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RIGHT NOW®

THE STARTUP NEWSLETTER

AUG'20

CHUNDER KHATOR & ASSOCIATES
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Ever since the Government of India has released the New Education Policy (NEP, 2020), we have been wondering how it feels like to be at the epicenter of this paradigm shift in India's Education System.
And who better than Harappa Education which is already 2 years into radicalizing how India looks at learning.

Despite having a 6-figure user base in just 2 years, a strength of over 90 odd employees and a successful round of funding from a foreign investor, Co-founder & CEO Shreyasi Singh, humbly puts it, "If there are other people [competitors] who also feel passionately about it [changing the learning experience], more power to them!"

RIGHT NOW PODCAST (contd.)

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In this Episode, Ritwik and Kartikeyan have a conversation with Shreyasi Singh, Co-founder and CEO of Harappa Education, based out of Delhi, India.

Harappa Education is an e-learning platform which offers a unique curriculum designed around foundational **Habits** which are believed to play a critical role in achieving '**professional success**' and '**personal meaning**'. Every course focuses on the impact it is likely to make on the individual's performance at the workplace. Some of these courses include – Thinking Critically, Unleashing Creativity, Building Presence, to name a few.

After 15 years of work experience, Shreyasi took the leap to pursue an idea which is likely to change how India looks at learning. And with the recent change in the Indian Education Policy, Harappa's courses are bang on!
There's a lot to learn from the CEO & Co-founder of a 2-year-old Startup, which has already attracted Foreign Funding, headed with full throttle to change your learning experience, and we can't wait for you to listen!

If you're running a startup, be it the size of a full-grown tree or a seed that has just germinated, we're interested to have coffee with you (Giving a trailer of your hard work to the world, is something that we also do)

THE GOLDEN ERA OF EDTECH HAS JUST BEGUN

A startup comes into existence for 2 main reasons: It's either tech capabilities that can help accomplish a task with much added convenience or it's the existing way of doing things that has just too many flaws. In the education space there is a little bit of both:

- **About the convenience:** Since the beginning of time, humans have been going to the school for intake of education. However, since tech is bringing everything else right to our doorstep, there is no reason why education should not come too.
- **About the flaws:** Well, you know that much better. Here are some concerning numbers:
  - According to the annual status of education report (ASER), Between '08 & '18, Percentage of 5th standard students being able to solve a simple arithmetic division problem has declined from 47% to 34% in Private Schools and from 40% to 23% in Govt Schools.
  - The education system naturally becomes responsible for the rising unemployable job seekers. An analysis by DataLabs reveals 38% of the Indian IT job applicants were unable to write a single compile-able code (USA: 4%).

Resultant: The problems and the opportunities have shaped EdTech into the following core sub-sectors:

- Test Preparation – let's admit it, lounge pants bring in that extra level of calm while giving that extra level mock exams. (Key players: Toppr, Vedantu)
- Online certification: delivering at work and continuing to learn from home hasn't been easier. (Key players: Udemy)
- Skill Development: Increasing the employability of the incomplete products of the traditional education system is the need of the hour. (Key players: UpGrad)
- Online Discovery: NO STUDENT in this universe likes to visit the school admin office. Thank you, techies, for helping to shift the admin online.
- STEAM (Science, Technology, Engineering, Arts and Mathematics) Education: STEAM sums up all the subjects that have been dented by the rote learning methodology of the traditional schooling system. Even the innovative spirit of teachers has been largely subdued within the boundaries of conventional curriculums. (Key Players: Byju's, WhiteHat Jr.)
- B2B solutions such as learning management systems and coaching class management apps: Let's admit it, our teachers deserve convenience much more than we do. It's high time that Tech is used to enable the teachers to make much more impact in the same 24 hours (Teachers are teachers 24*7). (Key players: MadRat Games, Embibe: Jio bought 73% stake for $180 Mn in Apr'20)

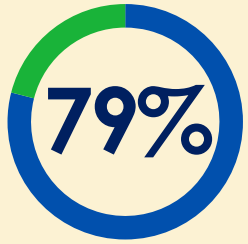
THE GOLDEN ERA OF EDTECH HAS JUST BEGUN (contd.)

So how good has their run been? Here are the numbers for some perspective:

