

## The Investor



Gaja Capital is a private equity firm focused exclusively on mid-market companies in India. Founded in 2004, Gaja Capital has raised four private equity vehicles and invested in 23 companies as of October 2021. Its latest fund is targeting growth equity investments with an enterprise value of up to USD150 million in sectors such as education, financial services, consumer, software and healthcare.

### FUND NAME

Gaja Capital Fund III

### FUND SIZE

USD239.5 million

### TOTAL AUM

USD450 million

## The Company



Educational Initiatives (Ei) provides technology-enabled diagnostic assessment and personalized learning solutions for students in kindergarten to 12th grade (K-12). The company's product portfolio includes assessment tools, such as Ei ASSET and Ei Diagnostics, and its intelligent tutoring system Ei Mindspark. As of October 2021, Ei has worked with more than 14 million students in over 11,000 schools across India.

### WEBSITE

[www.ei-india.com](http://www.ei-india.com)

### INDUSTRY/SECTOR

Education Technology

### LOCATION

India

### DATE OF INVESTMENT

JULY 2018

### AMOUNT

USD27.1 MILLION

**AS AN INVESTOR** in the education sector since 2005, private equity firm Gaja Capital believes India is one of the fastest growing and most attractive global private education markets. India boasts the world's largest K-12 education system with over 275 million enrollments and 1.5 million schools as of October 2021. Over the last two decades, the percentage of students served by government schools has dropped from approximately 90% to 60%, as rising income levels have allowed parents to afford private institutions.

The Gaja team was introduced to Educational Initiatives (Ei) by the CEO of its education services portfolio company, CL Educate. Ei's founders, Sridhar Rajagopalan, Sudhir Ghodke and Venkat Krishnan, met with Gaja several times a year to discuss the future of K-12 education and ways to scale personalized learning. Three years after the initial meeting, the informal relationship turned into an investment opportunity when some of the founders and early-stage investors began seeking a path to exit. Gaja acquired a majority stake in the educational products company for USD27.1 million in July 2018.

### PARTICIPATION/STAKE

81.6%

## The Deal

**FOUNDED IN 2001**, Ei was one of the first companies in India to leverage technology to design personalized learning solutions. The company has collected two decades of educational research, which it uses to create content in the form of questions, activities, games and videos to help K-12 students advance academically. Ei's flagship product Ei Mindspark is a computer-based program that adjusts to each child's learning level and pace to help him or her master math, science and English.

The Gaja team's main priority was to help Ei scale the business. It began by augmenting the sales and marketing team, hiring a Head of Sales in 2018. The company's salesforce tripled from 35 in 2018 to 105 in 2021. Higher customer engagement, particularly through newly created academic support teams, resulted in Ei's core customer base increasing from 600,000 users as of March 2018 to approximately 900,000 in March 2020. At the time of Gaja's

investment, Ei was working with 70 schools in one state; by 2020, it was working with over 300 schools and 70 after-school centers in 10 states.



Gaja Capital has been deeply involved with augmenting the senior management team, including implementing a successful CEO succession. After completing his five-year term as CEO, co-founder Srin Raghavan transitioned the role to Pranav Kothari in April 2021. Gaja also led the hiring processes for key roles including Chief Business Officer, Chief Technology Officer, Chief Financial Officer, Head of Human Resources and Vice President of B2C. Gaja has been particularly focused on the inclusion of qualified female candidates. Women currently comprise 30% of the executive team and of Ei's 244 employees, 96 are women.

As of October 2021, schools in India have been closed for over 18 months due to the COVID-19 pandemic. The prolonged shutdown plus government plans to automatically promote all children to the next grade despite significant learning loss has forced Ei to reconfigure its business strategy. The company created a new B2C team in January 2021 and began selling directly to consumers, including discounted package bundles of Ei Mindspark. This group has grown its monthly revenues by 5x from its launch to June 2021 and has an average revenue per subscriber that is 3x larger than their B2B segment.



*COVID-19 forced us to make tough decisions in partnership with Gaja Capital to streamline costs, including salary cuts. With the money saved, we are striving to create innovations around those at the bottom of the pyramid, who are suffering the most from the school shutdown. Although the last 18 months have felt brutal, our strengthened balance sheet will allow us to do a lot of good.”*

**PRANAV KOTHARI**  
CEO, EDUCATIONAL INITIATIVES

## Outlook

**Ei PLANS** to work closely with the government and private sector as the COVID-19 pandemic widens the gap between private and public schools. Ei was recently awarded a contract valued at approximately USD2 million to work with the Central Board of Secondary Education (CBSE) to improve how students are assessed. Donors include the Michael & Susan Dell Foundation, Omidyar Network, Douglas B. Marshall Jr. Fund, Boston Consulting Group and more. Ei has also received a grant from Amazon to run a Wonder Girls program to teach English, mathematics and coding through Mindspark, while USAID provided a USD1.5 million grant to take personalized adaptive learning to more public schools across India.

Over the last 12 months, Gaja also worked with Ei to transition the Ei ASSET product to an entirely digital platform. Ei ASSET is India's largest assessment and benchmarking test for students in 3rd to 10th grade, taken by more than 500,000 students each year. Given that Ei ASSET was previously printed and distributed in physical format to schools annually, digitalizing the product has reduced the company's total printing and stationery costs by nearly 95%.

### Enhancing education for low-income students

**Ei's BUSINESS MODEL** centers around India's elite private school system, charging an annual fee per student. However, the scalability of its software coupled with the ability to use price discrimination allows Ei to also serve low-income students. The company has engaged with more than 10 million students attending India's public schools through its Large-Scale Education Programs, providing its products at no charge. This program partners with and raises funding from groups such as USAID, UNICEF, the MacArthur Foundation, the Hewlett Foundation, Harvard University and Google.org.

Unlike most of its competitors who only offer products in English to target a more affluent customer base, Ei's Mindspark is available in English, Telugu, Hindi, Marathi, Gujarati, Tamil, Kannada, Punjabi and Urdu, making it accessible to children across all strata of society. This functionality has strengthened Ei's role as the technology and learning partner to Project Nanhi Kali, which provides two hours of free daily academic support to underprivileged girls. As of October 2021, the program is operating in 7,000 public schools and has worked with 180,000 girls, making it the largest technology-driven intervention in India to date.

Over the next few years, Ei aspires to further scale Mindspark across India while increasing exports, including to Africa. In 2020, Gaja Capital led the process of onboarding David Levin, the former CEO of McGraw-Hill Education, as an operating advisor to help drive international expansion initiatives and M&A activity. As Gaja contemplates its future exit strategy, it recognizes that Ei is likely to be an attractive partner to a wide variety of players including technology-focused buyout firms and large education-focused companies or conglomerates with a long-term strategic interest in owning a software business with proven pedagogical efficacy.