

### IPO Details

<b>Opening Date</b>	Dec 16, 2022
<b>Closing Date</b>	Dec 21, 2022
<b>Stock Exchange</b>	NSE SME
<b>Lot Size</b>	1600 Shares
<b>Issue Price</b>	₹ 90 per share
<b>Issue Size</b>	16,35,200 Equity Shares
<b>Application Amount</b>	₹ 1,44,000

### IPO Objective

Funding Working Capital Requirement of the company  
General Corporate Purpose

### Pre-Issue Shareholding

Category	No. of Shares	% of Total Shares
Promoter & Promoter Group	44,20,000	100%
Public	-	-

### Promoter of the Company

- Mr. Anil Suresh Kapasi
- Mr. Umesh Anand Pangam

### Competitive Strengths

- Hybrid Model of Coaching.
- Experienced Management Team.
- Qualified Pool of Faculty.
- Professional & Organizational Development.
- Result-oriented methods of coaching.

### Company Background

- Company was incorporated in the year 2007 in Maharashtra.
- Company is engaged in providing coaching services and parallel educational support vertical in the western suburbs of Mumbai, Maharashtra.
- They offer hybrid model of teaching services through classroom-based coaching under traditional Chalk & Talk concept and digital and distance learning.
- Mr. Anil Suresh Kapasi, looks after Science Section whereas Mr. Umesh Anand Pangam oversees ICSE, SSC and Commerce Section.
- As on October 31, 2022, the company had around 155 teaching staff and 145 non-teaching staff on its payroll.

### Financial Summary

For the Period Ended	(In Lacs)		
	Sept-22	Mar-22	Mar-21
<b>Total Assets</b>	1,244.55	1,104.86	829.69
<b>Net Assets</b>	635.64	493.19	291.33
<b>Total Borrowings</b>	66.60	127.60	48.98
<b>Total Revenue</b>	1,301.25	1,531.97	1,409.36
<b>Profit After Tax</b>	142.45	201.86	112.56

### Tentative Timeline

<b>Opening Date</b>	Dec 16, 2022
<b>Closing Date</b>	Dec 21, 2022
<b>Basis of Allotment</b>	Dec 26, 2022
<b>Initiation of Refunds</b>	Dec 27, 2022
<b>Credit of Shares to Demat</b>	Dec 28, 2022
<b>Listing Date</b>	Dec 29, 2022

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## Company Overview

Established in 2007, Company provides coaching services and parallel educational support vertical in the western suburbs of Mumbai, Maharashtra for Class 8, 9 and 10 for both State Board and ICSE Board; Class 11 and 12 for commerce and science section; tutoring students in science field for entrance exams such as JEE (Main), JEE (Advanced) and MHT- CET (State level), NEET (National Level), MHT- CET (State Level, Maharashtra) and preparing students for professional exams such as CS and CA for entry level and second level exam, in the commerce section. Company has managed to develop 14 branches across all the sections and caters to 6,000 students from these 14 coaching centres. Company operates under the brand name “Arihant Academy”. It has an app named Arihant Edge and Allern Active which are 24×7 Educational Companion for students and parents.

## Analysis

Company was originally incorporated under the name “India Tutorials Private Limited” on October 30, 2007. Company had acquired the business of M/s. Arihant Academy, a partnership firm vide Business Transfer Agreement dated February 05, 2009. Company has managed to develop a base in the coaching classes sector from setting up of 8 branches at the time of taking over the business of the M/s. Arihant Academy to 14 branches across all the sections as on date of the Prospectus, thus company has a good track record of existence and the promoters have extensive experience in the coaching industry.

