

<b>Retail Research</b>	<b>IPO Note</b>
<b>Sector: Fintech</b>	<b>Price Band (Rs): 265 - 279</b>
<b>06<sup>th</sup> December 2024</b>	

## One MobiKwik Systems Ltd.

### Company Overview:

**One MobiKwik Systems Ltd (MobiKwik)** at its core is a two-sided payments network having 16.1 cr registered users and 0.4 cr merchants as of Jun'24. The company operates in two distinct business segments i) **Payment business** where it empowers consumers and merchants across the country to make daily life payments conveniently via the MobiKwik app and ii) **Financial service business** where it provides accessible and affordable small-ticket credit for all manners of spending through *MobiKwik ZIP* and *ZIP EMI*. As of Jun'24, MobiKwik had ~7.1 cr KYC completed users on its *MobiKwik Wallet* platform and 3.4 cr pre-approved users on its *MobiKwik ZIP* platform. The company has partnered with SBM Bank India to offer fixed-deposit backed credit cards catering to individuals with limited or no-credit history.

### Key Highlights:

**1. Capitalizing on network effects:** Increase in the number of transacting users on the *MobiKwik* app leads to greater acceptance among merchants, and vice-versa. The growth in payments data facilitates broader consumer underwriting which in turn leads to heightened spending within the network.

**2. Low Customer Acquisition Cost (CAC):** The company primarily acquires users through (i) SEO (search engine optimization) & mobile ASO (application store optimization) initiatives; (ii) user referrals from a large user base; (iii) brand recall from checkout and POS placement in its diversified merchant network; (iv) high usage of the BBPS platform; and (v) marketing and publicity. This has enabled MobiKwik to maintain a low CAC per new registered user of Rs 32.8 and Rs 33.5 in FY24 and 1QFY25 respectively. The company believes that the convenience of using a platform, which also provides access to promotions, discounts and the *SuperCash* loyalty rewards is able to effectively engage consumers and strengthen consumer retention.

**3. Efficient management of loan disbursements:** MobiKwik's strength lies in the adept management of operational costs for its digitally distributed products. This is evident from a consistent decline in lending related expenses as a % of total credit disbursement over the past three years. Lending related expenses as a % of total credit disbursement has declined from 7.2% in FY22 to 3.3% in FY24.

**4. Strong brand recall:** The company's brand *MobiKwik* is well entrenched in the digital payments landscape and consumers associate it with comprehensive digital payments offerings. MobiKwik is the 3<sup>rd</sup> largest player in the mobile wallet segment in India with 13.5 cr registered users as of Mar'24. It has the 2<sup>nd</sup> largest GMV among mobile wallet players in India as of FY24.

**5. Technology and Product focused business:** MobiKwik has a technology first-approach to business powered by cloud hosted transactional data & analytical platform. As of Jun'24, the company's engineering and technology team averaged at 226 members led by the Founder & Promoter, MD and CEO Bipin Singh. The combination of robust technology platforms and multiple product features developed by the company significantly enhances the overall experience for both consumers and merchants within the ecosystem.

**Valuation:** The company is valued at FY24 Price/Sales multiple of 2.5x based on the upper price band on the post-issue capital. The company is a major player in the mobile wallet and digital lending space. It addresses a substantial untapped market of more than 40 cr individuals in India who require access to financial products but have limited or no credit history. The company has delivered a revenue CAGR of 29% over FY22-24 and has turned profitable at the EBITDA and PAT level in FY24.

Issue Details	
Date of Opening	11 <sup>th</sup> December 2024
Date of Closing	13 <sup>th</sup> December 2024
Price Band (Rs)	265 – 279
Offer for sale (shares)	-
Fresh Issue (Rs cr)	572
Issue Size (Rs cr)	572
No. of shares	2,15,84,906 – 2,05,01,792
Face Value (Rs)	2
Post Issue Market Cap (Rs cr)	2,087 – 2,167
BRLMs	SBI Capital Markets, DAM Capital Advisors
Registrar	Link Intime Pvt Ltd
Bid Lot	53 shares and in multiple thereof
QIB shares	75%
Retail shares	10%
NIB shares	15%

