

Overview of the Indian Education Industry

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Overview

Globally, the Indian Education sector is amongst the largest, with an extensive network of more than 1.4 million schools (with over 200 million students enrolled) and more than 850 universities and 40,000 higher education institutes and is expanding rapidly in light of rising income levels and growing demand for quality education in the country. Further, India also has the world's largest population in the age bracket 3 to 23 years which highlights the large addressable market for this sector.

Education sector in India is a mix of government-operated & privately operated educational institutions and allied education products & services providers. India has a significant young population which calls for a robust education sector to harness potential for human capital. The sector is highly influenced by various government schemes and policies launched primarily to improve the quality of education and the planned expenditure through several schemes.

Literacy in India is one of the key deterrents to the socio-economic progress of the country. The Indian literacy rate is currently 76% (Source: 71st Survey of the National Sample Survey Organization (NSSO)) compared with 17% at the end of 1950. Although there has been a significant increase in India's literacy levels, it still has the largest illiterate population in the world, with its literacy rate below the world average of 86%. Additionally, according to various experts, a majority of the graduates from universities are not easily employable.

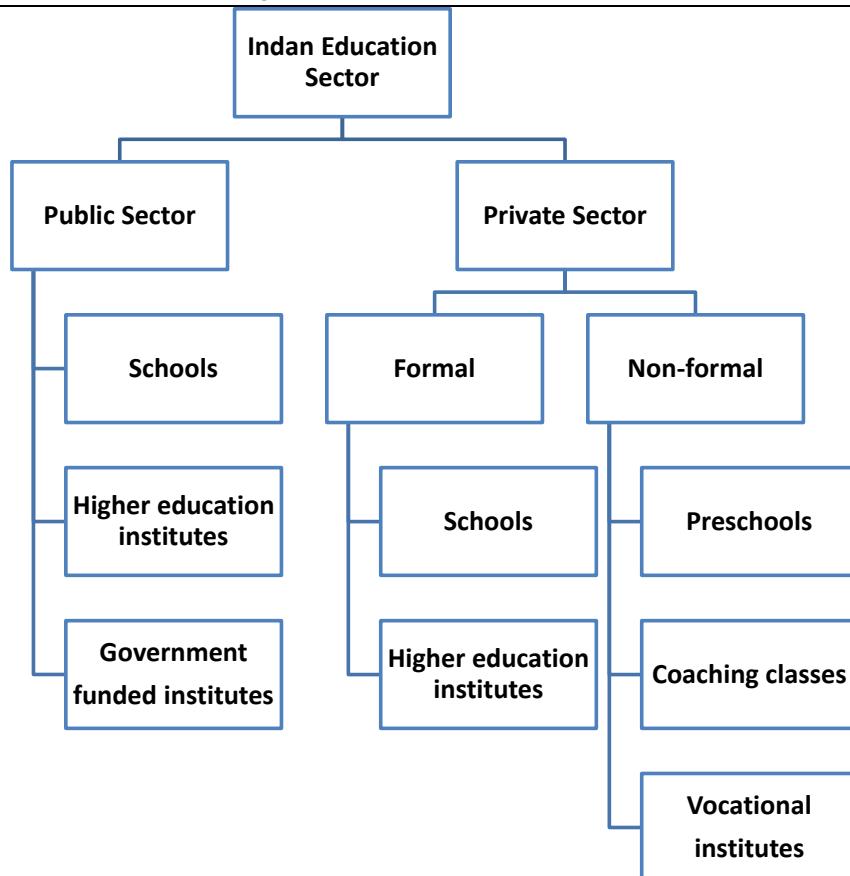
The education sector in India has witnessed a paradigm shift in recent times. Once operated primarily as a philanthropic or a nation building activity, it has since transformed into a 'sector in its own right. So far, basic primary education and certain specific institutions for higher education, like the Indian Institutes of Technology (IITs) and the Indian Institutes of Management (IIMs) have been the prominent parts of the Indian education sector. However, due to an increase in competition coupled with the increasing need to provide quality education and generate positive learning outcomes, the Indian education sector is slowly but steadily moving on the reforms track.

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Structure of the Indian Education System

The education sector in India comprises pre-school, primary and higher secondary education. This is then followed by the higher education segment, which includes professional and technical education. In addition, the segment also comprises vocational training, coaching classes, distance education through e-learning platforms and the like. The Indian Education Sector can be broadly classified into two categories, public sector and private sector.

Chart 1: Indian Education sector – Segmentation



Source: CARE Ratings

Schools and Higher education institutes: It comprises K-12 (schooling from Kindergarten to 12th grade covering primary and secondary education), graduation and post-graduation studies being regulated / funded by various statutory bodies formed by the Central and State Governments. K-12 represents the largest segment within the education space and is delivered primarily through the schools affiliated to State Education Board, Indian Certificate of Secondary Education (ICSE), Central Board of Secondary Education (CBSE), International General Certificate of Secondary Education (IGCSE) and International Baccalaureate (IB). These schools are run by the government or the private sector. Of late, the Indian education sector has witnessed increased penetration by corporates in the K-12 as well as in the higher education institutes space. With the schools being not for profit, corporates have adopted a two-tier structure, wherein trust is created to run the school/ higher education institute. The corporates are using a mix of franchisee and owned schools to scale up their K12 operations.