Company provides a comprehensive range of coaching services to students across various fields as mentioned below:

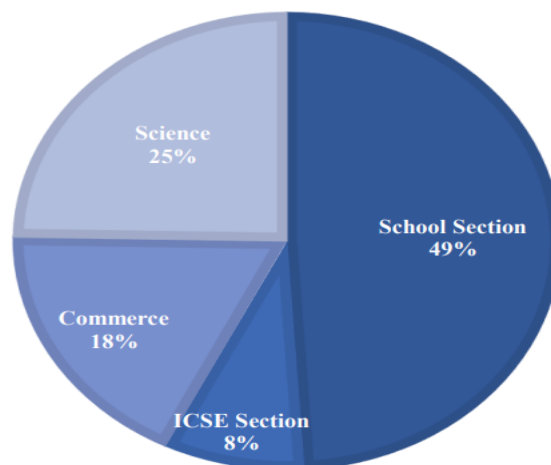
1. Secondary School Section (SSC AND ICSE BOARD)
2. Higher Secondary Section  
Class 11 and 12 - Examinations of Engineering like JEE (Main), JEE (Advanced) and MHT- CET (State level) - Medical entrance exam NEET (National Level) - Pharmacy entrance exam MHT- CET (State Level, Maharashtra)

### 3. Commerce Section

Class 11 and 12, CA entrance exams including CA Foundation and CA Intermediate, CS Entrance exams including CSEET and CS-Executive.

#### REVENUE MODEL

■ School Section ■ ICSE Section ■ Commerce ■ Science



Company offers hybrid model of teaching services through classroom-based coaching and digital and distance learning through Arihant Edge App which is 24×7 Educational Companion for students and parents and ALLERN ACTIVE APP which is an innovative app-book solution.

To conclude, the company has fared very well in terms of revenue generation and expansion. The competition is also very high with a lot of players in the market. The industry prospect is good in coming times but company's business is dependent on the performance of their 14 Centers in Mumbai and the growth might be restricted in the event of any adverse changes to the economic and demographic conditions of Maharashtra.

## Industry Charts

Exhibit 1: Market size of Indian Education Industry.

