



AVOID

IPO Report

29th Mar' 22

Snapshot

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 courses through multitude of career-defining competitive exams, professional courses, exam-oriented courses, short term upskilling and reskilling courses.

VALUATION

Company is bringing the issue at price band of Rs 130-137 per share at p/b multiple of 8.15x on pre issue book value basis. Although Company's business model is Technology driven, Asset Light & Scalable with proven track record of promoters along with result oriented method of teaching with 360 degree approach & diversified course offerings and delivery channels but looking after financials of company & valuations, we recommend "Avoid" on issue.

Price Band (Rs./Share)	130-137
Opening date of the issue	29th Mar 2022
Closing Date of the issue	31st Mar 2022
No of shares pre issue	41176979 Eq Shares
Issue size	Rs 200 Cr
Face Value (Rs/ share)	10
Bid Lot	100

BIDDING DETAILS

QIBs (Including Anchor)	75% of the offer (Approx 10948905 Eq Shares)
Non-Institutional	15% of the offer (Approx 2189781 Eq0 Shares)
Retail	10 % of the offer (Approx 1459854 Eq Shares)
Lead managers	Systematix Corporate Services Ltd
Registrar to the issue	KFin Technologies. Ltd.

KEY HIGHLIGHTS

Technology driven, Asset Light & Scalable business model

Company's business model leverages on growing technologies and uses up-to-date technology to deliver the digital courses, which enables the Students to engage in self-paced learning. Company has a large repository of digital content, study materials and test series, which it propose to scale up rapidly throughout India. All digital content, including the study materials, is uploaded on cloud based labs, which may be accessed across the world without any geographical constraints. Company's substantial investments are in content, courseware and technology, with minimum investments in tangible assets. Company is expanding its offline presence by engaging with PDPs, where they will develop and manage PDCs. This will enable company to swiftly expand its network with minimum investments.

Strong Brand Presence of company's brands

Company have established a strong presence in the competitive exam-oriented courses, particularly in Banking, SPSC, Insurance, RRB and SSC. With acquisition of Edureka, company have entered into the market to provide instructor led learning in the niche information technology area related courses. Edureka has over 3 million subscribers on its YouTube channel, which is one of the highest subscriber base in the world in the IT education sector. Edureka has customers based overseas, including many customers from the United States and United Kingdom. With the acquisition of Edureka, the Company has access to these international markets and will continue to expand its overseas customer base.

Diversified course offerings and delivery channels

Company provide a wide range of learning solutions through its courses including competitive exams courses, professional courses, short term upskilling and reskilling courses to Students and professionals through its online, offline hybrid, offline blended, campus in campus and online live instructor led learning model in various languages and therefore company's services gives it a competitive edge over other players who are more particular course-specific.



COMPANY BACKGROUND

VLSL provide 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. Company also provide customised short term skilling courses, long term courses and other corporate courses to its Learners. Company also deliver these courses to employees of corporates through its B2B offerings. Company primarily provide services through online, offline hybrid and offline blended learning models. Its offline hybrid learning model involves classroom teaching supported with online assessments and access to self-paced learning material to enhance recall and retention. Company's 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 students. Company's 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.

Company's 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. Company's Online learning model comprises recorded videos and online live instructor led learning mode. 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.

Company's Promoters have a collective experience of over 40 years in the education sector. They started their entrepreneurial journey in the year 1991 when they established SSI, an entity which was listed on the Indian Stock Exchanges and was engaged in training students in short term computer software courses with a franchise network rolled out across India. In April 2003, SSI hived off its education division and merged it with Aptech Limited, another listed entity engaged in the business of computer education and training. In July 2004, the IT services division was demerged and merged with Scandent Solutions Corporation Limited. As on date ,company's promoters do not hold any interest or rights in SSI.

Company has (i) 80+ Study Material books in six languages prepared by the Content Team for courses offered by Veranda Race, 20+ books prepared for the courses offered by Veranda CA in English and 18 books prepared for courses offered by Veranda IAS and (ii) 2,100+ hours of recorded video content for Veranda Race in six languages, 2,000+ hours of recorded video content for Veranda CA in English and 700+ hours of recorded video content for Veranda IAS in English.

Students Strength

The strength of students that each Subsidiary caters to is set out below:

(enrolment in the last 9 months ending on December 31, 2021)

	Veranda RACE	Veranda CA	Veranda IAS	Edureka
Online model	7948	480	34	17412
Offline hybrid & offline blended model	16793	NA	NA	NA
Total	24741	480	34	17412

