

# India FinTech Sector

## A Guide to the Galaxy



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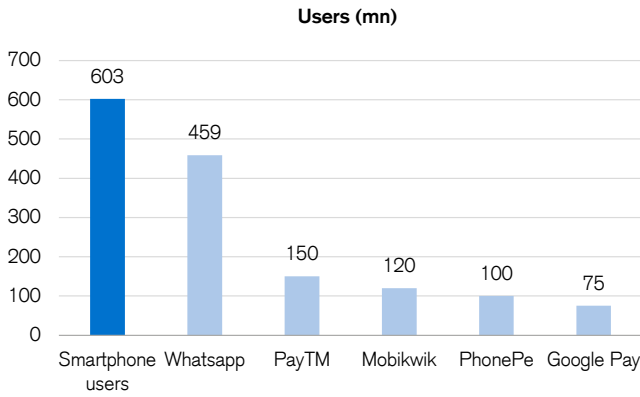


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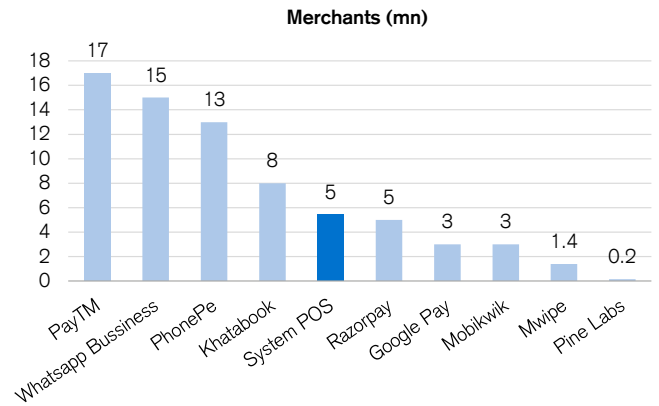
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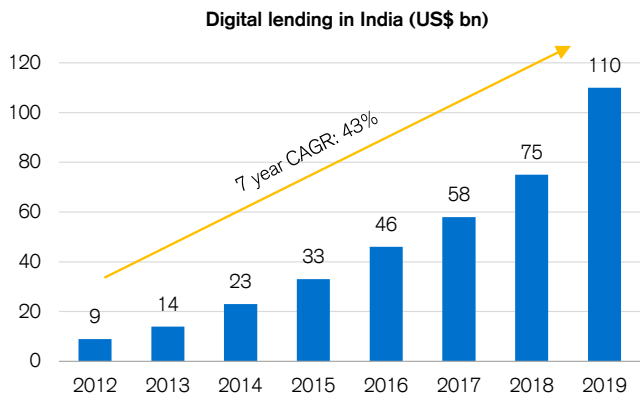
Source: Company data

**Figure 2: ...and have on-boarded more merchants than the banking system**



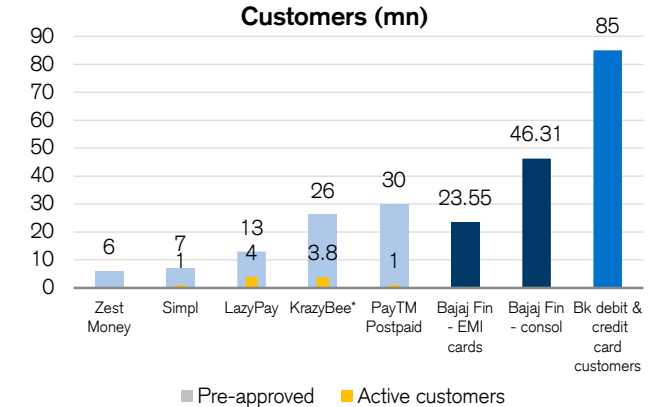
Source: Company data, NPCI, Credit Suisse research

**Figure 3: Retail digital lending has grown at a 43% CAGR...**



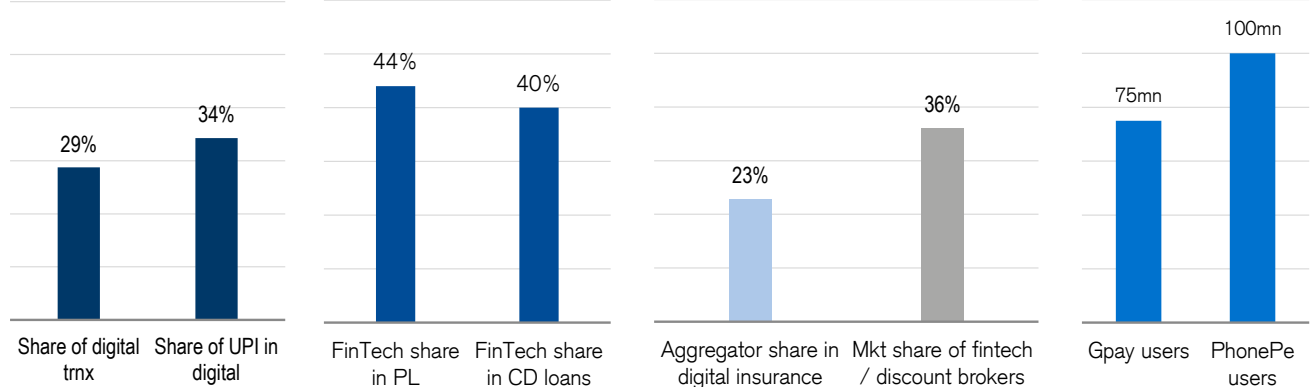
Source: Experian

**Figure 4: ...and unlocked small-ticket credit for 150mn+ users**



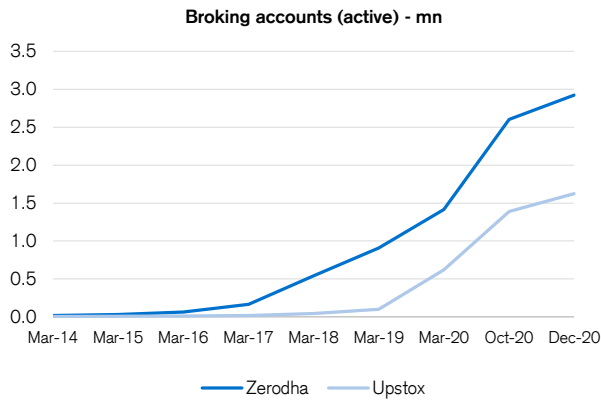
Source: Company data

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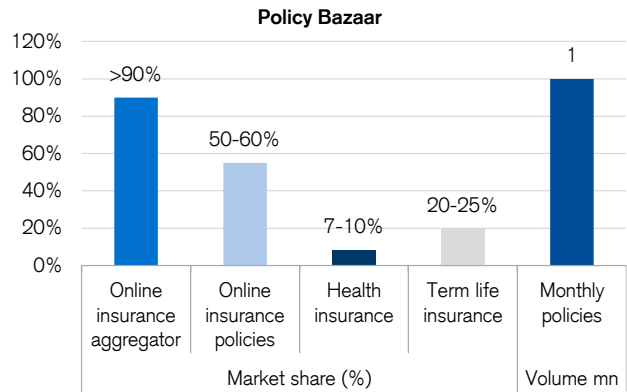
Source: Company data, Credit Suisse

**Figure 6: Digital first, discount brokers have rapidly scaled; have 36% market share in retail broking**



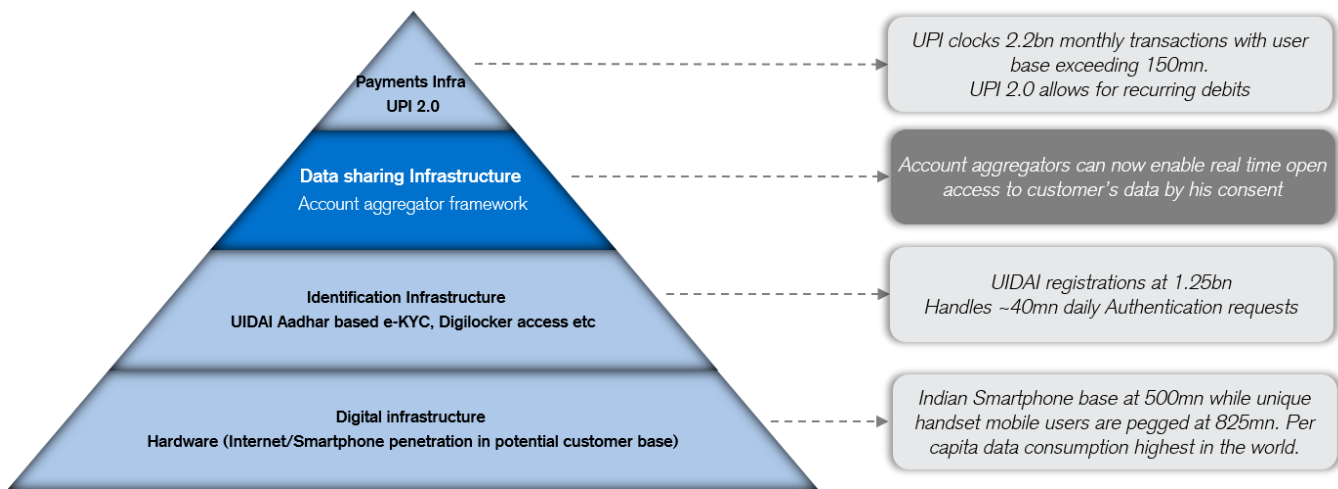
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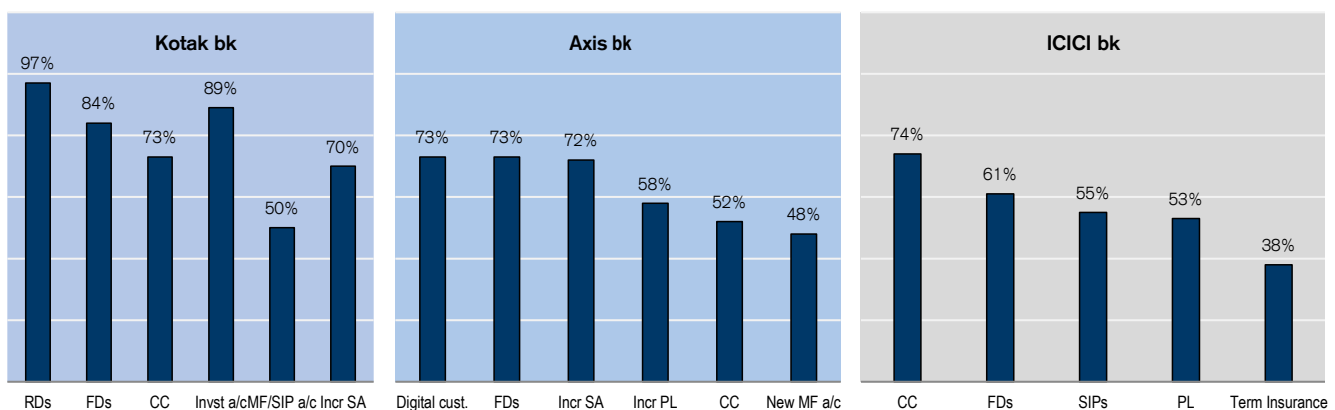
Source: IRDAI

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Source: Company data, Credit Suisse estimates

**Figure 9: Proprietary digital platforms and partnerships with FinTechs driving 53-75% of bank business**



Source: Company data

**Figure 10: Indian FinTechs**

Company	Valuation (US\$ mn)	Business
<b>Payments/wallet</b>		
PayTM	16,000	Diversified FinTech platform with 140 mn+ active customers offering payments, investment (MF, gold, broking, fixed deposits), insurance, lending, merchant services and consumer internet.
Google Pay	NA	Second-largest UPI based payments app with ~75 mn active users; 41% market share in UPI payments.
Phone Pe	5,500	UPI market leader with 45% market share and active user base of ~100 mn. Its platform embeds financial products (investment: MF, digital gold/ protection) and consumer internet (movie, travel, etc.) via partnerships.
WhatsApp Pay	NA	Recently received approval for gradual roll out of UPI-based payments with 20 mn users in phase 1.
MobiKwik	414	Financial platform with 120 mn users with focus on cross-selling financial products. Also lends in partnership with NBFCs like Bajaj Finance, AB Cap, etc.
<b>Merchant payments/POS/payment gateways</b>		
Pine Labs	2,000	Largest POS player processing ~14% of total card spends, monopoly in gift card (95%+ market share). Dominant in off-line POS consumer financing (US\$2 bn disbursements in FY20) in tie-up with brands, lenders and merchants.
Mswipe	450	POS-based payments player with 1.4 mn merchants, ~13% share of POS terminals processing US\$5 bn of payments.
Razorpay	1,000	Payment gateway provider with 5 mn online merchants, processing annual payments of US\$25 bn. Also building neo-banking platform for merchants through RazorpayX and Razorpay Capital platforms.
Billdesk	1,900	Leading payment gateway processing US\$80 bn of payments annually (~50% share) by facilitating bill payments.
<b>Digital lending/open banking</b>		
YONO	NA	SBI's flagship digital banking platform offering: (1) retail banking; (2) business banking; and (3) agri banking. Being developed into an independent open banking platform by opening its backend to other banks on 'pay per use model'.
Niyo	NA	Neo banking platform offering savings bank accounts, prepaid cards, forex cards and direct MF investing through its platform in partnership with IDFC First bank, Yes Bank and DCB Bank. Has 1.1 mn and also offers small ticket loans to its customers.
LendingKart	250	Digital MSME lender with average ticket size of Rs0.4 mn. Loan book of Rs20.4 bn as of Jun-2020.
Capital Float	455	Digital SME lender with ticket size of Rs0.2-10 mn. Has also expanded to offer BNPL and EMI-based loans and also has lending tie up with Amazon, Make My Trip, Pine Labs, etc.
KrazyBee	200	Digital consumer lender with ~4 mn borrowers providing unsecured and EMI loans with Rs11 bn loan book as of Mar-2020.
Simpl	NA	BNPL for on-line transactions with pre-approved customer base of 7 mn processing 3-5 mn transactions monthly (49 mn+ transactions cumulatively).
Zest Money	NA	Digital consumer financier offering BNPL and EMI loans with 6 mn+ registered users.
Khatabook	300	Digital ledger for small merchants with 20 mn registered and 8 mn active merchants.
PSB Loans	NA	Platform for loan sanctions within 59 minutes in partnership with banks. Cumulative disbursements of ~US\$7.7 bn.
Dhani Services	3,000	Offer subscription-based digital transactional finance, health care and broking services to its 22.2 mn total users and 1.3 mn users who pay monthly subscription fees ranging from Rs150 to Rs1,500.
<b>InsurTech</b>		
PolicyBazaar	1,500	Leading insurance aggregator with >90% market share with 1 mn policy run-rate monthly. The platform has ~150 mn unique visitors annually with >90% from direct channels. Also houses PaisaBazaar, an aggregator platform for lending and investment products.
Digit	1,900	Digital first general insurer with market shares of 3.1%, 2.3% and 2.4% in motor, fire and liability respectively. Has a customer base of 14 mn and combined ratio to 117% in FY20.
Acko	500	Online-only, direct-to-consumer insurer with 60 mn+ unique customers. Has partnered with consumer internet companies to provide bite-sized contextual insurance products like ride insurance, stay protection, mobile and appliance protection, etc.
Toffee insurance	15	Digital distributor of bite-sized, contextual single-event insurance policies.
<b>Wealth Tech</b>		
Zerodha	1,000	Largest retail broker in India with active customer base of 2.9 mn (18.3% market share). Pioneer of discount broking model in India.
Upstox	80	Second-largest retail broker with 1.6 mn active customers (10.1% market share).
Smallcase	50	Offers one-click basket investment called 'smallcases'. It has 1.65 mn customers with cumulative investment of Rs65 bn.

Source: Company data, Traxn, Pitchbook, Fintrackr, Credit Suisse

# A Guide to the Galaxy

India's FinTech ecosystem is charting a unique growth path as it rides on digital public infrastructure and leans on partnerships. Digital payments have already scaled up with over 200mn active users. FinTechs are now transcending other financial segments including lending, insurance and wealth management, many in partnerships with incumbent players.

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## Payments leading FinTech scale-up in India

- Growth for the Indian start-up ecosystem has accelerated, and it has emerged as home to the third-largest set of Unicorns globally, commanding valuations of US\$90 bn, behind the US and China. FinTechs (along with e-commerce) have been leaders in the Indian Unicorn landscape, with the sector spawning five unicorns having aggregate valuation of US\$22 bn, the highest amongst the Indian Unicorns. FinTech has also raised the second-highest PE/VC funding over the last decade, taking in US\$10 bn. Payments led to the scale-up of fintechs in India initially as wallet players, and later riding atop the digital public infra (UPI, Aadhar, Jan Dhan) and are now favoured by over 200 mn users. Digital modes of payment have grown 10x over the last five years—and have 30% share, aggregating to US\$450 bn—with acceptance at over 30 mn merchants compared to 5 mn having traditional POS terminals.

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## FinTechs: No longer just payments

- FinTechs are now riding the growth in digital payments—India's unique digital public infra and embedded offerings—in partnership with incumbent financial players, to drive growth in other financial products. Consumer payment players, having scaled-up the fastest and with ~200 mn active users, have expanded to offer investing (MF, gold, FDs), insurance, lending (personal loans, Buy Now Pay Later i.e., BNPL) and e-commerce. Similarly, merchant payment players have added VAS, merchant lending and consumer financing at Point of Sale (POS) to garner higher wallet share. Digital lenders have grown to US\$10 bn, with over 40% share in new personal and consumer-durable loans, and are adding new loan products as confidence in their underwriting models increase. FinTech brokers having gained 36% market share through innovative pricing models and are expanding to offer direct MF investing and loan against shares (LAS). Similarly, digital insurers with over 80 mn customers are increasing penetration by providing contextual and bite-sized policies through partnerships.

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## Account aggregator and LSP architecture to drive digital lending

- Prior to COVID-19, digital lenders were growing at 70-330% YoY across personal, consumer and retail business loans; but they have been worst impacted by the pandemic in terms of asset quality, with 2-8x delinquencies compared to banks and Non-Banking Finance Companies (NBFCs). Consequently, growth has taken a back seat for these digital lenders, as collections and containing delinquencies take centre stage. However, we expect acceleration in digital lending with the advent of the unique account aggregator (AA) ecosystem and partnership with “loan-service providers” (LSP). AAs act as providers of financial data from across different sources like banks, MF, insurance providers, tax platform, etc., on customer consent. Whereas consumer and merchant-facing companies with large user bases can act as LSPs offering credit in partnership with banks and NBFCs using financial data provided by AA. This will shortly go live with the GeM platform (government e-market place) that has US\$6.5 bn invoicing and will catalyse cash flow-based lending.

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## Digital platforms and partnerships driving 50-75% of bank business

- Most FinTechs are operating in partnership with incumbent banks and NBFCs across lending, liability sourcing as well as fee businesses. Payments and merchant players have partnered with incumbent players for embedding credit and investment products (personal and consumer loans, insurance, MF). Similarly, PayTM has sourced ~Rs15 bn of fixed deposits for its partner bank whereas banks like IDFC First have partnered with Zerodha to build para-banking capabilities (broking). These partnerships along with their proprietary platforms have enabled banks to derive 53-75% of their personal loans, cash credit, MF/insurance sales as well as deposits digitally. Neo banks in India are also developing in India as bank partners rather than challengers. **SBI's YONO is amongst the most successful bank apps, with over 32 mn users, and SBI is now looking to evolve it into an open banking platform.**



“ Indian FinTechs have already attracted US\$10 bn of capital and spawned five Unicorns, the largest three being in the payments space.

# Payments leading FinTech scale-up in India

Digital payments have grown 10x in the last five years to US\$450 bn, now favoured by over 200 mn users and 30 mn+ merchants. Specialised players are now processing US\$140 bn of P2M transactions.

Growth for the Indian start-up ecosystem has accelerated and it has emerged as home to the third-largest set of Unicorns globally commanding valuations of US\$90 bn, behind the US and China (CB Insights). FinTech (along with e-commerce) has been the leader in the Indian Unicorn landscape with the sector spawning five unicorns having an aggregate valuation of US\$22 bn, the highest among Indian Unicorns. It has also raised the second-highest PE/VC funding over the past decade taking in US\$10 bn. Payments have led the scale-up of FinTechs in India initially as wallet players, and later riding atop the digital public infra (UPI, Aadhaar, Jan Dhan) and are now favoured by over 200 mn users. The digital mode of payments has grown 10x over the past five years and has a 30% share aggregating US\$450 bn with acceptance at over 30 mn merchants compared to the 5 mn having traditional POS terminals.

## FinTechs at forefront of start-up ecosystem in India

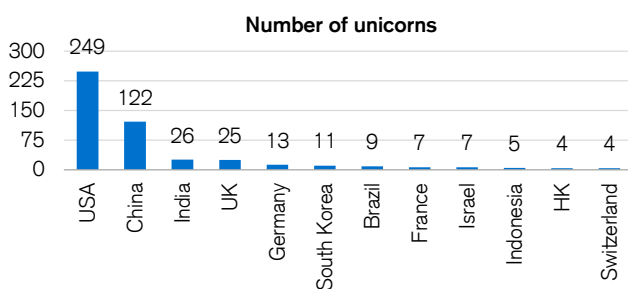
### Third-largest global unicorn ecosystem in India

According to CB Insights, India is home to the third-largest unicorn ecosystem globally behind the US and China. India has 26 unicorns having a total valuation of US\$90 bn compared to the US and China having 249 and 122 unicorns with total valuation of US\$725 bn and US\$529 bn respectively, as per data from CB Insights.

Within this, FinTech forms the largest cohort of unicorns constituting ~16% of total unicorns globally and ~30% of the Indian unicorn ecosystem.

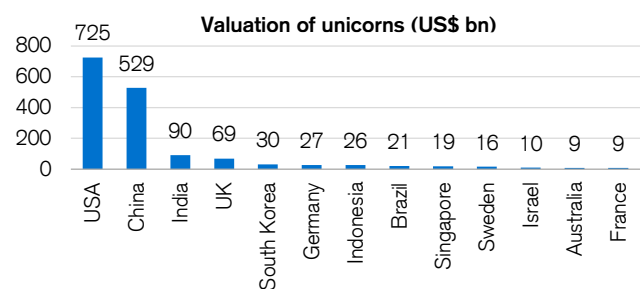
Additionally, Credit Suisse believes that India would have over 100 unicorns if we cast the net wider to include companies that have scaled up but have not raised external funding or companies which have scaled meaningfully since its last fund raise (which was sub-US\$1 bn).

**Figure 11: India has the third-largest base of unicorns globally...**



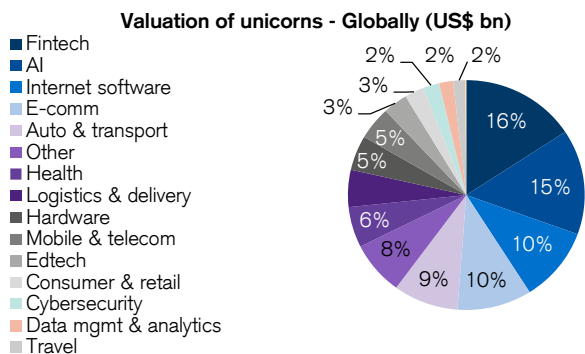
Source: CB Insights

**Figure 12: ...after the US and China by value and number**



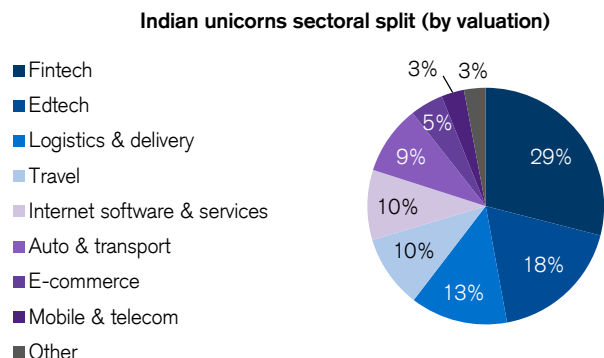
Source: CB Insights

**Figure 13: FinTech sector has the largest Unicorns globally...**



Source: CB Insights

**Figure 14: ...as well as in India with ~30% share (by valuation)**



Note: Have excluded Snapdeal and NSE. Source: CB Insights

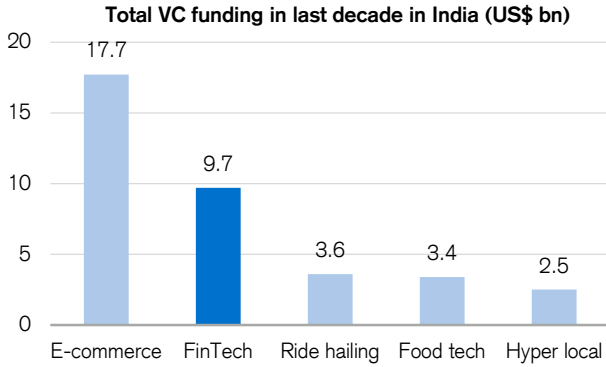


**Indian FinTechs have raised US\$10 bn over the past decade, led by payments**

The FinTech sector has been the second-largest recipient of PE/VC funding over the past decade with payments being the leading sub-segment raising US\$4.2 bn followed by digital lenders raising US\$2.5 bn.

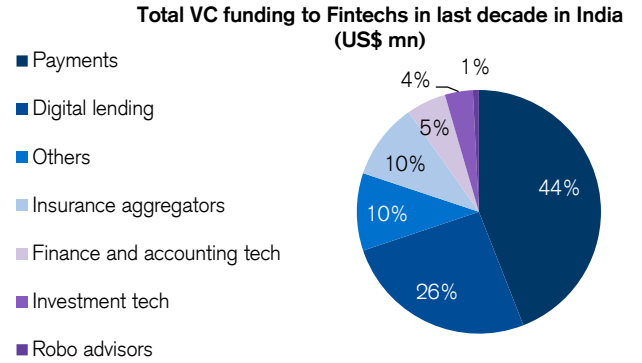
This trend continued in 2019 as well, with the FinTech sector raising US\$2 bn, of which ~60% was led by payment companies and digital lenders.