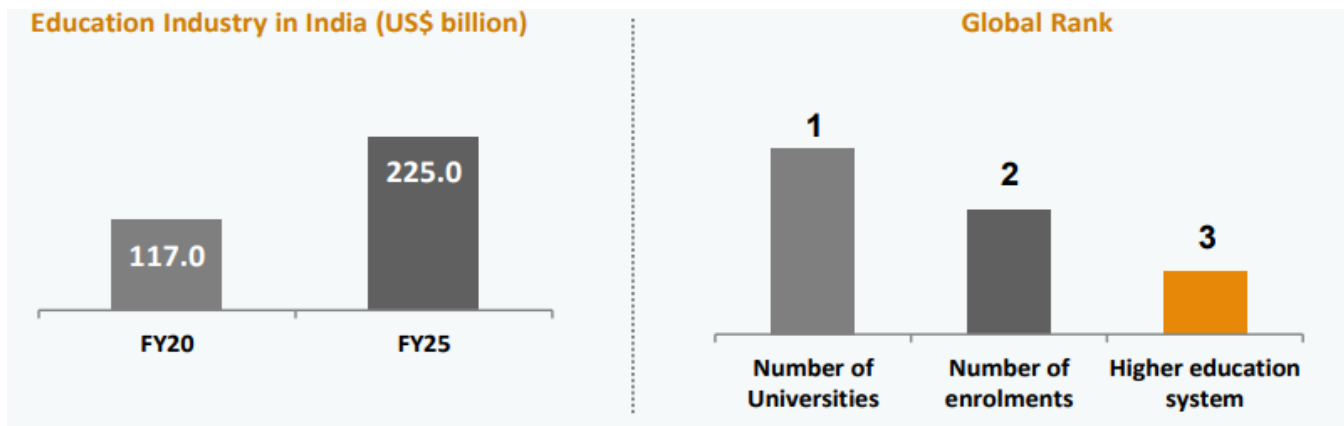


Exhibit 2: Sector Composition of Indian Education Industry

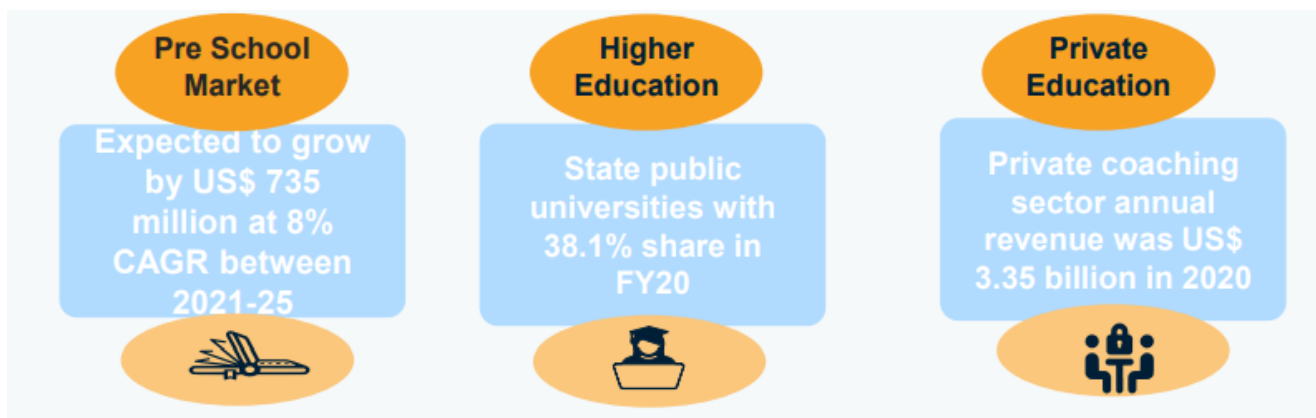
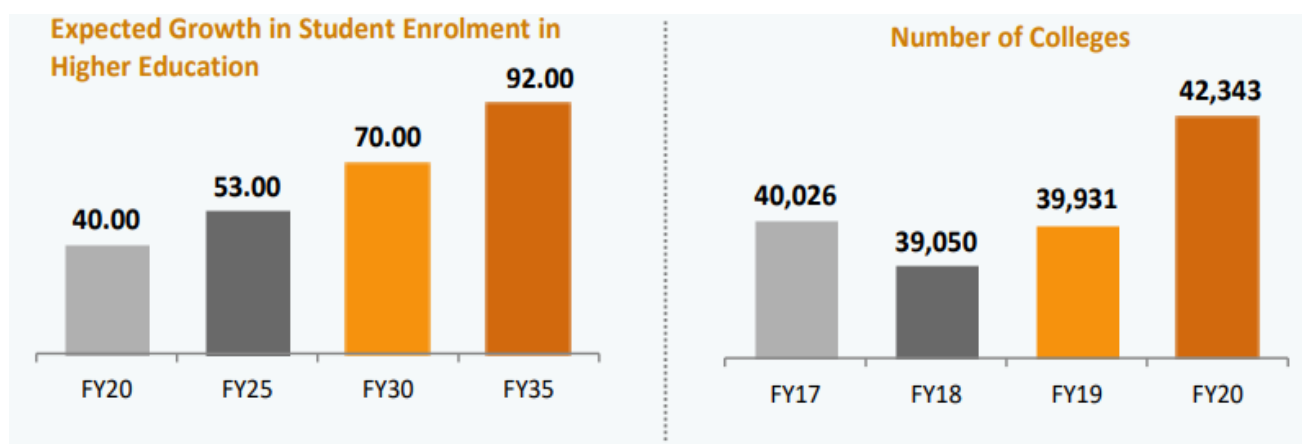


Exhibit 3: Key Trends of Indian Education Industry



(Source: ibef.org)

## Investment Overview

### Indian Education Industry

India has the largest population in the world in the age bracket of 5-24 years with 580 million people, presenting a huge opportunity in the education sector. India holds an important place in the global education industry. India has one of the largest networks of higher education institutions in the world. However, there is still a lot of potential for further development and improvement in the education system.

With increasing awareness, private Indian players are collaborating with international brands to provide an international standard of education. Private investments in the Indian education sector have increased substantially over the past two decades. The demand for specialised degrees is also picking up with more and more students opting for specific industry focused qualifications. Higher education institutes in India are focusing on creating online programmes due to the increasing demand from consumers. With cutting-edge technologies such as AI, ML, IoT and blockchain, India's education sector will redefine itself in the years to come. It has also embraced the Education 4.0 revolution, which promotes inclusive learning and increased employability. The government has implemented policies like the NEP, which will be fully implemented over the course of this decade starting from 2021-22, and will have a strong focus on high-quality vocational education.