Non-Formal Education: Non-formal education is the unorganized education acquired by an individual. This segment is operated by the private sector. Non-formal education includes preschools for children and coaching classes (organised as well as unorganised) for both the school children as well as for the candidates appearing for the

competitive examinations. This type of education is not governed by any regulatory authority. The informal education service providers remain fragmented with players catering to diverse areas of informal education.

Preschools

Preschools also known as play group schools cater to approximately 4% of the Indian population belonging to the age group of 1 to 3 years. These schools are primarily aimed at urban children. The increasing awareness among parents about the benefits of quality education has been boosting the growth in the segment. With rising urbanization, increasing proportion of working women and disposable income; the penetration level is expected to increase significantly. The industry is highly fragmented and unorganized due to low entry barriers. However, of late the organized chains have set up schools across the country led by the entry of corporate entities and entities in other value chain of the education sector.

Preschool Business Models

Franchisee Model: Organized players have scaled up the operations through the franchisee model, wherein the franchise owner benefits from the brand in return for payment of franchisee fee or royalty to the concerned corporate / brand owner. The franchisee benefits from the technical expertise, brand image, curriculum knowledge, best educational practices, whereas the corporate gains with the lower investments and geographical spread of its preschools across the country.

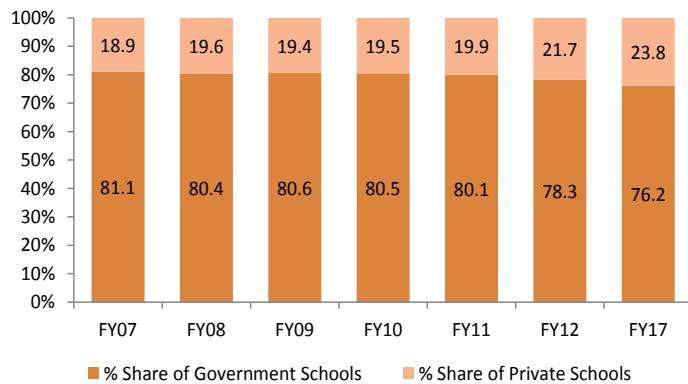
Owned model: Most of the regional standalone preschools adopt owned model and very few corporate(s) have adopted the company owned model to enter the segment.

Shift towards organized market: Low entry barriers, minimal capital requirement and absence of regulatory restrictions have resulted into a fragmented preschool industry in India with many unorganized players. The preschool market continues to be highly unorganized being run by independent entrepreneurs. However, of late several corporates have also evinced interest in this educational segment. Several organized players are entering the market as they have sufficient resources to establish their brands by opening multiple centres, as branding has become increasingly essential in the preschool segment due to increasing demand. There are many organized players such as KidZee, Euro Kids, Bachpan, Apple Kids, Shemrock, Kangaroo Kids, Podar Jumbo Kids, etc. These players have expanded their scalability through the franchisee route. The organized segment is further expected to grow significantly on the back of entry of new players and large scale expansion of the existing players.

K12

K-12 is an abbreviated term for schooling from the Kindergarten to the 12th grade covering primary and secondary education. The target population for this segment is from the age group of 3-17 years. Post the playgroup years, a child would be enrolled in a recognized school registered / affiliated to any of the education boards. The K-12 institutions can broadly be classified into: government-owned and managed, privately-owned but government-aided and privately-owned but unaided. With the Government restricting the private K-12 institutions to be established for 'not-for-profit' and to be run only by trusts / societies, the K-12 scenario in India continues to be dominated by government schools, including Madrasas & Unrecognised Schools totalling 1,118,268 during FY17 and accounting for 76.2% of the total schools in India. However, the private schools managed by the trusts, political, religious/charitable organizations are fast scaling up, aggregating 349,412 during FY17 accounting for 23.8% of the total schools in India (Source: DISE).

Chart 2: % Share of Government and Private Schools (FY07-17)



