PHYSICSWALLAH LIMITED

Date: December 15, 2025

National Stock Exchange of India Limited
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex,
Bandra (E), Mumbai – 400 051 India

Scrip Code: 544609

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street,
Mumbai – 400 001 India

Symbol: PWL

Sub: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of Earnings Conference Call pertaining to the Unaudited Standalone and Consolidated Financial Results for the quarter and half year ended September 30, 2025

Dear Sir/Madam,

This is in continuation to our earlier letter dated December 09, 2025, regarding audio recording of the Earnings Conference Call held on December 09, 2025, at 09:00 A.M. (IST) on the performance of Unaudited Standalone and Consolidated Financial Results of the Company for the quarter and half year ended September 30, 2025.

Please find attached herewith the transcript of the above Earnings Conference Call.

This disclosure will also be hosted on the Company's website viz. https://www.pw.live/investor-relations

You are requested to take the above on record.

Thank you.

Yours sincerely,
For Physicswallah Limited

AJINKYA RAJENDRA JAIN
Digitally signed by AJINKYA RAJENDRA JAIN
Date: 2025.12.15 19:15:50 +05'30'

Ajinkya Jain
Group General Counsel, Company Secretary & Compliance Officer
Membership No.: A33261

Physicswallah Limited

Q2 FY26 Earnings Conference Call

December 09, 2025

MANAGEMENT: **MR. ALAKH PANDEY – CHIEF EXECUTIVE OFFICER AND WHOLE TIME DIRECTOR – PHYSICSWALLAH LIMITED**
MR. PRATEEK BOOB – WHOLE TIME DIRECTOR – PHYSICSWALLAH LIMITED
MR. AMIT SACHDEVA – CHIEF FINANCIAL OFFICER – PHYSICSWALLAH LIMITED

MODERATOR: **MS. GARIMA MISHRA – KOTAK SECURITIES**

Moderator: Ladies and gentlemen, good morning and welcome to the Q2 FY26 Earnings Conference Call hosted by Physicswallah Limited. As a reminder, all participant lines will remain 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 the conference call, please signal the operator by pressing star, then zero on your touchtone telephone. Please note that this conference is being recorded.

I will now hand the conference over to Ms. Garima Mishra from Kotak Securities for opening remarks. Thank you and over to you ma'am.

Garima Mishra: Thank you, Ryan. Good morning everyone. It is indeed a great pleasure to host Physicswallah's maiden earnings call after its stellar listing. Joining us today to discuss earnings for the second quarter and half year ended 30th September 2025 are Mr. Alakh Pandey, CEO and Whole Time Director, Mr. Prateek Boob, Whole Time Director and Mr. Amit Sachdeva, CFO.

The results and shareholder's letter have been uploaded to the stock exchanges and are available on the company's investor relations website. Before we begin, I'd like to remind you that certain statements made on this call may be forward-looking in nature and should be viewed in conjunction with the risk factors disclosed in the company's filings.

With that, I'll now hand the call over to Mr. Alakh Pandey.

Alakh Pandey: Hello everyone. Good morning, good afternoon, good evening, whichever part of the world you are joining from. First of all, thank you everyone. Thank you so much for being a partner at PW now and literally changing the educational landscape of Bharat. Thank you everyone or should I say congratulations as well. For now, as you are one of the disruptors in education in India, part of that mission.

At PW, we have always believed and we will still believe that education should not be a luxury. It is a necessity. It is the right of every kid. And we are here to provide that basic right to each of the students of Bharat. We are here to reach the remotest village of Uttar Pradesh, Bihar, Rajasthan and all other states of the India. IPO was a good milestone for me, for Prateek, for the entire team.

Yeah, it was a good success, but along with that, a lot of responsibility. We feel a lot of responsibility from all the shareholders who supported us, who were there with us, who trusted us, even with a lot of marks on the education sector in the terms of financial world. But PW has proven that wrong and will continue proving that.

We feel we are still scratching the surface. We have just started. The whole Bharat is waiting for us. We have the right pedagogy, right content, as well as the right technology. There are enough amount of students waiting for all of us to be taught, to be brought to the mainstream Bharat. Over to you, Prateek and Amit ji.

Prateek Boob: Thank you, Alakh sir, for opening remarks. So, welcome you all. Prateek Boob this side. We have published our second quarter results. And overall, company is looking quite strong in terms of enrollment growth, in terms of overall revenue growth, path to profitability. A good jump in our PAT numbers from last year quarter two to this year quarter two.

Overall, H1 looks quite strong to us. In general, quarter three is the strongest quarter for the company. And quarter three will also be PAT profitable. We have a very unique business model, which is very affordable courses for Bharat. And there's thousands of students studying together in a live classroom environment. And we continue to teach the remotest part of the country with the help of internet and mobile penetration.

If you see our offline growth numbers in terms of enrollment, in terms of overall penetration is also increasing at a very rapid rate. Happy to answer any of your questions in terms of numbers. And before we jump to that, I would like to invite Amit and if you want to add on anything here.

Amit Sachdeva: Thank you so much, Prateek sir. Just a quick summary of our quarterly Q2 FY26 performance. We did upload all the materials on our website yesterday and the necessary work has been done on the stock exchanges.

So, overall revenue from operations increased ~26% year-over-year to INR1,051 crores. Our adjusted EBIDTA grew ~38% to INR269 crores with margin expansion from 23% to 26%. Our pre-Ind AS EBIDTA, we also started reporting IGAAP or pre-Ind AS EBIDTA as part of our recognition now.

So, that in Q2 came at INR161 crores, almost a jump of ~37% year-over-year improvement. Our Q2 PAT came at roughly INR70 crores, up ~70% year-over-year. Like Prateek sir mentioned, I think our enrollments are looking strong both in online and offline.

