

One Mobikwik Systems Ltd.

Nifty: 24,610 | Sensex: 81,510

IPO Note | 10th December 2024

Sector: Fintech

Price Range: ₹265 - ₹279

An emerging player in dynamic fintech landscape...

One Mobikwik Systems Ltd. (Mobikwik), founded in 2008, is a technology-driven company specializing in digital financial services and payments. As of June 2024, it serves over 161mn users and 4.26mn merchants. Mobikwik provides a variety of services, including digital payments, credit, and investment products. By May 2024, it had captured a 23.11% market share in the prepaid payment instruments (PPI) wallet segment by gross transaction value, making it the largest wallet provider in India. The company has a vast reach, covering 99% of India's pin codes.

- ◆ **MobiKwik's addressable market in FY23 is approximately USD 5.3 bn (INR 424 bn), projected to grow to ~USD 16-18 bn (INR 1.3-1.4 tn) by FY28, driven by rising internet penetration, higher disposable incomes, increasing digital penetration, and awareness.**
- ◆ **The payment GMV (gross merchandise value) has grown at an annual rate of 45.88% and MobiKwik ZIP GMV (Disbursements) has grown at an annual rate of 112.16% from FY22 to FY24, led by new consumer and merchant additions and higher spends from existing customers.**
- ◆ **The registered users have grown at a CAGR of 12.31%, from 123.56 mn in FY22, to 155.84 mn in FY24, and further reaching 161.03mn user base by June 30, 2024.**
- ◆ **Revenue grew at a CAGR of 29% (over FY22-24) to ₹875cr and became profitable at both the EBITDA and PAT levels in FY24.**
- ◆ **The operating costs have consistently decreased, especially led by a declining trend in lending related expenses from 7.2% in FY22 to 3.3% in FY24 and 4.04% in Q1FY25.**
- ◆ **Mobikwik enjoys a strong brand presence and recognition in both large and small cities across India. With ~72% of digital loan disbursements in Tier 3+ locations, Mobikwik is bridging the financial gap and empowering underserved regions with modern financial services.**
- ◆ **Mobikwik has experienced strong traction in its wealth vertical, with Assets Under Administration (AUA) rising sharply from ₹323.68cr as of FY22, to ₹6,692.85cr by June 30, 2024.**
- ◆ **At the upper price band of ₹279, Mobikwik is available at Mcap/sales of 2.5x (on FY24 financials), which appears to be reasonably priced. We assign a "Subscribe" rating for the issue on a long-term basis, considering its strong brand recall, diversified offerings, rapid scaling, consistent innovation, customer stickiness and promising industry outlook.**

Issue Details	
Date of opening	December 11, 2024
Date of closing	December 13, 2024
Total No. of shares offered (cr.)	2.05
Post Issue No. of shares (cr)	7.8
Face Value	₹2
Bid Lot	53 Shares
Minimum application for retail (upper price band for 1 lot)	₹ 14,787
Maximum application for retail (upper price band for 13 lot)	₹ 1,92,231
Listing	BSE,NSE
Lead Managers	SBI capital Markets Ltd and DAM capital advisors Ltd,
Registrar	Link Intime India Private Ltd.

Issue size (upper price)	Rs.cr
Fresh Issue	572.0
OFS	0
Total Issue	572.0

Shareholding (%)	Pre-Issue	Post Issue
Promoter & Promo. Group.	34.21	25.18
Public & others	65.79	74.82
Total	100.0	100.0

Issue structure	Allocation (%)	Size Rs.cr
Retail	10	57.2
Non-Institutional	15	85.8
QIB	75	429
Emp. Reservation	-	-
Total	100	572

Y.E March (Rs cr) Consol.	FY23	FY24	Q1FY25
Sales	539.5	875	342
Growth YoY(%)	2.5	63	-
EBITDA	(77.6)	21.9	(1.3)
Margin(%)	(14.4)	2.5	(0.4)
PAT Adj.	(83.8)	14.1	(6.6)
Growth (%)	NN	NN	
EPS	(10.8)	1.8	(0.9)
P/E (x)	(25.9)	153.9	(327.7)
EV/EBITDA (x)	(30.6)	109.1	(1791.3)
RoE (%)	(58.7)	8.7	(4.2)
Mcap/Sales	4.0	2.5	1.6*

* Annualised

Purpose of IPO

The IPO consists of only fresh issue of ₹572cr. The proceeds from its fresh issuance will be utilised for (i) Funding organic growth in financial service business-₹150cr (ii) Funding organic growth in payment service business - ₹ 135cr (iii) Research & development in data, ML and AI and product and technology-₹107cr (iv) Capital expenditure for payment devices business-₹70cr and (v) general corporate purposes.

