IPO REVIEW

PhysicsWallah IPO

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- The company offers test preparation courses for competitive exams, and other courses for upskilling.
- It offers courses on offline, and online for quality education.
- Though it has been leading the segment with rising income, it is still in red on net earnings.
- It has posted losses for the reported periods, and thus the IPO is with a negative P/E.
- It is a pure long term story and well-informed/cash surplus/risk seekers may park moderate funds; others may ignore.

About the Company

PhysicsWallah Ltd. (PWL) offers test preparation courses for competitive examinations, and other courses such as for upskilling. Its channels of delivery include – (i) online, which includes social media channels, website and apps; (ii) tech enabled offline centers (where its faculty conducts live classes in a physical center); or (iii) hybrid centers (its two-teacher model where a student attends a live online class at a physical center and can benefit from another faculty that is present at the center to resolve questions and participate in revision classes). Among the top 5 education companies in terms of revenue in India, it is the largest in India in terms of student community, with its main YouTube channel, “Physics Wallah-Alakh Pandey" having ~13.7 million subscribers as of July 15, 2025, according to Redseer Report. Its YouTube community had 98.80 million subscribers as at June 30, 2025 and grew at a CAGR of 41.80% between Fiscals 2023 and 2025.

The company also have a significant offline presence among education companies in India in terms of offline revenue, according to the Redseer Report. The company is also among the top-five education companies in terms of revenue in India and are one of the fastest-growing companies in terms of revenue growth during Fiscals 2023 to 2025. PWL has sought to cultivate student community by offering quality education. It provides content using engaging and tech-enabled pedagogy (which means teaching methodologies). Further, a large portion of its materials and courses are available in an open access or free format on 207 YouTube channels (as at June 30, 2025), with an option for students to sign up for free or paid courses on its website or mobile applications (“apps”). Among the top 5 test preparation companies in terms of revenue as of Fiscal 2024, Some of its paid test preparation courses focusing on Joint Entrance Examinations (“JEE”, an entrance exam of engineering colleges in India), National Eligibility cum Entrance Test (“NEET”, an entrance test for medical colleges in India) and civil service examinations such as Union Public Service Commission (“UPSC”) examinations, have the most affordable prices in India as at July 2025.

It started operations by offering courses online and have expanded to multiple channels of delivery – online, offline and hybrid. This gives students the flexibility to choose their preferred mode of study. For the three months ended June 30, 2025 and Fiscal 2025, it had 2.10 million and 4.13 million Unique Transacting Users (Online Channel), and 0.33 million and 0.33 million student enrolments in offline centers, respectively. The company operated 303 Total Offline Centers as at June 30, 2025, and Total Offline Centres grew at a CAGR of 165.92% between Fiscals 2023 to 2025. The company aims to leverage its proprietary technology stack to provide content at scale, integrate new offerings successfully, and offer tech-backed tools to students and teachers for planning coursework, solving questions, grading tests, leading to efficient pedagogy.

As at June 30, 2025, it had 6267 Total Faculty Members (including employees and consultants) which primarily includes teachers, question/doubt resolution faculty and content development team. Its faculty members have specialists across multiple disciplines and functions which help it with teaching, content development, Batch planning and curriculum delivery. It has created a relevant and quality content library which includes books, digital reading content, question banks, micro-videos, video classes, tests and other materials. As at June 30, 2025, it had 4382 books published by and over 8.66 million question banks in its content library. Additionally, PWL uses technologies such as AI, big data and machine learning to develop and offer students various tools to support their studies during live sessions and outside the classroom. These tools have been developed with students at the forefront, with the aim of creating an effective and personalized learning environment for them and ensuring that the right content is available in the right format for effective learning. As of June 30, 2025, it had 18028 employees on its payroll and 913 third-party faculty.