Our online ACPU continues to grow significantly. We saw an ~8% increase in our online ACPU and we feel that our academic cycle, depending on how the enrollments come in, we expect the full year number to be in the same region. In terms of Q3 performance, Q3 is going to be our strongest quarter depending on how the academic cycle is and as part of one of the questions that we've also answered, you got a chance to look at the Q&A. In terms of the cyclical nature of our business, Q1 comes strong in terms of our enrollments. Q2 and Q3, where most of our batches run both from an online and offline perspective, come strongly in terms of our revenue recognition based on the batches that keep on happening.

And Q4, as the batches run down, enrollments come back and one of the highest quarters in terms of collections as we launch Vishwas Diwas, which is our largest event in terms of student enrollment. So that's a quick summary of our overall financial performance. We can now open up the forum for any Q&A that the team might have.

Moderator: Thankyou! Ladies, and Gentlemen we will now begin the question and answer session anyone who wishes to have the question, may press star and one on their touch tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use their handsets while asking the questions. Ladies and Gentlemen we will wait for a moment while the question queue assembles.

We take the first question from the line of Vivek M from Jefferies. Please go ahead.

Vivek M: Hi, good morning team. My questions are going to be, and apologies if these are naive questions, but slightly basic. So first is, let's say now that you're a listed company, how do you think about balancing growth and profitability?

Because the reason how you started, the ending page says that education is the ornament of all. How do you balance the pressure of publicly listed company, which also focuses on profitability, as compared to growth? In an unlisted setup that is easy. How do you do it now that you're listed and there are going to be quarterly pressures, so to speak?

Prateek Boob: Thank you, Vivek, for asking this question. Of course, to run a listed company, you have to see top line growth and bottom-line growth. That is essential for any company. We as a company is on a mission to teach Bharat. That doesn't mean that we need not to give profitability. If you see our results of quarter 2, the entire H1, we have a ~29% revenue growth. Bottom line also improved significantly. So we are performing this historically, both top-line improvement and bottom-line improvement.

If you see, with the help of technology and Internet, we have already disrupted the prices a lot. That is, the entire preparation of IIT and NEET, which is a year-long live learning, is still happening for ~INR4,000. We have increased our online ACPUs by just ~8%. Still, we have delivered a growth of more than ~30%. Where is all this coming from? Because there are a lot of kids in India who do not have access to a good quality teacher. Meaning, of those ~25 crores kids, we are having less than ~2% market share.

So with the smartphone penetration, with the Internet penetration, with expanding to state boards as exam categories, K-10 as exam categories, and adding new exam categories, the enrollment growth is still a long way from here. As well as we are sitting on a very affordable pricing. So there is a lot of scope for ARPU or ACPU improvement.

For example, the whole day's study is ~INR10 per day, which means we are getting it done in less money than a tea. The kids are also having cheaper Internet by our courses. So there is scope for ARPU and ACPU improvement, but not at a dilution of the vision of the company, which is to make education accessible for the entire country.

Vivek M: Got it. Very interesting. Sir, I don't want a formal guidance from you, but let's say over the next 3-5 years, how do you think your growth trajectory should be? Year-to-year, there may be blips along the way, but in 3-5 years, how do you feel , the growth numbers should be for you?

Prateek Boob: We want to grow sustainably, both revenue improvement as well as profitability improvement. Both numbers will you see in the next 3-5 years, because the TAM is huge. We want to grow sustainably. We have a very unique business model in which we make Internet free for our communities. If even a child doesn't have ~INR3,000-INR4,000, still he can still study free on YouTube and there also his selection guarantee is that much. You can say, over the period of time, marketing costs will get leverage. Payroll costs as a percentage of revenue will get leverage as well as trajectory for enrollment growth will start to look strong. So both top line and bottom line, you will see a good improvement in the next 3-5 years.

Vivek M: Got it. A couple of more questions, if I may. On the, let's say, expansion into other -- both actually South as well as other than JEE and NEET, do you think you are spreading -- as an outsider, I feel you are spreading yourself a bit too thin. Do you think that is the case and how do you manage when you have so many things? Almost half of your total enrollment was around JEE and NEET. Now that has come down to about ~35%. How do you manage as you are adding more categories?

Prateek Boob: Right. I am just referring to the question number 14 of our shareholder letter. I am glad that you have brought this thing up. JEE and NEET are the early exam categories that we started in 2020. If you see there as well, the overall revenue improvement is in double digits and continues to be strong growth for upcoming years.

But dependency on JEE and NEET has reduced drastically over the years because the playbook which we have created, create communities on JEE and NEET, make it free on YouTube, your child will download your app, take your paid courses, keep your marketing expense low. So this freemium model started showing its magic in other exam categories as well.

So if you see in terms of percentage of enrollment, JEE and NEET was ~36% in 2024 and now it is ~31% in 2025. In the future, if you see the percentage of H1 from 2025 to 2026, what is the percentage of total enrollment coming from JEE and NEET exam categories, that is also on decline. So new exam categories are growing very rapidly.

In terms of JEE and NEET growth rates, we have taken a good market share in Hindi heartland. This is Central India and this is Southern India where we are also growing very rapidly. So overall there is a scope to do multi-fold growth in JEE and NEET itself. And in other exam categories, we have diversified our business.

Vivek M: Got it. And last question is, do you think there is a sense, whether it is about new region or getting bigger success and share in the new categories? M&A, Do you think because I am guessing that there will be a lot of regional jewels who are doing great in their catchment area but are highly regionalized. Do you think there is a sense in acquiring those?

Prateek Boob: If you see, we are India's biggest education company which is listed. And we will have all the opportunities for market consolidation because we are the largest and we are a listed company. So access to the capital becomes easier once you are listed and we are sitting on a lot of cash as well.

At the same time, any M&A, the company looks at it from the length that either they give us a geographical expansion, that if we are not present in any geographical or specific language, then we do M&A there or they give us a categorical expansion. That there is an exam category in which our target audience is not there. So we have made these 2 thesis.