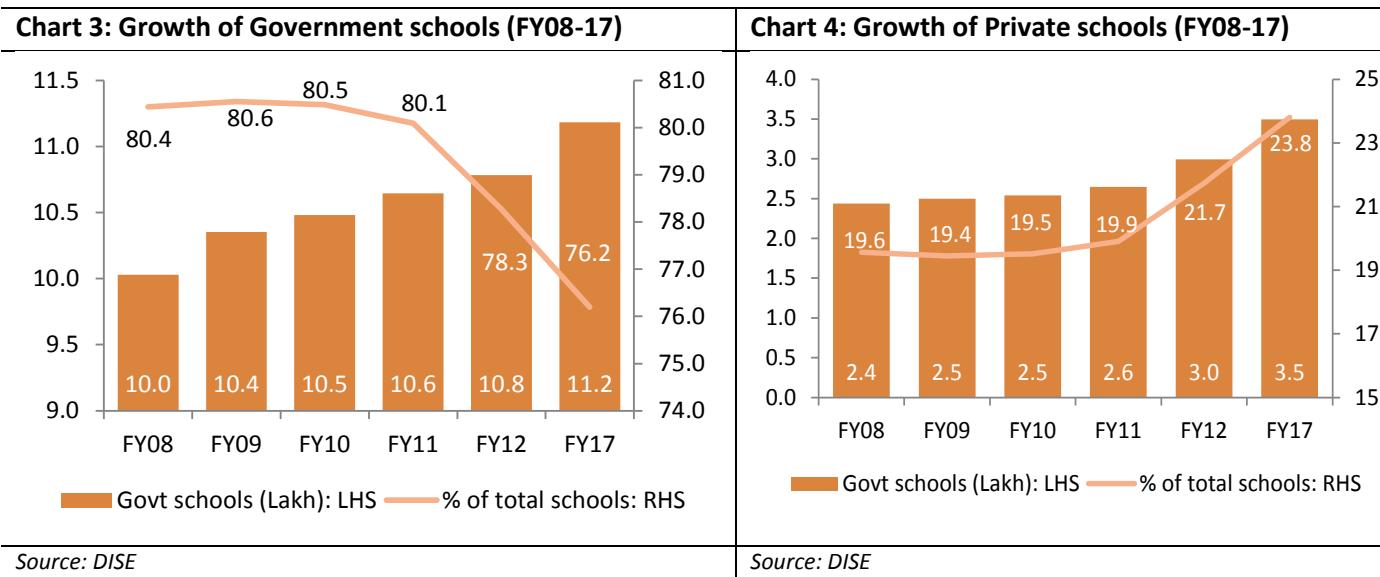
Source: DISE

The entry of corporates and the growing number of institutes under an umbrella brand has revolutionized the concept of K-12 in India. With schools being required to run on 'not for profit' motive, the corporates have adopted a two-tier structure, wherein a trust is created to run the school with the company's subsidiary / management company being the primary revenue earner for the services rendered to the school such as consulting, teacher training etc. The corporates have adopted a mix of franchisee and owned schools model to scale up their operations.

As per the Right to Education (RTE) Act, the private preschools providing elementary education are required to admit 25% of the students from the weaker sections and disadvantaged groups and provide them free education. Moreover, the RTE also mandates closure of private schools if they fail to meet the stipulated teaching and physical infrastructure requirements. However, public schools are exempted from such penal provision. Such regulatory measures deter private investment in the segment. Hence K-12 segment remains dominated by public sector schools in India, with government schools accounting for 76.2% of the total no. of schools in India. However, the share of private schools has been increasing due to the growing awareness about importance of quality education and enhanced affordability.

Government v/s Private schools

With the Government's focus on providing the primary and secondary education across the nation, the total no. of government schools in India grew at a CAGR of 1.2%, from 10 lakh during FY08 to 11.2 lakh during FY17. The government schools accounted for 76.2% of the total K-12 schools in India during FY17. With the increasing shift towards private schools in the country, the total no of private schools in the country grew at a CAGR of 4.1%, from 2.4 lakh during FY08 to 3.5 lakh during FY17. Also, the share of private schools in the total no of K-12 schools in India grew from 19.6% during FY08 to 23.8% during FY17 due to the growing awareness about the importance of quality education and enhanced affordability.



Enrolment at K-12 institutions

The proportion of students enrolled with the government school stands highest at each level compared to the private schools (both aided and unaided), on account of better reach of government schools to far flung areas of the country. Next to the government schools, the enrolment at private unaided schools has also been catching up especially in the metros and tier – I and II cities owing to the availability of better infrastructure facility. The Net Enrolment Ratio (NER) of the Indian children in K-12 segment still remains lower than other developed nations of the world, which has resulted in a higher illiteracy rate in the country.

Higher Education

Higher Education (HE) contributes to the national development by imparting specialised knowledge and skills. The segment targets ~13% of the Indian population in the age group of 18-23 years. There are three levels of qualification within the higher education segment in the country – graduation level, post-graduation level and doctoral degree. All the colleges offering these courses need to be affiliated to a university (under purview of the central regulatory body – University Grants Commission (UGC)). There are also individual bodies such as All India Council for Technical Education (AICTE), Medical Council of India (MCI), etc. responsible for the regulation, coordination and development of higher education in India. The higher education institutions in India are required to be run under a not-for-profit trust/ society.