303 Funding deals

194 unique ideas funded so far

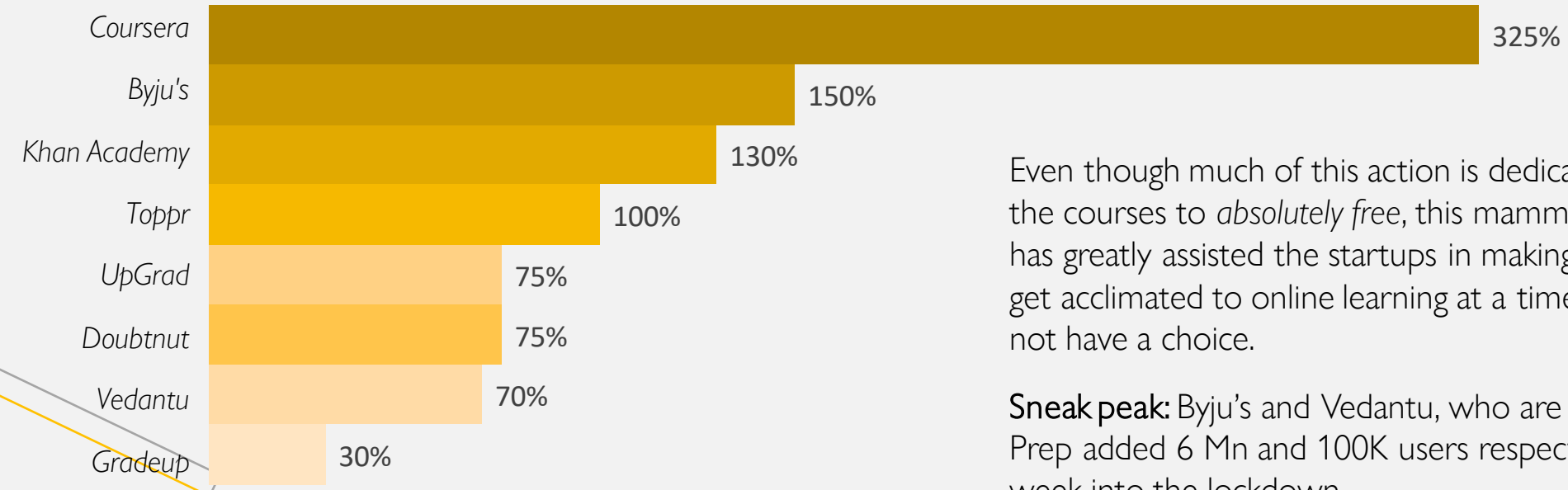
$1.89 Billion total funding



79% out of $1.89 Billion funding is in Byju's

40% Growth in Revenue p.a.

Growth in userbase reported in April'20 (1st tranche of lockdown):



Source: DataLabs

Even though much of this action is dedicated to converting the courses to *absolutely free*, this mammoth jump in traffic has greatly assisted the startups in making the consumers get acclimated to online learning at a time when they did not have a choice.

Sneak peak: Byju's and Vedantu, who are big time into Test Prep added 6 Mn and 100K users respectively, within a week into the lockdown.

THE GOLDEN ERA OF EDTECH HAS JUST BEGUN (contd.)

Way forward?

According to the Economic Survey 2017-18, the income elasticity on education is estimated at 0.93 compared to 1.95 in health and 1.44 in clothing and footwear. Which means that even if a family's income reduces amidst this economic slowdown, the expense on education is less likely to go down and with little scope of offline teaching resuming any time soon, Online Learning is bound to flourish. The free trial phase is over and the Edtechs are now headed full swing towards encashing the new consumers.

Further beyond?

According to a 2017 analysis by KPMG, Edtech sector is expected to grow to $1.96 Bn with around 9.6 million paid users by 2021 from $247 Mn and around 1.6 million paid users in 2016 (Pandemic will further pump the numbers)

The hurdle: As per DataLabs, the average ask from paid customers is INR 10,000 p.a. by Byju's and INR 23,000 p.a. by Toppr. Therefore only 5% (boils down to 12Mn paid users) of the present addressable population has the purchasing power to afford Online Education.

Even though Edtech will sustain through unique content and pedagogy, their growth will be significantly dependent on the macro economic factors like Disposable Income, Internet Penetration, Smartphone user base, Government's digital initiatives and most importantly, Government's education reforms.

NEP 2020 – NEW OPPORTUNITIES FOR EDTECH

The National Education Policy 2020 made a big noise among the Gen Y and Z. For years we have boasted of having one of the youngest population in the world but have done little to cater to their biggest need i.e. Education (India ranks 104 out of 149 nations in Prosperity Index in Education) However it's all set to change with the adoption of NEP 2020 (fingers crossed). While we were low-key sad that policy makers are still ignorant about prom-nights, we were thrilled (on behalf of the startup ecosystem) to learn about the following objectives that NEP intends to uphold:

POLICY

- Change the pedagogy by moving away from rote-learning based systems currently in place to more activity-based, experiential learning methodology, with an increased emphasis on choice for students in the secondary grades.
- Developing higher order cognitive skills, 21st century skills, mathematical and computational thinking, critical thinking skills.

CKA's Take

The transition to activity-based learning will depend on the pace with which school administrations will be able to adapt to the change. Leaders of Edtech startups and associated teachers are sitting with some vital know-how and experience in this space. This will create opportunities for consultancy and strategic partnerships. At the same time, it will also lead to higher acceptance of the unconventional curriculum of Edtechs.

POLICY

No separation between arts & sciences, curricular & extra-curricular and VOCATIONAL & academic streams.

CKA's Take

An elaborate emphasis on Vocational streams comes as a huge relief to the youth who have for long, been pushed into academics due to no realistic alternative. However, the fact that most Higher Education Institutions do not have specialized faculty for vocational training, open doors to a plethora of opportunities for Edtech players to collaborate and offer joint degree/certificate programs.

NEP 2020 – NEW OPPORTUNITIES FOR EDTECH (contd.)

