

# EDTECH INDIA INVESTMENT LANDSCAPE

MARCH 2021

**TRANSJOVAN CAPITAL**

BOARD ADVISORY | CORPORATE FINANCE | STRATEGY

# 2020-2021 SECTOR OVERVIEW

## Year in Review

Out of 4,450 active EdTech startups in India, **435 were established in the last 24-months** alone



K-12 and Test Preparation has received **over 90% of the \$2.2 Bn raised** in 2020, indicating rapid scaling of these two segments



EdTech firms secured a total funding of \$2.2 Bn across **44 deals**



Investors have **remained bullish** as 92 players received funding in 2020, out of which 61 players received **seed funding**



'**Online tutoring**' and '**competitive exam preparation**' have witnessed an increase in investments by PE and VC players



**BYJU'S and Unacademy** raised the most capital, \$1.35 Bn and \$264 Mn respectively, in 2020



Total Funding (\$ Mn)

2215

2020 YTD

Large Segments within EdTech Total Funding in 2020 (\$ Mn)

1980

K-12 and Continued Test Prep Learning

142

84

12

7

Higher Education Pre-K B2B Edtech

## GROWTH DRIVERS

Increasing internet usage funnel, smartphone penetration and cheap data across Tier 3 / 4 cities

Online academic coaching covering K-12 and Test Prep segments on a rise

NEP 2020's target of reaching 50 percent gross enrolment ratio

Abundance of job seekers and a higher need to improve employability

Addressable population of 150 MN in the K-12 segment becoming more digital savvy

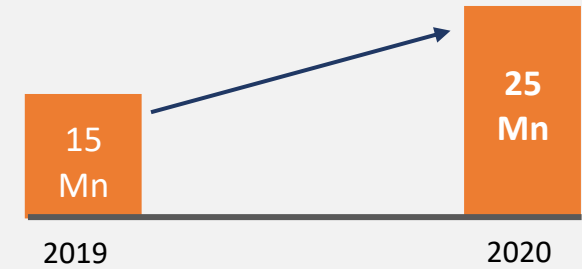
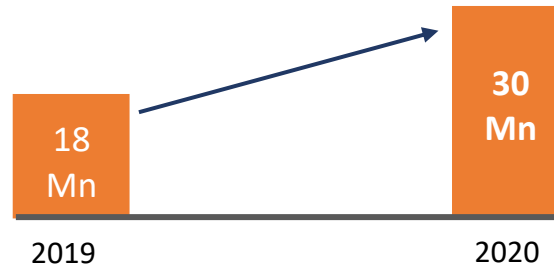
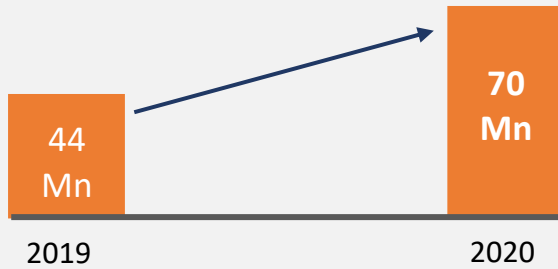
Increasing demand for vocational skill training such as coding, music and cooking

*K-12 and Test Prep segments seem to continue to dominate the investment landscape with the boost in the growth drivers.*

# COVID-19 IMPACT ON LEADING PLAYERS



User Growth



Valuation



✓ Byju Raveendran is aggressively adding **strong product components** like WhiteHar Jr. to acquire potential **new customers in new markets**

✓ Full-cash acquisitions are being made to **add strong business models** to the portfolio

✓ TapChief will be leveraged to build **Unacademy Pro**

✓ All horizontal integrations expand its **user base** and **registered professionals**

✓ **Diversifying** into the 'doubt solving' app space and **expanding to new categories** such as kindergarten to standard 5

✓ Expanding its footprint into **Tier 2 and Tier 3 cities**

# CONSOLIDATION IN EDTECH - MAJOR M&A TRANSACTIONS















From March 2020 to Feb 2021, there have been more than 15 M&A deals in the Indian EdTech sector, implying a wave of **sector consolidation** and 'land grab' strategy.