Increase in Universities and Colleges

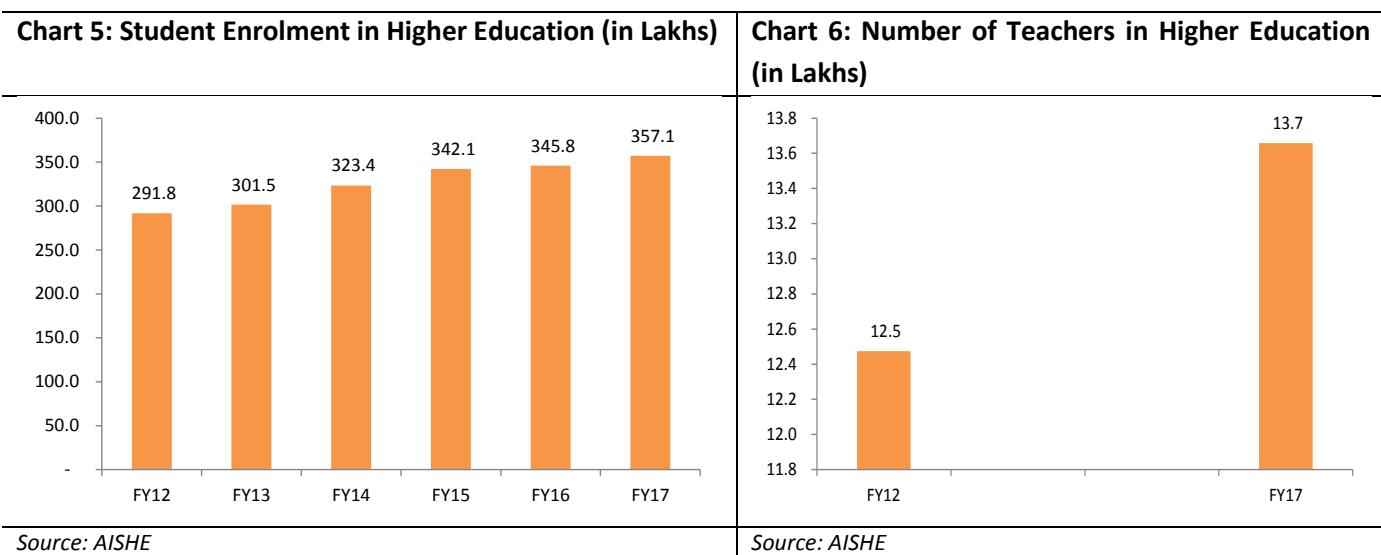
Table 1: Trends in Universities and Colleges		
Year	# of Universities	# of Colleges
FY13	667	35,525
FY14	723	36,634
FY15	760	38,498
FY16	799	39,071
FY17	864	40,026

Source: All India Survey on Higher Education (AISHE)

As per AISHE, a survey conducted annually by Ministry of Human Resource Development, there has been significant increase in the number of universities and colleges listed in AISHE during the FY13-FY17 period.

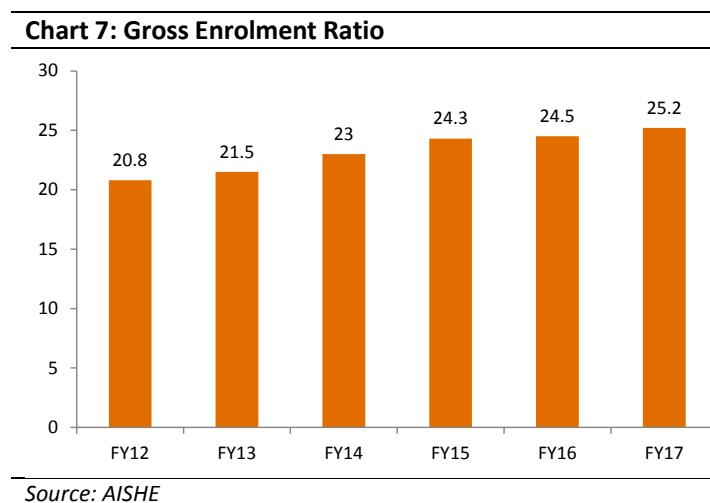
Student-Teacher Ratio declined marginally stable with student enrolment rising at a faster rate compared to availability of teaching staff

The growth in the number of universities and colleges in the country correspondingly led to the growth in the recruitment and training of teachers. The total no. of teachers in the higher education space grew from 12.5 lakh in FY12 to 13.7 lakh in FY17. The student enrolments in higher education during the said period also witnessed a rise reaching 357.1 lakh in FY17 from 291.8 lakh in FY12. The enrolments grew at a faster CAGR of 4.1% during FY2012-17 as compared to the growth of teachers at 1.8% during the said period. This has resulted in the marginal decline in the Student-Teacher ratio of 23:1 in FY12 to 26:1 in FY17.



Gross Enrolment Ratio

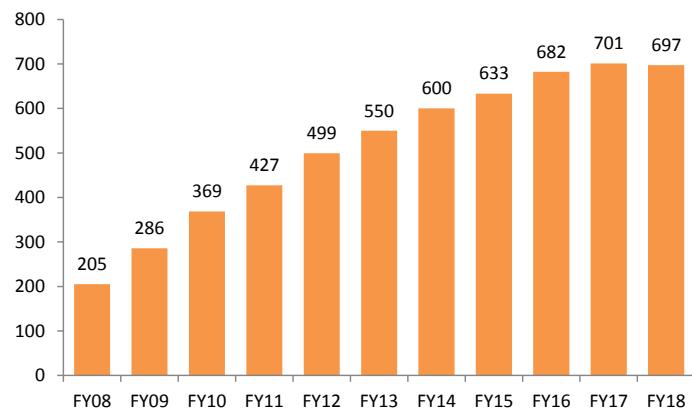
Gross Enrolment Ratio is defined as the total enrolment in a specific level of education, regardless of age, as a percentage of the population in the official age group corresponding to this level of education. The growth in the number of universities and colleges along with the large no of higher education courses on offer has resulted in an increase in enrolments over a period of time. Correspondingly, the Gross Enrolment Ratio (GER) in higher education segment increased from 20.8% during FY12 to 25.2% during FY17.