**Figure 15: FinTech has been the second-largest recipient of VC funding in India...**



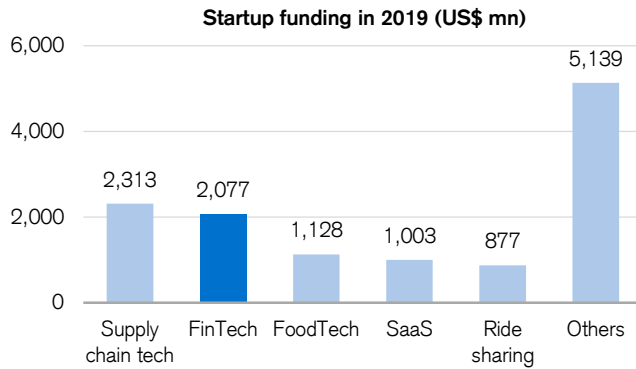
Source: Tracxn

**Figure 16: ...with payments and lending constituting ~70% of it**



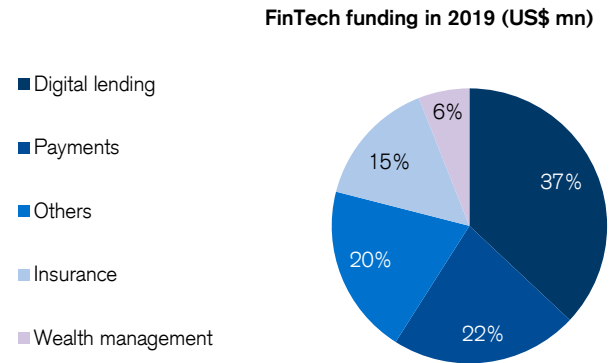
Source: Tacxn

**Figure 17: Similarly in 2019, the FinTech sector raised US\$2bn...**



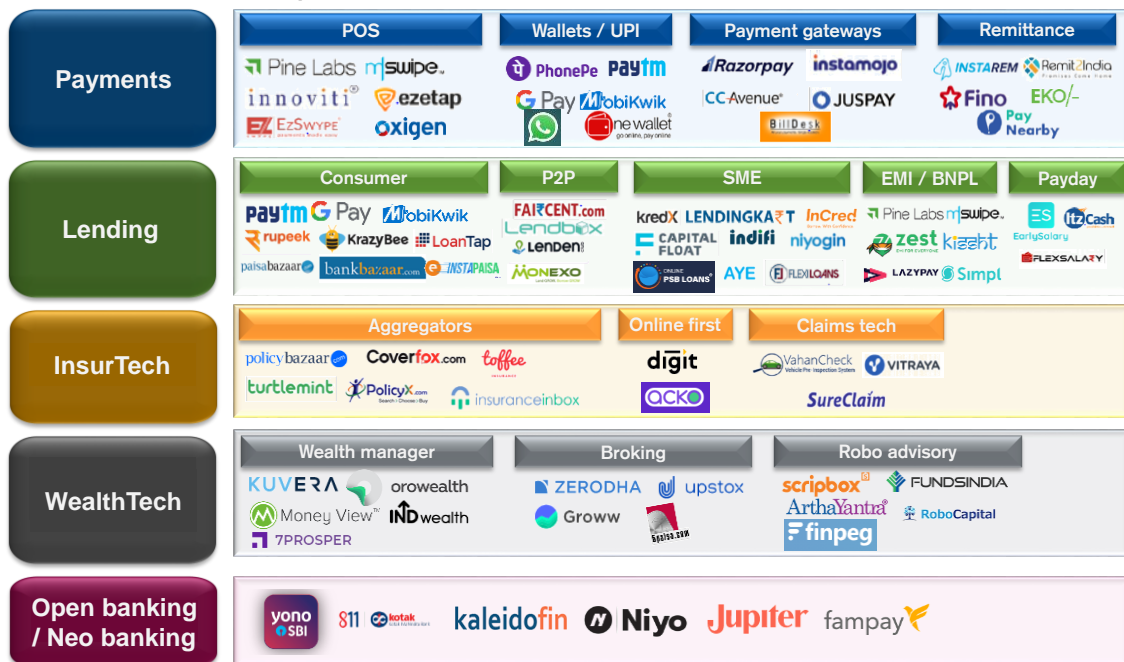
Source: Pitchbook CB Insights

**Figure 18: ...of which digital lending and payments again raised ~60%**



Source: Pitchbook CB Insights

**Figure 19: Indian FinTech landscape**



Source: Mayfield, MEDICI India FinTech Report

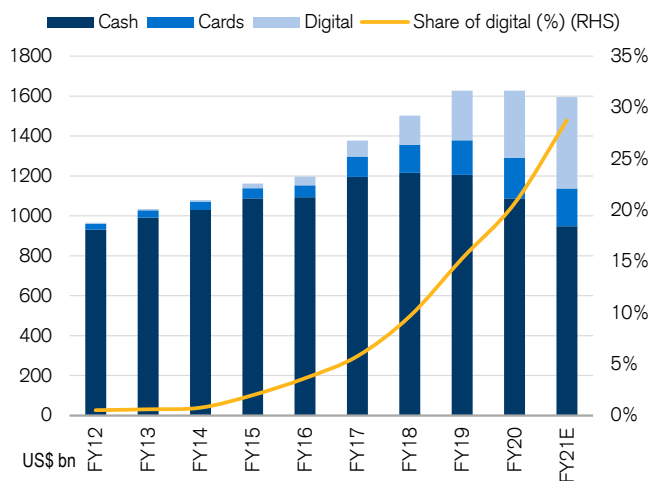
## Digital payments at the forefront of Indian start-up evolution

### ~30% of retail spends now through digital means

Riding on the public payments infrastructure i.e. UPI, digital payments have leapfrogged in India growing ~10.5x over the past five years to an annual payment run-rate of US\$450 bn and now constituting ~30% of retail transactions. We note that UPI is the major driver of this accelerated payment digitisation as it opened up an interoperable payment network to large tech companies.

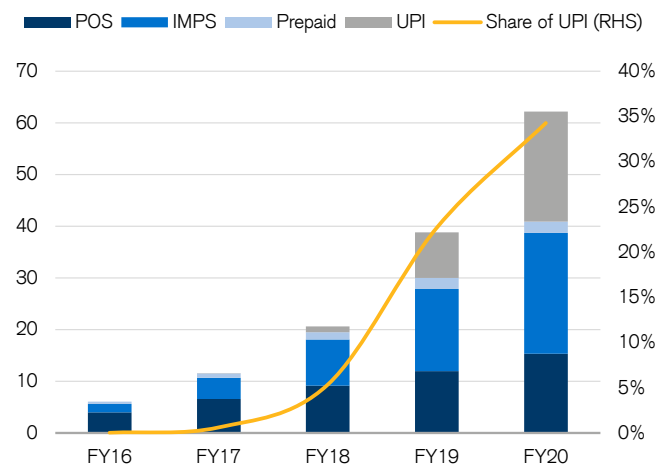
UPI payment and wallet companies have built a sizeable 450 mn user base (not unique) on the back of the payment use case which has become a primary hook/customer acquisition tool. Using interoperable QR codes, these payment companies have managed to on-board ~35 mn merchants and widen the digital payment acceptance network much beyond the 5 mn traditional POS terminals on-boarded by banks over the past 10-15 years.

**Figure 20: Share of digital transactions has accelerated...**



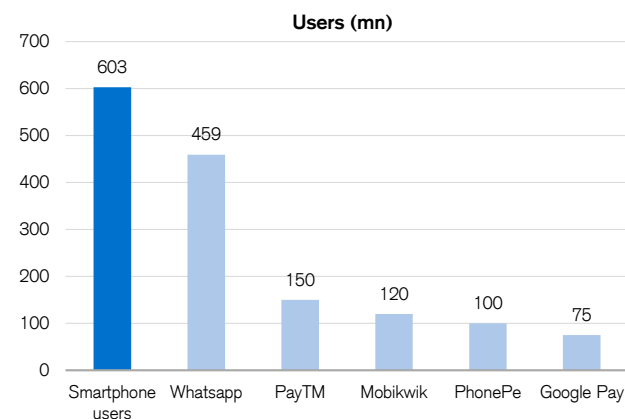
Source: RBI, NPCI, Credit Suisse estimates

**Figure 21: ...led by UPI**



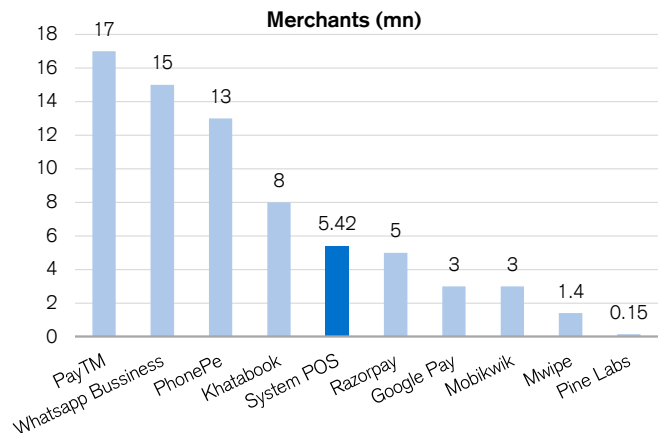
Source: RBI, NPCI, Credit Suisse estimates

**Figure 22: Payments and wallet companies have sizeable customer bases...**



Source: Company data

**Figure 23: ...and have on-boarded more merchants than the banking system**



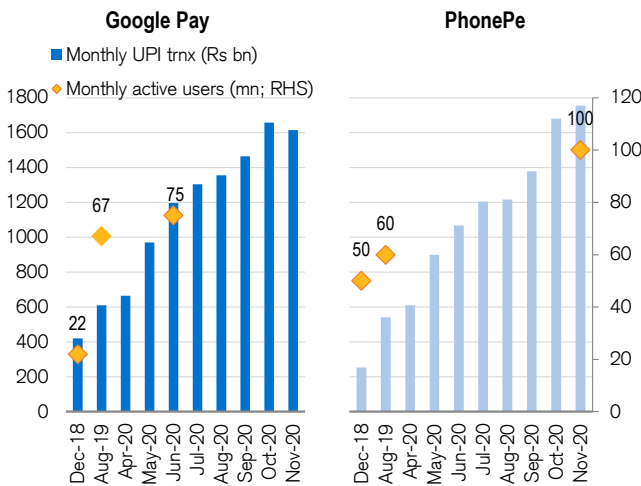
Source: Company data, NPCI, Credit Suisse

Indeed, within four years of its launch, Google Pay and Phone Pe have built 75-100 mn users transacting through their UPI-based payments app. Both together account for ~83% of total UPI volumes. However, recently UPI's self-regulatory body, National Payment Corporation of India (NPCI), has proposed a 30% market share cap to likely address concerns on concentration and monopoly risks. This also coincides with WhatsApp getting approval to gradually scale up its UPI offering after spending a good part of the past few years securing regulatory permission.

### NPCI's UPI and Rupay gaining ground in P2M transactions

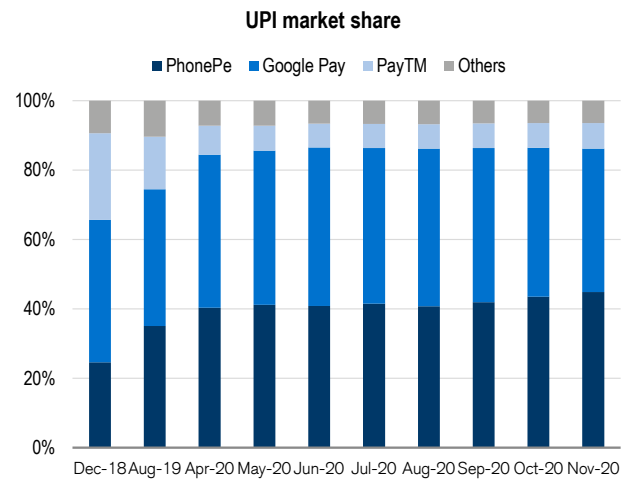
While the share of person-to-merchant payments (P2M) in Unified Payment Interface (UPI) is ~15%, it is growing fast and its US\$9.5 bn in monthly processing volumes is comparable to credit and debit card spends at POS. The rapid adoption and ubiquitous presence of UPI P2P along with no merchant discount rate (MDR) have created favourable conditions for the growth of UPI P2M payments. Similarly, in the case of card-based payments, Rupay has been gaining ground at the expense of Visa and MasterCard in domestic transactions on the back of domestic low-cost payment rails and now accounts for 16% of total card spends at POS terminals.

**Figure 24: Google Pay and Phone Pe have gained ~75-100 mn users with the growth in UPI...**



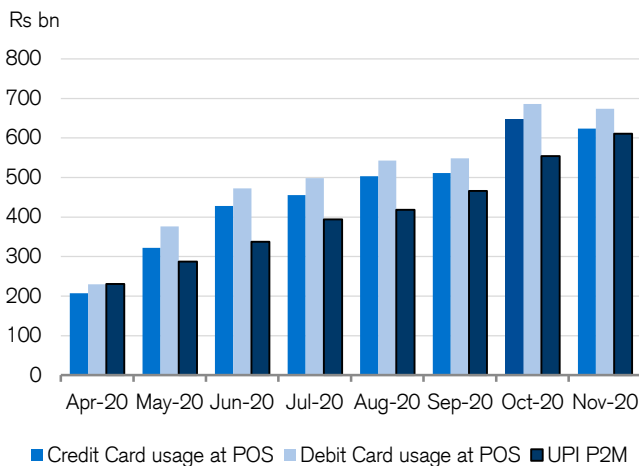
Source: Company data, NPCI

**Figure 25: ...and account for 80%+ UPI transactions**



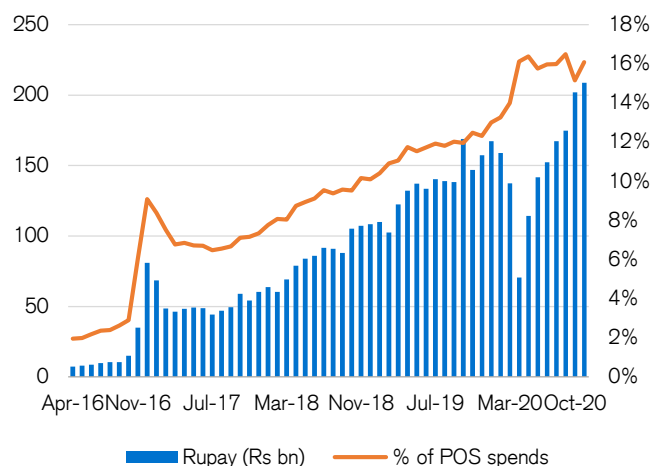
Source: NPCI

**Figure 26: UPI P2M is now comparable to card spends at POS**



Source: RBI, NPCI

**Figure 27: Rupay has a 16% market share in card spends at POS**



Source: Company data, NPCI, RBI

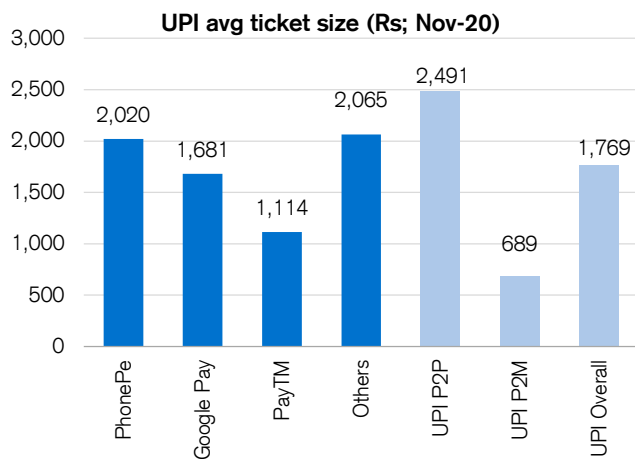
### Ticket size of UPI P2M lower than UPI P2P and cards

While the UPI P2M spends is comparable to credit and debit card spends at POS, its average ticket size of Rs689 is one-fifth of credit cards and one-third of debit cards. It is also lower than UPI P2P's ticket size of ~Rs2,500. Amongst UPI payment players, Phone Pe has higher overall ticket size of ~Rs2,000 followed by Google Pay at ~Rs1,700 and PayTM at ~Rs1,100.

### Specialised POS terminal and payment gateways processing US\$140 bn of P2M payments

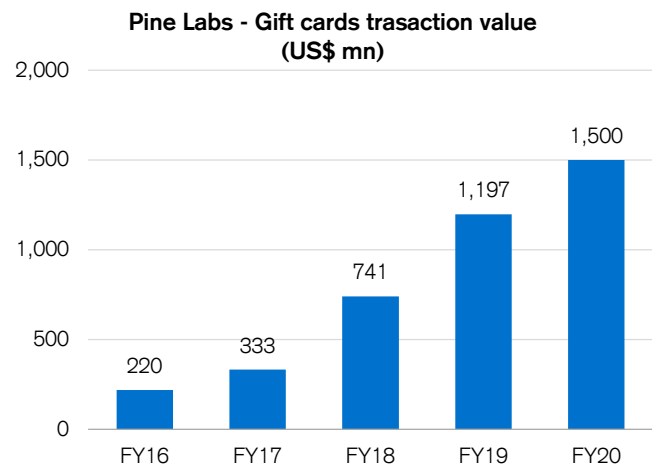
We note that UPI payments, while growing fast, are predominantly being used for P2P payments (an 85% share). Specialised POS terminal and payment gateways process US\$140 bn of card and UPI P2M payment transactions. On the off-line side, players such as Pine Labs, Mwipe and PayTM, comprise ~10-15% of total P2M payments and together account for ~25% of total POS terminals installed in the country, whereas Billdesk is the market leader in the online payment gateway, processing US\$80 bn of bill payments annually.

**Figure 28: UPI P2M ticket size lower than P2P and cards**



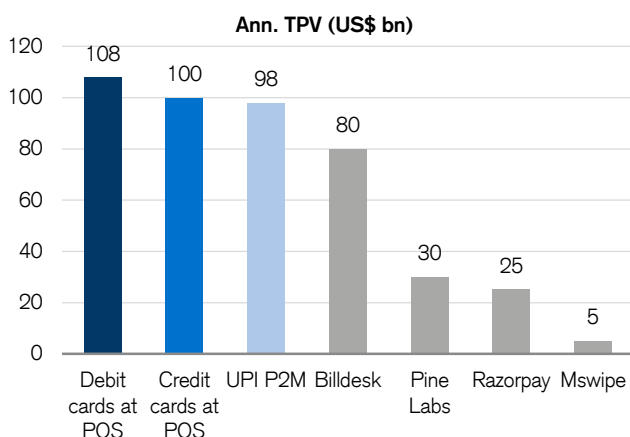
Source: NPCI

**Figure 29: Pine Labs has ~95% market share in gift cards processing US\$1.5 bn of gift cards in FY20**



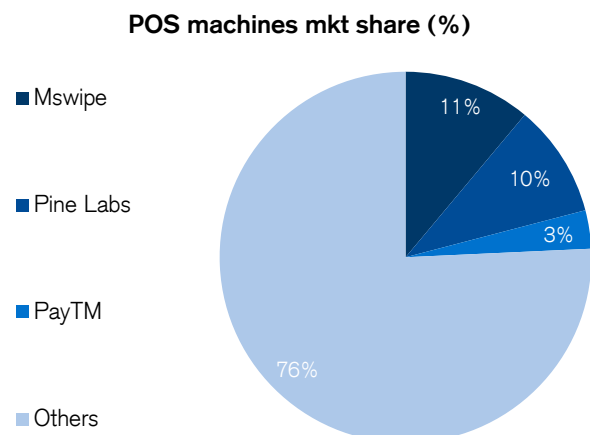
Source: Company data, Credit Suisse

**Figure 30: Payment gateways and specialised POS players process US\$140 bn P2M payments**



Source: Company data, RBI, Credit Suisse

**Figure 31: Mswipe and Pine Labs have ~20% market share in off-line POS**



Source: RBI



“ Fintechs have helped unlock credit for 150 mn consumers. Sachet-sized loans, contextual insurance policies and digital-only onboarding have pushed penetration.

# FinTechs: No longer just payments

Riding the growth in digital payments, India Stack and embedded offerings, FinTechs are expanding to other financial segments beyond their core/initial offerings to drive monetisation.

FinTechs are now riding the growth in digital payments, with India's unique digital public infra and embedded offerings in partnership with incumbent financial players driving growth in other financial products. Consumer payment players, having scaled the fastest and, with ~200 mn active users, have expanded to offer investing (MF, gold and FDs), insurance, lending (personal loans and BNPL) and e-commerce. Similarly, merchant payment players have added VAS, merchant lending and consumer financing at POS to garner a higher wallet share. Digital lenders have grown to

US\$10 bn with more than a 40% share in new personal and consumer durable loans, and are adding new loan products as confidence in their underwriting models increase. FinTech brokers having gained a 36% market share through innovative pricing models are expanding to offer direct MF investing and LAS. Similarly digital insurers with more than 80 mn customers are increasing penetration by providing contextual and bite-sized policies through partnerships.

**Figure 32: FinTechs expanding into newer segments to increase engagement, the addressable market and drive monetisation**

	Core offering	Expansion into new segments						
<b>Payments / wallets</b>								
PayTM	Payments & wallet	E-commerce	Investing (MF/Gold/FDs)	Equity broking & Insurance	Off-line merchant tieups & VAS	Consumer internet (gaming, travel, entertain)	Consumer lending (BNPL, PL)	Offline merchant lending
PhonePe	Payments	E-commerce	Investing (MF/Gold)	Insurance	Off-line merchant tieups	Online merchant tieup – presence within app		
Mobikwik	Payments & wallet	Consumer lending (PL, CL)	Investing (MF/Gold)	Insurance	Payment gateway			
Google Pay	Payments	Consumer lending (PL)	Investing (MF/Gold)	Merchant lending				
<b>Merchant payments / POS / payment gateway</b>								
Pine Labs	POS player (larger ent)	VAS for merchants	GC, loyalty and rewards mgmt	Consumer financing at POS (BNPL, EMI)	Digital platform for business bank (Neo bk)	Merchant lending		
Mswipe	POS player (SMEs)	VAS for merchants	Pay-by-link and micro websites	Consumer financing at POS (EMI)	Merchant lending			
Razorpay	Payments gateway	VAS for online merchants	Pay-by-link and ePOS	Digital platform for business bank (Neo bk)	Merchant lending			
<b>Open banking / Digital lending</b>								
Yono	Mobile / internet bnkg	New customer acq	Pre-approved PL	Insurance	E-commerce			
Khatabook	Digital ledger (kirana & small merchants)	Payments	Merchant lending					
KrazyBee	Digital PL	BNPL/consumer loans	Co-lending platform					
LendingKart	Digital MSME loans	Co-lending platform						
Capital Float	Digital MSME loans	BNPL/consumer loans						
Zest Money	BNPL for e-commerce txn	BNPL for off-line txn						
Simpl	BNPL for e-commerce txn	Merchant loyalty prgm						
<b>InsurTech</b>								
PolicyBazaar	Insurance aggregator	Lending (retail, business)	Investing (MF, FDs)					
<b>WealthTech</b>								
Zerodha	Broking	MF investing	Loan against shares / MF					
Smallcase	Basket investing	Advisory platform for RAs	Trading gateway					

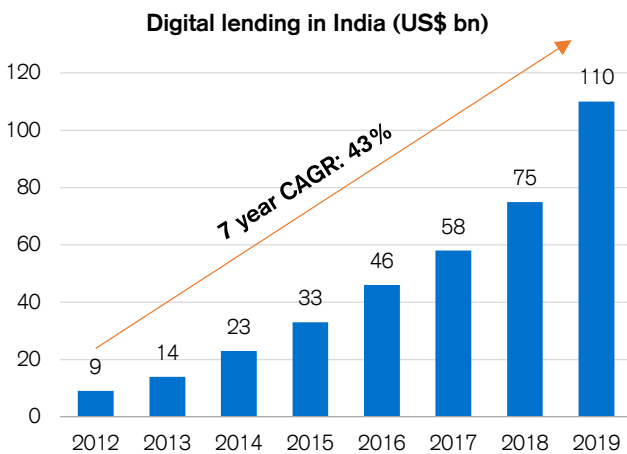
Source: Company data, Credit Suisse

## Retail digital lending: a US\$110 bn market

Retail digital lending has delivered ~43% CAGR over the past seven years and reached more than US\$110 bn in size by 2019. This has been led by the emergence and growth of many specialised digital lenders like pay day, SME, unsecured retail and BNPL lenders who differentiate mainly through faster disbursements (many times within minutes for small ticket consumer/personal loans), using alternative data sources for underwriting and reaching out to customers who were hitherto outside formal credit due to lack of bureau records. They have gained more than a 40% market share in new personal loans and 20%+ in unsecured retail loans.

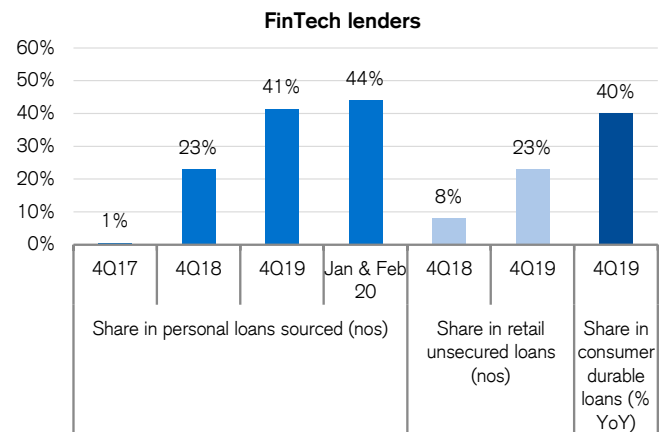
Providing small ticket, contextual unsecured credit has been the primary target segment for a large section of digital lenders, as they lend to customers having no, or limited, credit record. According to data from Experian, the average ticket size for personal loans by FinTechs is 0.02x of average ticket size for banks and is 0.8x in case of consumer durable loans. But we note that the average ticket size for digital lenders is increasing, as they add new loan products with higher ticket size and tenure based on confidence in their underwriting models, and where lending to existing non-delinquent customers helps improve profitability, given better asset quality and otherwise high customer acquisition cost.

**Figure 33: Retail digital lending delivered a 43% CAGR in seven years...**



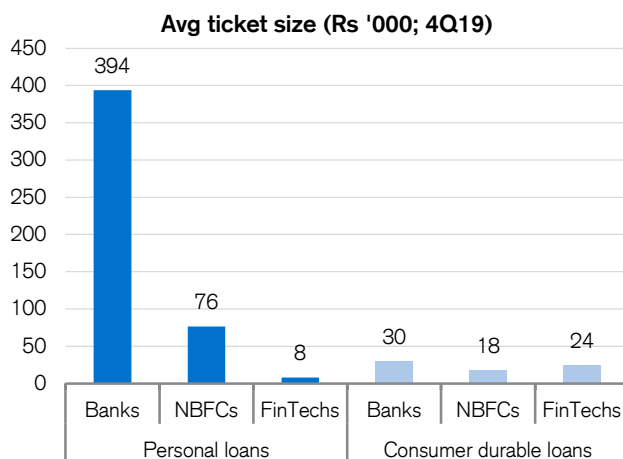
Source: Experian

**Figure 34: ...with the share of FinTech increasing across segments**



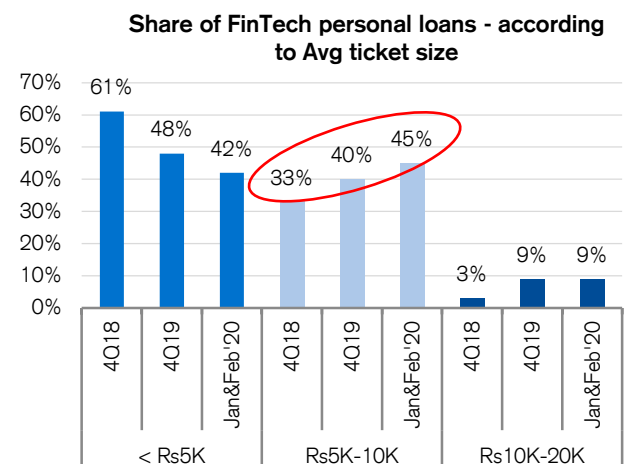
Source: Experian

**Figure 35: The average ticket size of loans by FinTech is lower relative to banks and NBFCs...**



Source: Experian

**Figure 36: ...but growing, as FinTechs offer larger ticket size loans due to greater comfort in their underwriting models**



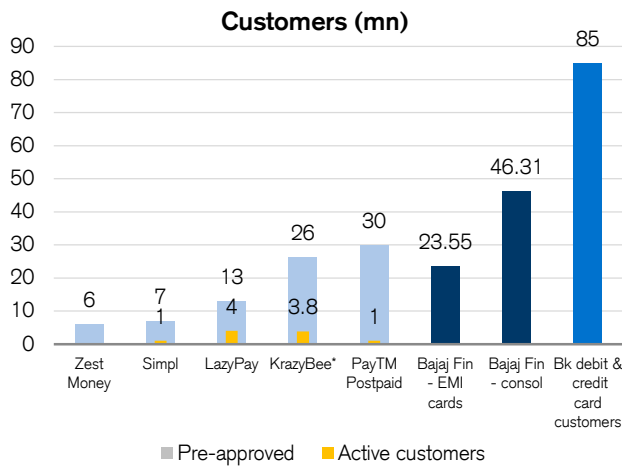
Source: Experian

## FinTechs unlocking small-ticket consumer credit for 150 mn+ users

Having acquired a substantial user base, FinTechs and e-commerce players have started offering small-ticket personal loans or short-term credit to monetise their user base—mostly in partnership with banks/NBFCs. At the same time, many specialised digital consumer financiers have emerged, providing EMI or Buy-Now, Pay Later (BNPL) credit either at POS terminals (for offline) or as a payment mode on checkout pages (for online) for more than 150 mn users. PayTM, Flipkart and Amazon provide short-term credit (15-30 days) of Rs5-60k for online spends, helping increase financing options especially when credit card penetration in India remains low at ~4%. On the other hand, specialised players such as KrazyBee, LazyPay, Zest Money, Simpl, provide transactional credit with an intent to provide longer tenure, higher ticket personal loans to existing customer having good repayment behaviour.

