# AN ANALYSIS OF PRIVATE EQUITY ACTIVITY IN THE INDIAN EDUCATION SECTOR

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**Abstract** *The Venture Capital and Private Equity (VCPE) industry in India has grown significantly in the recent years. During 2004-2008, the industry growth rate in India was the fastest globally and it rose to occupy 3rd position worldwide in terms of quantum of investments. (Rajan 2011). However with FDI approval and other education sector reforms there was substantial investment flown in the education sector in the last decade. There have been few attempts to study the impact of private equity investment in education sector in India. This paper examines the investment and exits of private equity investment in Indian education sector from 2000 till 2011. 93 deals and 15 exits that took place during period 2000-2011 have been looked at.*

**Keywords:** *Private Equity Investment, Education in India*

## INTRODUCTION

### Private Equity Investment In Indian Education Sector

India has the third largest education system in terms of number of institutions globally, after China and the US. The Indian education system is predominantly governed by the central and state governments;it was estimated by MHRD that 80% of all schools are Government schools It is estimated that India spends 4% of its GDP on education. With the highest population of people aged between 0-24 years, the need for education in India is increasing. It is estimated that regulated and non regulated education segment will grow to $US 85 billion by end of 2012 at a CAGR of 13% and 18% respectively. There is estimated requirement of approx $US 100 billion to meet demand of 230 million students each year. The main growth drivers for education sectors are huge demand supply gap, government reforms, increased spending on education, quality perception, public-private partnership in education sector and entry of foreign players in India. However the sector also suffers from serious issues like regulatory hurdles, corruption, not for profit motive, lack of skilled teachers.

The formal education system in India comprises of three key groups: Pre-School/ Kindergarten Education, Primary & Secondary Education and Higher Education. There is also an informal sector which consists of preschools, tuition classes, test preparation, vocational courses, books and stationery, multimedia and IT support. As far as the regulation is concerned, the education sector regulators can be divided into three categories. Primary and Secondary education institutes (also known as K-12 Education) are governed by different boards or authorities like Central Board of Secondary Education (CBSE), the Council for the Indian School Certificate Examinations (CISCE) or the respective State Boards (under State Acts/Regulations/ Authorities). Higher Education comprises of Diploma Courses, Bachelor's degree Undergraduate Degree, Master's and Post-graduate Degrees and Pre-doctoral and Doctoral programs. The Higher education in India is governed by the University Grants Commission (UGC) and All India Council for Technical Education (AICTE). Their main jobs are:

- Promoting and co-coordinating higher education system
- Advising on improvement of higher education in India
- Determining and maintaining the standard of teaching, examinations and research in higher education
- Framing the regulations on standards of higher education
- Disbursing funds to educational institutes
- Mentoring developments in the field
- Serving as a vital link between the government and higher institutes

### Private Equity Investment in India

Even though venture finance and private equity started in India in 1962, but no significant investment was made in the education sector. In order to meet the gap between the demand and supply of funding, the government allowed 100% Foreign Direct Investment(FDI) in the education sector through "Automatic route". Moreover alternate structures were proposed for investors willing to invest in formal regulated institutions with profit objective.

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Substantial Government investments coming in India's emerging education sector is evident from budgetary allocations in the 11th Five-Year Plan (2007-12). However the demand supply gap heightened interest among Private Equity and Venture Capital funds to invest in the Indian education sector are reposing entrepreneur confidence and reasserting growth projections. Few updates on investments indicate that the sector is considered as an attractive segment for long term investments. According to Grant Thornton, due to just three recent deals, investment in this sector rose from $US 21.6 million in 2005, to $US 238.7 million till October 2009. If we look at the period of 2000-2011, $US 764.39 million was invested by private equity players in around 64 companies. It is estimated that the education sector presents an investment potential of $US 100 billion over the next five to six years. Venture capitalists and private equity players will have a role to play in the expansion going forward, according to a KPMG report.

## Objective of the Paper

Research on VCPE has not kept up with the growth seen in the industry. Past research on the Indian VCPE industry can be broadly classified into the following categories: studies that examined the evolution and the current status of the industry (Pandey 1996, 1998), (Verma 1997), (Dossani and Kenney 2002), (Singh et al 2005); multi country studies which also included India (Lockett et al 1992), (Subhash 2006), (Ippolito 2007); survey studies of VCPE industry practices in India (Mitra 1997), (Vinay Kumar 2002, 2005), (Kumar and Kaura 2003), (Mishra 2004); and studies which can be considered as case studies of VCPE investments (Kulkarni and Prusty 2007). Post 2007 efforts have been made to study the lifecycle of private equity in India (Rajan 2010). However as far as the education sector is concerned, only few attempts have been made to study the private equity investment in India. First type of studies focused on the potential of Indian education sector (Zeisberge 2009) and the trends of private equity investment in the education sector mostly after 2007 (Venture intelligence, 2011).

Most of the academic research in India is focused on the overall investment & exits of the overall scenario in India. No attempts have been made to study the private equity investment specifically in Indian education sector. This paper is an attempt to meet the gap in the research on private equity investment in Indian education sector. Secondly there has been no collusive effort made to study the life cycle of private equity investments in the form of investment and exits. Thirdly this paper tries to test whether any trend is prevailing in investment or exits in the Indian education sector.