Key Risks

- ◆ Any RBI regulations on the fintech industry would impact business operations.
- ◆ Intense competition in fintech industry.

Peer Valuation

Company	MCap(₹ cr)	Sales (₹ cr)	EBITDA margin (%)	PAT margin(%)	EPS(₹)	RoE (%)	P/BV	Mcap/sales	CMP(₹)
One Mobikwik Systems Ltd	2,167	875	2.5	1.6	1.8	8.7	13.3	2.5	279
One 97 communications Ltd.	62,621	9,977.8	-9.1	-14.2	-20.7	-10.8	4.7	6.3	976

Source: Geojit Research, Bloomberg; Valuations of Mobikwik are based on upper end of the price band (post issue), Financials as per FY24 consolidated.





Business Operations:

The company is a platform business with a two-sided payments network, consisting of consumers and merchants. The key business are

Payment services: Using MobiKwik Wallet, UPI, cards and MobiKwik ZIP, consumers make payments of utility bills, to merchants and money transfers. Merchants can collect payments from consumers using aforesaid modes online or through QR codes, Soundbox and EDC devices.

Financial services: Through MobiKwik ZIP (pay-later), ZIP EMI (personal loans) and Merchant Cash Advance (merchant loans), we distribute credit from their lending partners to consumers and merchants.

The company distributes FDs, insurance, MFs, digital gold and enable personal finance management via Lens/ Lens.ai.

	Consumer Payments 	Financial Services 		
Product / Solutions	<ul style="list-style-type: none"> Merchant Payment Ecosystem Recharge and Bill payments Credit Card Bill Payments UPI Ecosystem 	<ul style="list-style-type: none"> MobiKwik ZIP (30 days product) MobiKwik ZIP EMI (3-24 month product) Merchant Cash Advances (3-24 month product) 		
Revenue Model	<ul style="list-style-type: none"> Merchant Fees Convenience fees (User) 	<ul style="list-style-type: none"> Merchant Fees One-time Activation Fees Late payment fees and penal charges Sourcing and collection fees 		
Revenue Drivers	<ul style="list-style-type: none"> Registered and New Users Payment GMV Payment Mix (Credit Card, UPI, Debit card, wallet etc) 	<ul style="list-style-type: none"> Activated Users Percentage of Repeat Users Digital Credit GMV Average Ticket Size 		
Revenue Percentage	Payment Service Revenue as a % to Total Revenue from operations:		Financial Service Revenue as a % to Total Revenue from operations:	
	3M 2025	50.12%	3M 2025	49.88%
	FY24	36.24%	FY24	63.76%
	FY23	47.17%	FY23	52.83%
	FY22	81.45%	FY22	18.55%

Source: RHP, Geojit Research

PRODUCT PORTFOLIO:

For the consumers

Following are the **payments services products** (via UPI, MobiKwik Wallet, Pocket UPI, cards and pay-later):

- ◆ Recharge and Bill payments: Consumers can search for the relevant utility services and pay their bills, such as mobile recharges, electricity bills, Fastags, credit card bills, etc;
- ◆ Payments at online e-commerce merchants;
- ◆ Payments at offline Merchants like organised retail and fuel pumps; and
- ◆ Transfer money to any other phone number, contact, UPI ID or bank account. Consumers can also check their bank balance, scan QRs to pay others or pay *via* bank or Rupay credit through UPI.
- ◆ Pocket UPI: Make UPI payments through MobiKwik Wallet without linking bank account.

Following are the **Digital Credit products** for the consumers:

- *MobiKwik ZIP*: Pay-later product with a 30-day interest free credit line;
- *ZIP EMI*: Personal loan that is required to be repaid in instalments; and
- Credit Cards: Co-Branded credit card backed by fixed deposit.

