



IPO Note

Sodhani Academy of Fintech Enablers Limited

Recommendation: **AVOID!**

- Incorporated as "Sodhani Financial Consultants Private Limited" in 2009, the company has their registered office in Jaipur, Rajasthan, India.
- **Business Activity:** The company specializes in training, consultancy, and learning services, with a focus on financial literacy and awareness. It equips learners with essential financial skills, including budgeting, saving, investing, and understanding basic financial products.
- **Revenue Model:** Sodhani Academy earns revenue from financial literacy courses. Webinars cost ₹450-5,000 per registration. Short courses (under 3 months) have course fees ranging from ₹5,000-15,000 per participant, while long courses (over 3 months) have course fees ranging from ₹20,000-75,000 per participant. Corporate training is priced at ₹2-5 lakhs, either lump sum or per participant.
- As of December 30, 2023, the company employed 12 full-time employees and 2 professional trainers under the professional employment model.
- **Objects of the Issue –**
- Building content Studio and Offline training infrastructure.
- Information Technology (Hardware including Software) Procurement.
- Content Development for course material.
- Learning Management System (LMS) Application development; and
- General Corporate Purposes.

Promoters Name –

Rajesh Kumar Sodhani, Priya Sodhani and Rajesh Kumar Sodhani HUF.

Rationale for recommendation –

- ✓ Highly fragmented sector. High risk-low reward.
- ✓ Unsatisfactory Management Overview.
- ✓ Declining return ratios
- ✓ Volatile PAT Margins.
- ✓ Significant contributions from Other Income in the past, revenue growth doesn't seem sustainable in long term.

IPO Details

Opening Date	September 12, 2024
Closing Date	September 17, 2024
Allotment Date	September 13, 2024
Listing Date	September 18, 2024
Stock Exchange	BSE SME
Lot Size	3,000 Shares
Issue Price Per Share	₹40
Issue Size	₹6.12 Cr
Fresh Issue	₹3.88 Cr
Offer for Sale	₹2.24 Cr
Application Amt	₹ 1,18,000 (2,000 shares)

KPIs

(Amt in Lakhs.)

KPI's	FY 22	FY 23	FY 24
Revenue	185.89	137.58	205.08
EBITDA	171.11	109.58	140.54
Net Profit	123.91	139.40	183.18
RoCE	50.59%	22.98%	21.24%
ROE	36.63%	29.23%	27.91%
P/E	3.84	13.56	10.31

Promoter Share Holding Pattern

Pre-Issue	Post Issue
99.99%	82.96%

Valuation Parameters

Particulars	Pre-Issue	Post Issue
EPS	3.88	3.22
BVPS	13.89	18.34
P/E	10.31	12.44
P/BV	2.88	2.18
Mkt Cap (In Cr)	18.90	22.78

Lead Managers –

Srujan Alpha Capital Advisors LLP

Registrar –

Cameo Corporate Services Limited

Business Overview -

- **Brief History, Problem & Solution:** Citing studies from GFLEC, Sodhani Academy identified India's alarming financial literacy gap: only 14% of adults save formally, and 73-80% are financially illiterate. Recognizing this as a barrier to economic growth, they pivoted their business in 2020 towards financial education. By developing content and infrastructure for courses on financial planning, investing, and the stock market, they empower individuals to make informed choices, boosting financial inclusion and contributing to India's economic progress.
- **Customer Base:** learners base comprises of various categories of participants such as students (both pursuing active education and qualified candidates) graduates (collectively being referred as "Students"), individuals who are presently not working and homemakers, (collectively being referred as "Learners").
- **Revenue Streams:** In FY 2023-24, the company conducted 121 sessions, generating ₹2,05,08,734 in revenue. The top three services were **Corporate Training** (₹49,44,466, 24.1%), **Short Duration Courses** (₹80,28,902, 39.2%), and **Three-Day Webinars** (₹25,78,113, 12.6%). These three categories together contributed approximately **75.9%** of the total revenue.

