

# IPO Note: Veranda Learning Solutions Ltd.

Industry: Education

Date: March 28, 2022

Issue Snapshot		Issue Break up	
Company Name	Veranda Learning Solutions Ltd.	QIB ex Anchor	30% 4,379,562
Issue Opens	March 29, 2022 to March 31, 2022	Anchor Investor	45% 6,569,343
Price Band	Rs. 130 to Rs. 137	HNI	15% 2,189,781
Bid Lot	100 Equity Shares and in multiples thereof.	RII	10% 1,459,854
The Offer	Public issue of 14,598,540 Equity shares of Face value Rs. 10 each. (Comprising of Fresh Issue)	<b>Total Public</b>	<b>100% 14,598,540</b>
Issue Size	Rs. 200.00 Crore		
IPO Process	100% Book Building	Equity Share Pre Issue (Nos. Cr.)	4.1
Face Value	Rs. 10.00	Fresh Share (Nos. Cr.)	1.5
Exchanges	NSE & BSE	Equity Share Post Issue (Nos. Cr.)	5.6
BRLM	Systematix Corporate Services Ltd	Market Cap (Rs. Cr.)	764.1
Registrar	Kfin Technologies Limited	Equity Dilution	26.2%

## Objects of the Offer

### Fresh Issue

- Repayment or pre-payment, in part or full of all or certain of the borrowings (Rs. 60 crore);
- Payment of acquisition consideration of Edureka or repayment of a bridge loan availed specifically for the purpose of discharge of such acquisition consideration of Edureka (Rs. 25.2 crore);
- Growth initiatives (Rs. 50 crore); and
- General corporate purposes

## Company Highlights

- Veranda Learning Solutions Ltd (VLSL) is engaged in the business of offering diversified and integrated learning solutions in online, offline hybrid and offline blended formats to students, aspirants, and graduates (collectively Students) professionals and corporate employees (Learners) enrolled with the courses through multitude of career-defining competitive exams, professional courses, exam-oriented courses, short term upskilling and reskilling courses.
- Veranda provides comprehensive long term and short term preparatory courses in a simple and lucid manner for Students preparing for UPSC Exams, State Public Service Commission, Staff Selection Commission, Banking, Insurance, Railways and Chartered Accountancy. The company also provide customised short term skilling courses, long term courses and other corporate courses to the Learners. The company also deliver the courses to employees of corporates through the B2B offerings.
- Veranda primarily provides the services through online, offline hybrid and offline blended learning models. The offline hybrid learning model involves classroom teaching supported with online assessments and access to self-paced learning material to enhance recall and retention. The offline blended model involves a mix of Online content and Offline delivery wherein the centre delivers LMS Study Materials together with traditional class room experience of personal mentoring from Mentors, with a dedicated Mentor in each class room available for assistance to the Students. The offline hybrid and offline blended learning models offer traditional class room experience of personal mentoring from experienced Mentors along with highly curated digital content and online assessments. The tech-infused online learning model allows Students to engage in self-paced inclusive and individualised learning experience without being hindered by the restriction of needing to be present in a physical classroom.
- The Online learning model comprises recorded videos and online live instructor led learning mode. The company also focus on delivering specific courses in regional languages to better reach out to Students of Tier 2 and 3 cities and rural areas.
- Veranda Learning Solutions acquired 100% shareholding in Brain4ce Education Solutions Private limited, more commonly known by its brand name 'Edureka' from the then shareholders of Edureka pursuant to a share purchase agreement dated Aug 30, 2021 for a consideration of Rs 193.28 crore along with the interest amounting to Rs 2.62 crore aggregating to Rs 195.91 cr.