Following are the **investments products** for the consumers:

- *Lens*: Personal financial management product using banking data, lens.ai- AI powered chatbot that allows users to have a conversation to provide insights on their bank accounts and other financial data.
- *Xtra*: A peer-to-peer lending product offered by the NBFC - P2P partner.
- Fixed deposits with RBI-registered NBFCs and banks; and
- Distribution of Mutual funds and Digital Gold

For the Merchants:

- Online checkout for e-commerce merchants: This enables merchants to accept payments through all major modes such as UPI, wallet, cards and pay-later;
- Scan and pay with Kwik QRs: This enables retail merchant partners to accept payments through all major modes such as UPI, wallet, cards and pay-later;
- MobiKwik Vibe (Soundbox): This is the Company's QR enabled payment announcement device;
- MobiKwik EDC Machine: This is the point-of-sale machine which enables the merchants to accept all modes of in-person payment such as credit cards, debit cards, UPI, etc;
- Merchant Cash Advance: This is the Company's flagship credit product which provides accessible and affordable credit to the Merchants, who use the payment solutions for their business requirements

KEY STRENGTHS:

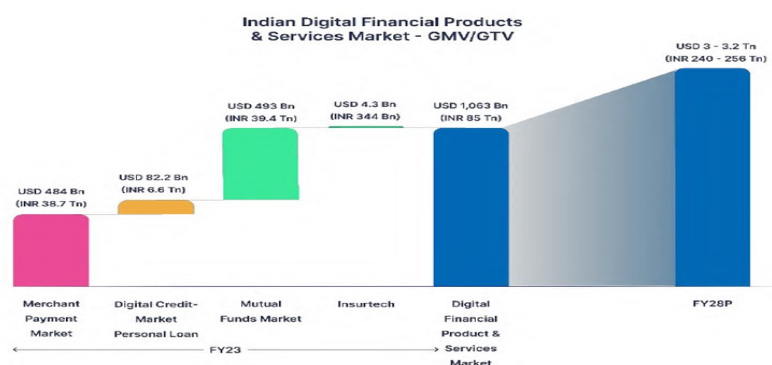
- Large, engaged consumer base acquired with low CA (customer acquisition cost).
- Efficient operational management of loan products disbursement.
- Strong brand equity.
- Technology and product first approach to business.

KEY STRATEGIES:

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

Industry Outlook...

India's consumer internet industry will maintain a high growth trajectory, eventually reaching USD 600 billion or more by FY28. The overall Indian e-commerce market is expected to become USD 190-200 billion by FY28. 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 FY21 to USD 11.6 billion in FY23. In FY28, about 4% of the total retail lending is expected through digital channels. (Source: RedSeer Report). The digital financial product & services market by GMV in FY23 is USD 1063 Bn (INR 85 Tn) based on Redseer analysis, which is expected to reach USD 3-3.2 Tn (INR 240-256 Tn) by FY28. The overall market is poised to grow at the rate of 21% CAGR from FY23-28. (Source: RedSeer Report).



Source: RHP, Geojit Research

Promoter and promoter group

The Promoters are Mr. Bipin Preet Singh, Ms. Upasana Rupkrishan Taku, Koshur Family Trust and Narinder Singh Family Trust.

Brief Biographies of directors

As of the date of the Red Herring Prospectus, the Board comprises of seven Directors (including three women directors), of which two are Executive Directors, one is a Non-Executive, Non-Independent Director and four are Independent Directors.

- ◆ Bipin Preet Singh is the Managing Director, Chief Executive Officer and Co-Founder of the company.
- ◆ Upasana Rupkrishan Taku is the Executive Director, Chairperson, Chief Financial Officer and Co-Founder of the company.
- ◆ Punita Kumar Sinha is an Independent Director of the company. She received her undergraduate degree in Chemical Engineering with distinction from Indian Institute of Technology, Delhi.
- ◆ Sayali Karanjkar is an Independent Director of the company. She holds a bachelor's degree of computing from National University of Singapore, and a master's degree in business administration from J L Kellogg School of Management, Northwestern University.
- ◆ Navdeep Singh Suri is an Independent Director of the company.
- ◆ Raghu Ram Hiremagalur Venkatesh is an Independent Director of the company.
- ◆ Vineet Bansal is a Non-Executive, Non-Independent Director, Nominee Director of the company, nominated by the Founder Promoters of the company.