## Literature Review

The literature on private equity in education sector is very limited. Zeisberger 2009 examined the private equity potential in the Indian education sector based on experience in the US. He observed that there is a huge potential in the education sector because of deregulation, FDI permissions, demand supply gap in funding, increased spending, higher quality expectation. It has also discussed some fundamental problems like regulation, corruption and valuation. PE pulse by Venture Intelligence has discussed sector potential, VCPE players' view on the sector and issues in education sector. (KPMG)

## Hypothesis

1. $H_{o:}$ There is relation between Sensex movement and Average Valuation
2. $H_o$: The Volume of investment is independent of sector classification
3. $H_o$: Volume of investment in education is independent of Stage of funding
4. $H_o$ : There is a relation between Cash multiple return and Sensex Movement
5. $H_o$: Cash multiple return is independent of sector classification
6. $H_o$: Cash multiple return is independent of a Type of exits

## Dataset Used and Sources

The study focuses on finding out the overall investments and exits of private equity investments in India from period of 2000 to 2011. If we trace back the history, the private equity investment activities started booming after the 1991 economic liberalization. No significant private equity activities had taken place in the Indian education sector before 2000. The private equity activity started in 2000 but did not achieve any noteworthy attention till 2007. Post 2007 the investment activity started surging which was at peak in 2011 and it is likely to remain in limelight for the next few years. For the purpose of study, the period from 2000 to 2011 is being examined in order to get a broader idea about the private equity activity in Indian education sector.

For the purpose of study the data was collected from private equity database of Venture Intelligence and other information sources such as BSEindia, NSEindia, company websites and CMIE database. For the purpose of the study, a comprehensive data set was developed containing the details of total 93 investments including follow up funding and 15 exits in the form of IPO, Merger and Acquisitions and exits of multiple investors in single investment.

## Analysis and Conclusions

### Investment

The investment activity did not pick up during the period of 2000 to 2005. It gained momentum after 2006 when the education sector was recognized as a sector with huge potential. The deal activities surged after 2006. The following graph shows the Private equity investment activity in Education sector.

The education sector witnessed a CAGR of 45% in terms of number of deals and 58% in terms of US$ investment post 2006. This was significant investment in terms of both deals and value. For the purpose of analysis deals have been categorized into three levels.

**Table 1:** Amount of Investment

| Amount of investment ($US million) | Category |
|---|---|
| 0 to 5 | Low |
| 5.01 to 20 | Medium |
| 20.01 and above | High |

### Average Valuation

The valuation that companies have enjoyed has increased consistently from 2005 till it reached the highest in 2009. The average valuations increased at a CAGR of 21%.

