

PhysicsWallah Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
11 November 2025	13 November 2025	₹103 to ₹109	Neutral

Investment Summary

PhysicsWallah (PW) has shown strong growth, with revenue rising at a CAGR of 96.9% between FY23 and FY25, supported by expansion across online, offline, and hybrid centers. Its paid user base grew to 4.46 million in FY25, aided by effective conversion from its large free-content community. The company's hybrid model provides scalability and reach, especially in Tier 2 and Tier 3 cities, while its affordable pricing ensures accessibility and competitiveness. Backed by a modular technology stack and data-driven operations, PW efficiently manages expansion and enhances learning outcomes. Led by founder Alakh Pandey, the brand enjoys strong trust and visibility among students. Strategic acquisitions like Xylem and Utkarsh Classes have further diversified its offerings and strengthened its presence.

Company Overview

PhysicsWallah Limited (PW) is an Indian public limited company, co-founded and promoted by Alakh Pandey (CEO) and Prateek Boob, having been originally incorporated on June 6, 2020. The company specializes in offering test preparation courses for competitive examinations, such as JEE and NEET, alongside other courses focused on upskilling. PW operates across 13 Education Categories, delivering content through a multi-channel approach: online (website and apps), tech-enabled offline centers, and hybrid centers (two-teacher model). This strategy is aimed at improving learning outcomes while maintaining accessibility and affordability, supported by a scalable technology stack and a student community-led approach. Among the top 5 education companies in India by revenue, PW operates India's largest online student community, with its main YouTube channel having approximately 13.7 million subscribers as of July 15, 2025. The company has expanded rapidly, operating 303 Total Offline Centers as at June 30, 2025, and growing its revenue from operations at a CAGR of 96.93% between Fiscals 2023 (₹744.32 cr) and Fiscal 2025 (₹2,886.64 cr).

Business Model

The business model of PhysicsWallah (PW) is centered on providing affordable and accessible quality education through a multi-channel delivery approach. PW offers a wide array of educational and test preparation courses, including JEE, NEET, Foundation, and upskilling, across 13 Education Categories. Delivery channels span online (website, apps, YouTube), tech-enabled offline centers (Vidyapeeth), and hybrid centers (Pathshala) using a two-teacher model. A core strategy is leveraging its large online student community (98.80 million subscribers as of June 30, 2025) by offering substantial educational content for free. This free content acts as a community-led funnel, driving organic conversion of engaged students into paid users for structured Batches and courses. The model relies on offering highly competitive and affordable pricing for paid courses (e.g., JEE and NEET online courses are significantly cheaper than competitors).

Revenue is primarily generated from the Sale of Services (coaching fees, hostel, and transportation income) and the Sale of Products (books, study materials, merchandise, and B2B sales). Other operating income includes advertisement revenue generated from third-party placements on its YouTube channels. PW utilizes a flexible and scalable technology stack to manage operations, integrate new offerings, and ensure consistent quality across all channels. The business uses data insights from its online ecosystem to strategically guide its offline expansion, determining the location and course type for its growing number of physical centers. The company also employs inorganic growth (acquisitions like Xylem and Utkarsh Classes) to rapidly expand geographical presence and strengthen footholds in specialized test categories.

Industry Outlook

The education sector in which PhysicsWallah (PW) operates is the expansive Indian Education Market, which ranks among the largest worldwide. This market was estimated at ₹15–16 trillion in Fiscal 2025 and accounts for approximately 5% of India's GDP. A significant segment is the competitive test preparation market, valued at ₹1 trillion to ₹1.1 trillion in Fiscal 2025, projected to grow at a CAGR of approximately 13% to reach up to ₹2.1 trillion by Fiscal 2030. Despite its size, online

education remains underpenetrated, with penetration estimated to increase from approximately 2% in Fiscal 2022 to only approximately 4% in Fiscal 2025. Market growth is fueled by structural tailwinds such as increasing parental aspirations, a large young population, and the rapid expansion of digital infrastructure through affordable data and smartphones.