Education Loans

The Education loan scheme was introduced in 2001 by banks for facilitating higher education especially for the poor and meritorious students. Rising cost of education, preference for education in private institutions (which is 1.5 to 2 times expensive when compared to government institutions), easy availability of education loans in India is also one of the drivers of growth in enrolments in higher education segment. Education loans grew at a CAGR of 13% from Rs. 205 bn in FY08 to Rs. 697 bn in FY18.

Chart 8: Outstanding Education Loans (Rs bn)



Source: RBI

One of the key challenges has been the delinquencies in education loans, reflecting a harsh market scenario. The NPA was 5.7% in FY15, which rose to 7.3% in the following fiscal and further to 7.67% in FY17.

Coaching Classes

With the growing student base across the country and the evolution of new courses / curriculum and competitive exams, the Indian Coaching classes segment has grown significantly. The private coaching classes segment provides training for almost all subjects, classes and area of study including school and college level, civil services exams as well as entrance exams for professional courses. Coaching classes also train students for international entrance tests and language proficiency exams. The Indian Coaching market has always been characterised by the existence of numerous players (primarily, city specific or course specific) leading to a fragmented market. However, with the advent of organised players with high funding capacity the dynamics of the coaching class industry with respect to the classroom size i.e. strength of students in a batch, use of technology in education etc. has undergone a drastic change. The Indian Coaching class market can broadly be classified as follows:

Chart 9: Coaching Classes Segments



Source: CARE Ratings

According to the 71st Survey conducted by the NSSO nearly 26% of the total number of students in the country took private coaching and tuitions with 36% belonging to secondary and higher secondary classes while 20% were graduation students.

Table 2: Proportion of students taking private coaching for levels of school education	
Segments	Share (%)
Primary (refers to Classes I-V)	22%
Upper Primary (refers to Classes VI-VIII)	26%
Secondary and Higher Secondary (refers to Classes IX-XII)	36%
Graduation	20%
Post graduate and above	13%
Overall school education and higher education	26%

Rise of Information Technology in Education

The role of educational technology gained importance in the Indian Education System with the emphasis of National Policy on Education, 1986 with the use of computer related technology for improving the quality of education. To provide further thrust, the government initiated a centrally-sponsored scheme – ICT at Schools during 2004. ICT has also gained prominence in the government's Sarva Shiksha Abhiyan (SSA) program and the schooling norms recommended by Central Advisory Board of Education (CABE) through its report on Universal Secondary Education in 2005. ICT in the education context refers not only to the utilization of hardware devices and software applications for imparting education but also involves development and management of course content, application of web based content repositories, creation of interactive forums through the internet and satellite communication etc.

Drivers

Education industry in India is set to chart higher in the coming years. Rising income of households and demand for quality education coupled with a large young population and low gross enrolment ratios offer tremendous growth opportunities in the sector. Meanwhile, Government initiatives to modernize the sector have also gained ground with private players and entrepreneurs undertaking investments to increase their share of the growing market. In addition to this, increased penetration of mobile telephony over the last few years has facilitated anytime, anywhere learning through e-learning and m-learning modules. All these factors augur well for the industry, which holds immense potential for further expansion and development.

Segment wise growth drivers

- Preschool
 - Rising income levels
 - Rapid urbanization
 - Increasing number of working women
 - Increasing awareness about importance of preschool education
- K-12
 - Consistent shift towards private schools in India, due to growing awareness of importance of quality education and enhanced affordability

- Government schemes: Sarva Shiksha Abhiyan and Mid-Day Meal scheme
- **Higher Education**
 - Increasing no. of enrolments
 - Large no. of courses offered and higher fees
 - Increasing willingness to spend on quality education
 - Growth of services sector
 - More women-oriented courses
 - Increasing awareness of education as a driver of prosperity
- **Coaching classes and vocational institutes**
 - Higher competition for professional and vocational courses
 - Private schools rapidly adopting technology based teaching solutions
 - The government's increased focus on providing computer literacy in schools through various programs

Challenges

Though India has made significant progress in terms of enhancing access to and participation in all levels of education, the overall picture of education development in the country is mixed and there are many persisting concerns and challenges relating to access to and participation in education, quality of the education imparted, equity in education, system efficiency, governance and management, research and development, and financial commitment to education development.

Regulatory Framework

Education falls in the Concurrent List of the Constitution of India i.e. both the centre and the states have the authority to legislate on it. In addition, the centre has the power to determine standards for higher educational institutions while the states can incorporate and regulate universities through private or state university legislations.

School Education

The National Council of Educational Research and Training (NCERT) is the governing body managing the curriculum related matters for school education in India, it also provides support and technical assistance to the schools and looks after the enforcement of policies pertaining to the education system in India.