**Chart 1:** Number of Deals

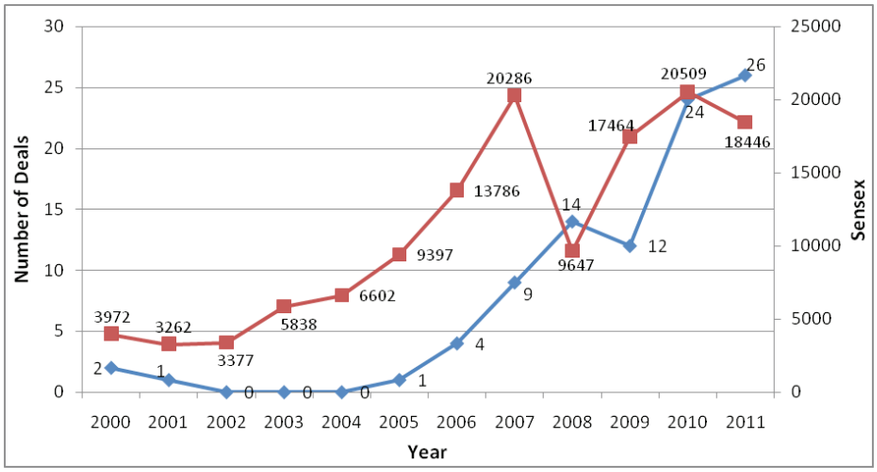



**Chart 2:** Total Deal Value

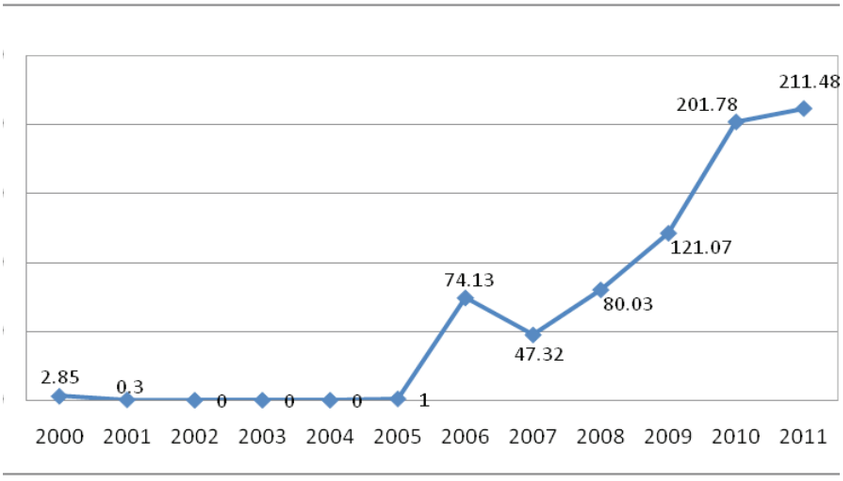


**Chart 3:** Average Valuation

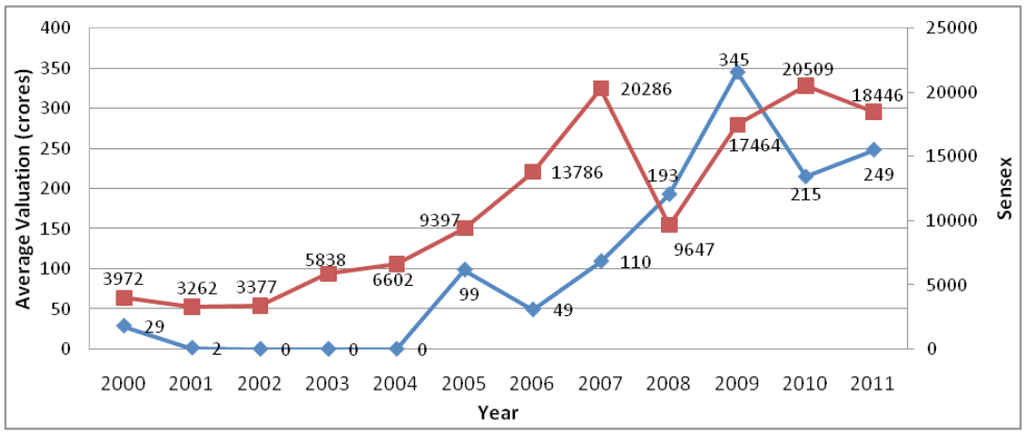
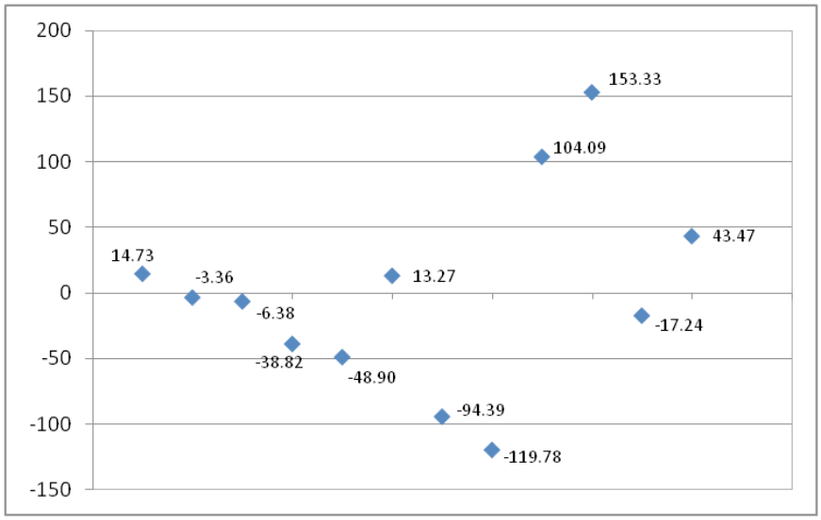



**Chart 4:** Residuals Output for Average Valuation




One of the key parameters that affects the valuation was the upward movement in the country's stock market index BSE Sensex. Robinson & Sensory 2011 and Kaplan and Stomberg 2009 examined that there is a relationship between valuation and public market index movement and it is expected that in a booming market the valuation would be optimistic. In order to test whether there is any relation between movement of sensex and average valuation of the companies following hypothesis was tested.

**$H_0$ :** There is relation between Sensex movement and Average Valuation.

In order to test this hypothesis regression analysis was conducted between Sensex year end closing value and average valuation. Average valuation was derived by total valuation divided by the number of deals from 2000 to 2011 and following output was derived. Hence the hypothesis is accepted.

**Table 2:** Regression Output Average Valuation

| | |
|---|---|
| Total number of observations | 12 |
| R-square | 0.5751 |
| Adjusted R-square | 0.5326 |
| Significance F | 0.00425 |
| Sensex P- Value (Independent Variable) | 0.00425 |
| Co-efficient of sensex | 0.01318 |

From the table 2, R-square value 57% suggests that the change in valuation is explained by sensex movement. Moreover the significant value of F-statistics is much lesser then 5% significance level suggesting a non-zero value, which is not arrived by chance. The coefficient of sensex is 0.13 which means that 1% increase in sensex value change brings about 0.13 % change in the average valuation.

For residual plot it is observed that the error terms are randomly distributed about mean zero, which suggests the presence of white noise which cannot be explained by inclusion of any other variable. Clearly the hypothesis is accepted.

## Type of Sector

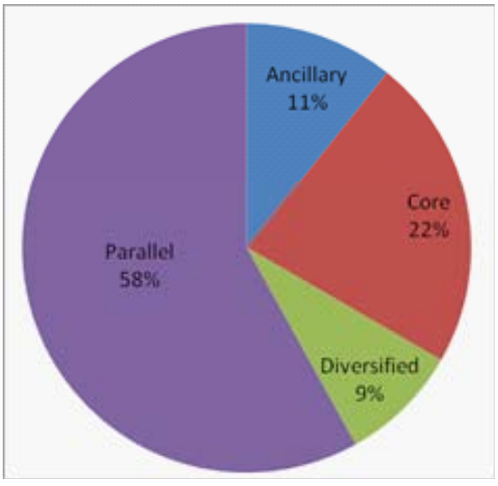
The Indian education sector can be divided into two broad categories formal and informal. Formal education category includes Junior KG to 12 years of schooling and higher education through universities and autonomous institutes affiliated to regulatory boards. Informal sector includes pre-schools, vocational training, tuition classes, test preparation institutes, corporate training institutes, IT and ERP Services, books and stationery and teacher's training institute. For the purpose of study, the education sectors were divided in four broad categories.