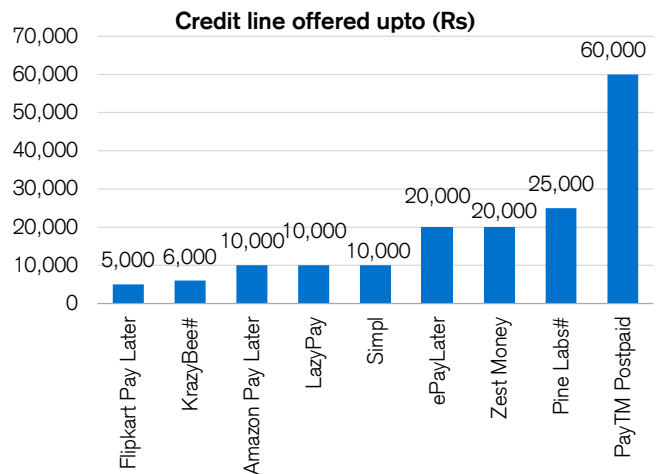
We note that Pine Labs has gained a sizeable market share (~90% outside of Bajaj Finance) in off-line consumer durable financing, disbursing US\$2 bn of EMI credit which is nearly 50% of Bajaj Finance's. It has tied up with banks to offer no-interest EMIs to not just credit card but also debit card customers, acting as a central point connecting brands, merchants and lenders. Similarly, digital SME financiers such as Lendingkart, Capital Float, Incred, etc. provide small-ticket working capital or business loans and have built a loan book equivalent to ~20% of SME lending by Bajaj Finance, Sriam City Union Finance (SCUF) and Chola combined.

**Figure 37: Pine Labs, PayTM, LazyPay, KrazyBee have unlocked consumer credit for 150mn+ users...**



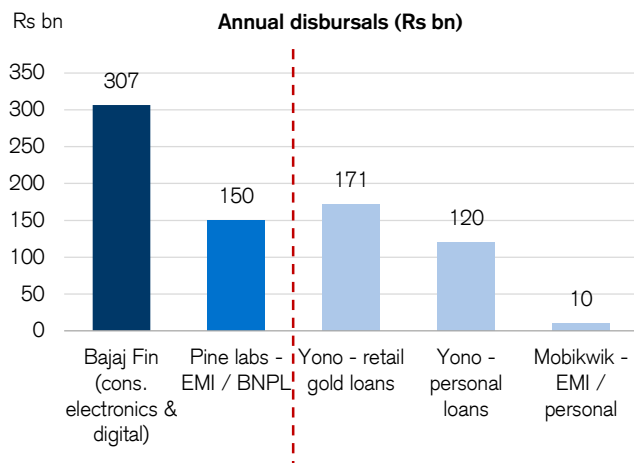
\* Refers to registered & actual customers for KrazyBee

**Figure 38: ...providing EMI/BNPL credit of Rs10-25k**



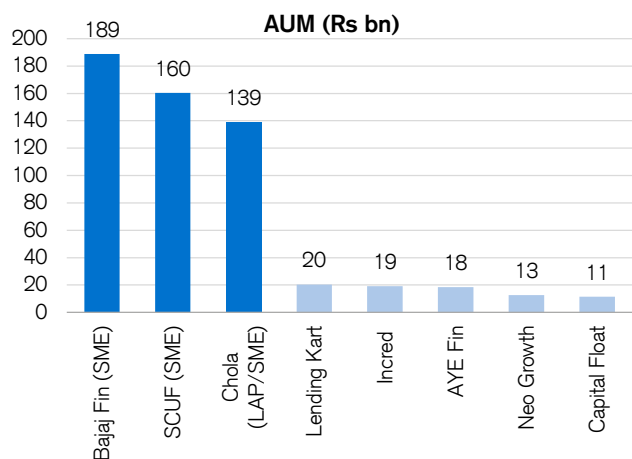
Source: Company data, Credit Suisse

**Figure 39: Pine Labs is the dominant consumer financier with US\$2 bn of EMI disbursements in FY20 annually — ~50% of Bajaj Finance**



Note: CS estimates for Bajaj Fin in FY20. Source: Company data, RBI

**Figure 40: Digital lenders have a loan book equivalent to ~20% of SME lending by Bajaj Fin, SCUF and Chola combined**



Source: Company data, ICRA, India ratings

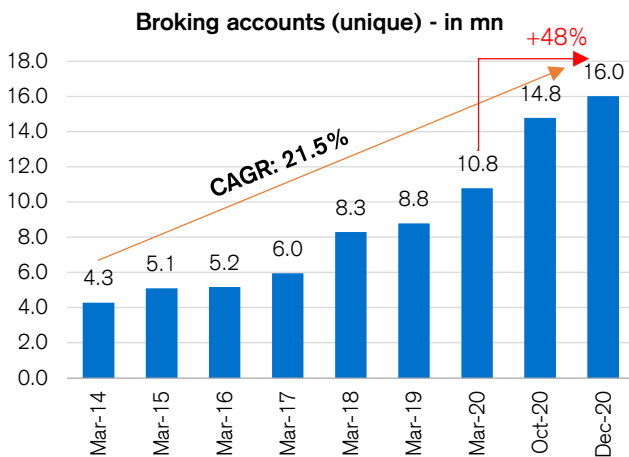


## FinTech brokers rapidly expanding market; 36% market share

FinTech brokers with disruptive pricing (zero/discount broking) have been steadily expanding the retail broking market and had gained ~20% market share (in terms of broker accounts) by Mar-2020. Post the pandemic, growth for the entire sector accelerated with total broking accounts growing ~50% within nine months. This was predominantly led by Zerodha and Upstox with their user bases growing 100% and 160%, respectively, to become the largest retail brokers in India. Accelerated digitisation during the pandemic with regards to the boarding process with video eKYC and Aadhaar-based authentication helped achieve this rapid growth.

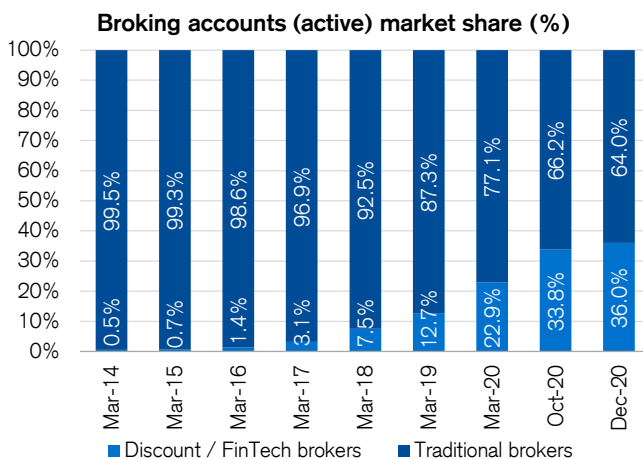
Thus, new age FinTech/discount brokers have accelerated market share gains and now command 36% of total active broker accounts in India. On the other hand, traditional brokers have added customers but the pace has been slower which is reflected in the loss of market share.

**Figure 41: COVID has accelerated the growth for broking players...**



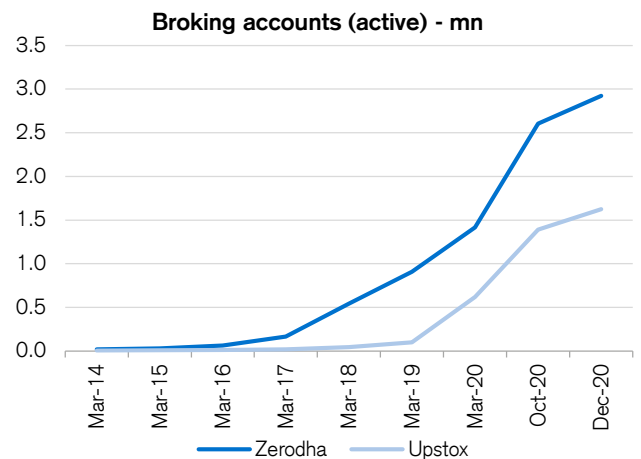
Source: NSE

**Figure 43: New age brokers gaining market share ...**



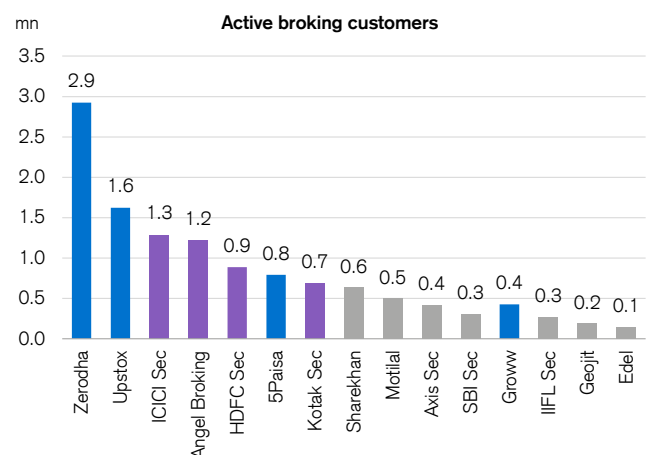
Source: NSE

**Figure 42: ...led by Zerodha and Upstox**



Source: NSE

**Figure 44: ...and have become bigger than traditional brokers**



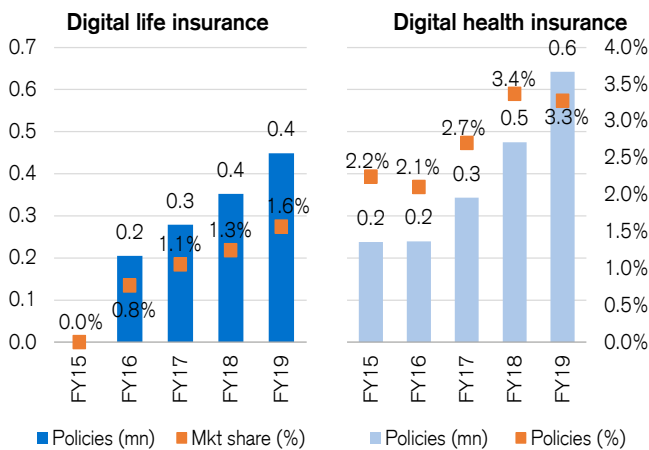
Source: NSE

## Digital insurers and aggregators helping expand market

The market share of digital insurance policies has been growing on the back of the rapid growth of web aggregators, concerted efforts by incumbent insurers to grow the share of direct digital underwriting and partnerships with FinTech platforms to cross-sell sachet and contextual insurance policies. According to the data from Insurance Regulatory and Development Authority of India (IRDAI), digital life insurance has expanded at ~3x the industry's 19% CAGR from FY16-19 and digital health insurance's 1.3x industry growth rate. The share of web aggregators within digital insurance has been increasing and it now originates ~30-40% of digital insurance.

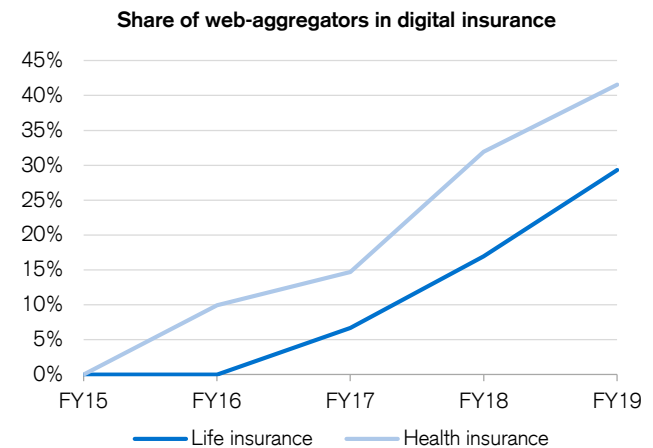
Online first and direct-to-customer insurers—Digit and Acko—have scaled to a 3.5% market share in motors and 1.6% in total general insurance premiums. These insurers have focussed on high levels of digitisation (in underwriting as well as claims management) to achieve a faster breakeven, with Digit already reducing its combined ratio to 117% within three years of commencement of business and having also introduced contextual, byte sized insurance policies.

Figure 45: Digital insurance is gaining ground...



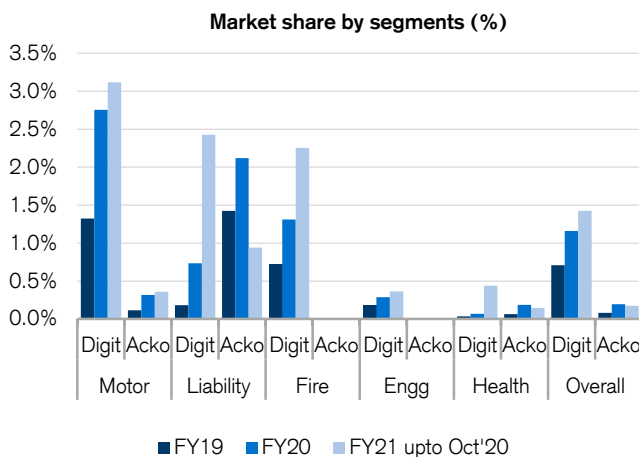
Source: IRDAI

Figure 46: ...within which the share of web-aggregators is growing



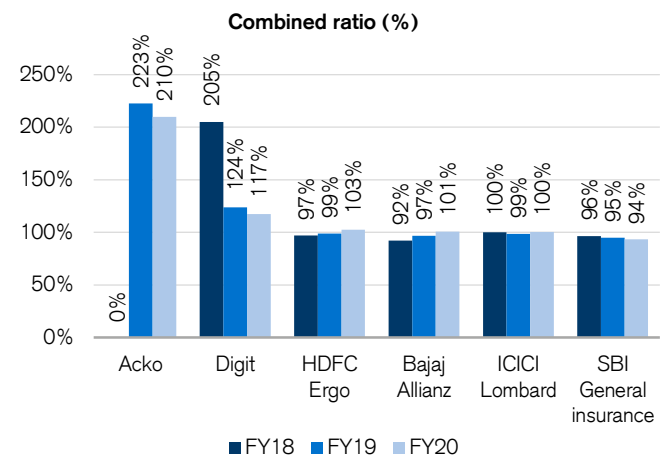
Source: IRDAI

Figure 47: Direct, online first insurers—Digit and Acko have been gaining market share...



Source: IRDAI, General insurance council

Figure 48: ...with the combined ratio reducing as they gain scale



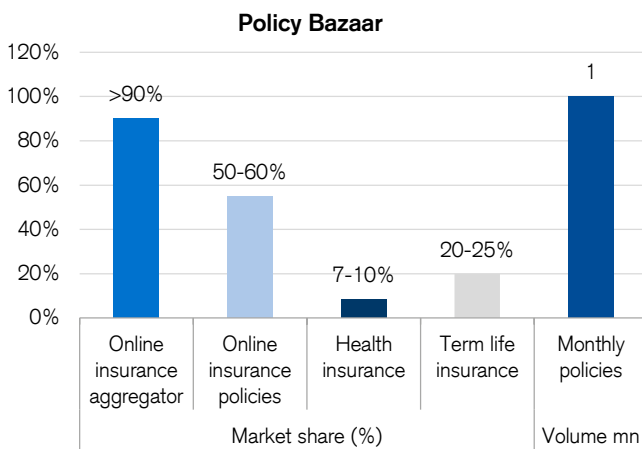
Source: Company data, IRDAI, General insurance council

Among insurance aggregators, Policy Bazaar has a dominant market share (>90%), underwriting more than 0.1 mn policies on a monthly basis. Its platform records ~150 mn unique visitors annually with almost all of this from direct channels. It has an 8-10% market share in health insurance and 20-25% in term life insurance policies in India. Other players in the space include Coverfox and Turtlemint, etc.

### The India stack: the driving force behind the accelerated evolution of FinTechs

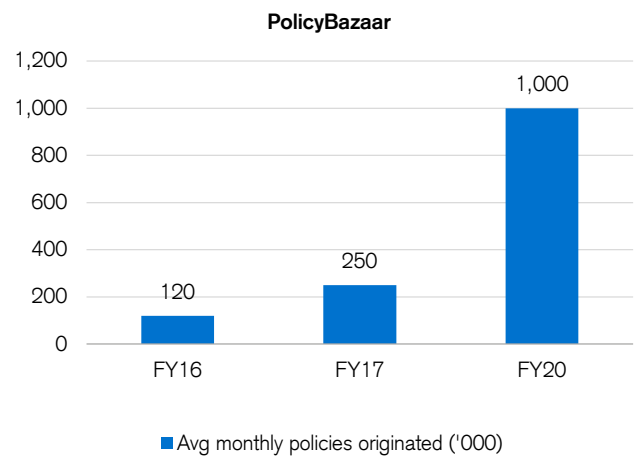
The trinity of higher banking penetration through Jan Dhan accounts, Aadhaar-based unique identification and e-authentication, and increased internet (mobile) penetration is together referred to as 'The India stack'. These three together create public infrastructure which enables paperless, instantaneous and cost-effective customer authentication and on-boarding. Indian FinTechs have innovated on top of this digital public infra and gained scale within a short time.

**Figure 49: The insurance aggregator segment in India is dominated by PolicyBazaar with 50-60% market share...**



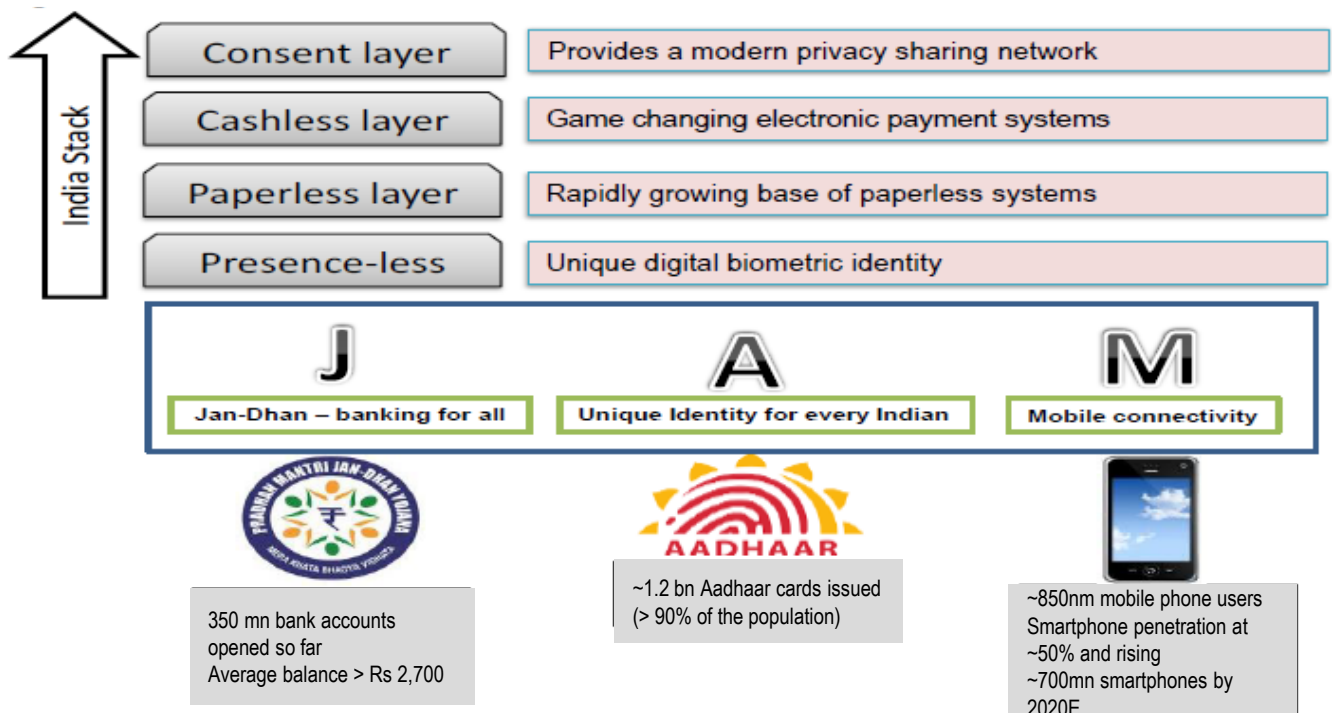
Source: Company data, Ken, Entracker

**Figure 50: ...and ~70% CAGR in policies sold since 2016**



Source: Company data

**Figure 51: India stack**



Source: Credit Suisse

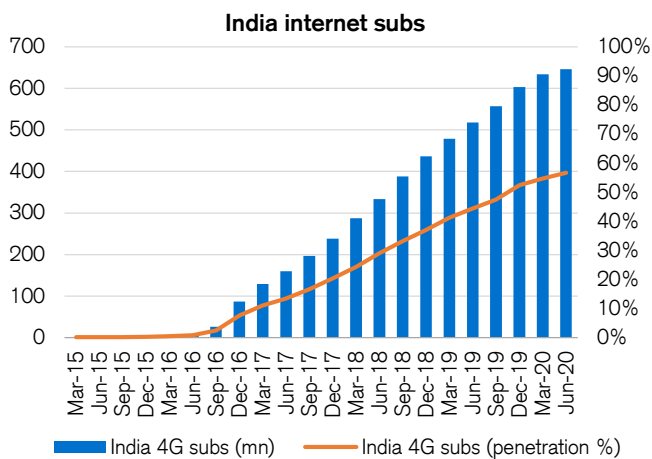
## Affordable mobile data and smartphone prices driving rapid internet penetration

4G mobile internet penetration has grown from <10% in 2016 to ~70%, as mobile data prices corrected ~80% to one of the lowest in the world along with ~90% reduction in entry-level 3G/4G devices. This has resulted in phenomenal growth in data traffic, with Indians in general consuming 10-16GB/month data (data customer). This has enabled ubiquitous access to apps and helped accelerate FinTech scale-up in India.

## COVID-19 has accelerated digitisation

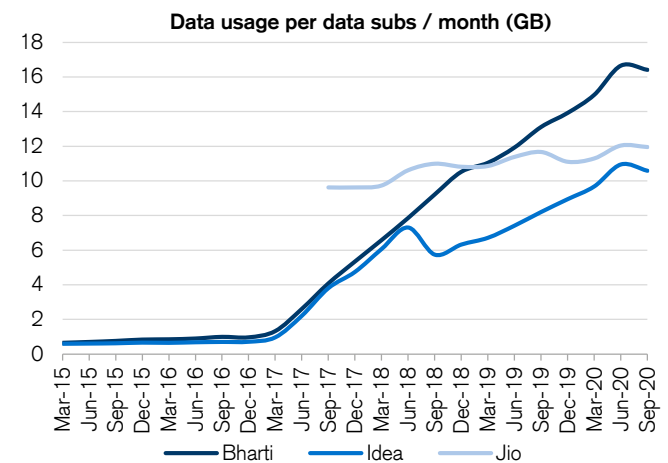
We note that COVID-19 has accelerated the pace of digitisation globally across categories: communication, shopping and payments, etc. While part of this shift in segments such as communications, and travel and entertainment should gradually recover, as we come out of the pandemic, there is widespread consensus that it has also brought about a structural change in categories such as shopping and payments with the accelerated pace of digitisation. Analysis of credit card spends by SBI card customers reveals that the pace of increase in share of digital spends was accelerated by the pandemic with online spends increasing by 10 pp within nine months from 44% to 53%. It also shows that there is a marked shift in consumer spending from off-line to online. Thus, while online spends across utilities, groceries, and consumer durables, etc. are 40% to more than 100% up compared to the pre-COVID period; spends at POS terminals are, at best, at pre-COVID levels.

**Figure 52: Internet penetration in India has grown since 2016...**



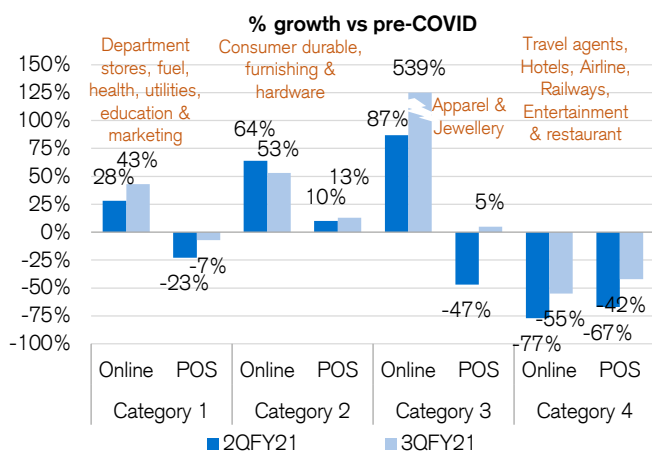
Source: TRAI

**Figure 53: ...and data usage has increased multifold**



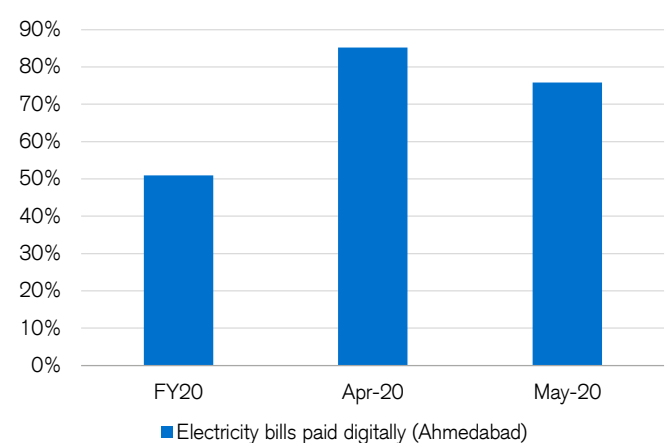
Source: Company data

**Figure 54: Marked shift towards online spends across categories...**



Note: % growth pre-COVID refers to daily average from Dec-2019 to Feb-2020. Source: SBI cards

**Figure 55: ...post COVID-19**



Source: Company data, Credit Suisse



“Advent of account aggregator ecosystem that provides consent-based access to financial data will be the UPI moment for lending.