The education sector in India was estimated to be worth US\$ 117 billion in FY20 and is expected to reach US\$ 225 billion by FY25. India has over 250 million school-going students, more than any other country. India had 38.5 million students enrolled in higher education in 2019-20, with 19.6 million male and 18.9 million female students. According to UNESCO's 'State of the Education Report for India 2021', the Pupil Teacher Ratio (PTR) at senior secondary schools was 47:1, as against 26:1 of the overall school system.

As of August 23, 2022, the number of universities in India stood at 1,057. In 2022-23, there are 8,902 total AICTE approved institutes in India. Out of these 8,902 institutes, there are 3,577 undergraduate, 4,786 postgraduate and 3,957 diploma institutes.

(Source: Prospectus)

## **Addressable Market for Arihant Academy Limited**

The company is operating from Maharashtra, Mumbai with 14 branches across the state catering to 6,000 students. The company intend to enter new geographic market and increase course offering which will increase diversification and potential for future growth expansion. Company proposes to open new coaching centres at 15 locations across Mumbai over the next 3 years.

## **Competition**

Company operates in a competitive atmosphere. Some of their competitors may have greater resources than those available to them. While product quality, brand value, distribution network, etc are key factors in client decisions among competitors, however, price is the deciding factor in most cases. Company faces fair competition from both organized and unorganized players in the market.

## **Peer Analysis**

A summary on the key financial parameters of the company is given in the table below –

<b>Company</b>	<b>Arihant Academy Ltd</b>	<b>CL Educate Limited</b>	<b>Veranda Learning Solutions Limited</b>
Net Profit (INR Cr)	2.02	13.92	-58.50
EBITDA (INR Cr)	3.15	28.81	-38.82
Return on Capital Employed	52.31%	7.68%	-1.81%
Return on Equity	22.41%	5.32%	-10.36%
EPS (INR)	3.34	6.55	-16.91
P/E* (Times)	26.98	30.27	-

\*PE as on 19/12/2022

#EPS is based on post-IPO



## Promoters' Profile and Management Analysis

### Mr. Anil Suresh Kapasi



- Mr. Anil Suresh Kapasi is the Promoter and Managing Director of the Company.
- He has completed his Bachelor of Science (Physics) from University of Bombay in 1994.
- He also holds degree in Bachelor of Education from University of Bombay.
- He is having around twenty-five years of experience in coaching industry.

### Mr. Umesh Anand Pangam



- Mr. Umesh Anand Pangam is the Promoter, Chairman and Whole Time Director of the Company.
- He has completed his Bachelor of Commerce (Financial Accounting and Auditing) from University of Bombay in 1993.
- He also holds degree in Bachelor of Education from University of Bombay.
- He is having around twenty-five years of experience in coaching industry.



## **Analysis on the Company's Promoter and Board of Directors**

**Mr. Anil Suresh Kapasi**, aged 51 years, is the Promoter, Managing Director of the Company. He has completed his Bachelor of Science (Physics) from University of Bombay in 1994. He also holds degree in Bachelor of Education from University of Bombay. He is having around twenty-five years of experience in coaching industry.. He currently heads the Science section of all branches of "Arihant Academy".

**Mr. Umesh Anand Pangam**, aged 51 years, is the Promoter, Chairman and Whole Time Director of the Company. He has completed his Bachelor of Commerce (Financial Accounting and Auditing) from University of Bombay in 1993. He also holds degree in Bachelor of Education from University of Bombay. He is having around twenty-five years of experience in coaching industry. He currently heads the school (SSC & ICSE Boards) and Commerce section of all branches of "Arihant Academy".

**Mr Harsh Anil Kapasi**, aged 24 years, is the Non-Executive Director and Chief Operating Officer of the Company. He has completed his Bachelor of Engineering (Computer Engineering) from University of Mumbai in 2020. He is the youngest member of the Board of Directors of the company. He has been enhancing the digital footprint of "Arihant Academy". He has also developed the App - Arihant Edge App. He currently looks after the Digital Marketing and Technical Department of the company.