**Table 3:**

| Category | Type of business |
|---|---|
| Core | K-12, Higher Education, Distant learning |
| Parallel | Pre-school, Tutoring, Test Preparation, Vocational, Assessment Services, Education Services, Corporate Training |
| Ancillary | Books and Stationery, IT, Content Services, Consulting |
| Diversified | More than one business category |

Even though there is a huge potential in the core sectors it was observed that most of investment was made in the parallel sector. The reasons for the same could be low regulation, medium investment required and lower gestation period.

**Chart 5:** Types of Sectors




**$H_o$ :** The Volume of investment is independent of sector classification

**Table 4:** Type of Sector

| | | Type of sector | | | | Total |
|---|---|---|---|---|---|---|
| | | Ancillary | Core | Diversified | Parallel | |
| V5_cat | 1.00 | 5 | 7 | 6 | 30 | 48 |
| | 2.00 | 4 | 7 | 2 | 13 | 26 |
| | 3.00 | 0 | 6 | 0 | 5 | 11 |
| Total | | 9 | 20 | 8 | 48 | 85 |

**Table 5:** Chi-Square Tests

| | Value | df | Asymp. Sig. (2-sided) |
|---|---|---|---|
| Pearson Chi-Square | 10.330[a] | 6 | .111 |
| Likelihood Ratio | 11.455 | 6 | .075 |
| Linear-by-Linear Association | 1.772 | 1 | .183 |
| N of Valid Cases | 85 | | |

It can be seen from table number 5 that chi square significance value is above 0.05 hence it can be concluded that there is no relationship between volume of investment and sector classification**.** The volume of investment is independent of the sector classification hence the hypothesis is accepted.

## Type of Investor

It was observed that a large amount of the investment was made by the India dedicated funds followed by foreign funds and in some cases co-investment was also made.

**Chart 6:** Types of Investors

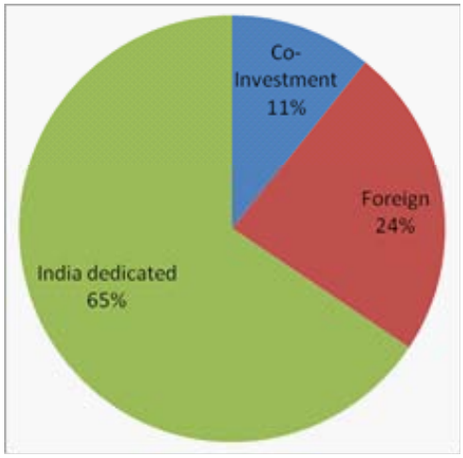


**Table 6:** Type of Investor

| | | Investor type | | | | Total |
|---|---|---|---|---|---|---|
| | | Co-Investment | Foreign | India dedi-cated | India dedicated | |
| V5_cat | low | 4 | 11 | 26 | 7 | 48 |
| | Medium | 5 | 7 | 11 | 3 | 26 |
| | High | 1 | 2 | 8 | 0 | 11 |
| Total | | 10 | 20 | 45 | 10 | 85 |

**Table 7:** Chi Square Test Output Type of Investor

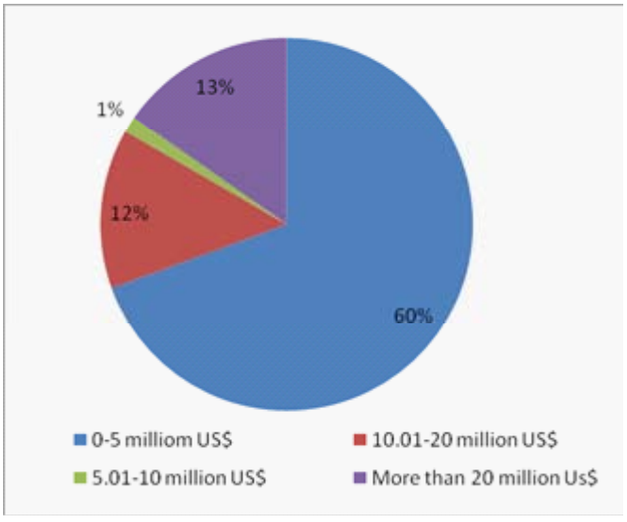
| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 5.049[a] | 6 | .537 |
| Likelihood Ratio | 6.142 | 6 | .407 |
| Linear-by-Linear Association | .844 | 1 | .358 |
| N of Valid Cases | 85 | | |

It can be seen from table number 7 that chi square significance value is above 0.05 hence it can be concluded that there is no relationship between the volume of investment and investor type and volume of investment is independent of type of investment. Hence the hypothesis is accepted.

## Amount of Investment

The amount of investment was moderate in the education sector were most of the deals were ranging between 0 to 5 million $US. It was also observed that majority of the deals above $US 20 million was at late stage or second round of funding whereas all deals below $US 5 million were mainly growth funding

**Chart 6:** Deal Amount




## Region of Investment

The geographical spread of funding shows that west and south was able to get the highest funding followed by south. The eastern part of county could only get a trivial share of funding and there was one deal overseas also.

