



ENGLISH LANGUAGE TRAINING MARKET INDIA

Market Opportunity Report

iValue Consulting Private Limited



CONTENT

Executive Summary.....	3
Background and Methodology	8
Background	8
Detailed Scope of Work	8
Process Methodology	8
India	10
Language	10
Indian Economy.....	10
Overview of Education System in India	11
Outlook	11
English Language Training (ELT) Market– Quantitative Findings.....	12
Business to Consumer (B2C)	13
K-12	13
Vocational Training	14
Coaching and Employability.....	15
B2C Opportunities.....	16
Business to Business (B2B).....	18
Higher Education Market.....	19
Corporate Training	20
Recruitment Industry.....	21
Non-Governmental Organisation (NGO)..	21
B2B Opportunity	22
Business to Government (B2G).....	23
Role of Government in the ELT space.....	24
Role of Government-Policy Regulator	24
Education- Regulatory Scenario.....	26
Conclusion and Recommendation	27
Attractiveness Matrix.....	28
ANNEXURE – I.....	30

INDIA.....	30
Demographic Profile	30
Political Profile	30
Cultural Diversity	30
Indian Economy	30
ANNEXURE - II.....	32
Overview on Indian Education Industry	32
ANNEXURE – III	35
B2B – Corporate Findings	35
ANNEXURE –IV	37
Education- Regulatory Scenario	37
ANNEXURE – V.....	40
English Language Training (ELT) providers – Dynamics.....	40
Findings of the Primary Research	40
B2C Segment.....	40
B2B Segment.....	40
B2G Segment	40
Content	40
Delivery model.....	41
Pricing and Revenue model	41
Locations.....	41
Certification	41
CEFR guidelines.....	42
B2C and B2B certification	42
Geographical distribution of ELT Centres.....	43
ANNEXURE - VI.....	45
Indian Publishing Industry	45
Outlook	45
Trend.....	45
Findings.....	46
ANNEXURE- VIII.....	47

Assumptions.....	47
ANNEXURE - IX	48
Abbreviations.....	48
ANNEXURE - X	50
Bibliography	50
ANNEXURE- XI	51
Reference.....	51

EXECUTIVE SUMMARY

English is widely perceived in India as a valuable life and employability skill. Yet, the result of a global survey undertaken by EF Education First, suggests that out of a total of 54 countries that were surveyed, India ranked 14th under the English proficiency index with a third category level of “moderate proficiency” with countries above exhibiting “high” and “very high proficiency” levels¹. The potential market for English Language Training in India, therefore, is substantial. While there are a significant number of domestic and international organisations established in the English Language Training market, there are still a wide range of opportunities for new providers or existing providers to expand their presence in India. Through conducting primary and desk-based research, this report explores the market opportunities in India for UK service providers within the English language training space. The findings of the report also indicate that through the innovative use of new technologies, there are also opportunities for companies from related sectors, such as telecommunications and information technology (IT).

The quality of English teaching in India is a big question mark. David Graddol in his book *English Next India* argues that India has to keep pace with global development of English or it may lose its edge over other developing countries. According to him, the spread of the language is being hindered by a shortage of English language teaching in schools. His report says Indian universities fall far short of rival countries in the quality of teaching and research, and “poor English is one of the causes”. Also, the report adds, it is “impossible” to improve standards of English without addressing the problem of “very low levels of academic achievement” of students studying in government and private schools.

What comes out very clearly from the extensive research undertaken on this subject is that English language will continue to play an important role in India. It is the secondary official language of India and is widely used in national, political and commercial communication. However, the worrying factor is the relatively low quality of education with a huge gap between academic teaching and employability requirement. Aspiring Minds, a company that focuses on assessing student employability, after having surveyed 55,000 students in 2011 found that not even 3% were employable directly without further training by information technology (IT) companies. They also said that about 78% of those surveyed struggled in the English language².

The British Council in India has been doing a commendable job trying to bridge the skill gap in the English language training (ELT) market by working across the spectrum with consumers, government and business in India. They enjoy a strong brand image and presence across the country and work directly with stakeholders as a service provider and also partner British organisations including Cambridge ESOL for administering their International English Language Testing System (IELTS) examination in India. UK service providers may possibly look at exploring a partnership with them by integrating their product with the British Council offering, resulting in quicker time to market and achieving a wider pan-India reach.

To assist UK service providers from an India market entry strategy perspective, two critical questions need to be answered:

1. What is the regulatory environment within the “English language training” market space in India.

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2. Is the market attractive for UK service providers and if so what are the opportunities within their target segment.

Analysing the first question on the regulatory scenario within the Education space in India, the regulated market in education is limited to formal degree-granting universities and their affiliated colleges. This segment is regulated by various government bodies like the University Grants Commission (UGC) and All India Council for Technical Education (AICTE). English language training market comes under the area of “Skills Development” and forms a part of the unregulated market in India.

There are no regulatory guidelines laid down by the Indian government for setting up an ELT centre in India. This also means that there are no regulations regarding minimum quality standards (in terms of teaching faculty, content or certifications required), infrastructure, legal and fee structure to be adopted. As a result, there are low barriers to entry, which is great news for UK service providers. However, there is a flip side to this as this has led to mushrooming of language coaching institutes across the country where there are no minimum standards and hence they can operate by charging very low fees. From a consumer perspective, this adds to the confusion as price sensitive consumers may flock to such centres which will limit the reach of UK service providers who are looking to enter the Indian market with a quality product.

The total ELT market size in the focus segments is expected to grow from USD 2.76 billion in 2012 to USD 4.67 billion in 2015

In order to succeed, UK service providers need to make an objective assessment about the segment they target and should aim to focus on segments that are

more quality conscious and less price sensitive.

Within the ELT space, increasingly, there is a need being felt for setting up common globally acceptable standards and assessment protocol for creating common set of competencies. The key driver for this is based on the premise that in order to become increasingly competitive globally, India will look to supply skilled manpower to the world and this will necessitate the creation of new training interventions for internationally acceptable certifications. ELT plays a very crucial role of an enabler in increasing the employability value of individuals and this will be the motivating factor for the Indian government to set up a regulatory framework for this segment.

Coming to the second question, let us focus our attention on how attractive the Indian market is for UK service providers and what are the opportunities they can look to target. The market can be sliced into three broad segments of Business to Consumer (B2C), Business to Business (B2B) and Business to government (B2G). English language cuts across these segments to include the following:

- Kindergarten to Class 12 (K12) equivalent to ‘A’ level and upto 18 years old
- Vocational training
- Coaching, including subject based tuition, graduation and post-graduation test preparation
- Higher Education including MBA and Engineering colleges
- Corporate training
- IELTS examination training

Having undertaken both a quantitative and qualitative analysis of the target segments that ELT caters to, there seems to be a significant opportunity for new UK service providers to enter the Indian market and for existing players to expand further. Focusing firstly upon the quantifiable data obtained

for the sub segments, the following figures have emerged for the “ELT market” in the various sub-segments.

	2010	2011	2012	2013P	2014P	2015P	CAGR* *
K12*(ELT)	-	-	587	769	1007	1320	31% ³
Vocational	726	858	1023	1221	1320	1584	20% ⁴
Coaching	690	780	900	1020	1170	1320	15% ⁵
Corporate Training	19	23	29	37	46	57	25% ⁶
Higher Education	156	174	198	222	252	288	14% ⁷
IELTS	8	13	23	38	64	108	35% ⁸
Total			2760	3306	3859	4677	

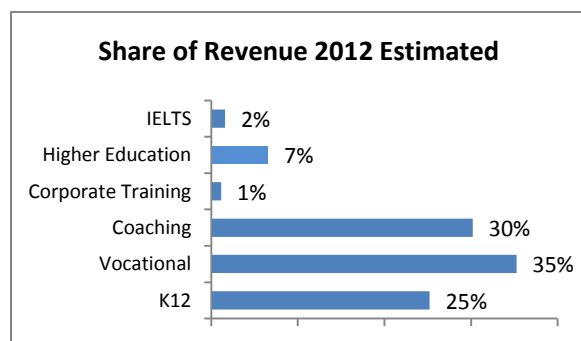
Source: Combination of IDFC SSKI report and iValue findings

Projected (P) revenue in Million USD, iValue Analysis

*No K12 consolidated data available for English in 2010 and 2011

** CAGR – Compound Annual Growth Rate

Overall, the total ELT market size in the above mentioned segments is expected to grow from USD 2.76 billion in 2012 to USD 4.67 billion in 2015. In terms of revenue share split, Vocational training segment forms the most attractive market share of 35% followed by Coaching and K12 segment. The figure below provides a market share representation of all the segments estimated in 2012.



Source: iValue Analysis

Following the above quantitative analysis, a qualitative analysis was undertaken through Primary research with various stakeholders across the ELT value chain. The opportunities that emerged within the B2C, B2B and B2G segment include:

Business to Consumer (B2C) Segment: Nearly 80% of the ELT providers in India have this segment as their main focus area of business. Within the K12 segment, UK service providers need to focus on students studying in schools following the following curriculum -International Baccalaureate from Geneva (IB), Central Board of Secondary Education (CBSE) and Indian Council of Secondary Education (ICSE).

These schools are more open to adopting new technological advancements for teaching. However, the big challenge in this segment is the relatively unorganised nature of the market. UK service providers need to consider that beyond the typically K12 segment, increasing the employability of students will be the key driving factor to undertake English language training. Hence, the opportunities fall within four broad categories where there is demand for:

- Globally acceptable English language teacher training qualifications.
- Quality updated content, including multilingual content. Role of digital and online content is increasing and is seen as a differentiating factor in the ELT space.
- Globally acceptable certification that can serve as a centralised certification guided by the industry.
- Sector based English training modules in sectors like retail, hospitality, information technology enabled services (ITES) and manufacturing are in demand and will add value to the sector based skills acquired by the individuals. This would make them more employable.

On the **Business to Business (B2B)** side, there are strong opportunities for the ELT market in India covering the segments of:

1. Kindergarten to Class 12 (K12) equivalent to 'A' level and upto 18 years old
2. Higher Education including MBA and Engineering Colleges
3. Corporate – focused principally on the information technology enabled segment (ITES), that includes the business process outsourcing (BPO) market
4. Non- governmental organisations, (NGO's) polytechnics and industrial training institutes (ITI's)

A detailed analysis of the segment wise opportunities is provided in the main body of the report. From a UK service provider perspective, certain common themes emerge as opportunities cutting across the various segments. They can be classified under the following headings:

- Content development - colleges need it for improving business communication and corporates need it for improving pronunciation, voice modulation, grammar skills and overall communication skills.
- Teacher training modules – is needed for improving teaching faculty for colleges and

NGO's. For the corporate segment, faculty training programmes are required to constantly improve in-house training faculty.

- Certification – corporates need a tie up for a globally acceptable certification programme on similar lines to a Common European Framework (CEFR) based certification. NGO's need an industry accepted certification programme in order to improve employability prospects.

On the Business to Government (B2G) side, the opportunities for Government fall into three broad categories – Central Government, State Government and Public Bodies associated with the Government.

They include bodies like the National Skill Development Council (NSDC) and the emerging Sector Skills Councils (SSC). The objective is to fulfil the growing need in India for skilled manpower across sectors and generate employability and make the workforce industry ready. This is to be done based on the creation of "occupational standards" for acquisition of skills (both technical and communication) across respective sectors. The target is to train 500 million people by 2022 under the "National Skills Policy". The study identifies that work with central government can be attractive, but as the operational responsibility lies with state government it would be advisable for UK service providers to focus their efforts here if there is a desire to work directly with government. However, providers should note that access and planning time can be very challenging without the support of an influential local partner. UK providers will have a competitive edge in working with SSCs as their development mirrors some of the practices of SSCs in the UK. UK providers are also experienced in contextualising soft skills such as communications skills, especially focusing upon specific vocational areas. However, while the report highlights a significant opportunity with one of the early SSCs (NASSCOM for IT – more details available in the main body of the report), the study found that progress in establishing SSCs has been very slow. Such opportunities with government bodies are slowly emerging and have a longer gestation period and hence should be considered as part of a medium to long term strategy, rather than a priority for the short to medium term.

The key driver for the growing demand for English language training (ELT) in India is to improve skill set and enhance employment opportunities.

There is a rapidly growing market – sliced into three broad segments of B2C, B2B and B2G. Geographically speaking, although the opportunities are predominantly present in the larger cities

(Delhi, Mumbai, Chennai, Bangalore and Kolkata), the smaller cities are picking up quite rapidly. They include cities like Pune, Chandigarh, Jaipur, Indore, Patna and Ahmedabad.

Regionally speaking, in terms of catchment area of students for English language, southern India predominates followed by the north and the west. Significant opportunities exist for new UK ELT providers to enter the market by segmenting the market, assessing the India market potential based on their core competence, defining a strategy to target the preferred market segment and identifying the right partner to enter and succeed in India. At the same time, there are opportunities for existing UK ELT providers to grow their business in India. Innovative use of technology has further expanded the spectrum of opportunities for UK service providers. A new segment of imparting training through the digital and online versions is gaining ground and is rapidly changing the teaching dynamics from the traditional chalk and talk method of teaching. However, there are bottlenecks in the form of lack of seamless internet connectivity, especially in smaller towns along with lack of IT infrastructure to support the same. UK players like the British Council and UK Trade and Investment (UKTI) have a big presence pan India and have been playing an instrumental role in this field. UK service providers can look to partner with them in order to enter and succeed in the Indian market.