POLICY

- Moving towards establishment of Collaborative and Resource-efficient school complexes.
- Building State Level Child Tracking Systems, efficient EMIS System with real time data analytics; Identification of Socio-Economically Disadvantaged Groups (SEDGs) within the state and developing alternative methods of schooling to meet their education needs.

CKA's Take

Enterprise tech and Edtech startups working as B2B players will play a pivotal role in implementation of these policies.

We believe that the startup ecosystem that is essentially empowered by Tech will have a huge role to play in the successful implementation of the NEP 2020. One of the objectives reads, "Greater focus on online education and Open Distance Learning (ODL) as a key means to improve access, equity, inclusion." This in itself is the Policy makers' formal recognition of the Edtech space and their capability to facilitate change.

And not just a handful but a score of startups will get the opportunity to make an impact. Here's why:

- Education falls in the concurrent list of the Constitution which means that even though the Centre can define a macro level policy, the States will get a significant level of independence in the implementation of the policy. Which means that every state is a new opportunity for startups to collaborate and facilitate change.
- An extract from NEP 2020 reads, "Schools will have the autonomy to adopt student-friendly curriculum and pedagogical standards." This means that even though the State may devise a macro level implementation plan, each school still gets the independence to tread down its own lane. Therefore, each school (1.5 Mn schools as of FY '18) is a new opportunity for startups to again, collaborate and facilitate change.

TRIVIA – SPOT THE FAKE NEWS

Drum Rooooollllllllll.....!!
From this Newsletter onwards, we will be asking you one quick question (don't get too serious).
All you gotta do, is find the hack.*

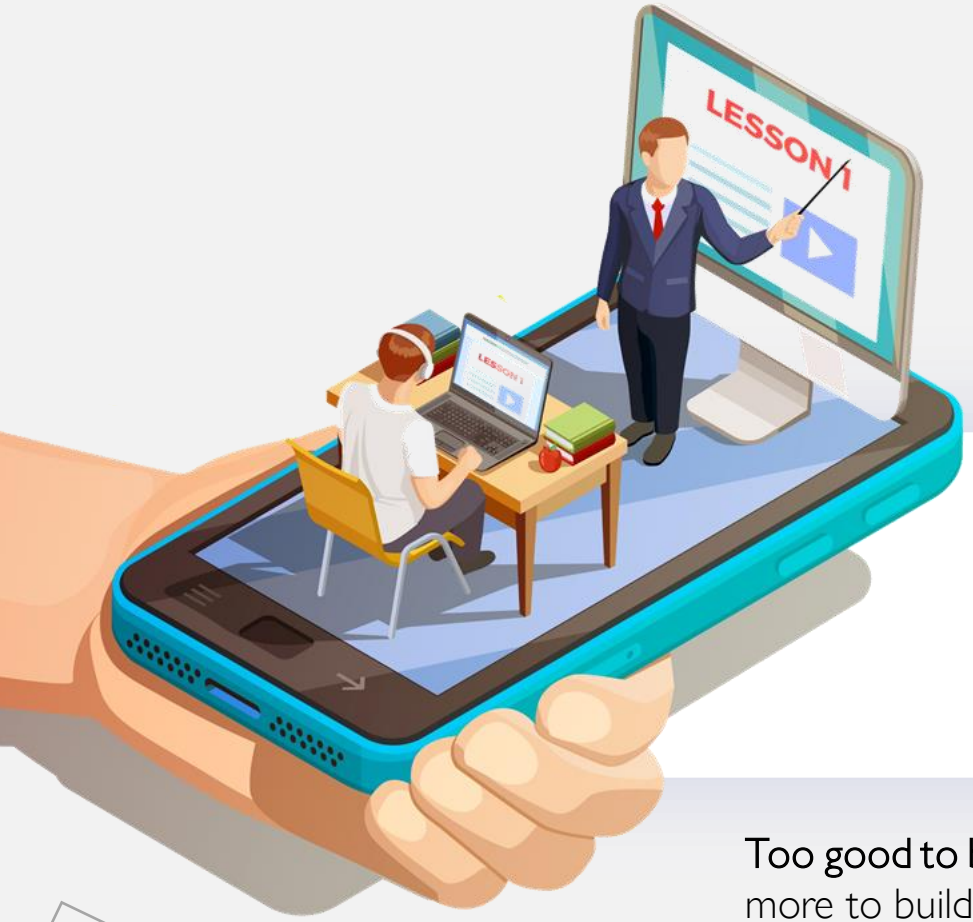
Here are some news from this last month which talk about the food industry. Let's see if you can spot the fake news:

1. To introduce Italy's state of art food processing tech in India, the Embassy of Italy hosted 'The Digital Indo Italian Business Mission on Food Processing'
2. Dishoom, a chain of Indian restaurants in United Kingdom, launched its DIY bacon naan kits
3. Phalda pure and sure introduces their own pineapple infused organic coconut water
4. Building up competition leads Swiggy to announce the opening of their own Kirana stores by 2021

Answer in feedback form

*You're doing this for your own satisfaction. Right answers will not be rewarded.