**$H_0$:** The Volume of Investment is Independent of Geographical Area

The list below contains the cities that have got the highest number of deals.

**Chart 7:** Region of Investment

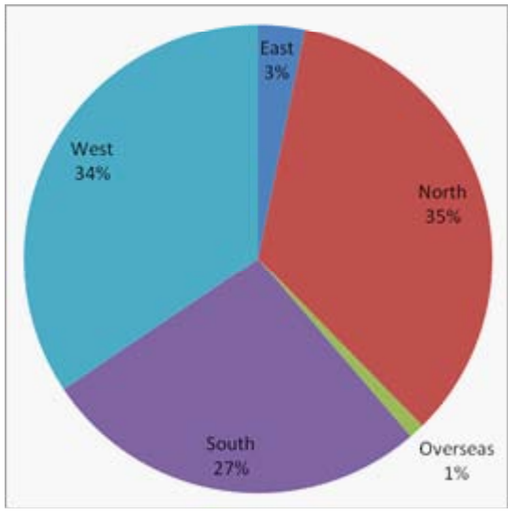



**Table 8:** Number of Deals

| City | No of deals |
|---|---|
| Mumbai | 22 |
| Delhi | 21 |
| Bangalore | 11 |
| Gurgaon | 7 |
| Chennai | 6 |
| Hydrabad | 5 |
| Pune | 4 |
| Kota | 4 |

| | |
|---|---|
| Kolkata | 3 |
| Noida | 3 |
| Others | 1 |
| Ahmedabad | 1 |
| Jaipur | 1 |
| Kanpur | 1 |
| Secundrabad | 1 |
| Overseas | 1 |
| Total | 92 |

It is observed that majority of the deals were bagged by Mumbai, Delhi and Bangalore followed by the other cities. One of the main reasons for concentration is the presence of private equity funds in those cities and higher demand for education and presence of better educational institutes in those cities.

**Table 9:** Zone of Investment

| | | zone_num | | | | Total |
|---|---|---|---|---|---|---|
| | | East | North | South | West | |
| V5_cat | 1.00 | 1 | 18 | 12 | 17 | 48 |
| | 2.00 | 2 | 8 | 6 | 10 | 26 |
| | 3.00 | 0 | 2 | 6 | 3 | 11 |
| Total | | 3 | 28 | 24 | 30 | 85 |

**Table 10:** Chi Square Output Zone of Investment

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 6.411[a] | 6 | .379 |
| Likelihood Ratio | 6.109 | 6 | .411 |
| Linear-by-Linear Association | .421 | 1 | .516 |
| N of Valid Cases | 85 | | |

It can be seen from table number 10 that chi square significance value is above 0.05 hence it can e concluded that the volume of investment is independent of geographical areas.

## Stage of Financing

It has been observed that most of the firms got funding in either early stage or during the growth stage. The Indian education sector got a lot of attention from the year 2000. Most of the funding would have definitely gone into early and growth stage of companies (67%) where as late stage accounted for (26%). The reason for that is during the period of 2000-11. Education sector was able to attracted PE mostly for early or growths stage. Which suggests most of private equity investment wen into institutional building stage that has actually contributed towards buildings storog companies? Moreover there were companies which had a potential to grow to the next level but could not get funding at late stage that were private equity players came into picture.

**Ho:** Volume of investment in education is independent of stage of funding

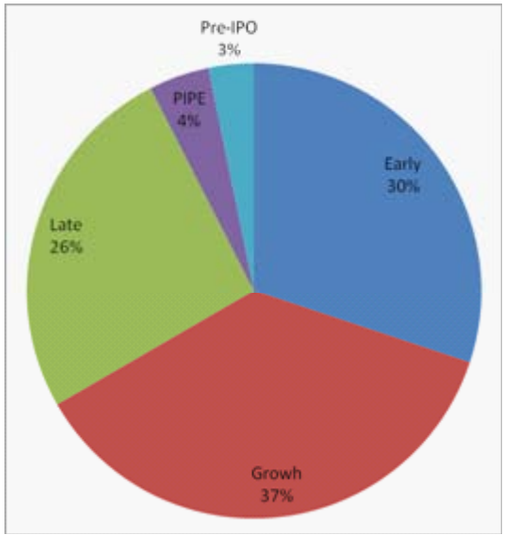
**Table 11: S**tage of Financing

| | | Stage of financing | | | | | Total |
|---|---|---|---|---|---|---|---|
| | | Early | Growth | Late | PIPE | Pre-IPO | |
| V5_cat | 1.00 | 16 | 16 | 10 | 3 | 3 | 48 |
| | 2.00 | 7 | 11 | 7 | 1 | 0 | 26 |
| | 3.00 | 0 | 5 | 6 | 0 | 0 | 11 |
| Total | | 23 | 32 | 23 | 4 | 3 | 85 |

**Table 12:** Chi Square Test Output Stage of Financing

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 11.114[a] | 8 | .195 |
| Likelihood Ratio | 15.002 | 8 | .059 |
| Linear-by-Linear Association | .443 | 1 | .506 |
| N of Valid Cases | 85 | | |
| a. 9 cells (60.0%) have expected count less than 5. The minimum expected count is 0.39 | | | |

