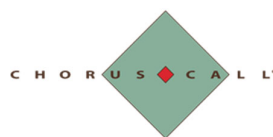




Veranda Learning Solutions Limited
Q1 FY '26 Earnings Conference Call”
August 05, 2025



MANAGEMENT:

Mr. Suresh Kalpathi– Executive Director and Chairman – Veranda Learning Solutions Limited
Mr. Aditya Malik – Chief Operating Officer – Veranda Learning Solutions Limited
Mr. Mohasin Khan – Chief Financial Officer – Veranda Learning Solutions Limited

MODERATOR:

Ms. Soumya – Go India Advisors LLP

Moderator: Ladies and gentlemen, good day, and welcome to Veranda Learning Solutions Limited Q1 FY '26 Earnings Conference Call hosted by Go India Advisors LLP. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star then zero on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Soumya from Go India Advisors LLP. Thank you, and over to you, ma'am.

Soumya: Good evening, everyone, and welcome to Q1 FY '26 Earnings Con Call of Veranda Learning Solutions Limited. We have on call with us Mr. Suresh Kalpathi, the Chairman and Executive Director; Mr. Aditya Malik, the Chief Operating Officer; and Mr. Mohasin Khan, the Chief Financial Officer.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks pertaining to the business. I now request the management to take us through the quarter gone by. Post that, we will open the floor for Q&A. Thank you, and over to you, sir.

Suresh Kalpathi: Thank you. Good afternoon, everyone. It's a pleasure to welcome you all to Veranda Learning Solutions Q1 FY '26 Earnings Call. As we begin a new financial year, I want to take a step back and reflect on the transformational journey that Veranda has undertaken over the past few quarters. FY '25, the year gone by was a very defining year for the company, not just in terms of performance, but more so in how we reshape the Veranda platform for sustainable and long-term growth. Just want to take a moment and thank you all for the consistent support in this journey.

By now, many of you might be knowing the Veranda 2.0 journey that has already begun. We started with acquiring profitable brands across all our segments to monetizing those assets and cross-selling synergies to now deleveraging our balance sheet, it's been a pretty significant journey. Just to recollect quickly, as a part of our restructuring and unbundling businesses, we discussed the process strategies followed and the growth outlook in detail in the virtual analyst meet held on 28th of July, hosted by Go India Advisors.

So we have successfully completed 2 landmark strategic milestones, the INR357 crores maiden QIP, which helped us bring in marquee institutional investors and at the same time, significantly strengthened our balance sheet, the demerger of our high-growth commerce vertical, which will be almost debt-free, independently listed entity.

These moves are not just financial in nature. They were strategic in how they set the stage for Veranda 2.0, our next phase of execution. The central idea behind Veranda 2.0 is simply unbundling, creating focused verticals, giving them independent strategies and capital access and unlocking significant synergies across the platform without any operational overlap.

With this, our core business now consisting of our 4 pillars: academic, government test preps, vocational and commerce vertical has a much clearer mandate to drive profitable growth, operate with financial prudence and deliver value by leveraging our shared ecosystem. It's not just about cutting costs or paying down debt. It's about creating sharper execution playbooks in each of our business lines. From an operational standpoint, I think I'm proud to say we have made tangible progress during this quarter.

I will hand it over to Aditya to walk you through each one of our business units. Aditya?

Aditya Malik:

Yes. Thank you, Suresh. Good afternoon, all. We'll walk you through each of our 4 verticals and their performance for the quarter. In academics, which is our K-12 vertical, we are seeing a solid traction. Over 5,400 students have been onboarded in the new academic year. We have launched integrated courses with NEET and JEE with accelerated programs, a stronger market vision, a full rollout of LMS as well as the technology platform across schools and multiple centers.

We have also taken important steps in teacher training, principal appointments to ensure delivering quality scale with growth. In our vocational vertical and vocational business, it continues to evolve into a multichannel globally scalable unit. Apart from our very strong B2C business, we had 25-plus active enterprise accounts, including top names like Deloitte and PwC.

And not only that, these are very strongly outcome-focused programs, and we have delivered more than 150 placements in this quarter alone. In our Government Test Prep business through election-related -- even though election-related disruptions temporarily softened the numbers, we maintained strong engagement through mock tests, [success meets 0:05:58] and social campaigns. The coming quarters are expected to be high activity with 4 major exams lined up and new student cohorts activated.

Last but not the least, our commerce vertical. This has been an exceptional segment in terms of profitability and operationality. We have plans to expand this segment not just regionally, but extending full rollout of courses and formats at existing centers as well as coupled with synergies with JK Shah Classes, BB Virtual and Navkar in their own individual domain. All these achievements were delivered while we also continued executing on back-end efficiencies, integrating support functions across verticals, streamlining our sales and marketing engines and setting up centralized framework for delivery, assessment and content management.

I hand it over back to Suresh for taking us through what is next for Veranda.

Suresh Kalpathi:

Thanks, Aditya. So what comes next? I think we are now shifting gears into an execution-focused growth with a very sharp eye on profitability and free cash flow. Our internal strategy road map focuses on a few key aspects that we think will take us forward in the next set of years.

Deleveraging the remaining INR195 crores of debt in a non-commerce vertical through operational accruals, accelerating our monetization across B2B partnerships, global online offerings and high-ticket professional programs. And last is institutional synergies is in cross-selling, sharing of needs across platforms and technology integration to reduce the acquisition costs and improve the learners' long-term value.