Table 3: Governing Bodies for curriculum	
Curriculum bodies in India	Examinations conducted
The state government boards	Class X and XII examinations
The Central Board of Secondary Education (CBSE)	The All India Secondary School Examination (AISSE, Class X) and the All India Senior School Certificate Examination (AISSCE, Class XII)
The Council for the Indian School Certificate Examinations (CISCE)	The Indian Certificate of Secondary Education (ICSE – Class X); The Indian School Certificate (ISC – Class XII) and the Certificate in Vocational Education (Class XII)
The National Institute of Open Schooling (NIOS)	Secondary Examination and Senior Secondary Examination (All India) and also some courses in Vocational Education
International schools	The International Baccalaureate Programme, the Cambridge International Examinations.

Higher Education

The regulatory framework governing Higher Education in India is complex with both the central and state governments sharing the roles and responsibilities. University Grant Commission (UGC) set up in 1956 is the apex body governing university education in India with the mandate of coordination and maintenance of standards for university education in India.

Central Government: The Ministry of Human Resource Development (MHRD) is the nodal authority through which the central government plays a key role in defining public policy for higher education in the country. There are 15 other ministries and departments which also regulate higher education, related to other fields.

State Government: The state government discharges its responsibilities through respective government departments for higher education. Many states have also set up state councils and advisory boards for providing guidelines for the proper functioning of higher education institution in the states. The Central Advisory Board of Education (CABE) acts as a common forum for coordination between the state and central governments.

Regulatory and Professional Councils: Statutory bodies such as University Grants Commission (UGC) and All India Council for Technical Education (AICTE) along with professional councils such as Bar Council of India (BCI), etc., are responsible for the regulation, coordination and development of higher education in India. The UGC is the apex body governing higher education system in India.

Accreditation Bodies: The regulatory bodies/professional councils are assisted by accreditation bodies such as National Assessment and Accreditation Council (NAAC) and National Board of Accreditation (NBA) in benchmarking higher education institutions. National Council for Teacher Education (NCTE) and National University of Educational Planning and Administration (NUEPA) are responsible for teacher accreditation.

Government Support

Right to Education

The Parliament of India inserted Article 21A vide The Constitution (Eighty-Sixth Amendment) Act, 2002. The article provides for free and compulsory education to all children of the age of six to fourteen years. This was improved upon by the passing of 'The Right of Children to Free and Compulsory Education (RTE) Act, 2009', which entitles every child to full time elementary education, of satisfactory and equitable quality, in a formal school, which satisfies certain essential norms and standards. All states have subsequently notified all the rules under the Act. This is expected to increase the spread of education in underserved areas.

The Union Budget, 2018-19, has proposed to treat school education holistically without segmentation from pre-nursery to Class 12. Samagra Shiksha - an overarching programme for the school education sector extending from pre-school to class 12 has been, therefore, prepared with the broader goal of improving school effectiveness measured in terms of equal opportunities for schooling and equitable learning outcomes. It subsumes the three Schemes of Sarva Shiksha Abhiyan (SSA), Rashtriya Madhyamik Shiksha Abhiyan (RMSA) and Teacher Education (TE). This scheme will continue from 1 April 2018 to 31 March 2020 with total estimated outlay of Rs. 75,000 crore.

Other policy initiatives by the government

Since 2002, 100% Foreign Direct Investment (FDI) has been allowed through the automatic route in the education sector. In November 2016, Ministry of Skill Development and Entrepreneurship launched Pradhan Mantri YUVA Yojana, for providing entrepreneurship education and training to students in the country. In October 2017, in order to boost the Skill India mission, two new schemes, SANKALP and STRIVE were launched with an outlay of Rs 6,655 crore. Revitalising Infrastructure and Systems in Education (RISE) by 2022 was announced in union budget 2018-19 with an outlay of Rs 1 lakh crore for four years. The government has also continued the Credit Guarantee Fund for Education Loans Scheme and the Central Sector Interest Subsidy Scheme with a financial outlay of Rs. 6,600 crore for period from 2017-18 to 2019-20. The scheme is expected to provide education loans to 10 lakh students during this period.

The Government of India is working on the final draft of the New Education Policy to address the changing dynamics in the education industry of the country as per the requirement of the population. The final draft of the New Education Policy is expected mid-2018.

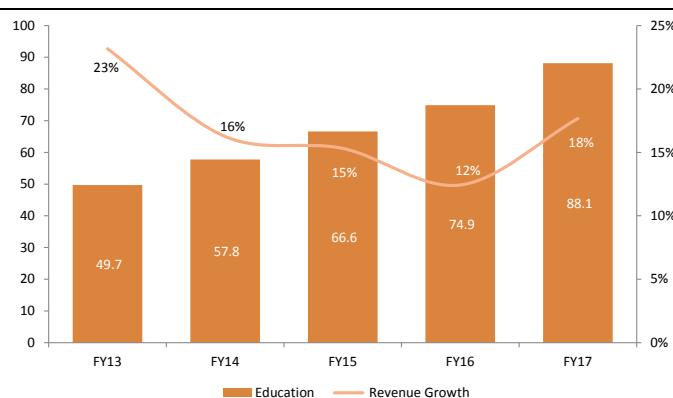
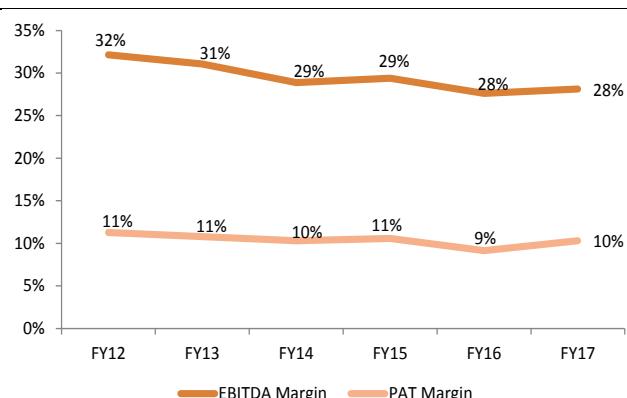
Allocation for Education industry

