

IPO Note

December 11, 2024

One Mobikwik Systems Limited





Issue Snapshot:

Issue Open: December 11 – December 13, 2024

Price Band: Rs. 265 – 279

*Issue Size: Up to Rs 572 cr (Entirely fresh issue)

Reservation for:

QIB	atleast	75% eq sh
Non-Institutional	upto	15% eq sh
(including 1/3 rd for applications between Rs.2 lakhs to Rs.10 lakhs)		
Retail	upto	10% eq sh

Face Value: Rs 2

Book value: Rs 27.74 (June 30, 2024)

Bid size: - 53 equity shares and in multiples thereof

100% Book built Issue

Capital Structure:

Pre Issue Equity:	Rs.	11.44 cr
*Post issue Equity:	Rs.	15.54 cr

Listing: BSE & NSE

Book Running Lead Managers: SBI Capital Markets Limited, DAM Capital Advisors Limited

Sponsor Bank: ICICI Bank Ltd & Axis Bank Ltd

Registrar to issue: Link Intime India Private Limited

Shareholding Pattern

Shareholding Pattern	Pre issue %	Post issue %
Promoter and Promoter Group	34.21	25.18
Public & Employees	65.79	74.82
Total	100.0	100.0

*=assuming issue subscribed at higher band
Source for this Note: RHP

Background & Operations:

MobiKwik is a platform business at its core, that has a two-sided payments network, consisting of consumers and merchants. MobiKwik has acquired 161.03 million Registered Users and enabled 4.26 million Merchants to make and accept payments online and offline, as of June 30, 2024. The usefulness of the platform for new and existing consumers increases, as the company adds newer products to its digital credit, investments, and insurance verticals. As it continues to expand the portfolio of products under these verticals, it believes it can transform the platform into an increasingly compelling offering for its consumers while simultaneously enhancing its profitability and value. As a result, the Company has achieved Profit for the year ended March 31, 2024 amounting to Rs.140.79 million.

MobiKwik was founded by Bipin Preet Singh and Upasana Taku, who have prior experience in building scalable technology and financial products at their previous organisations. Mobikwik's aim is to leverage technology as the primary factor to facilitate financial inclusion for the underserved population in India. Its commitment to growth through frugal, digital-first innovations is demonstrated through its bouquet of products at scale, and maintaining one of the lowest employee cost to revenue among digital financial product and services platforms in Fiscal 2023. The Payment GMV has grown at an annual rate of 45.88% and MobiKwik ZIP GMV (Disbursements) has grown at an annual rate of 112.16% from Fiscal 2022 to Fiscal 2024. MobiKwik has won various awards over the years, including the 'Economic Times Most Promising Brands Award' and 'Innovative DevOps Excellence in Pioneering Infrastructure Optimization for Payments' award at the India DevOps Show – 2023 and ET Iconic Brands of India Awards, as an 'Icon of Indigenous Excellence' in 2018. It has been able to spot trends early in the fintech industry and captured evolving consumer requirements that has allowed it to introduce simple-to-understand innovative products and grow its business at low costs. It has been one of the first companies to launch payment wallets (2009), loyalty points-based rewards (2017), Digital credit (2019) and credit on UPI (2023).

With 72% of MobiKwik's digital loan disbursement in the Tier 3+ locations, it has played a pivotal role in bridging the financial gap, empowering individuals, and businesses in underserved regions to access and utilize modern financial services. The company has launched products like Soundbox and POS/EDC machines at a small scale. These are being offered to MobiKwik's merchants with an aim to increase merchant acquisition and retention, along with building a stream of recurring rental revenues. MobiKwik has also launched merchant credit advance which is its first foray into monetizing its merchant network. This will also help in retention of merchants as to satisfy their need for credit, they will not move to other platforms. Its strategy further involves a meticulous focus on large revenue pools associated with significant consumer painpoints. Products in development include Credit on UPI Pay with Rupay credit on UPI giving consumers access to credit via UPI payment rails, Consumer focused digital credit products specifically designed for purchase of consumer durables and Co-Branded credit card backed by fixed deposit.

Objects of Issue:

The Offer comprises the Fresh Issue.

The Objects of the Fresh Issue

MobiKwik intends to utilise the Net Proceeds from the Fresh Issue towards funding the following objects (the "Objects"):

- Funding organic growth in financial services and payment services business;

- Research and development in data, ML and AI and product and technology;
- Capital expenditure for payment devices business;
- General corporate purposes.

