

# Ed-tech's USD805 million funding this year: for the emerging story, look beyond Byju's and Vedantu

BY Debleena Majumdar Jul 29, 2020, 09:49 AM IST

## Synopsis

Over the past seven months, Indian ed-tech bagged USD805 million of investment in 46 deals, with deals worth USD117 million announced in July alone. While most were seed rounds, unicorn Byju's and near-unicorns Vedantu and Unacademy saw big rounds as well. But where is the money going, and what's on the horizon?

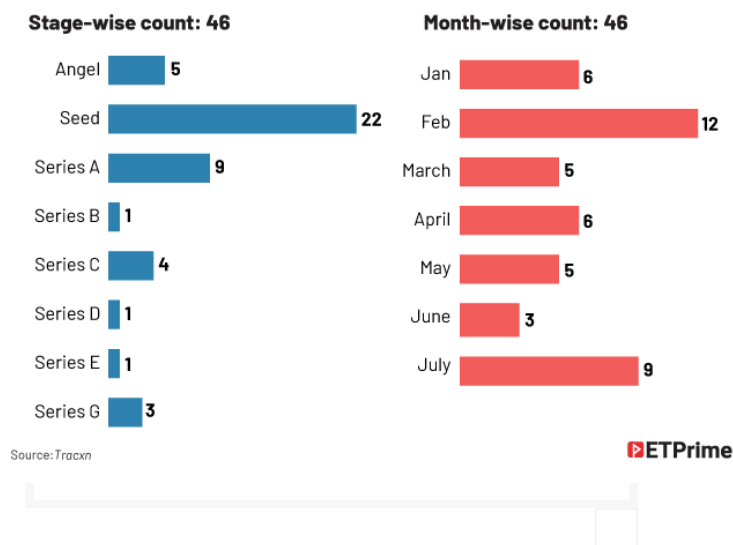
In the seven months of 2020, Indian ed-tech firms received investment to the tune of USD805 million in 46 deals, according to startup database Tracxn.

Of these, 39 were investments in unique

companies and the rest were multiple rounds raised by Byju's and **Vedantu**, and a couple of rounds raised by smaller startups such as Entri.

While most were seed rounds, the presence of unicorn Byju's and near-unicorns Vedantu and **Unacademy** has ensured big investment rounds as well. Toppr just raised INR350 crore in Series D from Foundation Holdings.

## Funding in Indian ed-tech in 2020



The funding activity has continued across the seven months, with deals worth USD117 million announced in July alone. The seed rounds in July show an interesting mix of startups:

- Entri: vernacular focus for skilling, especially for government jobs
- School Diary: parent-communication platform
- PiggyRide: school-transformation platform
- Ken42: cloud-management solution for schools
- EdHusk: online platform to search and book tutors

The lockdown and changing rules around online classes for young children have made educational toys — digital and offline — important for them. No wonder companies operating in this space, such as PlayShifu and Flintobox, raised Series A investment rounds in July. Earlier, there was the deal between gaming company **Nazara and Kiddopia**.

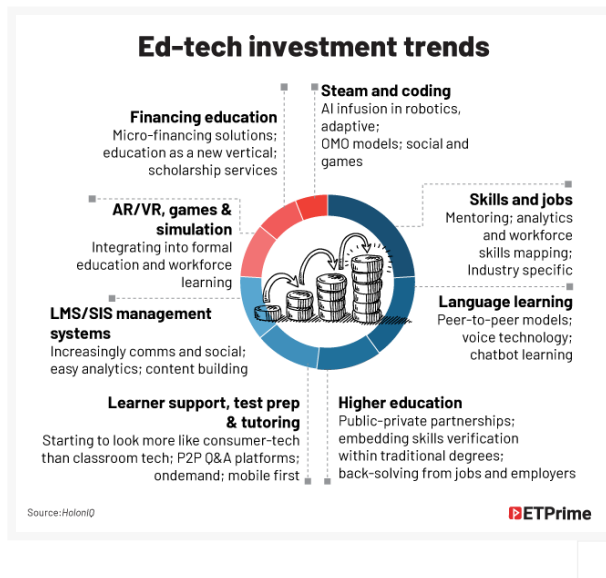
K8 math-focused firm Cuemath raised a Series B round through venture debt earlier this month. Ultimately, Vedantu raising USD100 million might close the month on a funding high.

