

EdTech in India

Exploring one of the fastest growing EdTech markets
Research presented by SuperCharger Ventures

Foreword

The **\$100bn** Indian education market was already facing a crisis before the pandemic. For many, EdTech is becoming an alternative to a malfunctioning public education system. India hosts more than 4,500 EdTechs. In 2018, the market was valued at **\$520m**, and was forecast to grow at a **CAGR of 43.9%** during the 2019-2024 period, thus reaching **\$4.7bn** in 2024. This was before COVID-19.

In H1 2020, EdTech investment totaled **\$725m**, with \$400m in private equity rounds for BYJU's alone. This is a **3.2x** total investment spike compared to 2019. Additionally, we explore how the National Education Policy 2020 positively impacts the EdTech sector. Moreover, Whitehat Jr. and Vendatu feature in case studies, where their recent developments are discussed.



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What is EdTech ?



" Education technology (EdTech) refers to the practice of using technology to support teaching and the effective day-to-day management of education institutions. It includes hardware (such as tablets, laptops or other digital devices), and digital resources, software and services that help aid teaching, meet specific needs, and help the daily running of education institutions. "

Source: Department for Education (2020), HolonIQ (2020)

\$4.7billion

**Projected Indian EdTech
market value in 2024**

Global EdTech Landscape



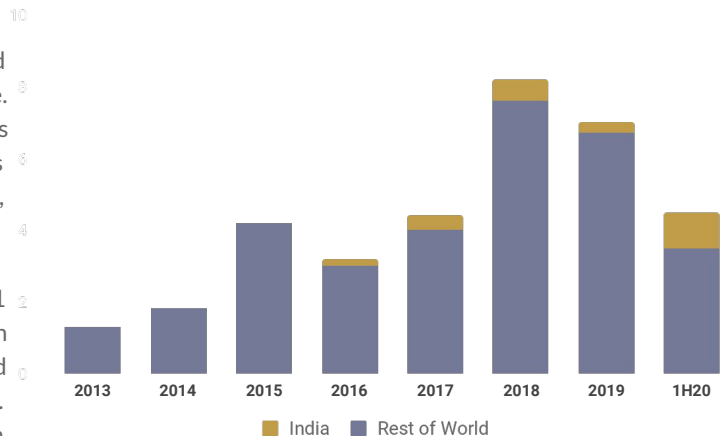
While education is a **\$6trn** industry and is expected to grow **6.7%** for the next 5 years, EdTech only accounts for **2.6%** of all global education expenditure, compared to 10-20% in other industries. Digitalisation in education has been slow. Nevertheless, the rapid growth of Byju's suggests that EdTech is being more readily embraced.

In the last 5 years, growth in EdTech started to pick up because of increased accessibility to the internet and drastic improvements in user experience. Indian Internet penetration still stands at only 50% and so improving access will rapidly increase the market size. Globally, EdTech expenditure was already expected to grow with a pre-COVID **CAGR of 15%** until 2025, resulting in a **\$400bn** industry.

Investment into Indian EdTech has been fluctuating in the last 5 years. In H1 2020, it reached a total of **\$725m**. The volatility in investment levels has been caused by Byju's large funding rounds. For example, in 2018, Byju's raised **\$520m** - more than half of the total investment in Indian EdTech in that year. Moreover, investment in H1 2020 exceeded the cumulative investment in 2019. With COVID-19, the EdTech adoption life cycle has been substantially streamlined by 5-10 years therefore we can expect to see further rises in investment in H2 2020.

Source: Credit Suisse (2020), HolonIQ (2020), Metaari (2020)

Global EdTech VC Funding 2013 - H1 2020 (\$bn)



Source: HolonIQ (2020)

A high-angle, wide shot of a bustling street market in India. The street is filled with a dense crowd of people of various ages and genders. Several yellow taxis are visible, some parked and others moving. On the right side, there are shops with colorful awnings and signs. The overall atmosphere is one of a busy, vibrant urban environment.