BACKGROUND AND METHODOLOGY

Background

In the context of growing demand for English language skills to enhance employment opportunities in India, British High Commission mandated iValue Consulting Private Limited to undertake this study with the objective to assist all UK English language service providers, prospective and existing, to understand the opportunities, and give them practical direction on both targeting and development of their products to realise those opportunities. This was done by assessing the market size and training segment potential within identified target segments and undertaking a need-gap analysis to identify opportunities for UK service providers.

Detailed Scope of Work

The study was focused on identified Tier I, Tier II and Tier III cities in India. In terms of classification, Tier I cities include four Metros and major cosmopolitan cities, Tier II cities are the next largest cities and Tier III cities are comparatively smaller cities. iValue has included the following under the various categories:

Tier I	Tier II	Tier III
Delhi NCR*	Pune	Ludhiana
Mumbai	Jaipur	Jalandhar
Chennai	Chandigarh	Patna
Hyderabad	Indore	Ranchi
Bangalore	Ahmedabad	Lucknow
Kolkata	Kochi	Coimbatore
	Mangalore	Trivandrum
	Goa	Bhubaneswar

*NCR – National Capital region of Delhi includes Delhi and its neighbouring towns Gurgaon, Ghaziabad, Noida and Faridabad.

Process Methodology

A detailed market insight study was carried out across the supply chain (supplier and customers) of English language training market as a Business to Business (B2B) exercise. The following target sectors were assessed:

- A. Business to Consumer (B2C) with focus on the following segments:
 - 1. Kindergarten to Class 12 (K12) upto 18 years old and equivalent to 'A' level
 - 2. Age 16-30
 - a. Vocational training
 - a. Coaching, including subject based tuition, graduation and post-graduation test preparation (related to employability)
 - i. IELTS examination training
- B. Business to Business (B2B) with focus on the following segments:
 - 1. K12 – Kindergarten to Class 12 (K12) upto 18 years old and equivalent to 'A' level
 - 2. Higher Education including MBA and Engineering Colleges
 - 3. Corporate – focused principally on the information technologies enabled segment (ITES), that includes the business process outsourcing (BPO) market.
 - 4. Recruitment industry
 - 5. Non- governmental organisations, (NGO's) polytechnics and industrial training institutes (ITI's)
- C. Business to Government (B2G) with focus on
 - 1. Government of India represented by the Ministry of Human Resource Development (MHRD), Ministry of Labour and Employment (MoLE)

2. State governments
3. Public bodies including National Skills Development Council (NSDC), Sector Skills Council (SSC)
4. Trade bodies including NASSCOM, ASSOCHAM, FICCI and CII

The market report identified the potential for UK service providers in the above mentioned three segments by undertaking research through a combination of Primary and secondary research.

The sample size for undertaking Primary research for the above study is provided as below –

Target Segment	Sample Size (Tier I, II and III cities)
Government	3
Corporate	18
English Language Training Institutes	17
Boutique MBA/MCA/Engineering College	7
Individual*	-
Publishers	4
Recruitment Agencies	2
NGO's	2
Total	53

*Individual Consumer feedback on their needs and requirements has been assessed through the feedback obtained from English Language Training Providers and Higher Education college segment.

The stakeholder community connected to the ELT market for the three segments of B2C, B2B and B2G include:

- (a) Content developers and providers (publishers) who provide the English language training (ELT) content for these segments.
- (b) Teacher training and assessment players
- (c) English language training (ELT) providers
- (d) Certification players (both teacher/trainer and individuals)
- (e) Government as a policy regulator along with the associated institutions

INDIA

India consists of 28 states and 7 union territories. It covers a total area of about 3.3 million sq km and has a population of around 1.2 billion (2011 census).



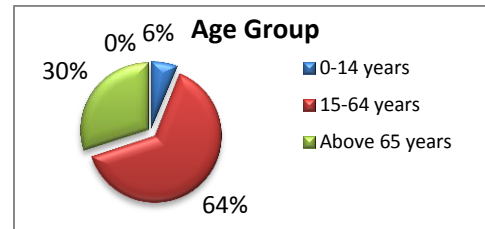
Source of Map: Government of India

- Population 1.2 billion (urban: 30%, rural: 70%)
- Population growth rate 1.312% per annum
- Birth rate 20.6 (births/1,000 population)
- Death rate 7.43 (deaths/1,000 population)
- Life expectancy 67.14 years
- Sex ratio 940 females per 1000 males
- Households 246 million

Source: 2011 Census

Age Structure

Distribution of Population



Source: Ernst & Young

India has a huge population in the age group of 15-64 years, which is amongst largest number of young people in the whole world. This provides a tremendous market for global companies in the Indian Market.

Language

Hindi is the official language of India. Apart from it, there are another 22 official languages spoken across the country including Bengali, Telugu, and Tamil (Census of India 2001, Ministry of Home Affairs). English is the second official language and is widely used in national, political and commercial communication.

Indian Economy

The Indian economy has been growing very steadily for last several years. Even during the last few years when the world was seeing a global recession, Indian economy grew at around 7-8%. More details on the Indian economy are provided in Annexure- I.

OVERVIEW OF EDUCATION SYSTEM IN INDIA

Outlook

India is a land of contrasts. Although India offers the 10th largest education market in the world, the cost on education is one of the lowest in the world. The good news is that the Indian education industry is growing at an average CAGR of 14% and is expected to be USD 82-87 billion by the end of the year 2012 from USD 50 billion in 2008⁹. A survey in 2011 by Credit Suisse suggested that Indians typically spend 7.5% of their income on education, more than Chinese, Russians or Brazilians. Education is seen as a quick route to prosperity. However, despite the rapid growth, there are fundamental issues that plague the education system in India. Firstly, despite the rapid growth in the sector, there is a huge shortage of educated professionals. A survey by the Royal Institution of Chartered Surveyors estimates that in 2010, India had just over 500,000 civil engineers when it needed nearly 4 million, and 45,000 architects when it needed 366,000. Secondly, to add to this problem, there is a huge gap between academic teaching and employability requirements, which clearly suggests that even the existing professionals lack industry skills to get employed. Aspiring Minds, a company that focuses on assessing student employability, after having surveyed 55,000 students in 2011 found that not even 3% were employable directly without further training by Information Technology (IT) companies. They also said that about 78% of those surveyed struggled in the English language. The solution to the above problem lies principally in improving the quality of teaching in India.

The story is very similar for the English language education segment in India. The fundamental question that needs to be answered is firstly how important is English language in the Indian context and secondly, is there any opportunity existing within the English language training (ELT) market segment in India.

The key question to be then addressed is to how attractive the market could be for UK service providers. Analysing the first question, English language plays a very important role in India. It is the secondary official language of India and is widely used in national, political and commercial communication and is the binding force that cuts across a vast country separated by provincial, community and religious barriers.

Various sources (including the Indian census data released in 2009) estimate that there are over 100 million English speakers in India. Speakers would typically know how to read English, understand spoken English as well as form their own sentences to converse in English. Secondly, since English language cuts across subjects, it has a major role to play in the acquisition of various qualifications. Hence, if the quality of English improves, it will lead to an improvement in the overall quality of education which in turn will lead to improvement of individual skill set and enhancement of employability potential.

The government in India does recognise the need to improve the quality of education and the employability potential of individuals. This is reflected very well in the objective of the government – Central, State and public bodies associated with the government including National Skills Development Council (NSDC) and the emerging Sector Skills Council (SSC). The objective is to fulfil the growing need in India for skilled manpower across sectors and generate employability and make the workforce industry ready. This is to be done based on the creation of “occupational standards” for acquisition of skills (both technical and communication) and English forms a major part of the communication skills development initiative. The target is to train 500 million people by 2022 under the “National Skills Policy” across respective sectors.

Coming to the second question, from the supply side, the quality of English teaching in India is a big question mark with a shortage of English language teachers in schools and colleges combined with poor quality of teaching and research. Hence on one side, it can be concluded that English language has a major role to play in improving the overall quality of education and employability potential in India and on the other side there is an immense need for quality English language teaching and training to meet the growing demand.

The details about the Indian education system in India including the various categories of schools are provided under Annexure – II.

English Language Training (ELT) Market– Quantitative Findings

Addressing the key question on how attractive the English language training (ELT) market is for UK service providers, the quantitative findings strongly suggest that the market is diverse and attractive, however it is very crucial for UK service providers to segment the market in terms of quality and pricing requirement along with the gestation period to close business deals. This strategy would enable UK service providers to position its value proposition more effectively to the target segment in order to succeed in the Indian market.

The market can be sliced into three broad segments of Business to Consumer (B2C), Business to Business (B2B) and Business to government (B2G). English language cuts across the three segments to include opportunities in:

- Kindergarten to Class 12 (K12) equivalent to ‘A’ level and upto 18 years old
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- Coaching, including subject based tuition, graduation and post-graduation test preparation
- Higher Education

- Corporate training
- IELTS examination training

Having undertaken both a quantitative and qualitative analysis of the target segments that ELT caters to, there seems to be a significant opportunity for new UK service providers to enter the Indian market and for existing players to expand further. Focusing firstly upon the quantifiable data obtained for the sub segments, the following figures have emerged for the “ELT market” in the various sub-segments.

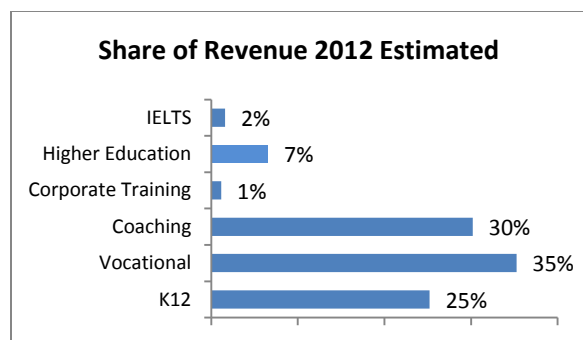
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IELTS	8	13	23	38	64	108	35% ⁸
Total			2760	3306	3859	4677	

Projected revenue in USD (million), iValue Analysis

**No K12 consolidated data available for English in 2010 and 2011*

***CAGR – Compound Annual Growth Rate*

Overall, the total ELT market size in the above mentioned segments is expected to grow from USD 2.76 billion in 2012 to USD 4.67 billion in 2015. In terms of revenue share split, Vocational training segment forms the most attractive market with a market share of 35% followed by the Coaching and the K12 segment. The figure below provides a market share representation of all the segments.



Projected revenue in USD (Million), iValue Analysis

Following a quantitative analysis of the ELT market in India cutting across various segments, let us now analyse the outlook, trends, challenges and need gap and opportunities existing individually across the 3 segments. This analysis has been done based on a combination of Primary and Secondary research.

Business to Consumer (B2C)

There is a broad consensus that beyond the typically K12 segment, increasing the employability of students will be the key driving factor for undertaking English language training. Course duration of the ELT programme typically ranges from 60 hours to 120 hours. Most of the ELT players have their own content. Delivery model has been mainly classroom based and is being increasingly supported by the use of audio-visual devices, CD's and DVD movies. A new area being looked at is "Remote teaching" that aims to create "Master centres" that will be connected to all centres, however this will be limited to teaching grammar and related areas which require a lesser degree of teacher-student interface. The pricing ranges from USD 140 to USD 400 for the entire course. The fees for IELTS examination training course ranges from USD 100 to USD 180. The business model ranges from Wholly Owned subsidiaries (WOS), Joint ventures (JV's) and the Franchisee model with Indian business partners.

A brief description of each of these segments is as follows:

K-12

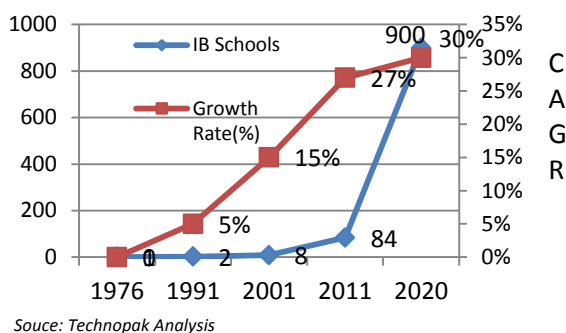
Kindergarten to Class 12 (K12) equivalent to 'A' level and upto 18 years – This includes school learner's upto class 12. This is more in the nature of supplemental education where students from Kindergarten to Class 12 go to ELT provider for their classes that adds value to the school curriculum.

Outlook and Trend

All K12 institutions must be affiliated to an education board, either central, such as the Indian Council of Secondary Education (ICSE) and the Central Board of Secondary Education (CBSE) or State Boards. Some schools have begun seeking affiliations with international boards such as International General Certificate of Secondary Education (IGCSE) and International Baccalaureate from Geneva (IB). The teachers of the State Board schools do not generally adopt modern methodology with the latest content for teaching and moreover these schools are generally not open to changes primarily due to lack of funding from the government.