WHITE HAT GRADUATION



Last month we discussed how WhiteHat Jr. is disrupting the Edtech space by teaching coding to kids aged 6-14 years. This month its founder Karan Bajaj sold it off to the Edtech Behemoth Byju's for $300 Mn ALL CASH DEAL. Bajaj owned 40%+ of the company per Money Control which means that he earned $120 Mn in CASH from an 18 months old startup.

Is this a big deal?

Here's some perspective – Sriharsha Majety (Co-founder and CEO of Swiggy) owns only 6% of Swiggy (6 years old) and his net worth is around $220 Mn (and it is illiquid).

1.67
Crores/Day

The earning boils down to a daily cash earned run rate of INR 1.67 Cr (weekends included). If you have been wondering what's the right amount of earnings that justify over-working, INR 1.67 Cr per day is a pretty good benchmark.

Too good to be true right? Well there's more: Bajaj is going to stick around with Byju's for 2-3 years more to build the next generation of products.

But is it all justified?

WhiteHat Jr. Claims to have clocked a $150 Mn Annual Revenue Rate (ARR) as of July'20. It was just $12Mn in Jan'20. (Unacademy had an AAR of $30 Mn in Feb'20).

Moreover, the Startup boasts a customer retention rate of 80%. (WOW!)

WHITE HAT GRADUATION (contd.)

The Big Picture:

The exit story of WhiteHat Jr. throws light on a promising method of startup exit, i.e. selling a smaller startup to a larger Startup.

How does it work?

- Step 1: You get inspired by a startup that has been making noise and decide to replicate the model.
- Step 2: You assemble a team and sprinkle a bit of innovation by tweaking the product to cater to a niche segment within the industry.
- Step 3: You give it some time to build. Shed some sweat. Over work. Build a brand. Build a personal brand image by networking.
- Step 4: 2-5 years down the line if you're able to maintain superior customer feedback with a high rate of repeat paying customers, you can start posting your company's resume to the bigger fish and sell the company for cash. *(Disclaimer: It comes with a huge list of ifs and buts).*

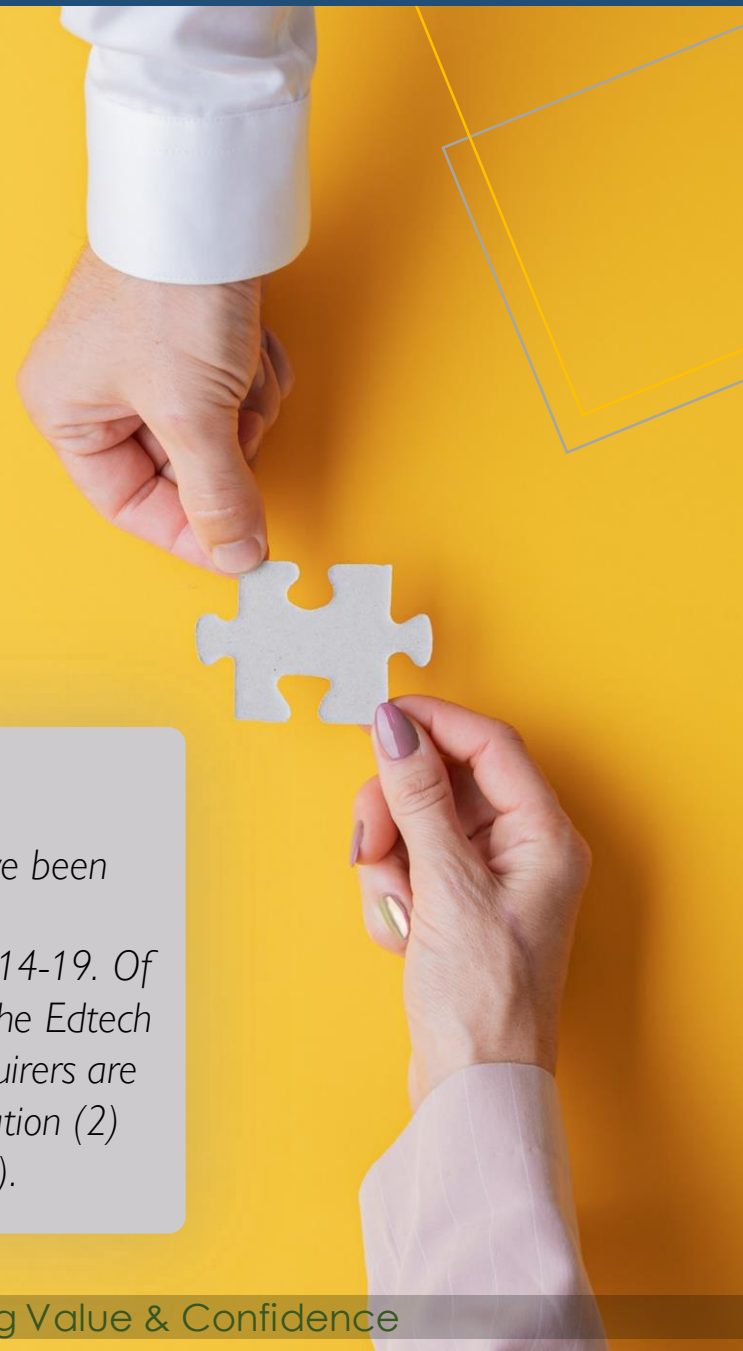
Eg: Foodtech: Spare Labs (2 years old) that was into last mile food delivery was bought by Zomato back in 2016.