- With the acquisition of Edureka, VerandaLearning solutions expanded its presence in software education and in global markets, particularly, the USA. Edureka is one of the recognised online education platforms for technology professionals. Edureka commenced operations in December 2011 and in a span of 10 years, it has built a brand with its YouTube videos getting around 3.6 million unique views every month. Edureka provides skills on over 50 technologies.
- Prior to acquisition of Edureka, the company through its wholly owned subsidiary Veranda Race, acquired the content, brand and education materials from Chennai Race Coaching Institute Private Limited in Dec 2020. Further, in March 2021, the Company entered an arrangement where it designated Chennai Race as a Preferred Delivery Partners of Veranda Race and eventually all centres managed and run under Chennai Race also became Preferred Delivery Centres of Veranda Race. Chennai Race was founded by Mr. Bharath Seeman, who is presently employed by Veranda Race.
- During the 9 month period ending December 31, 2021, a total of 42,667 Students and professionals have enrolled across all the courses, being 16,793 in the offline models and 25,874 in the online model. During the 9 month period ending December 31, 2021, they had overall employed 8 Student advisors, 166 Mentors and they operate 25 PDCs across 25 cities and towns and 2 states.

## View

- In order to grow and expand the business, the company evaluates targets for acquisitions and seek opportunities to acquire brands and businesses which complement its service offerings, strengthen or establish its presence in the targeted domestic and international market or enhance the knowledge-base and knowhow and provide synergy to its existing businesses and operations.
- The company intend to expand its presence in the existing and new markets, by increasing the number of PDCs primarily through arrangements, wherein the company enters into agreements with PDCs to conduct and operate online blended and offline blended model of learning under revenue sharing arrangements. The company plan to leverage its brand recognition and experience in the markets to service the increasing demand for its learning courses. The company intends to increase its customer base through greater marketing efforts and introduction of more courses.
- The company intends to provide early age academic tech infused courses such as (a) engaging with educational institutions like K-12 schools and colleges where the company intends to deliver high-quality digital content across video lectures, books, regular tests and mock exams for K-12 (ii) exam oriented courses for various college entrance examinations for admissions to universities. Similarly, the company intend to expand its services to working professionals by providing them certain new certificate courses including courses under university affiliated programs.
- The company presently focuses on B2C and B2B spectrum of the education sector by offering online, offline hybrid and offline blended formats to the Students, corporates and educational institutions. The company intends to expand its focus on B2C and B2B spectrum of the education sector. It believes that there is a significant growth opportunity in the B2C and B2B spectrum of the education sector.
- The company is an asset-light Ed-Tech company and its core strengths are the content and multiple delivery platforms, which they have built, created, developed, acquired and which will be the key drivers for its business in the future. All the Study Material, which is used by the company are prepared and curated by highly experienced in-house and third party Mentors/ instructors who have vast experience in such domains. The company will continuously endeavor to develop, update and acquire the content to cater to the demand of the courses offered by them.
- The company has a centralized in-house process for curriculum and content development. This centralized process helps them to maintain consistent standards and delivery across its learning channels.
- The company is engaged in marketing and brand building campaigns through various media vehicles, including mix of online marketing through search engines such as Google, YouTube, social media platforms, electronic commercials and print media. They intend to continue building their brands on the functional aspect of reliability and innovation by increasing investment in television marketing such as print advertisements, such as newspapers and magazines, digital marketing such as social media presence and internet advertising.
- In terms of the valuations, on the higher price band, Veranda demands a P/S multiple of 4.4x based on H1FY22 annualized post issue fully diluted Sales. As per RHP, Veranda don't have any listed peer company.

## Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	H1FY22
Share Capital	0.0	0.0	7.0	37.6
Net Worth	(0.1)	(0.3)	(0.1)	22.7
Long Term Borrowings	0.0	0.0	0.0	123.8
Other Long Term Liabilities	0.0	0.0	0.0	46.1
Short-term borrowings	0.1	0.1	6.2	41.4
Other Current Liabilities	0.1	0.2	5.4	73.3
Fixed Assets	0.0	0.0	6.0	262.4
Non Current Assets	0.0	0.0	0.5	2.9
Current Assets	0.1	0.0	5.1	42.0
Total Assets	0.1	0.0	11.5	307.4
Revenue from Operations	0.0	0.0	2.5	15.5
EBITDA	(0.1)	(0.2)	(7.6)	(15.3)
Net Profit	(0.1)	(0.2)	(8.3)	(18.3)
Earnings Per Share (Rs.)	(245.9)	(489.7)	(7.3)	(5.1)
Net Asset Value per Share (Rs.)	(242.5)	(732.5)	(0.0)	6.0