CBSE and ICSE are widely used for affiliation by private schools all across the nation. ICSE has the entire curriculum in English medium, CBSE has option for both, but private schools opt for the English Medium version of CBSE. Students of these boards are exposed to the elementary to advanced levels of English.

Such schools have normally sufficient funds and are open to adopting modern teaching methodologies. For IB and IGCSE, which are International boards, funding is not an issue with schools adopting these boards. The numbers of IB schools are rising rapidly in India as shown in the figure below.



There are currently 98 IB schools operational across India and the number is expected to grow to 900 by the year 2020 making IB School market size approximately USD 108 million in the year 2020¹⁰.

English Language Training Providers have the best opportunities to work with Schools following IB, CBSE, IGCSE and ICSE curriculum as they are more open to adopting new technological advancements for teaching.

The K12 market principally catered to by ELT providers is a highly unorganized market that is difficult to measure in size.

In the K12 segment, for Junior special (below Class 8) the schools have greater flexibility in terms of deciding on the nature of English language training they need for their students. On the other hand, in the Class 8-12 segment, the respective education boards have fixed curriculum and although English language training is included in this segment, it needs to be relatively in line with the formal guidelines prescribed by the school boards.

Age 16-30 years - This broadly includes the following segments and is focused principally for enhancement of employment opportunities in India and for going abroad for international education:

- a. Vocational – Focusing on business communication including voice and accent training through industrial training institutes (ITI's) for customer facing retail, hospitality and the information technology enabled sector (ITES) that includes business process outsourcing (BPO)
- b. Coaching, including subject based tuition, graduation and post-graduation test preparation (related to employability)
 - i. IELTS examination training for going abroad to seek international education and employment

Vocational Training

Vocational education (also known as Vocational Education and Training or VET) is an education that prepares people for specific trades, crafts and careers at various levels in engineering, accountancy, nursing, medicine, and other healing arts, architecture, pharmacy and law.

English Language Training Providers have the best opportunities to work with Schools following IB, CBSE, IGCSE and ICSE curriculum

Outlook and trend

India has the largest population in the age bracket of 15-29 and the World Bank report of 2006 shows that only 2% have undergone formal vocational training and another 8% have received non-formal vocational training. Every year around 12.8 million new entrants are added to the workforce, and the existing skill development capacity is 3.1 million.

Presently, around 6% of the total workforce is in the organized sector and the remaining workforce is with low levels of literacy skills in the unorganised

English language Training market size for Vocational Training segment is expected to be USD 1 billion by 2012 and projected to grow to USD 1.5 billion by 2015

sector where there is no proper mechanism to impart proper skill development.

Vocational training is of paramount importance in the Indian context. This is principally because there

is a huge gap between the number of people entering the work force annually and the number of people having the requisite skill set to get absorbed by the industry. It can play a very important role in trying to bridge this gap. According to Dilip Chenoy, CEO and MD Designate, National Skill Development Corporation (NSDC), when candidates complete the skill development programme, the qualifications do not match the occupational standards. The need of Vocational Training is also driven by the fact that the school dropout rate is quite high.

There are 220 million children who go to school in India. Out of this, only around 12% students reach the University.

Vocational Training in India is being offered by the Director General of Employment and Training (DGET) under the Ministry of Labour and Employment (MoLE), Government of India. The main players working in this segment include the Central and State governments and public bodies associated with the government including National Skills Development Council (NSDC) and the emerging Sector Skills Council (SSC). The objective is to fulfil the growing need in India for skilled manpower across sectors, generate employability and make the workforce industry ready. This is to be done based on the creation of “occupational standards” for acquisition of skills (both technical and communication). The target is to train 500 million people by 2022 under the “National Skills Policy” across respective sectors.” One of the challenges is that in India there is a preference for degrees compared to vocational skills.

English language Training enjoys around 33% share in the total Vocational Training market with a market size of USD 1 billion by 2012 and projected market of USD 1.5 billion by 2015¹¹.

Vocational Training Market targets the students passing out from school or colleges or cater to the present need of the existing employees.

English language training (ELT) has a crucial role to play within the Vocational education space and fits in very well with the government objective to train 500 million people by 2022 by creating occupational standards cutting across sectors to include both technical and communication skills. English does form a major part of the communication skills development initiative. Indian companies are working with colleges and government organizations focusing upon improvement of communication skills for individuals. UK service providers having strength in imparting communication skills especially focusing upon specific vocational areas need to closely assess this opportunity, as typically opportunities with the government have a longer gestation period.

Coaching and Employability

Outlook

This segment caters for varying requirements within the K12 and higher education segments focusing on improving employability potential.

It is highly unregulated and represents approximately 64% of the non-formal market¹² valued close to USD 2.6 billion in 2011 projected to grow to USD 44 billion in 2015 and comprises of three broad categories:

From an ELT perspective, the IELTS sector is projected to be approximately USD 23 million market in 2012

The English language training market in coaching for employability related training in sectors like information Technology (IT) and information technology enabled services (ITES) including the business process outsourcing (BPO) market, aviation, finance and retail is expected to reach USD 900 million in 2012 with a CAGR of 15%¹³.

- Subject and Concept-based tuition

This includes subject based coaching classes cutting across subjects provided by individuals or small centres. Subject based tuitions comprises of around 80 % of the total coaching segment¹⁴ with an estimated value of USD 2billion.

- Graduation test preparation

It covers around 17% of the total coaching market¹⁵ with an estimated value of USD 450 million cutting across subjects in 2011.

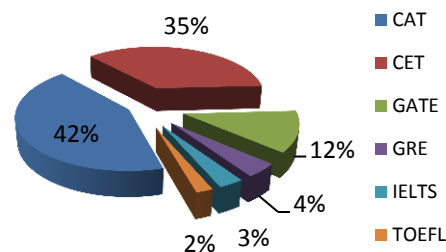
This comprises classes for Engineering and Medical Services.

- Post-graduation test preparation

This comprises around 5% of the coaching segment with an estimated value of USD 150 million cutting across subjects. This basically comprises of students preparing for Common Admission Tests. Players in this section are also looking to provide coaching through online media.

The Post Graduate Preparation market which can further be broken down as CAT (for MBA entrance), CET (for engineering entrance), GATE (for masters) and GRE for management and foreign universities, IELTS and TOEFL. IELTS examination coaching market is around 8% of the total market with USD 12-13 million in revenue (assuming 75% IELTS aspirants take coaching). By 2015 this is projected to grow to a USD 108 million markets¹⁶.

Percentage Market Share



Source: IDFC SSKI Report "Education Sector 2009"

Trend

Overall, this segment is an unregulated market segment from an ELT perspective. The IELTS examination training market segment is relatively organised, less price sensitive and is approximately growing at CAGR of 26% for student enrolment and with a CAGR of 35% in fees¹⁷. Hence, for UK service providers, this segment could be an important segment to focus on in the Indian market.

The English language training market in coaching for employability related training in sectors like Information Technology (IT) and Information technology Enabled services (ITES) including the Business Process Outsourcing (BPO) market, Aviation, Finance and Retail is expected to reach USD 900 Million in 2012 with a CAGR of 15%.

B2C Opportunities

iValue spoke to 17 ELT providers in India and the opportunities identified in the process of compiling this report include:

1. Teacher qualification – Globally acceptable English language teacher training qualifications. This will help improve quality of delivery as the publishers strongly feel that their course material is not being fully utilised due to relatively poor quality teaching standards.
2. Content – There is demand for quality updated content and a perception that content for ELT

being provided currently by publishers is not revised regularly for the Indian version. Secondly, there are opportunities for publishers who can develop multilingual versions of their books. This is a big reason for the success for Pustak Mahal's book "Rapidex English Speaking Course" which is published in 18 languages pan-India and therefore has a mass appeal. They sell 2 million books a year. The biggest segment in ELT space according to the publishers is the K12 market specifically focused between Kindergartens to Class 8. Role of digital and online content is increasing and is seen as a differentiating factor in the ELT space.

3. Certification – Globally acceptable certification that can serve as a centralised certification guided by the industry would be important in the medium to long term, especially because once the ELT industry becomes regulated, there will be "quality parameters" set and this will mean a quality certification can provide the differentiating edge to ELT providers in attracting individuals for their programme. Secondly, India with its huge manpower will look at the world market for the absorption of its talent pool, and internationally acceptable certification would immensely help to improve the chances for the Indian talent pool to get absorbed globally.
4. Currently, since the ELT segment in India is not regulated, there is nothing similar to a Common European Framework of Reference (CEFR) that provides for a proficiency scale for the language. However, this appears to be changing and some Business Process Outsourcing (BPO) companies in India are now using it for assessing candidates.
5. Sector based English training modules in sectors like retail, hospitality, information technology enabled services (ITES) and manufacturing are in demand and will add value to the sector based skills acquired by the individuals. This would improve their skill set holistically and make them

more employable. This will fit in very well with the government objective of setting up 14 Sector Skills Council (SSC) responsible for creating occupational standards and fulfilling the growing need in India for skilled manpower across key identified sectors and narrowing the existing gap between demand and supply.

6. There is a strong potential for ELT in smaller cities and most of the ELT players in India are expanding here. One of the reasons is that there is dearth of good quality schools including private schools in these cities and hence there is an increased need for external programmes. Within these smaller cities, focus is more on spoken English.
7. Government policy support –
 - i. Right to Education (RTE) Act and the Sarva Shiksha Abhiyan (SSA) makes education a fundamental right and is Government of India's flagship programme for achievement of Universalisation of Elementary Education (UEE) in a time bound manner of every child between the ages of 6 and 14 and specifies minimum norms in elementary schools. SSA is being implemented in partnership with State Governments to cover the entire country and address the needs of 192 million children in 1.1 million habitations. Rashtriya Madhyamik Shiksha Abhiyan (RMSA) scheme started from 2009-10 and is envisaged to achieve an enrolment rate of 75% from 52.26% in 2005-06 at secondary stage within 5 years of implementation of the scheme by providing a secondary school within a reasonable distance of any habitation. If the government objectives are met, it should increase the number of school going students which will in turn increase the opportunity for ELT to this segment.
 - ii. Continuous and Comprehensive Education (CCE) framework being implemented by the Ministry of Human Resource Development (MHRD),

Government of India. The main aim of CCE is to evaluate every aspect of the child during their presence at the school on a continuous basis rather than focusing purely on results obtained in the examinations during the year. The CCE method is claimed to bring enormous changes from the traditional *chalk and talk* method of teaching provided it is implemented accurately. This should provide strong positive signals and serve as an enabler to improve the ELT opportunities in the B2C segment. Under CCE, for its formative assessment level 1 and 2, there is a mix of spoken English and communication skills and there could be a strong opportunity for ELT providers who could look at approaching schools to focus on meeting these requirements.

Business to Business (B2B)

This segment comprises of

1. Kindergarten to Class 12 (K12) upto 18 years old and equivalent to 'A' level
2. Higher Education particularly MBA and Engineering Colleges)
3. Corporate – focused principally on the information technology enabled segment (ITES) that includes the business process outsourcing (BPO) market.
4. Recruitment industry
5. Non - governmental organisations (NGO's) polytechnics and industrial training Institutes (ITI's)

Following a quantitative analysis of the ELT market in India cutting across various segments, let us now analyse the outlook, trends, challenges and need gap and opportunities existing individually across the B2B segment. This analysis has been done based on a combination of Primary and Secondary research.

K12

Unlike the K12 segment covered under the B2C segment, where customers for ELT providers were school students, in this case the customers are the schools. This market comprises of external training providers who provide subject based modules to schools through train the trainer model and the schools supplement this to the existing formal course curriculum.

The size of the ELT market in the K12 segment is expected to increase from around USD 587 million in 2012 to USD 1.32 billion in 2015 (with an estimated CAGR of 31%)¹⁸.

In spite of the small number of private schools in India, 40% of the total school going children are enrolled in the private schools and the number is rising continuously. There are around 1.3 million schools in India out of which around 0.25 million are privately managed. Private schools are taking initiatives to adopt novel and more innovative technology for education. This includes the use of multimedia to deliver digital content as teaching aid in the classrooms by using audio visual means across various subjects.

On the ELT front, UK service providers have tremendous opportunities to work with these private schools that are adopting new teaching methodologies to supplement

the education available through the prescribed curriculum as an added differentiator to the students. They are going beyond the Chalk and Talk mechanism. This helps the school to remain competitive in the market.

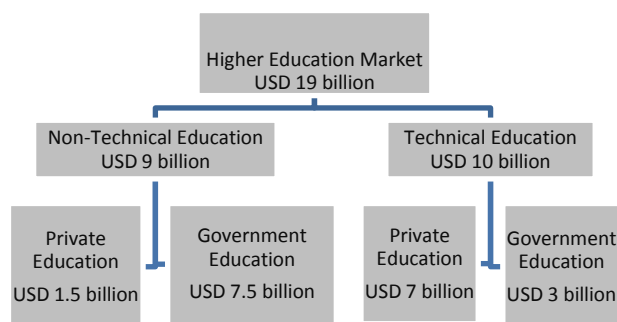
On the ELT front, UK service providers have tremendous opportunities to work with these private schools that are adopting new teaching methodologies

Players like Educomp are doing exceedingly well in India and they provide “Smartclass”, a teacher-led educational content based solution. It is a digital based learning module designed in accordance with the Indian School Curriculum.

