

# Ed-tech startup Eruditus' valuation soars as investors bet big on executive education in India



**Synopsis**

Continued education, as executive education is called, has caught the eye of VCs globally. In India, it's fast emerging as a focus area for investors for two reasons. The pandemic is forcing businesses to upskill. And the New Education Policy will throw up opportunities for collaborations between ed-tech startups and global institutions. Valuations may just soar.

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As the wreckage from the rampaging Covid-19 piles up, it's becoming crystal clear that businesses, small and big, will have to find new ways of beating this epic crisis. Upskilling and innovation may well become the war cry across boardrooms globally. And educational technology, or ed-tech, startups will be the conduit to deliver customised learning solutions.

Globally, continued education, as executive education is called, has seen over USD5 billion investment in recent years, according to Tracxn, with eight IPOs and three unicorns. And the crisis is throwing up new winners in that space, including in India.

A relatively unknown Indian startup may be on the cusp of becoming the new ed-tech unicorn. Eruditus Executive Education has raised around

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USD100 million from Chan Zuckerberg Foundation along with other key investors, valuing it at about USD800 million, making it one of the most-valued ed-tech firms in India.

This doubles Eruditus's valuation since the last investment led by Sequoia in 2019. It also makes Chan Zuckerberg Foundation and Prosus Ventures (Naspers), which have put in money in this round, investors in two of the most highly valued ed-tech firms (Byju's is the other one).

There is another reason why continued-education startups in India may remain on the radar of investors for a while. The New Education Policy (NEP), which is coming into effect over the next two years, could open up the higher-education segment and the continued-learning space, collaboratively.

It opens limitless possibilities, as you'll see, and startups with diametrically different business models hope to cash in. Already, in India,

companies such as upGrad, Simplilearn, and TalentSprint have been working in different continued-education disciplines with a focus on emerging areas such as data science and digital marketing.

Globally, executive education is part of continued education.

### **Executives, online**

The world of executive education always had a blended-learning approach, much before the current ed-tech boom. Companies such as Hughes Learning had been operating in this space for many years. Corporate executives were often the key audience for these courses – which gave access to executive-education programmes of top-notch universities – as part of companies' career-development programmes. Obviously, they could not attend the course full-time.

Weekend classes and reading material used to be the mode of learning earlier, which shifted to a

blended model over the years.

But this kind of learning was still a choice that lifelong learners and self-learners made to get ahead in their careers. Continued education is now more of a necessity, and that explains the surge in funding by VCs.

### **Continued education globally**

Pluralsight, Udacity, and Coursera have been some of the most well-known companies in this space. These companies have been working across multiple solution areas ranging from professional courses, skill development, and casual/motivational learning. The top-funded business model has been multidisciplinary, professional courses.