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National Education Policy will set the foundation for 21st century India. We're moving to an era where an individual will not be stuck to a single profession all his life. Thus, he will continuously need to re-skill and up-skill himself

Narendra Modi
Prime Minister of India



Indian EdTech Market



The **\$100bn** education market in India is facing a crisis. Uncompetitive wages have resulted in a shortage of qualified teachers, with a teacher to student ratio of 1:35, compared to 1:14 in European countries. Furthermore, the emphasis on tests scores above all else has been detrimental to the development of critical thinking and soft skills.

In 2005, less than 5% of India had access to Internet. Since then, internet penetration has increased to 42% as of 2020. EdTech is now being viewed as an alternative for failing government schools. The number of K-12 and post K-12 EdTech users has doubled between 2019 and 2020, from **45m** to **90m**. During this period, users' willingness to pay (WTP) increased by **40%**. Surprisingly, Indian parents have a very high WTP when it comes to education. Education is, in fact, a very inelastic household expenditure. The income elasticity relative to education expenditure stood at 0.93, compared to healthcare expenditure at 1.95.

Hosting more than 4,500 EdTechs in 2018, the Indian EdTech Market was valued at \$520m. Already before the pandemic, it was forecast that the market would expand at a **CAGR of 43.9%** during the 2019-2024 period, thus reaching **\$4.7bn** in 2024.

\$1.5bn

Size of India's EdTech market by 2021

43.9%

India's EdTech market CAGR 2018 - 2024

2x

Increase in Indian EdTech users 2019 - H1 2020

India EdTech Investability

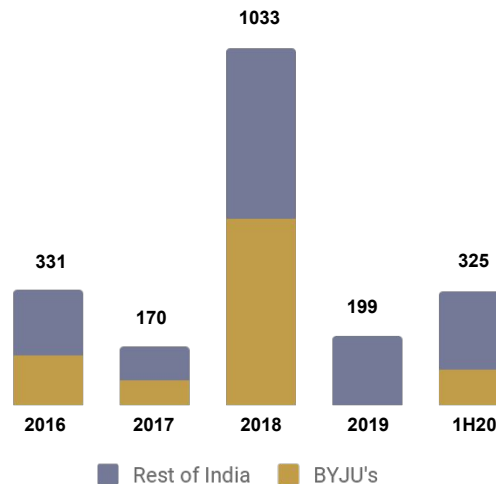


In H1 2020, there were **53** EdTech VC rounds in India, totaling **\$325m** in funding, according to Crunchbase. BYJU's, India's largest EdTech firm, which had already raised \$1.5bn in the last decade, raised a further \$400m in H1 in private equity investment, thus bringing the H1 EdTech investment total to **\$725m**. This is a **3.2x** spike compared to 2019, which is partly attributed to restrictions on school opening. In contrast, other sectors like e-commerce, hospitality and travel, recorded a fall of 30-70% in deal size.

Due to Byju's size, its funding rounds are a major determinant of total Indian EdTech funding. Below are notable Indian EdTech VC rounds that happened during the pandemic:

- **Unacademy** offers preparation material for professional and educational entrance exams. It raised Series E round of \$110m from Sequoia and is in talks with Softbank to raise \$150m.
- **Vedantu** is a tutoring platform where teachers provide tuition to students over the internet. It raised \$124m this year.
- **Toppr** is an afterschool learning app that raised a Series D of \$46.7m.