**The broadening investor base** Traditionally, ed-tech was considered a domain that impact investors looked at, with philanthropic and **CSR** money funding non-profit enterprises within education.

That has changed drastically over the last few years. The cap tables of the top ed-tech companies have investors that high-growth tech firms would have. Moreover, given ed-tech's current status, more investors are now chasing deals.

### **The sectors in vogue**

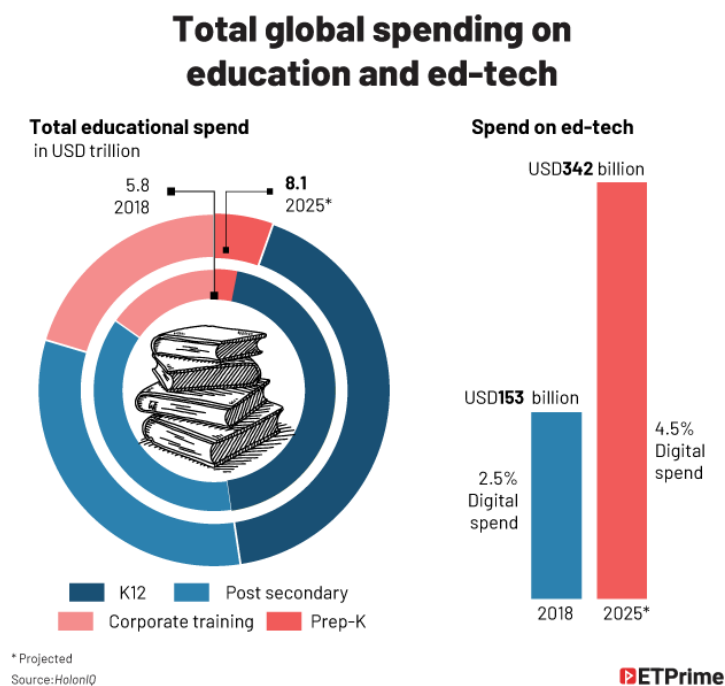
The largest chunk of the investments (15) to the K12 space and next was test preparation —for government exams, certification, and undergraduate courses. Continued learning showed five deals.



A global comparison from education-insights company HolonIQ shows interesting trends. While common areas such as coding, language learning, games, test-prep, tutoring, and skilling are seeing increasing interest in India, similar to investment trends in other countries, two global trends stand out.

Funding education through micro-financing solutions is an interesting trend to watch for in India. The other is public-private partnership in higher education.

But despite the noise around ed-tech, at 2.5% it is still just a fraction of overall education spending globally. It is expected to reach 4.3% by 2025, according to estimates from HolonIQ.



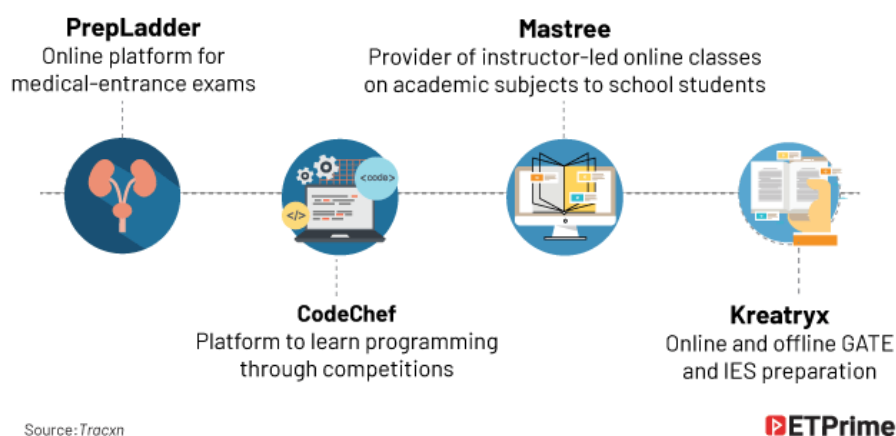
Out of the total funding this year, Byju's, Unacademy, and Vedantu raised USD754 million this year. Even accounting for some undisclosed deal amounts, this is over 90% of the money raised this year. If the top firms are getting the chunk of the money, where is that money going to be used and what does it mean for the other firms?