# Continued education: snapshot



## Business models

### Professional courses

**Multidisciplinary:**  
(Coursera, Udemy)

**IT education:**  
(Codecademy,  
DataCamp)

**Management:**  
(Investoo, Digital  
Marketing Institute)

**Sector specific**  
(CareAcademy)

**Educational resources:**  
(Benchling)

**Networking platforms:**  
(EduGrowth)

### Skill development

**Multidisciplinary:**  
(Skillshare)

**Music:** (JoyTunes)

**Driving:** (Ornikar)

**Course creation  
platform:**  
(Teachable)

### Casual: inspirational, motivational learning

**Multidisciplinary:**  
(Curiosity)

**Mobile app studio:**  
(The Game Agency)

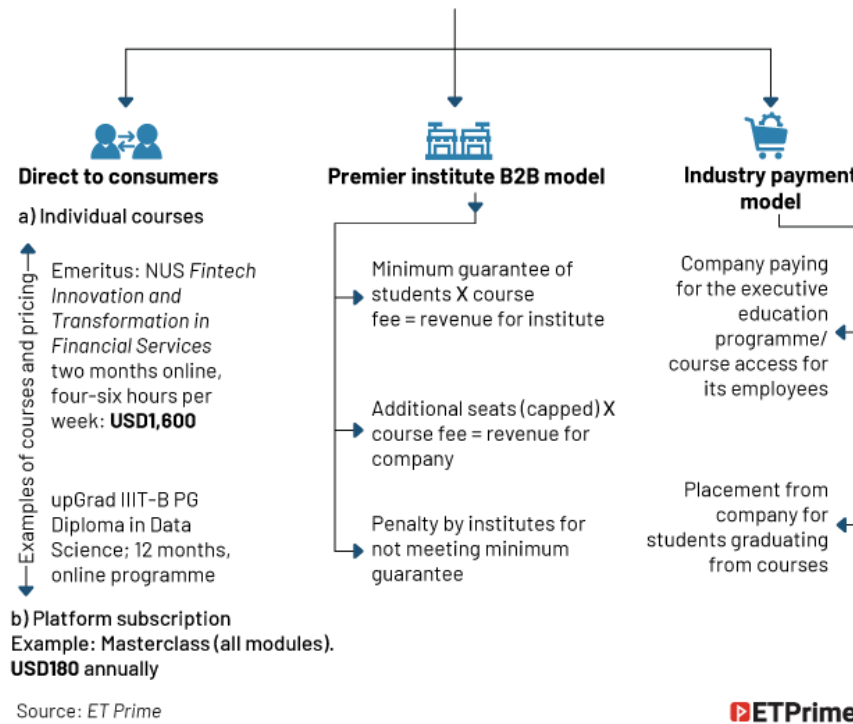
**Brain Training:**  
(Lumosity)



Source: Tracxn



## Continued Learning business models



Investment has been pouring in, as we said. Masterclass, which has built its business model around celebrities from different disciplines providing courses online, saw a USD100 million Series E funding in May 2020. Coursera, which offers free and short paid courses, skills certificates, and degrees online, partnering with



institutions and businesses, raised USD103 million in April 2020.

A similar picture has emerged in India as well. And more companies are coming up with niche areas of learning. These are just a few. Most of them have raised funding:

- Harappa Education, set up in 2018 by Pramath Sinha and Shreyashi Singh, brings well-known teachers to deliver what they call “5 Habits and 25 Skills”. They focus on cognitive, social, and behavioural workplace skills.
- **MyCaptain** provides an online platform to help the youth learn and find their passion along with summits, boot camps, fests, etc.
- Kraftshala focuses on marketing and sales programmes for working professionals and management-school students with an industry-focused programme called IndustryCreds.

- **Learnapp** provides online-management courses on topics like trading, investing, technology, financial services, etc. with video courses and interactive mentor live sessions.
- Avagmah provides online distance-learning MBA certification programmes for working professionals with virtual-classroom sessions.
- Plabs provides online product-management classes from experts.