EdTech VC Investment 2016-1H 2020 (\$m)



Source: Crunchbase (2020)

National Education Policy 2020



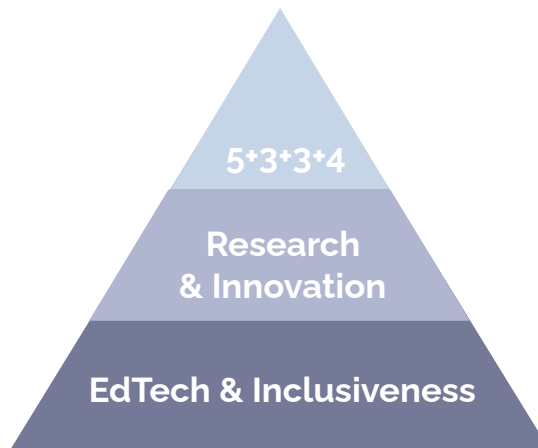
The National Education Policy (NEP) was introduced in July 2020 as a response to the multitude of problems present in the public education system. The policy includes major reforms including the "5+3+3+4" structure ensuring inclusion for 3-18 year olds,. It previously operated on a "10+2" system. It also emphasizes the importance of board exams and testing actual knowledge instead of rote learning.

The policy seeks to improve the quality of education, and also allow better access to disadvantaged groups, especially those in Tier-2 and Tier-3 cities. With the implementation of the NEP, the government is also creating an autonomous body called the National Education Technology Forum (NETF). The NETF would provide a platform to crowdsource and freely exchange ideas on how to utilize technology to optimize learning. This initiative could greatly boost entrepreneurship in the EdTech setting.

The NEP also increases the emphasis on research and technology by introducing courses in schools and higher education, including coding and elements that would stimulate innovation and a more global mindset. The policy is aligned with current EdTech players that are emerging such as Vendatu, Toppr and Camp K12, which all teach children how to code. They have already received major VC funding in 2020 and we expect NEP to further fuel this investment trend. Additionally, NEP also emphasises teacher training, which opens up opportunities for EdTech to train teachers at scale using digital solutions.

Source: India Times(2020), Mhrd.gov (2020)