CONSOLIDATED FINANCIALS

PROFIT & LOSS

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Sales	539.5	875.0	342.3
% change	2.5%	62.2%	0.0
EBITDA	-77.6	21.9	-1.3
% change	-41%	-128%	0.00
Depreciation	4.28	4.32	2.00
EBIT	-81.9	17.6	-3.3
Interest	20.42	18.83	6.58
Other Income	21.65	15.31	3.56
Exceptional items	0.00	0.00	0.00
PBT	-80.6	14.1	-6.3
% change	-37%	-117%	0%
Tax	3.19	0.00	0.27
Tax Rate (%)	-4.0%	0.0%	-4.2%
Reported PAT	-83.81	14.08	-6.62
Adj	0.00	0.00	0.00
Adj. PAT	-83.81	14.08	-6.62
% change	-34.6%	-116.8%	0.0%
Post issue No. of shares (cr)	7.77	7.77	7.77
Adj EPS (Rs)	-10.79	1.81	-0.85
% change	-34.6%	-116.8%	0.0%

BALANCE SHEET

Y.E March (Rs cr)	FY23	FY24	Q1FY25
Cash	361.7	387.5	406.0
Accounts Receivable	75.9	81.1	109.2
Inventories	0.0	0.0	0.0
Other Cur. Assets	113.2	221.6	228.6
Investments	1.6	4.6	4.6
Deff. Tax Assets	0.0	0.0	0.0
Net Fixed Assets	2.1	6.0	10.3
CWIP	0.0	0.0	0.0
Intangible Assets	12.4	9.9	10.7
Other Assets	147.4	144.1	138.7
Total Assets	714.3	854.7	908.1
Current Liabilities	131.7	240.2	243.0
Provisions	4.4	5.3	6.1
Debt Funds	205.6	223.1	218.6
Other Fin. Liabilities	230.0	223.1	281.7
Deferred Tax liability	0.0	0.0	0.0
Equity Capital	11.4	11.4	11.4
Reserves & Surplus	142.7	151.2	147.2
Shareholder's Fund	142.7	162.6	158.6
Total Liabilities	714.3	854.7	908.1
BVPS (Rs)	18.4	20.9	20.4

CASH FLOW

Y.E March (Rs cr)	FY23	FY24	Q1FY25
PBT Adj.	-80.63	14.08	-6.347
Non-operating & non cash adj.	136.13	46.49	11.67
Changes in W.C	-39.71	-65.26	3.06
C.F. Operating	27.0	-22.1	13.5
Capital expenditure	-39.71	-65.26	3.06
Change in investment	-	-2.522	-
Sale of investment	-	0.048	0.041
Other invest.CF	0.8	35.2	-5.7
C.F - investing	-0.7	27.1	-11.3
Issue of equity	0.004	-4.504	-1.526
Issue/repay debt	-9.508	5.841	1.674
Dividends paid	-	-	-
Other finance.CF	27.472	2.148	-14.718
C.F - Financing	17.968	3.485	-14.57
Change. in cash	44.295	8.479	-12.41
Opening Cash	-73.66	-29.354	-20.872
Closing cash	-29.36	-20.875	-33.282

RATIOS

Y.E March	FY23	FY24	Q1FY25
Profitab. & Return			
EBITDA margin (%)	-14.4	2.5	-0.4
EBIT margin (%)	-15.2	2.0	-1.0
Net profit mgn.(%)	-15.5	1.6	-1.9
ROE (%)	-58.7	8.7	-4.2
ROCE (%)	-17.3	9.0	0.1
W.C & Liquidity			
Receivables (days)	35.6	32.7	14.5
Inventory (days)	0.0	0.0	0.0
Payables (days)	79.7	94.7	61.7
Current ratio (x)	4.1	2.8	3.0
Quick ratio (x)	3.3	2.0	2.1
Turnover & Levq.			
Net asset T.O (x)	226.6	216.6	33.3
Total asset T.O (x)	0.7	1.1	0.8
Int. covge. ratio (x)	-4.0	0.9	-0.5
Adj. debt/equity (x)	1.4	1.4	1.4
Valuation ratios			
EV/Sales (x)	4.4	2.7	7.0
EV/EBITDA (x)	-30.6	109.1	-1791.3
P/E (x)	-25.9	153.9	-327.7
P/BV (x)	15.2	13.3	13.7

*Annualised.



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