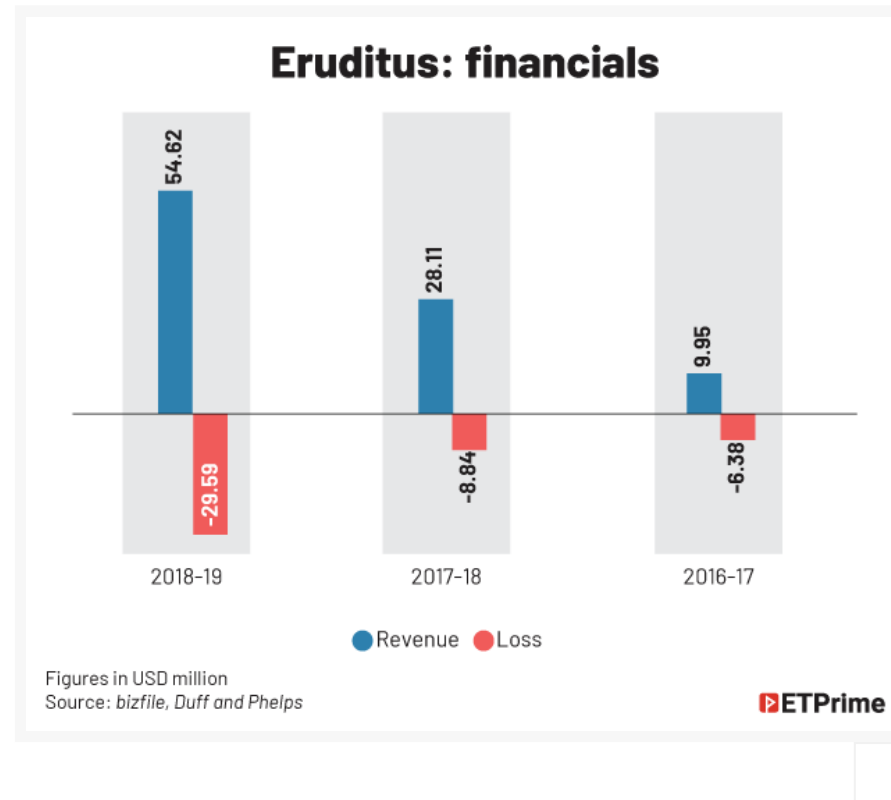
Learning through pre-recorded lectures, live classes, 1:1 coaching, and job placement are various ways in which these companies are trying to bring value to their learners. Beyond skills, the other critical aspect for continued learning is certification from an accredited institution. And that's the biggest strength for Eruditus.

### **Eruditus: the growth trajectory**

Founded in 2010, the initial focus for the company was on offline-management programmes. In 2014, co-founder Ashwin

Damera also founded Emeritus, the online edition of Eruditus. It focuses on bringing courses from the best colleges such as Harvard Business School, INSEAD, Columbia University, UC Berkley, London Business School, and top Indian universities including IIMs, IITs, et al., helping the company develop certificate courses and online degrees.

The company is registered in Singapore as **Eruditus Learning Solutions PTE.** Ltd. (with effect from April 9, 2013). Its student base includes international students and its team also has executives from different countries. ET Prime has accessed the financial filings in Singapore. The company posted over USD50 million in revenues in 2018-19.



ET Prime spoke to industry experts to understand how such business models work. As the business model graphic shows, there are B2C models, partnerships with premier institutions, and industry-payment models.

The promise of a degree from a world-class institute is a dream for many, especially after they start working and can afford to pay for it, or

get company support for the learning. This narrative and Eruditus' growth had attracted investors even before 2020.

The company raised its first institutional round of funding almost seven years after it was set up, giving it time to test and scale its model. Its existing investor base includes Bertelsman, Sequoia, and Evergreen Capital. Another company set up by the co-founder, Bizu Learning LLP, holds a large percentage of the shares, as per the cap table sourced from Tracxn (updated in July 2020).

In January 2019, the company raised a USD9 million series C funding round. This was led by Sequoia and existing investor Bertelsmann had also participated. At that time, the valuation was USD410 million, which seems to have doubled in the last year. The current round has seen investment from Naspers, Leeds Illuminate Global Fund, and Ved Capital Evergreen PE, apart from a cheque from Chan Zuckerberg

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Foundation.

The financial filings in Singapore show Konaissance Ventures LLP, Ertse WV Gutersloh GMBH, SCI Investments V1-1, and Gabelhorn Investments Pte Ltd. as shareholders, apart from individual stakeholders. At this valuation, Eruditus is well placed compared with other global counterparts:

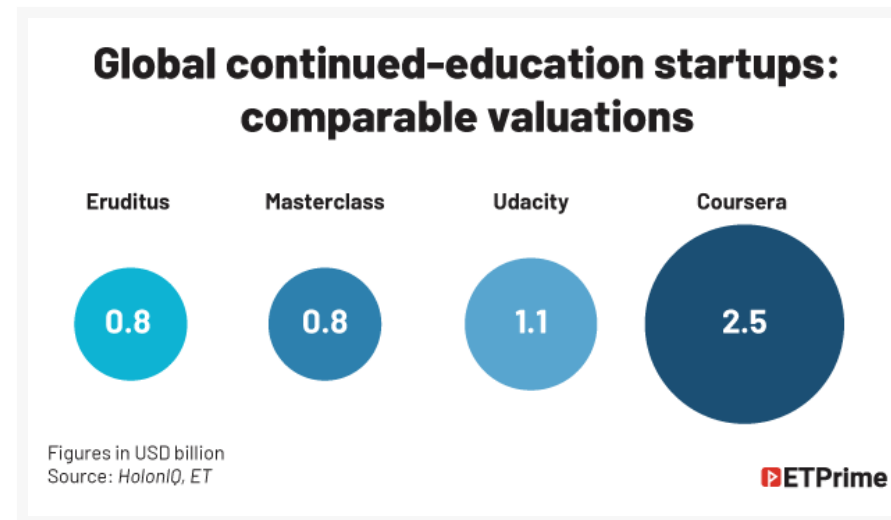


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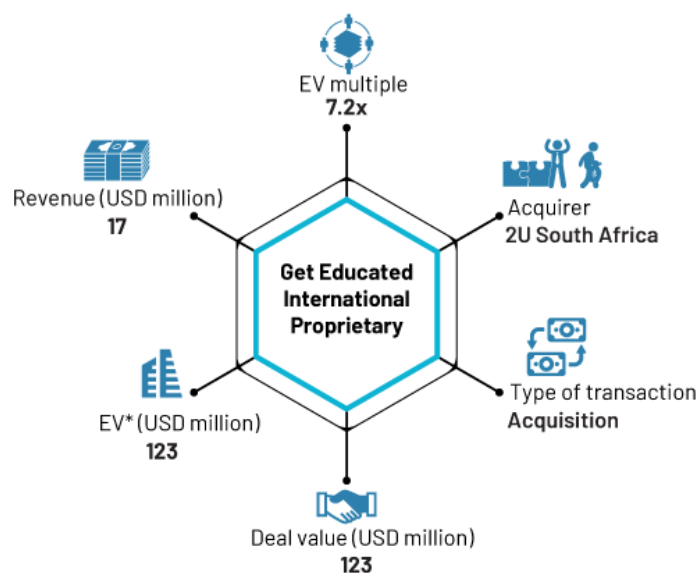


Duff and Phelps, a global valuation-advisory firm, cast a glance at the valuation multiples and

shared with us this exclusive insight from a comparable deal analysis. It compared Eruditus with South Africa-based Get Educated International Proprietary Limited (founded in 2008).

Get Educated provides courses on bookkeeping, business writing, financial management, marketing, project administration, and tourism management. It has partnerships with Random House Struik, University of Cape Town, and Stellenbosch University. It raised USD5 million in 2016, and was acquired in 2017, according to *Forbes*, at an enterprise value (EV)/sales multiple of 7.2x. They also looked at the EV/ LTM (last twelve months) revenue multiple for US-based Pluralsight, a cloud-based technology-skills platform, which was calculated by the team to be at 5.7x as of June 2020.

## Comparable deal valuation multiple



\*Enterprise value  
Source: Duff and Phelps

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Eruditus recently stated it has reached over USD100 million in revenues in 2020. That would give a comparable 7X-8X EV/sales multiple in this investment round. Of course, PE deals with some element of control do have a premium over trading multiples.

### Job readiness and collaborations

While continued-learning appeals to the lifelong

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learner, and is seen as an opportunity for people to upskill and for companies to retain talent, the ongoing job transformations have made it more a necessity now than earlier. It requires collaboration both across institutes and companies. In Eruditus' State of Executive Education survey, it asked companies about upskilling needs. Digital transformation, innovation, leadership and management, data science, artificial intelligence, fintech, and analytics emerged as key thrust areas.