Source:RHP



INVESTMENT RATIONALE

<i>Result oriented method of teaching with 360 degree approach</i>	Company focus on result oriented method of teaching to impart knowledge to the students, which in turn assists the students to achieve success in the relevant courses. Company have an in-house and outsourced team of Mentors to constantly monitor progress of the students and identify their special requirements and assist the students to achieve their goals. With the help of Mentors and Student Advisors, company continuously track progress and conduct constant reviews for self-improvement. In addition to the above and with a view to continue to grow and enhance the quality of content, company have established an in-house content development team, with domain and subject expertise, supported and complemented by experienced Mentors, and content developers, whom company have engaged as independent content providers on a non-exclusive or part-time basis under contracts of varying terms. Company provide sufficient learning units, which are blends of audio, video and physical study material to cover relevant courses. In addition to above, company provide practice programs and mock tests to ensure that the students achieve their goals.
<i>Extensive experience in the education business and professionally qualified human capital</i>	Company is managed by a team of experienced personnel. Each Subsidiary is managed by, and comprise of personnel having rich operational and business expertise in the courses offered by the respective Subsidiaries. The experience, expertise and strategic guidance of company's management team enable it to continue to take advantage of both current and future market opportunities and address and mitigate various risks inherent in company's business. Company's management team also has a record of entrepreneurial success and/or professional experience which propels the Company to expand its brand value and attain an edge over other similar players in the market.
<i>Track record of successful acquisition and expansion</i>	Company have been successful in selectively identifying strategic acquisitions, investment opportunities and collaboration targets in diversified portfolio of courses and services across the globe and aim to continue this trend across various geographies to expand the presence of company in other areas related to the education sector. Company's dedication and future expansion provide it with a strategic advantage over its competitors who are focused on individual segments or geographies.
<i>Efficient infrastructure and resource management with strict quality control standards and affordable courses</i>	Company has an in-house content team, third party Mentors and instructors and an editorial team with vast experience in their respective domains who curate and prepare content for the study material. Company also obtain services of other publishers to provide content for its study materials. Company have a centralized content development process to ensure quality and error-free content across all the courses that it offer. The recording for the digital content is done in company's own recording studios with high definition video cameras, niche editing systems and software. Company's strengths lie in continuously updating and upgrading its content so that Students and corporates can acquire new skills, sharpen existing ones, perform better and increase productivity. Company also have a centralized in-house process for training the Mentors to ensure consistent standards of quality and delivery across its courses.



OBJECTS OF ISSUE

The net proceeds of the Offer, i.e. gross proceeds of the Offer are proposed to be utilised in the following manner:

1. Repayment or pre-payment, in part or full of all or certain of company's borrowings
2. 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
3. Growth initiatives

RISKS

Most of the students aspiring for preparation of competitive examinations and training courses enrol themselves with company in the first quarter i.e. from April to June of a Financial Year, thereby leading to an increase in the number of enrolment of students and consequently increase in the revenue as compared to other three quarters of the year. Company's business and revenues fluctuates based on the academic cycle of its courses and timelines of the entrance & competitive exams, which are cyclical and instantaneous in nature and dependent on the dates of the examinations as well as release of the examination results by respective authorities empowered to conduct such exam. Depending on the entrance / recruitment exams, company may recognize lower revenues in certain months or quarters of the year.

Source:RHP

INDUSTRY OVERVIEW

In India, educational technology market size is expected to increase by 3.7x and a CAGR of 39% from US\$2.8bn in 2020 to US\$10.4bn in 2025. Kindergarten to 12th grade education (K to 12) has the highest market share of 41.4% in 2020 and is expected to retain the top spot with an expected market share of 41.3% in 2025, followed by test preparation and online certification. Test preparation market share is expected to increase fastest from 28.6% market share in 2020 to 38.4% market share in 2025.

Way Forward

Education is fundamental for achieving full human potential, developing an equitable and just society, and promoting national development. Providing universal access to quality education is the key to India's continued ascent, and leadership on the global stage in terms of economic growth, social justice and equality, scientific advancement, national integration, and cultural preservation. Universal high-quality education is the best way forward for developing and maximizing the country's rich talents and resources for the good of the individual, the society, the country, and the world. India will have the highest population of young people in the world over the next decade, and her ability to provide high-quality educational opportunities to them will determine the future of India. Since March 2020, most of the schools are closed due to the COVID-19 induced restrictions and children are taught online from their homes using available assets at home. Access to data network, electronic devices such as computer, laptop, smart phone etc. gained importance due to distance learning and remote working. As per Annual Status of Education Report (ASER) 2020 Wave-1 (Rural), released in October 2020, percentage of enrolled children from government and private schools owning a smartphone increased enormously from 36.5% in 2018 to 61.8% in 2020 in rural India. If utilized well, the resultant reduction in the digital divide between rural and urban, gender, age and income groups is likely to reduce inequalities in educational outcomes. To enable this process, the Government has implemented several initiatives to make education accessible to children during this pandemic.



(Rs in Mn)

Financials	As at Sept 30,2021	FY21	FY20	FY19
Total Revenue (A)	154.63	25.40	0.00	0.00
Total Expenditure (B)	307.13	101.72	1.96	0.98
EBIDTA	-152.50	-76.32	-1.96	-0.98
EBIDTA Margin	-98.62	--	---	--
Other Income	1.98	0.05	0.00	0.00
Depreciation	20.58	6.34	0.00	0.00
EBIT	-171.10	-82.61	-1.96	-0.98
Interest	13.67	0.26	0.00	0.00
PBIT	-184.77	-82.87	-1.96	-0.98
E/O Items	0.00	0.00	0.00	0.00
PBT	-184.77	-82.87	-1.96	-0.98
Tax	-2.08	-0.08	0.00	0.00
PAT	-182.69	-82.79	-1.96	-0.98
NPM	-118.15	--	---	--
ROE %	-80.46	---	---	--
EPS	-4.86	--	--	--
Eq Cap	376.00	70.00	0.01	0.01
Net Worth	227.06	-0.62	-2.93	-0.97



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