# AA and LSP frameworks to accelerate growth of digital lending

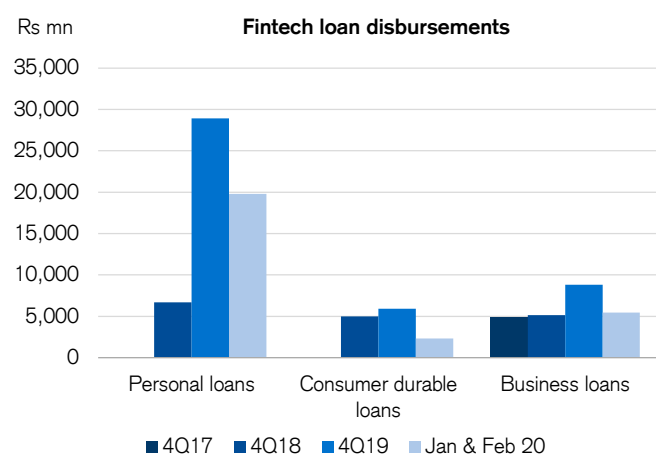
AA enables consent-based access to financial transaction data including the GST network. This will shortly go live with the Government e-Marketplace platform and catalyse cash flow-based lending. Large tech and digital companies like Zomato, Swiggy, Oyo, Khatabook, and PayTM, with sizeable MSME and retail customers, may also morph into LSPs and drive digital lending.

Prior to COVID-19, digital lenders were growing at 70-330% YoY across personal, consumer and retail business loans. But they have been worst impacted by the pandemic in terms of asset quality, with 2-8x the delinquencies compared to banks and NBFCs. Consequently, growth has taken a back seat for these digital lenders, as collections and containing delinquencies have taken centre stage. However, we expect an acceleration in digital lending with the advent of the unique account aggregator (AA) ecosystem and partnership with "loan-service providers" (LSP). AAs act as providers of financial data from across different sources such as banks, MF, insurance providers and tax platforms, etc. based on customer consent. However, consumer and merchant-facing companies with large user bases can act as LSPs offering credit in partnership with banks/NBFCs and unlock unsecured/cash-flow-based lending using financial data provided by AAs. Whereas, consumer- and merchant-facing companies with large user bases can act as LSPs offering credit in partnership with banks and NBFCs using financial data provided by AAs. This will shortly go live with the GeM platform (Government e-Market place) that has US\$6.5 bn invoicing and will catalyse cash flow-based lending..

## Digital lenders worst impacted by COVID-19

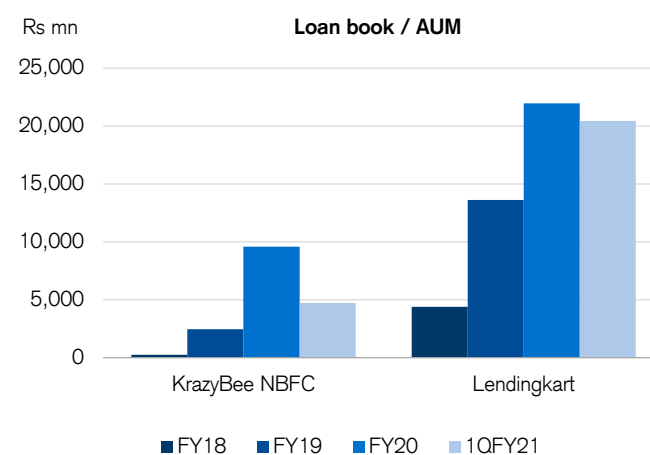
Pre-pandemic, digital lenders were growing at 70-330% YoY across personal, consumer and retail business loans riding atop the India stack and alternative underwriting models. However, they have been impacted the most following COVID, with consequent moratoriums over collections and containing delinquency losses becoming the main focus. Growth has taken a back seat with disbursement volumes gradually recovering, though still below pre-pandemic levels.

**Figure 56: Digital lenders were growing 70-330% YoY pre-pandemic**



Source: Experian

**Figure 57: Post pandemic and consequent lockdowns, growth has taken a back seat**



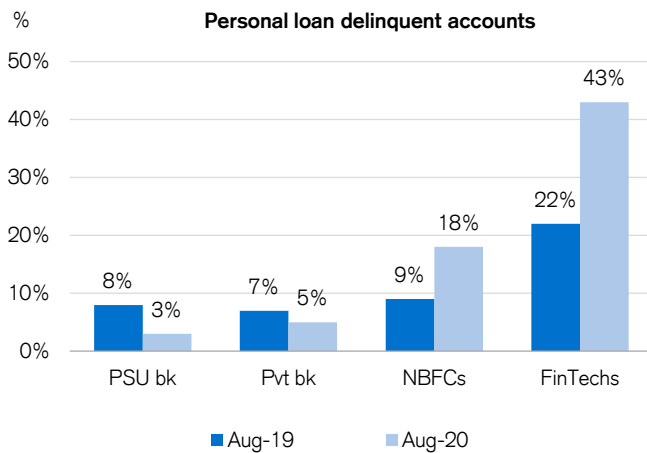
Source: ICRA

Predominantly extending unsecured personal or business loans, digital lenders cater to a segment of customers less targeted by banks or NBFCs. While FinTechs did have 2.5x-3x higher delinquencies pre-pandemic compared to banks/NBFCs, post pandemic this increased to ~3-8x. Delinquencies in personal loans increased from 22% in Aug-2019 to 43% in Aug-2020 for FinTech lenders. This compares to an increase from 9% to 18% for NBFCs whereas it has reduced for banks from 7-8% to 3-5% as they lend to affluent salaried customers.

### AA framework to unlock data access

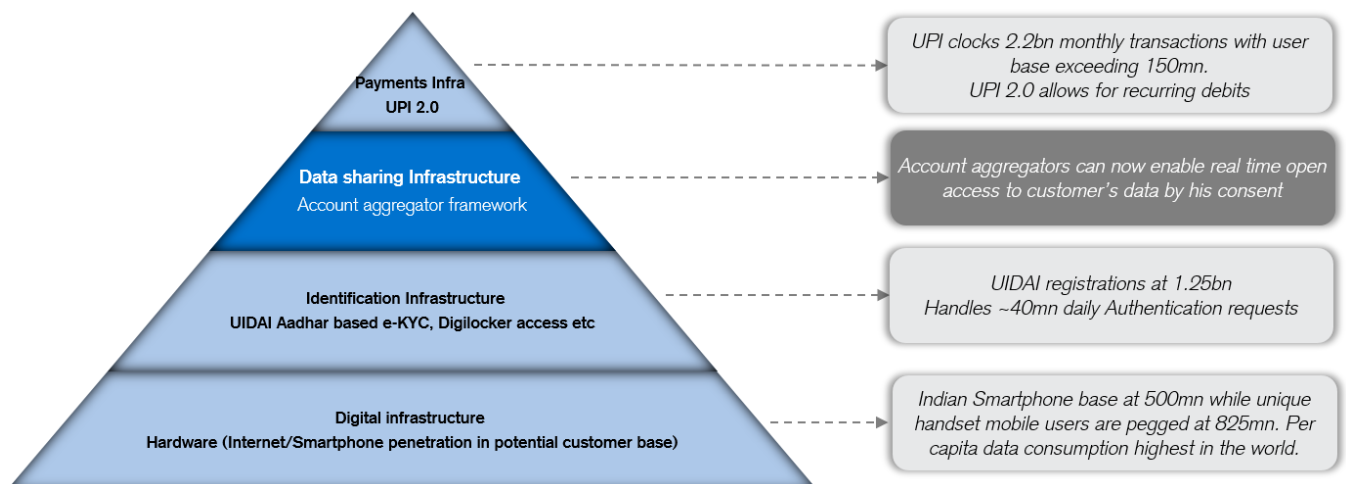
After successfully building public infrastructure for digital identification (Aadhaar) and payments (UPI), India has added a critical third layer: 'Digital access to data'. The RBI has given out 'account aggregator' (AA) licences to become providers of financial data. It is envisaged that AA will consolidate and provide access to financial data of a customer across different financial services providers such as banks, MF, insurance providers and tax platforms, etc. with the consent of the customer.

**Figure 58: FinTechs have been worst impacted among lenders with delinquency rates 2-8x that of NBFCs and private banks**



Source: FinTech collection report 2021

**Figure 59: AA unlocks sharing of customer data 'by consent' – the pending brick in digital lending infrastructure**



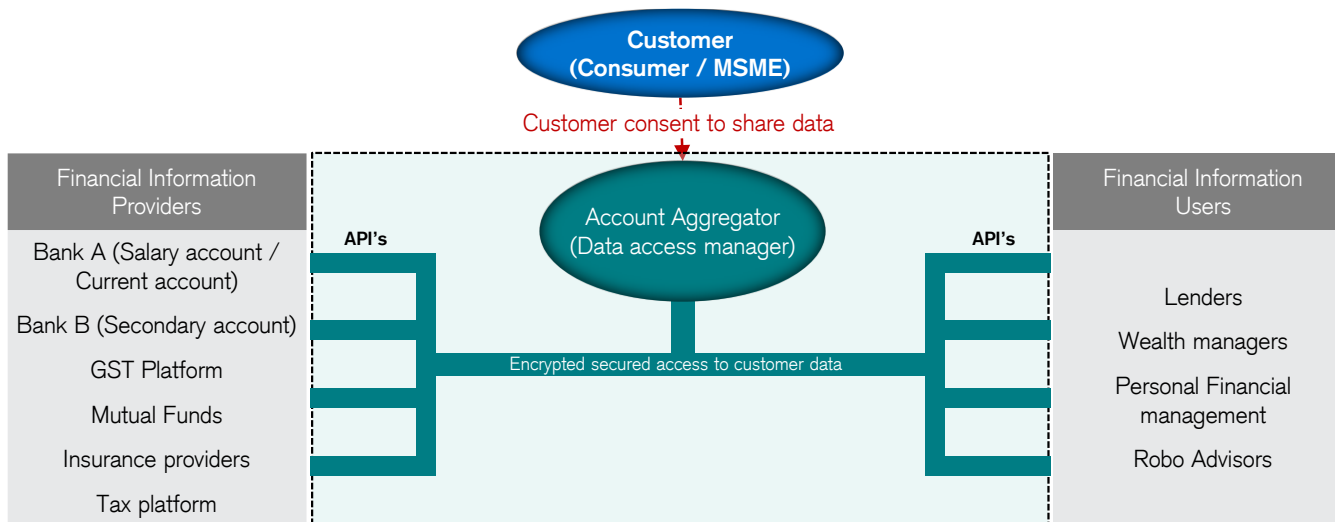
Source: Company data, NPCI, RBI, Credit Suisse

The NBFC-AA consolidates the financial data of a customer across financial service providers—those regulated by the Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), Pension Fund Regulatory & Development Authority (PFRDA) and Insurance Regulatory and Development Authority (IRDA). As per the framework, there are four parties involved: (1) customers (individuals/enterprises); (2) account aggregators; (3) financial information providers (FIP) and lastly; (4) financial information users (FIU). With AA, customers can now use their financial data as an ‘asset’ and provide it to different lenders to get competing offers. This also unlocks access to hitherto unavailable financial data such as an individual’s mutual fund investments and insurance policies. Typically, this data was proprietary with transacting banks, but with AA, customers can share it with other lenders to get competing offers. Similarly, enterprises can also share GST and tax data, with GSTN and the income tax department

being part of the AA. The framework demands reciprocity, i.e., one has to become an FIP in order to become an FIU. Further, as more platforms and information providers join the AA framework as FIPs, this should deliver more data for lenders to provide funding to more individuals and unlock cash flow-based lending to SMEs—helping grow credit penetration.

The linkage of AA apps with those of the financial applications of lenders or any independent FIU should happen seamlessly. An example of a typical loan process through use of AA is given below.

**Figure 60: Account aggregator to act as an intermediary sharing financial data based on customer consent**



Source: Company data, Credit Suisse

**Figure 61: Customer journey under AA framework for obtaining a loan digitally**



Source: iSPIRIT

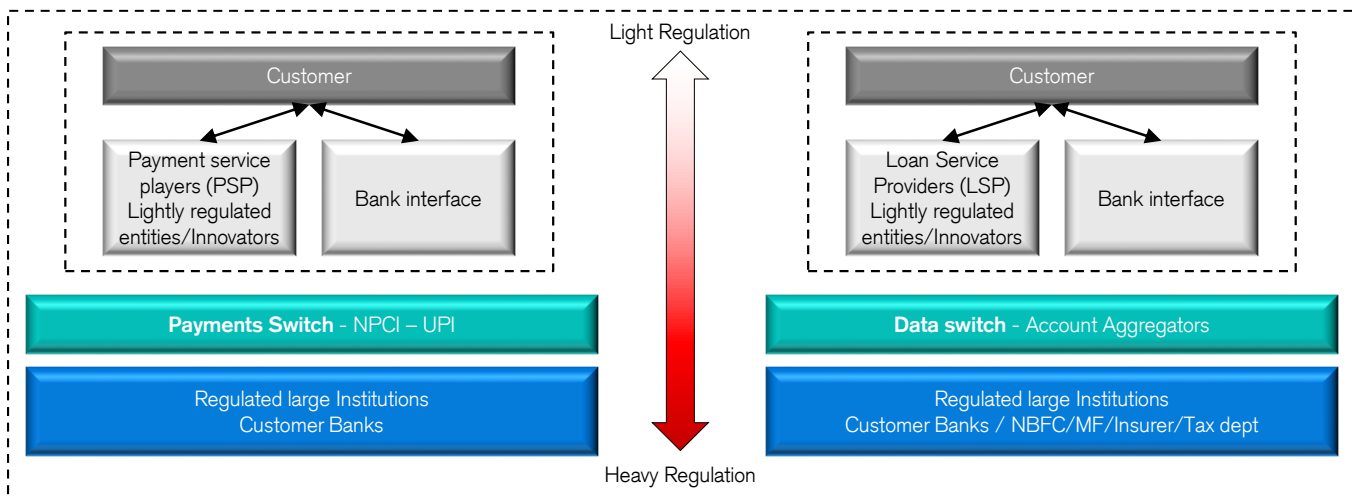


**‘Loan service providers’ (LSPs) to provide platform for embedding digital lending**

Under the AA framework, the RBI is attempting a three-tier structure similar to UPI consisting of a regulated infrastructure provider (NPCI/account aggregators) sitting between large regulated institutions and lightly regulated tech/digital led players which are customer-facing entities (Innovators/PSP/LSPs). ‘Loan service providers’ (LSP) would be consumer-facing entities that offer individual advice in the borrowers’ best interests, respecting fiduciary duties of disclosure, loyalty and prudence. While this structure retains the incumbency gains of customer ownership, it also allows for innovation by existing FinTechs already having large customer bases to enable cash flow-based SME lending and digital consumer lending.

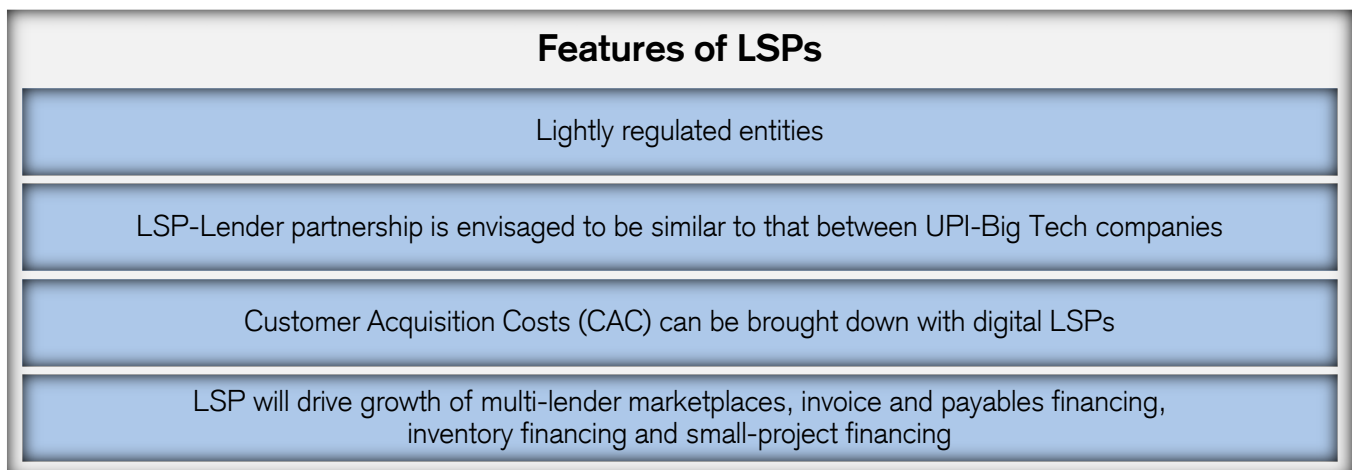
The LSP framework would enable FinTech players to embed personal, consumer and business loans in their existing offerings (or apps) and widen access to credit. It would be akin to partnerships between banks and tech players under UPI and add another channel of monetisation for these tech and payment players.

**Figure 62: AA and LSP framework emulating three layer structure of UPI**



Source: Credit Suisse

**Figure 63: Key features of LSPs in AA framework’s context**



Source: Company data, Credit Suisse

Large tech-driven payment service providers have rapidly acquired MSMEs and retail customers in recent years. Also, several aggregator platforms such as Zomato/Swiggy, Oyo and Make My Trip, among others, have emerged in recent years. If these digital players become the LSPs of these merchants (by consent), they can obtain competitive financial offerings for them and drive credit penetration. Also, one can expect innovators to come up with data/AI led underwriting models.

In addition to that, ecosystem-based existing SMEs and retail lenders can also expand materially by becoming a loan origination platform and partnering with incumbent banks and NBFCs. Players operating in the *kirana* (local store) and SME ecosystem such as Khatabook, merchant acquirers, Swiggy and Zomato, can add another channel of monetisation by becoming LSPs and catalysing cash flow-based lending and small ticket, short tenure digital personal loans or transactional credit to their customers.

**Figure 64: AA and LSP can unlock embedded lending for new-age economy businesses as well as for consumers**

Cash flow-based lending	Zomato/Swiggy - Restaurant (MSME)	Oyo/Makemytrip (MSME)	Makemytrip (Consumer lending)	Personal loans (Consumer lending)
Sachet loans, short and progressive tenures for new to credit	Loans against future online orders to restaurants	Loans against future bookings to hotels	Personal loans for funding travels/tours	Payday loans, small ticket consumption loans
Tied to end-use, linked to incoming cash-flows	Some part of cash set aside from incoming orders as repayments	Some part of cash set aside from incoming orders as repayments	End-use is pre-determined at the time of sale	E-mandate can ease collections from salary account
Lend through partners with massive distribution capabilities	Zomato has 600k restaurant partners while Swiggy has over 160k restaurants	Oyo/MMT have thousands of listed hotels (OYO has 270k rooms)	MMT has 44 mn users with gross bookings of US\$1.5 bn in a quarter	Google Pay, PayTM or even large banks have large customer bases which can be cross-sold
Real time lending decision & disbursement	Real-time overview of flows to allow quick decision making	Direct lien on inflows aids stable monitoring	Past travel history and payment history aid decision making	E-mandate on salary inflows and real-time disbursements in light of past record

Source: Company data, Credit Suisse estimates

**Figure 65: Potential LSPs**

Small merchants (Kirana)	SME	Invoice based	Retail
<ul style="list-style-type: none"> <li>▪ Khatabook</li> <li>▪ Google Pay</li> <li>▪ Amazon</li> <li>▪ Flipkart</li> <li>▪ PayTM</li> <li>▪ Jio</li> <li>▪ Udaan</li> <li>▪ OKCredit</li> <li>▪ BharatPe</li> <li>▪ Novopay</li> <li>▪ LoanTap</li> </ul>	<ul style="list-style-type: none"> <li>▪ PSB59</li> <li>▪ LendingKart</li> <li>▪ Indifi</li> <li>▪ Ziploan</li> <li>▪ KredX</li> <li>▪ OKCredit</li> <li>▪ LoanTap</li> <li>▪ InCred</li> <li>▪ Loanwoan</li> <li>▪ Flexiloans</li> <li>▪ Cashflo</li> <li>▪ Xpedize</li> <li>▪ ClearTax</li> <li>▪ Tally</li> <li>▪ Indiamart</li> <li>▪ Flipkart</li> <li>▪ Mswipe</li> <li>▪ PayU</li> <li>▪ Swiggy</li> <li>▪ Zomato</li> <li>▪ Udaan</li> </ul>	<ul style="list-style-type: none"> <li>▪ PSB59</li> <li>▪ Xpedize</li> <li>▪ Cashflo</li> <li>▪ ClearTax</li> <li>▪ Ziploan</li> <li>▪ KredX</li> <li>▪ PayU</li> <li>▪ InCred</li> </ul>	<ul style="list-style-type: none"> <li>▪ Zestmoney</li> <li>▪ Google Pay</li> <li>▪ Amazon</li> <li>▪ PayTM</li> <li>▪ Mswipe</li> <li>▪ PaisaBazaar</li> <li>▪ IndiaLends</li> <li>▪ Tala</li> <li>▪ Groww</li> <li>▪ Jio</li> <li>▪ LoanTap</li> <li>▪ PayU</li> <li>▪ Swiggy</li> <li>▪ Zomato</li> </ul>

Source: Company data, Credit Suisse



“ Neo Banks in India developing as bank partners rather than challengers.

# Digital platforms and partnerships driving 50-75% of bank business

Most FinTechs are operating in partnerships with incumbent banks and NBFCs across lending, liability and fee businesses through embedded offerings.

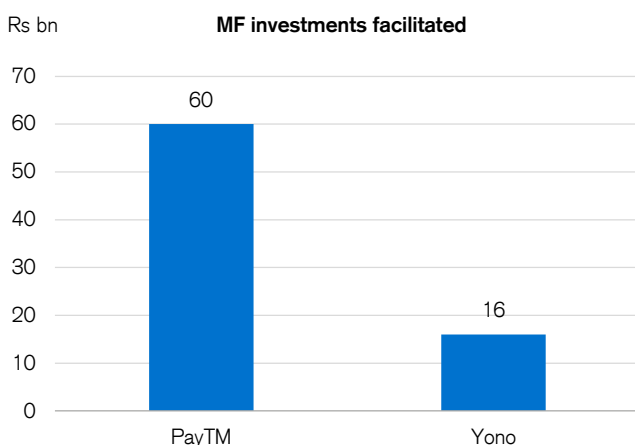
Partnerships with regulated entities also enhance regulatory comfort on FinTech business and customer acquisitions (AML/KYC).

Most FinTechs are operating in partnerships with incumbent banks and NBFCs across lending, liability sourcing as well as fee businesses. Payment and merchant players have partnered with incumbent players for embedding credit and investment products (personal and consumer loans, insurance and MF). Similarly, PayTM has sourced ~Rs15 bn of fixed deposits for its partner bank whereas banks such as IDFC First have partnered with Zerodha to build para-banking capabilities (broking). These partnerships, along with their proprietary platforms, have enabled banks to derive 53-75% of their personal loans, cash credit, MF/insurance sales as well as deposits digitally. Neo banks are also developing in India as bank partners rather than challengers. SBI's YONO is among the most successful bank apps with more than 32 mn users and it is now looking to evolve it into an open banking platform.

## FinTechs partnering with banks on lending, liability and fee businesses

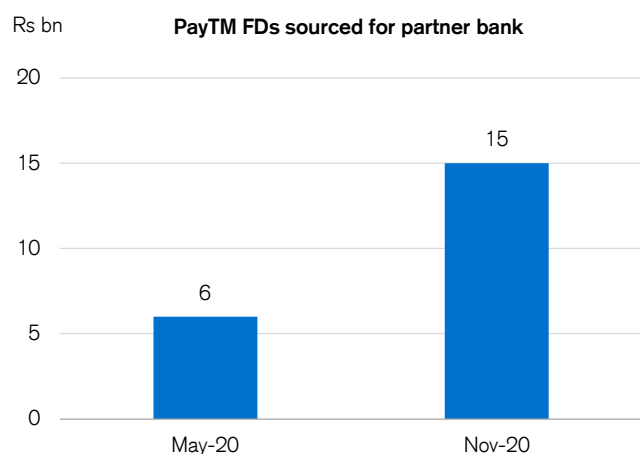
FinTechs have forged partnerships with banks to embed credit products, such as personal loans, consumer loans as well as investment and protection products like insurance and MF. While adding new channels of monetisation and increasing user engagement, these partnerships also help incumbent banks to expand reach and increase the share of digital business. Indeed, the likes of PayTM have enabled Rs60 bn of MF investments to date and sourced Rs15 bn of fixed deposits for its partner bank. Additionally, incumbent banks lacking para-banking offerings have partnered with FinTechs to offer them to its customers. Indeed, IDFC First bank has partnered with Zerodha for broking enabling the latter to open three-in-one broking accounts and enable one click fund transfer as in the case of bank-backed brokerages.

**Figure 66: Payment and banking platforms embedding investments**



Source: Company data

**Figure 67: Within 6M, PayTM has sourced ~Rs10 bn of fixed deposits for its partner bank**



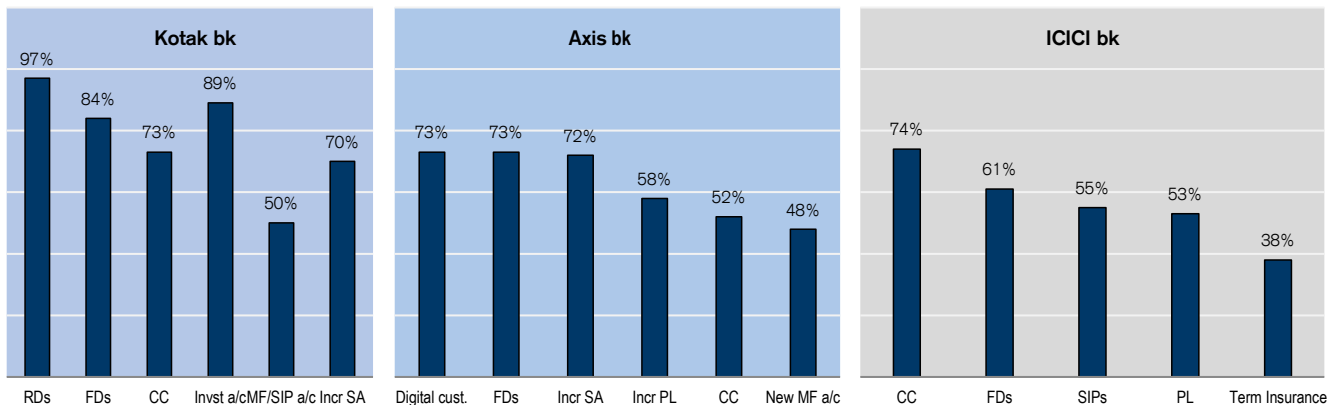
Source: Company data

## Digitisation becoming the mainstay for incumbents to cross-sell

On the back of proprietary digital platforms and partnerships with FinTechs, digital has helped drive cross-selling, new business acquisition and customer servicing channels for incumbent banks. Larger private sector banks and the SBI have developed their proprietary digital platforms which source 60-70% of new retail customers, 60-80% of retail fixed deposits, ~75% new credit card sourcing and 50-60% of new home/MSME loans.