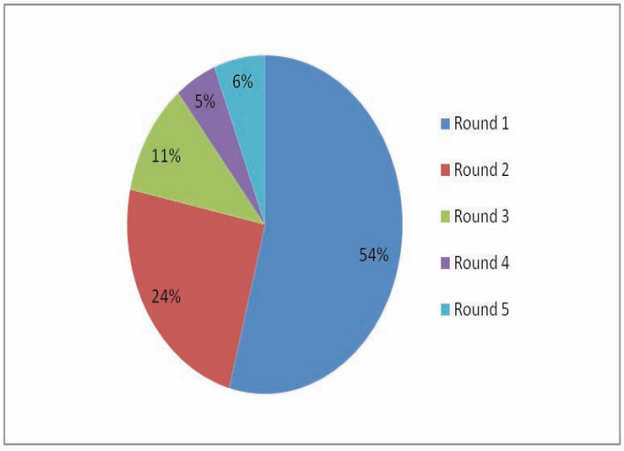
**Chart 8:** Stage of Funding



## Round of Financing

It can been seen from figure that It can be observed from figure that 54% of the companies received funding in Round one which means those firms received first funding from VCs only which shown that half of the companies during the study period was actually received first outside funding through VCs only that was instrumental in formation of new companies The other observations is that 24% of the companies received the second round of funding from Vcs which means that first, companies might have not received sufficient funding from first round itself or it is also possible that that were ready for next critical round of funding. Or the Original investors found those companies unattractive for next round of funding.

**Chart 9:** Round of Financing




## Analysis of Exits

As investment activities stared during 2000 in education sector mostly the average investment period of 5-6 years of investment was required in order to get satisfactory return. The exits from education sector investment stated around 2005 and till 2011 there were 15 exits from education sector including exits of 5 different from single company. However for the purpose of finding out individual return by investor all those exits were treated as different exits. The exits from investment has very high dependence upon market movement.

It can been seen from the figure that most of the exits happened at the peak of sensex movement which has a co-relation of between movement of Sensex and number of exits

## Type of Exits

During the study period it was observed that most preferred way of exiting the investment was Public market sale which amounted for 1/3$^{rd}$ of the exits. The next two roots were buyback and IPO (27% each). It was also observed that 93% of the exits were partial exits which means that investor had lot of residual investment left in the company, which was a signal to markets about the confidence of investor in the portfolio companies

It was observed that half of the exits the type of investor was India dedicated funds followed by foreign funds (27%) and co-investment (20%)

