

SMC Ranking

★ ★ ☆ ☆ ☆ (1.5/5)

Issue Highlights

Industry	Education
Fresh Issue (Shares)	14,598,540
Net Offer to the Public	14,598,540
Issue Size (Rs. Cr.)	190-200
Price Band (Rs.)	130-137
Offer Date	29-Mar-22
Close Date	31-Mar-22
Face Value	10
Lot Size	100

Issue Composition

	In shares
Total Issue for Sale	14,598,540
QIB	10,948,905
NIB	1,459,854
Retail	2,189,781

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	89.22%	65.87%
QIB	10.78%	27.59%
NIB	0.00%	2.62%
Retail	0.00%	3.93%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

1. Repayment or pre-payment, in part or full of all or certain of its 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.

Book Running Lead Manager

- Systematix Corporate Services Limited

Name of the registrar

- Kfintech Private Limited

About the company

Incorporated in 2018, the Chennai-based Veranda Learning Solutions Ltd., offers online and offline coaching services for career-defining courses such as UPSE, Chartered Accountant, Banking, and Government Exams to students, graduates, professionals, and corporate employees. It targets the southern market of Tamil Nadu and Karnataka, and provides course material in Tamil, Telugu, Malayalam, Kannada, English and Hindi. The company offers coaching services for Railways Recruitment Board exams, Banking, and Insurance exams, State Public Service Commission, Staff Selection Commission exams, CA Foundation, CA Intermediate, and CA Final exams, Union Public Service Commission-prelims, and main exam, and personality tests, and State Public Service Commission Group-I exams, Short term skilling courses, Long term courses (university partnership courses) and Corporate learning courses (B2B). The company operates through preferred delivery centres with whom it shares 65-75% revenue. It plans to expand its delivery centres to Hyderabad, Bengaluru, Gurugram, Kolkata, and Mumbai, as well as offer content in languages such as Hindi, Marathi, Gujarati, Bengali and Odiya. The company has four verticals: Veranda Race Learning Solutions Pvt. provides educational training for state service commission, bank and insurance exams. Veranda CA provides training for chartered accountancy. Veranda IAS Learning provides educational training for civil services examinations or UPSC. Brain4ce Educations, through its brand Edureka, provides online training platform for short-term. During the nine-month period ending December 31, 2021, a total of 42,667 Students and professionals have enrolled across all courses, out of which 16,793 enrolled for the offline model and 25,874 enrolled for the online model.

Strength

Proven track record of the Promoters: Veranda benefited from the vision, strategic guidance and experience of their Promoters. The Promoters have a record of entrepreneurial success. The promoter of the company started its entrepreneurial journey in 1991 with founding SSI Limited, which is presently known as PVP Ventures Ltd ("SSI"). SSI was engaged in providing software education and IT training in emerging software technologies and established themselves as a leading player in India. Under the leadership of their Promoters, SSI achieved various milestones such as becoming a public listed company, entering into a joint-venture with NASDAQ, acquiring Albion Orion Company LLC and also acquiring controlling stake in Aptech Ltd, a publicly listed entity. SSI also positioned itself as a company engaged in the business of hospitality and property development. Since the year 2008, the Promoters do not hold any interest or rights in SSI. In the year 2003, its Promoter also embarked into the entertainment industry by founding a production house in AGS Entertainment Pvt Ltd. The Promoters of the company further ventured into film exhibition and established AGS Cinemas Pvt Ltd. Also Promoters founded Kalpathi Investments Pvt Ltd, a NBFC in year 2007 which invest in various ventures.

Result oriented method of teaching with 360 degree approach: The Company believes that its 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. It has 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 its Mentors and Student Advisors, it 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 its content, it has established an in-house content development team, with domain and subject expertise, supported and complemented by experienced Mentors, and content developers, whom it has engaged as independent content providers on a non-exclusive or part-time basis under contracts of varying terms. It provides sufficient learning units, which are blends of audio, video and physical study material to cover relevant courses. In addition to above, it provides practice programs and mock tests to ensure that the students achieve their goals.