These are not really onetime activities. This is the fabric on which Veranda 2.0 is being designed and will be used to scale. I'll sort of just quickly request Mohasin, Chief Financial Officer, to walk you through the financial performance in more detail, including our revenue, EBITDA, margin movements and the broad capital structure. Mohasin?

Mohasin Khan: Thanks, Suresh, sir. Hi, everyone. Good afternoon, and thanks for joining. We are pleased to report a solid start to FY '26, marked by strong revenue growth and a sharp improvement in profitability as such. Consolidated revenue grew 17% year-on-year to INR139 crores, driven by broad-based growth across the segments. EBITDA nearly doubled year-on-year to INR55 crores and we continue our profitable trajectory with a net profit of INR6 crores, up 123% year-on-year, reaffirming our shift to sustainable performance going forward.

Coming to balance sheet, we had a INR510 crores debt as on March '25, we are able to -- by raising QIP funds of INR357 crores. Now we carry a debt of INR195 crores, which we are planning to repay through our operational accruals and no additional debt will be planned as such. Going forward, we remain focused on strengthening operating leverage, capital efficiency and margin expansion while executing on Veranda 2.0 strategy, as explained by Suresh and Aditya. Thank you, and I look forward to your questions. Soumya, you can take it.

Moderator: Thank you sir. The first question is from the line of Mr. Darshil Pandya from Finterest Capital. Please go ahead.

Darshil Pandya: Sir, first question would be what will be the interest cost for this fiscal? As you know, we have substantially been brought down the debt?

Suresh Kalpathi: Mohasin?

Mohasin Khan: I'll take this. So the balance debt for the finance cost for the next 3 quarters will be INR18 crores.

Darshil Pandya: INR18 crores per quarter, you're saying?

Mohasin Khan: No, no, for a full year.

Darshil Pandya: For full year, it will be INR18 crores.

Mohasin Khan: Yes.

Darshil Pandya: Okay. And the second question would be on the academics segment side. So as we see that academics segment is doing pretty good. So I just wanted to understand, can you break down how the business model is working here? And also where do we stand on making it asset-light? Because kind of in Jan or Feb, we had mentioned about making it some asset light. So just wanted your thoughts and to understand the unit economics of this.

Aditya Malik: I'll take that. This is Aditya. So from going forward, as we had shared in the call earlier, we are in talks with a couple of schools to take them over in an asset-light model. From an asset-light model perspective, we mean that the properties, etcetera, will remain with the respective owners. We will take over the management of the school. So from your question perspective, when are

we going to do it and where are we? I think in the current financial year, we are expecting to at least do a couple of them so that we are able to see the results of them coming in the next financial year as the next academic year starts.

Darshil Pandya: Sir and as of now, how many schools and colleges are operational or if any are operational right now?

Aditya Malik: In academic vertical, we have schools only. The colleges, which are under the brand Tapasya College of Commerce and Management comes under our commerce vertical. So among schools, we have 6 schools operational under the academic vertical.

Moderator: The next question is from the line of Mr. Sravan from Sincere Syndication.

Sravan: Yes. So I'm new to the company. Kindly explain as to what the Veranda 2.0 strategy is?

Suresh Kalpathi: Let me take this. This is Suresh. So the first part of the strategy was really to assemble together profitable brands with pedigree, which will go from K-12 all the way to academics to masters to doctoral programs. That was really Veranda 1.0, largely funded through debt and some amount of equity that we raised a couple of times, one through the IPO and subsequently through an offer that we made.

Veranda 2.0 strategy really focuses on 4 key pillars into which these acquisitions have been quite carefully made. The first is the academic that Aditya just spoke about, which is our K-12 segment, consisting of CBSE and Cambridge International Schools that we manage. The government vertical, which is largely one of the big boys in the South around the brand of race and talent.

The third is our commerce vertical led by Professor JK Shah himself, consisting of, again, both the biggest in both online and offline brands, apart from colleges and junior colleges where we take kids through 11th and 12th of commerce and through BCom through college. And the last is our vocational, where we provide cutting-edge upskilling platforms, both in colleges and for working professionals, combined with certificate, degrees or diplomas.

So 1.0 was acquisition with some leverage and equity. The second one was aggregating this into the 4 pillars as an interim step to our Veranda 2.0 strategy, where we are now starting to unbundle. So the first unbundling as part of 2.0 is our commerce vertical, which will be vertically split through a scheme that is expected to be filed shortly, which will list as a separate entity.

And as we had sort of projected, expected not only to grow its margins going forward significantly from potentially an EBITDA of INR140 crores to a possible INR500 crores of EBITDA by FY '30 under the leadership of Professor JK Shah himself. That's the first unbundling. So the scheme will allow for existing shareholders of Veranda. For every one share they have, they will have one share in the new vertical, internally called JK Shah Commerce Education Limited, which would predominantly be a mirror shareholding once the approval for the demerger is done.

The non-commerce business is expected to grow strongly across K-12, again, in an asset-light fashion. So we don't expect to buy large assets, whether through dilution or additional debt, the government vertical and our occasional training platform. The initial step will be to grow them significantly to take care of the rest of the debt in the non-commerce vehicle, all coming from internal accruals and then to establish the additional pillars as significant ones in their own strength in the market.

