

What we find interesting?

Grofers' plans to increase its electric vehicles fleet for last mile delivery after initial success

Read [here](#)

- Grofers, a hyperlocal delivery firm, is likely to deploy an additional 500 electrical vehicles (EVs), after finding initial success in a pilot program under which it had deployed 150 EVs in Delhi and Jaipur. In the pilot, the company not only managed to reduce its last mile logistics cost by around 50% but was also benefit from a change in its fleet mix to three wheeler vehicles.
- Our take:** Grofers' delivery via four-wheelers was a costly affair and likely unsustainable. This comes as a breather for the company as cost reduction in last mile delivery is the key to profitability. It is [estimated](#) that as opposed to costing of INR 3.5/km for a fossil fuel driven vehicle, EVs run at below INR 1/km. In our view, EVs which can do a long-run from warehouses can potentially play an important role in path to profitability for these companies.

Paytm plans to offer instant digital loans in partnership with Clix Finance

Read [here](#)

- Paytm has announced partnership with Clix Finance, an NBFC, to offer instant digital loans to self-employed individuals and MSME's through its platforms. The loans will be disbursed based on proprietary machine learning models developed by the two companies, with product options ranging from 'deferred Payment', 'post-paid' and 'merchant lines', among others.
- Paytm, which also partners NBFC's such as Tata Capital and Indifi with plans to increase such tie-ups, was earlier reported to have come under a regulatory scrutiny ([media report](#)) for flouting regulations by offering credit facilities to the users of Paytm Payments bank despite not having certified NBFC license.
- Our take:** These services complement Paytm's recently launched AI-powered router engine which helps merchants to achieve higher payment success rates. Recently, Paytm also announced entry into education sector with products such as educational insurance, loans and co-branded smart cards for students. Both the companies are likely to co-create and launch unique and customized products for unmet financial needs of their customers.

ShopClues lays off employees, simultaneously looks to raise funds

Read [here](#)

- ShopClues, an e-commerce Unicorn, is reported to have laid off 150 – 200 employees in its attempt to improve profitability. Simultaneously, the company is also reported to have been looking for potential funding / M&A with other e-commerce players that would help increase its topline. The company's earlier M&A attempts, a buyout by Snapdeal and merger with eBay had failed in May 2019 and Jul. 2018, respectively.
- Our take:** Having faced with funding constraints, the Indian start-up ecosystem (barring few top players) has been under pressure from investors to get to profitability. ShopClues is one such company which has seen a near-death situation, possibly the reason company plans to break-even soon. ShopClues having lost momentum completely is last 2-3 years, is now trying to bring the cash burn down with the new funding, likely after a push from the new investors.

Snapdeal discussing first external funding with potential investors after a two year gap

Read [here](#)

- Snapdeal, which is undergoing a strong operational turnaround following its failed merger with Flipkart in 2017 is reportedly in discussions with potential investors to raise fresh funds for the first time after a two year gap.
- Our take:** Recently, Snapdeal reported robust numbers for FY19, having adopted a lean strategy for getting to profits. Just like Shopclues (discussed above), Snapdeal has had a near-death experience after which, the investors likely advised Snapdeal for plotting a path to profitability. With this in mind, Snapdeal sold off payments unit Freecharge and logistics unit Vulcan after its deal with Flipkart fell through. The focus is likely only on profitability while volume growth might eventually follow.

What's inside?

- Company we met this week
 - Transactions in the India Internet space
 - Anatomy of a deal
- And more...

JMF Internet coverage universe: Ratings and TPs

	RECO	TP	Upside
INFOE	BUY	2,500	15.4%
JUST	SELL	620	-14.8%

Price as on 23rd July, 2019
Source: JM Financial

JMF Internet coverage universe: Valuation

	EPS (INR)		PER (at CMP)	
	FY1E	FY2E	FY1E	FY2E
INFOE	31.7	41.8	68.3x	51.8x
JUST	33.6	37.5	21.6x	19.4x

Price as on 23rd July, 2019
Source: JM Financial

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Who we met this week?