Diversified course offerings and delivery channels: It provides 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 its services gives it a competitive edge over other players who are more particular course-specific.

Extensive experience in the education business and professionally qualified human capital: The 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 its management team enable it to continue to take advantage of both current and future market opportunities and address and mitigate various risks inherent in its business. It believes its 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.

Strong Brand Presence of its brands: The Company believes that it has established a strong presence in the competitive exam-oriented courses, particularly in Banking, SPSC, Insurance, RRB and SSC. With acquisition of Edureka, it has 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 it believes 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.

Track record of successful acquisition and expansion: With the continuing involvement of the Promoters and core members of its management team, it continues to tap growth opportunities across the education sector. It believes it has 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 its Company in other areas related to the education sector. Its dedication and future expansion provide it with a strategic advantage over its competitors who are focused on individual segments or geographies.

Efficient infrastructure and resource management with strict quality control standards and affordable courses: The 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. It also obtains services of other publishers to provide content for its study materials. It has a centralized content development process to ensure quality and error-free content across all the courses that we offer. The recording for the digital content is done in its own recording studios with high definition video cameras, niche editing systems and software. Its strengths lie in continuously updating and upgrading its content so that its Students and corporates can acquire new skills, sharpen existing ones, perform better and increase productivity. It also has a centralized in-house process for training the Mentors to ensure consistent standards of quality and delivery across its courses. It believes in the concept of providing education at affordable prices so as to ensure that it reaches a vast majority of the people.

Technology driven, Asset Light & Scalable business model: The 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. The Company has a large repository of digital content, study materials and test series, which it proposes 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. Its online and offline blended model allows it to expand its target market without being limited to geographical restrictions in which its centres are located. The Company's substantial investments are in content, courseware and technology, with minimum investments in tangible assets. It is expanding its offline presence by engaging with PDPs, where it will develop and manage PDCs. This will enable the company to swiftly expand its network with minimum investments.

Pandemic Proof Model: The COVID-19 pandemic has created unique global and industry-wide challenges, including challenges to its offline learning business model and shifting the offline learning business model to online model. While India is accelerating its vaccination drive, further waves of new COVID-19 outbreaks are still possible. Given the situation of pandemic, the Company has evolved to shift to a COVID-19 or similar epidemic proof business model and it believe that it has taken all possible steps to align its services to be pandemic proof. The Company's offline blended model mitigates the risk of lockdown by shifting completely to the online model which can be accessed by the student from anywhere in the world.

Strategy

Use opportunistic and strategic acquisitions to rapidly expand offerings and customer reach:

In order to grow and expand the business, Veranda evaluates targets for acquisitions and seeks opportunities to acquire brands and businesses which complement its service offerings, strengthen or establish its presence in its targeted domestic and international market or enhance its knowledge-base and knowhow and provide synergy to its existing businesses and operations.

Geographic expansion through the PDCs: The Company intends to expand its presence in its existing and new markets, by increasing the number of its PDCs primarily through arrangements, wherein the company has enter into agreements with PDCs to conduct and operate online blended and offline blended model of learning under revenue sharing arrangements. The company plans 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.

Addition of new courses and offerings to Students' and Professionals' education need: 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 it 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, it intends to expand its services to working professionals by providing them certain new certificate courses including courses under university affiliated programs.

Create a model for learning : The model that Veranda has evolved is to provide the Students a well-defined day-wise learning plan covering the entire duration of the course period for them to comprehend and plan a learning program, and meticulous Students by sticking to the plan stand a better chance of succeeding in the entrance/ professional exams. The availability of the lectures by the best Mentors to Students in Tier 2 or Tier 3 cities/ towns at affordable costs place such aspiring Students on par with urban Students, thereby providing an equal platform for all bridging the divide in terms of access to affordable and quality education.

Expand focus on B2C and B2B models: Veranda 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.