Requirement of funds and utilisation of Net Proceeds (Rs in Mn)

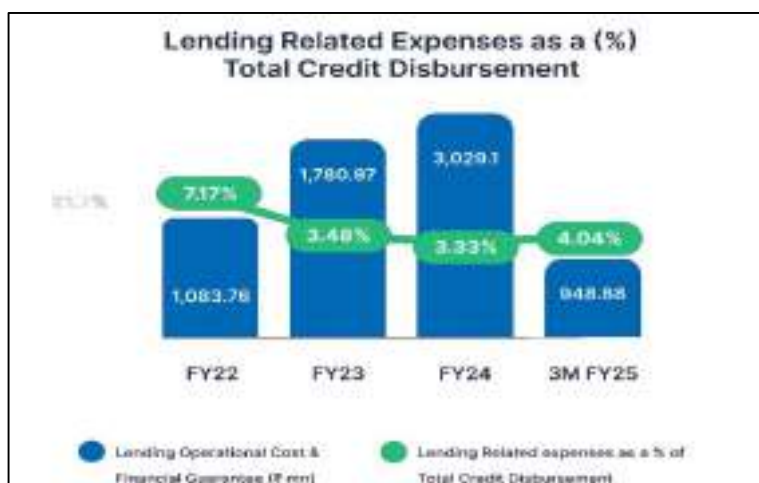
Particulars	Amount to be funded from Net Proceeds	Estimated utilisation from Net Proceeds FY25
Funding organic growth in financial services business	1,500	968
Funding organic growth in payment services business	1,350	537
Research & development in data, ML and AI and product and technology	1,070	651
Capital expenditure for payment services business	703	283
General corporate purposes	*	*
Total	*	*

Competitive Strengths

Empowering Journeys: MobiKwik's legacy of providing positive and sustainable consumer experience: The Company has always invested in creating innovative products that provide value to its existing and growing consumer and merchant network. While each product and services available today on its platform has its strengths and offers a unique value proposition, its strength is in the journey that the consumer goes through on the platform that provides a positive and sustainable experience for the consumer and profitable business opportunity for the Company. Its approach of putting technology at forefront of its products have helped them create products for consumers that achieve scale through the value they provide to the consumers who use them, therefore allowing them to acquire consumers at extremely low cost. This kickstarts a flywheel that allows good consumers to progress through MobiKwik's platform's offerings, getting access to low cost, products that fit their needs and help fulfil their aspirations, and hence leads to repeated usage. MobiKwik sees this for example, play out in its MobiKwik ZIP product that sees an approximately 90.30% repeat usage rate. This in turn leads to the platform improving its profitability which in turn financially enables and motivates it to introduce more innovative and consumer-first products.

Large, engaged consumer base acquired with low CAC: MobiKwik's Registered Users have grown at a CAGR of 12.31% from 123.56 million as of March 31, 2022 to 155.84 million as of March 31, 2024, while they had 161.03 million Registered Users as of June 30, 2024. MobiKwik primarily acquire users through the following: (i) SEO (search engine optimization) and mobile ASO (application store optimization) initiatives; (ii) user referrals from a large user base; (iii) brand recall from checkout and POS placement in their diversified merchant network; (iv) high usage of the BBPS platform; and (v) marketing and publicity. This has enabled it to maintain a low CAC per New Registered User at Rs.32.87 in Fiscal 2024 and at Rs.33.53 in the three months ended June 30, 2024. MobiKwik believes that the convenience of using a platform, which also provides access to promotions, discounts and its SuperCash loyalty rewards, is able to effectively engage its consumers and strengthen its consumer retention.

Efficient operational management of loan products distributed by MobiKwik: One of the Company's strengths lies in the adept management of operational costs for its digital credit products distributed by it, evidenced by a consistent decline over the past three financial years, which has been accompanied simultaneously with a substantial surge in total credit disbursement, underscoring its commitment to responsible and scalable lending practices. Despite the dynamic financial landscape, MobiKwik has demonstrated an ability to navigate risk effectively, resulting in a noteworthy reduction in all lending related costs. This is represented in the graph below:





The declining trend in lending related expenses is a testament to its robust risk management framework and data driven approach. The result of such declines results in its Lending Partners' lending related expenses is that such Lending Partners' become confident of its operations, which results in larger limits from such Lending Partners. This efficiency in addition to safeguarding their and their Lending Partners' financial health, also enhances the overall resilience of the digital credit products distributed by them. As a result, MobiKwik has successfully struck a balance between mitigating credit risk and facilitating increased credit disbursement, showcasing its capacity for sustainable and controlled growth.