Affle (Affle India Limited)

- Founded in 2005, Gurgaon-based Affle helps businesses acquire, engage and transact by delivering contextual mobile ads through its proprietary consumer intelligence platform, while simultaneously focusing on reducing digital ad fraud and addressing privacy expectations of the consumers.
- The company's consumer platform is primarily used by B2C companies across industries, such as e-commerce, fin-tech, telecom, media, retail and FMCG.
- Affle's consumer platform has more than 1.5bn consumer profiles and above 163bn consumer data points.
- Affle owns platforms such as mobile-audience-as-service (MAAS), mFaaS for mobile ad fraud detection, 'ad2campaign' for mobile marketing, 'Ripple' for cross screen advertising and 'mTraction TVSync' for TV-linked digital advertising, among others.
- Apart from India, the company operates in South East Asia, MENA, Europe, US, Japan, South Korea and Australia.
- As per a [media report](#), Affle is likely to launch its INR 5bn worth IPO in Aug. 2019.

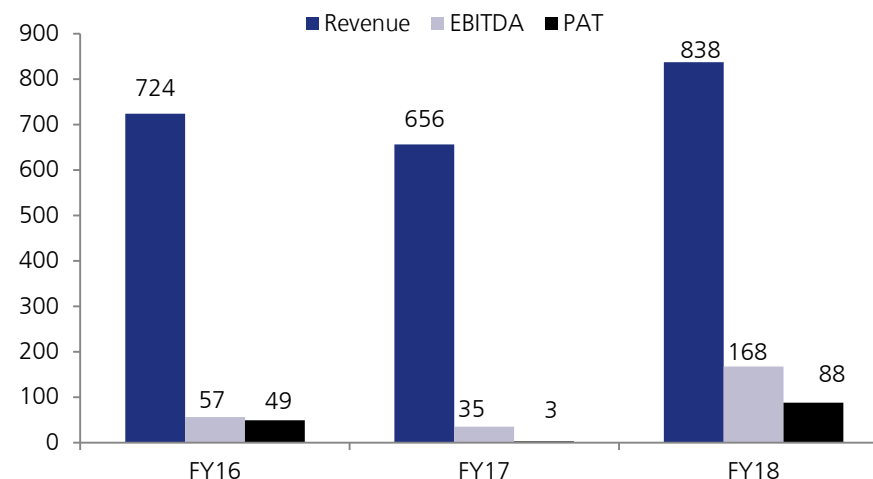
Source: Company, Media reports

Major Shareholders for Affle Holdings Pte. Ltd. (Singapore)*

Shareholder Name	Shareholder Description	% Stake
Fess Old New Pte Ltd.	Promoter controlled	26.18%
Affle Global Pte Ltd.	Owned by Affle Holdings (100%)	11.34%
D2c Inc.	JV of NTT DoCoMo, Dentsu, NTT Adv.	9.46%
Microsoft Global Finance	Subsidiary of Microsoft Corp.	6.48%
Anuj Khanna Sohum	Promoter	6.29%
Anuj Khanna Investments Pte.	Promoter controlled	6.20%
Bennett, Coleman & Co.	Times Group	5.40%
Itochu Corporation	Japan based Corp.	3.93%
Richard Alan Humphreys	Individual	3.14%
Madhusudana Ramakrishna	Individual	2.49%
Centurion Private Equity Ltd.	Private Equity	2.16%

Source: Company DRHP (Jul 2018). * Affle Holdings Pte. Ltd. (Singapore) and Affle Global Pte. Ltd. (Singapore) own 83.5% and 16.5% stake, respectively, in Affle India Limited.

India Business: Financial Summary (All figures in INR mn)



Source: Company DRHP, VCC Edge (FY16) JMFL. Note: Unaudited pro-forma revenue, EBITDA and PAT for group operations in FY18 were INR1,672mn, INR455mn and INR276mn, respectively.