So all of it, we want to achieve in Veranda 2.0 through no further dilution, no further leverage. So the first step has been taken, not just to unbundle, but also significantly deleverage the balance sheet. This journey will continue. And as we continue, we'll continue to create those unbundling and value creation for existing shareholders from the other 3 pillars. So that's really the 2.0 strategy, started rolling out early part of this year. Currently, it's under execution. And hopefully, we'll deliver significant value through 2.0.

Sravan: Great. Any time line on when would you see 2.0 to bear fruit? Any time line on that?

Suresh Kalpathi: Mohasin, you want to go through the time line for the demerger and listing?

Mohasin Khan: Yes, sir. So we'll be filing the scheme by September 1 week and expected to complete it by -- 8 months is the projected time line given by our advisers, which means by March, April 1 or May, we should be able to list the company on the NSE and BSE.

Suresh Kalpathi: I think one of the advantages that we wanted to create for ourselves is to create a significantly sharper focus as probably the leader in the commerce space with a projected EBITDA for this year, which is expected to be over INR140 crores, and our guidance and projections seems to be intact as we speak. We probably would be overachieving it a bit, I would think. Profitable significantly. In the last exams, we had over 140 ranks, close to 90% of the ranks in India are coming from our stable in the commerce space.

And third is probably with no competitor in this space. Well, I think a couple of points which I keep emphasizing, which I want to sort of mention on this call and answer to your question in terms of unbundling of value. We think it's a significant unbundling because as the Indian economy has changed over the last 40, 50 years, going from a top 50 to a top 5 economy, the GDP has moved quite a bit away from manufacturing to services. And today, we are seeing a far, far more robust financial services market in India.

The second one is the cost arbitrage is now driving growth of very large GCCs, which are predominantly doing the back-office work for Western English-speaking countries in India, whether it is for tax filing or assisting in audit, a lot of that work is happening from India.

From projections from some of our national bodies, they expect a shortfall of 1 million students that are going to be required with certain level of professional qualification over the next 5 years and we think meeting with JK Shah classes and JK Shah Commerce Education Limited, I don't think anybody is placed well to be able to not just meet this expectation of the country, but create for ourselves a very, very large niche in this space.

So while there are players in the medical and engineering test prep and education, I think by far, we are the leaders in commerce education. And I think with the change in composition of the GDP, the time has come for this to take its rightful place, I think as potentially the biggest leader of the commerce segment. So we expect each of our unbundling in very real time to not just generate some value, but generate significant value by taking up full position in each of the respective markets.

Sravan: Yes, sir. My last question would be on the guidance. Do you have any guidance for FY '26, sir?

Suresh Kalpathi: Mohasin, do you want to take it?

Mohasin Khan: Yes, I'll take it. Yes. So I will say first that on the Q1, we started at very good numbers. So -- and we are expecting it to continue. And the projected guidance for FY '23 revenue of INR660 crores across commerce and non-commerce with the EBITDA target of -- reported EBITDA of INR242 crores around that much and PBT of INR100 crores and PAT of INR80 crores to INR85 crores. So this is a guidance which we are expecting for the current year to be reaching that.

Sravan: And you're on track to achieve it?

Mohasin Khan: We are on track in achieving it. So the current number speaks of the guidance for the Q1, which can be projected. Even though we'll be having Q2 a good season, but these numbers are reachable. So in the major numbers, commerce is a major contributor for the guidance with INR340 crores on the top line and the EBITDA of INR170 crores and the PAT of INR70 crores in the numbers projected for the guidance.

Moderator: The next question is from the line of Mr. Henil Bagadia from Equicorp.

Henil Bagadia: I actually would request some more clarity on the non-commerce vertical. So if you see most -- in the Q1, most of the EBITDA actually comes from the commerce vertical. So in the non-commerce vertical, if you could explain when we've got about INR195 crores of debt, how will we servicing -- how will we be servicing it through the current revenues and the current EBITDA? And also, if you could also explain on the seasonality of the revenues for the vocational and the government test prep vertical?

Suresh Kalpathi: Mohasin, do you want to take the first part and explain the EBITDA for the non-commerce space?

Mohasin Khan: Yes. So the balance in the book is INR190 crores, where the promoted debt is INR70 crores out of that and the balance comes from the NCDs which we are having. So the first year of the -- so numbers will be servicing the interest coupon, which the internal accrual is sufficient.

And as I was saying that in the main school segment, we wanted to add a school on, call it, schools in the school segment. There we are projecting to add another 5 to 6 schools, which can bring an EBITDA of above INR10 crores to INR15 crores in the school segment, so which will help us in repaying the balance as the internal accruals. This is on the first point.

Henil Bagadia: Just on the academic part, as you said, you want to add 5 or 6 more schools. So we have currently 6 schools. So if you could also give some clarity on what is the current occupancy of these schools?

Because as I know, Mr. Kalpathi had said that you target the schools at about low occupancy, about 30%, 40%, barely breakeven kind of, and you try to get the occupancy to 60%, 70%, that's about a 2-year, 3-year cycle. So in our current schools, which is about 5 to 6 schools, where are we at the occupancy part? And the new schools that you are planning to acquire, where is that on the occupancy part? If you could just give more information there also.