Develop and expand the publishing and content development: Veranda is an asset-light Ed-Tech company and its core strengths are the content and multiple delivery platforms, which it has

built, created, developed, acquired and which will be the key drivers for its business in the future. All its Study Material, which are used by it are prepared and curated by highly experienced in-house and third party Mentors/ instructors who have vast experience in such domains.

Drive economy of scale to stay affordable while delivering the highest quality of education: Veranda has a centralized in-house process for curriculum and content development. This centralized process helps the company maintain consistent standards and delivery across its learning channels.

Risk factors

- The company rely heavily on its Mentors and its ability to attract and retain them to provide exam-oriented and training courses.
- A significant portion of its operating revenue is derived from its business of exam oriented courses offered by Veranda Race and IT related professional courses offered by Edureka. Failure to attract students or working professionals in its courses, including due to an unsatisfactory success ratio, may adversely affect its revenues, business, results of operations and prospects.
- Its business is cyclical in nature since it is tied to the academic cycle. Its revenue may fluctuate from quarter to quarter.
- The coaching and training sector in which it operates is not specifically regulated.
- Some of its threats are Byju's, Aakash Educational Services Ltd., Grade Stack Learning Pvt. Ltd., Great Lakes E-learning Services Pvt. Ltd., Simplilearn Solutions Pvt. Ltd, Sorting Hat Technologies Pvt. Ltd., Toppr Technologies Pvt. Ltd, Upgrad Education Pvt. Ltd ND Vedantu Innovations Pvt. Ltd.

Peer comparison

As per RHP, there are no listed companies in India that engage in a business similar to that of the Company.

Valuation

The company is in the loss, so valuation purpose we are considering market cap to sales ratio on higher band of Rs,137. Market cap to sales ratio is 2.47 times on the market cap of Rs,764.12 and sales estimated annualised FY22 is Rs.309.26. The market cap to Sales ratio determines how much price is one willing to pay for every rupee of its sales. It is an important ratio as it combines two very important aspects namely sales and the market price of the share. It is useful for valuing a company's actual price.

Industry overview

As per Census 2011 data, India had the highest number of students in the world at over 315 million, with only three countries having a population higher than India's student population. With India's adult literacy rate currently at 74.5%, the Gol realizes that education needs to be a priority area and has increased budgetary allocation over the years, from INR3.54tn in FY15 to INR6.75tn in FY21. Yet, India's public spending on education, at 10.4% of the total government spending, lags other nations with the OECD countries spending over 11% of the total government spending on education. According to OECD's latest findings, India lags several other nations such as the USA, Chile, Mexico, UK, Korea, Israel etc in terms of total educational costs. While every national policy since 1968 has highlighted that India needs to spend 6% of her GDP on education, India has been spending only around 2.8%, though the budget estimate for FY21 pegs it at 3.5%. To boost education, Gol launched the Samagra Shiksha Abhiyan (National Education Mission) in 2018 amalgamating four schemes viz. Saakshar Bharat, Sarva Shiksha Abhiyan, Rashtriya Madhyamik Shiksha Abhiyan and Centrally Sponsored Scheme on Teacher Education (CSSTE). Saakshar Bharat was launched in 2009 to create a literate society through a variety of teaching-learning programmes for the non-literate and neo-literate of 15 years and above. Sarva Shiksha Abhiyan was launched in 2002 with the aim to educate all children between the ages 6 to 14 by 2010, although the time limit has been pushed

(INR383.17bn). The Centre accounts for 15% of education spending while the balance is provided by the states and Union Territories. Under Union Budget FY21-22, the Centre allocated an expenditure budget of INR383.5bn for higher education and INR548.7bn for school education and literacy. The government also allocated INR30bn under Rashtriya Uchchatar Shiksha Abhiyan. Online education is learning that takes place over the Internet and may be defined as electronically supported learning that is based on the Internet for teacher-student interactions and the distribution of class materials. Online education in India offers a variety of course categories, including curriculum-based coaching, test preparatory coaching, higher education degree courses, reskilling and skill enhancement programs, and language and casual learning. Before the pandemic, online education was mostly preferred by nontraditional students – students who were working fulltime or raising families, though it was gaining popularity due to wider access to internet and lack of quality coaching centres in Tier-2/ Tier-3 cities.