The trust in Mobikwik's brand: MobiKwik believes that it has a strong brand name and recall, across large and small Indian cities. The MobiKwik Application remains one of the easiest way to transact across multiple methods. Its offerings include e-commerce, physical retail and bill payments thereby giving them the ability to capture increasing utilization by consumers for daily life payments. MobiKwik believes that their brand is well entrenched in the digital payments landscape and their consumers associate them with comprehensive digital payments offerings. The Company's product, Xtra, is witnessing considerable traction. This showcases the amount of trust that the consumers have put in brand MobiKwik. It provides curated wealth and insurance products, exemplified by the rapid growth of Xtra, which has accumulated Rs.18,348 million in AUM, as of June 30, 2024, within 26 months of its launch.

Technology and product first approach to business: MobiKwik has a technology and product-first approach to business which is powered by its cloud hosted transactional, data and analytical platforms. The large transactional platforms are distributed by design capable of handling high throughput, and uses event driven architecture to manage a large number of events and data which are processed over data pipelines. Its data platform processes large terabytes of transactional, financial and external data sources which are stored in cloud hosted data lakes for analytical and reporting purposes. It also processes large amounts of data which is used to train its inhouse machine learning models leverage deep data science (including machine learning) to continuously drive innovations on its platform for its consumers, merchants and partners. It follows a digital-first and technology-powered approach towards making its products highly personalized, intuitive, simple to use and designed to drive high user engagement. The core of the Company's product decision making is access to quality data. Its robust data platform built on top of large near real-time data pipelines and is supported by analytics, engineering and data science teams, ensures that it is able to run meaningful experiments supported by real retention and consumer lifetime value data. It has a very comprehensive data science and machine learning capabilities, which leverages data from internal platforms and external sources, performs state of the art feature engineering to identify the key model variables and those are used in machine learning models which internally uses decision trees, regression techniques, clustering and neural networks. These investments in its machine learning driven algorithms allow it to optimise payment processing, tailor consumer experiences on the MobiKwik Wallet, predict risk in loan products and predict propensity to buy wealth-tech and insurtech products. Its technological knowledge has also helped it shape Lens, where it was able to leverage the account aggregator technology to provide the consumers with a product that assists its consumers with their understanding of their money and aids them in their financial wellness.

Business Strategy:

Scaling existing products: In its aim for sustained growth and market dominance, MobiKwik's strategic focus centres on the expansion and refinement of its existing business segments. Firstly, it aims to target larger revenue pools by enhancing efficiency in consumer acquisition. Initiatives to maintain its CAC through optimized marketing strategies and data-driven insights will ensure a more resourceful approach to reaching its target audience. Its expansion strategy emphasizes responsible growth through rapid scaling. A key aspect of this growth strategy lies in risk mitigation, keeping non-performing assets in its digital credit products in check and emphasizing its proactive risk management practices. By prioritizing sustainability and profitability, the Company positions themselves for long-term success. This strategy encapsulates its commitment to strategic innovation, responsible growth, and financial excellence, setting the stage for its position as a force in the dynamic fintech landscape.

Expanding product portfolio in existing business lines: In pursuit of sustained growth and diversification, MobiKwik's strategy encompasses the exploration and integration of new product lines, unlocking fresh revenue streams for the Company. Firstly, it identifies and targets large revenue pools with millions of potential consumers. This initiative is underpinned by its demonstrated ability to successfully execute and navigate the credit and payments landscape, setting the stage for replicating its learnings in other promising segments. Leveraging its existing consumer base, particularly the digitally savvy clientele, provides a strategic foundation for introducing innovative products and services. Its commitment to launching a diverse portfolio of profitable products within payments, credit, wealth management and insurance segments aligns with its vision to tap into substantial revenue opportunities and meet evolving market demands. It aims to target growth in the high yielding credit business.

Expansion of payment aggregator business: An important component of MobiKwik's strategy involves scaling its payment aggregator business, Zaakpay, pursuant to securing the in-principle approval of the payment aggregator from the RBI. This was an important business vertical for the Company until Fiscal 2022 with a GMV of over Rs. 43,000 million in Fiscal 2022, which suffered a severe reduction in business, due to rejection of application for a payment aggregator license by the RBI. Post receipt of the inprincipal approval for the payment aggregator license in October, 2023, this business vertical has seen growth in transactions, with a GMV of over Rs. 20,000 million

in the three months ended June 30, 2024. It aims to accelerate onboarding of merchants and offer them a comprehensive payments experience. It also sees this as a unique opportunity to extend its product to a broader spectrum of merchants, including those that are currently untapped and operate offline, by empowering them with a secure and efficient payment solution and enabling them to handle the complexities of payment processing. MobiKwik aims to augment the capabilities of its platform by facilitating transactions as well as by aiming to enhance the overall financial experience for its valued partners. This strategic approach underscores its dedication to staying at the forefront of innovation and continuously improving its offerings to meet the evolving needs of the merchant community.