Suresh Kalpathi: Mohasin, let me take it. As far as the existing schools are concerned -- CBSE and the international schools are concerned, we currently are running at an occupancy of over 85% because these are schools that we have acquired close to 2 years ago. So we have been able to work these occupancy significantly higher.

Also, these acquisitions form the platform on which we are now going to build the K-12 segment. I will sort of just go a step back and look at the debt and what type of EBITDA we have in the non-commerce space. So the non-commerce space is expected to deliver an EBITDA of over INR60 crores for FY '26. So from a debt to overall EBITDA perspective, we are sort of there at about 3, 3.2x.

Also, the debt that we had taken from Ascetis, a significant part of which got closed now. The balance debt of about INR120 crores, apart from the INR70 crores of promoter debt, which is the total INR190 crores, the INR120 crores is currently running at an interest coupon of just over 17%. So at the end of the make-whole period in March '26, we expect to also refinance this loan with a significantly lower coupon.

And given that the debt has significantly come down, and there are a couple of land and building assets, which are owned by the company of value close to INR100 crores, we expect to be able to get it at a coupon, if not single digit, extremely low double digit. So that is also expected to bring not just the interest burden down, but makes it significantly easy for the company to deleverage from just its operational cash flows.

On the vocational front, which is predominantly upskilling both online and offline for college students and working professionals, I think we are restructuring, and I'll ask Aditya to mention a few words, type of restructuring that we are doing, which is expected to significantly jump to EBITDA in the coming year. Aditya?

Aditya Malik: Yes, sure. Thanks, Suresh. So in vocational segment, one of the key things what we are working on is on operational efficiency. So one, obviously, we are combining the teams from a sales and marketing, operations and delivery perspective, which have already started to give some efficiencies across the entities in the vocational segment. Second, we have rejigged the product and courses portfolio and moving from a low -- very low high ARPU courses to a middle and a significantly higher ARPU courses, which will result in a significant profitability.

Lastly, I just wanted to add one point. By nature of that business, we always carry some amount of unrecognized revenue as per accounting norms, like costs are already taken care of in the financials you are seeing, but the subsequent revenue of those will come in subsequent months. And that also is directly kind of positively hit our EBITDA. So that's why we are confident that we will meet the numbers going forward on that one.

Suresh Kalpathi:

I think just to sum up, while FY '26, we expect in the non-commerce vertical, the debt-to-EBITDA to be closer to 3. By end of FY '27, we should be pretty close or a bit less than 2x EBITDA. So the non-commerce vertical is expected to also grow quite significantly going forward, leveraging on its 3 pillars of academic, government test prep and vocational.

I'll probably just give a few words on the seasonality that you mentioned in the business. As far as commerce is concerned, it's got a lot more evened out in the last year, 1.5 years. where we moved from a 2 exam cycle to a 3 exam cycle for all the CA programs. So to an extent, it has smoothened out any peaks and troughs and seasonality in that business.

As far as government test prep is concerned, it's largely driven by notifications that come, and we are a very strong player in the South. So currently, we are having a great quarter in Q2 because the notification just came out in Tamil Nadu. And of course, we are strong in Tamil Nadu, Karnataka and Kerala, where we expect the government test prep to be largely driven by notifications.

And of course, in the vocational space, it's probably a year-round sort of business, but the -- you see a bit of a slack in Q3. You see a very strong Q4 and Q1, and that's the nature of the business also because from our online training, upskilling program under the brand of Edureka, we do have quite a bit of presence of our students, especially in the B2C segment in the U.S. and European markets.

So Q3, as you know, has lots of holidays, Christmas, New Year and all of that tends to be a bit of a slow one for our online upskilling platform. As far as Six Phrase, which works with college students as part of the vocational space, it speaks twice a year. So 2 quarters are big. The other 2 quarters are reasonably good because our programs run throughout the year, though our collection cycle happens 2 or 3x, the revenue recognition part happens throughout the year as far as the colleges open and working.

So probably 10 months in the year, we are billing on a pretty steady-state basis in Six Phrase. So overall, EBITDA for the non-commerce is expected to be over INR60 crores for this year and will show a strong growth next year. As I mentioned, we expect the debt to EBITDA to go down from 3 to 2 going from '26 to '27. This is predominantly in the non-commerce space.

Henil Bagadia:

If I may just squeeze the last question. On the vocational part, what will be the split between the enterprise and your direct to customers?

Suresh Kalpathi:

I'll take that one. So the enterprise as of now in the old vocational segment would be about if we count enterprises pure corporate because this phase also works with colleges, which is institutional business or semi corporate, we can call it. So if we keep institutional business out,

it will be about 85-15. But if we include institutional business, it will be almost about 60-40, 60% as B2C and 40% as institutional and corporate.

Moderator: The next question is from the line of Mr. Sahil Bohara from Alpha Alternatives. Please go ahead.

Sahil Bohara: You have stated INR195 crores debt over immense post-QIBN demerger. So can you give me a breakdown of the time line for repayment and the internal accruals are sufficient in high capex year?

Suresh Kalpathi: Mohasin?

Mohasin Khan: Yes, sir.

Suresh Kalpathi: Go ahead, please.

Mohasin Khan: So the INR125 crores debt is split into 2 things, Sahil. So INR125 crores was of bearings debentures, which are there in the affected credit and the balance is from the promoters. So the amount of debt is there we will be paying as per the requirements in the company. On the debt from the bearing, these are per the schedule. So there we have still 4-year tenure to repay the debt. So we have time to pay that debt 4 years...