Objects of Issue	
	<b>Estimated utilization from net proceeds (Rs cr)</b>
Funding organic growth in the financial services business	150.0
Funding organic growth in the payment services business	135.0
R&D in data, ML, AI and product & technology	107.0
Capital expenditure in the payment devices business	70.3
General Corporate Purposes	109.7
<b>Total proceeds from fresh issue</b>	<b>572.0</b>

Shareholding Pattern		
<b>Pre-Issue</b>	<b>No. of Shares</b>	<b>%</b>
Promoter & Promoter Group	1,95,60,928	34.2
Public & Others	3,76,19,733	65.8
<b>Total</b>	<b>5,71,80,661</b>	<b>100.0</b>

<b>Post Issue @Lower Price Band</b>	<b>No. of Shares</b>	<b>%</b>
Promoter & Promoter Group	1,95,60,928	24.8
Public & Others	5,92,04,639	75.2
<b>Total</b>	<b>7,87,65,567</b>	<b>100.0</b>

<b>Post Issue @Upper Price Band</b>	<b>No. of Shares</b>	<b>%</b>
Promoter & Promoter Group	1,95,60,928	25.2
Public & Others	5,81,21,525	74.8
<b>Total</b>	<b>7,76,82,453</b>	<b>100.0</b>

Source: RHP, SSL Research

## Key Financials

Particulars (Rs cr)	FY22	FY23	FY24	1QFY25
Revenue from operation	526.6	539.5	875.0	342.3
EBITDA	(132.1)	(77.6)	21.9	(1.3)
PAT	(128.2)	(83.8)	14.1	(6.6)
EBITDA Margin (%)	-	-	2.5	-
PAT Margin (%)	-	-	1.6	-
ROE (%)	-	-	8.7	-
ROCE (%)	-	-	8.8	-
PE (x)*	-	-	113.3	-

Source: RHP, SSL Research

\*Pre-issue based on upper price band

## Risk Factors

- Regulatory risk:** The company is required to follow various regulatory compliance procedures set by the Reserve Bank of India (RBI). The licenses and approvals required are subject to numerous conditions which could be suspended or revoked in the event of non-compliance or alleged non-compliance by the RBI. If there is any failure in complying with the applicable regulations or if the regulations governing the business are amended, the company may incur increased costs, be subject to penalties, have the approvals and permits revoked or suffer a disruption in operations which could adversely affect business, operations and financials.
- Data confidentiality risk:** The company in its normal course of operations generates and processes a large amount of personal data including contact information, spending patterns, mobile application usage, geolocation and device type, through the transactions undertaken on the platform which also involves collection, storage, processing and transmission of consumers' data, demographic data and behavioral data. Any security breaches and attacks against the platform and any potential breach of or failure to otherwise protect personal, confidential and proprietary information could damage reputation and materially and adversely affect business, financial condition and results of operations.
- Customer retention risk:** The company's growth is dependent on its ability to retain and add customers, merchants and lending partners, in order to increase transactions, volume and gross monetary value (GMV). Any failure to retain or expand network of consumers, merchants or Lending Partners; or any decline in the number of registered users and declining revenues may have an adverse effect on the business, results of operations and financial condition.
- Competition risk:** The company faces intense competition principally from other mobile payment companies, fintech companies, payment service providers (including commercial banks that issue payment cards or provide QR codes for payments), digital lending companies (including companies offering investment products) and companies providing similar technology or distribution-driven financial services in India. Any failure to compete in a cost-effective manner may have adverse effect on the business, result of operations, cashflows and financial operations.

## Growth Strategy

- Scaling existing products
- Expanding product portfolio in existing business lines
- Expansion of the payment aggregator business
- Continuous focus on profitable growth

## Business Verticals

### Payments Business

- A. Consumer side:** The application provides registered users a simple, fast, safe and reliable way to pay via UPI, wallet, cards and Buy-Now-Pay-Later for multiple use cases. Consumers can use the *MobiKwik* application to make payments to i) Ecommerce merchants; ii) Large format retail stores; iii) General Trade and Oil & Gas, iv) Bill payments & others; v) Peer-to-Peer transfers; vi) UPI payments and vii) Pocket UPI.
- B. Merchant side:** The company provides a simple fast, safe and reliable way to accept payments via UPI, wallet, cards and pay-later to its merchants. The Merchant network includes online websites & apps, where (i) *MobiKwik* is a payment option on the checkout page and as a payment option at physical retail stores; and (ii) *MobiKwik* is a QR code payment option at the POS/cashier. The payment acceptance methods for merchants includes i) Online checkout for E-commerce merchants; ii) Scan and Pay with *Kwik QRs*; iii) *MobiKwik Vibe* (Soundbox) and iv) Electronic Data Capture (EDC) Machine (PoS Machine)