**Ms. Kirti Umesh Pangam**, aged 42 years, is the Non-Executive Director of the Company. She is qualified as a Double Post Graduate in Language and Literature. She has 14 years of experience in the field of education, and a year of experience as Head of Department of History of a premier school in Mumbai.

To conclude, the company's promoters and board of directors are very well educated and experienced in the industry that company operates. Whole Time Director handling the Chairman position in the Board of Directors depict a negative outlook on the independence of the Board decisions. Independent directors also seem experienced and could play a major role in the growth of this company.

## Financial Snapshot

(Amount in Lacs)

Particulars	As at 31st March, 2021	As at 31st March, 2022	As at 30th Sept, 2022
<b>Profit and Loss</b>			
Revenue from operations	1,408.03	1,520.67	1,297.14
Other income	1.73	11.30	4.11
Total Revenue	1,409.76	1,531.97	1,301.25
Expenses	1,194.22	1,205.51	1,079.09
Depreciation and Amortisation Cost	57.79	53.16	30.44
Finance Cost	6.26	3.54	1.36
Total Expenses	<b>1,258.27</b>	<b>1,262.21</b>	<b>1,110.89</b>
PBT	151.49	269.76	190.36
PBT Margin	10.76%	17.74%	14.68%
EBITDA	213.81	315.16	218.05
EBITDA Margin	15.19%	20.73%	16.81%
Net Profit	<b>112.56</b>	<b>201.86</b>	<b>142.45</b>
Net Profit Margin	7.99%	13.27%	10.98%
<b>Balance Sheet</b>			
Total Borrowings	48.98	127.60	66.60
Net Worth	291.33	493.19	635.64
Fixed Assets	290.66	267.04	316.28
Net Working Capital	-225.40	1.47	101.71
<b>Financial Measures (Annualised)</b>			
Inventory Turnover Ratio	-	-	-
Receivables Turnover Ratio	19.47	-	-
Payables Turnover Ratio	-	-	-
Fixed Assets Turnover Ratio	4.84	5.69	10.16
Return on Capital Employed	48.92%	52.31%	16.76%
Return on Equity	38.64%	40.93%	12.66%
Debt-Equity Ratio	0.17	0.26	0.02

(The data has been taken and calculated from the financials given in the prospectus)

## **Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)**

The EBITDA of the company has grown from Rs 213.81 lacs in 2021 to Rs. 315.16 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 218.05 lacs and if we annualise the same it would be around Rs. 436.10 lacs. The EBITDA on annualised basis has grown at a CAGR of 42.82%. The EBITDA margin in 2021 was 15.19%, 20.73% in 2022 and 16.81% on 30<sup>th</sup> Sept 2022. The EBITDA margin has fallen from the levels of march 2022 due to increase in employee benefit expenses.

## **Net Profit**

The net profit of the company has grown from Rs 112.56 lacs in 2021 to Rs. 201.86 lacs in 2022 and on 30<sup>th</sup> Sept 2022 it was Rs. 142.45 lacs and if we annualise the same it would be around Rs. 284.90 lacs growing at a CAGR of 59.09% which seems quite normal because the FY 21 was affected by the outbreak of COVID. The net profit margin in 2021 was 7.99%, 13.27% in 2022 and 10.98% in Sept, 2022. Again, due to increase in expenses the net profit margins have decreased.

## **Finance Cost.**

The company's finance cost mainly seems to be from secured short term borrowings from bank.