Sahil Bohara: And whether internal accruals are sufficient in high capex year?

Suresh Kalpathi: Yes. I think a couple of points to add to what Mohasin said. The Ascertis debt, as I mentioned earlier in the call, is currently running at about 17.2% being acquisition debt, we had to pay debt from special purpose vehicles. So it was a high-cost debt. The make-hole period ends by March '26. So we expect to refinance this loan with a much, much cheaper loan.

As I mentioned, if not single digits, but very, very low double-digit coupon rates. Given that the company has land and building assets, which it owns, which came as part of our earlier K-12 business acquisition of about INR100 crores, we expect to be able to get very favourable growth. Given this and the growth that we expect in non-commerce, as I mentioned, we expect the debt-to-EDA to come down significantly and which essentially means we expect to close this debt just from internal accrual, no new additional borrowings, no equity dilution.

Sahil Bohara: Okay. Okay. Also, one more question. Given the leaner balance sheet post demerger and improved cash flow, so what is the target ROCE for FY '26 and beyond?

Suresh Kalpathi: Mohasin, do you want to take it?

Mohasin Khan: ROCE you are saying, right?

Sahil Bohara: Yes, ROCE.

Mohasin Khan: So ROCEs currently stands at 13% for the full segment and is expected to grow to 35% in the FY '30 as we progress.

Moderator: The next question is from the line of Mr. Athar Sayyed from HF Capital Venture. Please go ahead.

Athar Sayyed: So my first question is last time you said in our con-call, you said headwinds in non-commerce vertical. So can you please explain which are these headwinds which you were facing last time and now you are facing these headwinds or not?

Suresh Kalpathi: Mohasin, could you understand that question?

Mohasin Khan: No, sir, there's a lot of disturbance noise.

Moderator: Mr. Athar, could you again please use your handset, please? There's a lot of disturbance at your end.

Athar Sayyed: Hello, now am I audible?

Moderator: Okay, sir. Maybe you could join the queue again, sir.

Athar Sayyed: Hello? Yes, yes. Now I'm at ease, there is no disturbance. Now my first question is related to last time, sir, you said you faced a lot of headwinds in the non-commerce vertical. So can you please explain these headwinds and what are these headwinds like are you still facing these headwinds or not?

Suresh Kalpathi: We have not understand.

Mohasin Khan: Okay. So just to repeat from what I understood I think he was asking saying that in one of our previous calls, we had mentioned that we were having some headwinds in the occasional part of the business, in the non-commerce part.

Athar Sayyed: Yes, correct.

Mohasin Khan: And wanting to understand as to what we are doing about it and if those headwinds have gone.

Suresh Kalpathi: So I'll talk of a couple of them, which we had highlighted the last time. I think the first was relating to the changes that are happening, especially with AI coming. So as Aditya mentioned, we are making quite a bit of change in our occasional space. In our product portfolio, we are dropping a few of the categories.

We are strengthening AI, DevOps and a couple of others and going very deep in those categories, where we offer master class type of programs, certifications, degrees, diplomas in conjunction with very reputed universities and our own certification programs at a lower price point.

That's the first change we made, and I think that is already showing very promising results in bit of a Q1, and you will see that in Q2. The second one was in our higher ed business, where basis the revenue recognition and the long-term programs we run, typically 1- or 2-year type of degree and diploma programs that we run in higher ed.

The customer acquisition cost is upfront and it is charged to our P&L in the quarter in which the student is onboarded, whereas the revenue gets recognized over 1 or 2 years. So that caused a certain disparity and hence, had a negative EBITDA margin from our higher ed business. Currently, as we speak, we have matured the business enough. So the revenue recognition of past student acquisitions are starting to reflect, and we expect the higher ed business also to be EBITDA positive going forward.

Already in Q1, we expect it to continue for the rest of the year. From a cash flow perspective, the higher ed business turned cash flow positive even last year, and we expect that trend to strongly continue. I think with the change we are making in our product portfolio with a lot of focus on AI/ML, DevOps and a couple of categories in which we are driving very deep.

We have also prudently pruned down on other categories which have gotten impacted because of the advancements in AI, and that is starting to show strong results. Yes, as you mentioned, we had some headwinds. We had gone through them, closed out, restructured during Q4. Q1 already showing results. You will see a much stronger results when we report our Q2 numbers.

Athar Sayyed: And my second question is about retention of faculty's write-off in this business. So how we are retaining our faculties and teachers in this business. Can you please explain about it?

Suresh Kalpathi: Aditya, could you pick up the question? Could you answer, if you have understood the question?

Aditya Malik: Yes. Is it -- just to clarify, is it for retention of faculties. That's what you mentioned, right? Retention of faculties...

Athar Sayyed: Yes, sure. Yes.

Aditya Malik: Okay. So in last year, see, across all our businesses -- first of all, in certain cases, we have our faculties on our roll. In certain cases, we have a long-term contract with the faculty, which have been continuing for many years. Having said that, what is happening is per se, in none of our businesses, the dependence of the business is on the strong or a hero faculty as it is called.

