



SMC Ranking

★ ★ ☆ ☆ ☆ (2/5)

Issue Highlights

Industry	Fintech
Fresh Issue (Shares)	20,501,792
Net Offer to the Public	20,501,792
Issue Size (Rs. Cr.)	543-572
Price Band (Rs.)	265-279
Offer Date	11-Dec-24
Close Date	13-Dec-24
Face Value	2
Lot Size	53

Issue Composition

	In shares
Total Issue for Sale	20,501,792
QIB	15,376,344
NIB	2,050,179
Retail	3,075,269

About the company

Incorporated in March 2008, Mobikwik is a fintech company providing prepaid digital wallets and online payment services. It provides a range of payment services, enabling consumers to Pay utility bills, such as mobile recharges, electricity, and credit card bills, make purchases at both online and offline merchants, including retail stores and fuel stations, transfer money to phone numbers, UPI IDs, or bank accounts, check bank balances and scan QR codes and make payments using UPI or Rupay credit cards. It has created innovative products such as MobiKwik ZIP, ZIP EMI for consumers, and Merchant Cash Advance for merchants through in-house models and strategic partnerships with lending partners. These offerings utilize digital public infrastructure (DPI) such as Aadhaar, E-Nach, Digi-Locker, and NSDL to provide seamless and digital-first experiences for consumers. As of June 30, 2024, the company has 161.03 million registered users and has enabled 4.26 million merchants to make and accept payments both online and offline. MobiKwik ZIP is a flagship product that lets consumers buy now and pay later within 30 days, offering flexibility and easy repayment options. As of December 2024, the company had obtained 19 registered trademarks and had applied for 11 trademark applications under the Trade Mark Act of 1999.

Strength

Legacy of providing positive and sustainable consumer experience: Company has invested in creating innovative products that provide value to its existing and growing consumer and merchant network. Its approach of putting technology at forefront of its products have helped create products for consumers that achieve scale through the value they provide to the consumers who use them, therefore allowing it to acquire consumers at extremely low cost. This kickstarts a flywheel that allows good consumers to progress through its platform's offerings, getting access to low cost, products that fit their needs and help fulfil their aspirations, and hence leads to repeated usage. It 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 Company to introduce more innovative and consumer-first products.

Large, engaged consumer base acquired with low CAC: The company'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 it had 161.03 million registered Users as of June 30, 2024. It 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 its diversified merchant network; (iv) high usage of the Bharat Bill Payment System (BBPS) platform; and (v) marketing and publicity. This has enabled it to maintain a low Customer Acquisition Cost (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. It 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 the Company: One of its 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

Shareholding Pattern (%)

Particulars	Pre-issue	Post-issue
Promoters & promoters group	34.21%	25.18%
QIB	65.79%	68.22%
NIB	0.00%	2.64%
Retail	0.00%	3.96%
Total	100.00%	100.00%

*calculated on the upper price band

Objects of the Issue

The Company proposes to utilise the Net Proceeds towards the following objects:

- Funding growth in the financial services business
- Funding growth in the payment services business
- Investment in data, ML, AI, product and technology
- Capital expenditure for the payment devices business
- General corporate purposes

Book Running Lead Manager

- SBI Capital Markets Limited
- DAM Capital Advisors Limited

Name of the registrar

- KFin Technologies Limited

disbursement, underscoring its commitment to responsible and scalable lending practices. Despite the dynamic financial landscape, it has demonstrated an ability to navigate risk effectively, resulting in a noteworthy reduction in all lending related costs. This efficiency in addition to safeguarding the company and its Lending Partners' financial health, also enhances the overall resilience of the digital credit products distributed by the company. As a result, it 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 its brand: It has 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 it the ability to capture increasing utilization by consumers for daily life payments. Its brand is well entrenched in the digital payments landscape and its consumers associate it with comprehensive digital payments offerings. Its product, Xtra, is witnessing considerable traction. This showcases the amount of trust that its consumers have put in brand MobiKwik. The Company provides curated wealth and insurance products, exemplified by the rapid growth of Xtra, which has accumulated Rs. 1,834.8 crore in AUM, as of June 30, 2024, within 26 months of its launch.

