

India Education Market Analysis 2023

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Introduction

Through much of 2022 we worked to develop and refine our thesis on the India Education and Upskilling Market. India has caught our attention as a leading market for education and knowledge economy solutions, both as a consumer as well as a producer. Our experience with the Indian entrepreneurs and growth companies peaked in 2021 when we partnered with [LeadSquared](#), to shape their growth and M&A strategy for the US markets. We observed the remarkable growth that Leadsquared (an Indian unicorn) experienced providing SaaS CRM software and services to Indian companies - particularly to edTech companies like BYJUs, Simplilearn, Unacademy, Vendantu and UpGrad, to name a few. We became intrigued with two trends - impressive growth in LeadSquared's edTech customer segment and the fact that Indian companies had become willing and open to paying for SaaS software. We have since been studying the key drivers of growth, maturity and stability of the Indian Education Market both from the perspective of VC/PE investors and also from the perspective of our US portfolio and client companies that can partner with Indian companies and institutions to create strategic alliances and go-to-market channels. In November of 2022 we visited India to get a ground-level read of the landscape. We had the opportunity to meet with several CEOs, founders and Investors who are active in the Education/Upskilling sectors. This "trip report" captures our insights and takeaways from our month in India (which concluded on December 17 2022). We look forward to your thoughts, questions and comments.

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India Has Beome a Top 5 Economy

It's widely known that India has now become a [top 5](#) economy, having grown 8.7% in 2021 and expected growth of 6.9% in FY 22/23 and 6.6% in FY 23/24.

In addition to favorable demographics:

- buying power of its middle class
- size of population
- largest prime working age (25-54) population of ~500M
- ~265M students enrolled (K through post-secondary), 35M enrolled in higher Education with ~10M graduating annually

India has implemented policies and strategies to insulate itself (to some extent) from global economic pressures, focusing on self-reliance and sustainability but also taking an India-first approach to its [geo-politics](#). Lastly, India's efforts on modernizing its banking and financial

sectors through [deliberate digitalization](#) has transitioned it from an “informal economy” to a “formal economy” where every citizen and their financial transitions are accounted for. There are still many challenges ahead for India - energy, natural resources, agriculture, climate and infrastructure are all still work in progress. Our focus for this trip was centered squarely on education and workforce upskilling and to familiarize ourselves with the challenges and opportunities for investing in India's knowledge sectors. We met with top CEOs and seasoned Investors in the space to get their impressions. The following report is a summary of what we took away from our meetings (for which we are very grateful) combined with our own interpretations.



Key Observations

1

Rapid adoption to Online-only (due to the Pandemic)

Rapid adoption to Online-only (due to the Pandemic) is settling towards a new mix of online vs offline. Offline will be the dominant modality but % of online will continue to gain strength, particularly for adult professional learners. On one end, K12 will revert to largely offline and Test prep has the strongest prospects for growth with Online-only modality. India's [University Grants Commission](#) (UGC) has signaled an openness to view online programming at par with Offline programs offered by universities. We believe Offline will still dominate for the foreseeable future.

2

Extremely Price-Conscious Market and Business Models

Extremely price-conscious market and business models that are engineered for low price-points and efficient unit economics. While this is a necessity for the Indian market, it creates tremendous pressure on ARPU and scalable top line growth. Some smart companies are focusing on Lifetime value for the learner by launching new products and services to create and capture value over the long term. Those that aren't able to improve unit-economics have very limited scale prospects in India and have to branch into overseas markets where their products and services can demand higher unit economics. Otherwise most companies are playing for volume. This remains a key challenge for Indian companies and it is hard to imagine that many Indian EdTech/EdServices companies will break \$500M in revenues with current operating models.

3

Plenty of Capital Seeking Deals

Plenty of capital seeking deals. VC and Corporate Venture exceeds Private Equity activity perhaps because many edtechs don't yet have a strong EBITDA profile. We expect this to change as Indian investors are now hyper-focused on sustainable growth. Foreign direct investors (VC and PE) are still primarily taking minority positions alongside local/regional VC and PE firms. We believe this is a prudent way for US investors to participate in the Indian market without having to possess deep know-how of regulatory and legal avenues. Indian VCs are placing some very long-term bets on the macro India thesis - "Built-in-India, For-India".