So we have derisked the business because our individual brands, whether it is JK Shah Classes in Commerce or Navkar or in Tapasya College of Commerce in commerce side or Race in test prep, people come to our classes not to get taught by a particular faculty, but to be taught by a particular institution so that they are able to get learning because that's how they have been consistently structured across all our verticals.

Having said that, all these brands, as Suresh described at the opening of the call, these are legacy brands who Veranda has acquired as part of our -- as part of aggregating the key brands. These brands are 20, 30, 40 years old and have been working in the industry for long. So the relationship and the contracts with the faculty have sustained over a period of time and will continue to sustain.

Having said that, the basic hygiene in terms of ensuring the right compensation, ensuring the right incentives, ensuring the right working environment, like most of the professional companies is being provided to each of these faculties across all our companies.

So I think in short, just to sum up, while we are ensured that across all our training programs, there is a significant deemphasis of what the industry parlance calls as a star faculty. In all our businesses, the faculty is the institution, whether it is JK Shah Classes in commerce or Race in government test prep or for that matter, Edureka in software. It is the institution, our pedagogy, our methodology, our content, which is really the star.

So the emphasis is clearly away from star faculties. Having said that, I think we pay one of the best industry compensation. And combined with that, the stock option that we give to all our faculties has ensured that while we have said we are independent of star faculty, the company depends intimately on the quality that our faculty delivers, and we ensure they are compensated and incentivized as best of industry standards.

Moderator: The next question is from the line of Mr. Deepesh from Maanya Finance.

Deepesh: Okay. Is there plan to raise equity or take on any structured debt in the non-commerce vertical post the demerger?

Suresh Kalpathi: The only thing that we are currently looking at is to refinance the high-cost debt that we had taken from Ascortis, a part of which in the commerce vertical got closed. The balance is being carried in the non-commerce vertical. As I had mentioned earlier in the call, it's at a coupon of about 17.2%. We expect to refinance this by March when the make-whole period gets over.

And given the strong land and building asset that's already owned by the company, we expect to be able to get a high single-digit coupon or a very low double-digit coupon debt. But that will be a refinancing of the current debt with a low-cost debt. But outside of that, we're really not looking at any other form of structured debt or equity to be able to deleverage the non-commerce vertical and make it debt-free, except to rely on our internal accruals to pay down the debt.

Deepesh: Okay. Coming to that refinance part only. I just wanted to know when was this last refinancing of 17.2% done? And does the promoter debt also hold the same coupon rate?

Suresh Kalpathi: Mohasin, do you want to take it?

Mohasin Khan: Yes. Yes, so the last debt was taken during the March '24 and April '24 period, where there was -- we acquired by Ind AS for the fund was to acquire the Tapasya Education Institution Private Limited and to refinance the existing loans which are available at that point of time. And promoter debt, which is there in the books is at INR61.86 crores, for which the rate is kept at 9.25%, which is the market rate, not the higher rate. It's kept at nominal rates.

Deepesh: So what was the logic of having such a high debt on the books when we are -- I mean, when the company's ROE itself is always negative?

Mohasin Khan: See -- and I think Suresh was saying that considering the acquisition financings are not done by the more normal nationalized banks or any bank. So we have to go to PEs, AIFs and the vehicles, where there will be the expectation is around 17 -- like more than 15% to 22%. And that was the whole reason. And as you said -- and also the acquisitions which were done earlier is not entirely on debt.

There was a part of debt and part of equity being raised at every stage of the acquisition being planned. From the day 1 when we started this journey on Veranda 1.0, every type of acquisitions were made part of debt and equity so that there is a benefit of leverage and the equity. And as 2.0 strategy, now the unbundling is happening, and we are taking equity to close down the debt and unlock the value from the organic growth. That's the plan, and we will stick to this plan whatever.

Deepesh: Completely understand that, sir. But point is -- sorry, you were adding something. I'll wait.

Suresh Kalpathi: Yes. So I think first is, 17.2% is an astronomically high cost of debt. There's absolutely no denying it. I think the only reason we had taken that debt was because the number of vehicles that can finance an acquisition are fairly limited. So we had to go to organization structured debt that can finance acquisitions. At the same time, we were very clear when we took it that we did not want to run it through the entire life of that loan, which typically is for 5, 6 years.

The idea was to complete these acquisitions, demonstrate synergy and value and then raise equity to close it as we get closer to the make-whole period. In this case, the make-whole period is about 2 years. So by March '26, all of the loan, which is now sitting outside of the INR310 crores of principal, which we closed, the balance debt will also get refinanced the moment we hit March '26 to a much lower cost debt. So for this...

Deepesh: Yes, so sorry.

Suresh Kalpathi: Yes, so it is a high-cost debt. We had to go to a structured finance because we were acquiring businesses.

Deepesh: Can I come in? Okay. So whatever debt which we have closed because of the QIP, what are the cost of that debt?

Suresh Kalpathi: Mohasin?

Mohasin Khan: It is the same, 17.23.

Deepesh: It is 17.23?

Mohasin Khan: Yes, yes, yes.

Deepesh: Okay, okay.

Mohasin Khan: The reason we closed high-cost debt, yes. The whole debt period we went for closing the debt.