Timeline	Acquirer	Acquiree	Deal Value	Integration	Ventured Into
March 2020	Unacademy	Kreatryx	Undisclosed	Horizontal	GATE and ESE Test prep
June 2020	Unacademy	Codechef	Undisclosed	Vertical	Non-profit Coding platform
July 2020	Unacademy	PrepLadder	\$50M	Horizontal	Medical Entrance Test prep
July 2020	Unacademy	Mastree	\$5M	Vertical	K-12 Learning Platform
Aug 2020	Byju's	WhiteHat Jr.	\$300M	Vertical	Online coding classes
Aug 2020	ConveGenius	GrayMatters	Undisclosed	Vertical	Personalized and Adaptive learning
Sept 2020	Byju's	LabInApp	Undisclosed	Vertical	Virtual Simulations
Sept 2020	Unacademy	Coursavy	Undisclosed	Horizontal	UPSC CSE Prep
Nov 2020	Eduvanz	Klarity	Undisclosed	Vertical	One-on-One mentoring
Nov 2020	NSE Academy	Talent Spirit	Undisclosed	Horizontal	Digital Learning Platform
Nov 2020	UpGrad	The Gate Academy	Undisclosed	Vertical	Test Prep
Dec 2020	Lead School	Quiznext	Undisclosed	Vertical	Gamified Assessment
Dec 2020	UpGrad	Rekrut	Undisclosed	Vertical	Recruitment firm
Jan 2021	Byju's	Aakash Educational Services Ltd	\$1B	Horizontal	Offline Brick & Mortar Test Prep
Feb 2021	Byju's	Toppr	\$150M*	Horizontal	K-12 and Test Prep
Feb 2021	Vedantu	Instasolv	Undisclosed	Horizontal	Doubt-Solving

\*Deal in the works

*The underlying motivation for top players to consolidate is to diversify and deepen their reach across EdTech segments. Thus, further consolidation is expected.*






# RECENT INVESTMENT LANDSCAPE

Seed	Series A	Series B	Series C	Series C+
 <p><b>USD 4 Mn</b></p> <p><i>Matrix Partners and SAIF Partners</i></p>	 <p><b>USD 20 Mn</b></p> <p><i>Sequoia India and Tiger Global</i></p>	 <p><b>USD 31 Mn</b></p> <p><i>Telstra Ventures, Vulcan Capital, SJF Ventures</i></p>	 <p><b>USD 40 Mn</b></p> <p><i>Led by Lightstone Aspada and Alpha Wave Incubation</i></p>	 <p><b>USD 200 Mn</b></p> <p><i>Tiger Global, General Atlantic and Bond Capital</i></p>
 <p><b>USD 2.5 Mn</b></p> <p><i>Led by Alpha Wave Incubation, InfoEdge Ventures</i></p>	 <p><b>USD 9 Mn</b></p> <p><i>Dedicated to all the Coaching Institutes</i></p> <p><i>RTP Global, Blume Ventures, Sequoia Capital, Spiral Ventures and Strive</i></p>	 <p><b>USD 25 Mn</b></p> <p><i>Led by SIG Ventures, Sequoia Capital, Waterbridge Ventures</i></p>	 <p><b>USD 28 Mn</b></p> <p><i>Led by Westbridge Capital, Elevor Equity</i></p>	 <p><b>USD 150 Mn</b></p> <p><i>Led by Softbank's Vision fund</i></p>
 <p><b>USD 2.2 Mn</b></p> <p><i>Led by Omidyar Network India</i></p>	 <p><b>USD 6.5 Mn</b></p> <p><i>Tomorrow Capital, Blume Ventures and DSG Consumer Partners</i></p>	<p><b>LEAP EDTECH</b></p> <p><b>USD 17 Mn</b></p> <p><i>Jungle Ventures, Owl Ventures and Sequoia Capital</i></p>	 <p><b>USD 24 Mn</b></p> <p><i>Led by GGV Capital</i></p>	 <p><b>USD 113 Mn</b></p> <p><i>Led by Leeds Illuminate and Prosus Ventures</i></p>