Name	Target Audience	Mode of Delivery	Content Depth
How to Grow your SIP - Basic Course	Working Professionals of Mutual fund industry	Online – Live (Registration Based)	1. Need Based selling, 2. Goal Finder exercise, 3. Implementation Techniques
Basic Course on Share Market Chart Reading and Technical Analysis	Financial service learners	Recorded self-paced learning	1. Various Chart Types & Market Psychology, 2. Candlesticks & Its Psychology, 3. Basic Indicator Construction, 4. Using TA for Effective Trading & Handholding
Crash course for stock market Beginners	Financial service learners	Recorded self-paced learning	1. Basics of Financial Market, 2. Self-Evaluating exercise, 3. Long Term Investment strategies
Basic Course on Options Trading	Financial service learners	Online – Live (Registration Based)	1. Basics of Options, 2. Payoffs, 3. Risk & Reward, 4. Concept of Hedging and 5. Using TA for Option Trading, 6. Handholding
Grah Laxmi - Financial Awareness for Home makers	Women learners	Online – Live (Registration Based)	1. Basics of Money Flow, 2. Saving Avenues, 3. How to invest systematically and 4. Basic Banking Transactions
Building Second Income for Young Professionals Through Mutual Funds	Young professionals	Online – Live (Registration Based)	1. Goal seeking, 2. Art of long-term investing, 3. Selection of matching MF schemes to meet your goals 4. Implementation
Retirement Planning	All learners	Online – Live (Registration Based)	1. Understanding future requirements, 2. Calculations for Savings to meet future requirements, 3. Saving Avenues
Advance Course on Technical Analysis	Financial service learners	Online – Live (Registration Based)	1. Advanced Candlestick pattern, 2. Advanced Indicators e.g Ichimoku etc., 3. Market Profile, 4. Elliot Wave & Wave Analysis
Achieving Financial Independence by the Age of 40	All learners	Online – Live (Registration Based)	1. Basics of Financial Planning, 2. Individual Financial Planning-Diagnostics & Solution and 3. Risk Management

Growth drivers Leveraging Competitive Strengths and Strategies

1. Expanding Course Portfolio and Content Development:

- **Strength:** The company's focus on practical learning and its existing diversified course offerings have proven successful, as evidenced by increasing revenue.
- **Strategy:** Expanding the content portfolio with 12 new topics/subjects, funded by ₹50 lakhs from the IPO, will attract a broader audience and cater to evolving market demands. This aligns with the company's asset-light and scalable business model.

2. Enhancing Brand Visibility and Awareness:

- **Strength:** Sodhani Academy has built a credible brand image, which serves as a foundation for further growth.
- **Strategy:** Allocating ₹35 lakhs from the IPO towards marketing and advertising initiatives will increase brand recognition and reach a larger audience. This strategy directly addresses the need to raise awareness about financial literacy and the company's offerings.

3. Strengthening Technology Infrastructure:

- **Strength:** The company has a technology-driven business model, allowing for flexibility and scalability.
- **Strategy:** Investing ₹60 lakhs from the IPO in IT infrastructure and ₹10 lakhs in an LMS application will enhance the learning experience and support business expansion. This aligns with the company's commitment to innovation and providing a seamless online learning platform.

4. Targeting New Markets:

- **Strength:** The company's experienced trainers and focus on practical learning provide a strong value proposition.
- **Strategy:** Entering into tie-ups with academic and financial institutions (IAPs) and offering masterclasses to professionals in the mutual fund and insurance sectors will open new revenue streams and expand the company's reach. This leverages the company's existing strengths to tap into new markets and customer segments.

5. Pandemic-Proof Model:

- **Strength:** The company's blended online and offline model provides resilience against future disruptions.

Competition -

Competitors: The industry is highly competitive and fragmented, with numerous players ranging from large ed-tech companies to individual trainers and consultants. Key competitors might include:

- **Large Ed-tech Companies:** Offering a wide range of financial courses and certifications.
- **Financial Institutions:** Providing financial education programs as part of their customer engagement strategies.
- **Individual Trainers & Consultants:** Offering specialized financial training and consulting services.
- **Technological Influences:** Digital platforms and tech advancements are transforming the industry, necessitating continuous adaptation.
- **Social Influences:** Growing awareness of financial literacy and demographic shifts are fueling demand for financial education.
- **Macroeconomic Influences:** Economic conditions and regulations can significantly impact industry growth and profitability.
- **Porter's Five Forces:** High buyer power and intense competition exist. Low entry barriers and substitute products pose threats.
- **Life Cycle & Business Cycle:** The industry's growth phase presents expansion opportunities, but economic cycles may affect performance.

PEER ANALYSIS

The company believes they do not have any listed company in India and abroad that engages in a similar business to the company and thus not possible to provide an industry comparison as per its offer document.

Risk Factors -

Prior issuance and bonus shares (2.5:1 on June 27, 2023) priced below the current offer price may result in dilution of investor value.

Industry Overview

The Indian education sector, valued at US\$ 117 billion in 2023, is poised for remarkable growth, with projections to reach US\$ 225 billion by 2025. While traditional education segments like schools and higher education hold a significant share, the burgeoning edtech market, particularly online education, is a key driver. This segment is expected to grow from US\$ 700-800 million in 2021 to a staggering US\$ 30 billion by 2031, exhibiting a remarkable CAGR. India's online education market alone is set to expand by US\$ 2.28 billion during 2021-2025, at a CAGR of almost 20%, having already witnessed a 19.02% growth in 2021.