We have successfully demonstrated in the past also. And this year also we have done one M&A with Sarrthi IAS which is in the UPSC domain. The target audience that they used to teach, that was slightly different from PW target audience. And we have taken 40% stake in Sarrthi IAS. We will have 85% stake till FY '28. And Sarrthi growth last year and this year is quite strong. You will get to see more than ~30%.

So we have the opportunity but at the same time, one has to be very conscious to do these things because 2 companies putting together, 2 different cultures putting together M&A, it is very important that there is cultural alignment, strategic alignment. It is a thing which one has to do with the utmost responsibility. But wo do have, we are sitting on a lot of opportunity at this point of time.

Vivek M: Got it. Thank you for patiently answering all my questions and wishing you all the very best.

Prateek Boob: Thank you! Thank you!

Moderator: Thank you. We take the next question from the line of Shubham Dalia from InCred Equities. Please go ahead.

Shubham Dalia: Hi, good morning and thank you for the opportunity and congratulations on the great results. I have 2 questions. The first one is on the top line growth. Again, if you cannot give a formal guidance, that is fine. But for this quarter, the top line grew at around 26%. The last quarter we did Y-o-Y, around ~33%. So in FY '25, we were at around 48%. So how -- because the nature of the business is that you have a visibility of the entire year. So how are you looking at the second half of the year in terms of the top line? That is my first question.

Prateek Boob: So overall, in terms of macro, the quarter 3 is the strongest quarter for the cyclicity nature of the company. Quarter 3 is the company's highest top line and highest EBITDA margin quarter. And in quarter 3, upwards of 20% EBITDA, which we have done in quarter 2, a number of 15% EBITDA. If you see the quarter 2 EBITDA numbers.

And in terms of revenue growth also, if you see. So in H1, if we compare the growth of H1 from last year to H1, then we have a 29% growth of H1 from last year to this year. And in that, 49% contribution from online operations is coming, 47% contribution from offline channels is coming, and 4% from other channels is coming. Which is, we have covered in our shareholder letter as well. And in H2, the revenue will be more than H1. That is what I can give you guidance

Shubham Dalia: Okay. Thank you, Prateek. The second question is on your offline expansion, if you give some understanding. Now, lastly, the overall split is kind of balanced in online and offline. Down the line, like you are doing offline expansion, now you have centers above 300.

So how do you see that split going on down the line, let's say, 2 years, 3 years down the line, of offline and online, because there is more ARPU in offline. So how do you see that revenue split in online and offline? Will it be balanced or will it get tilted towards offline? How will it be?

Prateek Boob: So, in other words, it will tilt towards online. Because if you plot the historical numbers in offline, you will see that we have expanded very quickly in offline. With offline expansion, there is a slight loss in the first year. Because offline centers get profitable in the second year. And the return of capital comes in the third year.

So, in the last 2 years, in FY '24-'25, we opened 170 centers. So, because of offline, the contribution of losses has gone to the peak. In the coming time, next year, we are opening 75 centers. In which there are 45 Vidyapeeth centers, 10 Pathshala centers, and 20 other centers in which there are government exams and some of our subsidiary centers.

So, this art of learning and art of opening a center and running it with minimized losses in the first year, this playbook has improved over the period of time. Moving forward, we will keep doing sustainable growth in offline. Revenue mix is near equal. Online is 49%, offline is 47%. It will tilt a little towards online.

Now, as we mentioned in our use of proceeds, in the next 3 years, we are going to open ~200 new centers. So, on an average, we will open ~70 centers per year at a run rate. So, next year, we are going to open ~75 new centers. Of course, there is ARPU there. And that is a compounding story that will continue for the next 10 years in which we will keep opening centers. And there is a lot of leverage left from operational efficiencies.

Shubham Dalia: Yes, that answers my question. Thank you so much, Prateek and Alok. And all the best to the team for the next quarters and years.

Prateek Boob: Thank you! Thank you!

Moderator: Thank you. We take the next question from the line of Gaurav Malhotra from Axis Capital. Please go ahead.

Gaurav Malhotra: Hi. Thank you for the opportunity and congrats on a good set of numbers. Just 2, 3 questions. First of all, your centers -- the center booth - has been pretty healthy. So, if you can just give us some sense of, how are the centers in the last 9-12 months? How are they sort of tracking in terms of utilization, margins, etc.?

Prateek Boob: So, the center growth -- if I tell you about the unit economics or box unit economics of the center -- typically, there is a box of a center in which there are ~1,000 seating capacities. It sometimes operates in 2-3 shifts. A center starts with an investment of ~ INR2.5 crores. That is a typical investment. We have these centers.

And in the first year, we take admission of some ~1,500 students. and minus ~6% EBITDA is contributed by a typical offline learning VidyaPeeth NEET JEE center. Next year, when we take admission in the second year of operations, when it becomes ~2000, the same center starts giving us 6% of the margin. In the third year of operations, anywhere between ~13%-15% EBITDA margin is taken. In the third year, we take admission of ~3500 students.

The center operates in 2 shifts. So, seat utilization is one metric which we closely follow. How are we utilizing the seats? What is the student-teacher ratio? Along with that, there are some engagement metrics. How are the student-teacher ratios and learning outcomes? How are we producing results in that city?

How are we increasing the market share of our results in that city? All these key metrics are used to run offline learning centers. Box unit economics are very tightly in place. And business finance continuously monitors the rental percentage. For any new center signing, the rental should be below a critical threshold. There should be a definite number of online learners in that catchment.

Because our offline is linked to online. ~80% of our offline admissions happen through online. So, all these processes make us a very unique offline company. What we did offline in 3.5 years, our competition took 40 years to achieve. Because they are traditional companies. We made physical learning centers. We made tech-enabled offline learning centers. So, that's why we could rapidly scale our offline. And now, here onwards, we will sustainably grow our offline learning centers chain.