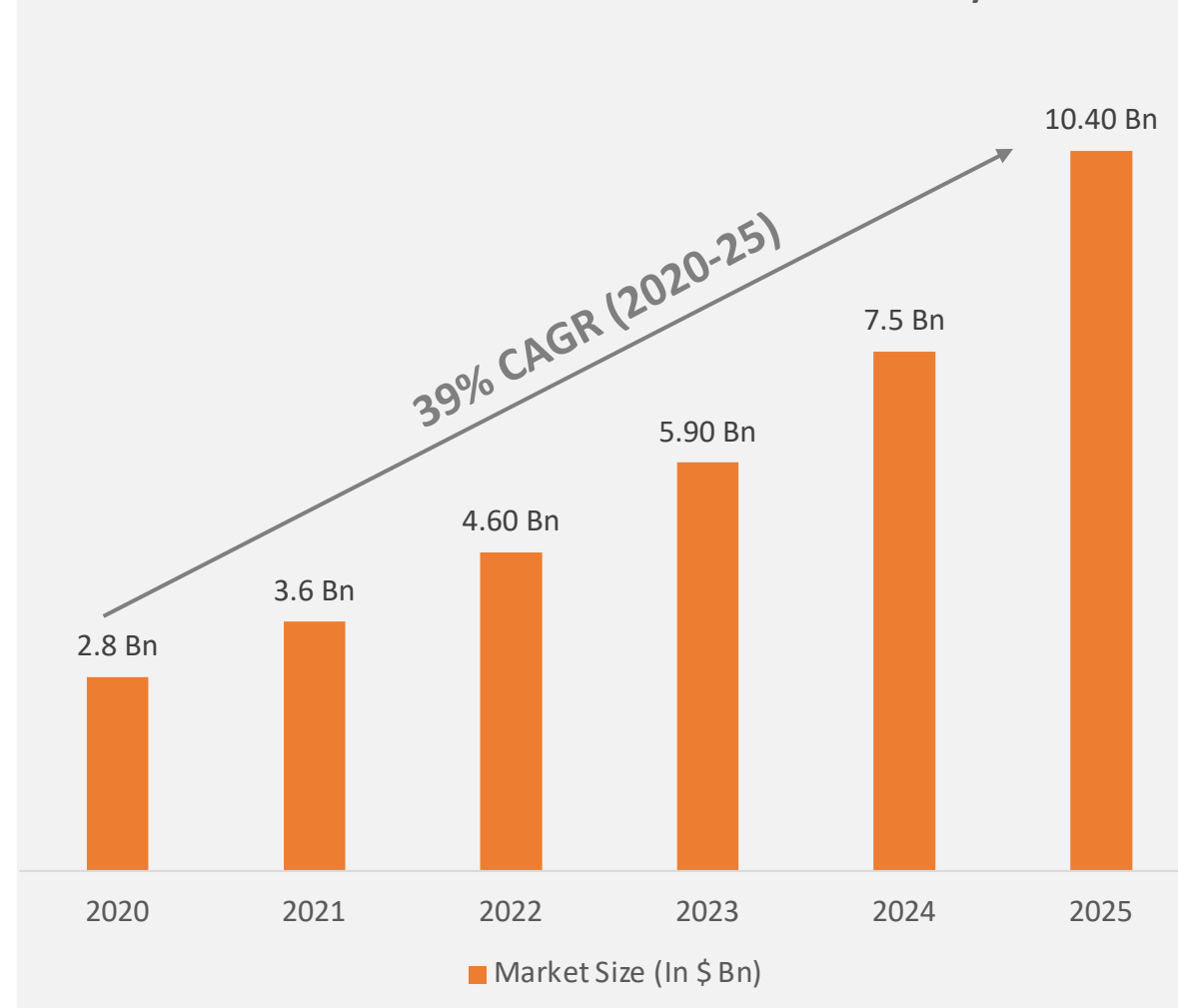
The recent investment landscape seems to suggest that investors are betting on early-stage startups, implying a further potential in seed-stage funding rounds.

# OUTLOOK FOR EDTECH MARKET IN INDIA

The next wave of value creation resides to reach the forecasted addressable base of **37 Mn + paid users by 2025** will be driven by the **five megatrends** below:

-  Increasing digitization of schools, colleges and exams along with an increased spending on tuition fee
-  Geographical expansion to Tier 2 and Tier 3 cities
-  Innovating across the sector by offering services with cutting-edge technology and gamified learning techniques
-  Continuous Learning spanning 45+ years being met with the increasing supply of quality EdTech offerings
-  Self-paced learning supported by NEP for Fixed curriculum