Technology and product first approach to business: It has a technology and product-first approach to business which is powered by our 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 its 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 process 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 our platform for its consumers, merchants and partners. In Fiscal 2024 and the three months ended June 30, 2024, its engineering and technology team averaged 193 members and 226 members, respectively. Its investments in the 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 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.

Strategy

Scaling existing products: In its aim for sustained growth and market dominance, its 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, it positions itself 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, its strategy encompasses the exploration and integration of new product lines, unlocking fresh revenue streams. 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.

The following products are currently in development:

- Credit on UPI Pay with Rupay credit on UPI giving consumers access to credit via UPI payment rails.
- **Consumer durable loans:** Consumer focused digital credit products specifically designed for purchase of consumer durables. Cheaper form of credit for end use controlled spending that would be significantly cheaper than unsecured credit otherwise available on its platform.
- **Credit Cards:** Co-Branded credit card backed by fixed deposit. The lifetime free card offers a range of benefits including easy application, instant approval, no hidden charges and attractive rewards. Backed by a fixed deposit, the card provides financial security while building the user's creditworthiness

Expansion of its payment aggregator business: An important component of its 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 it until Fiscal 2022 with a GMV of over Rs. 4,300 crore 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 in-principal approval for the payment aggregator license in October, 2023, this business vertical has seen growth in transactions, with a GMV of over Rs. 2,000 crore in the three months ended June 30, 2024. It aims to accelerate onboarding of merchants and offer them a comprehensive payments experience. It also see 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. It 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, its revenue from operations on a consolidated basis was Rs. 875.00 crore, with Rs. 14.08 crore as its Profit/(loss) for the year and Rs. 37.22 crore as EBITDA.

Risk factor

- Regulatory risk
- Substantial and increasingly intense competition in the fintech industry
- Security breaches and attacks against its platform
- The company has incurred losses in the past and has negative balance of retained earnings as of March 31, 2022, March 31, 2023, March 31, 2024 and the three months ended June 30, 2024.

Peer comparison

Co_Name	Total Income	PAT	EPS	P/E	P/BV	BV	FV	Price	Mcap
One 97 Communications Ltd	8278.70	-680.00	-ve	-ve	4.26	228	1	971.20	61902.60
One Mobikwik Systems Limtied	875.00	14.08	1.81	153.95	2.95	94.56	2	279.00	2167.45

*Peer companies financials are TTM based

**One Mobikwik Systems Limited financials are based on Fy24

Valuation

Considering the P/E valuation, on the upper end of the price band of Rs.279, the stock is priced at pre issue P/E of 113.32 x on FY24 EPS of Rs.2.46. Post issue, the stock is priced at a P/E of 153.92x on its EPS of Rs. 1.81. Looking at the P/B ratio at Rs.279 pre issue, book value of Rs. 28.43 of P/Bvx 9.81x. Post issue, book value of Rs.94.56 of P/Bvx 2.95x.

Considering the P/E valuation, on the lower end of the price band of Rs.265, the stock is priced at pre issue P/E of 107.63x on FY24 EPS of Rs.2.46. Post issue, the stock is priced at a P/E of 146.22x on its EPS of Rs. 1.81. Looking at the P/B ratio at Rs.265 pre issue, book value of Rs. 28.43 of P/Bvx 9.32x. Post issue, book value of Rs.94.56 of P/Bvx 2.80x.

Industry Outlook

India's consumer internet industry will maintain a high growth trajectory, eventually reaching USD 600 billion or more by Fiscal 2028. The overall Indian e-commerce market is expected to become USD 190-200 billion by Fiscal 2028. On consumer payments, Redseer estimates that wallet transaction value will reach approximately 70-75 billion in FY28P. On digital credit, the total value of disbursed loans increased by about 41% compared to FY21, increasing from USD 5.8 billion in Fiscal 2021 to USD 11.6 billion in Fiscal 2023. In Fiscal 2028, about 4% of the total retail lending is expected through digital channels.