### Financial Services Business

- A. Digital Credit Products for Consumers:** MobiKwik provides accessible and affordable small-ticket credit for all manners of spending through i) *MobiKwik ZIP*; ii) *ZIP EMI* and iii) Co-branded credit cards.
- i) **MobiKwik ZIP:** It is a flagship product which provides convenience to consumers by enabling them to make purchases on credit (interest free) for a month (limit of Rs 1,000 to Rs 60,000), upgrade to purchase choices that appeal to their aspirations, and purchase more frequently with the ability to repay conveniently after 30 days credit period.
- ii) **ZIP EMI:** ZIP EMI is focused on consumers who require a higher amount of loan between Rs 10,000 to Rs 200,000 and a longer tenure to repay. The loan amount is credited directly to the consumers bank account by the lender. This product is interest bearing and consumers repay in 3 to 24 equal monthly instalments.
- iii) **Co-branded Credit Cards:** The company has partnered with SBM Bank India to offer fixed-deposit backed credit cards catering to individuals with limited or no-credit history.
- B. Digital Credit Products for Merchants:** The company provides credit to merchants through Merchant Cash Advances (MCA), a flagship product which provides accessible and affordable credit to merchants using payment solutions for their business requirements.
- C. Investments & Insurance:** The platform caters to consumers that want to generate returns by deploying funds through i) Fixed deposits; ii) lens (personal finance assistance product); iii) Mutual funds and iv) provident fund tracking.
- D. Peer-to-Peer Lending Products:** The company is also offering a Peer-to-Peer lending product *Xtra* offered in partnership with the NBFC – P2P partner.

## Key Operating Metrics

Particulars	FY22	FY23	FY24	1QFY25
Registered Users (cr)	12.4	14.0	15.6	16.1
New Registered Users Addition (cr)	2.2	1.6	1.6	0.5
Customer Acquisition Cost (Rs)	17.5	20.3	32.9	33.5
Platform Spend GMV (Rs cr)	23,632.2	26,235.0	47,677.7	28,578.3
Payment GMV (Rs cr)	17,947.4	20,725.0	38,195.5	25,080.2
Payment Gateway GMV (Rs cr)	4,336.2	1,407.2	3,412.1	2,027.8
MobiKwik ZIP GMV (Disbursements) (Rs cr)	1,348.6	4,102.8	6,070.2	1,470.2
ZIP EMI GMV (Disbursements) (Rs cr)	163.6	1,012.2	3,023.2	876.5
Activated - MobiKwik Zip Users (lakhs)	24.4	40.7	59.0	62.3
Activated - Zip EMI Users (lakhs)	2.8	5.4	9.4	10.3
Repeat MobiKwik Zip Users (%)	82.9	90.4	87.6	90.3
Credit - Partner AUM (Rs cr)	176.8	718.5	2,384.0	2,495.5