Issue Details / Capital History

The company is coming out with its maiden book building route combo IPO of 319266055 equity shares of Re. 1 each (worth Rs. 3480.00 cr. at the upper cap), The issue comprises of Offer for Sale (OFS) worth Rs. 380.00 cr. (approx. 34862385 equity shares at the upper cap), and fresh equity shares issue worth Rs. 3100.00 cr. (approx. 284403670 equity shares at the upper cap). The company has announced a price band of Rs. 103 – Rs. 109 per equity shares of Re. 1 each. The issue opens for subscription on November 11, 2025, and will close on November 13, 2025. The minimum application to be made is for 137 shares and in multiples thereon, thereafter. Post allotment, shares will be listed on BSE and NSE. The issue constitutes 11.04% of the post-IPO paid-up equity capital. From the net proceeds of the fresh equity issue, the company will utilize Rs. 460.55 cr. for capex for fit-outs of new offline and hybrid centers, Rs. 548.31 cr. for expenditure towards lease payment of existing identified offline and hybrid centers of the company, Rs. 47.17 cr. for investment in subsidiary Xylem Learning, Rs. 31.65 cr. for expenditure on fit-outs, Rs. 15.52 cr. for lease payments of Xylem’s existing offline centers and hostels, Rs. 28.00 cr. investment in subsidiary Utkarsh Classes, Rs. 200.11 cr. for expenditures towards cloud related infrastructure, Rs. 710.00 cr. for expenditure towards marketing initiatives, Rs. 26.50 cr. for acquisition of additional shareholding in subsidiary

Utkarsh Classes, and the rest for unidentified inorganic acquisitions, and general corporate purposes.

The company has reserved equity shares worth Rs. 7.00 cr. (approx. 642202 shares) for its eligible employees and offering them a discount of Rs. 10 per share. From the rest, it has allocated not less than 75% for QIBs, not more than 15% for HNIs and not more than 10% for Retail investors.

The four Book Running Lead Managers (BRLMs) to this issue are Kotak Mahindra Capital Co. Ltd., J.P. Morgan India Pvt. Ltd., Axis Capital Ltd., Goldman Sachs (India) Securities Pvt. Ltd., while MUFG Intime India Pvt. Ltd., is the registrar to the issue. Kotak Securities Ltd. is a syndicate member.

Having issued initial equity shares at par, the company has issued/converted further equity shares in the price range of Rs. 0.28 – Rs. 3032.65 per share (based on FV of Re. 1), between July 2022 and October 2025. It has also issued bonus shares in the ratio of 599 for 1 in March 2022, 35 for 1 in March 2025. The average cost of acquisition of shares by the promoters/selling stakeholders Rs. Negligible per share.

Post-IPO, its current paid-up equity capital of Rs. 260.80 cr. will stand enhanced to Rs. 289.24 cr. Based on the upper cap of the IPO price band, the company is looking for a market cap of Rs. 31526.73 cr.

Financial Performance

On the financial performance front, for the last three fiscals, the company has (on a consolidated basis) posted a total income/net profit/ - (loss), of Rs. 772.54 cr. / Rs. – (84.08) cr. (FY23), Rs. 2015.35 cr. / Rs. – (1131.13) cr. (FY24), and Rs. 3039.09 cr. / Rs. – (243.26) cr. (FY25). For Q1 of FY26 ended on June 30, 2025, it posted a loss of Rs. – (127.01) cr. on a total income of Rs. 905.41 cr. The company marked growth in its top lines for the reported periods but posted losses with rising negative carry forwards.

For the last three fiscals, the company has posted an average negative EPS of Rs. – (2.09) and an average RoNW - (43.12) %. The issue is priced at a P/BV of 15.16 based on its NAV of Rs. 7.19 as of June 30, 2025, and at a P/BV of 6.32 based on its post-IPO NAV of Rs. 17.24 per share (at the upper cap).

If we attribute FY26 annualized earnings to its post-IPO fully diluted paid-up equity capital, then the asking price is at negative P/E. Based on FY25 earnings also the P/E stands negative. Thus, the issue appears aggressively (with a negative P/E) priced.

Dividend Policy

The company has not paid any dividends for the periods referred in the offer documents. It has already adopted a dividend policy in February 2025, based on its financial performance and future prospects.

Comparison with Listed Peers

As per the offer document, the company has no listed peers to compare with.

Merchant Banker's Track Record

The four BRLMs associated with the offer have handled 78 pubic issues in the past three fiscals, out of which 15 issues closed below the offer price on the listing date.

Conclusion / Investment Strategy

PWL offers test preparation courses for competitive exams, and other courses for upskilling. It offers courses on offline, and online for quality education. Though it has been leading the segment with rising income, it is still in red on net earnings. It has posted losses for the reported periods, and thus the IPO is with a negative P/E. It is a pure long term story and well-informed/cash surplus/risk seekers may park moderate funds; others may ignore.

About Dilip Davda

Dilip Davda is a veteran financial journalist associated with the Indian stock market since 1978. He has been contributing to print and electronic media on capital markets, insurance, and finance since 1985. He is widely recognized for reviewing public issues and non-convertible debentures (NCDs) in the primary market, with a special emphasis on SME public issues.

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