Recent news

- **Jun. 2019:** Announced the acquisition of Delaware-based mobile advertising company, RevX Inc.'s assets, brand name, IPR and technical information.
- **Apr. - Jun. 2019:** Appointed Gulrez Alam and Sonam Bakshi as the Chief Investment & Strategy Officer and Chief Human Resource Officer, respectively.
- **Mar. 2019:** Acquired Singapore-based Shroff, an O2O platform that helps convert online customer engagements to walk-ins for brands/ retailers.
- **Sep. 2018:** Announced the acquisition of the commerce division of Vizury, a marketing platform based in Bengaluru for an undisclosed amount.
- **Jul. 2018:** Filed a draft prospectus for an IPO aimed at raising fresh capital as well as providing an exit to existing investors.

Source: Company, Media reports

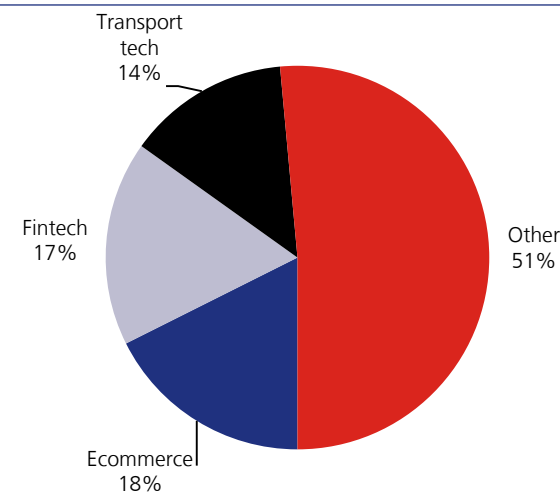
What is hot?

Recent deals (Jul 2019)

Segment	Target	Amount (\$mn)	Investors
Hospitality Chain	OYO	2,000	Ritesh Agarwal (Founder)
Fintech	Zeta	60	Sodexo
B2B Solutions	PayMate	25	Visa, Recruit Strategic Partners, Mayfair and Brand Capital
Packaging marketplace	Bizongo	15	B Capital, International Finance Corp, Accel and Chiratae Ventures
Fintech	Kissht	7	Sachin Bansal (Individual)
E-Sports	WinZO Games	5	Kalaari Capital and Hike

Source: Media reports

Break-up of start-up funding in 1H CY19



Source: Inc42, JMFL. Note: Total funds raised by startups in 1H CY19 was USD 5.85bn.

Deal anatomy – OYO founder secures USD 2bn from Mizuho and Nomura for his share purchase plan

Media reports suggest that Ritesh Agarwal is to buy shares in Oyo worth USD 1.5bn from early investors such as Sequoia Capital and Lightspeed Venture Partners. He is also investing incremental USD 500mn into the company. This is the largest ever investment undertaken by an Indian founder in a self-founded company. A Japanese consortium is [reportedly](#) funding his share purchase, led by Japanese groups Mizuho and Nomura along with one other investor. Lightspeed is said to have invested USD 20mn for 13.4% in the company and stands to get USD 1bn for sale of its part stake (c.10%) in this round. Even Sequoia is likely to profit over USD 500mn from the deal. This funding will thus help Ritesh Agarwal to retain some control back in his company. Oyo's other existing investors include Airbnb, Grab Holdings and Didi Chuxing, among others.

The [media article](#) mentions that the three-year loan is planned to be repaid during company's proposed IPO within three years time. Essentially, Ritesh Agarwal is pledging his current 10% stake in the company to buy the next 20-30% by using share-backed debt funding from the investor. For this purpose, an SPV has been created in Cayman Islands in the name of RA Hospitality to whom the funds would be transferred. As per a [media article](#), the deal values the company at USD 10bn with Ritesh and Softbank together holding nearly 80% in it.