Source: RHP, SSL Research

## Key Statistics



Source: RHP, SSL Research

## Consumer Payments Network

### Consumer Payments - 4.26 mn strong pan India merchant network



**1,32,445<sup>m</sup>**  
E-Commerce



**4.13 mn<sup>m</sup>**  
Physical Stores



**463<sup>m</sup>**  
Billers

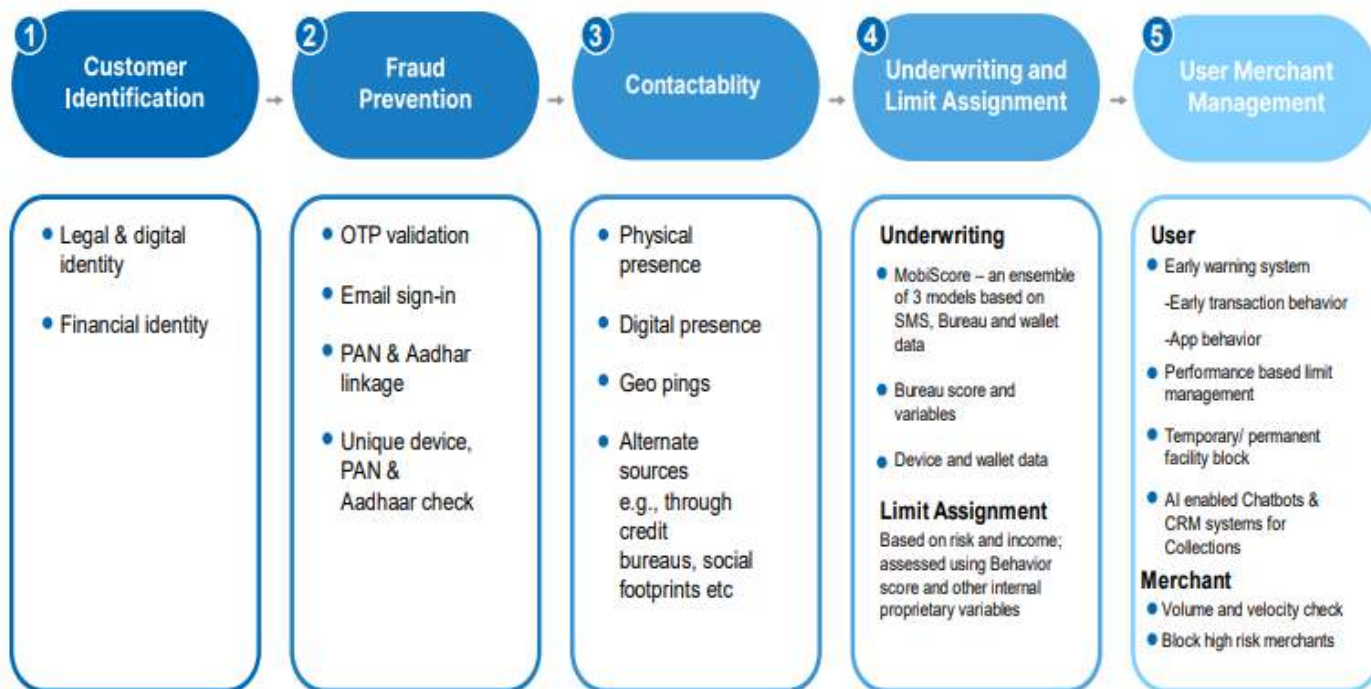


Source: RHP, SSL Research



# Risk Management Framework

## Risk Management Framework

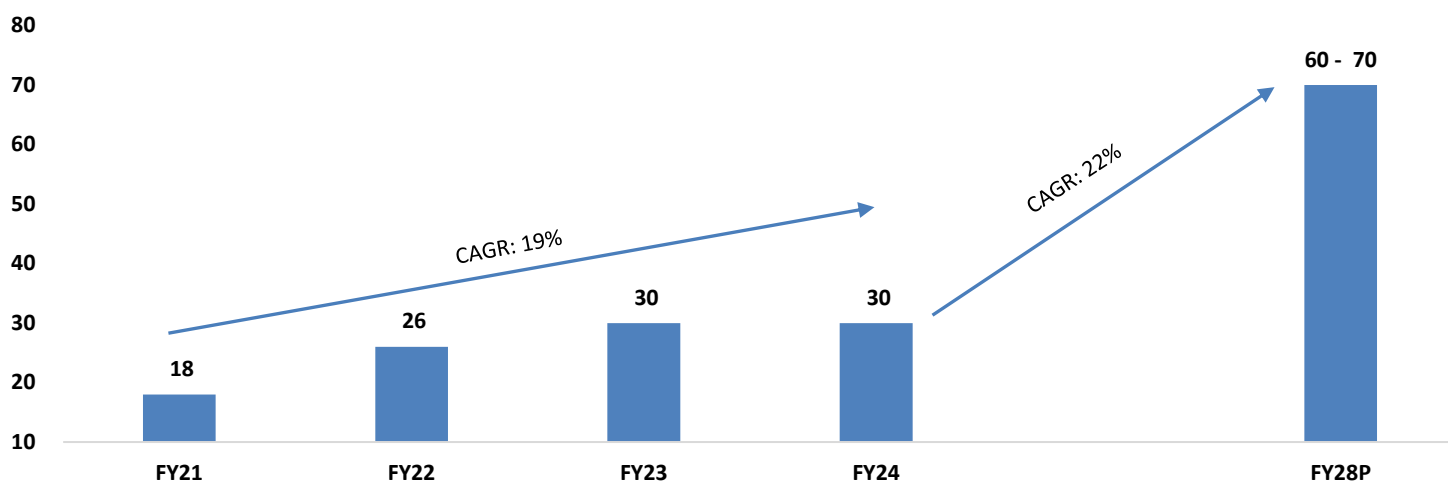


Source: RHP, SSL Research