Outlook

One Mobikwik Systems Limited is the fourth highest user base in India in terms of total registered users on the platform. As of May 2024, it enjoys the largest wallet player in India with 23.11% market share of the PPI wallet gross transaction values. It leverages big data analytics and deep data science to continuously service users and merchants on our platform. It is focusing on expanding its core businesses of distribution of digital financial services and digital payments and expanding product portfolio in existing business lines for fresh revenue stream. However, the company has incurred losses in the past and has negative balance of retained earnings. Besides, it faces strong competition from major fintech players including PhonePe, Paytm, Airtel Payments Bank and Freecharge.

An Indicative timetable in respect of the Issue is set out below:

EVENT	INDICATIVE DATE (On or about)
BID/ISSUE OPENS ON	11-December-24
BID/ISSUE CLOSSES ON	13-December-24
Finalisation of Basis of Allotment with the Designated Stock Exchange	16-December-24
Initiation of refunds (if any, for Anchor Investors)/unblocking of funds from ASBA Account	17-December-24
Credit of Equity Shares to Demat Accounts of Allottees	17-December-24
Commencement of trading of the Equity Shares on the Stock Exchanges	18-December-24

Annexure

Consolidated Financials

Profit & Loss

Rs. in Cr.

Particulars	Period ended 30-Jun-24 (3 Months)	Period ended 31-Mar-24 (12 Months)	Period ended 31-Mar-23 (12 Months)
Revenue from operations	342.27	875.00	539.47
Total expenditure	343.60	853.10	617.04
Operating Profit	-1.33	21.91	-77.57
OPM%	-0.39	2.50	-14.38
Other Income	3.56	15.31	21.65
PBDIT	2.23	37.22	-55.92
Depreciation	2.00	4.32	4.28
PBIT	0.23	32.91	-60.20
Interest	6.58	18.83	20.42
Profit Before Tax	-6.35	14.08	-80.63
Tax	0.27	0.00	3.19
PAT	-6.61	14.08	-83.81

Balance sheet is on next page

Balance Sheet

Rs. in Cr.

Particulars	As on 30-Jun-24	As on 31-Mar-24	As on 31-Mar-23
Non-current assets			
Property, plant and equipment	10.29	5.97	2.12
Right-of-use assets	10.70	9.87	12.42
Financial Assets			
Investments	4.61	4.61	1.62
Other financial assets	2.55	2.52	1.77
Non-current tax assets (net)	112.44	112.44	133.95
Other non-current assets	23.72	29.11	11.73
Total Non Current Assets	164.30	164.50	163.60
Current assets			
Financial Assets			
Trade Receivables	109.20	81.09	75.85
Cash and cash equivalents	80.90	92.85	93.68
Bank balances other than cash and cash equivalents	325.08	294.64	268.02
Other financial assets	184.32	175.19	83.59
Other current assets	44.30	46.38	29.60
Total current assets	743.80	690.15	550.73
Total Assets	908.10	854.65	714.33
Non-current liabilities			
Financial liabilities			
Borrowings	30.90	42.35	22.50
Lease liabilities	9.48	9.16	11.38
Other financial liabilities	0.04	0.04	0.04
Provisions	3.10	2.52	2.20
Total non-current liabilities	43.51	54.06	36.11
Current liabilities			
Financial liabilities			
Borrowings	175.44	169.35	169.78
Lease liabilities	2.80	2.22	1.92
Trade payables - MSME	4.20	9.44	9.43
Trade payables - other than MSME	227.75	217.63	108.41
Other financial liabilities	281.72	223.41	229.96
Other current liabilities	11.02	13.18	13.88
Provision	3.02	2.78	2.16
Current Tax Liabilities (Net)	0	0	0
Total current liabilities	705.95	638.00	535.53
Total	749.45	692.06	571.64
Net worth represented by:			
Equity Share Capital	11.44	11.44	11.44
Other equity	147.21	151.15	131.26
Net Worth	158.65	162.59	142.69

RANKING METHODOLOGY

WEAK	★
NEUTRAL	★★
FAIR	★★★
GOOD	★★★★★
EXCELLENT	★★★★★

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