Edtech: Osmo (5 years old) that is into creation of AR games for Kids was bought by Byju's back in 2019.

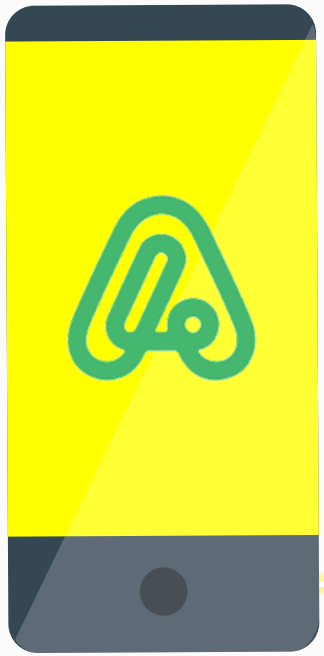
WHY M&A IN EDTECH MAKES PERFECT SENSE?

Let us reflect on the M&A opportunities in the Edtech sector. WhiteHat Jr.'s acquisition comes amidst an economic slow down when experts had already been speculating consolidation across industries. And M&A is expected to be all the more active in Edtech sector. **Here's Why:**

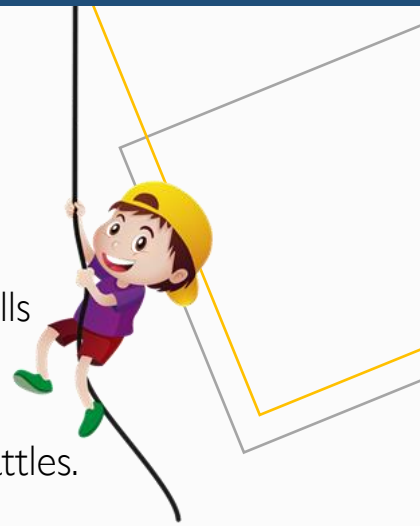
- According to DataLabs, India is home to over 3,300 Edtech startups. However a chunk of the market share is enjoyed by a handful of big players like Byju's, Vendatu, Unacademy and Toppr. Which means that there are a lot of small fish that will be interested in M&A amidst the cash crunch.
- M&A's are beneficial for financial synergies and rapid inorganic growth. The peculiarity of the Edtech sector is that the assets of the company are an easy sell to the interested acquirer.
- If you were a last mile delivery startup, the best-selling point to let's say Swiggy would be your Delivery fleet, Restaurant base, your Customer base and if you're too good then even your Tech.
- In the Edtech space on the other hand, apart from bringing the teacher base and the customer base to the table, you also bring the assets that you create over time in the form of Unique Educational Content and the Pedagogy that cannot be easily replicated by the industry.



Around 628 M&As have been observed in the startup ecosystem between 2014-19. Of these, 6% (35) are in the Edtech space. Most active acquirers are Byju's (5), Xseed education (2) and Next Education (2).



Name of the Company: AugLi
Found in: 2018
Founders: Anjali Tiwary, Kamal Kashyap
What makes it special: It helps children in honing skills in lines of critical thinking, communication and digital literacy by gamifying the experience with quizzes and leaderboards. It believes that all these skills are important for building the emotional intelligence of the Children. Each skill on the app has been bundled under a superpower such as News Surfer, Active Reading, Captain Precise, Magneto, and Debate Ninja among others. These superpowers can be won by children after completing various battles.
Number of Customers: 5000K
Paying customers: 20%



Name of the Company: Uable
Found in: 2019
Founders: Saurabh Saxena
What makes it special: Uable is focussing on developing the creative intelligence of children. It helps students explore different sectors at an early age and develop future-ready skills to achieve their goals. the company leverages active learning principles, where students spend time visualizing ideas, discussing, debating and collaborating with their peers.

WHAT ELSE IS BUZZING - TIKTOK SAGA

29 Jun'20 — India banned TikTok overnight, claiming it to be *prejudicial to the security of the State*. $6 Bn estimated dent on ByteDance (parent company of TikTok)

30 Jun'20 — Co-founder of Indian Startup Chingari (alternative of TikTok) shared the spike in user engagement after ban of TikTok:

- Within 1 hour of TikTok ban, Chingari saw 1 lakh downloads
- Chingari is getting 10 lakh views per 30 minutes

31 Jul'20 — USA President Donald Trump (visibly inspired by India) said that he would ban TikTok sometime soon, over security concerns.
TikTok's spokesperson appealed (in vain) that they have hired close to 1000 Americans and all their data is stored locally in the USA.

02 Aug'20 — Microsoft revealed that it is in talks with TikTok to buy its U.S. Operations (claimed that it can help TikTok with its Azure cloud platform).