The easy availability of free educational content on platforms like YouTube has lowered cost barriers for industry players, shifting consumer engagement. A major trend is the structural shift from traditional classroom settings towards diverse, innovative approaches, with key players increasingly adopting hybrid business models that integrate both online and offline channels. A core driver of future growth is anticipated to come from Tier 2 and beyond cities, which are experiencing rising aspirations and are poised to increase their share of the overall education market to approximately 46% by Fiscal 2030. The industry is characterized by intense competition across all segments, including from large organized national players and highly localized unorganized entities. PW also operates in the fast-growing upskilling market, which expanded at a CAGR of approximately 19% between Fiscals 2022 and 2025, driven by the demand for skilled workers, particularly in the massive service sector.

Investment Rationale

Rapid Growth in Paid Users and Revenue

PW achieved 4.46 million Total Number of Paid Users in Fiscal 2025, marking a Compound Annual Growth Rate (CAGR) of 59.19% between Fiscals 2023 and 2025. Additionally, revenue from operations grew at a CAGR of 96.93% between Fiscals 2023 and 2025.

India's Largest Online Student Community

The company operates India's largest online student community among the top five education companies in India by revenue. This community, with the main YouTube channel boasting ~13.7 million subscribers as of July 15, 2025, serves as a powerful, community-led funnel for organic conversion into paid users.

Experienced Management Team

PhysicsWallah is led by a strong and diverse leadership team combining entrepreneurial vision, academic excellence, and deep industry experience, spearheaded by founders Alakh Pandey and Prateek Boob, supported by seasoned professionals and independent directors with extensive backgrounds in governance, finance, banking, and private equity, ensuring balanced strategic oversight and execution capability.

Scalable and Affordable Offerings

PW is dedicated to solving for accessibility and affordability. Its highly affordable pricing model for competitive exam courses (like JEE, NEET, and UPSC), which is among the most affordable in India as of July 2025, is enabled by its ability to offer courses at scale through a flexible technology stack.

Flexible and Scalable Technology Stack

The company relies on a proprietary, modular, and scalable Learning Management System (LMS) technology stack which ensures system stability for high-volume student batches. This technology stack is essential for integrating new offerings and ensuring quality pedagogy across channels.

Data-Driven, Tech-Backed Pedagogy

PW leverages AI, big data, and machine learning to deploy advanced tools such as "AI Sahayak" (a personalized smart companion) and "TeacherX" (for faculty management), enhancing both student learning outcomes and operational efficiency by reducing the need for extensive human intervention.

Multi-Channel Strategy and Offline Expansion

The business utilizes a multi-channel delivery approach that includes online, tech-enabled offline centers (Vidyapeeth), and hybrid centers (Pathshala). This has led to rapid physical expansion, operating 303 Total

Offline Centers as at June 30, 2025, with expansion locations strategically determined using data insights from the online student community.

Quality Content and Specialized Faculty Pool

PW maintains a robust network of 6,267 Total Faculty Members (as at June 30, 2025) and a significant content library, including 4,382 published books and over 8.66 million question banks as at June 30, 2025. The content is constantly updated and standardized across all delivery channels to ensure consistency and quality.

Strategic Inorganic Growth

PW has a track record of using inorganic growth (acquisitions like Xylem and Utkarsh Classes) to strengthen capabilities and expand market reach, allowing for entry into new geographies (like South India and the Middle East) and diverse test categories (like state government exams).

Key Risks

Incurrence of Past Losses and Negative Financial Metrics

PW has incurred significant restated losses for the year or period across recent financial reports, including ₹243.26 cr in Fiscal 2025 and a major loss of ₹1131.13 cr in Fiscal 2024. Furthermore, the company reported negative net worth as at March 31, 2024, and negative EBITDA in Fiscal 2024 and for the three months ended June 30, 2025. If the company fails to generate adequate revenue growth and manage its expenses, it may continue to incur losses in the future, negatively impacting its financial condition.

Dependence on Attracting and Retaining Faculty Members

The company's success relies heavily on its ability to attract and retain quality faculty members, whether they are employees or consultants. Faculty members can terminate their contracts, potentially joining competitors. Losing faculty members, especially senior ones, poses a risk that they may share internal strategies and business information with rivals, significantly harming operations. Failure to hire, retain, or train quality faculty could lead to student loss and material reputational harm.