Gaurav Malhotra: Just one more question. If you can just help us understand, how do we think about the ARPU growth in the offline segment? First quarter, what was given in the RHP, we had a certain number. And now, we have for 2Q. The growth seems to be a little bit -- how do we think about this for the full year and going ahead? That's the question.

Prateek Boob: That's a very good question. I was expecting someone should see this change in pattern. Basically, our ARPU, in quarter 1 and quarter 2, sometimes that doesn't give you the true picture. Because what happens is, as you can see, right now, our ARPU is somewhere around ~INR22,000. And you can see a slight decline from last year. That is ~4% decline from last year's ARPU.

So, there are two reasons for this. One, we introduced some short-term courses in our offline. Because they were of 3-6 months nature. So, of course, the courses of 3-6 months nature are of low price. At the same time, the full clarity of Vidyapeeth ARPU can be seen from the year-long picture.

But if you look at our offline play, our enrollment has increased ~ 30%. Our revenue has increased ~ 22%, and there is slight decline of ARPU of ~ 4% due to short-term courses. Because in the first half, no picture or color comes out. Entire picture will come out on an annual year basis and not half-yearly basis. So, to hold on ARPU as a metric -- on first quarter or second quarter or third quarter is not the right way we look at business. We look at the annual ARPU picture.

And in the annual ARPU picture, Vidyapeeth ARPU will be improved. Addition to your point, from next year, from 1st April 2026, we will show the profitability of EBITDA of our online business and offline business separately so that market will have an even more deeper and fair understanding of how the business is shaping up.

Moderator: Thank you. We take the next question from the line of Swapnil Potdukhe from JMFL. Please go ahead.

Swapnil Potdukhe: Hi, thanks for the opportunity and congratulations on a successful listing and a good set of numbers in Q2. My first question is more of a clarification actually because you mentioned ~6% EBITDA margin for the offline business in the second year and ~13% in the third year. Just wanted to understand, are these pre-Ind AS margins or these are the reported margins we are talking about?

Prateek Boob: These are the margins which I have told is of Box Unit Economics. These are the IGAAP, pre-Ind AS EBITDA margins, which is our typical Box design. So in the first year, it's minus ~5%, in the second year it's plus ~6% and in the third year, it's plus ~13% IGAAP EBITDA.

Swapnil Potdukhe: So this will include the rental cost and everything?

Prateek Boob: Everything, rental, everything, central cost everything. Only ESOP adjustment we do in our IGAAP EBITDA.

Swapnil Potdukhe: Perfect. The second thing I wanted to understand, obviously, is the difference between your offline and online margins today. I understand you have not disclosed it for certain reasons, but still, if I were to just go ahead and ask you, what would be the gap between the two business margins at a pre-Ind AS level and also how many offline centers today are profitable again at a pre-Ind AS level, out of those 314 centers that you have?

Prateek Boob: So, just to clarify you, sir, why didn't we disclose the offline and online margin levels separately? Because when we have to report numbers, every quarter of this year has to be compared to every quarter of last year. Last year, we didn't have that kind of accounting here, that the cost was completely bifurcated between, you know, online and offline, but this year, we are completely tracking and from the 1st of April, we will rent the online and offline business completely separately.

In terms of your question of margin profile of both the businesses, at a steady state, offline business tends towards ~13% EBITDA level and in online business, our early exam categories are giving ~45% EBITDA, IGAAP EBITDA. So, comparing online and offline is like an apple to orange comparison, because offline is a compounding story, it's a high ARPU story, it is like, you can grow it for a longer tenure.

Online, it's a very profitable story, it's a cash engine for us, it's our internal cash cow. From that, we are doing all our future expansion as well as in the future, we are integrating online and offline. Online merged with offline is a very intelligent experiment that we are driving in the company. So, to give you steady state margins of online business is somewhere between ~35% to ~45% EBITDA and steady state margins for our offline business is ~13% - ~15% EBITDA.

Swapnil Potdukhe: That's very helpful. Just double clicking on the number of offline centers, which you think would be profitable today. I mean, just to -- I know it's a small time, but still?

Prateek Boob: So, ~72 out of 117 centers of our Vidyapeeth, which is JEE, NEET offline are profitable. And our offline is not just JEE, NEET. The exam category in which we dominate in the online market share, we start an offline learning center for that. Our JEE, NEET business contributes ~65% of the total offline revenue and almost ~40% of our centers have become profitable.

Swapnil Potdukhe: That's very helpful. The second question is regarding your offline center location strategy. I mean, since you are in the offline business for roughly around 3.5 years, my question here is, like, how do you identify centers? How do you locate them? Do you just follow the competition and possibly put up a center there or like, there is some different strategy when you identify the location for a center. And typically, between two centers, what would be the typical distance? I mean, any thoughts on those lines also?

Prateek Boob: So, question number nine, if you read our Shareholder letter, you will get a very detailed answer. But just to emphasize at this point of time, this is a very data-driven strategy as to where to open a center. Our offline is linked to online. ~80% of our offline admissions are from online. Because in online, we are teaching almost 15x more students. And if we have a sufficient online learner base in any pin code, then we go to that pin code and open our offline learning center.

And we send notifications to the online learners of all those pin codes or we send them an email, which gives the students awareness about the centers and the students take admission there. So, our offline is actually linked. It's a physical. It's linked to online. So, with this same strategy, we keep opening new centers. And this area's demographics, competition, our internal data, all of this is combined to create an internal model and with this model, we keep opening our offline learning centers.

Swapnil Potdukhe: Got it. And one question on the average time spent by students on your platform. I'm asking this because unlike a few other tech businesses where customers tend to stay longer with the platform, students would typically be on your platform or in your centers for a limited period of time. So, typically, till now, what is the average number of years, months that students stay? And the related question to that is like, how do you address the question with respect to constantly need to acquire new students every year obviously, sir, so those things?