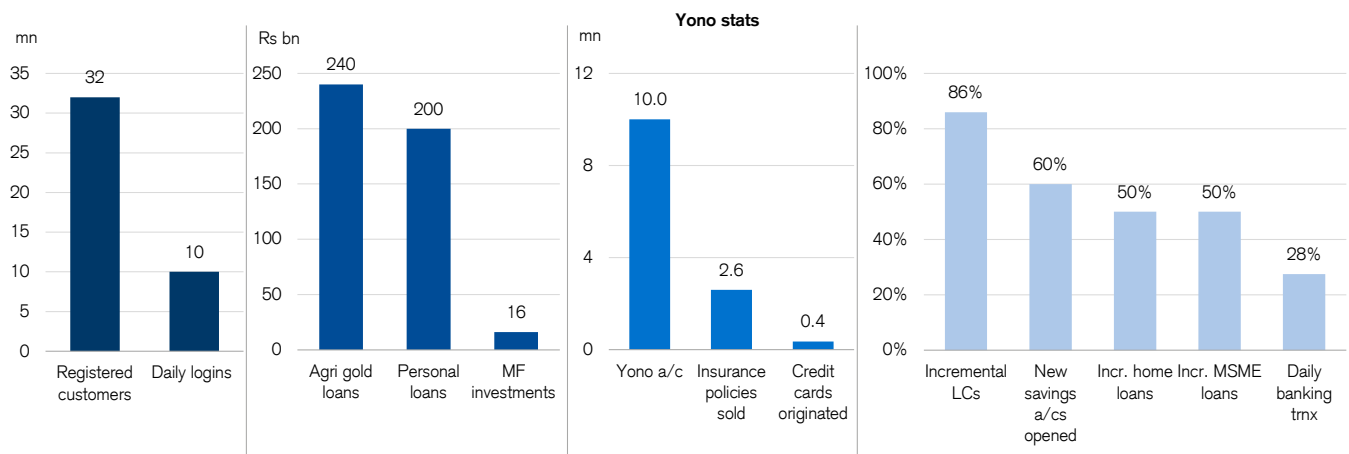
SBI's flagship digital platform, YONO with 32 mn customers is rapidly helping it grow digital business for the bank. Over the medium term, SBI intends to hive off YONO into an independent open-banking digital platform by opening its backend to other banks on a 'pay-per-use model'. Other banks can directly connect their backend to YONO's API, enabling them to use YONO's platform with their own branding. While intended primarily for other PSU banks, the majority of which lack good digital platforms, YONO can also enable private FinTech companies to integrate banking features or build neo-banks on top of it.

**Figure 68: Proprietary digital platforms and partnerships with FinTechs have enabled incumbents source 53-75% of their personal loans, cash credit, MF/insurance sales as well as deposits incrementally**



Source: Company data

**Figure 69: SBI's digital banking platform, YONO, is likely to be evolved into an opening banking platform**



Source: Company data, Credit Suisse

## Neo banks in India partnering with incumbents

Neo banks are typically digital-only banks offering the entire gamut of banking services digitally to their customers. Given the digital-only operations and contemporary user interface, younger and digital-savvy customers have been their primary target. However, in India, neo banks have partnered with incumbent banks. They have built API-based platforms that enable digital account opening, integration with billing and expense management software, payroll and CRM management, and automated analytics for SME customers. These APIs help connect neo bank customers to be on-boarded and transact with a traditional bank. Razorpay and Open have built SME-focussed neo banking platforms offering these value-added services. Similarly, Niyo and Finin are consumer-focussed neo banks that provide services such as no-mark-up forex cards, goal-based investment advice, expense tracking and management, support, and voice assistants in regional languages for blue collar workers.

Essentially, neo banks in India offer an enhanced interface to bank products along with some value-added services on both the asset and liability side in partnership with banks. These partnerships are helping incumbent banks to acquire customers as well as improve cross-selling at relatively lower costs. Many banks such as Kotak, ICICI, HDFC, SBI and Axis have also built digital platforms organically.

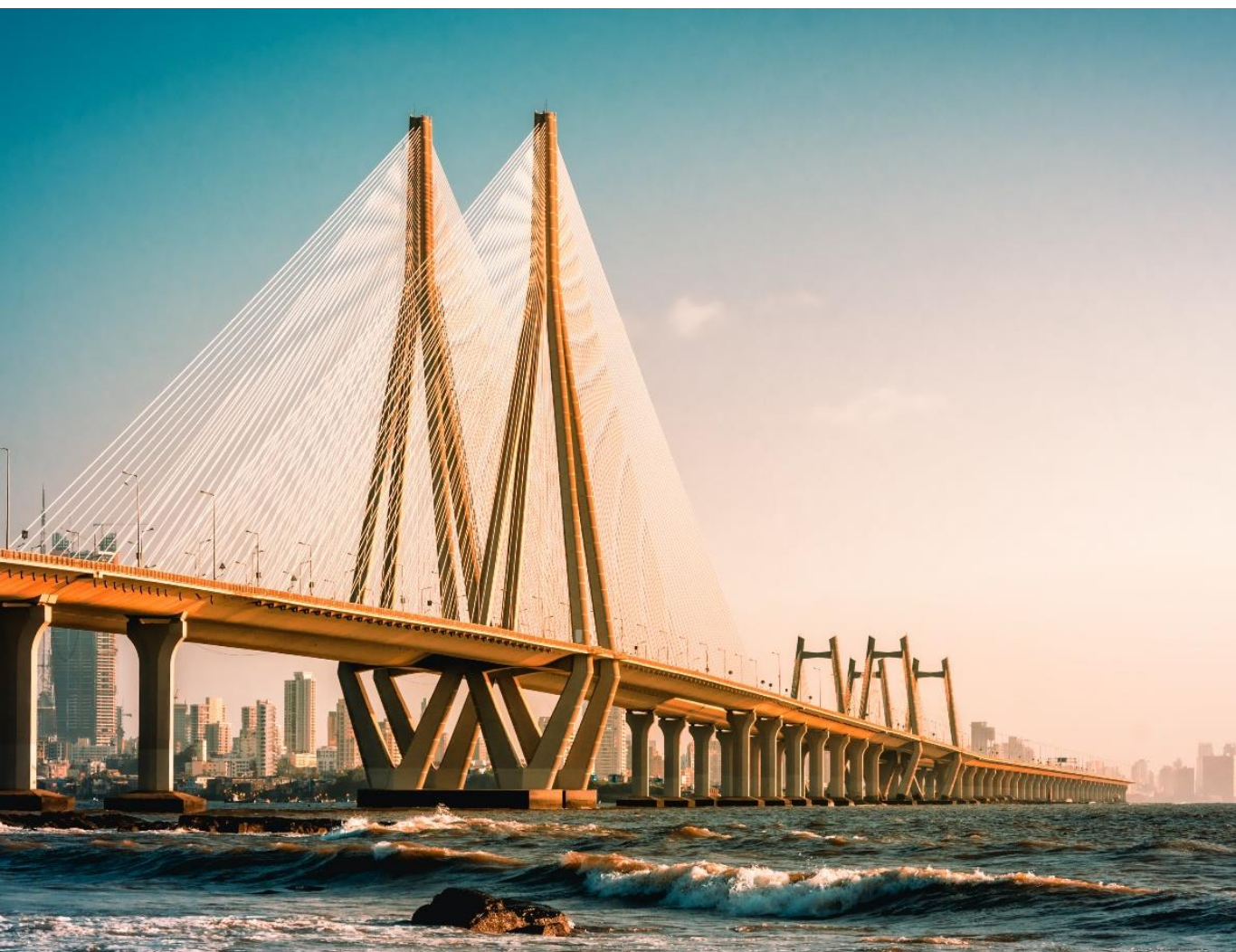
## FinTechs are aiding banks' growth in PoS-based credit

FinTech and bank partnerships are also visibly changing the acquiring ecosystem. Specialised POS terminal players such as Pine Labs and Mswipe have helped accelerate merchant digitisation and reduce merchant acquisition costs for banks. These FinTechs have incurred the upfront investment in POS terminals and allowed banks to operate as a virtual acquirer. Pine Lab's POS-based cloud platform unifies multiple acquiring and issuing banks on one POS machine. These partnerships have also helped banks scale up in the consumer durable financing space. They provide a unified platform for merchants and brands, which combined with a bank's customer base enhances credit availability. Given partnerships now with more than 35 lenders, Pine Labs has indeed become a dominant player in off-line POS consumer durable financing (~90% market share outside of Bajaj Fin) offering US\$2 bn of POS-based credit annually in tie-ups with 120+ brands, and 150k merchants for fees. Banks have leveraged this enhanced reach to offer pay-later/EMI-based credit to not just credit card users but also to a growing share of their debit card customers.

**Figure 70: Neo banks offering value-added services on top of banking services**

Neo-bank	Product/services	Partner bank	Target customers
<b>Niyo</b>	Account openings, forex cards, employee benefits system, travel loans, early salary advances, MF investments	IDFC First, DCB, Yes	Millennials, SMEs, corporates and workers
<b>RazorpayX</b>	Payments, CA, cheque books, CC, payroll, IT and compliance management, CRM	RBL Bank	SMEs
<b>Open</b>	CA, payment gateway, CC, automated book-keeping, cash flow management, compliance management	ICICI, Yes, SBI, Axis, HDFC, Kotak, IndusInd, Union, IDFC, PNB	SMEs
<b>InstantPay</b>	CASA, prepaid cards, bill payments and collections, travel insurance, loans and investments, expense and cash management solutions	Federal, ICICI, HDFC	Millennials, corporates and SMEs

Source: Company data, Credit Suisse



## “ Profiles of Indian FinTechs

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# PayTM (US\$16 bn)

## No longer just a payment company

PayTM was among the first few companies to drive digital wallet adoption at scale through its closed loop system. Over the years, it has built a user base of ~450 mn and gained network effects. However, the advent of UPI impacted PayTM's payment moat with new platforms—Google Pay and PhonePe gained an 85%+ market share in UPI payments which has grown to constitute 34% of total digital payments in India. PayTM has ~7.5% market share in UPI and has focussed on P2M (person-to-merchant) given the lack of monetisation in UPI P2P (person-to-person) payments. It has on-boarded ~17 mn merchants, most of which are QR code-based small merchants. Its enterprise and mid-large merchant acquisition business is gaining traction with offerings, such as Paytm for Business, Soundbox, Business Khata, Payout services, as well as lending to merchants.

On the consumer side, PayTM has evolved into a diversified FinTech platform, offering investment (MF, FD, stock broking), protection (insurance), and lending (BNPL, personal loans), with an aim to drive monetisation through cross-selling. It secured a payment bank licence in 2017 and has raised Rs10 bn of deposits from ~60 mn accounts. Given the stricter regulation of payment bank activities and the high cost of full Know Your Customer (KYC), payment bank scale-up has been relatively slower. It has also been able to raise another Rs15 bn of fixed deposits for its partner, IndusInd Bank. Similarly, its wealth management platform, PayTM Money, has 6.6 mn active users investing in gold, mutual funds and trading in stocks. In consumer lending, it currently offers PayTM postpaid as a BNPL product to its 30 mn pre-approved customers and has also recently launched personal consumer loans. It also offers insurance policies on its platform. Its consumer internet offerings (travel, entertainment and shopping) help it attract new customers and increase engagement on the platform. These offerings have 4-5 mn daily transactions.

PayTM has plans of being not just an originator but also to lend on its balance sheet. Indeed, it has applied for its own NBFC licence and also plans to convert its payments bank into a small finance bank which would enable it to lend on its balance sheet as well as build a liability franchise (the current payment bank licence restricts deposits to Rs0.1 mn per customer).

---

### Payments: P2M is focus; P2P drives user engagement

PayTM has also adopted UPI for P2P payments and has ~7.5% market share in total UPI payments. Currently, UPI mainly caters to P2P digital payments, with only a 16% share of P2M payments whose average ticket size is 70-80% lower than debit and credit cards. PayTM has focussed on the P2M segment and on-boarded ~19 mn merchants. Its enterprise and mid-large merchant acquisition business is gaining traction, with 0.2 mn merchants already on board.

---

### Financial services: Platform approach to drive monetisation

Currently, it offers PayTM postpaid as a BNPL product to its 30 mn pre-approved customers as well as lending to its merchant partners. Recently, it has also launched personal consumer loans. While it currently originates loans in partnership with banks and NBFCs, it has plans to lend on its balance sheet.

---

### Seeking small finance bank licence to expand product offerings

Currently, PayTM operates a payment bank which enables it to collect demand deposits (albeit up to Rs0.1 mn), issue debit/ATM cards and distribute third-party products. However, the regulations expressly prohibit payment banks from lending or issuing credit cards. PayTM has plans of being not just an originator but also wanting to lend on its balance sheet. Consequently, it has applied to convert its payment bank into a small finance bank which would enable it to lend on its balance sheet as well as build a liability franchise (the current payment bank licence restricts deposits to Rs0.1 mn per customer).

---

### Consumer internet: Customer acquisition and increased engagement

PayTM has consumer internet offerings (travel, entertainment, gaming and shopping) that help it to attract new customers and increase engagement on the platform. These offerings have 4-5 mn transactions on a daily basis. Prior to COVID-19, it sold ~36 mn travel and entertainment tickets in the Sep-2019 quarter. Gaming is another vertical which has scaled up, with monthly revenue of ~US\$15 mn (in Sep-2019).

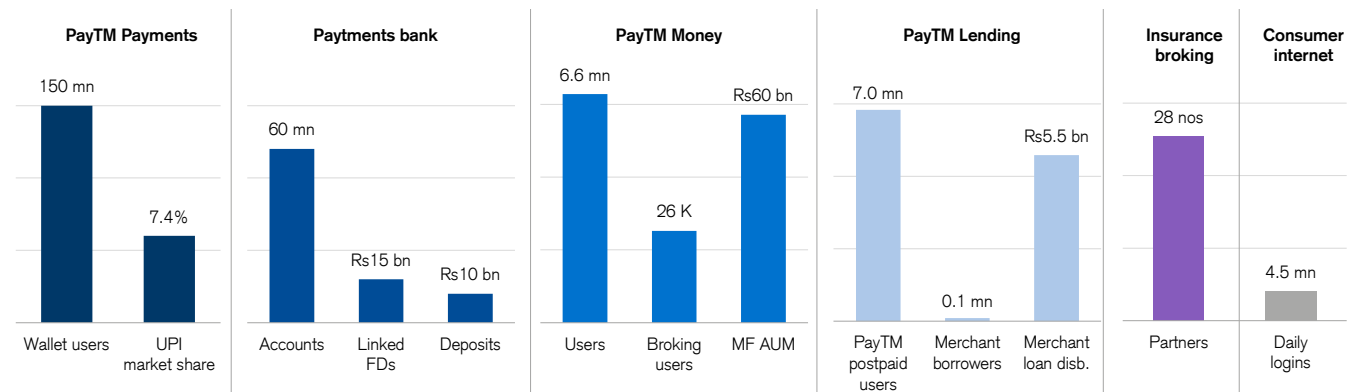
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### Management profile

#### Vijay Shekhar Sharma

He is the founder, MD and CEO of PayTM. He was listed as one of Time Magazine's most influential people and India's youngest billionaire by Forbes in 2017. He also invests in early-stage internet start-ups from his PayTM's One97 Mobility Fund. He has a bachelor's degree in electronics and communication engineering from the Delhi College of Engineering.

**Figure 71: Starting off with payments, PayTM has expanded to lending, broking, investing (MF + FD) & insurance**



Source: Company data, NSE, NPCI, Credit Suisse

**Figure 72: PayTM...**

Key stats		
Valuation	US\$ mn	16,000
Select investors	Softbank, Ant Financial, T. Rowe, Hana investment	
Key data points		
Registered users	mn	450+
Monthly active users	mn	140+
Number of merchants	mn	17
PayTM Money AUM	Rs bn	60
Select financials		FY20
Revenue	Rs mn	33,500
PAT	Rs mn	-28,330

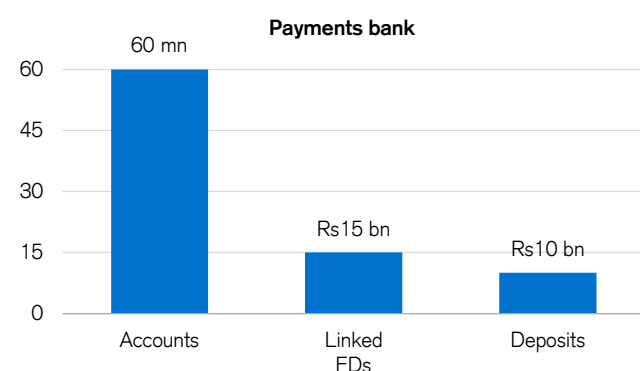
Source: Company data

**Figure 74: PayTM's full-stack FinTech platform**

	PayTM FinTech platform
Lending	Personal loan
	Buy Now, Pay Later (postpaid)
	Merchant financing
Insurance	Life insurance
	General insurance
Wealth management	Digital fixed deposit
	Stock trading
	Direct MF investing
	Digital gold investing

Source: Company data

**Figure 76: PayTM payments bank has 60 mn accounts; has garnered Rs10 bn in deposits for itself and Rs15 bn FDs for its bank partner**



Source: Company data

**Figure 73: ...developing a FinTech platform**

	Segments	Status
Lending	Partner NBFCs	Clix Capital, Happy Loans
	Payments bank	Licensed
	SFB licence	Applied
	Own NBFC licence	Applied
Insurance	Insurance distribution	Licensed
	Insurance Mfg.	Acq. general insurer. Approval awaited
Wealth management	MF distribution	Licensed
	Stock broking	Licensed

Source: Company data

**Figure 75: PayTM's loan offerings for its customers**

PayTM merchant loans	PayTM Postpaid (BNPL)	PayTM Personal loans
<ul style="list-style-type: none"> <li>Loans disbursed: Rs5.5 bn; 0.1 mn MSMEs (FY20)</li> <li>Ticket size: Upto Rs0.5 mn</li> <li>In partnership with banks and NBFCs</li> </ul>	<ul style="list-style-type: none"> <li>Active user base: 7 mn</li> <li>Pre-approved users: 30mn</li> <li>Ticket size: Upto Rs20K for customers with no credit score and upto Rs100K for pre-approved customers</li> </ul>	<ul style="list-style-type: none"> <li>Pre-approved users: 1 mn</li> <li>Ticket size: Upto Rs200 K</li> <li>Salaried, SMEs and professionals</li> <li>Tenure: 18-36 months</li> </ul>

Source: Company data

**Figure 77: SFB licence to allow PayTM to lend on its balance sheet, scale liability franchise and expand product offerings**

	Payments bank	Small finance bank (SFB)
Deposits	Only demand deposits; capped at Rs0.1 mn	All forms of deposits allowed; no cap
Lending	Not allowed	Allowed <b>Conditions:</b> • 75% to PSL eligible categories • 50% loans to have ticket size less than Rs2.5 mn
Credit cards	Not allowed	Allowed
ATM / Debit cards	Allowed	Allowed
Distribute third-party products	Allowed	Allowed

Source: RBI, Credit Suisse

# Google Pay

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## Merchants and lending next targets after UPI-based payments success

Google Pay is amongst the largest UPI based payments app with ~75 mn monthly active transacting users (according to [Techcrunch](#)) and 41% market share in UPI payments. It processes ~US\$260 bn payments on an annualised basis through UPI. While search and advertisement based on user's data has been Google's forte, Google Pay in India is one of the B2C success story for Google and has taken UPI-based payments template globally. In India, Google is connecting its ~26 mn off-line merchants (having listings on Google My Business) with its Google Pay customers by embedding them within the Google Pay app and enabling digital payments. In addition to off-line merchants, it has also embedded usual payments use cases like bill payments, recharges and has also embedded online merchants across shopping, travel, entertainment, food delivery, etc. Google Pay also offers personal loans to its pre-approved users and cash flow based loans to pre-approved merchants in tie-up with banks through the app.

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### Embedding online and offline merchants...

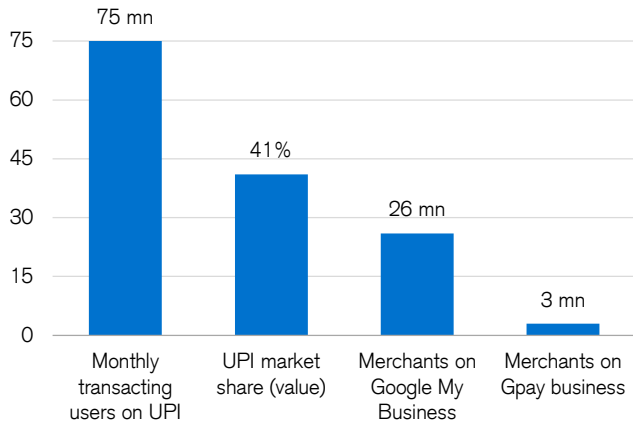
Like PhonePe, Google has also embedded various on-line merchants on Google Pay. In addition to billers, online merchants across food delivery, travel, groceries, shopping and digital gold categories are embedded on the Google Pay app. Transactions are facilitated within the Google Pay app. Similarly, it has also enabled off-line merchants to create a digital presence on the app connecting them with nearby users. These micro merchants are displayed under the 'Nearby' category on the Google Pay app which supports product listings, business hours, and the like.

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### ...as well as loans on the app

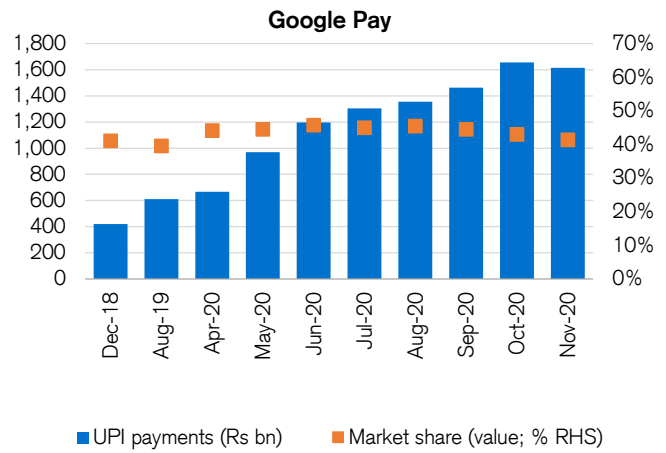
Google has also embedded pre-approved personal loans on the app through tie-ups with banks. Google has partnered with HDFC Bank, ICICI Bank, Federal Bank and Kotak Mahindra Bank to disburse instant personal loans to customers pre-approved by the banks. Similarly, in Dec-2020 it has launched pre-approved loans to 3 mn+ Google Pay merchants.

**Figure 78: With ~75 mn monthly transacting users...**



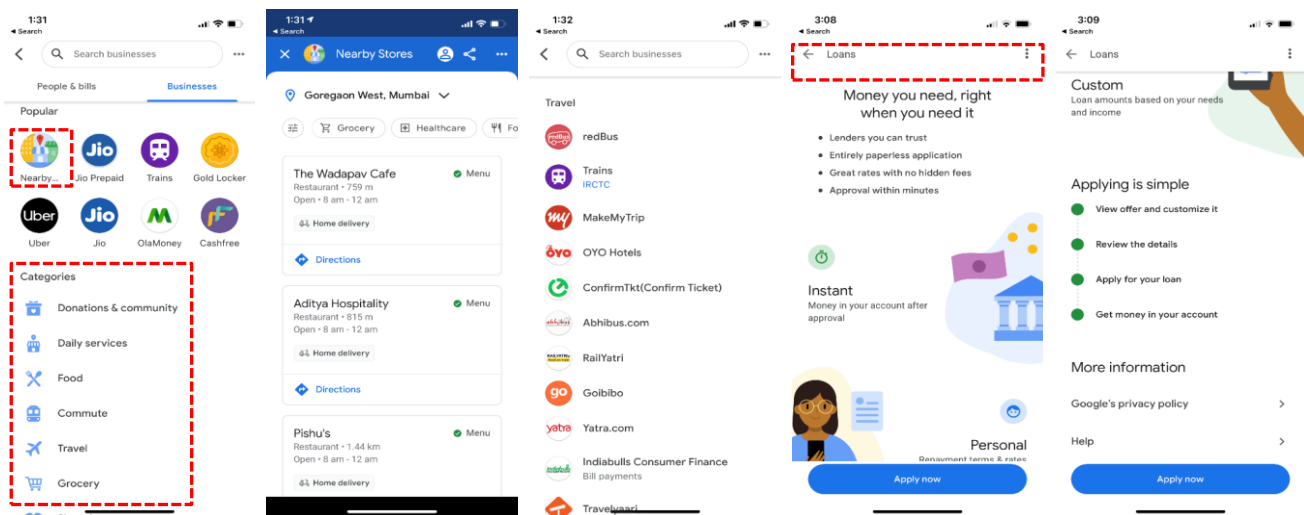
Source: Company data, NPCI, Techcrunch

**Figure 79: ...Google Pay has 41% market share in UPI transactions**



Source: NPCI

**Figure 80: Google Pay embedding offline and online merchants as well as personal loans**



Source: Company data, Credit Suisse

# PhonePe (US\$5.5 bn)

## Leader in UPI payments; developing super-app platform through partnership

PhonePe is a market leader in UPI payments, with 45% market share and a user base of ~250 mn registered and ~100 mn monthly active users. While UPI payments remain the primary 'hook' to engage users, it lacks monetisation in India and PhonePe is now cross-selling financial products (investment/protection). Its offerings encompass mutual fund investments, digital gold and insurance products (term and bite-sized general insurance).

PhonePe has also been onboarding merchants and it has developed an in-app tab, 'Switch', for online merchants which houses mini-apps of 220+ merchants like Practo, Ola, Book My Show, Goibibo, Dominos, Box8, etc. It has also onboarded 13 mn+ offline merchants through inter-operable QR codes. However, PhonePe digitally connects its 100 mn users to nearby offline PhonePe merchants via the 'Stores' section on its app. PhonePe can monetise its offline merchants by lending to them based on transaction data and also provide some value-added services as they scale. PhonePe enables flight or movie bookings, shopping, in partnership with existing players like Goibibo, BookMyShow, etc., while PayTM has adopted a build-your-own approach and entered these categories itself.

---

### ~45% market share in UPI payments

PhonePe has grown to become the market leader in UPI payments, with ~45% market share on a value basis. Its average ticket size of Rs2,020 (as of Nov-2020) is 20% higher than Google Pay's and 1.8x that of PayTM's. However, this market leadership does not come with any direct revenues for UPI players, given the MDR (on P2P as well as P2M) is zero. Payments have primarily become means for customer acquisition and engagement with companies looking at cross-selling other financial products to their users leveraging data generated through payments.

---

### Developing platform through partnerships to monetise its ~100 mn active customers

To monetise its user base beyond payments, PhonePe has built a platform to cross-sell financial products (except lending) and drive e-commerce shopping. Thus, the platform gives users access to investments (MF, gold), insurance (life, health, motor), travel and entertainment, shopping, etc. offerings. Using 'Switch', users can shop and complete the transaction on the PhonePe app. PhonePe earns a commission for the transactions on these apps through the Switch platform.

---

### Connecting offline merchants to PhonePe users

PhonePe enables its 13 mn+ offline merchants to accept UPI-based digital payments through inter-operable QR codes. The merchant partners are offered a personalised store page on the PhonePe app wherein they can list store timings and share their product catalogue. It also enables merchants to offer home delivery by facilitating remote payment from the app.

---

### Management profiles

#### Sameer Nigam

Sameer Nigam is the co-founder and CEO of PhonePe. Prior to founding PhonePe, he worked as senior vice president, engineering, at Flipkart. He is an MBA from the Wharton School.