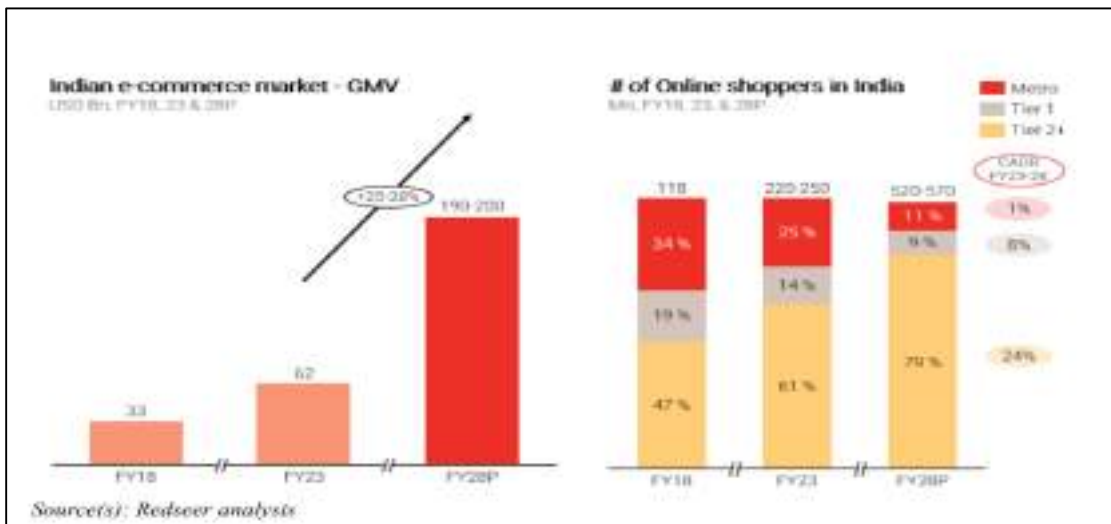
Continuous focus on profitable growth: MobiKwik has created a product and technology led platform that allows it to offer a curated but comprehensive financial product portfolio to its acquired consumers. With each consumer that is added or product offering that has expanded, the platform’s value to both the consumer and the merchant increases that is indicative of the inherent operating leverage that fundamentally exists for all platform-oriented businesses. As of fiscal year ended March 31, 2024, the Company’s revenue from operations on a consolidated basis was Rs. 8,750.03 million, with Rs.140.79 million as Profit /(loss) for the year and Rs.372.20 million as EBITDA.

The Team: The Company is led by a professional and experienced management team comprising qualified Key Managerial Personnel and Senior Management Personnel. The co-founder, managing director and chief executive officer, Bipin Preet Singh, has experience in semiconductor and fintech industries and Upasana Taku, its co-founder, Executive Director, Chairperson, and Chief Financial Officer has experience in fintech services and payment space. Chandan Joshi is the co-founder and chief executive officer of its payments division and has prior experience in financial services, and logistics. Anurag Jain is the Vice-President lending and data of MobiKwik and has has experience in risk management and lending to consumers as well as MSMEs with leading NBFCs/Banks/Fintech. Saurabh Dwivedi, Senior Vice President, technology, has prior experience in technology development. Mohit Narain is COO of the Company’s payments business and has prior experience in technology, product management, business development and overall organisational growth.

Industry Overview

Digital payment landscape in India is evolving at a rapid pace, driving superior convenience and consumer confidence:

Growth of online shoppers has further propelled ever evolving payment landscape in India. Although initial penetration happened across Urban India, predominantly across Metro cities. Change in trend was observed from 2018 to 2023 where Tier 1 and Tier 2+ are the fastest growing markets. In FY23, ~61% of shoppers are from Tier 2+ cities which is expected to grow to 78% by FY28.



1/3 rd of Indian households are using digital payment in one way or another:

Non-cash transactions for Indian households are expected to increase from 38% in FY23 to 62% in FY28. With UPI being the corner stone of transition, which accounts for 73% of total digital transactions in India in FY23, is estimated to exceed 90% by FY28. There is a strong momentum in favor of digital payments which is being developed by an evolving ecosystem. Rigorous investment in mobile payment technology which drives superior convenience and consumer confidence, large merchant ecosystem penetration created by mobile payment platforms and government initiatives on growth are all factors that are fuelling the growth of the mobile payment market in India and will continue to do so in the future. Person to merchant (P2M) transactions have been one of the biggest drivers of mobile payments adoption growth. Use cases like ecommerce, food delivery, e-grocery, OTAs and other service have led to significant growth in total user base for mobile payments in India.