Poor Infrastructure in government schools, lack of good teachers, lack of quality education in government schools and the increasing paying capacity of Indian middle class have forced the Indian middle class towards private schools.

Higher Education Market

Outlook



Domestic Higher Education market in India is approximately USD 19 billion and is divided into Non-Technical Education and Technical education whose market sizes are USD 9 billion and USD 10 billion respectively. Higher Education caters to students over 18 years and

includes undergraduates (18-21 Years) and graduates (22 Year plus). The growing demand for higher education amongst Indians is driving this market. It is expected that an additional 800 private engineering, 60 medical and 300 MBA colleges will open by end of 2012¹⁹. Currently, India has around 4000 MBA

The higher education market was USD 20 billion in 2008 (CLSA Asia-Pacific Market) and is growing at CAGR of 14%. The share of ELT was USD 124 million in the same year which was around 0.5-0.6% of the expenditure

colleges out of which around 50 are the top rung Colleges in ranking and the rest are second and third rung in the rankings.

As far as English language component of the course curriculum is concerned, it forms a part of regular course curriculum in all colleges but the ones in second and third rung give a higher emphasis on English. In addition to having an internal faculty for English, they have visiting faculty for business communication and other soft skills. English is meant to bridge the divide caused by the mediums of learning in schools and the rural-urban divide

English is meant to bridge the divide caused by the mediums of learning in schools and the rural-urban divide when school students step into portals of higher learning

when school students step into portals of higher learning.

The higher education market was USD 20 billion in 2008²⁰ and is growing at CAGR of 14%. The share of ELT was USD 124 million in the same year and projected to grow to 198 million in 2012.

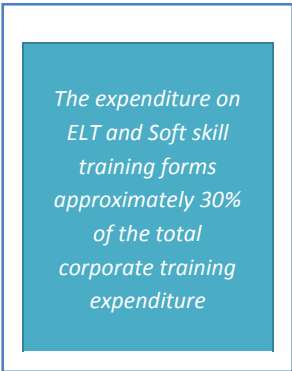
An academic year in a college may start with a bridge course in English. The duration varies from just a few days to a fortnight. Colleges are keen to have English Language Programmes for students for improving their employability potential. In terms of challenges, the casual approach of the students towards English is the biggest challenge, as colleges find it hard sometimes to explain the importance of English to the students especially those from nursing colleges. Secondly, the course content is almost generic throughout India, whereas there is a requirement for customisation for different regions in India as the need of a student from Southern part of India is different from that of a student from the Northern part of India.

Hence, need of different regions are required to be understood and the course material needs to be designed accordingly.

Corporate Training

Outlook

With most training companies expecting the market to expand rapidly, the Indian training industry seems to have come of age. Although, the bulk of USD 100 million that



*The expenditure on
ELT and Soft skill
training forms
approximately 30%
of the total
corporate training
expenditure*

Indian companies spend on corporate training is being consumed by freelance consultants, companies engaged in corporate training are optimistic about the Indian market. As per IDFC SSKI report corporate training was 50 million markets in 2009 and is growing at a CAGR of 25%. Typically, the expenditure on ELT and Soft skill training forms approximately 30% of the total corporate training expenditure²¹.

Trend

Segments including the government and the manufacturing sector which were considered lackadaisical in their approach towards corporate training have recently jumped on the corporate training bandwagon. From an ELT perspective, the principal focus sector is the information technology enabled services (ITES also referred as BPO's) sector and they are amongst the largest employers too. The sector also has the largest number of voice and non-voice customer interaction focusing on English language with it being a key differentiator in their performance.

In terms of numbers, the ITES segment comprises the largest chunk and the top 20 organisations in India typically look to hire between 1000-3000 new employees annually who undergo ELT training as a part of the soft skills induction training.

As a result, ELT requirement in this sector is more structured with higher degree of emphasis on adopting quality parameters unlike other sectors where it still needs be organised.

Annexure-III provides detailed findings based on the Primary research undertaken with 18 corporate players.

Challenges

1. Voice based training at BPO's is being routed to countries like Philippines, hence leading to loss of revenue. There is an increasing need to focus on voice and accent based training in order to improve the competency levels for the Indian market.
2. Dearth of ready and enough trainable resource that is industry ready.
3. Content quality for training can be improved
4. Lack of trainer certification to judge the quality of the trainer.
5. The mechanism to measure output of training is lacking and it is also difficult due to the subjectivity involved in the ELT space.
6. Non-serious casual approach towards on-going training activity for existing employees. This increases with "technical staff" whose core competence is not dependent on having a strong English language skill-set. There is also a cultural issue where employees at a higher position are reticent to undergo an ELT programme.

Recruitment Industry

Outlook

The human resource industry in India has grown at a CAGR of 21% over the past four years and was pegged at around USD 4.5 billion in 2011²².

Trend

The industry has been unregulated and innovation is the key to success here. Some of the major trends observed in the industry are as follows:

- Large international players entering blue collar staffing
- Staffing companies entering into vocational training
- Permanent recruitment focused firms entering into temporary recruitment

Focusing upon how the overall growth will impact on the ELT market within this industry, recruitment agencies go in for internal and external training of their employees. Their major requirement lies in training their employees for formal business communication where they focus upon writing formal emails, dealing with queries on phone, conducting telephonic interviews with the aim to get the maximum amount of information in minimum amount of time. Content is developed both in-house and procured externally. The duration for the training ranges from 2-5 days for existing hires to 20 days for new hires. As far as certification is concerned, generally there is no specific certificate provided for English language training. However, the above findings are based on a limited number of Primary research undertaken as a part of this market research.

Non-Governmental Organisation (NGO)

Outlook

Non-Governmental Organizations (NGOs) include organizations engaged in public service, based on ethical, cultural, social, economic, political, religious, spiritual, philanthropic or scientific & technological considerations. It includes formal as well as informal groups, such as community-based organizations, non-governmental development organizations, charitable organizations²³. In India a Non-Governmental Organization can be registered as Trusts, Societies, or a private limited non-profit company, under section-25 Company of the Indian Companies Act, 1956.

Trend

Like every other sector, one of the major drivers of efficiency is the manner of utilisation of the capital and funds that the NGO sector accumulates through various sources for carrying out its work. If statistics are to be taken into consideration, out of more than 1.2 million NGOs operating in India, only 3% are being able to carry out constructive grass-root level work²⁴. This segment faces issues regarding effective fund utilization for developmental work.

Coming to the focus of NGO's on ELT segment in India, the following are the findings based on the research undertaken:

1. Actively involved in the teaching of English Language to the lower strata of the society catering to basic English language requirements.
2. Are working in association with Corporates to make the youth Industry ready.

Segments Targeted by the NGO's:

The basic target segment of NGO remains the deprived sections of the society that fall near the poverty line.

They target municipal and state government schools since they are typically lacking in terms of course content, proper trained teachers and also have shortage of funds to impart additional knowledge to their students. They also target youth who are school or college drop outs and are facing issues in terms of getting employed. NGO's are also targeting the working class with the aim to assist them in better understanding the instructions from their supervisors which will help them in their daily activities. Some NGO's target minority communities who are not wanting to or are not able to send their children for regular studies due to some religious or traditional bias. They are also involved in the teacher training programmes. The working model of NGO's is different from other organisations. NGO's have a small work force of permanent employees and work mainly through the volunteers who offer their services free of cost.

Course Content:

The typical course content of the NGO's range from giving basic English language training to school students and to make the youth industry ready in order to improve their employability potential. Typically, the NGO's design their own content for their programmes. When they work in association with the corporate players, content is developed jointly or is provided by the Corporate.

Certification:

In terms of certification, it is important, since this adds credibility and assists students and youth in getting employment. Typically NGO's provide their certification but it can also be a joint certification if they work jointly with a Corporate.

Challenges

Since the target audience for the NGO's is the lower strata of society, funding remains a key challenge for

them and they mainly use the basic model of class room based teaching for programme delivery.

When they are backed up by the corporate funding, they utilise relatively modern teaching techniques like computers and projectors.

B2B Opportunity

Opportunities have emerged for the ELT market within the above mentioned sub-segments of the B2B market. UK service providers need to assess opportunities within individual segments in order to define their strategy to cater to the market requirements. They include:

- a. Looking at the K12 segment, there are around 0.25 million privately managed schools. Private schools are taking initiatives to adopt novel and more innovative methodologies for content and delivery in education. On the ELT front, UK service providers have tremendous opportunities to work with these private schools that are adopting new teaching methodologies to supplement the education available through the prescribed curriculum as an added differentiator for their students.
- b. There are various opportunities that have emerged within the college segment in India for UK service providers in the ELT space. They include:
 1. Opportunity for content development. Colleges need content for business communication and for improving the employability potential of students. This includes content in areas like drafting formal mails, professional resume writing, dinning etiquette, group discussions, personal interviews, spoken and written English, pronunciation and on how to get over the Mother Tongue Influence.

On the ELT front, UK service providers have tremendous opportunities to work with these private schools that are adopting new teaching methodologies

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2. Opportunity for teacher training. Colleges also require qualified faculty as number of colleges are outsourcing teaching to local English lecturers who normally lack the formal business communication skills as per industry requirement.
 3. Opportunity for developing online modules for ELT in MBA colleges as their delivery medium is comparatively more technology oriented.

Focusing upon opportunities that have emerged in the corporate sector for the ELT segment, the main focus sector includes the information technology enabled services (ITES) also referred to as business process outsourcing (BPO). Opportunities exist with the large BPO players. These opportunities have emerged based on discussions with them and they include:

1. Developing something on the lines of a Common European Framework (CEFR) based certification tie up for employees as some of the corporates feel that a globally acceptable certification programme will be a great motivation for their employees.
2. Tie up with Universities and colleges for benchmarking assessment tools based on CEFR guidelines in order to develop occupational standards required for entry level employment for specific skill set guided by industry requirements.
3. Development of an ongoing assessment tool which can assess and analyse an employee when they are on call and rate them according to the CEFR guidelines and provide instant results.
4. Training and certification tie up for in-house training faculty.
5. Content development including online language (pronunciation and voice modulation) and grammar modules for existing employees to keep their skills up to date and enable them to improve their communication skills.

Within the Non Governmental Organisation (NGO) space, the following opportunities have emerged from an ELT perspective:

1. Content development- NGO's are interested in exploring a tie up with UK service providers especially for content development. The content they require ranges from basic English to meet industry specific language requirements.
2. Teacher training programme- This remains a key area of focus as one of the reasons for the slow growth of ELT is dearth of good qualified teachers.
3. Industry specific programmes- Opportunities are there to develop industry specific modules for sectors like hospitality and retail. This may involve basic training modules for improving customer service, query handling and floor etiquette skills.
4. Certification- Development of an Industry accepted certification programme provides an opportunity for UK service providers. Currently, there is a dearth of industry ready youth and a common certification programme can be of great help in improving the employability potential of such individuals.

Business to Government (B2G)

This segment comprises of:

1. Government of India represented by the Ministry of Human Resource Development (MHRD) and Ministry of Labour and Employment (MoLE)
2. State governments
3. Public bodies including National Skills Development Council (NSDC), Sector Skills Council (SSC)
4. Trade bodies including NASSCOM, ASSOCHAM, FICCI and CII.

Role of Government in the ELT space

Government has a dual role to play within the ELT space. On one hand, the government has a very crucial role to play as a “policy regulator” that can aid the creation of a “structured framework” for setting up “quality mechanisms” to make the ELT industry organised. On the other hand, the government is also a customer for the ELT providers with their respective customer facing departments undergoing English language training. Currently, English language training (ELT) market comes under the area of “Skills Development” and forms a part of the unregulated market in India. Details from a regulatory aspect are provided in the regulatory section of the main report and also in Annexure-IV

Role of Government-Policy Regulator

Amongst the recent announcements made by the new Union Minister for Human Resource Development (MHRD), Mr. Pallam Raju, high priority would be given by the government in enhancing employability by focusing on skill-based education. On the policy of vocational training, the government of India is moving away from a welfare based programme approach to a more industry focused demand- supply approach, the key objective being to generate employment by making the workforce industry ready.

Ministry of HRD, with a view to focus on regulating the vocational education space, has created the “National Vocational Education Qualification framework” (NVEQF) for affiliation and accreditation of the vocational, educational and training systems. The framework has provided for setting up 14 “Sector Skills Councils” (SSC’s).

The objective of the SSC is to fulfil the growing need in India for skilled manpower across sectors and narrowing the existing gap between the demand and supply of skills.

Progress in establishing SSC’s have been slow, however there has been significant progress made in the information technology (IT) skills council. The target is to train 500 million people by 2022. This is to be done on the basis of creating “occupational standards” for acquisition of technical skills across respective sectors.

National Skill Development Corporation (NSDC) was set up to fulfil India’s growing need for skilled manpower across sectors and narrow the existing gap between the demand and supply of skills. It is based on a Public Private Partnership model (PPP) jointly owned by the Indian government and industry bodies. It has planned to set up 1500 new industrial training institutes (ITI’s) and 5000 skill development centres, across the country.

