

## His high-profile startup has high-powered investors. But can Roman Saini help Rakesh and Reena crack big-ticket exams?

Unacademy has a super-achiever founder and loads of cash. Now comes the hard part of educating candidates and making money.

By Sanchali Rishi, Debleena Majumdar 1 Nov 2018



ROMAN SAINI, HEMESH SINGH, AND GAURAV MUNIAL, CO-FOUNDERS, UNACADEMY. COURTESY OF GAURAV MUNIAL VIA TWITTER

In the startup world, there is quick growth and then there is Unacademy growth.

A company set up in just 2015 is today one of the highest-funded in the education sector. It is the fifth-largest in terms of funding in the ed-tech sector, with a total of USD39 million from six funding rounds and a valuation of INR743.5 crore, according to data from Tracxn.

As of August 2018, Unacademy had even delivered solid exits. Waterbridge Capital, which invested USD1 million in the firm in 2016, exited through a secondary sale this year, with an internal return of 150%, according to reported data.

The education sector has seen very few blockbusters for VCs, so what makes them bullish on Unacademy?

One answer could lie in the nature of its offering: test-prep material. Online learning is expected to be a USD2 billion industry by 2021, according to Google and KPMG estimates. And within that, online test prep is estimated to have the highest growth (CAGR of 64%) from 2016 to 2021 to reach USD500 million. Internationally speaking, firms like Hautu Capital and SmartStudy have seen significant growth and interest in China, while Grockit and CourseHero are scaling big in the US.

To put the growth argument into perspective, Krishna Kumar, CEO of another online-learning startup Simplilearn, says, “More and more people are moving online, video consumption is improving, and they (Unacademy) are trying to address a market where there is no big, established player.

“If you look at the exam prep market, I don’t think anyone has captured it. There was a need for an all-India kind of player because the market is dominated by regional players like coaching institutes in every city. I think it’s a good, futuristic model that should definitely work.”

Let’s start with what Unacademy actually does. It calls itself a “marketplace” for online learning. It enables educators to create video courses of not more than 10 minutes on its platform. Educators are selected on the basis of experience and an interview.

One of the two founders of the firm is a precocious individual, Roman Saini. He got admission into one of the most prestigious medical colleges in the country, the All India Institute of Medical Sciences, when he was 16. He completed the course - but didn’t stop there. He appeared for the civil services exam when he was 21 and secured an all India rank of 18. He served as an IAS officer from 2014 to 2016.

He and his co-founder Gaurav Munjal, a second-time entrepreneur who sold of his earlier venture Flat.to to Common Floor, want Unacademy to help other students do well at these career-defining exams.

A scan of the website shows that the content spans

civil services, engineering, MBA, and pre-medical exams

programming skills

English-language learning

CBSE (Classes 9 to 12)

campus-placement preparation

lifelong learning (Indian history, world history, and personal development)

Phew! If that wasn't enough, the Unacademy Plus section features live video classes, personalised learning, and private-discussion forums.

So, it's an online learning company that uses technology to provide self-learning opportunities for students and teaching opportunities for educators. With around 8 million mobile-app downloads, its reach is still comparatively less compared to companies like MindTickle, Byju's, and Simplilearn. Of course, it is targeting learners after they have finished their 12th standard exams.

Unacademy has an impressive library of about 6,000 videos till date and 2.5 million subscribers on YouTube, and YouTube ads is a major source of revenue. Content seems to be at the heart of what Unacademy does and with the funding it has received, it should be able to share the content with more people. Or is it growing too fast already?

Kinjalk Pancholi, head of a physical coaching centre, Samagra IAS, brings an interesting counterpoint. "They are just banking on the supposed legitimacy of a UPSC topper, Roman Saini. This was their selling plan, and through him they got their initial traction, and everyone latched on to Unacademy. After that, they expanded way too much. Had they concentrated only on UPSC or any one exam, it would have worked better for them."



The trouble with marketplaces is indeed that they tend to grow too big, too fast.