Interestingly, Oyo had earlier altered its AOA by including a clause which does not allow any particular investor to go beyond 49.99% stake without consent of Agarwal, Greenoaks, Sequoia and Lightspeed. This negotiation agreement was signed during Softbank's Series D round of funding in the company.

A similar change was introduced in company clauses by Ola, because Softbank intended to invest in rival Uber and relationships were relatively sour between investor and the founders. As opposed to Ola, Oyo founder has [reportedly](#) good relationship with the investor.

According to a [media article](#), this stake sale is a part of a larger fundraising plan, which also includes the plan for public offering within the next three years. The cap table is likely to comprise of three key shareholders – Softbank, the founder and one more investor when this round concludes.

Source: Media reports

Global Internet space – Valuations and key forecasts

Company	MCAp (US\$bn)	EV (US\$bn)	EV / Revenue (x)			Rev CAGR 19-21E	EV / EBITDA (x)			EBITDA CAGR 19-21E	P / E (x)			EPS CAGR 19-21E
			CY19E	CY20E	CY21E		CY19E	CY20E	CY21E		CY19E	CY20E	CY21E	
Online media														
Google	796.3	696.3	5.4x	4.6x	4.0x	15.7%	12.0x	10.4x	9.0x	15.7%	20.2x	18.1x	15.1x	15.6%
Facebook	577.7	539.6	7.8x	6.4x	5.4x	20.4%	14.7x	12.1x	10.1x	20.3%	22.6x	18.9x	15.7x	20.1%
Tencent	448.0	455.9	8.0x	6.3x	5.1x	24.8%	23.3x	19.1x	15.8x	21.5%	37.5x	30.7x	24.7x	23.3%
Netflix	134.5	143.2	7.1x	5.8x	4.8x	22.0%	45.0x	30.9x	21.7x	44.0%	nm	46.4x	30.6x	nm
Baidu	40.3	31.8	2.0x	1.8x	1.6x	14.2%	18.2x	11.7x	8.0x	51.2%	25.1x	16.4x	11.9x	44.9%
Twitter	29.1	26.2	7.4x	6.4x	5.7x	13.5%	19.8x	17.0x	14.5x	16.8%	36.5x	34.4x	28.5x	13.3%
Average			6.3x	5.2x	4.4x	18.4%	22.2x	16.9x	13.2x	28.3%	28.4x	27.5x	21.1x	23.4%
Classifieds														
Recruit Holdings	58.0	55.9	2.5x	2.3x	2.1x	7.5%	19.0x	16.4x	14.4x	14.9%	32.8x	29.0x	25.4x	13.6%
58.com	8.6	8.1	3.5x	3.0x	2.6x	15.6%	16.8x	13.0x	10.5x	26.3%	20.1x	16.2x	13.6x	21.4%
Zillow Group	10.2	9.7	4.0x	2.4x	1.4x	70.5%	nm	nm	36.0x	nm	nm	nm	nm	nm
REA Group	9.0	9.2	13.9x	12.6x	11.2x	11.5%	24.2x	20.9x	18.8x	13.3%	39.3x	33.0x	28.2x	17.9%
Rightmove	5.7	5.7	15.8x	14.7x	13.8x	7.0%	20.5x	19.2x	18.0x	6.9%	nm	nm	nm	nm
Axel Springer	7.5	9.4	2.6x	2.6x	2.5x	3.2%	11.7x	11.8x	10.6x	5.0%	23.8x	23.7x	20.9x	6.7%