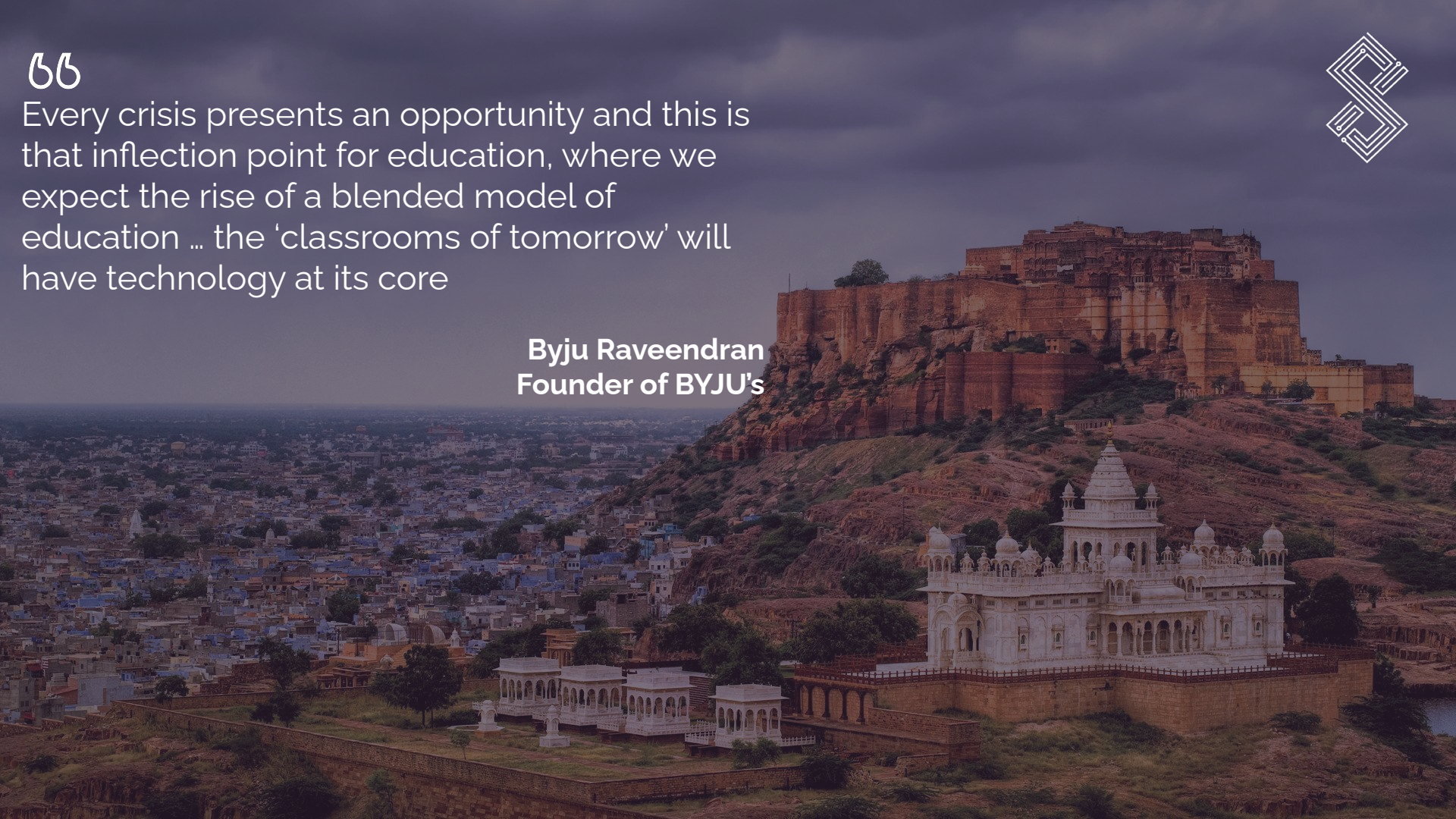
Key Pillars of NEP 2020



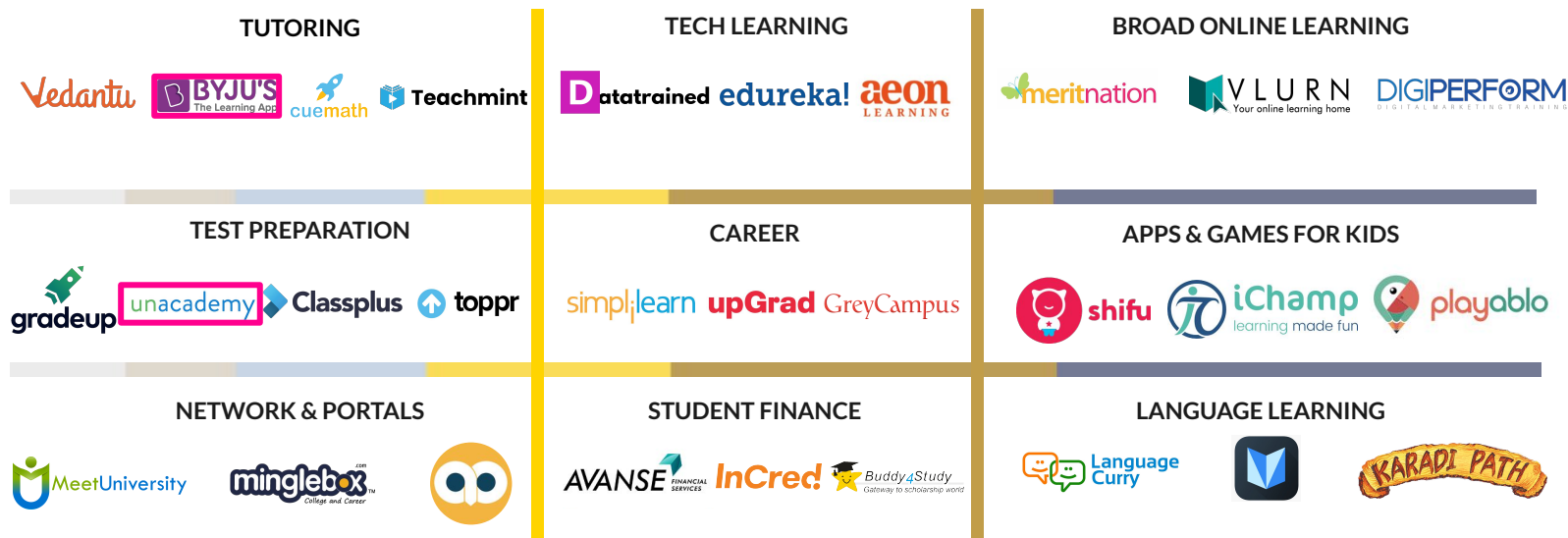
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Every crisis presents an opportunity and this is that inflection point for education, where we expect the rise of a blended model of education ... the 'classrooms of tomorrow' will have technology at its core