Dependence on Key Leadership and Management

The success and reputation of PW depend substantially on the continued leadership of its founders, Alakh Pandey (CEO) and Prateek Boob. If either founder discontinues their services, joins a competitor, or establishes a new test preparation center, the company's brand, reputation, student enrolments, and overall business could be adversely affected.

Risks Associated with Rapid Growth and Limited Operating History:

PW has a limited operating history of less than six years, particularly concerning its recently expanded offline and hybrid channels of delivery. This limited history makes it difficult to predict long-term trends or assure future profitability. Managing this rapid growth requires significant and ongoing expenditure and allocation of management resources, and a failure to achieve the necessary level of efficiency could harm the business and financial results.

Vulnerability to Negative Publicity and Brand Damage:

The "PhysicsWallah" brand is critical to the company's success. PW is exposed to risks of negative media coverage, including allegations concerning faculty behaviour, student dissatisfaction, or adverse incidents related to infrastructure (such as the incident involving a ceiling fan falling on a student in 2024). Negative publicity, particularly amplified by social media or arising from general industry issues (like mental health concerns or suicides among students), could adversely affect the company's reputation, student base, and financial performance.



Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	744	1940	2887
EBITDA (₹ Cr)	14	(829)	193
EBITDA Margin (%)	1.9	-	6.7
PAT (₹ Cr)	(85)	(1,128)	(240)
PAT Margin (%)	-	-	-
EPS (Basic) (₹)	-	-	-

IPO Details and Use of Proceeds

Parameter	Details
Issuer	PhysicsWallah Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	31,92,66,054 shares (aggregating up to ₹3,480.00 Cr). Fresh Issue : 28,44,03,669 shares (aggregating up to ₹3,100.00 Cr). Offer for sale : 3,48,62,385 shares of ₹1 (aggregating up to ₹380.00 Cr).
Price Band	₹103 to ₹109 per share
Face Value	₹1 per share
Post-Issue Market Cap	₹31,170 Cr at the upper band
IPO Opening Date	November 11, 2025
IPO Closing Date	November 13, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	81.6% /72.3%
Book Running Lead Manager(s)	Kotak Mahindra Capital Company Limited J.P. Morgan India Private Limited Goldman Sachs (India) Securities Private Limited Axis Capital Limited
Use of Proceeds	<ul style="list-style-type: none"> • ₹460.55 crore - Capital expenditure for fit-outs of new offline and hybrid centers of the Company. • ₹548.31 crore - Lease payments for existing identified offline and hybrid centers operated by the Company. • ₹31.65 crore - Capital expenditure for fit-outs of new offline centers of Xylem. • ₹15.52 crore - Lease payments for Xylem’s existing identified offline centers and hostels. • ₹33.70 crore - Investment in subsidiary (Utkarsh Classes & Edutech Pvt. Ltd.) towards lease payments for its existing identified offline centers. • ₹200.11 crore - Expenditure on server and cloud infrastructure • ₹710.00 crore - Marketing initiatives. • ₹26.50 crore - Acquisition of additional shareholding in Utkarsh Classes & Edutech Pvt. Ltd. • Funding inorganic growth through unidentified acquisitions



Valuation and Recommendation

At the upper price band of **₹109 per share**, PhysicsWallah is priced at an **EV-to-Sales multiple** of **10.7x** at a post-issue **market capitalization** of roughly **₹31,170 Cr**. The company has reported strong topline growth (Sales CAGR of 96.9%) but continues to remain loss-making, with net loss widening to ₹216 crore in FY25 due to higher depreciation and impairment expenses. PW's hybrid education model combining online scalability with offline reach offers growth visibility, though the execution and profitability ramp-up at new centers will be key monitorables. As offline centers mature and employee costs stabilize, operating profitability may improve gradually, but this improvement is yet to be demonstrated at scale. Given the company's high growth potential but limited profitability track record, we maintain a **NEUTRAL** view on the IPO and prefer to monitor the company's performance post-listing.



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