**Chart 10:** Number of Exits Ands Sensex Movement

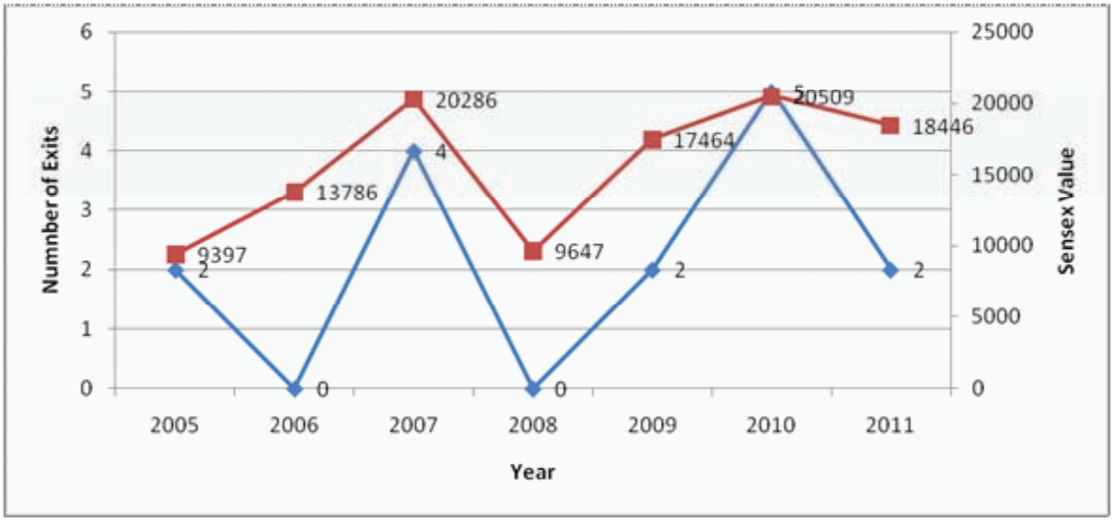


**Chart 11:** Type of Exits


**Chart 12:** Type of Exit

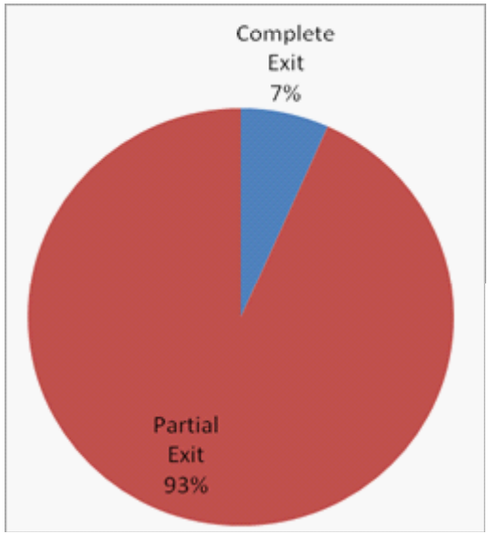
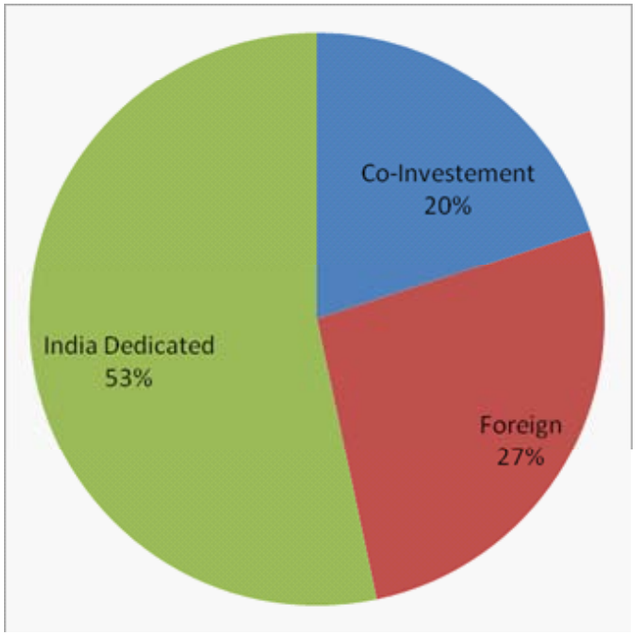



**Chart 13:** Type of Fund




## Returns Generated

During the exit period of 2005-2011 there were 15 exits recorded which has earned Weighted average return of 8.42X cash multiple. Figure describes the return pattern and movement of Sensex

It was observed that there was highest average cash multiple earned during 2007, incidentally 2007 the Sensex was also at it's peak. in order to test the relation ship between cash multiples and sensex movement following hypothesis was tested.

In order to get a better picture returns were compared to the original investment size and following hypothesis was tested.

**$H_0$ :** There is a relation between Cash multiple return and Sensex Movement

**Table 13:** Regression Output Cash Multpie

| Total number of observations | 7 |
|---|---|
| R-square | 0.3132 |
| Adjusted R-square | 0.1758 |
| Significance F | 0.19 |
| Sensex P- Value (Independent Variable) | 0.1941 |
| Co-efficient of sensex | 0.0008 |

From the table 1.5 that the R-square value is 31% which suggests that the change in valuation is explained by sensex movement,, moreover the significant value of F-statistics is much lesser then 5% significant level which suggest different then zero and is not arrived by chance. The coefficient of sensex is 0.008 which means that 1% increase in sensex value change brings about .008 % change in the cash multiple.

For residual plot it can be observed that the error terms are randomly distributed about mean zero. Which suggest the presence of white noise which can not be explained by inclusion of any other variable, hence Cleary suggest that the hypothesis is rejected

**Chart 14:** Cash Multiples Generated

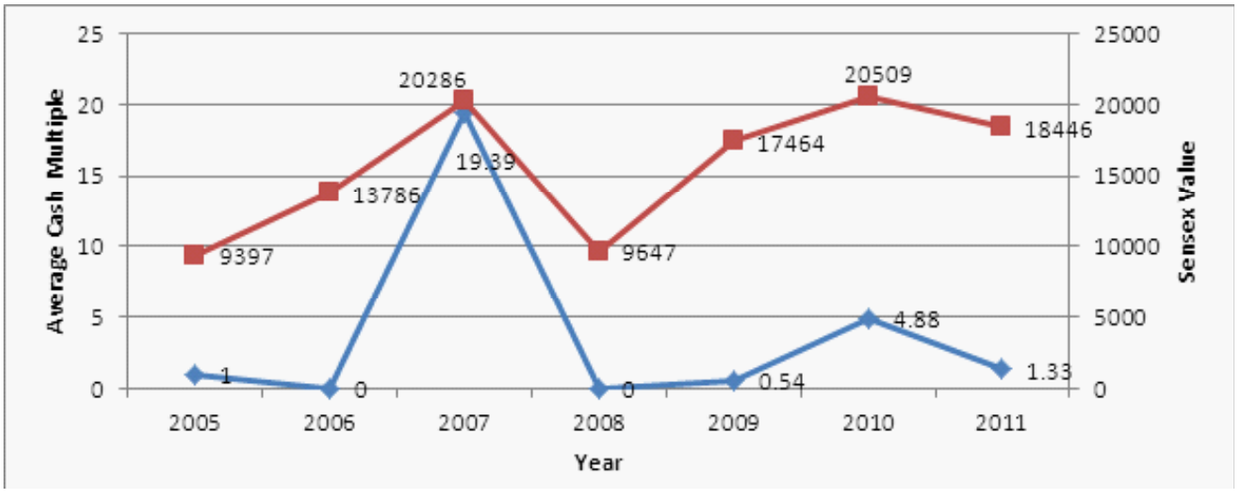



**Table 15:** Type of Exit

| | | Deal Type | | | | | | | Total |
|---|---|---|---|---|---|---|---|---|---|
| | | buyback | Buyback | IPO | Public Market Sale | Secondary Sale | Strategic sale | | |
| Returns | | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| | Less than 2.3X | 0 | 1 | 1 | 4 | 1 | 0 | 1 | 8 |
| | More than 2.3X | 0 | 2 | 0 | 2 | 4 | 1 | 0 | 9 |
| Total | | 1 | 3 | 1 | 6 | 5 | 1 | 1 | 18 |