Outlook

The company is engaged in providing various modes of learning solutions. It primarily provides services through online, offline hybrid and offline blended learning models. However, the company is incurring losses at both operational and net levels and is yet to establish its track record. Any changes in the company's relationships with its Preferred Delivery Partners or non-adherence to prescribed service standards, payment defaults or other contractual breaches or irregularities may adversely affect the company's business. Besides, the company's ability to retain the present number of students serviced by it and attract new students is dependent upon various factors including its reputation and its ability to maintain a high level of service quality. Any failure by the company to retain or attract students may impact its business and its revenues. Hence, Investor can avoid this Issue.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
IPO Open Date	29-Mar-22
IPO Close Date	31-Mar-22
Basis of Allotment Date	5-Apr-22
Initiation of Refunds	6-Apr-22
Credit of Shares to Demat Account	6-Apr-22
IPO Listing Date	7-Apr-22

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended	Period ended	Period ended
	30-Sep-21 (6 Months)	31-Mar-21 (12 Months)	31-Mar-20 (12 Months)
Revenue from operations	15.46	2.54	0.00
Total expenditure	30.71	10.17	0.20
Operating Profit	-15.25	-7.63	-0.20
OPM%	-ve	-ve	-ve
Other Income	0.20	0.01	0.00
PBDIT	-15.05	-7.63	-0.20
Depreciation	2.06	0.63	0.00
PBIT	-17.11	-8.26	-0.20
Interest	1.37	0.03	0.00
PBT	-18.48	-8.29	-0.20
tax	-0.21	-0.01	0.00
Profit After Tax	-18.27	-8.28	-0.20

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Sep-21	As on 31-Mar-21	As on 31-Mar-20
Non-current assets			
Property, plant and equipment	1.61	1.39	0.00
Intangible assets	88.28	1.60	0.00
Income tax assets	1.79	0.00	0.00
Right of use assets	0.42	0.77	0.00
Intangible assets under development	1.45	2.17	0.00
Goodwill on consolidation	170.68	0.07	0.00
Deferred tax Assets	0.83	0.01	0.00
Other Non current Assets	0.30	0.46	0.00
Total non-current assets	265.36	6.45	0.00
Current assets			
Inventories	0.77	0.73	0.00
Financial Assets	0.00	0.00	0.00
Trade receivables	4.35	0.32	0.00
Cash and Bank Balances	21.17	0.45	0.00
Other financial assets	2.99	0.99	0.00
Current Tax assets (Net)	0.56	0.23	0.00
Other current assets	12.17	2.36	0.00
Total current assets	42.01	5.07	0.00
Total Assets	307.37	11.52	0.00
Non-current liabilities			
Financial liabilities			
Borrowings	123.78	0.00	0.00
Other financial liabilities	23.90	0.00	0.00
Deferred tax Liabilities	21.33	0.00	0.00
Provisions	0.91	0.05	0.00
Total non-current liabilities	169.91	0.05	0.00
Current liabilities			
Borrowings	41.4	6.2	0.1
Trade payables	0.8	0.9	0.0
Other trade Liabilities	28.0	2.5	0.2
Lease liabilities	0.5	0.8	0.0
Other financial liabilities	26.2	0.0	0.0
Provisions	0.3	0.0	0.0
Other Current Liabilities	17.5	1.2	0.0
Total current liabilities	114.75	11.54	0.29
Total	284.66	11.58	0.29
NET Worth	22.71	-0.06	-0.29
Net worth represented by:			
Share capital	37.60	7.00	0.00
Other equity	-14.89	-7.06	-0.29
Net Worth	22.71	-0.06	-0.29

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★
EXCELLENT	★★★★★

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