Vocational training in India is provided on a full-time as well as part-time basis. Full-time programs are generally offered through ITI’s. The nodal agency to grant the recognition to the ITI’s is National Council for vocational training (NCVT) which is under the Ministry of labour (MoLE), Govt. of India. Part-time programs are offered through state technical education boards or universities who also offer full-time courses. Vocational training has been successful in India mainly in industrial training institutes. All the state governments run vocational schools.

The operational responsibility to execute the vocational training programmes lie with the state government. State governments have set up “State Councils of Vocational Training” which advises the state governments in respect of vocational training at the state level. They work in partnership with ITI’s, Polytechnics and the industry.

State governments have been working with ELT and assessment providers and the following are a few examples of the nature of the projects they have been involved in:

1. State governments work with ELT providers in curriculum design and development, teacher training and imparting vocational education.
2. About 11 State governments have worked with the British Council in the last 5 years where British Council has been assisting them in imparting teacher training to government and government aided schools, industrial training institutes (ITI's), polytechnics and teacher training colleges. In terms of engagement model, British Council identifies government partners and undertakes a "needs analysis" and either provide training products from their existing portfolio or prepares a customised offering.
3. Various state governments including Gujarat are actively working towards assessing people for basic English proficiency. The target numbers range from 350,000 to 400,000 individuals. Other state governments playing an active role within this space include Rajasthan, Andhra Pradesh and Karnataka
4. State government of Karnataka has worked on a project for skills development which was undertaken in about 100 towns where soft skills training was provided including spoken and written English. This was achieved through schools, colleges and ITI's in these towns and was imparted mainly through train the trainer model.
5. ELT providers are training employees of various divisions of the police force including National Security Guards (NSG), City police, Railway protection force and also the Indian army. They have also worked through the MHRD with the Haryana government to provide vocational training to schools.

6. Delhi and Chhattisgarh government have worked with ELT providers for training the tribal population. Government of West Bengal is working with players to train children in rural areas in Spoken and Communication English.

Opportunities in B2G space for ELT market – As described above, since the operational responsibility to execute projects typically rests with the State government, UK service providers need to focus on engaging them in order to explore the potential of working with the government. Focusing upon the ELT segment, the following were the findings and opportunities emerging for UK service providers within the ELT space:

The focus of the Indian government is upon skills development within the school space and the target number could be as high as 250 million students. The target segment could be ranging from 9th standard dropout (about 14-15 years old) to individuals who are 18 years old. The programme for skills development combines development of sector skills with communication skills and the latter includes a strong component of English language skills. The aim is to improve the employability potential of the students. In terms of the skills development programme, out of a 1000 hour programme for development of the sector skill, i.e. Information technology (IT) skills (one of the main sectors of focus), about 250 hours would be spent for development of communication skills. Within the IT space, a stronger English strength will also assist in bringing back voice based calling for the BPO segment from Philippines to India. Ministry of HRD has created a central school fund pool for the same.

The State governments are playing a very prominent role. Industry tends to recruit from colleges, however the worrying factor is the major skills gap between academic teaching and industry requirement. The state governments are working

together with colleges in order to bridge the skills gap required to improve the employability potential of its students. The following are the key opportunities emanating from the need-gap analysis for UK service providers within the B2G segment:

1. Opportunity for UK service providers to participate with the MHRD for the ELT component of the skills development programme. This is a combination of sector skills and communication skills and latter includes a strong component of English language skills. This forms a part of the Central school funding pool. The operating model would be to work jointly with Indian vendors providing sector expertise. The programme for the ELT component forms about 25% of the total programme and the projected target numbers are 250 million students.
2. Opportunity to work with NASSCOM, FICCI, and other emerging Sector Skills Council, MHRD, Ministry of Labour and Employment (MoLE) and state governments to create a common global standard for benchmarking occupational standard measurement by sector from an ELT perspective.
3. An example is an opportunity for UK providers to work with NASSCOM for working towards an “online test” qualification and certification with a total projected market of about 1 million individuals by 2015. However, the key criteria identified by NASSCOM for this evaluation test is that it should deliver immediate results.
4. Opportunity for Teacher training both for colleges and third party training providers who work with the companies to provide the necessary skill set to the industry.
5. Opportunity to work with respective state governments on the course material development. Various state governments have worked with publishers for developing course material for their examination boards.

However, UK service providers need to weigh their options carefully in terms of targeting the government for business opportunities. The opportunities maybe considered as a part of a medium to long term strategy rather than a priority for short to medium term. The challenges include:

1. The government schemes normally take a longer time and a lot of them remain as Memorandum of Understanding (MOU’s) and the government needs to have a more focused approach to the initiatives they undertake with the private players. For example, in a recent announcement of the government, they have decided not to allocate any additional fund to NSDC in the current fiscal. The implications of this would be that NSDC will go on signing new agreements or approving proposal from skills training companies. At present it has already signed 86 such agreements.
2. Pricing is a big challenge and normally the model is a “cost recovery” one.
3. Quality of infrastructure is quite poor in terms of internet connectivity and other infrastructural aspects.

Education- Regulatory Scenario

From the perspective of entry and regulation of private and foreign players, economic activities in higher education can be divided into two segments:

- Regulated - Comprise formal degree-granting universities and their affiliated colleges, institutions of national importance and other organisations offering formal degrees or technical programmes. It is regulated by the University Grants Commission (UGC), All India Council for Technical Education (AICTE), Distance Education Council (DEC) and other regulating and accrediting authorities.

The providers need to have a legal structure of not-for-profit (Trust, Society or a Company incorporated under Section 25 of the Indian Companies Act).

• Unregulated segment - English language training market comes under the area of “Skills Development” and forms a part of the unregulated market in India. There are no regulatory guidelines laid down by the Indian government for setting up an ELT centre in India. This also means that there are no regulations regarding minimum quality standards (in terms of teaching faculty, content or certifications required), infrastructure, legal and fee structure to be adopted. As a result, there are low barriers to entry, which is great news for UK service providers. However, there is a flip side to this as this has led to mushrooming of language coaching institutes across the country where there are no minimum standards and hence they can operate by charging very low fees. From a consumer perspective, this adds to the confusion as price sensitive consumers may flock to such centres which will limit the reach of UK service providers who are looking to enter the Indian market with a quality product.

Annexure-IV provides a detailed mapping of the various educational segments (higher, professional and vocational education and skills development and support services) in terms of the required nature of regulation, legal structure, operating model and guidelines for profit making and foreign investment.

Conclusion and Recommendation

Although there are significant numbers of domestic and international organisations established in the English Language Training (ELT) market, there are still a wide range of opportunities for new and existing UK service providers to enter or expand their presence in India.

The opportunities can best be analysed by focusing upon the following questions:

1. The importance of English language in India.
2. How proficient are the masses in English language.
3. What is the regulatory environment within the ELT market space in India.
4. Is the market attractive for UK service providers and what are the key opportunities for them.
5. Recommendations to target the market segments.

English language plays a very important role in India and is widely acknowledged as a valuable life and employability skill. It is the secondary official language in India and is widely used in national, political and commercial communication.

Focusing on the second question, the result of a global survey undertaken by EF Education First published recently in The Economist, Oct 24th 2012 suggests that out of a total of 54 countries that were surveyed, India ranked 14th under the English proficiency index with a third category level of “moderate proficiency” with countries above exhibiting “high” and “very high proficiency” levels

Analysing the third question on the regulatory requirement, English language training market comes under the area of “Skills Development” and forms a part of the unregulated market in India. There are no regulatory guidelines laid down by the Indian government for setting up an ELT centre in India. This also means that there are no regulations regarding minimum quality standards (in terms of teaching faculty, content or certifications required), infrastructure, legal and fee structure to be adopted. As a result, there are low barriers to entry, which is great news for UK service providers. However, there is a flip side to this as this has led to mushrooming of language coaching institutes across the country where there are no minimum standards and hence they can operate by charging very low fees.

From a consumer perspective, this adds to the confusion as price sensitive consumers may flock to such centres which will limit the reach of UK service providers who are looking to enter the Indian market with a quality product.

Coming to the fourth question, on one hand English plays an important role and on the other hand the proficiency level is quite low, which in itself suggests a need gap that can possibly be bridged by UK service providers in the ELT space.

A quantifiable analysis suggests a strong growth potential with the total ELT market size cutting across all (B2C, B2B and B2G) segments expected to grow from USD 2.76 billion in 2012 to USD 4.67 billion in 2015. In terms of revenue share split, vocational training segment forms the most attractive market with a share of 35% followed by coaching and then the K12 segment. However, in terms of projected growth, the IELTS segment which has a market share of only 2% is expected to grow at a CAGR of 35% followed by the K12 segment (31%) and Corporate training (25%).

In order to succeed, UK service providers need to make an objective assessment about the segments they target and should aim to focus on segments that are more quality conscious and less price sensitive. Secondly, they also need to assess the gestation period for generating business within the target segment which in turn will assist them to better define their short, medium and long terms strategy.

A combination of primary and secondary research undertaken as a part of this research clearly suggests that the IELTS training segment is the least price sensitive and hence UK service providers with strength in this segment should focus on it. It is followed by the corporate training segment which is growing quite rapidly and companies are realizing that a differentiated offering for ELT would improve

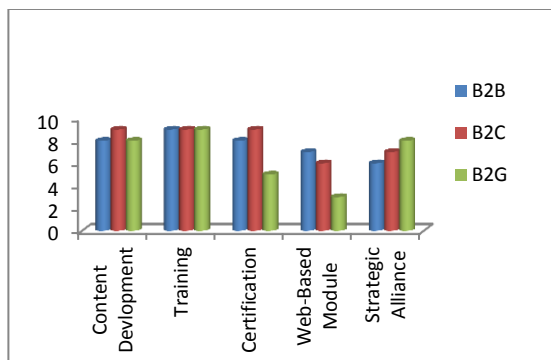
employee productivity and morale. Vocational training is an attractive segment, however, since it requires exploring opportunities with the government focused mainly on state governments, it has a longer gestation period and hence should be looked at a medium to long term business prospect. Identifying the right local partner is very important and UK organizations like UK Trade and Investment (UKTI) and British Council with a pan India reach can surely be able to assist in the process.

Geographically speaking, although the opportunities are predominantly present in the larger cities (Delhi, Mumbai, Chennai, Bangalore and Kolkata), the smaller cities are picking up quite rapidly. They include cities like Pune, Chandigarh, Jaipur, Indore, Patna and Ahmadabad. Regionally speaking, in terms of catchment area of students for English language, southern India predominates followed by the north and the west.

Innovative use of technology has further expanded the spectrum of opportunities for UK service providers. A new segment of imparting training through the digital and online versions is gaining ground and is rapidly changing the teaching dynamics from the traditional chalk and talk method of teaching. However, there are bottlenecks in the form of lack of seamless internet connectivity, especially in smaller towns along with lack of IT infrastructure to support the same.

Attractiveness Matrix

Following an analysis of the ELT market segments that have a higher potential for UK service providers, an attractiveness matrix for the various product offerings cutting across B2B, B2C and B2G segments are provided as per below.



For UK service provider within the ELT space, it is imperative to know the attractive areas in each segment to prioritise their market offering and focus

on the product segment where they have a strong value proposition to offer. Five broad product areas of interest were observed within the ELT space in India and they include:

1. Content Development
2. Teacher and Faculty Training
3. Certification for teacher, faculty, student and potential employees
4. Web based Module for online assessment for potential and existing employee
5. Strategic Alliance between UK service providers and Indian ELT provider

Analysing the above graph in the B2B segment, the highest opportunity seems to be for teacher and faculty training followed by content development and certification. The results of this primary research can be corroborated with the findings obtained through the secondary research where one of the main reasons for the gap between academic teaching and employability requirement is the relatively poor quality of teaching. If this gap can be bridged, then individuals can be better positioned to get hired by the industry.

For the B2C segment, content development, teacher and faculty training and certification are all very important in terms of opportunities for UK service providers. To provide the differentiating edge to ELT providers, the above product offering needs to be beefed up in order to position their value proposition strongly to the B2C target segment. Quality content including digital, online content and multilingual content will be the differentiating factor in the ELT space. Improved teacher and faculty training will result in more effective utilization of quality content and improve the quality of delivery too. Globally acceptable certification will improve India's prospects for providing quality manpower to global markets.

For the B2G segment, teacher training and content development are the key opportunities for UK service providers. They need to principally work with state governments for content development. Indian service providers have expertise in sector based technical programme content but they lack the strength for providing quality communication based soft skill content. UK service provider can come in here and bridge the gap successfully. Teacher training is another key area of opportunity and UK service providers can come and work jointly with Indian stakeholders through train the trainer model.

ANNEXURE – I

INDIA

Demographic Profile

New Delhi is the capital of India. Hindi is the most spoken language across the country. Some of the major cities across India are New Delhi, Mumbai, Chennai, Bangalore, Hyderabad, Kolkata, Ahmedabad and Pune.

Political Profile

India is a secular state and the largest democracy in the world with a parliamentary form of government. The Government of India (GoI), which is also called union government, came into existence by the Constitution of India in 1950. The GoI is divided into three distinct but interrelated branches — the legislative, executive and judiciary.