Prateek Boob: Right. Very, very good question, sir. Like see, first I'll address the question which you have asked. So, basically, what is the journey of a student? Typically, in grade 9, 10, 11, 12, the current student buys the first digital course of his life. So, he gives the class 10 board with us.

Then when he comes to class 11, if he is a science student or is preparing for the board or he is preparing for JEE or he is preparing for NEET or he is preparing for commerce, then he takes his course further with us. Then he comes to class 12, then again either he prepares for the board or competition exam.

When he goes to college, he prepares for exams like UPSC, SSC, Banking, Railways, CA, Foundation, CA Inter, or CAT or GATE. So, that makes me a full-stack company. Now, we are seeing this trend that the first digital purchase, which happens in 9, 10, 11, 12 is now going into the younger ages. We are seeing the first digital purchase happening in 6, 7, 8 grade.

So, the LTV of our company is already very high. If you compare it with other e-commerce companies, then you will see that the frequency of orders is very high, but there are two metrics which make us very unique as a company. One is monthly active users to daily active users. I stand strongest as compared to any consumer Internet company that how many monthly active users are divided by my daily active users.

Second metric is average time spent by a user. On my platform, a paid user spends almost 100 to 120 minutes on a daily basis. That makes me a very unique company. I have so many data points generated by my students. What is their EC, IQ, economic profile, which subject is good, which subject is weak. So, that makes me --fundamentally, I am a teacher.

I am a teacher. I am a digital teacher. I know everything about my students. So, this data is also very precious for us. And average time spent to do e-commerce transaction or a quick commerce transaction is very less. And the number of data points generated in that journey is very limited.

So, if you see, even though the student is taking the course for a year, but he is giving it to me for two hours a day. And a lot of data points are generated in that journey. And my mouse is always the strongest in all consumer internet companies.

Swapnil Potdukhe: Got it. Just the last one, if I can just raise it. This is with respect to, I mean, what I have seen. Correct me if I am wrong. Typically, State Board exams, Commerce exams, or Defense exams, they will have their own teachers who will have their own brand within a certain community of students. Now, as you expand beyond NEET and medical or JEE, how do you address this question? Because typically, the Edtech businesses are built around the brand of a certain personality?

Prateek Boob: Right, sir. So, we have created a data-driven playbook around this. In which every student rates the teacher after the class. And we continuously track the average teacher rating, student engagement, and attendance. You are right. If we talk about the State Board, Maharashtra is different, UP is different, Bihar is different, commerce, there is different, here is different.

So, we hire regional teachers. For example, if we have to prepare for the Maharashtra CET, we will go to Maharashtra and do the hiring there. And we will continuously track from the data how is the teacher rating going on, how is the engagement going on, whether the outcomes of the students are improving or not.

But at the same time, you have to understand that now every child has a mobile phone. And the local teachers, those local teachers are still charging ~INR20,000. Even if I talk about the State Board, they are charging a minimum of ~INR25,000 a year.

Where my ARPUs of online is not even ~ 10% of the local teachers. The teachers we have, because they are teaching a very high number of students. For example, my student-teacher ratio for my online business is ~ 1:10,000.

That means we have ~ 500 teachers and we teach ~ 50 lakhs students. So, that makes me, I can give my teachers very high salaries, I can give them high growth trajectories. So, India's one of the best talent in terms of teaching talent I will be able to attract, because I am the largest education company at this point of time as well.

So, if you get a ~ 10x better teacher than your local teacher, at a ~ 10% price, and that too in your mobile phone. So, that makes a great value proposition to have it with you. A lot of kids use it like primary learning.

Those who can't afford it, those who can't go offline. Those who want convenience, those who have enough discipline online. Some kids also use it like secondary learning. Even if they are going to an offline learning center, they still take our course. That's where the magic happens. When a student is going to an offline learning center with another brand or a local brand, and he takes our course, and he feels that he is teaching very well at a one-tenth price.

And by teaching them, my marks are improving. Then that translates into great word of mouth. And a good education business is one that has a good word of mouth. You teach the kids well, they have a lot of friends, they will go and tell them, and you will grow on your own. Did I answer your question?

Swapnil Potdukhe: Got it. Yes, yes. So, just a slight question regarding that. What will be the average tenure of a teacher staying with you? I mean, is the retention very, very high? Given that you said you rate them, and you engage them, that helps you better align it with your interest?

Prateek Boob: So, sir, to answer this question, we have actually taken in our shareholder letter, question number 16. You can go through that. So, basically, we have bifurcated the retention numbers to see what is the retention of our lecture faculties and what is the retention of our overall faculties.

So, in faculties, there are lecture faculties who teach the students. Their retention number is 15% to 17%, which is the industry standard. Sorry, I'm doing attrition. Retention is 15% to 17% of our lecture faculties. But since we are an online company, we have content creators, doubt solvers, subject matter experts, online doubt solving. We have a very large workforce.

We have support teachers. So, generally, support teachers have attrition because they are very entry-level or first job for a lot of talent. But ~ 15% to ~ 17% of attrition in a lecture faculty is somewhat industry standard.

In online, this number is further less. Now, there are two primary reasons for teacher attrition. One is that the average rating of the teacher's performance is not coming. And that is a North Star metric for us. We don't compromise with that because the student's life year is very precious. So, if those teacher ratings don't improve, we have to let go our teachers. And in that, we have dedicated SOPs. First, get your teacher to work, get him to improve, give him a 3-to-6-month chance. But if that number doesn't improve, then we have to take a call.

Second, because of AI, there is a lot of efficiency kicking in in content experts and doubt solvers. Because of this, this number is slightly ~ 15% to ~ 25% compared to last year. In this year, it has increased by ~ 27%. But macro is not changing. It is driving higher student engagement only and it is driving higher bottom line as well.