Government expenditure on education rose from 3.3% of GDP in FY05 to 4% in FY12. However, this declined to a low of 2.4% in FY16 and since then inched up to reach 2.7% in FY18.

Table 4: Edu. Exp. by Govt. (Centre and States)

Year	In Rs. lakh crore	% of GDP
FY13	3.13	3.1
FY14	3.48	3.1
FY15	3.54	2.8
FY16	3.31	2.4
FY17 RE	3.95	2.6
FY18 BE	4.41	2.7

Financials

Chart 10: Revenue (Rs bn)

Chart 11: Margins


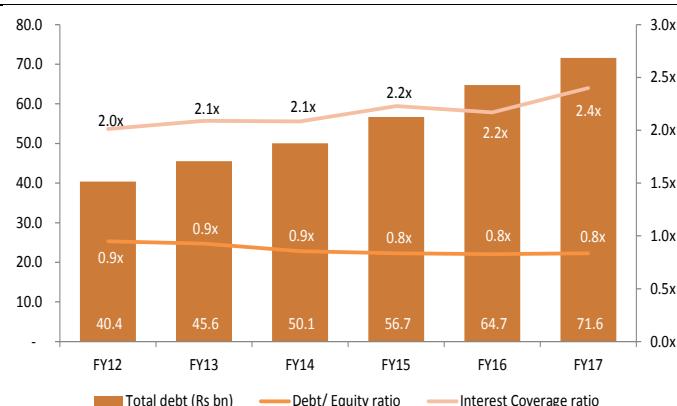
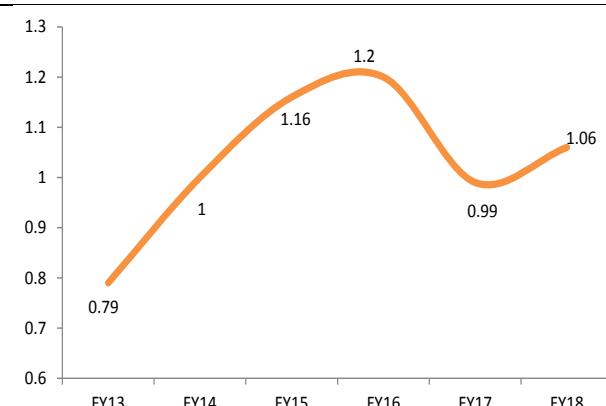
Note: Dataset includes 73 institutions in education industry

Source: Financial filings, CARE Ratings

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Source: Financial filings, CARE Ratings

The education industry revenue has grown at a CAGR of 15% over the FY13 – FY17 period. Concurrently, the annual revenue growth rate has remained over 10% in the same period. The institutions generate the largest share of their revenues from fees and government grants (in case of government aided institutions); other sources of earnings include income from endowment funds, funds from private companies for conducting research and consultancy assignments. On the other hand, the key heads of expenses include employee costs (~30-35% of revenue), depreciation (~12% of revenue), SG&A costs (~22% of revenue) and interest costs (~6% of revenues). Over the FY12-FY17 period, EBITDA margin has trended downwards from 32% to 28% (which has remained steady for the last two years), while PAT margin has generally remained steady at around 10%.

Chart 12: Debt

Chart 13: MCR Movement for Education sector


Note: Dataset includes 73 institutions in education industry

Source: Financial filings, CARE Ratings

Source: CARE Ratings

The debt levels of the institutions have remained at a healthy level, and the debt to equity has generally remained stable, on the other hand, the interest coverage has trended marginally upwards in the FY12-FY17 period.

In FY18, there has been an improvement in credit quality of rated entities (i.e. an MCR >1) as compared to the previous year (FY17) in the education industry, it has nevertheless moderated when compared with FY15 and FY16. The key factors were a rise in profitability, improvements in scale of operations and capital structure.

Outlook

The government's thrust on improving the country's literacy rate through higher enrolments as well as ensuring lower drop-out rates in schools is expected to improve enrolments. Going forward, factors such as greater proportion of population in the school going age, growing middle class population with increasing income levels, increasing private spend on education etc. are likely to result in high growth for the education segment.

Preschools

The preschool segment market size is estimated at Rs. 130 bn in FY17 and is expected to grow at a CAGR of over 20% over the next three years to reach Rs 225 bn. With growing awareness among tier 2 and tier 3 cities, share of branded preschools is expected to increase above 30%. The strong growth in the segment will be driven by rising share of branded chain of preschools, rising income levels, rapid urbanization, and increasing number of working women, improved affordability and rising demand for quality education.