4

National Education Policy (NEP)

National Education Policy (NEP) designed to create “successful on-ramps” and “safe off-ramps” for lifelong learning for all citizens. Although the programs fall under the umbrella of a single central authority, implementation has been pushed down to the State level, making it hard to achieve objectives and traction in a uniform way. Lack of quality teachers remains another challenge in creating outcomes. Startups and Education/ Training providers are stepping in to help States and government agencies implement their ambitious vision in all areas such as vocational training, professional certification, Early education, soft skills and workplace skills (Collaboration, Critical thinking, planning, conflict management, etc.,). Rate of adoption for solutions seems to be slow so far but the pandemic has proven to be a favorable catalyst overall.

- a. Strong emphasis and access to early childhood education (pre-school) to ensure all students entering 1st grade are school-ready
- b. Start vocational education at Grade 6 providing off-ramp options for those that need/want to enter the labor force without pursuing higher education credentials
- c. Post-secondary education pathways provide off-ramp options allowing students to earn credentials for the “journey traveled” - Universities and colleges offer certificates at the completion of year 1, advanced diploma after 2 years and degree after 3.
- d. “Light but tight” regulatory oversight including recognition and acceptance of online and distance education as part of the accreditation and regulatory framework (previously on campus based institutions could be accredited) - accredited by the same National Accreditation Council (NAC) and regulated by the same National Higher Education Regulatory Council (NHERC). The structure of the regulatory bodies and accreditation streamlines and centralizes power and governance but also can be bureaucratic at the same time.
- e. Historically at 1.7%, the new spending target on Education as a % of GDP is 6% (4.96% in the US) with the aim to increase Gross Enrollment Ratio (GER) in Higher Education (including vocational education) from 26.3% (2018) to 50% by 2035.

5

Autonomous Universities Are Moving Quickly

Universities and Colleges, particularly private ones, that are Autonomous (i.e., not reliant on a large public university for accreditation) are moving quickly to provide non-degree offerings through partnerships with edtech providers in India as well as seeking partners in the US. They see the potential to create workforce aligned short form credentials (low cost) designed to fill the talent shortfall within the corporate sector for tech and non-tech (administrative, professional and sales) jobs.

Opportunities in the Indian Market

(serviceable by both Indian and US providers):

1

Edtechs Will Continue to Partner Aggressively

Edtechs will continue to partner aggressively with traditional private (and public) schools to offer degree and non-degree programs to meet the labor and skill shortages in India's growth sectors - energy, tech, pharma, agriculture, infrastructure and banking.

2

Employer Paid Training and Education Gains Traction

Early days but trending toward employer-paid training and education programs gains traction with the availability of credible, self-paced programs and courses. US providers seem to be best positioned to capture this demand either as standalone offering or in partnership with Indian institutions offering co-curricular programs creating the equivalent of an Indian degree + US Cert or degrees with partial fulfillment at US institutions through global articulation agreements.

3

Blending of Online and Offline

Blending of online and offline. Indian edtechs are paying close attention to the learner experience of such blended modalities and how to do it well at scale. Those that can crack this code will be global winners.

4

Test Prep and Supplemental Education

Test Prep and supplemental education. India's assessment-centric bias towards professional and higher education continues to propel growth and demand for high quality digital test prep solutions for entrance exams, licensures, professional exams and supplemental education. Even early and mid-skills careers and jobs require state and regional exams for govt and private sector jobs in banking, finance, insurance, and govt.

5

Early Childhood Education

Early childhood education - significant and growing supply shortfall for decent early education care for the middle and upper middle class where both parents work and are willing to pay for quality, affordable care.

6

Career Coaching and Mentoring

Career coaching and mentoring. Large growing professional worker population and early career entrants seek guidance and coaching on matters related to career, lifelong learning and success in the workforce. They are driven by a deep desire to take control of their career progress. Employers are currently unable to provide this “benefit” to employees.

7

K12 Online

K12 online. In order to increase access to lower income populations, private offline schools seek to offer online-only curriculum at a reduced price-points. Privates typically unaffordable for many Indians are seeking to capture additional market share from the next tier of (income) families.