Swapnil Potdukhe: Got it! Got it! Thanx a lot for taking your time and answer my question. All the best!

Moderator: We take the next question from the line of Abhishek Banerjee from ICICI Securities. Please go ahead.

Abhishek Banerjee: Hi. Thanks for the opportunity. Just a couple of questions from my side. First, would you have any sense of the average annual incomes of the parents of the students who enroll with you, especially in offline?

Prateek Boob: So, we are a Bharat story. We are a complete Bharat story. If you look at our online audience, our internal surveys say that ~ 67% of the students are studying only from us. This is the market we have created. This market was unorganized. These students were just filling the exam forms.

They did not have access to good quality teaching. We are the creators of this market. We are doing market expansion theory in this market.

In offline, some of our Vidyapeeth's ARPUs and the overall ARPUs that close -- upward of ~ INR40,000 per annum. Entire offline put together. We have not done an exact economic profile, but we are currently working on a population scale. Generally, the economic background of offline parents is better than online. At the same time, if you look at India, in India, per household spent on education is around ~ INR4,000 to ~ INR5,000.

With our GDP growth, this number is increasing because education is a non-discretionary expense. Every new rupee coming to the family, the first ride goes into the kids' education. So that makes us a very unique company. Middle class India wants to invest more in education while lower middle-class India wants to invest more in education.

Abhishek Banerjee: Understood, understood. So, just from a time perspective, right, what would you think is the current, you know, is your current penetration in offline and where can it go to?

Prateek Boob: We have explained the question of TAM very beautifully in detail in our letter. In our early exam categories, which we started in 2020, which we have been running for 5 years, we have taken a ~ 20% market share. This market share is quite strong in Hindi heartland. In Hindi heartland, it is at ~ 30%-40%.

But in Central and Southern India, it is less than ~10% and less than ~5%, respectively. So there is a headroom to expand our JEE categories by 100% in upcoming years. But at the same time, our early exam categories, civil services, government exams, CBSE boards, ICSE, GATE, state boards, exam categories, here our market share is less than ~ 1% at this point of time.

Overall, if we look at TAM, then our market share is less than ~ 2%. So we are just barely scratching the surface. If we look at offline penetration, then in this industry, we are the number 5th player at this point of time. There are four more players above us. But I am the fastest growing offline brand in the country at this point of time.

So in offline, I am at number 5th. The top 4 players, putting them together, they make a revenue of approximately ~2 billion. My market share in terms of revenue is ~7%-8% at this point of time, but I am growing very fast. The market is fragmented and there is an opportunity for consolidation.

But at the same time, like as I told you before, buy vs build, we prefer to build from scratch. My offline is very unique which is linked to online. ~80% of the admissions happens from my online learner base only.

Abhishek Banerjee: Understood, understood. But my question is I also wanted to -- basically I also wanted to understand, what are your thoughts on getting into the jobs, exams categories? Say things like GAIL exam, SAIL exam, Railway exams, etc. So do you see that as a category where you would like to expand into the future? And if so, what is the additional time that you can get from that?

Prateek Boob: So government, state exams, we have already ventured. And we are seeing a good traction. We have also started its offline learning centers. And for example, if the opening of the railway comes out, then we apply up to ~90 lakh students in group B. When the opening of UP constable comes out, then we apply up to ~ 20 lakh-30 lakh students.

So here we have already ventured. And here we are seeing good growth trajectories both in offline and online. Overall revenues are increasing at a good, very healthy rate. So we have started preparing for government jobs. Whether it is an exam like UPSC, in which your IAS job is applied versus your exam like constable, patwari. So, we have already ventured this.

Skilling courses, private jobs are still in the initial stages and in the journey of 0 to 1. There we are strengthening that 0 to 1 and our product market fit. But GAIL exam, SAIL exam, since you have mentioned, we are covering it through the preparation of the GATE exam. So we have put a foot in the door there. The product market fit has come. And now it will go into the group stage.

Abhishek Banerjee: Understood, understood. And how come...

Moderator: Abhishek, I would request you to please join back the queue for follow-up questions.

Abhishek Banerjee: Yes, sure. Thanks.

Moderator: Thank you. We take the next question from the line of Dhvanit Shah from PL Capital. Please go ahead.

Dhvanit Shah: Hello. Am I audible?

Moderator: Yes, Dhvanit. Please go ahead.

Dhvanit Shah: Hi, sir. Congratulations on a good set of numbers. Sir, I wanted to ask that your advertisement and publicity expense, I think, is close to around ~ 40%. So what could be the reason? And...

Prateek Boob: Very good observation, sir.

Dhvanit Shah: How much do we spend on Vishwas Divas? I mean, overall, like a ballpark figure.

Prateek Boob: Vishwas Divas is an event. There is no marketing spend there. It is just the expense of conducting the event. So, basically this year we have changed the marketing cycle. So earlier we used to spend uniformly in every quarter. And we were not getting the return of advertisement revenue.

So we said that in our growth months, where we have maximum enrollment, we should keep more concentration of our expense there. So, in quarter 1 and quarter 2, the number you are seeing, that is coming around, the number in the whole H1 is coming around ~10%. But by the end of the year, when you see this number, our overall marketing spend, that is going to be ~ 8%-9% this year, which was ~ 9.6% last year.

So in the whole year, this goodness you will give us. This was the only reason that due to this, the relative profitability of H1 is little less as compared to last year. Because we have shifted this cycle of marketing spend. And in H1, we have spent relatively a little more. In quarter 1, this number was ~14%. In quarter 2, this number came ~8%. Overall in H1, it is around ~10%.

In the whole year, this number is going to be ~8%-9%. And we are a very organic company. We have never spent a double-digit percentage of marketing historically. And we are not going to do this in the years to come. So we believe in creating communities. We believe in free education. And from there, the child comes to us on the mobile app and buys our paid courses. So we are a word-of-mouth company.