## Industry Overview

The **value of Digital Transactions** stood at USD 30 tn in FY24, growing at a CAGR of 19% between FY21 to FY24. The value of transactions is further to grow at a CAGR of ~22% between FY24 to FY28P to reach USD 60 tn to USD 70 tn by FY28P.

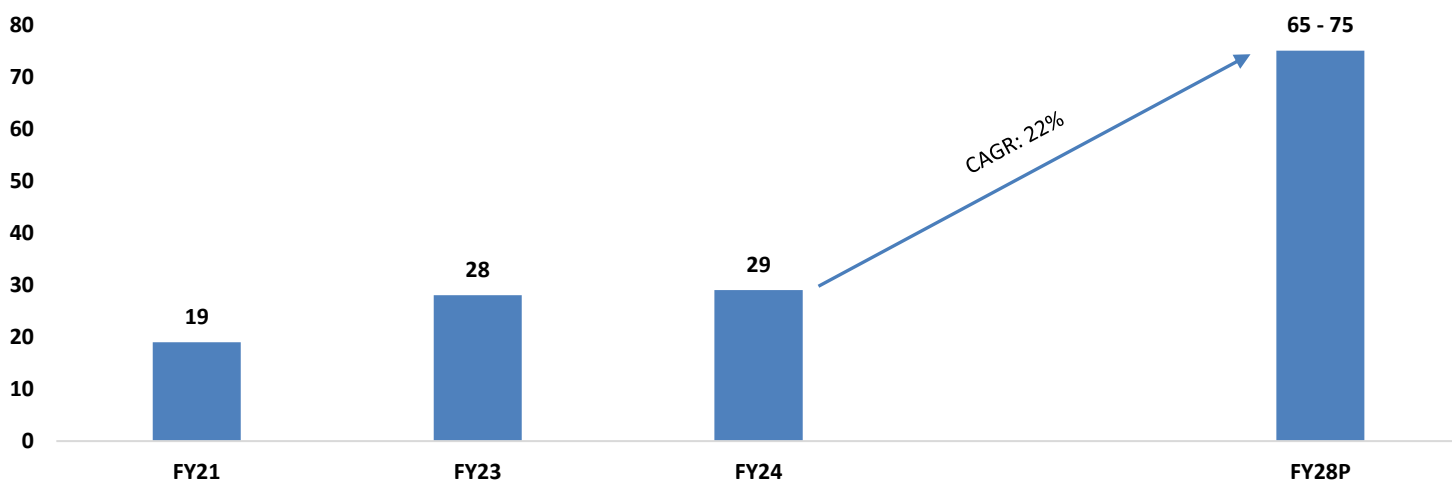
**Value of Digital Transactions (USD tn)**



Source: RHP, SSL Research

The **value of Mobile Wallet Payments** stood at USD 29 bn in FY24 and is expected to grow at a CAGR of 20%-25% between FY24 to FY28P to reach USD 65 bn to USD 75 bn by FY28P.