## **Financial Measures/Ratios**

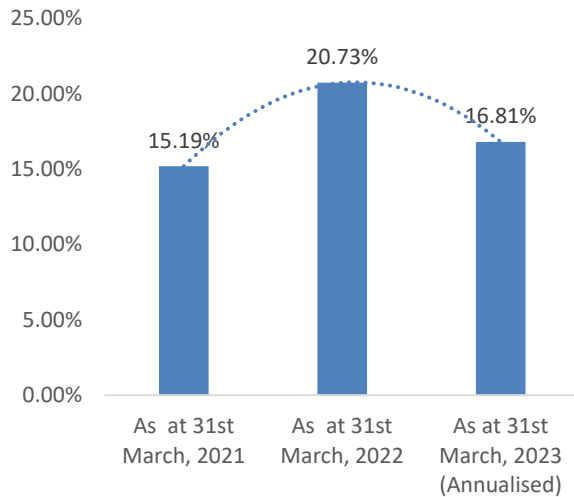
RoCE of the company up to 30<sup>th</sup> Sept 2022 is 29.52% vs 40.93% in 2022 and 48.92% in 2021. If we annualise the ROCE of FY 2022-2023, the ROCE is expected to be around 16.76%. The estimated decrease in RoCE is due to increase in equity base of the company by way of issue of equity shares through IPO.

ROE of the company in 2021 was 38.64%, 40.93% in 2022 and 22.41% in Sept 2022, if annualised, ROE would be around 12.66%. The ROE is estimated to fall due to new capital being brought in by the company through IPO.

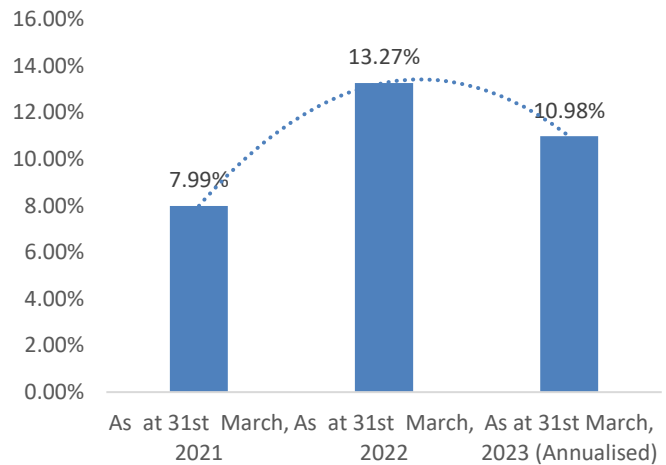
The company has a debt-equity ratio of 0.10 times which shows the company is less leveraged but could better utilise debts in their favour. The debt-equity ratio is going to go further down to around 0.02 post IPO.