Source: RHP, Ashika Research

## Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	H1FY22
Cash flow from Operations Activities	(0.1)	(0.1)	(5.2)	(5.0)
Cash flow from Investing Activities	0.0	0.0	(6.2)	(165.9)
Cash flow from Financing Activities	0.1	0.1	11.8	188.1
Net increase/(decrease) in cash and cash equivalents	0.0	0.0	0.4	18.1
Cash and cash equivalents at the beginning of the year	0.0	0.0	0.0	0.4
Cash and cash equivalents at the end of the year	0.0	0.0	0.4	19.8

Source: RHP

## Comparison with listed industry peers

Not applicable as there are no listed companies in India that engage in a business similar to that of the Company.

Ashika Stock Broking Limited ("ASBL") started its journey in the year 1994, and is presently offering a wide bouquet of services to its valued clients including broking services, depository services and distributorship of financial products (Mutual funds, IPO & Bonds). It became a "Research Entity" under SEBI (Research Analyst) Regulations 2014 in the year of 2015 (Reg No. INH00000206).

ASBL is a wholly owned subsidiary of Ashika Global Securities (P) Ltd., a RBI registered non-deposit taking NBFC Company. ASHIKA GROUP (details enumerated on our website [www.ashikagroup.com](http://www.ashikagroup.com)) is an integrated financial service provider inter alia engaged in the business of Investment Banking, Corporate Lending, Commodity Broking, Debt Syndication & Other Advisory Services.

There were no significant and material disciplinary actions against ASBL taken by any regulatory authority during last three years except routine matters.

#### **Disclosure**

Research reports are being prepared and distributed by ASBL in the sole capacity of being a Research Analyst under SEBI (Research Analyst) Regulations 2014. The following disclosures and disclaimer are an essential part of any Research Report so being distributed.

1. ASBL or its associates, its Research Analysts (including their relatives) may have financial interest in the subject company(ies). And, the said financial interest is not limited to having an open stock market position in /acting as advisor to /having a loan transaction with the subject company(ies) apart from registration as clients.
2. ASBL or its Research Analysts (including their relatives) do not have any actual / beneficial ownership of 1% or more of securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the source research report or date of the concerned public appearance. However ASBL's associates may have actual / beneficial ownership of 1% or more of securities of the subject company(ies).
3. ASBL or its Research Analysts (including their relatives) do not have any other material conflict of interest at the time of publication of the source research report or date of the concerned public appearance. However ASBL's associates might have an actual / potential conflict of interest (other than ownership).
4. ASBL or its associates may have received compensation for investment banking, merchant banking, brokerage services and for other products and services from the subject companies during the preceding 12 months. However, ASBL or its associates or its Research analysts (forming part of Research Desk) have not received any compensation or other benefits from the subject companies or third parties in connection with the research report/ research recommendation. Moreover, Research Analysts have not received any compensation from the companies mentioned in the research report/ recommendation in the past twelve months.
5. The subject companies in the research report/ recommendation may be a client of or may have been a client of ASBL during the twelve months preceding the date of concerned public appearance for investment banking/ merchant banking / brokerage services.
6. ASBL or their Research Analysts have not managed or co-managed public offering of securities for the subject company(ies) in the past twelve months. However ASBL's associates may have managed or co-managed public offering of securities for the subject company(ies) in the past twelve months.
7. Research Analysts have not served as an officer, director or employee of the companies mentioned in the report/ recommendation.
8. Neither ASBL nor its Research Analysts have been engaged in market making activity for the companies mentioned in the report / recommendation.

#### **Disclaimer**

The research recommendations and information are solely for the personal information of the authorized recipient and does not construe to be an offer document or any investment, legal or taxation advice or solicitation of any action based upon it. This report is not for public distribution or use by any person or entity, where such distribution, publication, availability or use would be contrary to law, regulation or subject to any registration or licensing requirement. We will not treat recipients as customer by virtue of their receiving this report. The report is based upon the information obtained from public sources that we consider reliable, but we do not guarantee its accuracy or completeness. ASBL shall not be in anyways responsible for any loss or damage that may arise to any such person from any inadvertent error in the information contained in this report. The recipients of this report should rely on their own investigations.