Byju Raveendran
Founder of BYJU's



Notable Indian EdTechs



\$1bn+ valuation



Case Studies

WhiteHat Jr

\$300m	\$150m	5000
acquisition	revenue	teachers

WhiteHat Jr is a Mumbai-based EdTech that teaches coding to young kids. The company currently has 5000 teachers who deliver 1-on-1 live classes, with each session costing about \$10.

In only 18 months, WhiteHat Jr was making \$150m in recurring revenue. In August 2020, it was acquired by its competitor BYJU's for \$300m, making it the fastest exit at this size in the Indian startup ecosystem. Interestingly enough, only a 2x revenue multiple was used in the valuation, compared to a close to 30x revenue multiple used for BYJU's \$10.2bn valuation.

BYJU's CEO said large investments will be made to hire more teachers to expand WhiteHat Jr to the UK, Australia and Canada.

Vedantu

\$100m	25m	5x
raised	users	user growth

Vedantu is an EdTech platform that offers online courses to children in grades 6-12. It differentiates itself from other edtech platforms through its mix of live and recorded tutoring.

From Q3 2019 to Q1 2020, the number of users accessing free content has increased from 10m to 25m. The number of paid subscribers exhibited 5x growth, reaching 1.1m in the last year.

Vedantu also raised a Series D of \$100m from Coatue management this year, increasing the total funds raised to \$200m. The company has now reached a \$600m valuation, thus making it India's second largest EdTech. However, it is still leaps away from BYJU's.

Next 3 Years: Driving Trends



Increase in mobile and vernacular enabled learning will be the key drivers of EdTech demand

India now has 552m active mobile users, up 14% from 2019. Mobile penetration will reach 60.7% at 820m users by 2022. Mobile will increasingly be a key education enabler not only for rural Indians with no alternatives to access education, but also urban Indians looking for more affordable and engaging options. Furthermore, given the 22 languages spoken in India and the increase in usage of mobile EdTech in rural areas, vernacular learning will be a key aspect for content providers.



Indian schools will increasingly partner with B2B EdTechs that operate on a SaaS model

COVID-19 has made Indian schools on a tight budget realise that while they can't invest in expensive, on-premises technological infrastructure, they can still utilise SaaS EdTech solutions for learning management, payment and assessment. SaaS solutions can also help relieve the teachers' burden in overcrowded schools (e.g. through automated assessment solutions). Thus, we can expect B2B EdTechs that have so far stayed off the headlines to gain significant traction.



Investment momentum will continue, but at a relatively slower pace

With a record high of \$725m investment in EdTech this year, some speculate that India's EdTech scene will replicate the EdTech growth experienced by China (home to 9 EdTech unicorns). While investment will follow, as there is a real and growing demand for EdTech, we expect the hype to fade as the nation recovers from the pandemic. While both India and China have large populations craving EdTech solutions, we do not expect India's EdTech market to catch up with China anytime soon, as China's EdTech market is driven by its sizeable middle class and 5x GDP per capita compared to India.

Initiatives



The EdTech Book



Become an author



World's first crowdsourced
EdTech Book



Submit a 500 word abstract before
30th September



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EdTech Deal Friday



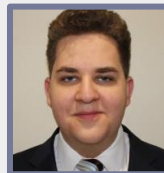
Join as a Startup or Investor



5 EdTech startups pitching



Curated EdTech dealmaking



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