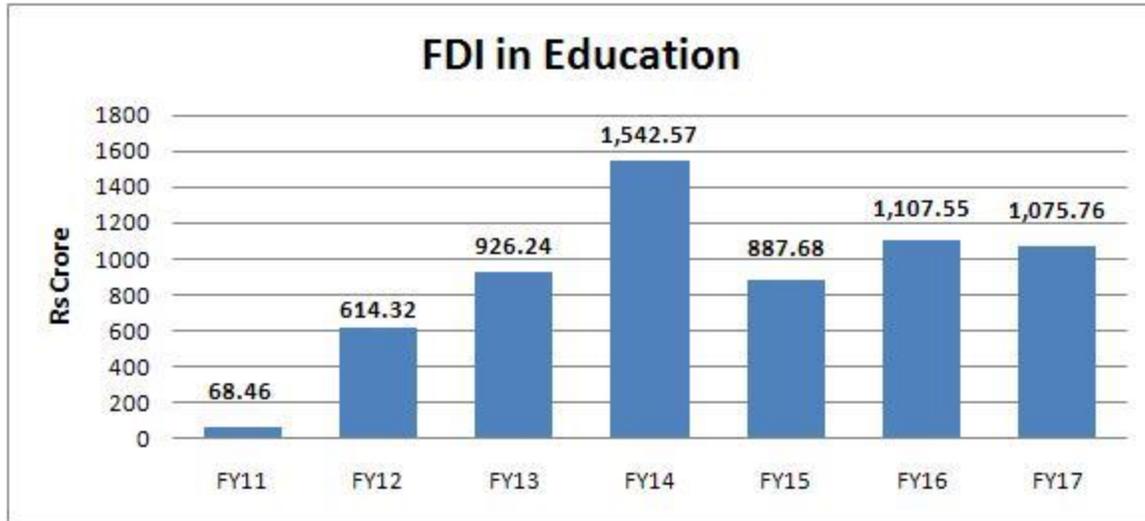
**Increasing literacy rate in India**

Indian literacy rate is estimated to be at 75 per cent in 2016 as compared to 63 per cent in 2011, and 73% in 2015.



**FDI in Education**

The Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in the education sector through the automatic route since 2002. The Education sector has attracted FDI Equity inflows worth Rs 1,075.76 crore or \$160.12 million in FY17 as compared to Rs 1,107.55 crore or \$166.35 million in FY16. The sector has attracted FDI Equity inflows worth Rs 887.68 crore or \$143.29 million in FY15.



**Government initiatives**

**Government approves over 4000 medical PG seats for 2017-18**

The Central government approved over 4,000 Post Graduate seats in medical colleges and hospitals across the country for the academic session 2017-18, taking total number of Post Graduate (PG) seats to 35,117. The government's remarks came after the Centre had announced the creation of additional 5,000 PG medical seats every year during this year's budget with an aim to bolster availability of specialist doctors at secondary and tertiary levels. Of the total increase, 2,046 seats are in medical colleges.

**Cabinet approves setting up of 50 New Kendriya Vidyalayas in the country**

The Cabinet approved the proposal for opening of 50 new Kendriya Vidyalayas (KVs) under Civil / Defence Sector in the country keeping in view the high demand for these schools for their quality of education and excellent results. The total project cost based on Kendriya Vidyalaya Sangathan (KVS) norms for the proposed 50 new KVs is Rs 1160 crore. New KVs will be opened from classes I to V for which 650 regular posts shall be created in all 50 Kendriya Vidyalayas. The school grows every year with addition of one more higher class and, when the school grows upto class XII and becomes a full fledged school with two sections in each class, there shall be a requirement of about 4000 regular posts of various categories i.e., about 2900 teaching posts and about 1100 non-teaching posts. These new KVs when fully functional will provide quality education to approximately 50,000 students in addition to the approximately 12 lakh students already studying in present KVs. The new KVs will address the educational needs of eligible students with high quality standards and will play a role of pace-setting educational institutions in the districts concerned.