Various business models are now sprouting. Companies like Google and Zoho are coming up with their own certifications. Academic institutions have been trying to find their own ways to cope with changes in on-campus hiring, a critical metric for colleges during admissions. TalentSprint, which has partnered with IIMs, IITs, and IISC (Indian Institute of Science), is selecting a set of colleges from the top 100-ranked colleges and setting up CoEs (centres of excellence). These centres have programmes and

certifications in partnership with leading global corporations. For example, their robotic process-automation programmes are planned with companies like Automation Anywhere, Blue Prism, Pegasystems, etc.

More such collaborations could be seen in the near term. And a key driver for that could be NEP.

### **The opportunities post NEP**

An industry insider points out that while online and blended learning always worked for executive education, for the premium segment, online may not always work.

“While online learning is gaining momentum and 95% of survey respondents expect online learning adoption to increase in the near future, 98% of those surveyed believe that on-campus modules had a positive impact on their learning,” says the Eruditus State of Executive Education report.

That seems to be playing out this year. Dates for the Harvard Senior Executive Leadership programme in India offered by Eruditus are not updated yet on the website. Industry sources tell us that some of the best institutions have been considering cancelling or delaying their executive-education programmes this year due to the coronavirus impact. A key element of the learning in these courses included some of the best professors globally visiting and spending time with the students. Without that experience will learners really value the course and pay the required amount?

A way out could be to move from global premium courses to more India premium- focused courses, where prices for online courses could be more feasible. That could be the emerging strategy of Emeritus after the fund-raise, apart from driving the growth of existing courses in multiple languages. And the new NEP might have given the impetus needed for this transition.

NEP promises to create an ecosystem that will enable Indian continuous-education startups to forge an alliance with the best universities globally for education capsules in India, and beyond.

According to the NEP, select universities (for example, those from among the top 100 universities in the world) will be permitted to open a campus in India. A legislative framework, facilitating such entry, will be put in place, and such universities will be given special dispensation regarding regulatory, governance, and content norms on a par with other autonomous institutions in the country.

“The proposal to allow foreign universities to have a campus in India has been on the cards for the longest time. However, limiting this to top 100 universities may not be very helpful. We are certain there will be an industry lobby to allow at least top 500 universities to establish a campus. This may happen phase-wise, based on the

interest received from universities in this regard,” says Aarushi Jain, legal counsel, TMT and Education at Nishith Desai Associates. “Credits acquired in foreign universities will be permitted, where appropriate, as per the requirements of each higher-education institution, to be counted for the award of a degree. This is a new, but critical proposal as it will make collaboration models a bigger success,” Jain adds.

Meanwhile, the ability for high-performing Indian universities to set up campuses in other countries will result in more outbound work in education. Also, until now, the collaborations were largely focused on foreign universities providing services in India. This would open doors for Indian universities to expand their base in other countries, through collaborations as well as campuses. However, the planned initiatives will require some changes.

“To unshackle the regulatory complexity, a single

regulator for education is proposed with a focus on “light but tight” regulation by a single regulator for all of higher education, including professional education, excluding law and medicine. This new regulatory system will foster an overall culture of empowerment and autonomy to universities and promote innovation,” says Jain.

All of these could be critical growth areas for companies like Eruditus.

### **The bottom line**

Simple changes in the educational framework after NEP – such as digitally storing academic bank of credit gained from various institutions, improved quality of online-learning programmes, accreditation of these programmes, and a framework for quality of these accreditations – will bring more credibility and value for the best-in-class programmes enabled by companies like Eruditus.

As companies and institutions try to comprehend, organise, and implement these changes, there could be more strategic investments and deals. Startups like Eruditus appear poised to ride the wave.

*(Research support by Rochelle Britto; graphics by Abdul Shaq )*