Cultural Diversity

Hinduism is the most followed religion in the country followed by Islam, Christianity and Sikhism. There are also many other religions that are followed across India like Buddhism and Jainism etc.

Hindi is the official language of India. Apart from it, there are another 22 official languages spoken across the country like Bengali, Telugu, and Tamil (Census of India 2001, Ministry of Home Affairs) English is the secondary official language and is widely used in national, political and commercial communication.

Indian Economy

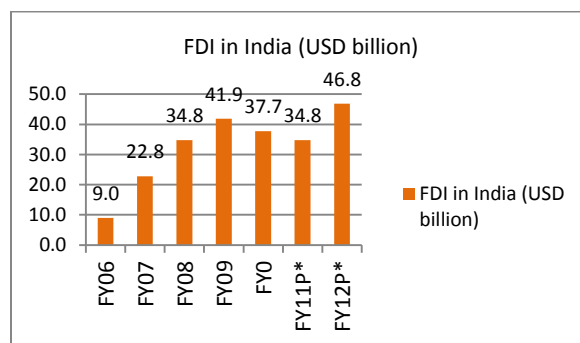
The Indian economy has been growing very steadily for last several years. Even during the last few years when the world was seeing a global recession, Indian economy grew at around 7-8%.

GDP: India ranks as the 10th largest economy in the world and 3rd largest in terms of Gross Domestic Product (GDP) on Purchasing Power Parity (PPP).

Among the growing economies of the world, India ranks 2nd only to China. The country's GDP has been growing at an average rate of 8.5% in the last 5 years which is nearly the double of the world's average of 4.3%. India recorded a decline in the growth rate in 2011-12 with the economic growth rate standing at 6.5²⁵.

Foreign Direct Investment (FDI) in India:

According to UNCTAD's World Investment Prospects Survey 2012–2014, India is the third-most attractive destination for FDI (after China and the US) in the world.

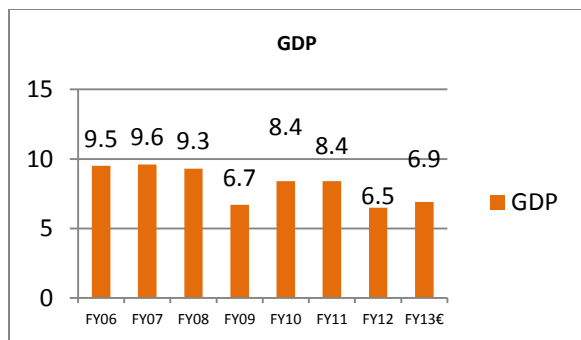


Source: Ernst &Young and Reserve Bank of India(RBI) Bulletin
P*: Projected

The growth of the Indian economy was primarily led by growth in the manufacturing and service sector, a huge middle class, considerable foreign investment and also due to rising education levels. According to E&Y, Private domestic consumption accounts for more than 50% of the country's GDP and has been one of the key factors driving overseas investment into this country.

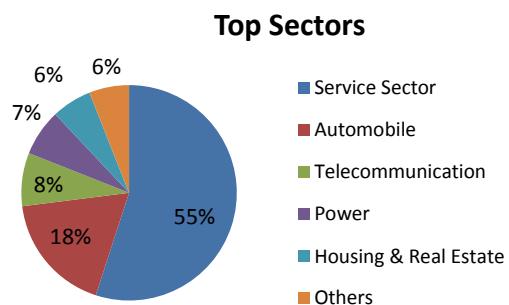
The share of services sector in country's GDP (Gross Domestic Product) has grown by 9.4% to around 60% in 2011-12.

Agriculture has also achieved a growth rate of 2.5%, while Industrial sector performed poorly, retreating to only 27% share in the overall GDP.



Source: Centre of Monitoring, Indian Economy and IMF (CMIE);
IMF Source: Reserve Bank of India RBI and CMIE

Sector attracting highest equity inflow into India

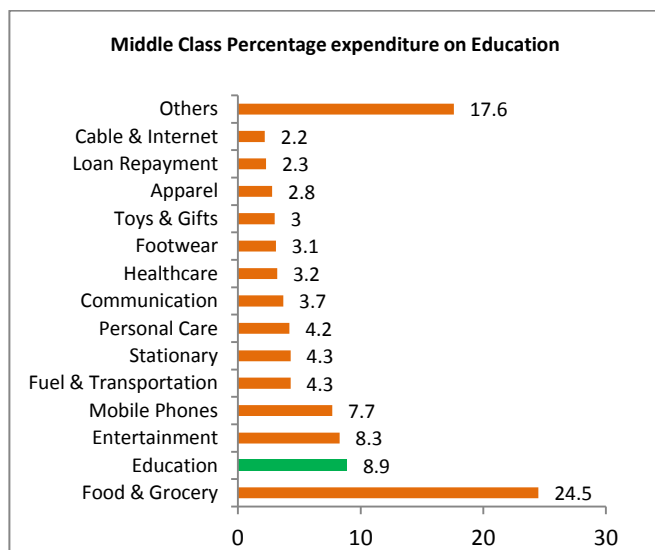


Source: Ernst & Young report "Doing Business in India"

ANNEXURE - II

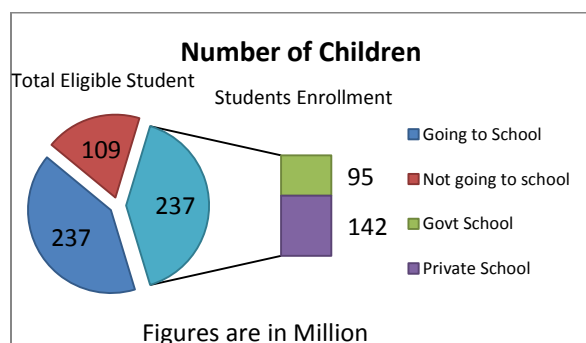
Overview on Indian Education Industry

Middle Class House Hold expenditure on Education



Source: CLSA Asia-Pacific Markets

Education in India is of the top most priority in Indian family which is evident from the figure above. An Indian spends approximately 8.9% of his earning for the education of his children which is second highest expenditure for him after food.

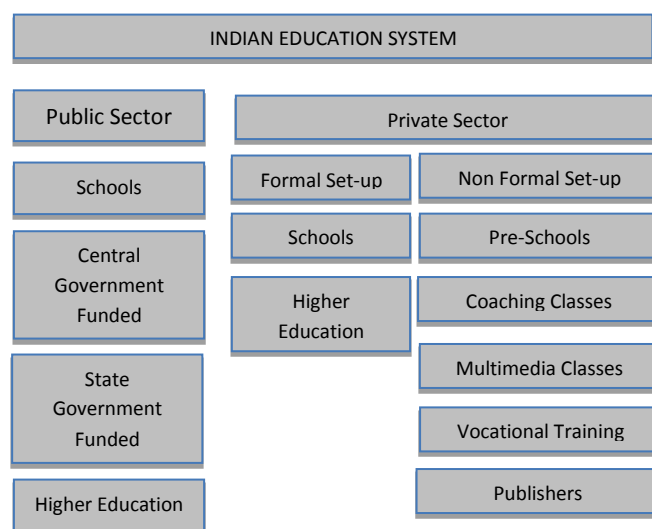


Source: Technopak Analysis

The Public Sector education system is maintained and run by the respective government i.e. state or central. Private Education in India is run by an individual or a trust and can be broadly classified

into formal and informal, where the formal part comprises of the more regulated school and higher education and the informal part comprises of less regulated components like Coaching's Classes, vocational training, pre-schools etc.

The figure below shows the framework of the Indian Education Industry which is broadly governed by the public sector and the private sector.



Source: Grant Thornton Education in India: Securing the demographic dividend

India has the largest population of school going children and provides the biggest target audience for K-12 Segment. The public sector also dominates the primary and middle school sub-segments, whereas 59% of secondary Schools are in the private sector.

As per the District Information System for Education (DISE) which is a part of National University of Educational Planning and Administration (NUEPA), a government organization, out of the total schools in India, 80% are government schools and balance is Private schools.

Educational Infrastructure					
Schools (K12) 1.3mn		Colleges: 33,000, Universities:646		Vocational Training Centres ~ 18,000	
Govt. 1.04mn	Private 0.26	Govt. 1.04mn	Private ~ 25000	ITI:~ 2200 Polytechnics: ~8300	ITC ~7000
No. of Students 237mn		No. of Students 17mn		No. of Students 4.5mn	
Annual Intake 18mn		Annual Intake 4.5mn		Annual Intake 1.8mn	
Additional Requirement 200,000 Schools		Additional Requirement Colleges:35,000 Universities:700		Additional Requirement 40mn seats	

Source: Tecnopak Report

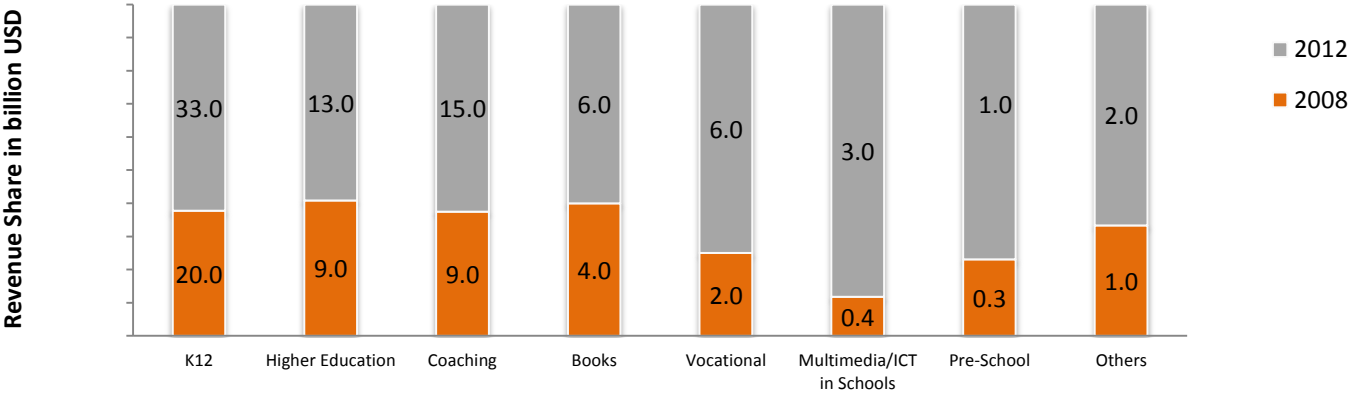
The flow chart above provides details about the number of schools, colleges and vocational training centres pan-India along with number of students, annual intake and crucially the additional

requirement in each category at the present moment.

As the quality of education provided by Government schools are not of international standards due to lack of quality teachers and adequate infrastructure, more and more students are moving towards private schools which have become a lucrative business in India.

On an average, private schools enroll more students (1,200 per school) than public schools and account for 40% of

the total number of students enrolled in K12 segment.



Market Share of Private Education Industry

Source:iValue Analysis

Trend

The figure above provides a split of the market size and revenue share of the Private education industry in India cutting across the spectrum from 2008 to 2012.

The growing education sector in India is attracting more and more entrepreneurs and financiers.

They are ready to adopt innovative concepts to remain competitive in the market and provide good investment opportunity for any national or international players.

The shift from government school to private school is primarily due to declining education quality in government school coupled with increasing paying capacity of the middle class population.

Opportunity

The present scenario of the Indian Education system makes it amongst the most profitable sectors with high returns and relatively lower risk factor.

Formal Indian education market which was USD 40billion market in 2008 is expected to close at USD 65billion in 2012 with an increase of almost 65% in 4 years²⁶. The informal education sector is more lucrative than the formal one as it has low regulatory entry barrier.

In terms of growth in the private education industry, Multimedia/Information and Communication Technology (ICT) in schools, vocational training and coaching is expected to have a phenomenal growth in addition to K12 segment in 2012.

ANNEXURE – III

B2B – Corporate Findings

1. Within the ITES segment, the opportunity for ELT training is comparatively higher for the new hires especially at the entry level. The nature of training is divided into technical back-end support function and communication skills. ELT is a very important component of the latter and is principally divided into spoken (voice), written and grammar (non-voice). The spoken part includes syllable stress, mother tongue influence, speech rate, volume, tone, voice and pitch modulation and word stress. The written part includes paraphrasing, sounds, consonants, phonetics and the grammar part includes prepositions, articles, tenses, punctuations, active and passive and subject verb agreement.
2. College Hire: In terms of hiring from colleges direct, there seems to be a major gap between what is required by the companies and what the colleges seem to churn out. Only a small percentage of colleges formulate testing mechanisms in order to develop occupational standards required for specific skill set guided by the company and industry.
3. At an industry level, there is a need felt to push the colleges to look at their specific requirements. From the perspective of companies, some of them are looking to explore a model for tie up with Colleges who can work within a type of Common European Framework (CEFR) providing for certifications to their students in order to create a labour force that is skilled and industry ready.
4. Certification - There is a divergence wherein some players follow the CEFR framework and a few follow the “VERSANT” test for recruitment of new hires which is now known as VET. Companies also undertake the Cambridge ESOL test called “BULLETS” which is again used for assessing various levels of English language proficiency of employees.

