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Education to get boost on govt reform, PE funds

Reuters

MUMBAI: India's education sector is likely to see heavy investments from private equity funds over the next couple of years betting on increased government spending and as private players plan expansions, officials said.

The sector, pegged at \$86 billion, is seeing fresh interest from foreigners and large funds that are pumping in money in services, technology and infrastructure, they added.

"The education market in India is roughly worth \$50 billion in the private sector and all parts of the educational value chain are offering good investment opportunities," said Rajesh Singhal, managing partner of private equity firm Milestone Religare Investment Advisors Pvt Ltd.

"Private equity investment in the next two-three years should be in the range of \$400-\$500 million and that should not be a difficult target at all," he added. Currently, investments are to the tune of \$200-\$250 million, officials say.

Milestone Religare recently invested 250 million rupees in an Indian education service firm from its Rs6 billion private equity fund that focuses on education and healthcare.

India needs to increase investment in education, health and infrastructure to lift its economic growth rate, which slowed to a six-year low of 6.7% in 2008-09 from 9% or more in the previous three years.

The resource gap identified by the Planning Commission stands at 2,200 billion rupees and the government plans a public-private partnership approach to bridge the gap.

Pearson, the world's leading player in the education segment, which recently joined hands with Educomp Solutions, said it was enthusiastic to fill that gap and expand footprints in Asia's third-biggest economy.

"India's education requirements are big and immediate and acting now will sustain growth," Khozem Merchant, president, Pearson India, told Reuters.

"It's also an opportunity to collaborate with the government on an unprecedented scale," he added.

Earnings in Indian education services firms is expected to grow 35.5% over the next 12 months, according to ThomsonReuters StarMine smart estimates, far outstripping the 14% growth forecast in the information technology sector.

STAKE-SALE

To capture this high-growth potential, television broadcaster Zee Entertainment spun off its education arm while Aptech bought Maya Academy of Advanced Cinematic for Rs760 million.

Steelmaker Usha Martin is also diversifying into education, aiming to create 200 schools in three years.

“We’ll see lots of interests in pre-schools, vocational training, going forward. There will be lots of interesting IPOs in a couple of years,” said Sandeep Aneja, managing director of Kaizen Management Advisory, an education-focused PE firm.

Manipal Universal Learning, the corporate entity of India’s largest private player in higher education - the Manipal Education Group, plans to raise 5-10 billion rupees through an IPO, according to media reports.

Yash Birla’s Birla Shloka Edutech, valued at \$12.8 million, last month raised nearly 350 million rupees by selling shares to fund acquisitions and bid for government projects.

However, experts feel the limited number of assets, which can deploy such large capital, along with tight regulations remain a key challenge.

“The higher education segment continues to be highly regulated. They have to be set up as non-profit organisations,” said Milestone Religare’s Singhal, adding it makes investments possible only in non-core services like IT and infra.