Table 5: Preschool Market Size	FY2017(E)	FY20(P)
Population –mn	1,266.9	1,326.1
Target Population (0-4 years of age) - mn	117.2	116.5
Target Population as % of total population	9.2	8.8
Net Enrolment Ratio	2.5	3.5
Enrolled population mn	2.9	4.1
Total Market Size - Rs. bn	130	225

Source: US Census Bureau, Industry, CARE Ratings

K12

The K-12 market is estimated at Rs. 1,655 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 2,400 bn, on the back of increasing awareness about the importance of education in the country. Private spend is estimated to account for approximately 90% of the total K-12 market size in FY17, which can be attributed to consistent shift towards private schools in India. Private Indian schools are collaborating with international brands to provide international standard quality education. Private schools are also adopting multiple operating models like a mix of franchisee and owned-schools to ensure economic sustainability. There has been an increasing preference for private schools over public schools in India due to the growing awareness about the importance of quality education and enhanced affordability.

Table7: K-12 Market Size	FY17(E)	FY20(P)
Population – bn	1.27	1.33
Target Population (3-18 years of age) - bn	0.33	0.33
Target Population as % of total population	25.84	24.61
Net Enrolment Ratio	63.37	69.25
Enrolled population bn	0.21	0.23
% share of government schools	76.20	74.20
% share of private schools	23.80	25.80
Total Market Size - Rs. bn	1,655	2,400

Source: US Census Bureau, DISE, Industry, CARE Ratings

Higher Education

The market size of the Indian higher education segment stood at approximately Rs. 2,230 bn in FY17 and is expected to grow at a CAGR of over 11% over the next three years to reach Rs 3,100 bn; driven by increasing no of enrolments, large no. of courses offered and the higher fees (especially in case of the private institutes). There has been an increase in the income levels and willingness to spend on quality education in the country. Further, the growth in the segment is fuelled by the growth of services sector in the country.

Table 6: Higher Education Market Size	FY2017(E)	FY20(P)
Population -mn	1,266.9	1,326.1
Target Population (18- 23 years of age) - mn	136.1	138.8
Target Population as % of total population	10.7	10.5
Net Enrolment Ratio	25.2	27.5
Enrolled population mn	34.3	38.2
Total Market Size - Rs. bn	2,230	3,100

Source: US Census Bureau, AISHE, Industry, CARE Ratings

Coaching Classes

The Coaching Classes segment to witness high growth in the medium term. The market size of the Indian coaching classes segment stood at approximately Rs. 2,170 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 3,150 bn, driven by increasing opportunities requiring specialised education and training, growing importance for pursuing professional education with the number of aspirants much higher in relation to the seats available under the respective course.

Table 8: Coaching Classes Market Size	FY2017(E)	FY20(P)
Target Population (3-18 years of age) - mn	327.4	326.3
Target Population (18- 23 years of age) - mn	136.1	138.8
	463.5	465.1
% share of overall students taking private coaching for levels of school education	26	30
Enrolled population mn	120.5	139.5
Total Market Size - Rs. bn	2,170	3,150

Source: US Census Bureau, NSSO, Industry, CARE Ratings

Apart from volume growth, the segment will also witness significant increase in price realizations as parents are willing to pay high prices in order to secure seats for their children in this highly competitive scenario. Further, the brand name of coaching classes is likely to play a more significant role in enrolling new students. This may lead to an expanding scope of large, unorganised players opting for corporatisation and raising funds through formal, organised sources. Thus, proportion of organised coaching classes is expected to rise in the medium to long term.

The long-term outlook of the education sector in India is favourable on expectation of increasing requirement of knowledge based industries for specialised skillsets, increase in per capita consumption, high enrolment ratio, offering of various courses, and Government support in terms of Fee Reimbursement Scheme, flexibility in curriculum, and innovation fund for secondary education.

Concluding Remarks

- The Indian Education sector is amongst the largest in the world, with an extensive network of more than 1.4 million schools (with over 200 million students enrolled) and more than 850 universities and 40,000 higher education institutes.
- Key drivers include higher enrolment as well as efforts to ensure lower drop-out rates in schools along with, factors such as greater proportion of population in the school going age, growing middle class population with increasing income levels, increasing private spend on education, while challenges relating to access to and participation in education, quality of education imparted, sectoral efficiency, governance and management, and financial commitment to education development also continue to persist.
- The final draft of the New Education Policy which is expected to address the changing dynamics in the education industry is expected to be released mid-2018.
- The preschool segment market size is estimated at Rs. 130 bn in FY17 and is expected to grow at a CAGR of over 20% over the next three years to reach Rs 225 bn.
- The K-12 market is estimated at Rs. 1,655 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 2,400 bn.
- The market size of the Indian higher education segment stood at approximately Rs. 2,230 bn in FY17 and is expected to grow at a CAGR of over 11% over the next three years to reach Rs 3,100 bn.
- The market size of the Indian coaching classes segment stood at approximately Rs. 2,170 bn in FY17 and is expected to grow at a CAGR of over 13% over the next three years to reach Rs 3,150 bn.