### Where is the money going?

**Product gaps:** Each of the top-funded companies are looking at gaps in their product portfolio and fixing them. That means, acquisitions in many cases.

Unacademy has made four acquisitions just this year. It is looking at vertical gaps and smart buys that can plug them.

## Unacademy's acquisitions in 2020



Meanwhile, Byju's is said to be in talks with DoubtNut for their doubt-clearance platform and unconfirmed discussions with coding platform WhiteHat Jr have also been reported.

A bigger vernacular push by Byju's could be in the offing, with the company recently announcing its regional ad campaign in Karnataka.

After its last fundraising in July, Vedantu said it will add math and logical reasoning for students from standard 1 to standard 5. This is part of the programme called Vedantu Superkids. More new offerings are in the pipeline.

New products are also expected from Toppr,

which will soon launch **Codr**, a platform to learn coding. Post their latest funding, Toppr shared their plan to launch Toppr School Operating System (OS) - platform for schools to run digitally unifying in-school and after-school learning.

In an earlier article, we had highlighted what ed-tech companies are learning about online learning behaviour. Users now have more time to spend on ed-tech products and a clear need is emerging from parents and schools that can afford and access such methods.

Live classes with good teachers and doubt-clearance sessions had been the most in-demand features after the lockdown started. These features are now present in all the big ed-tech platforms focusing on a B2C approach. For B2B products, the need for conferencing solutions and examination modules are becoming critical.

Back to the top four firms, how do they make the customers listen to them?

**Celebrity branding:** Using cricket stars, film stars, noted economists, and well-known singers to launch live classes and formats such as podcasts, the well-funded ed-tech firms are pulling out all stops to up their branding game.

The question is: Will the students stay on the platforms after the celebrity session is over?

And if there is negative word of mouth, how critical could that be for these companies?

**The language link:** With a big chunk of students more comfortable speaking and learning in languages other than English, the push towards vernacular learning has come under focus at some of the ed-tech companies.

This will be interesting to watch, as ed-tech's reach goes beyond the country's English-speaking minority, touching large segments that learn and teach in their own languages.

**Hiring spree:** Look at the recent social-media posts of the well-funded players and it is apparent that they are hiring — for product, tech, and content. As ed-tech companies try to scale, building teams will be a big challenge for many of them.

**Looking beyond the pareto ed-tech players** Far from the funding gaze, there are firms such as Extramarks that will continue to focus on the emerging niche areas and build their solutions and companies around them.

Companies like school brand Vibgyor and publisher S. Chand, which are funding their own ed-tech products, may not be in the news for funding, but have the potential to grow within their captive user base. More such products could come from such companies which are not tracked for ed-tech funding. The

funder universe is also extending beyond VC and PE firms to include companies like **Facebook and Reliance.**

Globally, there are 268 listed education companies. In India, there are just a handful. If the growth trajectory continues, will there be IPOs from the sector or just more strategic deals?

Aarushi Jain, legal counsel - TMT and education at law firm **Nishith Desai Associates**, who has been tracking deals in the sector, says a parallel is emerging between ed-tech and OTT. “There are a few OTT players such as Netflix and Amazon Prime which have the distribution reach to serve millions of people, but there are hundreds of experts who are supplying content to them. Similarly, the long tail of ed-tech could see more companies becoming suppliers and partners of the biggest ed-tech firms.”

Given the large state intervention in Indian education, the role of the government will continue to be critical, but tech-based solutions will go on alongside. Companies working with state governments to provide

working with state governments to provide solutions for government or budget private schools, could find their own growth journey, whether it's a ConveGenius with its personalised learning solution, Avanti with its learning centres, or EkStep with its open-learning platform.

Such companies have their own story that may not tally with the one broad brushstroke that is being looked at as ed-tech today. For products from such companies, features, pricing, language, and context will all be different from those that the mainstream ed-tech players may produce.

It would be good to remember that ed-tech is still just a small fraction of overall education. Connected investments in education — in financing plays, or in private-public partnerships as seen globally, or with re-imagined higher-education models and employability solutions — will keep seeing more interest and traction.

The landgrab could just move from a small island of ed-tech to other interconnected islands some day soon.

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