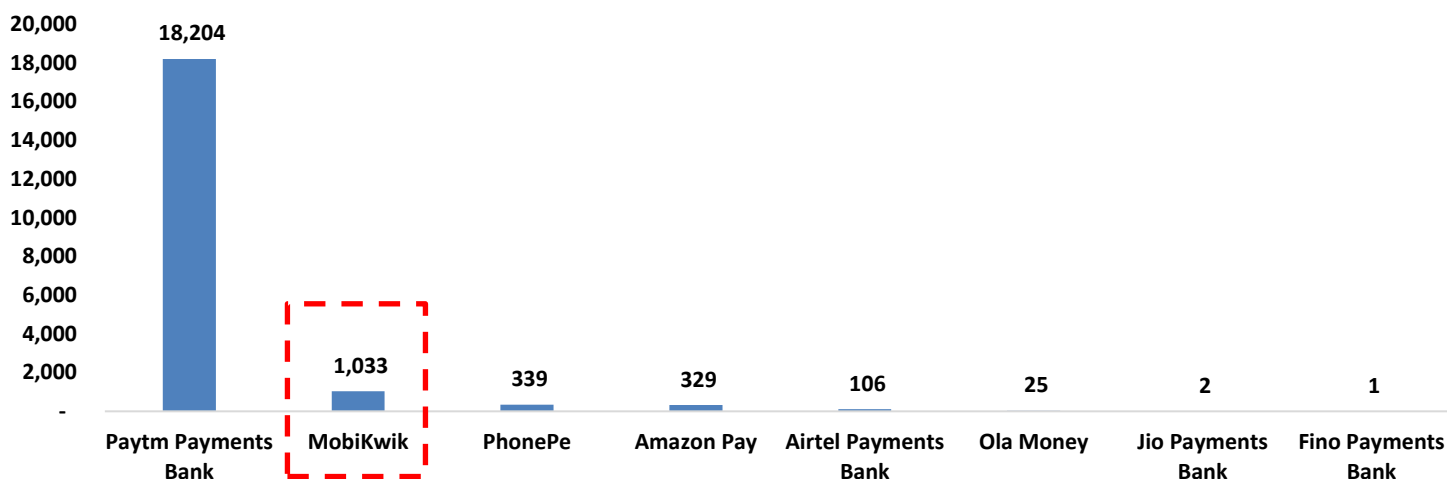
**Value of Mobile Payments (USD bn)**



Source: RHP, SSL Research

**Gross Monetary Value** is led by Paytm Payments Bank with GMV of USD 18,204 mn, followed by MobiKwik and PhonePe with GMV of USD 1,033 mn and USD 339 mn respectively as of FY24. Wallet interoperability over UPI is a significant development in the Indian digital payments landscape with implications for both convenience and system efficiency. UPI has gained immense popularity for its ease of use and direct linkage to bank accounts. However, as the volume of transactions on the UPI platform increases, there are concerns about potential stress on the banking system. The preference for wallet also comes at a time when consumers have faced technical glitches and issues regarding bank servers not able to process payments timely. Bank servers not functioning at times is because of multiple transactions happening throughout the day puts additional stress on the systems.

**Player wise GMV (USD mn)**



Source: RHP, SSL Research

**Total Registered Users as of FY24**

Player Name	Number of Wallet Users (cr)
Paytm Payments Bank	59.8
PhonePe	19.4
MobiKwik	13.5
Ola Money	8.0
Amazon Pay	6.7
Airtel Payments Bank	4.2
True Balance	1.8
Fino Payments Bank	0.6
Jio Payments Bank	0.2

Source: RHP, SSL Research

## Financial Snapshot

INCOME STATEMENT			
<i>Particulars (Rs cr)</i>	FY22	FY23	FY24
<b>Revenue from Operations</b>	<b>527</b>	<b>539</b>	<b>875</b>
<b>YoY growth (%)</b>	-	2.5%	62.2%
Payment gateway cost	228	157	202
<b>Gross Profit</b>	<b>299</b>	<b>383</b>	<b>673</b>
<b>Gross margins (%)</b>	<b>56.8%</b>	<b>71.0%</b>	<b>76.9%</b>
Employee Cost	107	98	116
Other Operating Expenses	324	362	535
<b>EBITDA</b>	<b>-132</b>	<b>-78</b>	<b>22</b>
<b>EBITDA margins (%)</b>	-	-	-
Other Income	17	22	15
Interest Exp.	11	20	19
Depreciation	2	4	4
<b>PBT</b>	<b>-128</b>	<b>-81</b>	<b>14</b>
Exceptional item/Extraordinary item	0	0	0
Tax	-0	3	0
<b>PAT</b>	<b>-128</b>	<b>-84</b>	<b>14</b>
<b>PAT margin (%)</b>	-	-	-
<b>EPS</b>	-	-	<b>2.5</b>