06 Aug'20 — Trump administration passed an executive order banning transactions with TikTok and WeChat (which will basically make them defunct), if it is not sold within 45 days.

24 Aug'20 — TikTok sued the U.S. Government for its unfair executive order, with hopes that the entire process could be stalled till November 3 elections.

WHAT ELSE IS BUZZING – TIKTOK SAGA (contd.)

While Chingari will take some sweat to reach the 120 Mn monthly active users mark (TikTok India's user base in June'19), if it spends enough time without a competition, it may reach a point from where there is no return. Therefore, TikTok needs to act on war footing to regain access to Indian market. We believe this could come in any of the following ways:

I. If Microsoft pulls out some more billion dollars out of its $137 BILLION cash reserves to buy TikTok India also. 7 Aug'20: Reports surfaced that Microsoft is considering purchasing the entire Global Operations of TikTok

II. If Reliance Jio, which appears to be the only Tech giant of India, buys TikTok India operations. 13 Aug'20: News surfaced that Reliance Jio is in talks with ByteDance to buy TikTok India at around $3 Bn

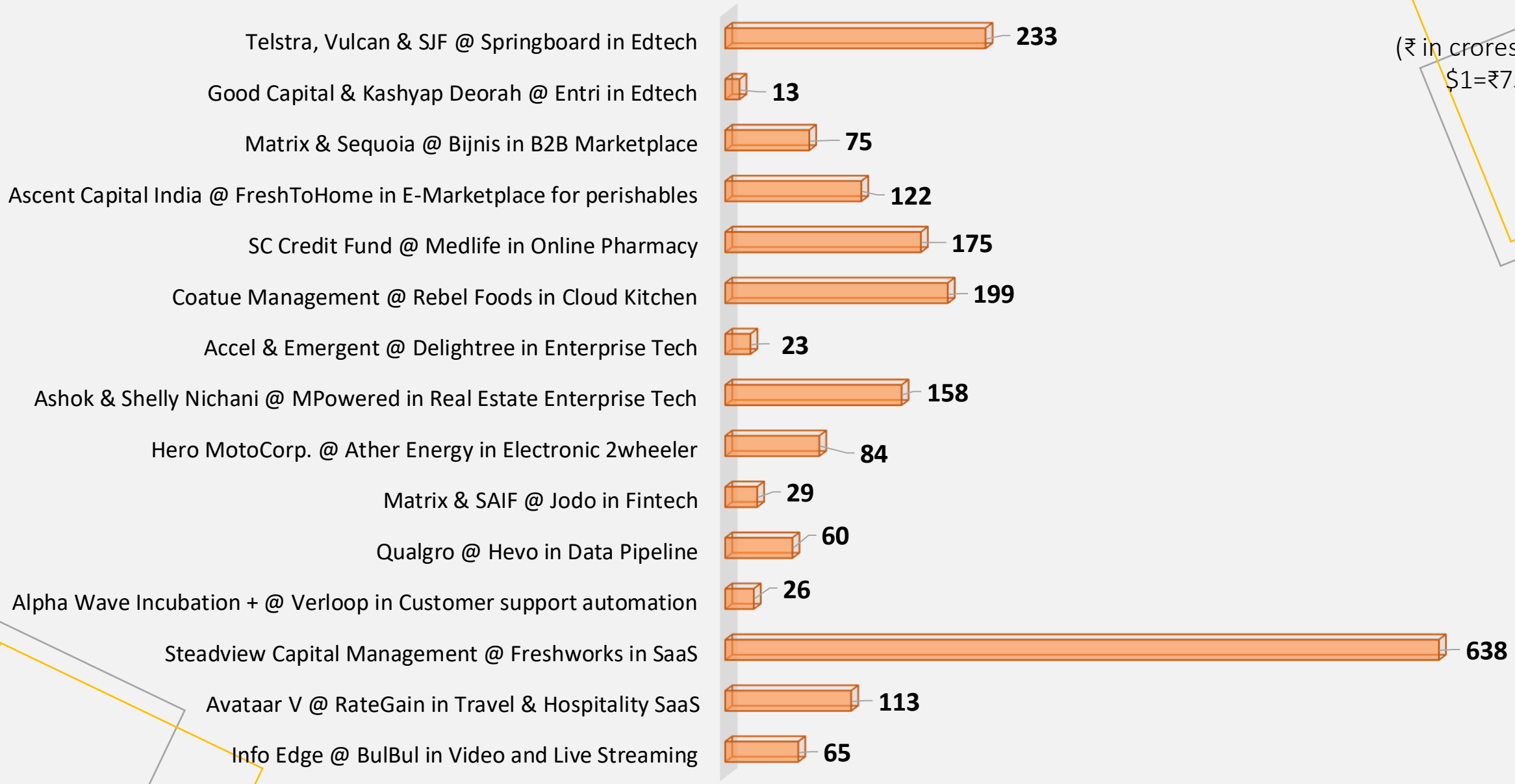
III. If TikTok decides to invest in local servers and stores all its data locally in India and also is able to convince GoI that it is not taking any data outside the country (Teaser: exactly 1 year ago, Jio announced that it will develop data centers in India that will run Microsoft's Azure cloud platforms)