Dhvanit Shah: Okay, okay. But usually, before admission, we will do marketing spend, right? Or after the results come? This will happen at the same time, right, sir?

Prateek Boob: Yes. Admissions and results both happen at the same time. So, in quarter 1 and quarter 2, the marketing spend will be more concentrated. In quarter 3 and quarter 4, because admissions are done, classes are going on, there is not much return of marketing spend. So we understood this a little late. So, we have treated the marketing spend cycle a little bit from this year. And this is going to remain in quarter 1 and quarter 2.

Dhvanit Shah: Okay. Okay, sir. Sir, and the attrition rate, which has jumped from 25% to 27%, so that 2% you are saying, is it regarding support staff or any new education? I mean, in any new education category, we are seeing any hiccup sort of a thing?

Prateek Boob: No, no, sir. We have not shut down any category yet. And education is a compounding story. Within 2-3 years, if someone is performing in a category, then it starts performing. Because if that playbook has gone in JEE, NEET, then it will go in other places too. And we have also proved this thing.

So for this 25% to 27%, in this, AI is one of the reasons. A little doubt faculty, support staff, because of AI, we do not need subject matter experts. So the actual attrition that was happening, we did not backfill that.

As well as, if you see, the attrition of the lecture faculty is between 15% to 17%, which is the right number in the comparison of industry standard. And the attrition there is 15% to 17% of the lecture faculty, that is due to their academic performance and their ratings.

Dhvanit Shah: Okay, sir, okay. Wish you all the best, sir. Thank you so much.

Prateek Boob: Thank you, sir. Thank you.

Moderator: Thank you. We take the next question from the line of Akshen Thakkar from Fidelity Worldwide Investment. Please go ahead.

Akshen Thakkar: Hi, sir. First of all, congratulations for the quarter from me. I had a question, sir. In offline centers, your physical centers have grown a lot. Almost ~70% growth. But their goodness has not been translated into revenue yet. So, if I look at H1 revenue, if I look at this quarter, we have only grown by ~25%. So in offline business, in full year, if you can explain how to understand growth, because there will be some connection between center growth and revenue from offline centers. So, will it come later or next year? Thank you.

Alakh Pandey: Hi, Akshen. Thank you so much. Alakh here. First of all, this is not the right way to look at it because in H1, there is a collection. There is a revenue accrual. So, you see that goodness in H2 throughout the year. You won't see that in H1 because we take the fees in the beginning of the year. So, we keep accruing it, first thing. The second thing you will see is the ARPU mix has changed a lot in offline.

If you look at the enrollment, you will see that it has grown by approximately ~30%. The ARPU mix has changed because we are not only doing JEE, NEET, we are doing other exams as well. We are expanding it gradually. Earlier, we used to do only JEE, NEET. So, initially, 100% JEE-NEET was offline. Now, if you look at offline as well, ~66% JEE, NEET is left.

Now, we do other exams, like government exams, UPSC exams. So, in many such exams, there are short courses. 3-month, 6-month, one-day exams, like bank exams, SSC exams, nursing exams. So, there are 3-4-month courses. So, what happens to ARPU there, fees are also less. So, coming to your point, how will we see its profitability? I can see it like this. My early category, which is our IIT NEET category, which we do offline, we call it Vidyapeeth. So, it has become profitable at the category margin level this year.

The rest of the categories are too young. We have just started recently. So, you can typically understand that our JEE NEET offline centers are. We take 18 months to become profitable. And it takes nearly 24 to 36 months. You take 24 to 30 months for the return of capital. Other categories also take, like 12 months to become profitable.

Now, if we see, the profitability in our offline has come to the category margin level. At EBITDA and PAT levels, I think FY '27 will be EBITDA level profitable in our complete offline. And FY '28 will go to PAT or something. FY '27, we can see the year that our offline will be profitable at EBITDA level.

Akshen Thakkar: Okay. And top line in terms of profitability, I understood that there will be advances and will come. But since the top line is ~25%, in your opinion, in your waist I would have thought that offline will grow a little more. So, will this pickup in growth be in the second half, according to you or will it grow at ~25%-30% in offline users?

Alakh Pandey: No, it will grow at ~25%-30%. That is what we have been assuming since last one year. And this is something that is strategic and that we know. The growth of our online will outpass -- surpass the growth of offline. Because what happened in offline is that the brand was very strong in the last 3 years. So, we had Hindi heartland where we had our brand presence, we had centers starting 3 years where he had centers opened. And that was a conscious call. We didn't want any competitor to take our place. So, we had already opened those centers where you will see the growth of offline at ~50%-40% tag. Now, the growth of offline will be sustainable, and that will be ~25%-30%.

Akshen Thakkar: Okay. Alright, sir. Thank you and all the best for the rest of the year.

Moderator: Thank you, Akshen. Thank you.

Moderator: Thank you! We take the next question from the line of Lokesh from SK Investments. Please go ahead.

Lokesh: Hello, sir. Good morning. So, sir, I looked at the numbers and the other income part there was a sudden spike in the H1 numbers. So, if you could elaborate on that.

Alakh Pandey: Sir, which particular other income we are talking about? Okay, that is the other income you are asking. Our revenue is split. Okay. So, sir, as our brand got stronger, we started tying up with schools and institutions for their academic books. So, we have an in-house vertical around content where we run it as PW Academy. And we supply books, so close to, I think, 3000 schools we give books to the children. So, it goes there. If you look at the revenue split, I think close to 49% is right now online, and 47% will be offline, 4% is others. So, there is a slight spike in the number of books going to the schools.

Lokesh: Okay. And, sir, regarding offline, I had a question. Your growth rate on offline has been quite consistent. But the prices there are quite low compared to other players. So, how do you see how it will become profitable while the other costs, for example, cost of leasing and cost of running a center is almost similar for everybody. So, how do you think you would make it profitable?