Key Drivers:

- **Affordability and accessibility:** Online courses offer cost-effective learning solutions, especially in regions with limited access to quality traditional education.
- **Government initiatives:** Programs like SWAYAM, E-Basta, and Digital India are fostering a supportive infrastructure for online learning.
- **Increasing internet penetration:** With 409 million internet users in 2023 and projections of reaching 735 million by 2021, the potential for online education is vast.
- **Demand for upskilling:** India's large young population and increasing disposable income are driving the need for skill enhancement and career advancement through online courses.

Opportunities:

- **Large and rapidly growing market:** The Indian online education market, already the second largest globally, presents a lucrative opportunity for providers.
- **Untapped rural market:** Improved internet connectivity in rural areas offers significant potential for expanding the reach of online education.
- **Financial literacy gap:** With only 14% of adults saving formally and a high rate of financial illiteracy, there's a pressing need for financial education, creating a niche for specialized providers.

Online financial education in India

Threats:

- **Intensifying competition:** The rapid growth of the edtech sector is attracting numerous players, increasing competition.
- **Quality and credibility:** Maintaining high standards and ensuring the credibility of online courses are crucial challenges.
- **Digital divide:** Despite progress, unequal access to the internet remains a barrier, limiting the reach of online education.

Other Relevant Factors:

- **Favorable government policies:** The National Education Policy 2020 and other initiatives actively promote digital education and skill development.
- **Demographic dividend:** India's young population presents a significant demographic advantage, creating a large potential market for online education.
- **Focus on financial inclusion:** The government's emphasis on financial inclusion through initiatives like the National Strategy for Financial Education (NSFE) further supports the growth of financial literacy programs.

Key Management –

Key Management Persons Name - Age	Rajesh Kumar Sodhani 53
Designation and No. of years of experience	Promoter and Managing Director, 30+ years of experience in the finance domain in the field of mutual fund, retirement planning, savings, investments and insurance
Qualification	Master of Business Administration (MBA) in Finance from Mewar University
Other Directorships:	Goldstar Footwears Private Limited

Key Management Persons Name - Age	Priya Sodhani 46
Designation and No. of years of experience	Promoter, – Chairperson and Non-Executive Director 20+ years of experience
Qualification	Bachelor of Arts from Gorakhpur University
Roles and Responsibility	Providing guidance to the company in the matters of financial literacy, insurance products and related domains.
Interest in other entities:	♣ Sodhani Capital Limited ♣ Sodhani Research and Marketing ♣ Rajesh Kumar Sodhani HUF ♣ Priya Sodhani-Proprietaryship ♣ Oasis Securities Limited

- **Dinesh Saboo, 40, Non-Executive and Non-Independent Director.** He holds a bachelor's in Commerce from the University of Calcutta and an MBA from ICFAI. He has versatile experience in product management, corporate and investment banking, and finance training. He has worked with UBS, HSBC, Moody's Analytics, and others.
- **Jagadeesh Atukuri, 31, Non-Executive Independent Director.** He has a Bachelor's in Commerce from Sri Krishnadevaraya University and is a Chartered Accountant. He is a SEBI Registered Research Analyst with extensive experience in financial services at Integra International and others.
- **Shilpa Maheshwari, 52, Non-Executive Independent Director.** She has a B.Sc. from Jai Hind College and an MBA in Finance from ITM Group. With 22+ years of financial services experience, she is currently Senior VP at Batlivala & Karani Securities.
- **Chanchal Pabuwal, 48, Non-Executive Independent Director.** She holds a bachelor's degree in Arts from Rajasthan University and has 25 years of experience in marketing and sales.

Statement of Profit and Loss			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
Revenue from Operations	185.89	137.58	205.08
Other Income	2.3	65.87	101.87
Total Income	188.19	203.45	306.95
Expenses			
Employee Benefit Expenses	1.5	12.18	25.32
Finance Cost	0.01	0.01	
Depreciation and Amortisation			1.14
Other expenses	13.28	15.82	39.22
Total Expenses	14.79	28.01	65.68
EBITDA	171.11	109.58	140.54
EBITDA Margin	92.05%	79.65%	68.53%
Profit/(Loss) before tax	173.40	175.44	241.27
Tax Expense			
Current tax	50.25	41.81	50.95
Previous year Income Tax		-2.06	3.47
Deferred Tax	-0.76	-3.71	3.67
Total Tax	49.49	36.04	58.09
Profit/(Loss) for the year	123.91	139.40	183.18
Net Profit Margin	66.66%	101.32%	89.32%