The founders of short video platforms of India are well aware of the stakes in hand and have turned active in raising funds to initiate blitz-scaling and acquire the market ASAP:

- Chingari raised $1.3 Mn in seed round, led by VCs including AngelList India, Utsav Somani's iSeed, Village Global, LogX Ventures, and Jasminder Singh Gulati of NowFloats. It also won INR 20 lakh in the Aatmanirbhar Bharat App Innovation Challenge (Social category). It has also raised an undisclosed amount from Tinder CPO Brian Norgard and OLX founder Fabrice Grinda.
- ShareChat launched its short-video sharing platform Moj a day after the Govt announced TikTok ban. As reported by BT on 27 Aug'20, interestingly, Microsoft has shown interest to invest upto $100 million in the startup.

RECENT STAKE GRABS IN INDIAN STARTUPS

(₹ in crores)
$1=₹75



LEARNING FROM THE BEST

Bloackstone, founded in 1985, is today one of the biggest private equity firm across the globe. Here are 3 lessons from the firm's growth story:

Q. Aligning vision and culture across the firm becomes tougher as it grows. What is your strategy to keep the organization motivated till shop floor?

A. I realized at one of our success parties at Blackstone, we were mobbed by employees, which means that there was an unfilled need of employees to have access to me. Which is a bad thing. So, we started broadcasting three-minute videos of our interesting business engagements. We're always looking for new and better ways to connect with our people.

The lower pyramid employees are the ones doing the real work, keep them posted and motivated.

Q. How do you and senior team decide on a particular deal, is it democratic or domain specific team owns it?

A. I always believe in having the most open and democratic debates on vital decisions. It completely liberates the team who brought the deal or else, they feel their job is to onboard others. And if the deal goes south, then they get blamed. And this creates some very odd incentives.

Democratize fame and shame, so that we focus on fostering the company than just micro teams.

Q. What is your mantra to effective human resource management as there is massive diversity in experience, knowledge and expectations?

A. First- You have to teach young lads that their opinions are worthy. Second- If you feel somebody is worthy enough for a promotion, don't push the senior out, rather venture in spaces to offer him/her fresh opportunities.

~ excerpts from ***What it Takes*** *by Stephen A Schwarzman (CEO & Co-founder | Blackstone)*

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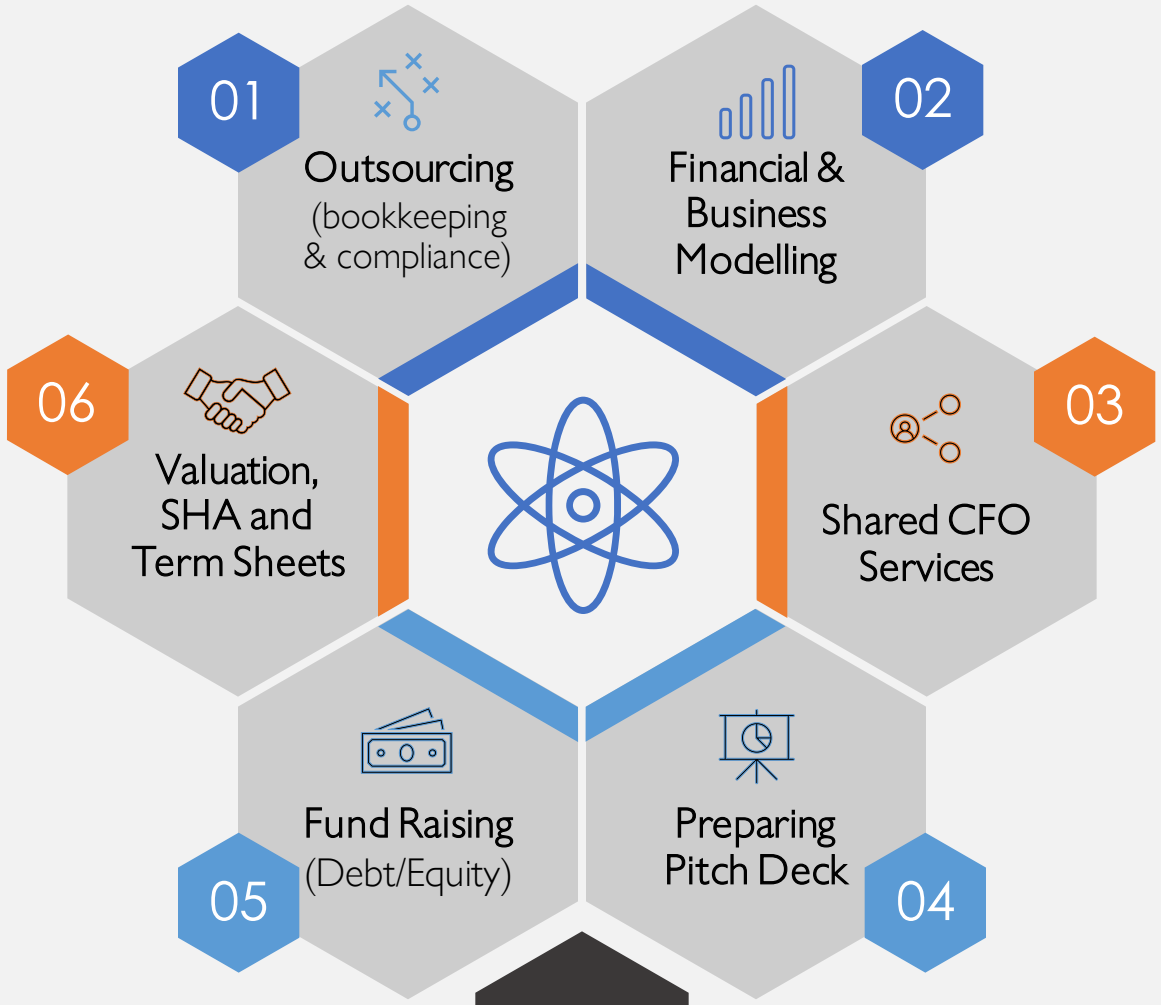