Seek	5.2	6.2	5.4x	4.7x	3.9x	16.8%	18.4x	16.2x	13.4x	17.2%	36.6x	30.5x	23.4x	25.0%
51Job	5.1	4.0	6.5x	5.4x	4.6x	19.8%	17.7x	14.0x	11.4x	24.5%	25.8x	20.9x	17.6x	21.1%
Fang Holdings	0.2	0.7	2.7x	2.3x	nm	nm	21.8x	7.6x	nm	nm	nm	2.5x	nm	nm
Average			6.3x	5.5x	5.3x	19.0%	18.8x	14.9x	16.6x	15.4%	29.7x	22.3x	21.5x	17.6%
Marketplaces														
Amazon	982.0	1,013.9	3.7x	3.1x	2.7x	17.7%	23.6x	19.0x	15.4x	23.7%	54.1x	40.4x	30.5x	33.3%
Alibaba	463.7	448.4	6.5x	5.0x	3.9x	29.5%	21.4x	15.8x	13.1x	27.5%	27.4x	21.8x	17.5x	25.2%
eBay	34.4	38.1	3.5x	3.4x	2.3x	22.5%	10.4x	9.7x	8.9x	7.6%	14.9x	13.2x	11.8x	12.7%
Average			4.6x	3.8x	3.0x	23.2%	18.5x	14.9x	12.5x	19.6%	32.2x	25.1x	19.9x	23.7%
Online travel agents														
Priceline	82.3	78.7	5.2x	4.7x	4.3x	9.4%	13.4x	12.3x	10.9x	11.1%	18.8x	16.7x	14.7x	13.3%
Ctrip	22.6	23.9	4.5x	3.8x	3.2x	18.3%	27.3x	19.8x	15.2x	34.2%	28.4x	23.9x	18.6x	23.7%
Expedia	20.4	22.1	1.8x	1.7x	1.5x	9.5%	9.9x	8.9x	8.0x	11.8%	19.9x	17.3x	15.2x	14.4%
TripAdvisors	6.4	5.8	3.4x	3.1x	2.9x	9.0%	12.2x	11.1x	9.9x	10.9%	24.1x	21.3x	18.3x	14.7%
MakeMyTrip	2.9	2.5	3.5x	2.8x	2.4x	22.1%	nm	nm	nm	nm	nm	nm	34.9x	nm
Average			3.7x	3.2x	2.9x	13.7%	15.7x	13.0x	11.0x	17.0%	22.8x	19.8x	20.3x	16.5%
FoodTech														
Delivery Hero	8.6	8.2	5.9x	4.0x	3.0x	39.0%	nm	nm	nm	nm	nm	nm	nm	nm
Grubhub	6.7	6.9	5.0x	4.0x	3.2x	24.9%	27.5x	19.2x	14.4x	37.8%	50.1x	33.5x	24.0x	44.5%
YELP	2.7	2.3	2.2x	2.0x	1.7x	13.3%	10.1x	8.3x	7.0x	20.3%	19.0x	16.6x	13.6x	18.2%
Average			4.4x	3.3x	2.7x	25.7%	18.8x	13.8x	10.7x	29.1%	34.6x	25.0x	18.8x	31.4%
eCommerce														
JD.com	46.3	45.5	0.6x	0.5x	0.4x	15.3%	35.1x	20.8x	15.7x	49.4%	45.7x	27.5x	22.8x	41.6%
Zalando	11.7	11.3	1.6x	1.3x	1.1x	17.8%	34.0x	26.0x	19.2x	33.2%	nm	nm	62.8x	nm
VIPShop	5.0	4.2	0.3x	0.3x	0.3x	4.9%	6.5x	5.3x	4.9x	15.2%	11.1x	9.2x	8.0x	17.4%
Average			0.8x	0.7x	0.6x	12.7%	25.2x	17.4x	13.3x	32.6%	28.4x	18.3x	31.2x	29.5%
Internet Investors														
Naspers	110.4	104.2	21.3x	20.4x	17.1x	11.7%	nm	nm	nm	nm	32.2x	23.7x	18.0x	33.8%
Rocket Internet	4.3	1.5	26.0x	23.7x	22.0x	8.7%	nm	nm	nm	nm	nm	nm	nm	nm
Average			23.6x	22.0x	19.5x	10.2%	nm	nm	nm	nm	32.2x	23.7x	18.0x	33.8%

Source: Bloomberg

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Sell	Price expected to move downwards by more than 10%

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