Statement of Equity, Assets and Liabilities			Amt in Lakhs.
Particulars	FY 22	FY 23	FY 24
EQUITY AND LIABILITIES			
1. Shareholders' funds			
Share Capital	27	135	472.5
Reserves and Surplus	311.25	341.85	183.72
Total Equity	338.25	476.85	656.22
4. Current liabilities			
Short -term borrowings	4.1	2.65	
Other Current Liabilities	11.88	21.57	3.37
Short term provisions	8.97	0.5	0.45
Total Current liabilities	24.95	24.72	3.82
Total Liabilities	24.95	24.72	3.82
Total Equity and Liabilities	363.20	501.57	660.04
ASSETS			
1. Non-current assets			
Property, Plant and Equipments	44.91	64.45	74.61
Non-Current Investments	38	168.46	456.01
Deferred Tax Assets (Net)	0.8	3.71	0.04
Long Term Loans and Advances	18.45		
Total Non-Current assets	102.16	236.62	530.66
2. Current assets			
Current Investment	94.03	133.06	92.45
Trade Receivables		29	0.39
Cash & Cash equivalents	158.13	51.98	21.54
Short-term loans and advances	5.81	40.72	2.97
Other Current Assets	3.07	10.19	12.03
Total Current assets	261.04	264.95	129.38

Recommendation: **AVOID**

Total Assets	363.20	501.57	660.04
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Cash Flow Statement**Amt in Lakhs.**

Particulars	FY 22	FY 23	FY 24
Net Cash Flow from Operating Activities	130.07	56.45	226.45
Net Cash Flow from Investing Activities	-130.21	-161.16	-254.22
Net Cash Flow from Financing Activities	156.61	-1.44	-2.65

Key Ratios

Particulars	FY 21	FY 22	FY 23
<u>Per Share Data</u>			
Diluted EPS	10.42	2.95	3.88
BV per share	125.28	35.32	13.89
<u>Operating Ratios</u>			
EBITDA Margins	92.05%	79.65%	68.53%
PAT Margins	65.84%	68.52%	59.68%
Debtor days	-	76.94	0.69
<u>Return Ratios</u>			
RoCE	50.59%	22.98%	21.24%
RoE	36.63%	29.23%	27.91%
<u>Valuation Ratios (x)</u>			
EV/EBITDA	1.08	3.90	4.52
Market Cap / Sales	12.25	16.56	11.11
P/E	3.84	13.56	10.31
Price to Book Value	0.32	1.13	2.88
<u>Solvency Ratios</u>			
Debt / Equity	0.01	0.01	0.00
Current Ratio	10.46	10.72	33.87
Quick Ratio	10.46	10.72	33.87
Asset Turnover	0.51	0.27	0.31
Interest Coverage Ratio	17,111.00	10,958.00	-

*Annualised

Key Observations & Implications:

Since the company had an online education model till now, we would be focusing only on certain ratios for the time being.

Profitability: PAT Margins have been volatile in the past three years.

Return Ratios: Both RoCE and RoE have been declining in the past three years.

LEAD MANAGER TRACK RECORD -

The lead manager to the issue is Srujan Alpha Capital Advisors LLP. A table has been set below highlighting the details of the IPO of the last companies handled by the Lead Manager in recent times –

Srujan Alpha Capital Advisors LLP –

Sr. No.	Company Name	Issue Size in Cr.	Issue Price/Share (In INR)	Listing Date	CMP* (INR)
1.	Esprit Stones Limited	50.42	87.00	Aug 02, 2024	106.35
2.	Kontor Space Limited	15.62	93.00	Oct 10, 2023	173.05
3.	DHARNI Capital Services Limited	10.74	20.00	Jan 31, 2023	44.70

The company has handled 2 mandates in the past three years (including the current year).

*CMP for the above-mentioned companies is taken as of 16th September 2024.

As per the offer document, from the above-mentioned mandates all have opened at a premium on the listing day.

Recommendation: **AVOID****Recommendation -**

The company has been in the industry since 2009 and has a good amount of exposure to the industry. Management overview is not satisfactory with the Promoters good amount of experience but not a diverse background.

Financial Performance:

Sodhani Academy's financial performance has declined from FY22 to FY24. Historically, other income, primarily from interest, dividends, and investment gains/losses, significantly contributed to total revenue, reaching 33.19% in FY24. However, the company is shifting focus towards its core operations.

While company is solving a need, there are many alternative free resources available in the market, considering the lack of unique business model, revenue growth doesn't seem sustainable long term.

Company is also planning to open offline centres and could have availed long-term borrowings from the bank, increased their profit margins from core operations and then gone public.

For the above stated reasons we would recommend to **AVOID** this IPO for the time being.

Disclaimer

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