- Deepesh:** I just hope that 2.0, we will be having a better debt position and I mean, at a lower cost. Okay. I also saw in the investor presentation that was uploaded on 28th July. If I can just sneak in this question, that's it. That was uploaded on 28th of July. In the Commerce vertical segment, there was 0 debt. But still, I see some deferred items in the balance sheet. Can you explain on that?
- Mohasin Khan:** Yes. I think we explained the same call if you have attended that call. So this was despite we acquired the companies like BB, Tapasya, we have a residual stake, which need to be bought from the other founders, which will be bought in the respective years where we have agreed with them.
- Like, for example, Tapasya in FY '28 and BB in FY '30. So the -- as per Ind AS, we have to recognize the liability as on the date of books. So what we'll be paying for the balance sheet. That's what you're seeing INR408 crores in the slide. Debt is 0, the deferred consideration is for the balance stake acquisition.
- Suresh Kalpathi:** Just to add, based on the modelling we have done with our cash flows, the internal accruals and cash flows that we generate would be more than adequate to buy off the residual stake when they fall due without resorting to any level of debt or any dilution in those vehicles.
- Deepesh:** I just hope, Suresh, that future acquisitions, we will take into account that what is the ROE which we are getting from the acquisitions and what is the debt rate which we are taking? Because I mean, at these astronomical debt rate...
- Moderator:** I would have to request you to join the queue again, sir, we do have participants in the line. The next question is from the line of Mr. Bunty from Inception Finance.
- Bunty:** First of all, congratulations to the entire management team. I think they've done a wonderful job. As we can see the green shoots from the Version 2 that we are embarking upon. Quick question from my side. Basically, it would be good if you can get some numbers on how has been the June -- July month in terms of commerce and non-commerce collections.
- Suresh Kalpathi:** Mohasin, do you want to share?
- Mohasin Khan:** Yes, I can share, sir. So we are able to -- so collected INR65 crores in the current July, where the INR45 crores came from the non-commerce segment, INR40 crores and INR25 crores came from the non-commerce, this is without GST.
- Moderator:** The next question is from the line of Mr. Sudarsan, an Individual Investor.
- Sudarsan:** Sir, congrats for the good result. Regarding the recent dynamics in the overall industry, particularly, you could see like upskilling has become a primary objective and also people shifting towards the government jobs. So with this recent change, like are we restrategizing in terms of our upskilling and also government test preparation and also into the new area geographies as well and also restrategizing with more students onboard to this?
- Suresh Kalpathi:** I think that government business has found Favor with a specific category of people who value long-term job commitments and who are fairly resilient to any changes in the environment. So

for instance, when COVID happened, I think our government test prep programs did extremely well because the government was the only one which did not do any retrenchment or salary reduction during the COVID period.

So I think a segment of people look at the government test prep and government jobs as something that's very secure. That's continuing to do well. Off late, what we have seen possibly in the last 4 to 6 weeks is with the changes and the unease that AI and AI-related software is creating in the market, especially in the upskilling space, people are starting to look at the government job as fairly more secure with all the uncertainties that AI and its advancement is creating.

So in that sense, we are starting to see some resurgence. It is showing in our Q2 numbers. Of course, it is also coinciding, as I mentioned earlier, with the notifications that have come. And so it is having a very significant impact.

But clearly, like you mentioned, we think going forward, the government jobs will find a lot more takers because they see it as being secured from changes that especially AI-related advancements is bringing into the upskilling space. We are yet to see the end of it. I think it's an evolving thing. But the early indicators that we are seeing, we expect the government test programs to start becoming and showing stronger revenues.

Moderator:

The next question is from the line of Mr. Atharva Kulkarni from OHM Stock Broker.

Atharva Kulkarni:

Yes. So my question is, sir, what are the new markets where you're seeing traction? And what are the cost efficiency levers that gives you confidence towards your EBITDA margin improvement? So those -- that are my questions.

Suresh Kalpathi:

Aditya, why don't you take it/

Aditya Malik:

Yes. So from 2 or 3 things happening, very interesting things happening in our commerce vertical, apart from CA Coaching, which has been our mainstay and a core product, we are seeing a significantly higher traction in global certifications like ACCA, CFA, CMA, etcetera, across the country. We had started and piloted that in a couple of regions. Now as we roll it out nationally, that's seen a significant traction.

Similarly, in our online commerce coaching business as well, a similar trend under the brand BB Virtuals, we are seeing where all courses are seeing a fairly significant traction as we launch them across -- as we launch them under the BB Virtuals platform. On the non-commerce segment, in test prep, in government test prep, we have launched Karnataka as a new market. As Suresh had mentioned earlier, we are fairly strong in Tamil Nadu and Kerala.

The new geography we have launched is Karnataka, early green shoots, but we are seeing some decent traction coming up from that market. A long way to go, but a decent start. In all other businesses like vocational business, the traction is coming from new products which have been introduced, new high-value products which have been introduced, which are online degrees, online certifications in the categories which are new since it's online business.

It is pan-India and in fact, global, we are seeing a significant traction coming from the new product category. So to summarize, in commerce under global certification, in government test prep, green shoots in the new market, which is Karnataka. In vocational segment, predominantly new product categories, which are high ARPU categories, which are giving us a significant traction across the country.

Atharva Kulkarni: Okay. Could I fit in another question, if that's possible?

Moderator: Sorry, sir, we do have a participant in line.

Atharva Kulkarni: Sure, understood.

Moderator: The last question is from the line of Mr. Henil Bagadia from Equicorp.