#### Rahul Chari

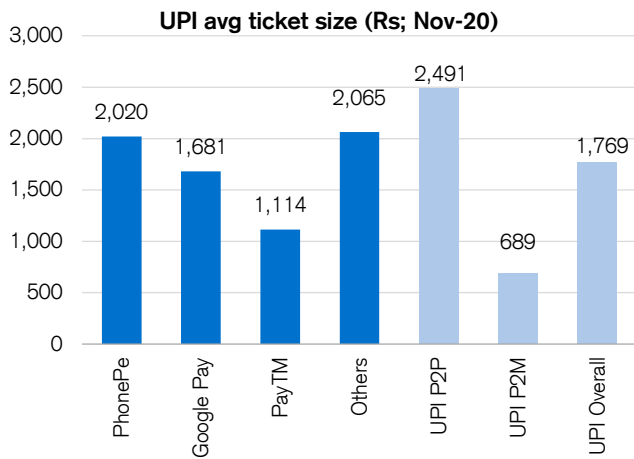
Rahul Chan is co-founder and CTO of Phone Pe. He built the software stack for eKart logistics at Flipkart before starting off PhonePe. Prior to that he had over ten years of experience in storage visualisation, content management, and supply chain technology. He has a degree in computer science from IIT Bombay.

Figure 81: PhonePe...

Key stats		
Valuation	US\$ mn	5,500
Select investors	Flipkart, Walmart	
Key data points		
Registered users	mn	250
Monthly active users	mn	100
Merchants	mn	13
UPI avg ticket size (Nov-20)	Rs	2,020
Select financials		FY20
Revenue	Rs mn	4,270
PAT	Rs mn	(17,710)

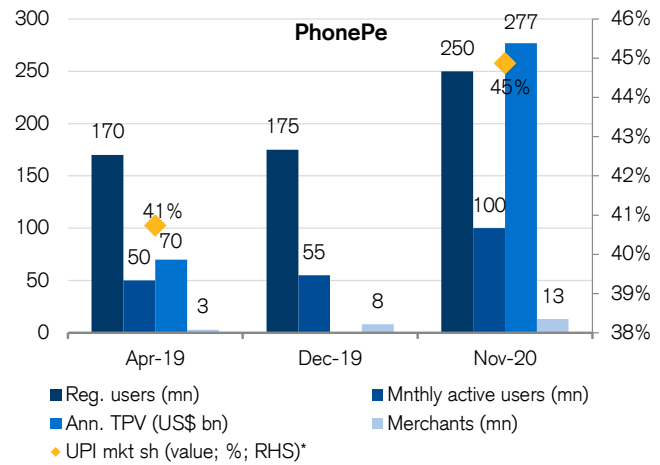
Source: Company data, NPCI

Figure 83: PhonePe has 45% market share; ATS of Rs2,000/transaction



Source: NPCI

Figure 82: ...to monetise ~100 mn users beyond payment



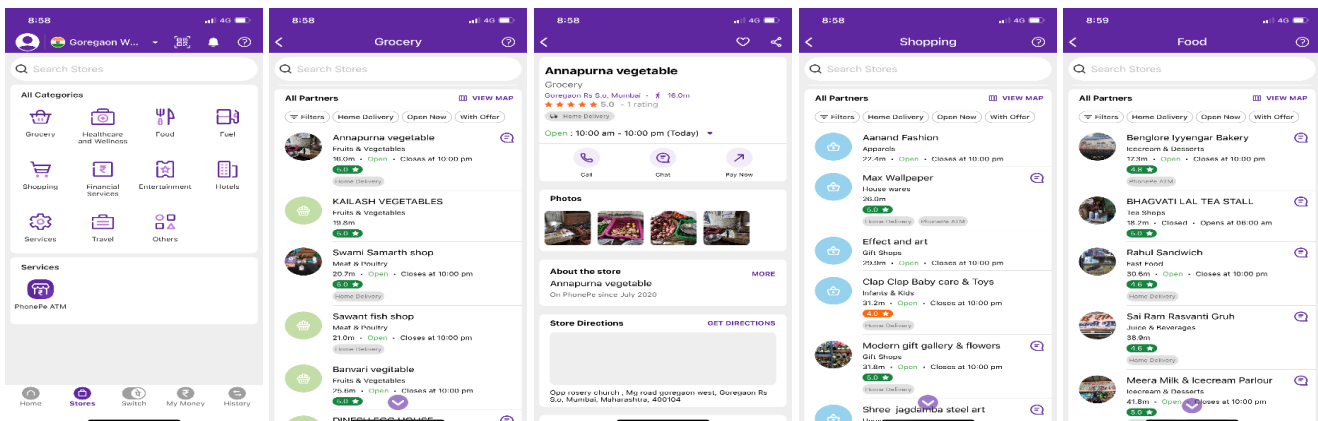
Source: Company data, NPCI

Figure 84: PhonePe has partnerships for various categories; PayTM has adopted a more build-your-own approach

Categories	PhonePe	PayTM
<b>Payments</b>		
Utility, bill payments & recharges	Own	Own
Lending	Not started	Currently partnered with banks/NBFCs. Applied for NBFC/SFB licence
<b>Investments</b>		
Mutual funds	Partnership with MFs	Partnership with MFs
<b>Protection</b>		
Life insurance and general insurance	Partnership with insurers	Partnered with insurers. Awaiting reg. approval for acquisition of a general insurer
<b>E-commerce</b>		
Flight, hotel and movie bookings	Book My Show, Make My Trip, Oyo, yatra, etc.	Own
Food delivery	Box8, Dominos, Freshmenu, Dineout, etc.	Own
Shopping	Partnerships: Ajo, Lenskart, other brands	Own e-commerce portal

Source: Company data, Credit Suisse

Figure 85: PhonePe's 'Stores' connect off-line merchants to users



Source: Company data

# WhatsApp Pay

## Payments to help add the missing cog in its e-commerce ambitions

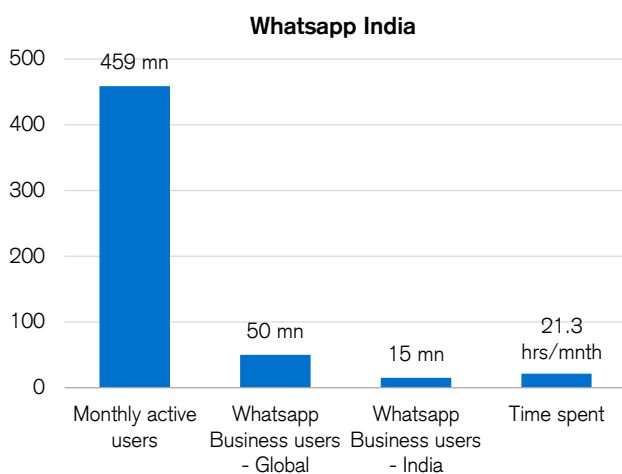
WhatsApp, with its ~460 mn active user base, is the most widely used messenger app in India, with users spending 21 hours per month on an average on the app. With its wide user base and engagement levels, WhatsApp had the inherent potential to become amongst the largest payments player (UPI-based) in India. However, since 2018, WhatsApp was operating with just 1 mn users in the Beta phase, awaiting regulatory approvals. Thereafter, in Nov-2020 it received the regulatory approvals to gradually expand its rollout, starting with 20 mn users in phase 1.

Currently, WhatsApp's business offering, WhatsApp Business, enables customer inquiry, product/catalogue listing, but finally redirects to an external payment gateway to complete the transaction. Ability to process payments through UPI will enable WhatsApp to complete end-to-end transactions on the app. Indeed, even before the full-scale rollout of WhatsApp Pay (UPI), it has 15 mn WhatsApp business accounts, which compares 13-17 mn merchants onboarded by PhonePe and PayTM.

### Embedding financial products to create P2M use cases

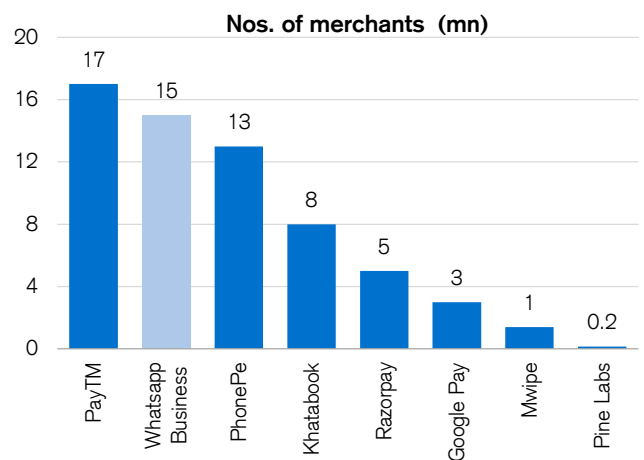
To create P2M use cases and drive engagement, WhatsApp has tied up with general and life insurance companies to sell sachet-like insurance policies. For health insurance, it has tied up with SBI General Insurance, and for pensions, with HDFC Life.

Figure 86: WhatsApp India...



Source: Company data, Credit Suisse

Figure 87: ...already has 15 mn business accounts



Source: Company data, Credit Suisse

# MobiKwik (US\$414 mn)

## Evolving from payments to a diversified FinTech platform

MobiKwik has evolved from a wallet player to offer a wider stack of financial products to its 120 mn customers and 3 mn merchants. It has added UPI functionality, 200+ billers, and also cross-sells loans, insurance, and investment products. It also offers 15-30 days Buy Now, Pay Later (BNPL) to existing customers on the back of payments and transaction data generated over years. Till date, it has disbursed Rs13.5 bn of personal and EMI-based loans in partnership with NBFCs like Bajaj Finance, and AB Cap. Along with credit, the platform also offers insurance and investments in partnership like mutual fund investments, digital gold, etc.

### Product offerings

- **Payments:** UPI, 200+ billers for utilities, recharges, etc., and bank fund transfers.
- **Lending, investing and insurance:** BNPL and unsecured loans of up to Rs0.5 mn in tie-ups with NBFCs; investing via MFs, digital gold, and cross-selling insurance policies.
- **Payment gateway:** Payment gateway and link-based payments for fees of 200 bp.

### Monetising by cross-selling credit and insurance

While payments drives user engagement (potential for monetisation is limited), MobiKwik has built capabilities to cross-sell other financial products for monetisation. It launched app-based lending in 2018 in partnership with NBFCs like Bajaj Fin, Aditya Birla Cap and DMI finance by leveraging data of 120 mn users. Currently, it offers BNPL for 15-30 days and also offers unsecured EMI and personal loans to existing customers for ticket sizes of up to Rs0.5 mn. It has disbursed 4x more loans in 1H FY21 compared to last year. It has also integrated bite-sized insurance products on its app with monthly premiums starting at Rs20. MobiKwik has originated ~0.5 mn insurance policies having Rs40 mn premiums till date. It has also partnered with American Express to offer co-branded credit cards to its customers.

### Management profiles

#### Bipin Preet Singh

Bipin Singh is co-founder and CEO at MobiKwik. Previously, he worked at Intel, Nvidia, Free Scale Semiconductors, and was also a partner at an advertising firm, Star Auto. He has an engineering degree from IIT Delhi.

#### Upasana Taku

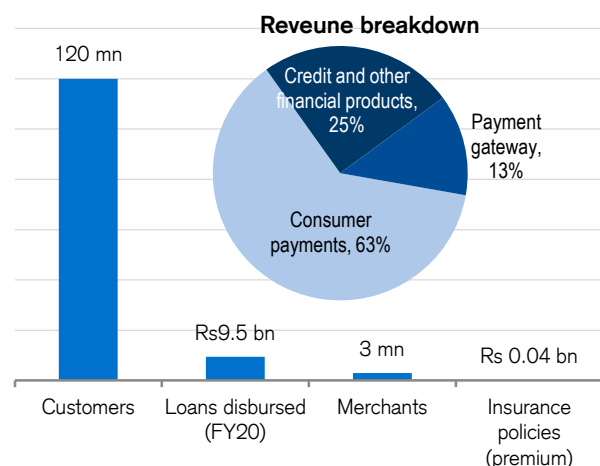
Upasana Taku is co-founder and COO of MobiKwik. She has a payments background, working as a senior product manager with PayPal in Silicon Valley and HSBC at San Diego. She has a master's degree in management science from Stanford University.

**Figure 88: MobiKwik has 120 mn customers and 3 mn merchants**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>414</b>
Select investors	Sequoia, Bajaj Fin, Net1, American Express	
Key data points		
Customers	mn	120
Merchants	mn	3
Loans disbursed	Rs mn	13,500
Select financials		FY20
Revenue	Rs mn	3,790
EBITDA	Rs mn	(450)
Cash EBITDA	Rs mn	(90)

Source: Company data

**Figure 89: Cross-sell products contribute one-fourth of total revenues**



Source: Company data



# Pine Labs (US\$2.0 bn)

## Largest POS and EMI player, processing 14% of card spends

Pine Labs is the largest POS player, processing US\$30 bn of payments annually, representing 14% of card spends through a network of ~600k POS machines. Its cloud-based SaaS platform, 'Plutus', supports payments across different modes, including gift cards, loyalty points, and on credit (EMI) by integrating multiple issuer and acquirer banks on a single platform. Typically, Pine Labs' target segments are large merchants compared to SMEs for its peers. Its business model consists of fixed rental for POS machines and bundling value-added services (analytics, billing and reconciliation, EMI financing, loyalty programmes, etc.).

Pine Labs is virtually the only player in gift card management in India (95%+ market share) processing US\$1.5 bn annually. It has also become a dominant player in offline POS consumer durable financing (~90% market share outside of Bajaj Fin) wherein it offers EMIs in tie up with 120+ brands, 35+ lenders, and 150k merchants for fees. It enables its banking partners to offer no-interest EMIs to not just credit card users but also debit card customers. Its BNPL has scaled to disburse US\$2 bn of consumer loans (no-interest EMIs) in FY20 with ATS of ~Rs25,000 in India and plans to expand the offering to five Southeast Asian markets in 2021.

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### POS-based cloud platform unifies multiple acquiring and issuing banks on one POS machine

Pine Lab's flagship 'Plutus'-based POS-based cloud platform enables digital payments across both traditional credit or debit cards as well as e-wallets, QR code, and UPI on a single platform. It unifies multiple acquiring and issuing banks on a single POS machine, eliminating the need to have POS machines from different acquirer banks. Over the last four years, TPV has grown at a 50% CAGR to US\$30 bn in FY20.

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### Second-largest offline consumer financier with annual disbursements of US\$2 bn

Pine Labs has become second-largest offline EMI-based consumer financier with ~90% market share and US\$2 bn of annual disbursements, behind Bajaj Finance, in tie-up with 35+ lenders. These loans have an ATS of ~Rs25,000. Pine Labs earns commissions of up to 0.5% of the transaction value from the lender as origination fees in addition to payment-linked fee from the merchant. Credit underwriting is done by lenders and allows banks to offer no-interest EMIs to not just credit-card users but also debit-card customers via pre-approved limits.

### Neo-banking platform for merchants under development

Pine Labs provides short-term (up to 90 days) financing to merchants for working capital and inventory. It is partnering with NBFCs to provide retailers access to easy and collateral-free business loans. Merchants have the option to repay these loans by choosing a flexible amount from daily card sales on Pine Labs' PoS terminal. It is also working to build a neo-banking platform for its merchants through which it plans to embed all banking services in partnership with a bank.

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### ~95% market share in gift card and loyalty/rewards programme management

With US\$1.5 bn of gift card processing in FY20, Pine Labs is the market leader, with ~95% market share post acquisition of Qwiksilver in 2019. It provides a proprietary SaaS-based tech platform for managing gifts cards for its 250+ brand partners and 1,500+ enterprise customers (issuing, redeeming, etc.). It also provides loyalty and reward programme management enabling brands to design targeted campaigns. It has long-term contracts with Amazon and Flipkart.

For FY19, Pine Labs was close to breakeven at the net income level, with revenues of Rs4.9 bn and a net loss of Rs137 mn.

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### Management profile

#### Amrish Rau

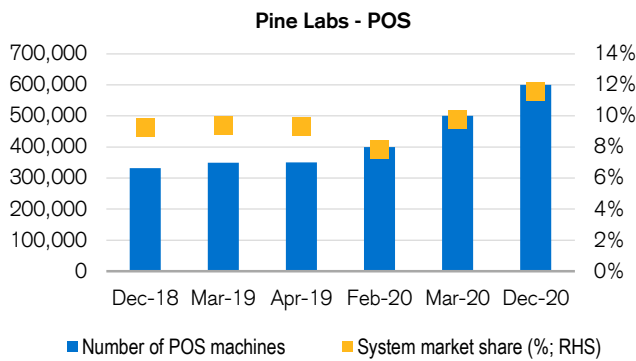
Amrish Rau is the CEO of Pine Labs, prior to which he was the founder and CEO of Citrus Pay, a consumer payments company, which was later acquired by PayU. Prior to that, he worked in NCR Corporation and was also the CEO of First Data Corporation, an electronic payment services company. He was also founder and MD of ICICI Merchant Services (a JV of FDC and ICICI Bank).

**Figure 90: Pine Labs...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>2,000</b>
Select investors	Sequoia, Temasek, Mastercard, Paypal, Lone Pine and Actis.	
Key data points		
Installed POS market share	%	11.6%
Annual TPV (POS)	US\$ bn	30
Embedded EMI financing	US\$ bn	2
Gift cards: annual trnx processed	US\$ mn	1,500
Select financials		FY19
Revenue	Rs mn	4,916
PAT	Rs mn	(137)

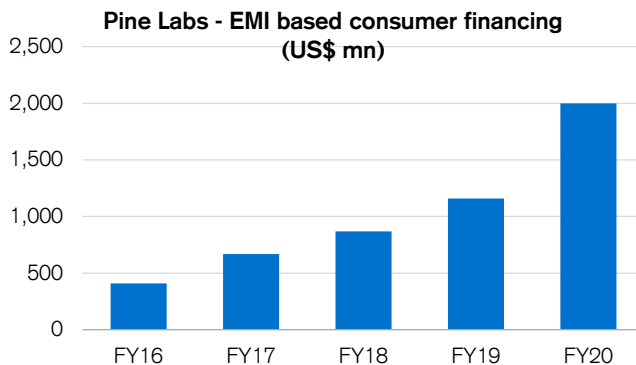
Source: Company data, Entrackr, Credit Suisse

**Figure 92: Pine Labs has ~12% market share in POS terminals...**



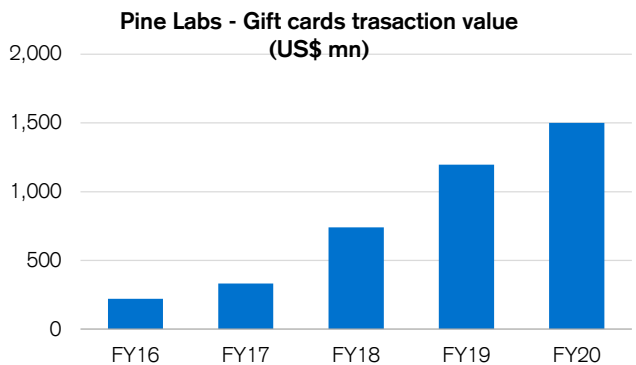
Source: Company data, Credit Suisse

**Figure 94: Pine Labs processes US\$2 bn of BNPL (EMI) loans**



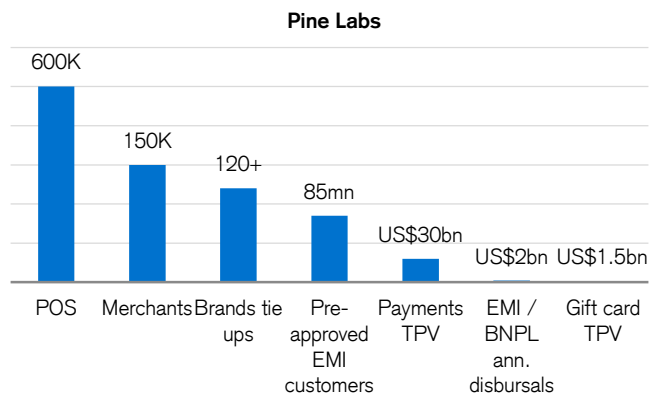
Source: Company data, Credit Suisse

**Figure 96: Pine Labs processes US\$1.5 bn gift card transactions annually**



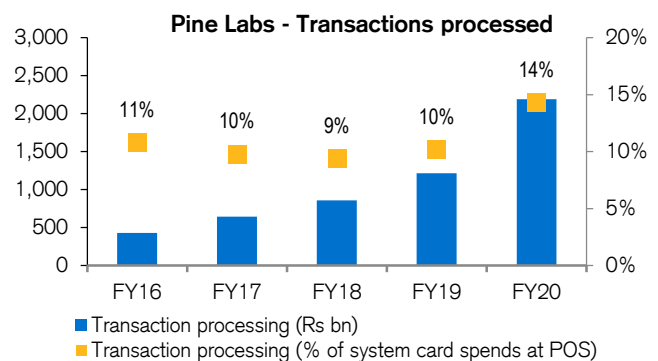
Source: Company data, Credit Suisse

**Figure 91: ...has 600k POS terminals across 150k merchants**



Source: Company data, Credit Suisse

**Figure 93: ...and 14% share in card spends (US\$30 bn ann. TPV)**



Source: Company data, Credit Suisse

**Figure 95: BNPL offers on Pine Labs**

**Apple**

**Offer details:**  
No-cost EMI and ₹ 6,000 cashback on iPhone 12, iPhone 12 mini

**Valid on**  
Credit cards: HDFC Bank  
Debit cards: HDFC Bank  
Offer ends: 27<sup>th</sup> March '21  
Applicable tenures: 6 months

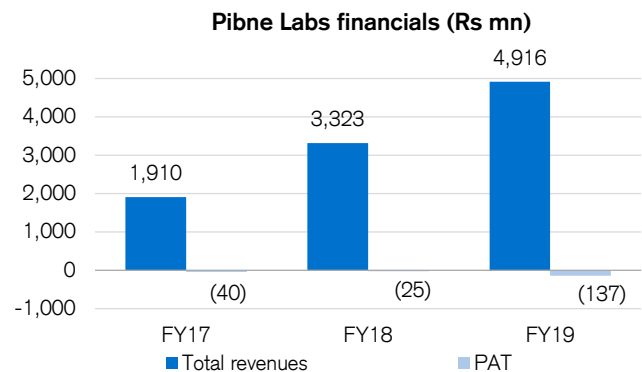
**oppo**

**Offer details:**  
No-cost EMI and 7.5% cashback (Max ₹ 2,000) on F Series

**Valid on**  
Credit cards: Bank of Baroda, ICICI Bank, Kotak Bank  
Debit cards: Federal Bank, ICICI Bank, Kotak Bank  
Offer ends: 28<sup>th</sup> February '21

Source: Company data

**Figure 97: Pine Labs generated revenues of Rs4.9 bn and incurred a net loss of Rs137 mn in FY19**



Source: Entrackr

# Mswipe (US\$450 mn)

## Leading POS provider for SME merchants, with ~13% market share

Mswipe provides POS-based digital payment solutions to 1.4 mn merchants, with ~13% share in installed POS machines in India. Mswipe processes US\$5 bn of payments annually, compared to US\$30 bn by Pine Labs, despite having a similar number of installed POS terminals. Its target merchants are SMEs having daily digital collections of Rs2,000-2,500 in the tier 3-4 markets and Rs8,000-10,000 in metro and semi-urban areas. It also provides value-added services through smart POS machines. Mswipe's recently launched 'Bank Box' offering that effectively reduces MDR, has become popular and accounts for ~60% of incremental merchant acquisitions. To enable merchants to do online transactions, it has developed link-based payments as well as micro websites. On the basis of merchant's transaction data, Mswipe also offers merchant financing. It has also enabled EMI-based consumer financing at POS in tie-up with brands and lenders.

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### Product offerings

- **POS-based services:** Mswipe's POS-based payment services support digital payments along with a host of solutions for merchants like billing, reconciliation, analytics, etc. It offers merchant-specific business productivity apps through its playstore. The segment contributed ~56% of total revenues for FY20.
- **EMI-based consumer lending:** It offers EMIs at POS to customers in tie-up with brands and lenders on which it earns commission income.
- **Merchant financing:** Leveraging transaction data of its merchants, Mswipe offers merchant financing on POS.

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### Innovative effective zero MDR product – Bank Box

Mswipe has recently launched an effective zero MDR product, called Bank Box, by bundling its POS-based machines with cards issued by Mswipe. Merchant transactions settled on the Mswipe card, which can be used by merchants for any of their payments, is not subjected to MDR (instead of bank settlement which entails MDR of 1-2%). This arrangement makes Mswipe both an acquirer as well as an issuer, with issuer income enabling Mswipe to offset MDR cost. According to the company, it has become quite popular and accounts for ~60% of all incremental merchant acquisitions.

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### Processing fees constitute ~50% of revenues for Mswipe

Transaction processing fees comprise more than half of Mswipe's revenues, followed by support services at ~33% comprising rentals and other fee income. Mswipe's revenues grew by 35% YoY in FY20, but loss widened to Rs1.5 bn in FY20 from Rs0.6 bn in FY19.

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### Management profile

#### Manish Patel

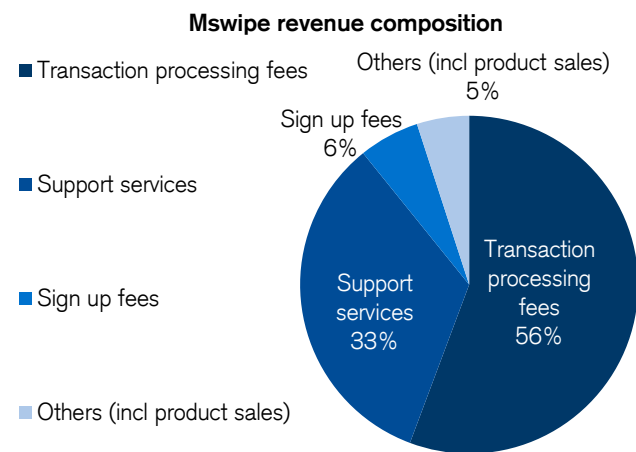
Manish Patel is the founder and CEO of Mswipe. Prior to Mswipe, he co-founded Milestone Merchandise, an alcohol distribution company. He has an MBBS degree in medicine from TN University.

**Figure 98: Mswipe...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>450</b>
Select investors	B Capital, Falcon Edge, Matrix, DSG & Epiq	
Key data points		
POS base	Nos	675,000
POS market share	%	13.2
Annual transactions processed	Rs bn	370
Number of merchants	mn	1.4
Select financials		FY20
Revenue	Rs mn	3,480
PAT	Rs mn	(1,481)

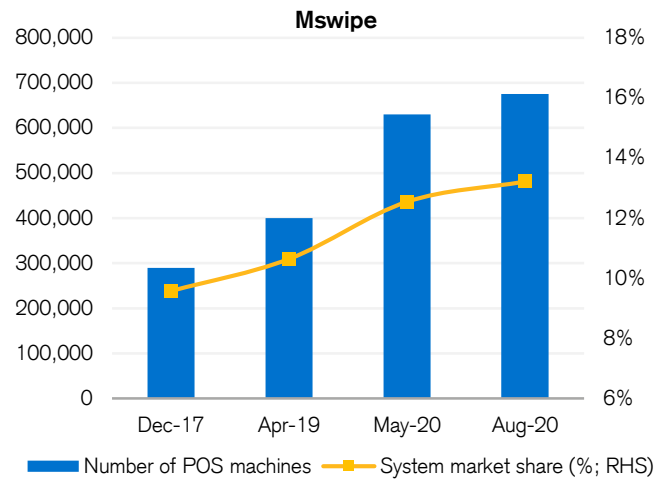
Source: Company data, press reports, Entrackr

**Figure 100: Payment processing and support services comprises ~90% of Mswipe's revenues**



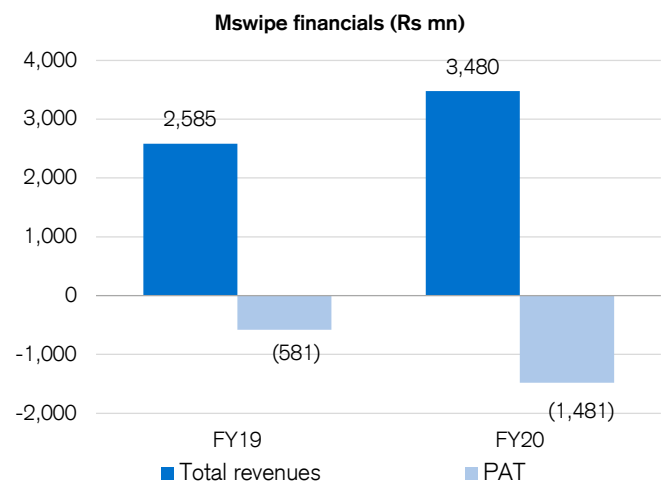
Source: Entrackr

**Figure 99: ...has a network of ~675k POS machines and 1.4 mn merchants**



Source: Company data, RBI

**Figure 101: Loss widened 2.5x YoY in FY20**



Source: Entrackr

# Razorpay (US\$1 bn)

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## Payment gateway building neo-banking capabilities for merchants

Razorpay operates a payment gateway with 5 mn online merchants, processing annual payments of US\$25 bn. Its target segment includes MSMEs seeking to build online presence and startups with its developer friendly and easy to integrate single script APIs. It also offers value-added services like automating vendor payments, real time reconciliation and analytics, managing subscriptions, GST invoicing, designing and creating websites, etc. It has also developed an app-based substitute for POS machines as well as pay-by-link for enabling offline commerce.