India to witness 3.7X Growth in EdTech Market Size by 2025

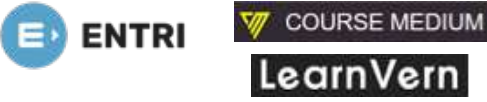


*The future of the EdTech market growth will be highly driven by the increase in userbase resulting from the **increasing digitization** and a rapidly increasing demand from **Tier 2 and Tier 3 cities** for **K-12, Test Prep and Skill Development**.*

# NEXT WAVE OF EDTECH IN INDIA

## TUTORING/ TEST PREPARATION 2.0

Massive potential for on-demand coaching / learning platforms from topical and freelancing experts



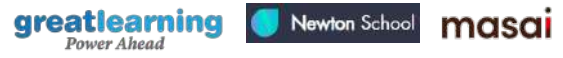
## DIGITAL LEARNING ENABLEMENT (B2B)

Large number of offline teachers and institutes want to connect with their students online



## CONTINUOUS LEARNING

Large number of job-seekers are using such platforms which provide industry-oriented courses which help in improving their employability



## DIGITIZATION IN EDUCATIONAL INSTITUTIONS

Automation and ERP solutions can be deployed for streamlining classroom activities and providing feedback online



## ONLINE STEM LEARNING



Increasing requirement for platforms providing STEM courses including coding and mathematical learning tools for students

## ADMISSION SUPPORT AND COUNSELLING

Higher number of Indian students willing to go abroad, thus increasing the need for platforms to search for universities and courses online



## AR/VR IN EDUCATION

Increasing use of platforms providing immersive tools for training with real world experience on digital platforms



*These consumer megatrends are uncovering new sectors in India which are also showcasing the potential for the next 'billion-dollar market'.*

# WHERE DOES THE POTENTIAL FOR THE 'NEXT WAVE' LIE?

## TIER-2+ CITIES

- ✓ Over 300M monthly active users of EdTech platforms are from Tier 2+ Cities.
- ✓ With an increasing urbanization and deep internet penetration, cities such as Coimbatore, Trichy, Bhubaneswar, Mysore, Nagpur, Jaipur, Indore and Allahabad are slowly on the path to becoming digitized with new forms of educational tools.
- ✓ Startups are delivering content in vernacular languages to increase their user base.



*"Vedantu plans to hire 2,500 people over the next three months as it take ed-tech to smaller towns" (March 2021)*



*"Chennai-based start-up SP Robotics offers children practical exposure to high-tech concepts through kit-based courses and offline Maker Labs." (Feb 2021)*

## CUTTING- EDGE TECH

- ✓ Latest cutting-edge technologies, from AI to VR, are being deployed in the market to make learning personalized, interactive and thereby, more engaging.
- ✓ A sum of over \$12.6 billion is being forecasted to be spent on advanced technology till 2025, with a heavy emphasis on competency-based adaptive learning.
- ✓ Firms like 'Eupheus Learning' and 'Augment Learning' are employing experimental methods of transacting learning and offering pedagogically differentiated, technology-led solutions in the K-12 space.



Our analysis suggests that the two major spectrums in spotlight for the coming years are the Tier 2+ cities in India and the firms offering cutting-edge technologies.



# WHAT ARE THE INVESTORS LOOKING FOR?



"Working closely with 10+ founders in the space and having evaluated 300+ companies, our internal research entails that the Ed-Tech industry is still facing multiple gaps in the market. Despite accelerated acceptance in the market, the quality of curriculum for K-12 and post K-12 segments is antiquated, especially in the delivery mechanism. Parents remain unsatisfied with the traditional education status quo with a stronger understanding of the benefits of investing in long-term outcomes.

Our research indicates that the user base in this market is highly aspirational, and we are looking to capture the **vertical upskilling demands** with our investments. Our fund is shifting focus towards **peer-learning models**, which go beyond traditional curriculum and have a focus on future preparedness, supplemental income, and horizontal upskilling. Our investment outlook for the **sector remains bullish.**"



"We believe Ed-Tech offers a large share of inbounds and like other digital sectors, it has got a massive lift due to COVID. We are **a thesis driven but opportunistic investor**, looking beyond our views and thesis to identify what impact Ed-Tech founders are looking to make.

We identify certain sub-sectors within education that can support hyper scaling start-ups. Currently, we see an emerging opportunity across segments Pre-K Learning, Employment and Continuous Learning and Upskilling, along with extracurricular classes that can scale globally.