## Financial Charts

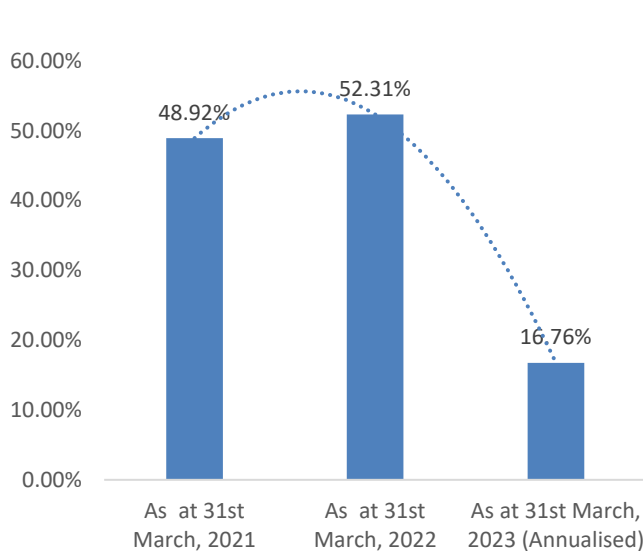
### EBITDA Margin



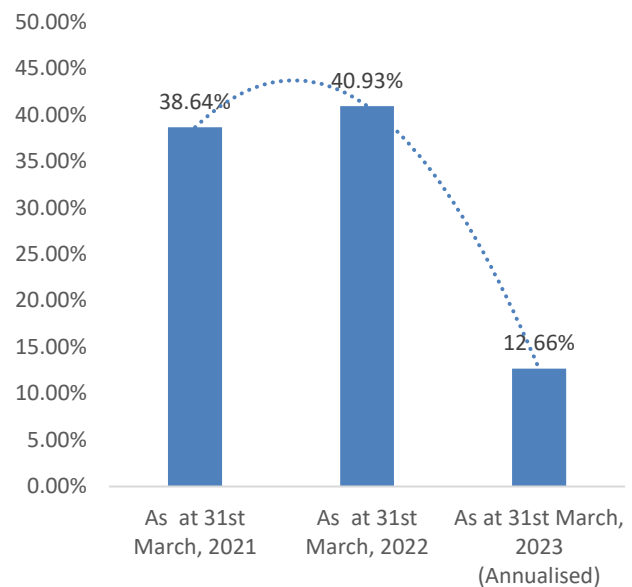
### Net Profit Margin



### Return on Capital Employed



### Return on Equity



## Key Risk Factors

1. Company, Promoters, Directors and group Companies are involved in certain litigations including tax related litigations amounting to Rs. 5.40 lakhs, which if determined against the company, can affect financial conditions of the company
2. Company have not entered into contracts or agreements with their faculty members in relation to their terms of appointment and employment.
3. Company's Group Company, Arihant Academy Ventures Private Limited, has incurred losses in the last three fiscal years
4. Company had negative cash flows in the past years.

## Track Record of Lead Manager

The lead manager to the issue is Shreni Shares Private limited and the previous issue details have been taken from the Prospectus. A table has been set below highlighting the details of the IPO of some of the companies handled by the Lead Manager in recent times –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share	Listing date	CMP#
1	Adjia Technologies Limited	2.00	74.00	March 15,2021	28.00
2	Getalong Enterprise Limited	5.18	69.00	October 08, 2021	83.00
3	DMR Hydroengineering & Infrastructures Limited	2.09	21.00	December 07, 2021	29.20
4	Alkosign Limited	12.15	45.00	February 01, 2022	85.00
5	Quality RO Industries Limited	2.70	51.00	February 09, 2022	53.00
6	Ekennis Software Service Limited	2.88	72.00	March 07, 2022	177.00
7	Fidel Softech Limited	13.50	37.00	June 10, 2022	62.95
8	SKP Bearings Limited	30.80	70.00	July 13, 2022	209.05
9	Olatech Solutions Limited	1.89	27	August 29, 2022	96.00
10	Ameya Precision Engineers Ltd	7.14	34	September 08, 2022	44.30
11	DAPS Advertising Limited	5.10	30	November 14, 2022	37.95
12	Amiable Logistics (India) Limited	4.37	81	November 16, 2022	98.30

### #CMP is taken as on 19<sup>th</sup> December 2022

This is the 17th mandate from Shreni Shares in the last three fiscals (including the ongoing one). Out of the last 10 listings, all opened at premiums ranging from 0.56% to 101.18% on the day of listing.

## Recommendation

Being incorporated in the year 2007, the track record of the company is good. The industry in which the company is operating has a good prospect but faces huge competition due to large number of organised players in market.

The company's management has a good outlook as they have relevant experience in their respective field of business and also are renowned teachers in their respective fields

The sector PE is around 68.45 times and the company is getting listed at a PE of around 26.98 times which makes it a fairly priced issue.

Debt-equity ratio of the company is 0.10 pre-IPO and estimated to be 0.02 post IPO indicating poor leveraging techniques used by the company. Since the company plans to open 15 new branches in next 3 years, it would be a good choice to raise money for expansion which will not only improve their debt-equity ratio but will also help the company expand.

To conclude, the company is operating in a good but competitive environment. With the emergence of EdTech, the company would find it difficult to cope up with the industry giants. Also, the company has its brand name only in Maharashtra and expanding itself to other parts of the country would be difficult for the company. So it seems to be a risky bet and therefore **Risk Averse Investors should wait and Risk Seekers should apply.**



## Disclaimer

We are not SEBI registered and not a certified Research Analyst. The information provided here is for education purposes only. We will not be responsible for any of your profit/loss with these suggestions. Consult your financial advisor before taking any decisions.

**We believe an SME company needs 2-3 years to show its true potential and therefore our recommendations are for Long-term investment and not for listing gains.**