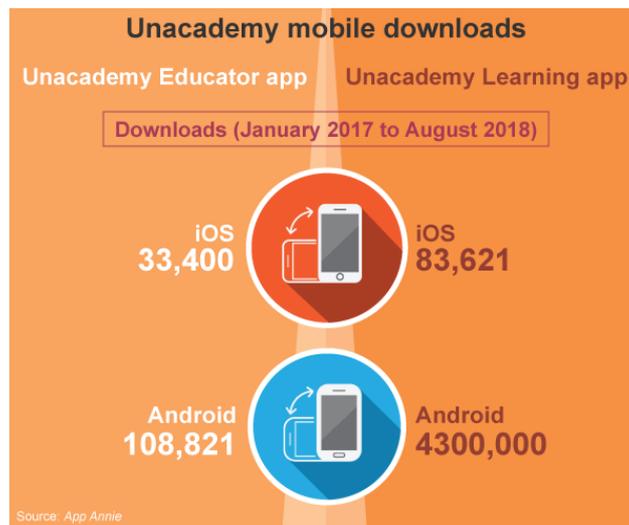
“We see an interesting shift in the market. Test-prep for knowledge-based exams such as GATE, IAS, and CA, which depend on in-depth knowledge of a subject, had traditionally grown with access to star teachers. The online world can flip this with more widespread access to reputed teachers, digitally. Aptitude-based exams for MBA, banking, SSC, etc., depend more on application of concepts learnt earlier. Here, enabling practice digitally is more important than the star power of teachers,” says Career Launcher (CL Educate) executive director and group CEO Nikhil Mahajan.

Unacademy seems to be more geared for the former kind of content. But instead of star teachers, its approach seems to be different.

ET Prime’s research shows the average age of Unacademy educators is some 25 years. People as young as 19 have been associated with the platform as educators. Not all of them have the same

pedigree as Saini.

Traditionally, teachers, especially for these demanding exams, had to be experienced. Unacademy seems to have thousands of teachers who are young - but seemingly accomplished at helping people prepare for these really tough exams. A source close to the company who did not want to be named says, “They have been growing close to 15%-20% in terms of both video views and user engagement. There are about 7,000 teachers on the platform today.”



ET Prime spoke to a number of students using the platform. Most of them are clear about what they want from it. “We use it as reference material, it can’t be substituted for proper coaching or self-study,” says one of them.

### What story do the numbers tell?

In brief: the game of valuation versus the reality of revenue.

From 2016 to 2017, Unacademy’s revenue increased from INR12 lakh to INR73 lakh, while losses more than tripled from INR92 lakh to INR320 lakh. While the revenue growth is impressive, of the INR73 lakh, only INR19 lakh came from revenue from operations. The remaining INR54 lakh was “other income”. And that turns out to be largely interest income. What’s a learning company doing with such high interest income?

### Unacademy financials (INR lakh)

	2015-16	2016-17
Revenue	11.78	72.98
Expenses	103.99	393.91
Profit	-92.44	-322.27

Source: Tracxn

The answer probably lies in the large amount of capital it received from the successive rounds of funding. Remember that between 2015 to 2018, the company raised USD39 million. The founders' stake has shrunk to 29.3% in the last round, with funds now owning 59.6% of the company, according to Tracxn. The firm has been able to attract investment from multiple funds, including Nexus Venture Partners, SAIF Partners, Sequoia Capital, Blume Ventures, Tracxn Labs, and, as noted before, WaterBridge Ventures.

There is a heavy presence of mainstream, tech-focused VC investors and a complete lack of education-focused impact investors in the cap table. A veritable who's who of individual angels have also put money into the company: Rajan Anandan, Vijay Shekhar Sharma, Binny Bansal, Sachin Bansal, and Kalyan Krishnamurthy, among others. These angels have around 5% stake in the company, with the ESOP pool rounding up the balance.

### Unacademy: shareholding across funding rounds (%)

	Angel	Founder	Fund	Enterprise	ESOP
Seed	5.6	86.5	8	NA	NA
Seed 2	12.5	75.8	11.3	0.2	NA
Series A	8.7	49.5	31.7	0.1	9.7
Series B	6.8	36.8	49.3	NA	7.2
Series B2	6.7	36.1	50.2	NA	7.1
Series C	4.8	29.3	59.6	NA	5.8

NA: Not applicable

Source: Tracxn

It is indeed creditable that Unacademy has been able to attract funding from reputed investors in such a short time. It's the youngest company in the list of top-funded companies in the ed-tech sector, with the others having started operations years earlier.

The natural expectation is that the large capital infusion should set it on a strong growth path. But for that to happen, the company needs to be able to deploy the capital for more growth instead of generating interest income. Is it just a question of time or is it a question of too much funding, too soon, especially in a sector like education, where the real challenge is not access to content but *actually* improving learning outcomes?

While ET Prime was able to review Unacademy's annual earnings filed last year, a source close to the company on the condition of anonymity says, "They will generate close to USD1 million in revenue through their business operations this quarter. Till date this year, they have crossed around USD2 million in revenue through their business operations and not through interest income. From 2016-17, they were not generating revenue. They started working on revenue towards the middle of financial year 2017-18."

Interestingly, Unacademy just completed the acquisition of WiFiStudy in a cash and stock deal. WiFiStudy is a Jaipur-based company that focuses on preparatory content for exams like the Staff Selection Commission, banking, and railways.