Some organizations follow the Canadian “ASCENTIFY” test that is implemented for voice based training aptitude.

- a. In terms of the need to provide new hires with any kind of “certification” that are globally acceptable and valid, organisations tend to differ in their approach. Some organisations feel that this will improve employee morale while others feel that this may have a potential for increasing the level of “attrition” as employees may increasingly look to move on to other companies.
 - b. In terms of trainer certification, some organisations have trainers that are CELTA (Certificate in English Language Teaching to Adults) qualified. Most of the companies are not really stringent on employing trainers that have globally acceptable English language trainer qualifications. Rather, they tend to validate the subject knowledge of the trainer.
5. Delivery Model: In terms of the delivery model, there is no fixed model. Typically there are three models that are followed.
- a. Some of the companies tend to outsource 100% of the training to a third party provider. The typical model is either “train the trainer” or the training company trainers go and undertake the training themselves at client locations.
 - b. In the second model the company has its own set of assigned trainers who work with the respective business units and undertake the training themselves.
 - c. The third model is a hybrid model where there is a mix of outsourcing to an external provider and undertaking the training through the in-house trainers.
6. Content: This is typically developed by:
- a. The company in-house training team who feel they are best positioned to understand the needs of their employees and hence

customise the training based on their specific requirements which a third party training organisation may not be able to do.

- b. Jointly by the company and third party vendor
- c. Third party training companies

ANNEXURE –IV

Education- Regulatory Scenario

From the perspective of entry and regulation of private and foreign players, economic activities in higher education can be divided into two segments:

- **Regulated** - Comprise formal degree-granting universities and their affiliated colleges, institutions of national importance and other organisations offering formal degrees or technical programmes. It is regulated by the University Grants Commission (UGC), All India Council for Technical Education (AICTE), Distance Education Council (DEC) and other regulating and accrediting authorities. The providers need to have a legal structure of not-for-profit (Trust, Society or a Company incorporated under Section 25 of the Indian Companies Act).
- **Unregulated segment** - English language training market comes under the area of “Skills Development” and forms a part of the unregulated market in India. There are no regulatory guidelines laid down by the Indian government for setting up an ELT centre in India. This also means that there are no regulations regarding minimum quality standards (in terms of teaching faculty, content or certifications required), infrastructure, legal and fee structure to be adopted. As a result, there are low barriers to entry, which is great news for UK service providers. However, there is a flip side to this as this has led to mushrooming of language coaching institutes across the country where there are no minimum standards and hence they can operate by charging very low fees. From a consumer perspective, this adds to the confusion as price sensitive consumers may flock to such centres which will limit the reach of UK service providers who are looking to enter the Indian market with a quality product.

The below table provides a detailed mapping of the various educational segments (higher, professional and vocational education and skills development and support services) in terms of the required nature of regulation, legal structure, operating model and guidelines for profit making and foreign investment.

	Higher Education	Professional Education	Vocational Training	Skill Development	Support Services
Applicable to ->	<ul style="list-style-type: none"> University College 	<ul style="list-style-type: none"> Technical Education Professional Courses 	<ul style="list-style-type: none"> ITI's, ITC's, Private Vocational Colleges 	<ul style="list-style-type: none"> Unregulated Vocational Courses (Languages, Training, Finishing School) 	<ul style="list-style-type: none"> Tutoring Course Content Multimedia Test Preparation Books
Regulatory bodies	<ul style="list-style-type: none"> UGC AICTE 	<ul style="list-style-type: none"> AICTE Statutory Authorities like DGCA 	<ul style="list-style-type: none"> DGET Various ministries/departments of vocational education 	Not Regulated	Not Regulated
Legal Structure	<ul style="list-style-type: none"> Society Trust Section 25 Co 	<ul style="list-style-type: none"> Society/Trust 	<ul style="list-style-type: none"> Typically Society/Trust if regulated Unregulated under certain trades 	Not Regulated	Not Regulated
Additional Condition	<ul style="list-style-type: none"> Minimum Infrastructure Requirement Regulations on fees 	<ul style="list-style-type: none"> Minimum Infrastructure requirements Fee may be regulated for some courses 	<ul style="list-style-type: none"> Minimum Infrastructure requirements 	None	None

Highly Regulated

Mildly Regulated

Non-Regulated

Source: PwC

Segment	K12	Higher Education	Vocational	Coaching
Policy making Body	Ministry of Human Resource Development (MHRD)	Ministry of Human Resource Development (MHRD)	None	None
Affiliations	<ul style="list-style-type: none"> • Council for the Indian School Certificate Exam (ICSE) • Central Board of Secondary Education (CBSE) • International Baccalaureate from Geneva (IB) • International General Certificate of Secondary Education (IGCSE State Boards) 	<ul style="list-style-type: none"> • Must be affiliated to a university, accredited by the University Grant Commission (UGC). • Further each stream is monitored by a specific body; for instance the All India Council for Technical Education (AICTE) for engineering and management colleges – and affiliation to these is mandatory. 	None	None
Curriculum	As required by the affiliated board	As regulated by affiliated body	No standard curriculum	No standard curriculum
Profit Making	Must be run as not for profit institution in the form of a society or trust	Must be run as not for profit institution in the form of a society or trust.	May be run as for profit institutions	May be run as for profit institution
Operating Models	Greenfield project Takeover of existing schools Joint Venture with Real Estate developer	Greenfield Project. Public Private Partnership	Greenfield Franchise Project,	Greenfield project, Franchise.
Foreign Investment	100% permitted through automatic approval route	100% permitted through automatic approval route.	100% permitted through automatic approval route	100% permitted through automatic approval route

ANNEXURE – V

English Language Training (ELT) providers – Dynamics

iValue undertook Primary research with 17 ELT providers pan-India. The shortlisted players included:

1. Large domestic players having pan-India presence
2. Few UK players in a Joint venture arrangement in India
3. Players that have a strong regional presence, especially focusing on tier 2 and tier 3 cities

Findings of the Primary Research

Product offering

Segments of focus principally range from spoken, reading, writing, listening, grammar, pronunciation and vocabulary. There is a broad consensus that beyond the typically K12 segment, increasing the potential of employability is the key driving factor to undertake English language training. However, the industry is very un-organised in terms of the curriculum offered along with divergence in the adoption of certification mechanisms both for teacher qualification and students.

Most of the major players that iValue spoke to are focused on the Business to Consumer (B2C) segment, about 50% have a focus on both B2C and Business to Business (B2B) and about 7 players also focused on the B2G segments.

B2C Segment

In terms of course duration, it broadly ranges from 60 hours to 120 hours for most of the players depending on the level. Some of the players also offer focused one to one engagement to students.

B2B Segment

Coming to Business to Business (B2B) segment, the nature of the ELT training programme mainly forms a part of the soft skills and communication programme that is imparted principally to newly inducted employees. Focus areas besides covering broad areas like grammar, pronunciation, vocabulary also include areas like voice and accent, syllable stress, mother tongue interference and pitch modulation. The training programme typically comprises of 2-4 weeks, with the last week spent on the job training. The training is basically meant for front end customer facing roles or for the sales force.

B2G Segment

For the Business to government (B2G) segment, the focus has typically been on government and public institutions that have a public interface role and these include organisations like wings of the police force, automobile companies and others where the English language training is imparted to improve the customer service function. Focus of players in this segment is on curriculum design, teacher education (for government and government aided schools, industrial training institutes, polytechnics, teacher training colleges) and now they are increasingly focusing on vocational skills. The process adopted by players is to undertake a needs analysis, identify government partners and provide the products from their portfolio or customise it as well to meet the requirements. In to get involved and generally the revenue model is more on a cost recovery basis.

Content

In terms of content, for the B2C segment, most of the players have their own content except a few that have either tied up or would like to tie up with publishers for their content or players that have a publisher as a stakeholder in their organisation.

In terms of content for the B2B segment, this is typically a joined up effort of the company's training

department that has been able to collect a lot of training material and develop it internally to meet their specific requirements and they then do a need's analysis with their outsourced training company (where applicable) who then add to the course content as well. The typical model is either "train the trainer" or the training company trainers go and undertake the training themselves at client locations. In the B2G segment, generally, the training providers work with the government who have academic experts on their panel and both of them customise the modules depending on the requirement of the target segment.

Delivery model

The delivery model has been mainly class room based whiteboard training which is predominant in the Indian market. This is especially true for tier 3 cities along with government schools where the infrastructure is relatively poor along with limited internet connectivity. Classroom training is supported by use of audio-visual devices, CD's and DVD movies. For the ELT providers focused on providing software based training, they typically license software to their clients including schools and other institutions where the software is deployed on local server of the customer and through the use of computer and tablets and this is licensed per user or as a group. Interestingly, one of the ELT providers that iValue spoke to, is looking to undertake a delivery model which will be in the nature of "Remote teaching" that aims to create a "Master centre" that will be connected to all their centres. However, this will be limited to the teaching of only grammar and not spoken English which requires a higher degree of student teacher interface.

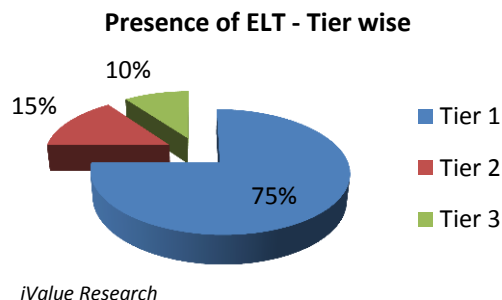
Pricing and Revenue model

In terms of fee structure, for the B2C segment the fee ranges from USD 140 to USD 400 for the entire course. For a personalised one to one programme,

it can be USD 25 per hour. Fees for IELTS range from USD 100 to USD 180. In the B2B segment, for ELT providers that provide

ELT software to schools and other institutions, the revenue model is based on license fee per user and this can range from USD 10-20 per learner for spoken, listening, reading and writing. However, the range can be much higher for the pronunciation programme which can be upto a maximum of USD 530 per user or USD 2500 for 40 users. On the B2B segment focused on corporate, the Training companies typically charge broadly USD 300-500 per day for a class of about 7-15 employees. For the B2G segment, the model typically is a cost recovery model.

Locations



Most of the large ELT providers have a pan-India presence ranging from Tier 1, 2 and 3 cities. However, in the recent past the focus has been to expand in tier 2 and 3 cities increasingly as ELT providers see a major growth in opportunities here. One of the key drivers for growth in tier 3 cities is the lack of good English and private schools as compared to tier 1 cities.

Certification

At present, the Indian market is relatively unorganised and there are no regulatory requirements in the ELT space.

Broadly speaking, in terms of being able to build a "quality benchmark" for ELT in India, there is an

increased recognition of the need to base the training on similar lines. The Common European Framework of Reference for Languages: Learning, Teaching, Assessment [1], is abbreviated as CEFR. Its main aim is to provide a method of learning, teaching and assessing which applies to all languages in Europe.

iValue assessed the present system in terms of whether there exists some kind of globally acceptable:

- I. Course curriculum and qualification for teachers
- II. Certification for students, employees and others who take up an ELT programme
- III. Whether the course curriculum has been based on “CEFR” or an equivalent guidelines or a programme following similar principles in order for it to be globally benchmarked.

After having spoken to number of ELT players, the common theme that emerged was that there was a major dearth of qualified teachers for the ELT market. The only difference was that for the ELT providers for B2C, B2B and B2G segment that do not necessarily look for globally acceptable qualification especially meant for teaching English (CELTA and TESOL), the shortage levels are lower than for providers who do look for specific English language qualifications meant for teachers.

CEFR guidelines

For the B2C segment, few players, especially the British players operating in the Indian market laid a higher emphasis on adopting a structured framework that includes following Common European Framework of References for languages (CEFR) or being closely mapped to it in terms of the nature of curriculum ranging from A1, A2, B1, B2 and C1, C2 level. Others classify it based on elementary, basic,

intermediate and advanced levels. Compared to big metropolitan Tier 1 cities where the entire levels are taught, the focus on tier 2 and 3 cities are more restricted to spoken English and less advanced levels.

As mentioned earlier, the ELT market is relatively unorganised, however there are certain players that principally follow CEFR guidelines. Having spoken to the industry association for Information Technology and ITES, NASSCOM and National Skills Development Council (NSDC), there is a move to create an occupational standards process for all aspects of English training including various levels for English in reading, writing, comprehension, grammar and vocabulary and they strongly suggest the need to have a global benchmark for this that includes the best practices from CEFR guidelines, their Australian, Canadian, British and German and other counterparts. NASSCOM is currently working with consulting company, Accenture to develop a common global framework of standards, which can be better tuned to meet Industry standard requirements to make it industry acceptable besides the fact that it will create a skilled workforce that has the potential to be employed globally.

B2C and B2B certification

In terms of certification, typically since the Indian market is relatively unorganised and there is no regulatory requirement for any certification, very few ELT providers voluntarily want to create a “quality benchmark” in terms of teaching, course content and awards being given to candidates, lay a higher emphasis on external third party globally acceptable certifications. Most of the players have their own certifications. On comparing the demand for certification between tier 1 and tier 2 and 3 cities, the consumer feedback is that the need for certification is not there in tier 2 and 3 cities.