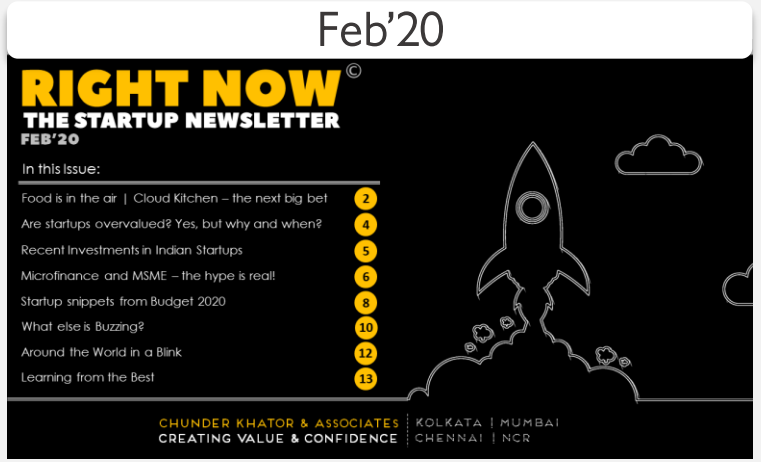
Our services are passionately focused on the professional development and success of our clients

PREVIOUS ISSUES

Dec'19

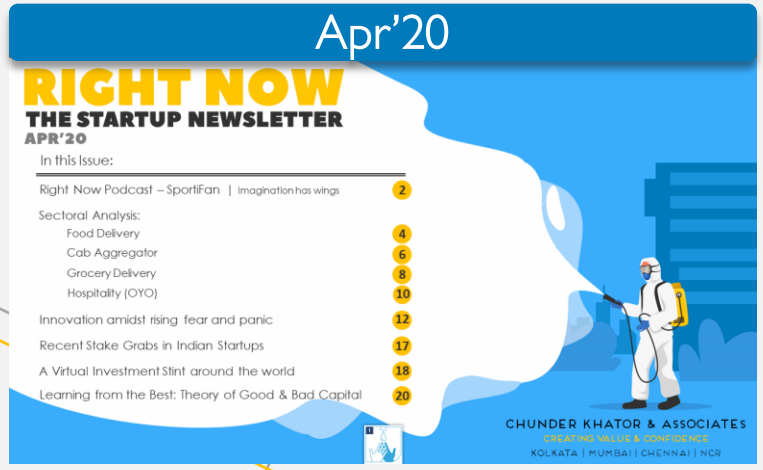
Jan'20

Feb'20



Mar'20

Apr'20



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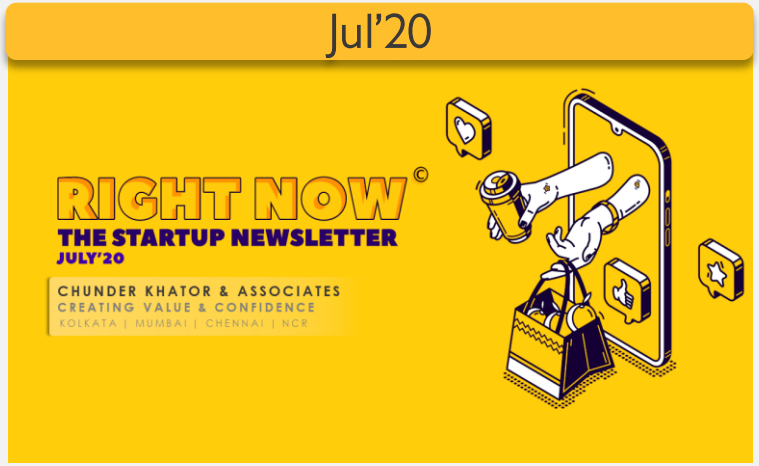
Jul'20



Wow! This is Uber Cool!

You made it to the end!

What do you think about our Newsletter?

Type something…

Note: All the facts and figures have been accumulated from Inc42, the Economic Times, the Mint, Business Standard, Money Control, Tech Crunch and CrunchBase

We thank Vanshika, Sanjana, Ritwik, Abhimanyu and Kartikeyan for their contributions.

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