

# CLSA enters India test preparation space

## INDIA'S PARALLEL EDUCATION SEGMENT

remains attractive to private equity investors as rising incomes enable parents to supplement the core services provided by schools and universities with specialist support in areas such as test preparation. CLSA Capital Partners' investment in Resonance Eduventures is further evidence of this trend.

Resonance was set up in 2001 and provides coaching for entrance examinations to students interested in pursuing graduation courses in the fields of engineering and medical sciences. It has a network of more than 38 centers across 18 Indian cities and has trained over 125,000 students since its inception.

CLSA's purchase of an undisclosed minority stake for \$21.8 million represents the fifth investment in India by the \$333 million ARIA Investment Partners III fund.

"The Indian education sector is particularly appealing to CLSACP due to the high demand for quality education. In particular, training for the Indian Institute of Technology-Joint Entrance Examination (IITJEE), the gateway to the reputed

Indian Institute of Technology (IIT), is in high demand with more than 450,000 candidates competing annually to secure ranks in the top 2-3% in order to gain entrance to the IIT," Richard Pyvis, executive chairman of CLSA Capital Partners, said in a statement.

"Resonance, being one of the industry leaders in IIT-JEE coaching, is very well positioned to capitalize on increasing future demand."

This is Resonance's second round of funding, following a reported INR600 million (\$12.2 million) commitment last year from Milestone Religare Investment Advisors. It was the fourth investment made by the INR6 billion India Build-Out Fund. The portfolio companies include another test preparation provider, MBA specialist IMS Learning Resources.

According to CLSA, India's test preparation market is projected to expand by 15-20% a year and will be worth \$3.4 billion by 2012. It appeals

to private equity investors because quantifying demand and supply is relatively easy as in understanding what is behind the rapid growth.

"Since India has a lot more graduates coming out of schools into colleges and the number of seats available is a mere fraction of the

graduating class, going to test preparation classes provides students with an edge," says Sandeep Aneja, managing director of Kaizen Private Equity, adding that the annual spend in this area is \$3-4 billion. Kaizen is in the process of raising a \$100 million focused on education opportunities in India.

The other telling factor is that the test preparation market is highly fragmented and there are numerous test streams in which a leader has yet to emerge. Kaizen estimates that there are at least 25 companies worth \$5-35 million, while the remaining players are small-scale. A degree of consolidation is inevitable as the market develops. ▀



Indian education has potential