Opportunities for Indian Providers in the Global Market

1

Low Cost Outsource Providers

Low cost Outsource providers of competencies such as enrollment services (lead to application), student counseling and tutoring. Indian companies have evolved from being producers of raw material to providers of end-to-end service and technology and they are able to provide these services at relatively affordable prices

2

US Brands Matter In India

US brands (institutions and employers) matter a lot in India. Indian Providers have a desire to partner with US providers in order to export their solutions overseas and also offer US curriculum and education services in the Indian market. We expect to see increased partnerships and MOUs that enable workers and learners in India to gain credentials and work experiences across geographies by completing some of the lower level requirements in India with practical experience and skills in the US. This will prove to be an effective approach to closing the labor and skill shortage in the US while also improving LTV and ARPU for Indian providers

3

Indian Ed Tech Products Reached High Level Maturity

Indian edtech products and solutions have reached a high level of maturity and have closed the product-market fit gap considerably. Instructional design, digital pedagogy, application of theory of learning has matured to a point where these solutions will have global appeal within a few years. In other words, the next wave of Indian edtech growth is poised to come from global markets. US companies that partner well with indian providers can lower production and service costs and symbiotically providing reach and scale to Indian EdTechs

Summary

In conclusion, we see India as a promising Education sector market backed by Demographic, Policy and Societal/Cultural tailwinds supported further by mature Investors and emerging entrepreneurs playing for the very long term. They are driven by the idea of building for India first but with a global vision to enrich education, employability and income mobility. With all our optimism we are still cautioned by the fact that Emerging Indian edTechs have not yet demonstrated long-term and sustainable outcomes and the impact and returns are largely unquantified and unrealized. Furthermore, there are not too many truly capital-efficient scaled

providers yet. Lastly, we recognize that India has never had an international academic strategy and has been a largely closed system for a half century. India is now about 4-5 years into opening up its education Markets and policies which we believe will attract and support foreign capital and strategic alliances to capture the full potential of the Indian markets. The recent [announcement by the UGC and Ministry of Education](#) is a very significant step to open education markets, allowing foreign universities to serve the Indian markets by setting up campuses and direct repatriation of fees to the parent (foreign) campus/institution.

It is our view that in order to have breakthrough global success, Indian Education and upskilling businesses will need to:

- a) Align with Govt policy but not be dependent on government funding
- b) Operate within a regulatory framework but demonstrate leadership in self-regulation
- c) View themselves as Exporters of work-ready talent (global talent pipelines) in addition to education/training providers
- d) Prepare to excel in operating in online and offline modalities
- e) Measure and report on outcomes for learners and working adults. Perhaps this is the area where regulatory oversight and accountability standards are most crucial.
- f) Implement profitable and sustainable growth and business models

With the above acknowledgements, we do intend to invest and operate in India but only alongside regionally and locally-savvy investors in the themes we have spotted. We prefer to take minority stakes via primary or secondary offerings. In the near-term we are greatly encouraged by the potential for partnership possibilities between Indian and US-based education and workforce upskilling providers portfolios.

Coming Soon

1. A Must read - [Private Equity Transactions - India](#)
2. [EY PE/VC trend report 2021](#)
3. The Indian edtech and skilling sector is more fragmented and heterogenous than the US. It's possible for 2 companies in the same category to have very different performance and growth trajectories. In other words, segment and sector pressures don't apply equally to all companies. Consequently, due-diligence emphasis must lean heavier on product/service and CEO/management teams as opposed to sector/segment/end-market.
4. Investable themes we like:
 - a) AR/VR/MR/Web3 content
 - b) Talent Mobility in high demand, white-collar professions - cross-border skills, verifiable credentials, Jobs/recruitment and immigration/visa assistance
 - c) Early childhood education
 - d) Upskilling + Degrees. Degrees still matter a lot in India.
 - e) Workforce aligned Test prep for career advancement
 - f) Vocational Education, skilling + Softs skills
 - g) K12 Supplemental education
 - h) Instructor and Tutor Talent aggregators and marketplaces
 - i) US co-branded or private labeled universities and colleges
5. List of companies valued ~\$100M (Source: <https://blume.vc/>)

	PreK	K-8	Grade 8-12	College	Employed Adults
Age:	Age: 0-8	Age: 8-14	Age: 14-18	Age: 18-25	Age: 20-60
Key Stakeholder:	Parent	Parent & School	Student, Parent, & School	Student, College, & Recruiter	Learner & Employer
Core Learning	Foundational Learning Personality Development 	Curricular learning 		Curricular learning 	Upskilling
Supplemental Learning		Co-curricular (coding, vedic math, public speaking) 	Extra-curricular (music dance, etc) 	Hobby Learning 	Communities / Networks / Mentorship
Catalysts	Daycare, health, and safety 	P2P learning / Counselling / Teacher tools 	Admissions + Communication + Placements 	Admissions + Communication + Placements 	Hiring
Offline models		Financing 	Financing 		