## **Recent developments**

### **India signs financing agreement with World Bank for TEQIP III**

The Government of India and the World Bank have signed a US\$ 201.50 million International Development Association (IDA) credit agreement for the Third Technical Education Quality Improvement Programme (TEQIP III). The objective of the Program is to enhance quality and equity in participating Engineering Education Institutes and improve the efficiency of the Engineering Education System in Uttarakhand, Himachal Pradesh, Bihar, Uttar Pradesh, Madhya Pradesh, Chhattisgarh, Rajasthan, 8 North Eastern States and Andaman & Nicobar Islands. The Project has two main components, (i) Improving quality and equity in engineering institutes in those states; and (ii) System-level initiatives to strengthen sector governance and performance. The project has been designed as a disbursement linked one, that is, the World Bank loan will be disbursed on achievement of specific outcomes.

### **Cabinet gives nod to single corpus fund for secondary and higher education**

The Cabinet approved creation of a single corpus fund in which all proceeds of secondary and higher education cess will be credited and utilised for the government's schemes in education sector. The HRD Ministry will be responsible for the administration and maintenance of the non-lapsable pool account which will be known as 'Madhyamik and Uchchta Shiksha Kosh' (MUSK). The funds arising from the MUSK would be utilised for schemes in the education sector which would be available for the benefit of students of secondary and higher education. However, in any financial year, the expenditure on ongoing schemes of the Department of School Education and Literacy and Department of Higher Education would be initially incurred from the Gross Budgetary Support (GBS) and the expenditure would be financed from the MUSK only after the GBS is exhausted.

### **Cabinet approves PMGDISHA to make 60 million rural households digitally literate**

The Government has approved 'Pradhan Mantri Gramin Digital Saksharta Abhiyan' (PMGDISHA) to make 60 million rural households digitally literate. The outlay for this project is Rs 2,351.38 crore (\$ 353.70 million) to usher in digital literacy in rural India by March, 2019. This is in line with the announcement made by Finance Minister in the Union Budget 2016-17. PMGDISHA is expected to be one of the largest digital literacy programmes in the world. Under the scheme, 25 lakh candidates will be trained in the FY 2016-17; 275 lakh in the FY 2017-18; and 300 lakh in the FY 2018-19. To ensure equitable geographical reach, each of the 250,000 Gram Panchayats would be expected to register an average of 200-300 candidates. Digitally literate persons would be able to operate computers/digital access devices (like tablets, smart phones, etc.), send and receive emails, browse internet, access Government Services, search for information, undertaking cashless transactions, etc. and hence use IT to actively participate in the process of nation building.

**Outlook**

Education sector has transformed extremely in recent years on the back of various reforms and improved financial outlays, making India a knowledge hub. Development of education infrastructure is expected to remain the key focus in the current decade with human resource increasingly gaining significance in the overall development of the country. The government is constantly focusing on the sector by taking several initiatives including opening of IIT's and IIM's in new locations as well as allocating educational grants for research scholars in most government institutions. Furthermore, with increasing literacy rate and higher enrolment in Preschool Segment, Indian education sector is set for major changes and developments in the years to come.

**Companies Financial Data In Industry**

Company Name	CMP	MCAP	BOOK VALUE	DIV. YIELD %	TTM EPS	TTM PE
Career Point Ltd.	145.35	263.56	201.67	0.00	9.39	15.48
CL Educate Ltd.	354.65	502.30	256.29	0.00	5.11	69.34
MT Educare Ltd.	62.90	250.47	39.52	0.00	2.19	28.77
Shanti Educational Initiatives Ltd.	122.00	196.42	27.37	0.00	1.26	96.85
Zee Learn Ltd.	42.90	1391.52	9.47	0.23	1.23	34.88
VJTF Eduservices Ltd.	61.25	107.80	10.53	0.00	0.28	217.34
Virtual Global Education Ltd.	1.14	48.30	1.45	0.00	0.10	11.12
Golden Crest Education & Services Ltd.	15.17	7.96	24.53	0.00	0.06	248.65
Vatsa Educations Ltd.	116.70	1211.35	1.53	0.00	0.00	0.00
Sylph Education Solutions Ltd.	8.10	12.15	10.42	0.00	-0.01	0.00
Eduxel Infotainment Ltd.	2.14	1.81	12.77	0.00	-0.03	0.00

Sorted with TTM EPS (High to Low)

Source – Ace Equity

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