

**Rating: Subscribe for listing gain**

### Issue Offer

The IPO is a book-built offering comprising a fresh issue of 20,501,792 equity shares, with a total issue size of up to INR 5,720 Mn

### Issue Summary

Price Band INR	265-279
Face Value INR	2
Implied Market Cap INR Mn.	21,674
Market Lot.	53
Issue Opens on	Dec 11, 2024
Issue Close on	Dec 13, 2024
No. of share pre-issue	57,184,521
No. of share post issue	77,686,313
Listing	NSE, BSE

### Issue Break-up %

QIB Portion	≥ 75
Retail Portion	≤ 10
NII Portion	≤ 15

### Registrar

Link Intime India Private Ltd

### Book Running Lead Managers

SBI Capital Markets Ltd  
DAM Capital Advisors Ltd

### Shareholding Pattern

	Pre-Issue	Post-Issue
Promoters	32.87%	25.18%
Public & Others	67.13%	74.82%

### Objects of the issue

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

MobiKwik is a digital financial services platform founded in 2008, specializing in digital payments and financial solutions. Since its incorporation, the company has developed a comprehensive ecosystem of services that includes digital wallets, UPI payments, credit solutions, investments, and insurance. The company also offers users convenient financial tools for a wide range of transactions, including bill payments, purchases, money transfers, and digital payments. It has experienced strong growth with 161.03 Mn registered users and 4.26 Mn merchant partners as of Q1FY25. Its product portfolio includes innovative solutions such as Online Checkout, Kwik QR, MobiKwik Vibe, EDC Machines, Merchant Cash Advance, and MobiKwik ZIP. The company has a technology team of 226 employees, 19 trademarks and 11 additional patent applications pending.

### Investment Rationale:

**Strong Revenue Growth and Operational Performance::** The company has demonstrated strong growth in revenue at a CAGR of 28.91% between FY22 and FY24. In FY24, revenue from operations surged to INR 8,750.03 Mn, up by 62.20% YoY. This growth is largely driven by the strong performance of the company's financial services segment, through its flagship products, MobiKwik ZIP and ZIP EMI. These products reported a combined GMV of INR 90,933.54 Mn in FY24. The company has also controlled its costs, like employee salaries and promotional expenses, making its operations more efficient. In FY24, the company successfully turn around its EBITDA margins (21.24%) by achieving a positive EBITDA margin of 4.18%.

**Innovative Financial Services Driving User Engagement:** The company has a large user base of over 161.03 Mn registered users as of June 2024. Its innovative credit products, MobiKwik ZIP and ZIP EMI, have gained significant traction, with activated Mobikwik ZIP users increasing from 2.44 Mn in FY22 to 6.23 Mn as of June 30, 2024. Activated ZIP EMI users increased from 0.28 Mn to 1.03 Mn as of June 30, 2024. High repeat usage rates, consistently above 87%, underline customer satisfaction and trust in these services. The average GMV per user per month for MobiKwik ZIP surged from INR 3,349 in FY22 to INR 5,594 in Q1FY25, reflecting an increase in user spending and product adoption. Revenue from the financial services segment has grown by 191.86% between FY22 and FY23 and further expanded by 95.73% in FY24. With strategic cross-selling and upselling initiatives, the company has effectively transitioned its payments services users into active credit users, thereby enhancing lifetime customer value and creating a strong monetization funnel.

**Growth in Payment Services:** The company's payment business is also doing well, with the total payment volume growing from INR 207,250 Mn in FY23 to INR 381,954 Mn in FY24. This was driven by both individual users and merchants using the platform. The company earns money from merchant fees when customers pay through the app. India's smartphone users are set to cross 1,000 Mn in 5 years, and online transactions have grown 4 times in the last 5 years. This helps the company remain a strong player in India's growing digital payments market.

**Cost Management drives efficiency and profitability:** Mobikwik has cut back on promotional giveaways like cashbacks and discounts, reducing these costs from 12% of income in FY22 to just 6% in FY24. At the same time, changes in lending regulations helped the company reduce guarantee expenses by 70%. These savings, along with growing revenues, helped the company to achieve a profit margin of 4.18% in 2024.

### Valuation and View:

With a focus on scalable technology and profitable operations, the company is poised to capitalize on India's growing digital payments and financial services market, driven by its expanding user base, strong adoption of credit products, and disciplined cost management. **At the upper band of INR 279, the issue is valued at a P/E ratio of 113.41x, based on a FY24 EPS of INR 2.46x . We are recommending a "Subscribe" rating for listing gain for this issue.**

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Stock Rating Scale	Absolute Return
BUY	>20%
ACCUMULATE	12% to 20%
HOLD	5% to 12%
NEUTRAL	-5% to 5%
REDUCE	-5% to -12%
SELL	<-12%

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