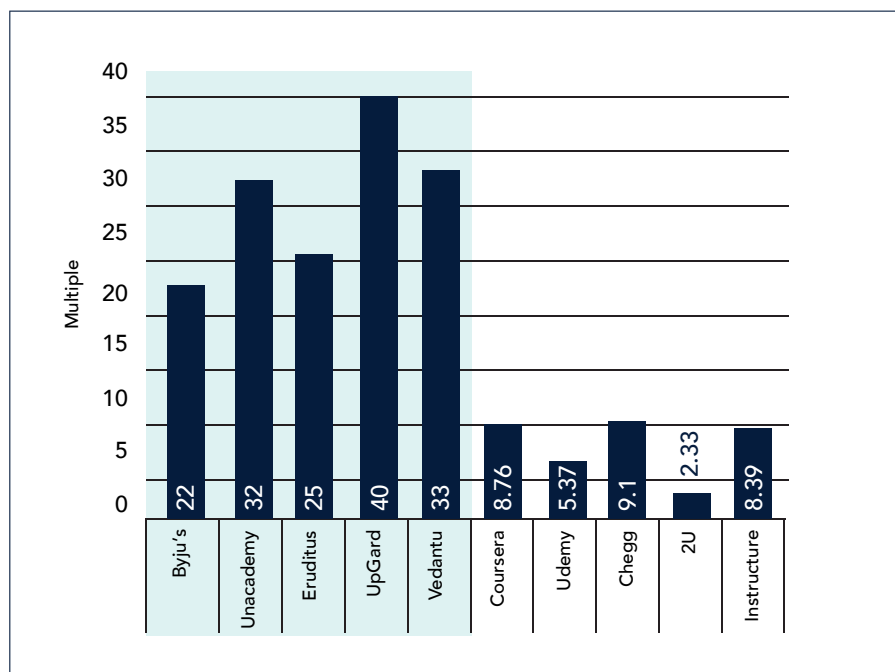
Coming Soon (cont.)

6. White space Opportunity map (Source: Blume.vc)

Age:	PreK	K-8	Grade 8-12	College	Employed Adults
	Age: 0-8	Age: 8-14	Age: 14-18	Age: 18-25	Age: 20-60
Key Stakeholder:	Parent	Parent & School	Student, Parent, & School	Student, College, & Recruiter	Learner & Employer
Core Learning	Foundational Learning Personality Development	Curricular learning ("Getting good marks")		Curricular learning	Upskilling
		Test prep ("Getting into college")		Getting a job	
Co-curricular (languages, coding, vedic math, public speaking)		Hobby Learning			
Extra-curricular (music dance, etc)		Communities / Networks / Mentorship			
21st century skills (Personality development / social development / Communities / Mentorship)					
Catalysts	Daycare, health, and safety	P2P learning / Counselling / Teacher tools		Admissions + Communication + Placements	Hiring
		Admissions + Communication + Placements			
		Financing		Financing	

7. Valuations compared to US companies

Indian Ed Techs Have Higher Revenue Multiples Than Global Peers



Additional Resources

- ✓ <https://www.zaubacorp.com/> - financial and valuation data on companies
- ✓ [India-Startup-Market-Map](#)
- ✓ [WEF Education 4.0 report on india](#)
- ✓ [Unesco education report on Asia](#)
- ✓ [India Skills Report](#)
- ✓ <https://www.worldbank.org/en/news/press-release/2022/12/05/india-better-positioned-to-navigate-global-headwinds-than-other-major-emerging-economies-new-world-bank-report>
- ✓ [Understanding the sector \(Kaizenvest\)](#)

Flipp.ED Ventures is a growth strategy and investment firm that partners with Private Equity funds focused on the global education sector, with a primary investment thesis in adult lifelong learning & workforce upskilling. The Flipp.ED team comprises of operating executives with deep sector expertise in leading growth, transformation and innovation at Education Technology/ Education Service companies and Academic Institutions.

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