Alakh Pandey: I mean, that's a good point. Actually, the first point is that we have to design our cost box. So, we are rightly placed in offline as well. The very premium players they up charge ~40% up from us. That gives us the lever that we can reach that price point at one point of time. After this, the remaining 2nd, 3rd players come to us which is around this price.

We are not very low priced. In IT-NEET, our ARPU comes out close to ~60,000-62,000 for IIT-NEET, which is not very low. So, if you leave the very top players, 1 or 2 players, then our ARPU is a good ARPU. It's not that we charge very less. We never say that we are affordable in offline. We don't go with the affordability story in offline.

In offline, we go with the experience story and the result story. And at this ARPU of IIT-NEET is 60,000, our picture becomes fair. We can see the split of that that ~35% which is the teacher cost, teacher cost should be less than ~35%. The rental should be less than ~12%-14%. The student-teacher ratio is much better than other brands. The student-teacher ratio is how many students a teacher can teach.

So, in our first year, the student-teacher ratio goes to ~68-69, then the next year it goes to ~75, then it goes to ~82, then it goes to ~90s. So, the student-teacher ratio is the one thing around which we can play. Other than this, the shifts, that is the seat multiplier. We play around that seat multiplier.

All the offlines that were there till now, no one has designed the box model so perfectly like PW, because no one had centralized control. So, the seat utilization i.e. how many times we can utilize a single seat, if we see that, we have brought that multiplier up to ~ 2.1. We were standing at ~1.9 last year, which we reported. It must be around ~2.1 now. So, this will go to ~2.5. At 2.5, our center is around ~15% profitability.

Along with this, our biggest offline cost, this is very interesting, offline, the major cost of any education business is teachers. So, our offline teachers used to hire the industry, and their salaries used to increase in April and May. They used to say "hi" and you had to give them a pop when we closed that trend. We designed our teachers according to our ARPU. So, we designed a unique program called Faculty Training Program, where we call all the teachers from all over India, through social media. They come to our centers. For a single form floated for a vacancy of ~300 people, we get ~ 40,000 odd people applying. They come to our centers, give tests, then we train them, then we make them doubt teachers, then we make them content teachers and within 6-7 months we send them to teach.

These teachers enter at a very low salary compared to the industry salary, because they are young, they are fresher's, and we call these teachers Faculty Training, FTP we call them, teachers from Faculty Training Program. These are the teachers whose salaries are less than ~1,000,000. So, the FTP mix in overall faculty, earlier it used to be ~10%, next year we increased it to ~18%, now it is around 27%, so this will go to next year ~35%.

So, even with this FTP mix, our overall cost is managed, and the students are very happy with these young teachers, fresher teachers, because most of the students are very weak, so they need a lot of primary hand holding, which the fresher teachers and young teachers understand better.

Lokesh: Sir, one final question, you have a clear winner in online, you have a pedagogy set and you are growing at a very fast pace, but in offline you said that there are tech-enabled classrooms, so what are you doing different? What are the winners there?

Alakh Pandey: Yes, I'll very rightly place. Online, the mote that is our most important cost content, teachers, pricing, technology. In offline, the first thing is the brand that I feel. The brand we have, so right now, if you see, a lot of parents know other brands because we are very new, but if I next 3 years, the parents will not any other education brand than PW, because we are expanding like anything, we are reaching to every household.

Today a 7th class kid buys my online course, so they don't know XYZ other brand, so when he reaches 9th, 10th or grade 11th, the first education brand that they know is Physics Wallah, so first of all I have the strongest funnel that no one has. In grade 6th, 7th, 8th, we don't do segment reporting but what I remember we teach close to ~1.5 lakh paid students in grade 6th, 7th, 8th. Where no other brand is present.

So first of all, I get the advantage of the funnel and that is why the child comes to me first. Second, if I see what I am doing different from others, then I think content standardization through this smart boards and technology that I do. If you see any other offline, so they cannot do standardization in each of their classrooms, because the management team or central team has no control over what the teacher is teaching in a particular classroom?

Sitting here, I can see in Mumbai, and see in the morning class what subject at my teacher is teaching. Which topic is being taught? Which questions she is asking? I can decide that and check it. So our PPT's are connected with all the smart boards are in the same flow from for every cohort, every class and the teacher teaches.

After that, our teacher gives the lectures to the students in classroom and after every student after every class has to the rate which is online. So I have very clear visibility of how many teachers are below the ~4.5 rating, how many teachers are the 4 rating, whom I have to replace or improve. In our classroom, when the teacher gives homework, if you see in other offline coaching, your child gets homework, he comes home and solves it and sit in the class next day.

The teacher does know which student has done the homework or not, because there are ~770 children. We have to attempt the homework digitally. So, the four teachers, six teachers, can see the whole dashboard of that classroom digitally, how many students have done right or wrong questions or left out. So they have a clear idea of the cohort how they performed. Accordingly they will proceed with their next class.

Apart from we do data analysis of each student, how many questions they attempted? How many were correct? How much time they took? Which topics are weak and strong? All of these digital footprints that I have, others offline do not have that. If a student goes home after offline center, he cannot ask doubts. When a child from here goes home, he ~7-8 hours, he can still stay connected with our platform and ask their doubt continuously. I think the strong brand funnel gives the student in the very beginning, but after that, strong control over the content and the quality, that keeps the engagement.

Lokesh: Okay, makes sense. Thank you, sir and best of luck for the next quarter.

Moderator: Thank you. Ladies and gentlemen, we take that as the last question and conclude the question-and-answer session. I now hand the conference over to the management for their closing comments.

Amit Sachdeva: Thank you so much everybody for joining the first Physicswallah Investor and Analyst Call. We look forward to seeing you again next call. Thank you so much.

Moderator: Thank you. On behalf of Physicswallah Limited, that concludes this conference call. Thank you for joining us and you may now disconnect your lines.