Going forward, one service we see growing fast with greater willingness to pay is **career and foreign admission counselling** and foresee a greater spend for Ed-Tech, even in **Tier 2+ cities.**"



"As a fund focused on the 'next billion', we look for Ed-Tech business models that are targeting a broad base of the population. In past years, the proposition of building educational tools to target individual tutors or coaching centres to teach online and bring efficiencies into their business were unfathomable but these two themes are among the most popular ones we see today.

We feel there are potential opportunities to create tools with a differentiated proposition for users that can scale up rapidly. One of these areas is quick revision models using quiz contests between users – **a model with a strong community element here could scale quickly.**

The final area where we see attractive investment prospects are in the higher education space, specially those providing **specialized training in emerging technologies** and employment opportunities globally."



"We believe that the lockdown has made EdTech start-ups adopt **a leaner model**, one with an increasing dependence on **digital marketing and inside sales**. This has led to a lower customer acquisition costs and better unit economics in the industry.

In terms of M&A, we are seeing scaled players in the ecosystem looking to round out their portfolio with global acquisition targets. In the K-12 sector, digital solutions are **consolidating** the highly fragmented supplementary education in India.

As investors in both BYJU'S and WhiteHatJr, we've enjoyed front row seats to the tremendous growth and believe the boom has just begun. With a flywheel effect building 4K+ India-based EdTech's, there's **immense scope** for more to happen."

# CLOSING REMARKS

- ❑ The industry has remained bullish through 2020-21, reporting over 90% of total capital raising across the two largest segments - Test Prep and K-12. Besides a rapid scaling across these two segments, investors have been betting high on early-stage startups and thus further funding could be expected across the seed-stage.
- ❑ Although EdTech funding increased significantly, our investment landscape analysis suggested that it largely involved industry giants. For instance, BYJU'S raised about 57% of the segment's total funding, the latest unicorn Unacademy raised about 10.4% and Vedantu raised 9.5%.
- ❑ Even in terms of consolidations, a clear pattern can be seen as the biggest players, Byju's and Unacademy, are consolidating aggressively and making both horizontal and vertical integrations to deepen their foothold in the industry. Those with distinct value propositions in geographical presence, virtual reality and other cutting edge-tech will queue up to get acquired by these giants as they try to further consolidate their market position in the coming years.
- ❑ The megatrends and sub-sector analysis suggests that the next investment wave will be seen across a variety of EdTech sectors which include admission support and counselling models, and emerging players across the upskilling segment.
- ❑ As investor momentum in EdTech continues to grow, more M&A deals are expected in 2021. A big challenge for the existing startups will be bridging the most glaring gaps, including the digital divide, equitable access to the internet, access to power and hardware such as computers or smartphones, and addressing the affordability quotient.

# ABOUT TRANSJOVAN CAPITAL

TRANSJOVAN CAPITAL is a premier new-age Board Advisory firm, focused on providing advice to clients pertaining to Corporate Strategy, Mergers & Acquisitions (M&A), Joint Ventures (JV), Capital-raising (Equity & Debt) and Organization Development.

With offices in New Delhi and Mumbai, the Firm is a preferred Board-advisor to emerging as well as established corporates. The Firm's team has advised clients spread across SMEs, large Indian Conglomerates, Institutional Investors, Fortune 500 Corporations, Government Authorities and New Ventures.

The Firm has received top industry recognition, some of them being:

'Fastest growing BFSI Companies in India' - 2016

'Most Promising M&A Advisory Companies in India' - 2015

'Most Promising Financial Consulting Companies in India' - 2014

Select Team Credentials:

- ✓ Advised on 100+ assignments for clients in the areas of corporate strategy and finance.
- ✓ Collective deal experience of USD 1+ Bn in the transaction advisory space.
- ✓ Access to 200+ PE/VC/Corporate investors
- ✓ Advised 4 of the top 10 largest Indian conglomerates in the areas of M&A advisory and business strategy.
- ✓ Advised across various geographies in India (i.e., Metros, Tier-II & Tier-III locations, etc.).
- ✓ Advised on India entry strategy and JV advisory to various MNCs.
- ✓ Extensive relationships with major Financial Institutions, Private Equity funds and various Institutional Investors - in India and globally.

For more info about the company, you may refer to: <http://www.transjovancap.com>

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