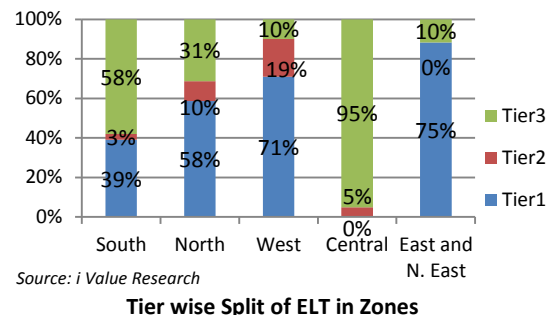
This principally springs from the rationale that “if you can speak English and write English, why would you need a certification” However, coming to the tier 1 cities, one school of thought emanating from consumers is that for relatively elementary level of training, certification is not important, however once the nature of training undergone gets into more advanced levels, then certification does become important. For segments like the IELTS, the market is not price sensitive as consumers do see that there is a higher potential for them to go for foreign study which will lead to an increase in their employability potential at

a global level. Pearson has the “VERSANT” English test used for training and recruitment by lot of companies and Universities and they consider it the “gold standard of BPO hiring”. Amongst UK ELT providers, IndiaCan have their own “Topknotch” certification, IndiaSkills has a certification “ISESOL” (International Spoken English for speakers of other languages) which is granted for lifelong period, however there are two types of certificates, one customised for Indian market provided by IndiaSkills and one that is international provided by City & Guilds. British Council is coming up with “APTIS” certification.

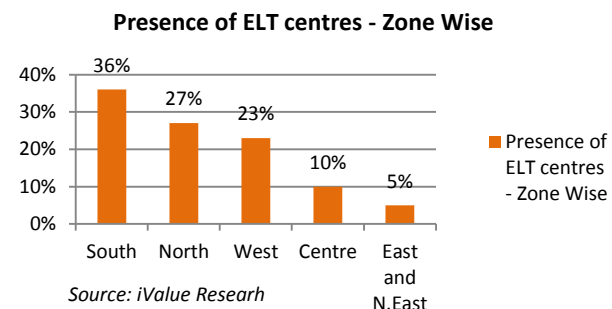
On the B2B side, few companies do have a demand for employing candidates that are certified.

GEOGRAPHICAL DISTRIBUTION OF ELT CENTRES

ELT providers are predominantly present in Tier 1 and have branches or franchised centres in Tier 2 and Tier3 cities. Tier 1 cities lead the race with maximum number of centres followed by Tier 2 cities.



Southern part of India has around 36% of the total ELT centres in India followed closely with North at 27% and west with 23%. East and North east has the least number of centres with 5% which is indicative of the catchment area of students for English language training.



Within different zones, southern part of India has around 58% of their ELT centres in the Tier2 cities and west has maximum 71% in Tier 1 cities. These are primarily driven by availability of students and teachers for the English Language.

Individual demand for ELT seems to differ between Tier 1 and Tier 2 and 3 cities.

The main focus in tier 2 and 3 cities is B2C segment and focus on B2B segment is relatively far lesser as compared to Tier 1 cities. Secondly, the target segment in Tier 2 and 3 cities within the 16-30 year group seems to have a higher “women focus” and individuals interested in going abroad. In Tier 1 cities, they do not seem to target particular category of individuals and focus on the entire segment of 16-30 year age group.

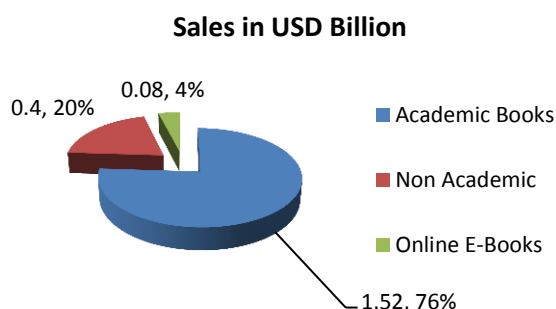
This includes individuals in the K12 and undergoing vocational training in areas like ITES, Hospitality and Retail. Another difference between the tier 1 and tier 2 and 3 cities is that for the latter there is a higher focus on spoken English and typically the individual wants to learn English in a week's time, so managing expectation levels is always a challenge.

ANNEXURE - VI

Indian Publishing Industry

Outlook

The Indian book publishing industry is currently pegged at USD 2 billion. Non-academic books (like newspapers, Magazines etc.) estimated market in India is USD 400 million²⁷. The online players are estimated to be selling around USD 80 million of books. Online books market will grow at a higher rate in years to come, hence in percentage terms this market will gain share over brick and mortar book retailers.



India is the only country in which books are published in around 18 languages, with English representing the most significant share at approx. 40-45 %.

The market for English medium books is about USD 1.5 billion. This includes fiction, non-fiction, school textbooks etc.

Out of this, the private school textbook market accounts for USD 200 million. However, this is only 15% of the total school textbook market. The rest is serviced by the Government.

The Indian book market is growing very fast, by 15-20%. The real growth is happening in school textbooks – from primary up to the middle school segment.

After Class 10, there are quite a few drop-outs. The gross enrolment post-secondary level is only 12 per cent, but the Government is making efforts to raise this to 20 per cent which will further drive the academic books market.

Trend

Digitisation is the way forward for supporting teaching and learning. Content has to be developed, digitised and made available.

At present there are 19,000 publishers in India, producing approximately 100,000 titles per year. The majority of the publishers are small, family run business. Added to the mix are 'The Big Five' publishing houses which have entered the Indian market in the last twenty years; Penguin Books India (UK's Pearson and Germany's Bertelsmann, two of the world's biggest media groups, have agreed to merge two of the world's biggest book publishers, their Penguin and Random House units). The combined company will be a joint venture called Penguin Random House and will account for roughly a quarter of global English-language consumer book sales globally), Hachette India, Harper Collins India, and Rupa & Co., that originated in India are the other big players. Around 60% of books produced are in regional languages, with the remaining 40% produced in English. However, in monetary terms, English language books account for 60% of sales. The 15-30 year old English speaking middle class demographic comprises a large sector of the book buying public. It is this section of society that are the focus of the major publishing houses.

iValue spoke to 4 publishers to develop a hands-on understanding about the ELT market in India from their perspective. They are a great sounding board providing a deeper understanding about where is the market focused upon, what are the nature of opportunities and challenges being faced in India.

Findings

- 1) The biggest segment in the ELT space for publishers is the K12 market specifically focused between Kindergartens to Class 8. This is because of the large school population in schools not being fully educated while the higher end is dependent on college enrolment which again is not as fast as schools. There is less focus between classes 9 to 12 because they get their prescribed books from the various boards they are affiliated to.
- 2) There is also focus on the target segment of people who are looking to improve their employability potential and this includes students, engineers and other professionals.
- 3) In terms of the content, there is higher craze for ‘grammar’ in tier 2 and 3 cities.
- 4) Role of digital and online content is increasing and is seen a differentiating factor in the ELT space.
- 5) The typical content differs between the UK and India version mainly due to cultural differences. At the India level, the focus is more on development of basic form of language skill set unlike UK where English being a mother tongue, the focus is more on advanced levels.
- 6) Content is typically divided into 3 segments:
 - a. Early part the emphasis is on spoken English.
 - b. End of school level, focus is on test preparations like GRE, GMAT, CAT and IELTS, TOEFL.
 - c. Higher and vocational where focus is on written English specific to their profession (business terms) focusing on medical, nursing, management and technical students and engineers with the assumption that they already know spoken English.
- 7) Continuous and Comprehensive Education (CCE) initiated by the MHRD with the aim to develop high order thinking for skills improvement will help in overall improvement of quality and the focus is on improving the quality of teachers by

providing teaching support material. CBSE has taken good steps in this direction. The open book exam system that the government is initiating will help in developing a more application based mind-set rather than one based on memorising the syllabus.

ANNEXURE- VIII

Assumptions

- **Projected IELTS training number -**
- Growth of students enrolment:
 - Number of Student enrolled in 2009 was 100,000 for IELTS exam and it grew to 200,000 in 2012 as per IDFC –SSKI report. Assuming that 75% of the aspirants take coaching, We can observe that this grew segment grew by a CAGR of 26% in this period. The same CAGR has been maintained for calculating the growth upto 2015.
 - From the same data, average fee grew at a CAGR of 35%
- **ELT in K12-**
- As per IDFC SSKI report on Education sector, The CAGR of K12 segment is 14% and assumption made that ELT is 10% of the total 10 subject as part of the curriculum with equal market for each subject as
- **Vocational Training**
- The CAGR for vocational training segment was 20% in 2008 and English was 33% of Vocational Training (CLSA Asia Pacific Report). The assumption has been made that the growth in terms of CAFR remained constant till 2012.
- **Coaching**
- The assumption that the Coaching segment will grow at a steady rate 15% CAGR is based on Grand Thornton report on Education Sector.
- **Corporate Training**
- As per IDFC SSKI Report - Education Sector – January 2009, The CAGR for Corporate Training is 25% and ELT is 30% of total training cost
- **Higher Education**
- As per IDFC SSKI Report - Education Sector – January 2009, The CAGR for Higher Education is 14% and ELT in 2008 was 124Mio which is 0.6% of the total

ANNEXURE - IX

Abbreviations

AICTE : All India Council for Technical Education
ASSOCHAM : Associated Chambers of Commerce and Industry of India
B2C: Business to Customer
B2B: Business to Business
B2G: Business to Government
BAFEL : British Academy for English Academy
BBC: British Broadcasting Corporation
B.El.Ed : Bachelor of Elementary Education
B.P.Ed : Bachelor of Physical Education
B.Ed : Bachelor of Education
BIITM : Biju Patnaik Institute of Information Technology and management Studies
BSL : British School of Language
CAGR : Compound annual growth rate
CAT : Common Admission Test
CBSE : Central Board of Secondary Education
CCE : Continuous and Comprehensive Education
CEFR : Common European Framework of Reference for language
CELTA : Certificate in English Language Teaching to Adults
CET : Common Entrance Test
CII: Confederation of Indian Industry
CMIE : Centre of Monitoring, Indian Economy
CTE : Colleges of Teacher Education
D.E.C.Ed : Diploma in Early Childhood Education
D.EL.Ed : Diploma in Elementary Education
D.V.A.Ed : Diploma in Visual Arts Education
D.P.A.Ed : Diploma in Performing Arts Education
DEC : Distance Education Council
DGCA : Directorate General of Civil Aviation
DGET : Director General of Employment & Training
DIET : District Institute of Education & Training
DISE : District Information System for Education
ELT : English Language Training
ESOL : English for Speakers of Other Languages
ETEI : Elementary Teacher Education Institutions

FDI : Foreign Direct Investment
FICCI : Federation of Indian Chambers of Commerce and Industry
GATE : Graduate Aptitude Test in Engineering
GDP : Gross Domestic Product
GOVT : Government
GRE : Graduate Record Examinations
IASE : Institutes of Advanced Study in Education
IB : International Baccalaureate from Geneva
ICT : Information Communication Technology
ICSE : Indian Council of Secondary Education
IDP : International Development Programme
IELTS : International English Language Testing System
IES : Indian Education System
IGCSE : International General Certificate of Secondary Education
IGNOU : Indira Gandhi National Open University
IMF : International Monetary Fund
ISESOL : International Spoken English for speakers of other languages
IT : Information Technology
ITC : Industrial Training Centres
ITES : Information Technology Enabled Services
ITI : Industrial Training Institute
MBA : Master of Business Administration
MES : Modular Employability Skills
MoHRD : Ministry of Human Resource Development
MoLE : Ministry of Labour & Employment
MOU : Memorandum of Understanding
M.Ed : Master of Education
M.P.Ed : Master of Physical Education
NASSCOM : National Association of Software and Services Companies
NCTE : National Council for Teacher Education
NGO : Non Governmental Organization
NIOC : National Institute of Open Schooling
NKC : National Knowledge Commission
NPEGEL : National Programme for Education of Girls at Elementary Level
NSDC : National Skill Developmental Council

NSDF : National Skill Development Fund
NUEPA : National University of Educational Planning
and Administration
NVEQF : National Vocational Education
Qualifications Framework
PMO : Prime Minister Office
PPP : Public Private Partnership model
PSU : Public Sector Units

PTA : Parent teacher association
RBI: Reserve Bank of India
RTE : Right to Education
SSA : Sarva Shiksha Abhiyan
SCERT : State Council of Educational Research and
Training
SE & L : School Education and Literacy
SGI : St George International
SSC : Sector Skill Council
STEI : Secondary Teacher Education Institutions
TEAAC : Teachers Education Assessment and
Accreditation Centre
TEI : Teacher Education Institutions
TESOL : Teaching English to Speakers of Other
Languages
TOEFL : Test Of English as a Foreign Language
UEE : Universalization of Elementary Education
UGC : University Grants Commission
UNESCO : United Nations Educational, Scientific and
Cultural Organization
WOS : Wholly owned subsidiary

ANNEXURE - X

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- ⁶– IDFC SSKI report on Education Sector” Long way from graduation!” January 2009
- ⁷ - IDFC SSKI report on Education Sector” Long way from graduation!” January 2009
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