- Company's funding requirements and proposed deployment of the Net Proceeds are based primarily on management estimates and assumptions and have not been appraised by any bank or financial institution or any other independent agency. The utilisation of the Net Proceeds may be subject to change based on various factors, some of which are beyond MobiKwik's control and such utilisation may not generate expected future revenues or profits after utilisation.
- Security breaches and attacks against MobiKwik's platform, and any potential breach of or failure to otherwise protect personal, confidential and proprietary information, could damage the company's reputation and materially and adversely affect its business, financial condition and results of operations.
- MobiKwik may not be able to maintain the levels of growth, including in the Company's Financial Services business, and its historical performance may not be indicative of future growth or financial results, which could adversely affect its business, results of operations and financial condition.
- If The Company is unable to retain or expand the network of consumers, merchants, or Lending Partners, or in the event of low growth or decline in the number of its registered users and declining revenues in digital payments and financial services businesses, its business, results of operations, financial condition, and future prospects would be materially and adversely affected.
- MobiKwik faces substantial and increasingly intense competition in the fintech industry. If it is unable to compete effectively, its business, financial condition, results of operations and prospects would be materially and adversely affected.
- MobiKwik's distribution of Financial Services Products depends on relationships with Lending Partners, and any failure to maintain such partnerships could adversely affect business, results of operations and financial condition.
- MobiKwik's credit underwriting and risk management systems may not be able to effectively assess or mitigate the risks of Financial Services business enabled through the Company's platform, and as a result, Lending Partners may be unable to effectively recover the amounts disbursed by them to its customers, which could adversely affect its business, results of operations and financial condition.
- MobiKwik's Statutory Auditors had, included a qualification in relation to certain allotments of preference shares in their audit report on its financial statements as of and for the year ended March 31, 2021. Further, its Statutory Auditors have, in their audit report on consolidated financial statements, as of and for the years ended March 31, 2023 and March 31, 2024, included a modification in connection with back-ups of books of accounts of the Company. There can be no assurance that similar qualifications or modifications will not form part of the audit reports on its financial statements for future fiscal periods.
- The Company has in the past, incurred losses amounting to Rs (1,281.62) million and Rs (838.14) million in Fiscals 2022 and 2023, respectively. Further, while it achieved profit of Rs 140.79 million in Fiscal 2024, it further incurred losses of Rs (66.15) million in the three months ended June 30, 2024. Further, it had negative balance of retained earnings as of March 31, 2022, March 31, 2023, March 31, 2024 and the three months ended June 30, 2024. Accordingly, it may not always achieve or sustain its profitability trends in the future.
- There have been certain deficiencies/ irregularities in managing its records and compliances with the RBI in relation to allotments made by it to certain non-resident Shareholders, as a result of which there have been certain inaccuracies and non-compliances with respect to certain filings with the RBI.
- Inability to obtain, maintain or renew requisite statutory and regulatory permits and approvals for business operations could materially and adversely affect its business, prospects, results of operations and financial condition.
- Business interruptions or systems failures may impair the availability of MobiKwik's platform and inability to keep pace with rapid technological developments to provide new and innovative products and services, could result in a decline in the use of its products and services which may adversely affect its business, financial condition and results of operations.
- Slowdown in the growth of Active Users can adversely affect its business.



Other financial liabilities	0.4	0.4	0.4	0.4
Provisions	31.0	25.2	22.0	20.3
Total non-current liabilities	435.1	540.6	361.1	80.2
Current liabilities				
Financial liabilities				
<i>Borrowings</i>	1,754.4	1,693.5	1,697.8	1,509.1
<i>Lease liabilities</i>	28.0	22.2	19.2	8.5
<i>Trade payables</i>				
<i>Total Outstanding dues of Micro Enterprises and Small Enterprises</i>	42.0	94.4	94.3	55.1
<i>total outstanding dues of creditors other than micro enterprises and small enterprises</i>	2,277.5	2,176.3	1,084.1	692.8
Other financial liabilities	2,817.2	2,234.1	2,299.6	3,725.0
Provisions	30.2	27.8	21.6	19.1
Other current liabilities	110.2	131.8	138.8	106.1
Total current liabilities	7,059.5	6,380.0	5,355.3	6,115.7
Total liabilities	7,494.5	6,920.6	5,716.4	6,195.9
Total equity and liabilities	9,081.0	8,546.5	7,143.3	8,361.3

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