Razorpay is also building a neo-banking platform offering business banking and facilitating funding for merchants through its RazorpayX and Razorpay Capital platforms. Its business banking and credit products are provided in partnership with banks. These platforms are at the initial stages of adoption (10k RazorpayX users and 8k merchants availing finance) and will enable Razorpay to drive monetisation beyond payments.

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### Neo-banking platform provides digital business banking and credit to merchants

Payment gateway is Razorpay's core offering, contributing 70% to its total revenues, with value-added offerings like vendor management platform, payroll processing, etc. making up for the rest. However, by FY21, the company expects its neo-banking services to contribute 35% of its revenues. Razorpay's platform offers neo-banking services by integrating smart business banking (Razorpay X) and financing (Razorpay Capital) on its platform. It has developed a digital business banking platform in partnership with banks to offer current account with automated vendor and payroll processing, integration with accounting software facilitating real-time reconciliation apart from usual debit cards, cheque books, etc. It has onboarded 10k+ merchants and processed US\$1 bn of transactions on its Razorpay X platform since its launch in 2019. Further, it plans to add tax and wealth management features on its business banking platform.

Through Razorpay Capital, it unlocks working capital or short duration loans for its merchant customers in partnership with banks and NBFCs. These typically three-to-six-month loans have average ticket size of Rs0.8-1 mn. In the last six months, it has disbursed business loans to 8k customers, with monthly disbursements of Rs2.5 bn. Recently, it has also launched co-branded corporate credit cards, with dynamic credit limits of up to Rs2 mn for pre-approved customers.

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### Near breakeven in FY20

According to data from Entrackr, Razorpay's revenues grew 164% YoY to Rs5.1 bn in FY20 from Rs1.9 bn a year ago. Whereas, at a net profit level, it was on the cusp of breakeven, with loss of Rs62 mn in FY20. However, net cash flow from operations turned meaningfully positive to Rs1.9 bn in FY20 from a negative Rs5 mn in FY19.

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### Management profile

#### Harshil Mathur

Harshil Mathur is co-founder and CEO of Razorpay. Previously, he worked at Schlumberger as a field engineer. He is an engineering graduate from IIT Roorkee.

#### Shashank Kumar

Shashant Kumar is co-founder at Razorpay and has a graduate degree in computer science from IIT Roorkee.

**Figure 102: Razorpay...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>1,000</b>
Select investors	Matrix, Tiger Global, Sequoia, DST, GIC	
Key data points		
Merchants	mn	5
Annual payments processed	Rs bn	25
Merchants financed (till date)	Nos	8,000+
Select financials		FY20
Revenue	Rs mn	5,090
EBITDA	Rs mn	(62)
Cash EBITDA	Rs mn	1,921

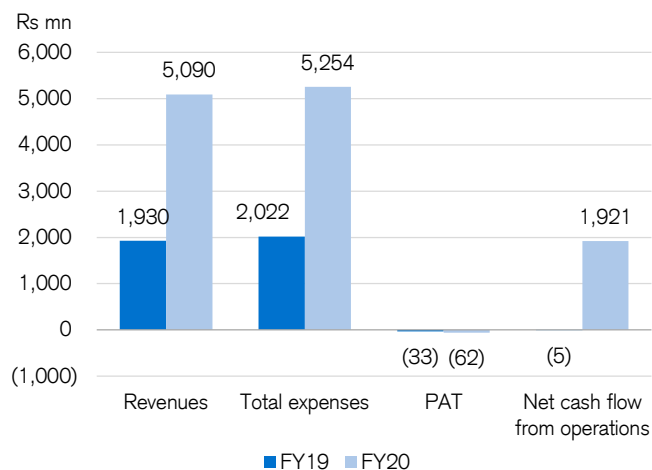
Source: Company data

**Figure 104: Razorpay's neo-banking offerings...**

Razorpay X	Razorpay Capital
Digital current account	Merchant financing
Integration with accounting softwares	■ Avg ticket size: Rs0.08 to 0.1 mn
Debit cards	■ Tenure: 3-6 months
Cheque books	Corporate credit card
Automated vendor payments	Dynamic credit limit upto Rs2 mn
Payroll automation	Same day settlements
Wealth management/investing	
Tax management	

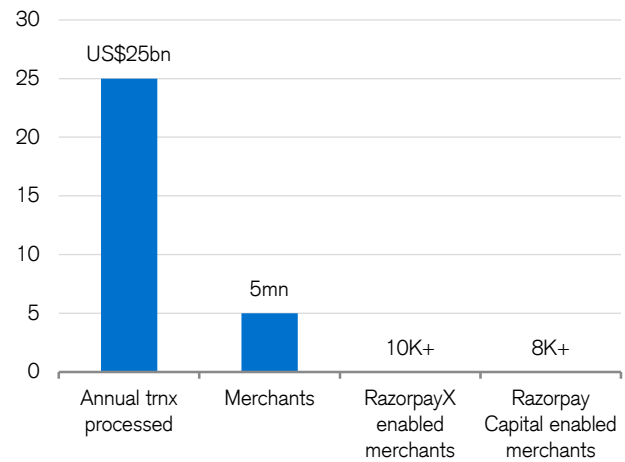
Source: Company data

**Figure 106: Razorpay financials**



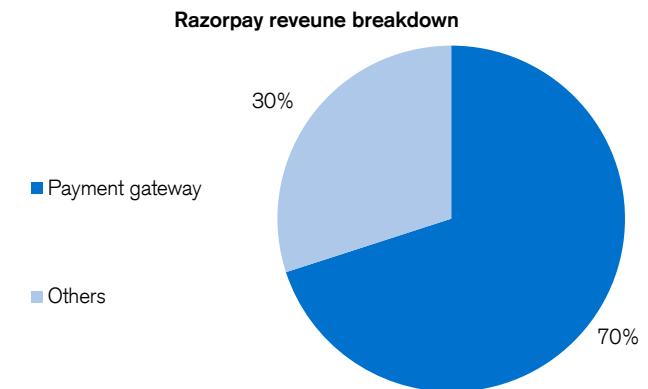
Source: Entrackr

**Figure 103: ...has 5 mn+ merchants processing US\$25 bn of payments annually**



Source: Company data

**Figure 105: ...and current composition of revenues**



Source: Company data

# Bill Desk (US\$1.9 bn)

## Payment gateway processing US\$80 bn of annual payments

Bill Desk, with ~50% market share, is the leading payment gateway in India, processing US\$80 bn of payments annually. Over the past two decades, it has built tie-ups with 100+ high volume billers like discoms, local government bodies, telcos, insurance companies, and MFs. In 2016, Bill Desk acquired Loylty Rewardz, a loyalty rewards management solution provider to enterprises. Through it, Bill Desk has built ~50% market share in debit card reward point management in India.

### Product offerings

- **Payment gateway:** Amongst the earliest payment gateways for online transactions in India. It also provides payment gateway services to online e-commerce companies like Amazon India.
- **Aggregated biller portal:** Bill Desk has aggregated ~100+ billers on its portal, with recurring payments use cases like utility bills, telecom/DTH bills, MFs, insurance, etc.
- **Loyalty rewards management:** Bill Desk designs and offers loyalty management solutions to brands and channels through Loylty Rewardz.

### Profitable FinTech player with Rs2 bn net profit in FY20

Bill Desk navigated the launch of a standardised bill payment system by NPCI in 2017 called Bharat Bill Payments (BBPS), which rather than by-passing Bill Desk, routed payments through aggregators like Bill Desk who have established partnerships with different billers. In FY20, Bill Desk reported profit of Rs2.1 bn, growing 53% YoY, marked by a top line growth of 28% YoY in which payments revenue grew 20% YoY.

### Management profile

#### Srinivasu MN

Srinivasu is the CEO and co-founder of Bill Desk. He holds a PGDM from IIM Ahmedabad. Prior to founding Bill Desk, Vasu worked with ITC Limited and Arthur Andersen.

#### Ajay Kaushal

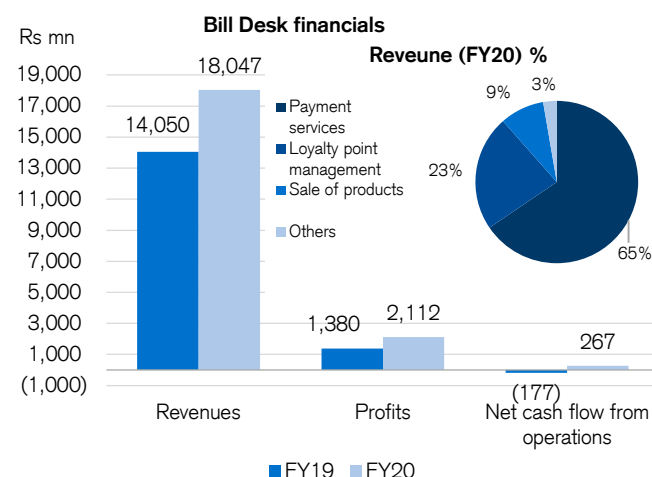
Ajay Kaushal is a Director and co-founder of Bill Desk. He graduated in electrical engineering from IIT Madras and completed his PGDM from IIM Lucknow. Prior to setting up Bill Desk, he worked with SBI Capital Markets and Arthur Andersen.

Figure 107: Bill Desk

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>1,900</b>
Select investors	General Atlantic, TA associates, Temasek, Visa	
Key data points		
Annual TPV	US\$ bn	80
Biller partnerships	Nos	100+
Market share in bill payments	%	~50%
Select financials		FY20
Operating revenues	Rs mn	18,047
Profits	Rs mn	2,112
Net cash flow from operations	Rs mn	267

Source: Fintrackr, CB insights, Ken, Company data,

Figure 108: Payment gateway constitutes two-third of its revenues



Source: Fintrackr

# YONO

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## In quest to become an open-banking platform

Developed internally by SBI in 2017, YONO is SBI's flagship mobile/internet banking app which has evolved to become SBI's primary digital banking platform catering to three different customer segments: (1) retail banking, (2) business banking, and (3) agri banking. YONO Retail, with its 32 mn customers and 10 mn+ daily logins, is the mass-market platform which digitalises banking and customer onboarding as well as cross-sells financial products. ~60% of new savings accounts and nearly half of incremental home and MSME loans are sourced through YONO. The business banking vertical, YONO Business, integrates hitherto disaggregated business banking platforms and digitalises processes to reduce TAT and compete with peer private banks. Indeed, YONO now processes ~85% of LCs, reducing turnaround time (TAT) from two days to one day. On the other hand, YONO Krishi aims to increase digitalisation in its rural portfolio to help reduce opex by enhancing productivity. YONO has enabled SBI to grow its agri gold loan portfolio by ~Rs100 bn within seven months to Rs240 bn.

Over the medium term, SBI intends to hive off YONO into an independent open-banking digital platform by opening its backend to other banks on a 'pay per use model'. Other banks can directly connect their backend to YONO's API, enabling them to use YONO's platform with their own branding. While intended primarily for other PSU banks, a majority of whom lack a good digital platform, YONO can also enable private FinTech companies to integrate banking features or build neo-banks on top of it. It also ties in with SBI's strategy of spinning off parts of its fast-growing non-banking businesses which command better valuation vis-à-vis being housed under the bank.

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### **YONO Retail: Capabilities of a FinTech super app**

#### **Digital bank and financial super store**

YONO Retail integrates traditional internet-banking products and services with FinTech offerings cross-selling investments, protection and credit cards to its customers. Even as registered YONO users have grown 61% since Mar-2020 to 32 mn, it still constitutes only ~10% of SBI's total customers (excluding 'Jan Dhan' accounts). However, with increased digital transactions since COVID-19, user engagement on the app increased multifold, with daily logins growing more than 2x from 3 mn in Mar-2020 to 10 mn as of Sep-2020. With ~60% of new savings accounts being opened through YONO, it has already become a primary customer acquisition channel for SBI.

It also processes nearly half of the bank's digital transactions and ~30% of total transactions. YONO enables SBI to digitally disburse pre-approved personal loans to its 10 mn customers having ticket sizes of Rs150k-200k. YONO also facilitates online loan application for home loans, car loans, gold loans and education and offers incentives like waiver of processing fees, lower interest rates, etc. Indeed, it has become the primary lead generator for the bank, with nearly half of the home loan and MSME loan leads being generated through YONO. Digitalising even a portion of the lending process helps SBI to improve efficiency and reduce costs. YONO has disbursed Rs100 bn of retail gold loans and Rs70 bn of pre-approved personal loans in eight months, over Apr-Nov 2020. Thus, SBI has become the second-largest personal loan lender (after HDFC Bank), disbursing ~5,000 personal loans/day, compared to HDFC Bank's 7,000 personal loans/day.

YONO also cross-sells investment and protection products of its JVs—SBI cards, SBI Life insurance, and SBI general insurance. Till date, YONO has sourced Rs16 bn MF investments, 2.6 mn of insurance policies and 0.4 mn credit cards.

#### **E-commerce**

YONO also provides a shopping platform for 20+ categories like flights, trains, buses and taxi bookings, online shopping, etc. by partnering with 100+ e-commerce companies and offers special discounts/cash backs in tie-ups with partners. While it does not generate revenues yet, it increases stickiness which is evident from 4-5 mn logins for YONO's e-commerce platform.

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### **YONO Business: To help gain market share in fee-based business banking products**

YONO Business integrates and provides a single digital platform for SBI's erstwhile five business-banking digital platforms: net banking, cash management, e-trade, supply chain financing and e-forex. As part of the next stage of evolution, YONO Business intends to redefine the processes for ~25 business-banking products to reduce TAT to improve its market share in fee-based business-banking products. For example, it has redesigned processes for issuing letter of credit (LC) to businesses by replacing manual-branch-based physical document submission with digital uploads and reduced TAT from two days to the same day. Consequently, ~85% of LCs processed in Nov-2020 were through the YONO Business platform.



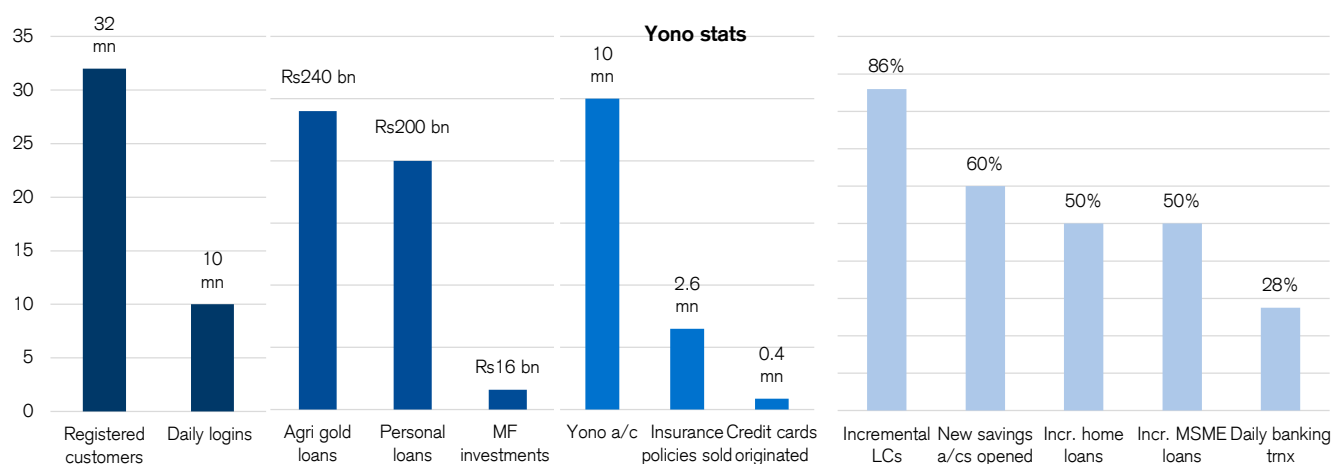
## YONO Krishi: Improves productivity through digitalisation

Meant for SBI's rural and agri customers, YONO Krishi started off by offering value-added services like weather advisory, market rates for various agri inputs like seeds, fertilisers, etc., and other agri advisory services to drive digital engagement. It has now added capabilities for app-based loan application for agri gold loans to help reduce time and processes at branches. It also enables digital renewal of crop loans which is a high opex activity. Indeed, YONO has originated Rs240 bn of agri gold loans till date.

## Open-banking platform with Rs10 bn of annual profit

Over the medium term, SBI intends to hive off YONO into an independent open-banking digital platform by opening its backend to other banks on a 'pay per use model'. This would be in line with SBI's strategy of hiving off different businesses into separate subsidiaries which usually helps it to achieve a better valuation compared to housing them under the bank —like in case of SBI cards and SBI Payment Services. With this in mind, it has started preparing separate financials for YONO. In the quarter-ended Jun-2020, YONO reported a profit of Rs2 bn on revenues of Rs2.12 bn, and management expects YONO to post profit of Rs10 bn in FY21.

**Figure 109: YONO has developed a full-stack open-banking platform encompassing daily transaction banking, lending, investments, protection, business banking, and agri banking**



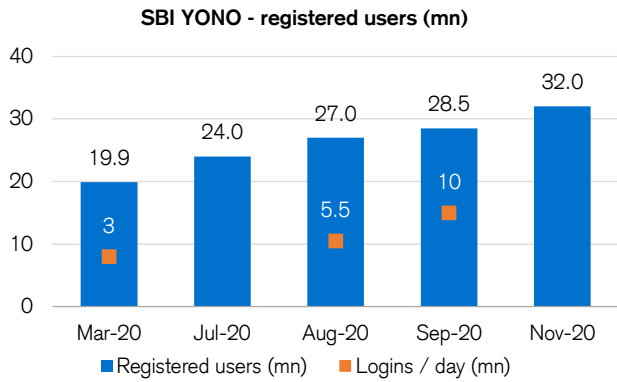
Source: Company data, Credit Suisse

**Figure 110: YONO retail offering encompass traditional internet banking to FinTech and e-commerce**

Digital bank	Financial superstore	E-commerce
<b>Banking</b>	<b>Investments</b>	Flipkart
New digital account opening	Mutual funds	Amazon
Balance inquiry, account statement, etc.	Demat/trading account	100+ other e-commerce partners
Account transfers (NEFT, UPI, IMPS, etc.)	<b>Protection</b>	Lead generation with specialised offers for bank customers
FD/RD/PPF	Life insurance	
<b>Payments</b>	General insurance: motor, health, travel	
YONO cash: OTP based ATM withdrawal	<b>Lending</b>	
YONO Quick Pay: closed loop wallet	Credit cards	
<b>Lending</b>		
Retail loans: leads for retail loans like car, home, educational, gold loans, etc.		
Express/pre-approved digital loans		

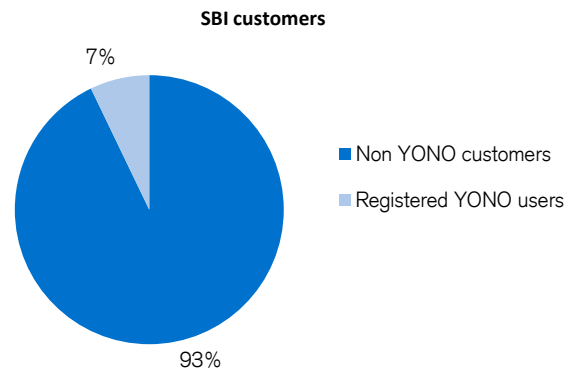
Source: Company data

**Figure 111: YONO users have grown 51% since Mar-2020 to 30 mn...**



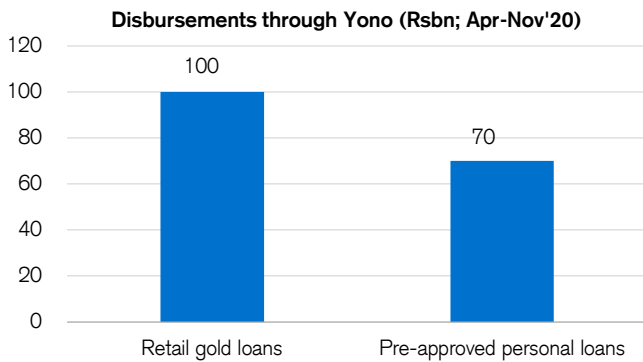
Source: Company data

**Figure 112: ...but constitute only ~7% of SBI's customers**



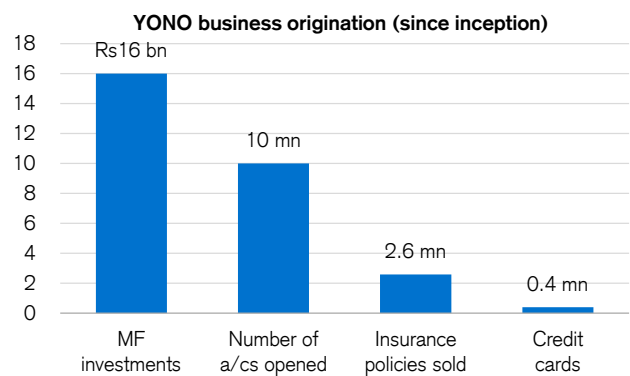
Source: Company data

**Figure 113: YONO retail loan originations...**



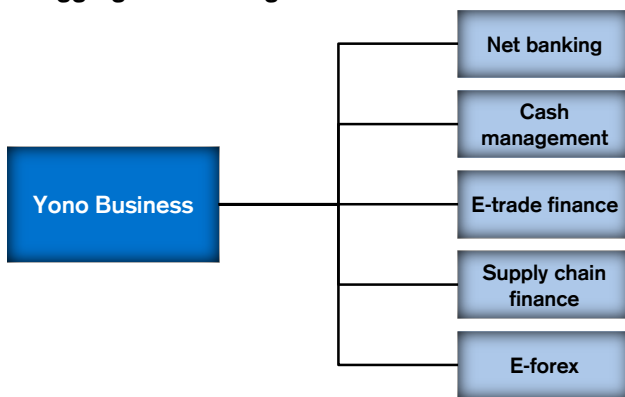
Source: Company data

**Figure 114: ...and other financial products cross-sold**



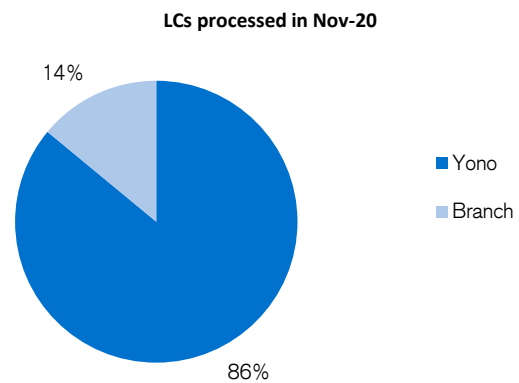
Source: Company data, Credit Suisse estimates

**Figure 115: YONO integrates five erstwhile disaggregated offerings**



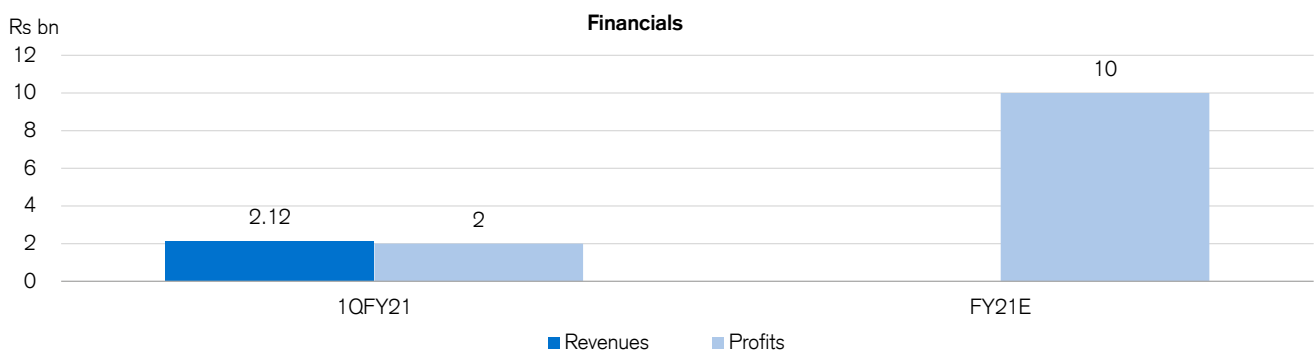
Source: Company data

**Figure 116: YONO processed ~85% of LCs in Nov-2020**



Source: Company data

**Figure 117: Pro-forma YONO financials**



Source: Company data, Credit Suisse estimates

## A neo bank for consumers

Niyo offers savings bank accounts, prepaid cards, forex cards and direct MF investing through its neo bank platform. Starting off in 2018, it has forged partnerships with IDFC First bank, Yes bank and DCB bank to offer liability and card products. Its flagship digital prepaid card for blue-collar MSME employees has 1.1 mn users through partnerships with 9,000+ MSMEs and its digital forex card has 0.1 mn users. It also offers these MSMEs payroll, salary banking and HRMS solutions. Moreover, it has enabled direct mutual fund investing through the acquisition of an existing direct MF platform, Goalwise, in Jul-2020. It also offers lending products in partnership with incumbent banks and NBFCs. Given its customer base, it offers small-ticket early-salary loans to select prepaid card holders and travel loans to its forex card customers. It intends to offer robo-advisory and goal-based investing on top of the direct MF platform, Goalwise, which already had 60k users and an AUA of Rs8.5 bn.

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### Partnership with IDFC First brings together Niyo's forex card and investment offerings

Niyo segments its current offerings into three categories with different target customers: (1) Niyo Bharat; (2) Niyo Global; and (3) savings account. Niyo Bharat is its prepaid card with bank account-like features targeted towards blue-collar MSME employees. It offers digital prepaid card-based salary transfers for MSME to employees having an average monthly salary of Rs10k, who otherwise find it cumbersome to pay monthly wages/salaries to 100-200 employees through bulk bank transfers. These digital prepaid cards are accompanied by regional-language-supported apps and call centres and act like a debit card enabling digital payments and bank transfers. Niyo Global is a digital forex card offered in partnership with DCB bank with no forex mark-up. It also offers real-time forex rates and an ATM locator globally. Finally, its savings account in partnership with IDFC First helps bring together its prepaid card, forex and MF investment offerings on one platform. Niyo also offers loan products targeted towards its customer segment: blue-collar employees and global travellers, such as small-ticket salary advances and travel loans, in partnership with banks and NBFCs.

