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Byju's investors express concern over founder's involvement in business

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Byju Raveendran

Troubled edtech major **Byju's** investors have expressed reservations over the company's founder Byju Raveendran's involvement in the day-to-day running of the

company, according to sources.

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This comes at a time when Byju's kicked off a \$200-million fundraising via rights issue on January 29. The valuation is between \$230 million and \$250 million, significantly lower than the company's last funding round at \$22-billion valuation.

The company has not responded to a detailed questionnaire sent by *businessline*.

The rights issue comes at time when the company is cash strapped and is in need of capital for daily operations.

→ Also read: [Byju's launches rights issue to raise \\$200 million from existing investors at \\$230-\\$250 mn valuation](#)

A rights issue, by design, is a participatory pro-rata means of raising capital, wherein existing shareholders participate and maintain shareholding without the need to ascribe valuations. Staff stock options or ESOPs will be protected as per the terms and the company can issue more options to employees to recoup the loss in value.

Raveendran has to arrange at least \$40-42 million for his pro-rata investment in the company, sources added.

“A rights issue allows existing shareholders to maintain their proportional ownership in the company by purchasing additional shares at a predetermined price. It provides an opportunity for companies to raise capital without significantly diluting the ownership stakes of existing shareholders, as they have the first right to subscribe to new share.” said Maulin Salvi, Leader- Startup and Corporate Governance Practice, Nishith Desai Associates.

→ Also read: [Byju's overseas lenders file insolvency proceedings in India](#)

The plan

As per the current plans, Byju's will only tap external investors if the rights issue is not fully subscribed. However, the current investors are in talks with its internal investment committee for the rights issue.



“Most investors have mid-to-high single-digit stakes in the company. If any investor wants to invest higher than pro-rata, then the fund/individual will stand to gain more stake at a cheap price,” sources added.

In a note to the investors, CEO Byju Raveendran said the company has not 'shied away from taking several tough decisions' amid its current challenges. He also revealed that the founders have infused over \$1.1 billion of their personal funds into the company over the past 18 months.

FY22 financials

Byju's posted its FY22 financials reporting a consolidated revenue jump of 118 per cent from ₹2,428 crore in FY21 to ₹5,298 crore in FY22. Its losses also ballooned from ₹4,564 crore in FY21 to ₹8,245 crore in FY22.

Byju's filed its FY22 financials with the Ministry of Corporate Affairs (MCA), almost 22 months after the reporting period ended. Meanwhile, the audit of its FY23 financials is yet to be completed even as FY24 is ending.

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