"With over 4.5 million subscribers and 70 million monthly video views, WiFiStudy is one of the largest educational YouTube channels in the world. They have more subscribers than Khan Academy," claims Unacademy. "WiFiStudy will continue to operate independently under the leadership of Dinesh Godara, who will serve as the CEO."

It seems like the money Unacademy raised is now being put to some use with the deal reportedly being valued at USD10 million.

A key takeaway from this deal is that it will give Unacademy access to vernacular users from tier II and tier III towns, which is a much bigger market, especially for government exams, than the English-speaking urban market. From an access point of view, it seems like a good move.

But will it help Unacademy get paid users and improve learning outcomes? That remains to be seen.

### **Comparing the models**

So how does a company like this really make money? Advertising revenues from videos, or subscription revenues from premium version of the platform? Let's compare its business model with others in the market. Just by virtue of its rapid spread across different themes, Unacademy competes across multiple categories, both offline and online.

One key category which it seems to be focusing on, especially in the light of its WiFiStudy acquisition, is the government exams space. This category has been exploding, given the increased push towards online exams and the low pass percentages. ET Prime research shows that just the top three exams draw over 70 million applicants, with pass percentages at less than 3% and a large number of unfulfilled vacancies.

A dream market indeed.

Unacademy faces three kinds of competitors here — purely offline coaching centres, focused online or mobile players who have built their credibility in this space, and blended-learning firms who have both digital and offline models. The monetisation models, advantages, and disadvantages are different for each type of company.

If we drill down to the most well-known online test-prep players of today, some of them are competing with Unacademy across test categories like medical and JEE. Here, the focus is on using technology for offering personalised learning, building online mentor communities, and the like. All are significantly less funded than Unacademy, except of course, Byju's, the market leader. And even if the mobile downloads are added, and you consider each download as a unique user, which is an overstatement, the top companies add up to 50 million downloads, which is far less than the 300 million young people in country who need education and jobs. That's where the lure of the market currently is.

As Unacademy starts ramping up its growth, it will be important to see which segment and business model really brings them the maximum scale and most improved learning for their users.

**Business-model analysis**

Government exam drilldown	Offline coaching centres	Focused online players (example MadguyLabs)	Blended learning competitors (example: Sarkari Pariksha)
Monetisation model	Pay first, learn later	Download-mock-exam-payment conversion	Immediate payment for offline and mock exam to payment model online
Advantages	Strong profitability if branding and results are good	Can bring in vernacular content and personalisation of content as MadGuy has done	Can leverage offline distribution to increase reach and payment access, while online can drive language localisation
What they need to take care of	Localised ventures, often spreading with word of mouth; scale is a challenge	Conversion rates can be low from free to paid users. They still need offline tie-ups such as publishers	Need to customise branding and messaging for both kinds of audiences - online and offline

Source: Tracxn; ET Prime research

Taking a broader view of the market, Aarthi Ramasubramanian, senior investment manager at impact-investment company Gray Matters Capital, says, “A few companies in education are getting funded without successful exits. This has coloured the entire sector and has marginalised companies growing at a steady but profitable pace.”

According to Rishi Kapal, CEO of education accelerator Edugild, “Successful ed-tech ventures call for a collaborative approach that integrates the mandates of regulators, educators, learners and institutions. Even if one is left unaddressed, the solution ceases to scale up.”

So what pitfalls does Unacademy need to address in its blistering race for growth?

### **A small question of content IP**

Now, the bad news. Content, as we said, is at the heart of what the firm does. A recent Madras High Court judgement found Unacademy liable for a case filed against it for copyright infringement. How did that come about?

The complaint was raised by a firm called Fermat Education, which has been conducting CAT coaching classes since 2014. In 2018, it found that some of its questions and solutions had been uploaded on the Unacademy platform. It complained to Unacademy, and by May 2018, a suit was filed against the company. The court found that given Unacademy had control over what content was uploaded on its site, it was liable in this case.

According to Aarushi Jain from law firm Nishith Desai Associates, "The judgement highlights the importance of intellectual property for the ed-tech sector, where content is primarily shared online. We see copyrighted material being created in the form of online videos, tutorials, written material, etc. Platforms should put in place internal controls on how to use third-party content. They should also sensitise employees on issues such as copyright infringement."

Unacademy has the money power to scale operations. The key question: As it expands rapidly, can it put in place adequate measures to ensure that the mainstay of its platform — the content — is safeguarded? Only then can it grow sustainably and deliver value while balancing costs, despite the pressure to provide exits to all the investors who have bet on its growth.