Henil Bagadia: Sir, I would just like to ask, sir, what is the capital expenditure that we do in terms of our content cost across all the 4 verticals? Sir, as you alluded that you've entered into the new market in case of Karnataka for the government test prep business. So I mean, what part of the capex -- capital expenditure also goes into, say, entering into a new geography? Because I think so Karnataka government exams will be different and you will have to significantly build up on your existing content.

Suresh Kalpathi: I can take that. So in the government test prep, apart from the language, the content is 75% to 80% the same because that relates to the national history and the national geography. There is a state dependency on the curriculum and specifics on the state and the language, which is about 20%.

Having said that, with the advancement and as I mentioned, the advancements one is seeing, translating into local languages is now a lot faster with the AI tools that are already there and the time to market can be very quick. So it is extremely cost efficient. It is extremely time efficient for us in terms of content into the new markets.

The type of monies that we spend on capex for content in the government test prep space is almost negligible and all of it is charged to our P&L. There is no capitalization of content that we do in the government test prep space. As far as our commerce space is concerned, we currently have about 100 physical centers in over 40 cities in India. These are physical centers of JK Shah Classes, which exist.

And in many of these cases, while we go into new cities, new locations to set up centers of learning, almost all of which are leased premises. The capex that we only do is in terms of tables, chairs and possibly air conditioning in very, very few locations. So the capex cost is much less than INR1 crores per new location that we go into. Majority of it is all leased.

Very, very few things, except for a few pieces of furniture that we actually buy, essentially, all of it is leased. So it is very capex light when we set up new centers in the commerce vertical. Content creation in government vertical, very negligible. All of it is charged to our P&L. So as

we go into Karnataka, like you mentioned, there is a change in language, there is about 20%, 25% change in content.

But with the new tools that are available, it's becoming extremely cost and time efficient. So little cost, all of it is charged to our P&L as far as content creation is concerned. I think it is also, in some sense, allowing us to expand a lot faster than what could have been possible, say, about 1.5 years before. We are able to move much, much faster.

Henil Bagadia: So what would be your projected expenditure for this year? And I mean, as you entered Karnataka last year, so any new geographies you plan to enter for any other vertical? Or as you said, you are getting deep into the AI/ML part and the development part for the vocation. So for all the 4 verticals, if you could just give some more clarity there?

Suresh Kalpathi: Mohasin, what is the capital allocated for spending for expansion in commerce and non-commerce?

Mohasin Khan: Now Commerce the allocated INR25 crores, sir, for the full year.

Suresh Kalpathi: So just to expand on it, in the commerce space, significant monies are going actually into setting up new managed colleges. That's really where we are putting money. Typical cost is about INR3 crores to INR4 crores, predominantly goes into security deposit, lease deposit.

And then, of course, for furniture that we buy air conditioning that we put in the new college locations that we set up. So roughly about INR3 crores to INR4 crores. The plan is to add 5 to 6 college of commerce under the Tapasya brand during this year, and that's broadly the allocation that's being made in the commerce space. Mohasin, what's in the non-commerce space?

Mohasin Khan: Sir, non-commerce is very low, sir. It will be at INR4 crores to INR5 crores. Hello? Yes, it will be INR5 crores to INR6 crores, that's it. Nothing else. Yes.

Henil Bagadia: Yes, sir. Sir, INR5 crores to INR6 crores, if you could give where you would be spending, sir. So as you said, in the commerce vertical, it will be for new Tapasya centers.

Mohasin Khan: It will be vocational segment which with the government as per getting the new colleges in Karnataka market and going to outside the academy, yes.

Suresh Kalpathi: So typically, again, we look for operational management of schools. So in any of these schools where we operationally take over, again, the premises are all leased. So again, these deposits, security deposits, initial marketing, typically about INR2 crores to INR3 crores for operational schools that we take over.

Moderator: I would now like to hand over the conference to the management for closing comments. Please go ahead, sir.

Suresh Kalpathi: Thank you. First, thank you for all for participating in this call, spending a good 1 hour on the call. For us, it has been a satisfying quarter, essentially because, first, this is our second

consecutive quarter of being PAT positive. I think clearly, we are demonstrating -- with an EBITDA in excess of INR50 crores for the quarter.

We are clearly demonstrating that our projections as part of a Veranda 2.0 strategy that we sort of spoke about early part of this year is well on its way to being delivered. With the debt that we just closed, we expect our cost of money, interest cost to significantly come down in the quarters coming ahead. As I mentioned, we closed the debt end of July, August 1.

So we suffered only 1 month of significant interest cost that should go away in this quarter. So we expect Q2 on the back of that to be significantly far more PAT positive than Q1. Our Q2 target should be well ahead of Q1 given that the interest burden is almost going away. For the full year, we expect -- and our guidance is fairly intact.

We expect to be able to reach an EBITDA well over INR240 crores in the reported numbers and an EBITDA of close to INR200 crores for the full year. So for us, it's a satisfying quarter because it has clearly set the stage both in terms of numbers, strategy, outcomes in terms of where we want to be. So we are thrilled with the quarter, the way it has shaped up.

We think we'll come back to you with a much stronger Q2 and a full year that you will start seeing taking shape when we announce numbers for the next quarter. Thank you once again for all of you for spending your valuable time with us on this call today. Thank you.

Moderator:

Thank you, sir. On behalf of Go India Advisors LLP, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.