BALANCE SHEET			
<i>Particulars (Rs cr)</i>	FY22	FY23	FY24
<b>Assets</b>			
Net Block	3	2	6
Right of use assets	7	12	10
Other Non-current Assets	167	149	149
<b>Current Assets</b>			
Trade receivables	29	76	81
Cash and Bank Balances	384	362	387
Other Current Assets	246	113	222
<b>Total Current Assets</b>	<b>659</b>	<b>551</b>	<b>690</b>
<b>Current Liabilities &amp; Provisions</b>			
Trade payables	75	118	227
Other current liabilities	383	244	237
Short-term provisions	2	2	3
<b>Total Current Liabilities</b>	<b>460</b>	<b>364</b>	<b>466</b>
<b>Net Current Assets</b>	<b>200</b>	<b>187</b>	<b>224</b>
<b>Total Assets</b>	<b>376</b>	<b>351</b>	<b>388</b>
<b>Liabilities</b>			
Share Capital	11	11	11
Reserves and Surplus	205	131	151
<b>Total Shareholders' Funds</b>	<b>217</b>	<b>143</b>	<b>163</b>
<b>Total Debt</b>	<b>151</b>	<b>192</b>	<b>212</b>
Long Term Provisions	2	2	3
Lease Liabilities	7	13	11
<b>Total Liabilities</b>	<b>376</b>	<b>351</b>	<b>388</b>



Cashflows (Rs cr)	FY22	FY23	FY24
Cash flow from Operating Activities	(321)	27	(22)
Cash flow from Investing Activities	(85)	(1)	27
Cash flow from Financing Activities	329	18	3

RATIOS			
	FY22	FY23	FY24
<b>Profitability</b>			
Return on Assets (%)	-	-	1.6%
Return on Capital Employed (%)	-	-	8.8%
Return on Equity (%)	-	-	8.7%
<b>Margin Analysis (%)</b>			
Gross Margin (%)	56.8%	71.0%	76.9%
EBITDA Margin (%)	-	-	2.5%
Net Profit Margin (%)	-	-	1.6%
<b>Short-Term Liquidity</b>			
Current Ratio (x)	1.1	1.0	1.1
Quick Ratio (x)	1.1	1.0	1.1
Avg. Days Sales Outstanding	20	51	34
Avg. Days Payables	52	80	95
Fixed asset turnover (x)	199.1	254.9	146.7
Debt-service coverage (x)	-	-	0.1
<b>Long-Term Solvency</b>			
Total Debt / Equity (x)	0.7	1.3	1.3
Interest Coverage Ratio (x)	-	-	1.7
<b>Valuation Ratios</b>			
EV/EBITDA (x)	-	-	64.8
P/E (x)	-	-	113.3
P/B (x)	7.4	11.2	9.8
P/Sales (x)	4.1	4.0	2.5
EV/Sales (x)	2.6	2.6	1.6

Source: RHP, SSL Research

## Peer Comparison

Particulars (Rs cr)	One MobiKwik Systems Ltd	One 97 Communications Ltd (Paytm)
CMP	279.0	976.0
Sales	875.0	9,978.0
EBITDA	21.9	(943.0)
Net Profit	14.1	(1,422.0)
Mkt Cap.	2,167.3	62,130.0
Enterprise Value	1,419.6	57,267.0
EBITDA Margin (%)	2.5	-
Net Margin (%)	1.6	-
PE (x)	153.9	-
EV/EBITDA (x)	64.8	-
RoE (%)	8.7	-
RoCE (%)	8.8	-
EV/Sales	1.6	5.7
Price/Sales	2.5	6.2

Source: SSL Research

**Notes:**

1. For One MobiKwik Systems Ltd, the Market Cap, PE (x), Enterprise Value, EV/EBITDA (x), EV/Sales (x) and Price/Sales (x) are calculated on post-issue equity share capital based on the upper price band.
2. CMP as on 06<sup>th</sup> December 2024

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SEBI Registration No.: Stock Broker: INZ000200032 | CDSL: IN-DP-314-2017 | NSDL: IN-DP-NSDL-369-2014 | Research Analyst: INH000000602

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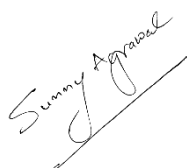
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