**Table 14:** Retruns Generated

| Type of exit | No. of Transactions | Cash Return Multiple (Average) |
|---|---|---|
| Buyback | 4 | 0.91X |
| IPO | 4 | 2.86X |
| Public Market sale | 5 | 20.11X |
| Secondary Sale | 1 | 18.87X |
| Strategic Sale | 1 | 0.34X |

Cash multiple return is independent of a Type of exits

## Type of Exits

It can be observed from table that highest number of exits was made through public market sale and it has yielded investor with enormous return of 20.11X times of cash multiple which was very high compare to other types as well as historical Indian exits return multiple. The second highest return was from route of IPO which was in tune with average Indian cash Return multiple. however if we look at buyback and strategic sale the return multiple was less than 1X which means the portfolio companies were not performing well and the investment was liquidated mostly by selling the stake to portfolio companies themselves. There was 18.87X return earned by secondary sale however that was just one deal so was not sufficient to define the efficiency of this route.

**Table 16:** Chi Square Test Output Number of Exits

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 24.100[a] | 12 | .020 |
| Likelihood Ratio | 14.771 | 12 | .254 |
| N of Valid Cases | 18 | | |

a. 21 cells (100.0%) have expected count less than 5. The minimum expected count is .06.

It can be seen from table number 2.1 that chi square significance value is Below 0.05 hence it can e concluded that there is relationship between Type of exits and return multiple hence the hypothesis is rejected.

**Table 17:** Type of Investors

| Type of Investor | No. of Transactions | Return Multiple |
|---|---|---|
| Co-Investment | 3 | 1.32X |
| Foreign | 4 | 2.14X |
| India dedicated | 8 | 14.16X |

**Table 18:** Cash Multiple Return Is Independent of A Type of Investor

| Crosstab | | | | | | |
|---|---|---|---|---|---|---|
| Count | | | | | | |
| | | Investor | | | | Total |
| | | | Co-Investment | Foreign | India Dedicated | |
| Returns | | 1 | 0 | 0 | 0 | 1 |
| | Less than 2.3X | 0 | 1 | 2 | 5 | 8 |
| | More than 2.3X | 0 | 2 | 1 | 6 | 9 |
| Total | | 1 | 3 | 3 | 11 | 18 |

**Table 19:** Chi Square Output Type of Investor

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 18.742[a] | 6 | .005 |
| Likelihood Ratio | 8.436 | 6 | .208 |
| N of Valid Cases | 18 | | |

a. 11 cells (91.7%) have expected count less than 5. The minimum expected count is .06.

It can be seen from table number 2.1 that chi square significance value is Below 0.05 hence it can e concluded that there is relationship between Type of investors and return multiplte, hence the hypothesis is rejected

It can be observed from table that most of the return multiples were eared by india dedicated funds in fact they outperformed the historical private equity return multiples. The Foreign investor could only achieve the average cash multiple and the worst performance was from co- investments which earned far less then the average returns of the Indian private equity industry

**Table 20:** Type of Sectors

| Type of industry | No. of Transactions | Return Multiples |
|---|---|---|
| Parallel | 6 | 3.7X |
| Ancillary | 2 | 0.48X |
| Diversified | 7 | 15.25X |

It can be observed from the table the most of the higher return came from sector which was diversified which mostly included core and parallel activities. From the return multiples it can be observed that the core and parallel are the two most significant sectors with potential benefits

**Table 21:** Cash Multiple Return is Independent of all Sector Classification

| Crosstab | | | | | | |
|---|---|---|---|---|---|---|
| Count | | | | | | |
| | | Sector | | | | Total |
| | | Core | Ancillary | Diversified | Parallel | |
| Returns | | 1 | 0 | 0 | 0 | 1 |
| | Less than 2.3X | 0 | 1 | 2 | 5 | 8 |
| | More than 2.3X | 0 | 1 | 5 | 3 | 9 |
| Total | | 1 | 2 | 7 | 8 | 18 |

**Table 22:** Chi Squre Test Output Type of Industry

| Chi-Square Tests | | | |
|---|---|---|---|
| | Value | df | Asymp. Sig. (2-sided) |
| Pearson Chi-Square | 19.835[a] | 6 | .003 |
| Likelihood Ratio | 9.499 | 6 | .147 |
| N of Valid Cases | 18 | | |

It can be seen from table number 2.1 that chi square significance value is Below 0.05 hence it can e concluded that there is relationship between Sector classifications and return multiple hence the hypothesis is rejected

## CONCLUSIONS

Even though there is a huge potential in Indian education sector the investment during 2000-2011 was very low. Moistly it started after 2005 and most investment didn't go to the core education sector but it went mostly to parallel sector because of less regulation.

The amount of investment in the education sector during the period was moderate as most of the deals range between 0-5 million. There was a relationship between valuation of the company and market movments. The average valuation was high during the good market and was low when market din't perform well.

Most investment went into metros only. So the private equity investment is year to reach to tier I and Tier II cities.

Majority of the investment has gone into early and growth stage of the company. So private equity investors have supported the establishment of the institutes. Most exits took place after 5to 6 years and most of the exits took place when market was high. The Reason could be "Grandstanding" on investment. Analysis the cash multiples of returns it is clears that Secondary sale and public market sale have yielded better return compare to IPO. The Indian investors have earned better returns compare to their foreign counterparts or co-investments.

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