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### Management profiles

#### Vinay Bagri

Vinay Bagri is co-founder and CEO of Niyo. He has 18 years in the corporate world working with diverse organisations such as Parle, 3M, ICICI Bank, Standard Chartered, ING, and Kotak Mahindra Bank. He is an IIM, Calcutta alumni.

#### Virender Bisht

Virender Bisht is co-founder and CTO of Niyo. He has over 16 years of experience in creating software products with diverse experience in start-ups and global organisations such as MobiKwik, Makemytrip, GE Medical Systems and Tata Consultancy Services. He holds a bachelor in engineering degree from NIT.

Figure 118: Niyo...

Key stats		
Cumulative funding raised	US\$ mn	49
Select investors	Tencent, Social Capital, Horizon ventures, Prime Ventures and JS Capital	
Key data points		
Prepaid cards	mn	1.1
Forex card users	mn	0.1
Corporate tie-ups	nos	9,000
Select financials		FY20
Revenues	US\$ mn	10

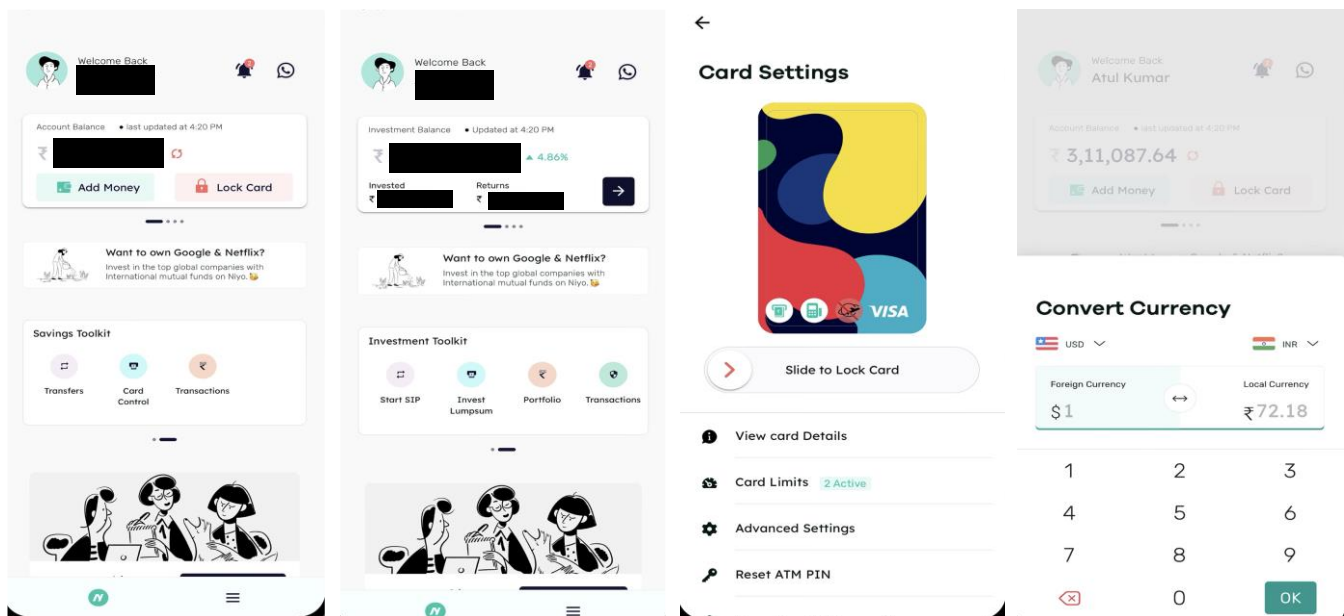
Source: Company data, Credit Suisse

Figure 119: ...has built a neo bank in partnership with incumbent banks

Niyo platform		
Liabilities	Savings accounts	IDFC First Bank
Investing	Direct MF investing	Own (Goalwise)
Cards	Prepaid cards	DCB Bank, ICICI Bank and Yes Bank
	Forex cards	DCB Bank
Lending	Early salary, travel loans	Banks & NBFC

Source: Company data, Credit Suisse

Figure 120: Niyo's bank platform offers saving accounts, MF investments and forex cards



Source: Company data

# LendingKart (US\$250 mn)

## Digital SME lender with a loan book of Rs20 bn

LendingKart provides unsecured business and working capital loans to MSMEs with an average ticket size of Rs0.4 mn, tenure of up to three years and interest rates of 15-27%. It has grown its loan book from Rs4.4 bn in FY18 to Rs20.4 bn as of Jun-2020. It sources about two-thirds of its loans from digital channels: direct channels (such as Facebook, Google) and partnerships (such as PaisaBazaar, Flipkart and Amazon) and has expanded its reach to 1,300 cities.

LendingKart has also launched a SaaS-based co-lending platform, Lendingkart 2gthr, which enables real-time decision making by co-lenders. In Nov-2020, it tied up with Northern Arc by integrating its co-lending platform with Northern Arc Capital's platform. Moving forward with the operationalisation of Account Aggregator, LendingKart intends to develop its co-lending platform into a sourcing platform by opening it up to other banks and NBFCs.

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### Well capitalised with Tier 1 of 36%

LendingKart has grown its loan book to 20.4 bn as of Jun-2020. The target customers for LendingKart are small SMEs such as kirana store owners, mobile repair shops and sweet shops, that have an average age of 30-35 years. With interest rates of 15-27%, LendingKart has managed to maintain net interest margins of ~14%.

LendingKart increased loan tenures over the years from 12 months to up to two years in FY18 and then up to three years in FY19 to expand its target customer segment. According to ICRA, 61% of its portfolio as of March 2020 had >24 months of tenure. However, 100% of LendingKart's loans were covered under the CGTMSE (the Credit Guarantee Fund for MSMEs) which provides delinquency cover up to ~2.5-3.0%. LendingKart's GNPA has been in the 2-3% range even as it has written off 4-5% loans annually. However, its GNPA as of Jun-2020 was 0.3% aided by the moratorium and write-offs (~8% annually in 1Q FY21).

The lending NBFC has turned profitable since FY19, generating ROAs of 3.1%/1.6% and ROEs of 9%/5% in FY19/FY20. The company has received consistent capital infusions from its investors over the years, enabling it to maintain leverage at ~3x and capitalisation levels of ~36% (tier 1).

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### Management profiles

#### Harshvardhan Lunia

Harshvardhan Lunia is co-founder and CEO of LendingKart group. Prior to LendingKart, he worked at large private sector and multinational banks in their small loan divisions. He is a chartered accountant and pursued his post-graduation studies from ISB, Hyderabad.

#### Sudeep Bhatia

Sudeep Bhatia is the group CFO at LendingKart. He has over 20 years of experience across diverse fields in the finance sector. He has also served at several key senior levels with large conglomerates, banks and financial institutions including Macquarie, Tata Capital, Citi Financial and GE Capital. He is a chartered accountant, cost accountant and CPA from the US.

**Figure 121: LendingKart**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>250</b>
Select investors	Fullerton, Saama Cap, Mayfield, Sistema, Alteria Cap	
Key data points		
Loan book	Rs mn	20,430
Customers	Nos	65k+
Select financials		
		<b>FY20</b>
NIM	%	14.7%
GNPA	%	2.2%
ROA	%	1.6%
ROE	%	5.0%

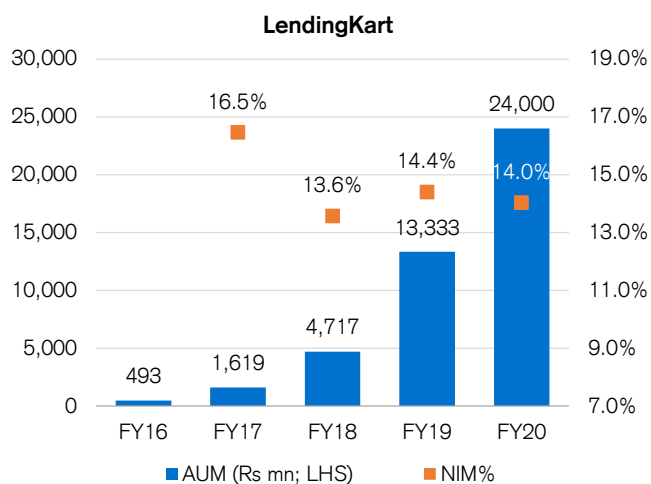
Source: Entrackr, ICRA, company data

**Figure 122: LendingKart key product details**

Online SME financing	
Products	Business, working capital, and MSME loans
Avg ticket size	~Rs0.4 mn
Interest rate	15-27%
Turnaround time	Same-day approval Disbursal within three days
Tenure (months)	Up to 36 months
Processing fee	2-3%
Other charges	No pre-closure charges
Eligibility	>Rs0.09 mn monthly turnover for over 3 months

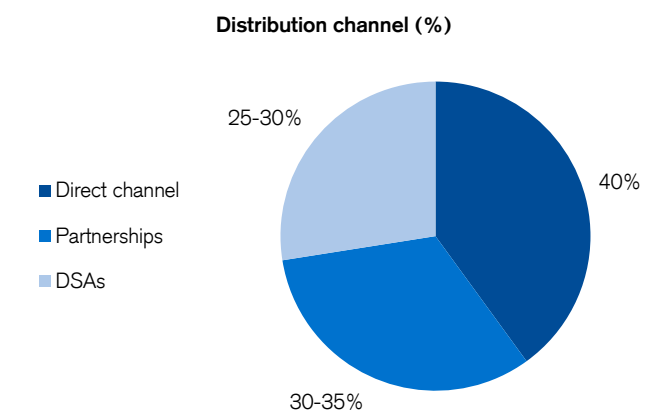
Source: Company data

**Figure 123: LendingKart grew its AUM 5x over the past two years**



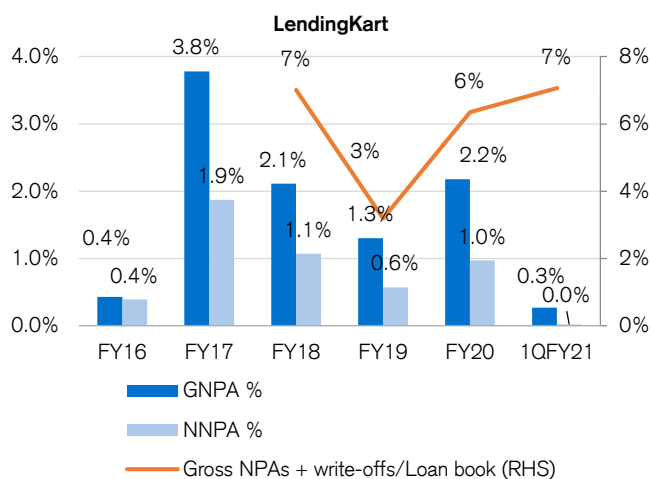
Source: ICRA

**Figure 124: Sources about two-thirds of its loans from digital channels**



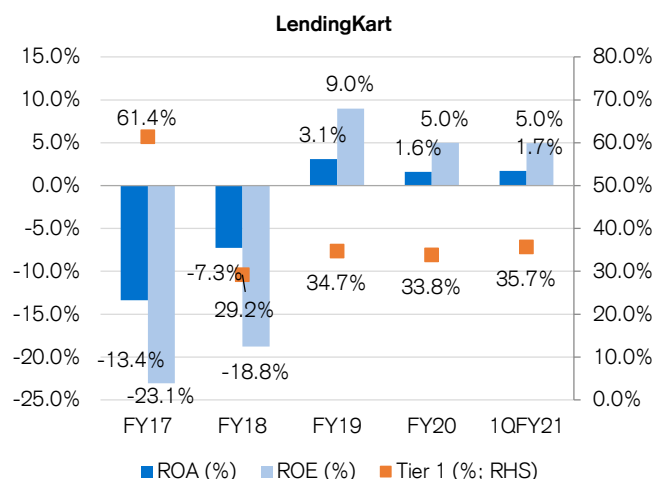
Source: Company data

**Figure 125: GNPA's + write-offs average 6-7%**



Source: ICRA

**Figure 126: ROAs of 3% in FY19 and tier 1 of ~36% as of Jun-2020**



Source: ICRA

# Capital Float (US\$ 455 mn)

## SME lender expanding into consumer lending

Capital Float provides unsecured term and working capital loans with a ticket size of Rs0.2-10.0 mn to SMEs through a digital origination and underwriting model. Since 2017, it has expanded to offer small-ticket, short-tenure Buy Now, Pay Later (BNPL) and EMI-based loans for both online as well as off-line shopping by customers. Capital Float has cumulatively disbursed Rs70 bn of SME loans and Rs20 bn of consumer loans to a unique customer base of 1 mn. It has also tied up with platforms such as Amazon and Make My Trip, and POS merchant providers such as Pine Labs and Mswipe, to provide both SME funding as well as consumer loans. As of Dec-2019, ~11% of Capital Float's AUM originated through Amazon's Pay Later platform.

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### Product offerings

- **SME loans:** Offers unsecured business loans to SMEs for 1-3 years with a ticket size of up to Rs5 mn and a turnaround time (TAT) of three days.
- **POS-based SME loans:** Offers working capital loans to SME merchants for 9-18 months in tie-ups with POS providers such as Pine Labs and Mswipe. The loan is structured to amortise on a daily basis through deductions from daily transactions at POS machines.
- **Consumer loans:** Offers short-tenure BNPL and EMI loans on online as well as off-line platforms. It has tied up with Amazon to provide the Amazon Pay Later service which offers interest-free 45-day credit and an option to convert it into an EMI. Similarly, for off-line BNPL it has tied up with brands to offer small-ticket, short-tenure credit on POS.
- **Personal finance management:** Facilitates tracking of spends, bank balances, bill reminders and management of personal finance by scraping text messages without manual intervention. The app has a customer base of ~10 mn.

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### Partnership with Amazon to scale up consumer loans

Capital Float uses a technology-enabled underwriting platform which is integrated with traditional methods such as personal discussion checks and reported income analysis for higher ticket size loans. Its algorithm accesses online data, including customer feedback and transaction history on e-commerce platforms in addition to the usual metrics such as credit bureau scores. Nearly 20% of Capital Float's consumer loan borrowers are new to credit with two-thirds of them aged 25-40 years.

Capital Float's tie-up with e-commerce firms such as Amazon and Make My Trip, for the BNPL product has helped it to scale up its customer base to 1 mn as of Sep-2020. The company has been adding 150k customers on a monthly basis and expects to have a base of 2 mn by FY21. Capital levels were healthy at 42% as of Dec-2019 with a cumulative equity infusion of more than US\$140 mn. Capital Float also has co-lending arrangements with other banks and NBFCs such as Karur Vysya Bank, RBL Bank, Northern Arc, Credit Saison, Poonawalla Finance and Muthoot Finance.

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### Management profiles

#### Gaurav Hinduja

Gaurav Hinduja is the co-founder and MD of Capital Float. Prior to Capital Float, he worked as COO of Gokaldas Exports overseeing a major business line. He has an MBA from Stanford University, 2012.

#### Shashank Rishyasringa

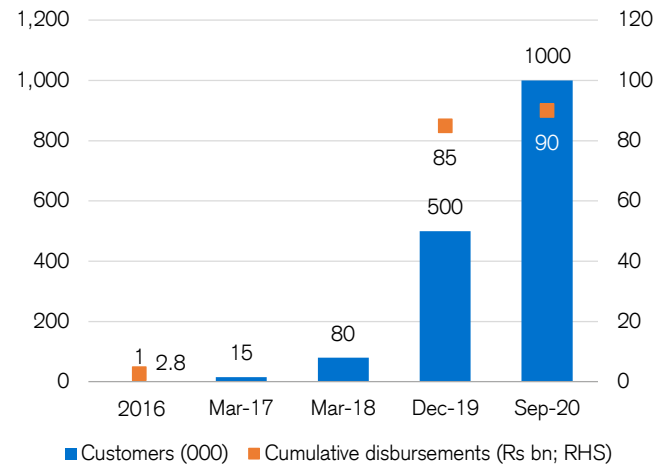
Shashank Rishyasringa is the co-founder and MD of Capital Float. Prior to Capital Float, he worked as an engagement manager at McKinsey & Co. He has an MBA from Stanford University and graduated magna cum laude in economics from Princeton University.

**Figure 127: Capital float...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>455</b>
Select investors	Amazon, SAIF Partners, Sequoia, Ribbit Capital	
Key data points		
Customers	mn	1+
Loans disbursed till date (Sep-20)	Rs bn	90
AUM (Dec-19)	Rs bn	11.5
Select financials		1H FY20
Networth	Rs bn	4.6
Return on managed assets	%	-8.1
ROE	%	-28.7

Source: Company data, ICRA, Indiaratings, Crunchbase, Pitchbook

**Figure 128: ...has 1 mn unique customers and cumulative disbursements of US\$1.2 bn**



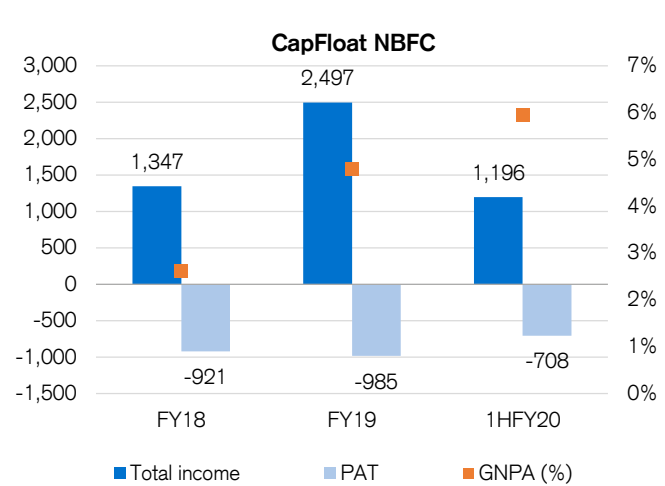
Source: Company data, ICRA, Indiaratings,

**Figure 129: Capital float loan offerings...**

	SME shortterm loans	POS based working capital loan	BNPL and consumer loans
<b>Ticket size</b>	Rs0.5-5.0 mn	Rs0.2-10.0 mn	Rs10k to Rs0.5 mn
<b>TAT (days)</b>	3	3	Immediate
<b>Interest rate (%)</b>	18-24%	15-24%	NA
<b>Tenure (yrs)</b>	1-3 years	9-18 months	45 days to 12 months
<b>Processing fees (%)</b>	2%	2%	NA

Source: Company data

**Figure 130: ...and NBFC financials**



Source: ICRA



# KrazyBee (US\$200 mn)

## Consumer lender with ~4 mn borrowers; Rs70 bn in annual disburseals

KrazyBee provides unsecured personal loans with an average ticket size ranging from Rs3,000 to Rs0.2 mn and a tenure of 2-15 months. Its loan origination platform, Kreditbee.in and kreditzy.com, has 26 mn registered users of which 15% are borrowers of KrazyBee. It had a monthly disbursement run-rate of Rs8.5 bn pre-COVID. About 60% of customer acquisition is organic with the balance being sourced through digital marketing (Facebook and Google, among others) and the in-house sales team. It provides short-tenure EMI-based unsecured consumer loans to young salaried/self-employed customers. Apart from originating loans on its own balance sheet, KrazyBee has also partnered with other banks and NBFCs which typically fund 15-30% of loans originated through the platform.

---

### Originates Rs8.5 bn consumer loans on a monthly basis

KrazyBee owns two online lending platforms, Kreditbee.in and Krazybee.com, through which it digitally originates personal and EMI loans. Its borrowers comprise self-employed/salaried young professionals with monthly incomes starting from Rs15,000. In FY20, 19% of its disbursements were to new-to-credit customers. It partners with banks and NBFCs to fund 15-30% of loans originated through the platform for a fee and also gives first loss default guarantee (FLDG) of 5-10%. Balance loans are funded by KrazyBee's NBFC. It has disbursed ~90 bn+ loans over the past two-and-a-half years with loss rates of 3.5-4.5% of disbursements as per ICRA. The NBFC of the group is well capitalised with capital adequacy of 55% as of Jun-20.

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### Management profile

#### Madhusudan E

Madhusudan is co-founder and CEO of KrazyBee. Prior to KrazyBee, he worked for a decade at Huawei. He is an IT engineer and holds an MBA from Rotman School of Management, Toronto.

#### Karthikeyan Krishnaswamy

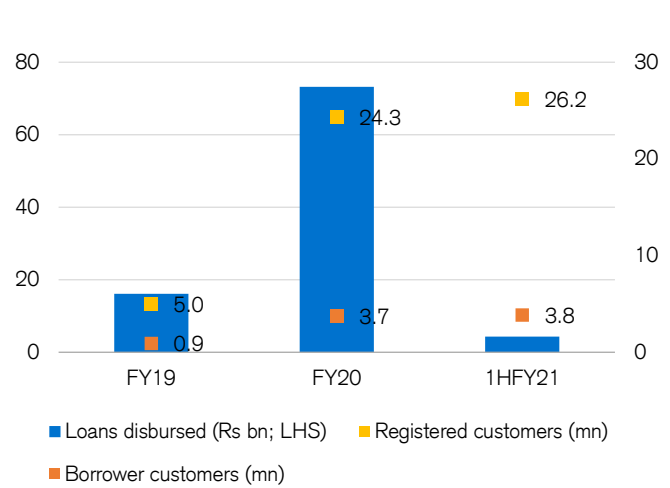
Karthikeyan Krishnaswamy is co-founder and Chief Technology Officer at KrazyBee. Prior to KrazyBee, he co-founded NTT solutions and was also its CTO. He also worked at Innov Systems and Huawei Technologies. He holds a master's in computer science from the National University of Singapore.

**Figure 131: KraZyBee...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>200</b>
Select investors	Premji Invest, Alpine, ICICI Bank, Arkam Ventures	
Key data points		
Registered users	mn	26
Borrower customers	mn	3.8
Select financials		FY20
Disbursements	Rs bn	73
Total managed portfolio	Rs bn	11
Return on managed assets	%	12.0
ROE	%	32.2

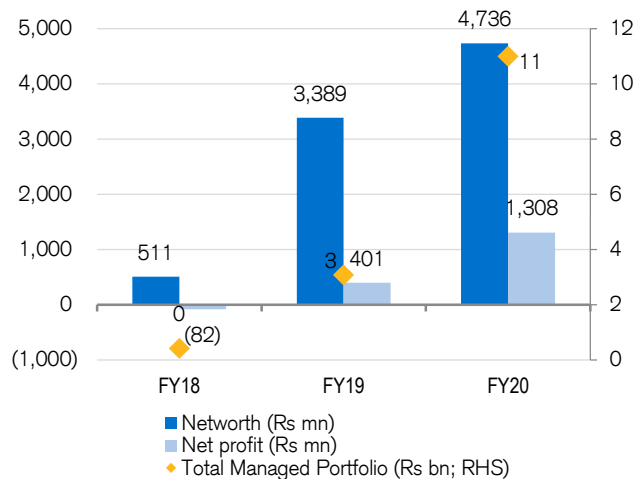
Source: Company data, ICRA

**Figure 132: ...has a registered user base of 26 mn**



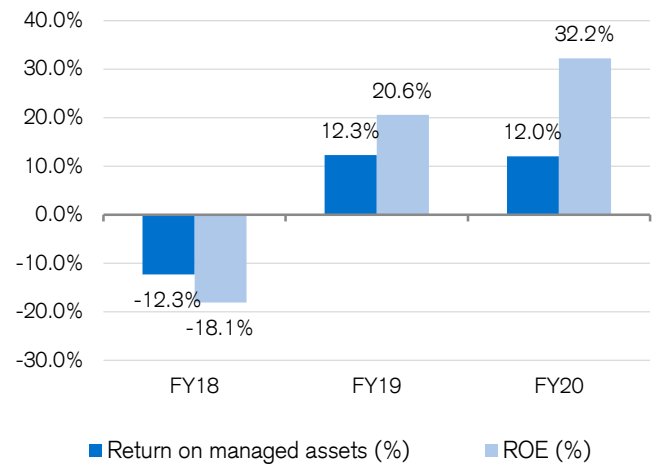
Source: Company data, ICRA

**Figure 133: KrazyBee has been profitable in FY19 and FY20...**



Source: Company data, ICRA

**Figure 134: ...with ROEs of 21% and 32% respectively**



Source: Company data, ICRA

# Simpl

## A BNPL with ~7 mn customers

Simpl offers one-click buy now, pay later (BNPL) for on-line transactions across 2,500 merchants including Zomato and Big Basket, among others. It processes 3-5 mn transactions on a monthly basis with 49 mn+ transactions processed since its inception. It has a pre-approved customer base of 7 mn, of which 1 mn are active customers. It offers customers a credit limit of Rs10,000 and an interest-free credit period of 15 days. According to the company, ~75% of its customers are prime customers having successfully completed three repayment cycles with delinquency rates of less than 1%. Simpl's revenue model consists of 1.5-1.75% of commission from merchants for providing credit. Moving ahead, the company plans to enable merchants to design and implement customised loyalty programmes for BNPL transactions.

### Business model has a take rate of 1.50-1.75%

The primary revenue model for most BNPL comprises a discount rate that they charge from merchants along with late-payment fees. This is usually followed by offerings of larger ticket size EMI-based consumer loans to existing customers after assessing their track record in BNPL loans. Simpl charges 1.50-1.75% from merchants and has a late payment fee of Rs250.

### Management profiles

#### Nityanand Sharma

Nityanand Sharma is co-founder and CEO of Simpl. Prior to Simpl, he worked at Goldman Sachs, the US, in the structured credit team. He had also set up a hedge fund for emerging markets. He holds a Master's in Finance degree from the University of Michigan.

#### Chaitra Chidanand

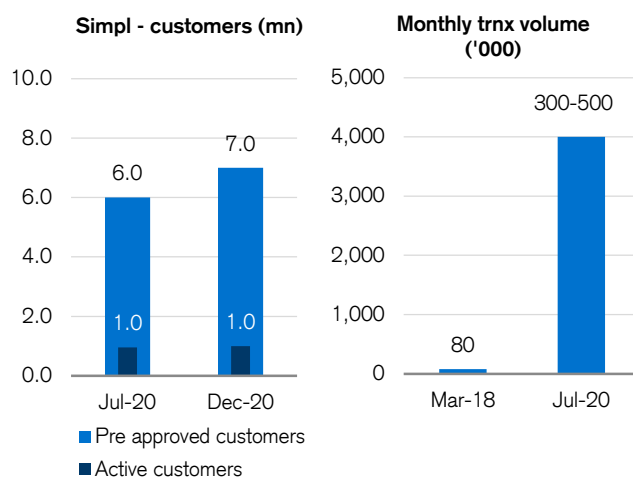
Chaitra Chidanand is co-founder and president of Simpl. Prior to Simpl, she worked with Stanford Angels and Cinopolis. She has an MBA from Stanford University.

Figure 135: Simpl...

Key stats		
<b>Cumulative funding raised</b>	<b>US\$ mn</b>	<b>16.9</b>
Select investors	Green Visor Capital	
Key data points		
Pre-approved customers	mn	7
Active customers	mn	1+
Cumulative transactions processed	mn	49+
Merchant partnerships	Nos	2,500+
Select financials		FY19
Revenue	Rs mn	50
PAT	Rs mn	(339)

Source: Company data, Ken, Crunchbase

Figure 136: ...has 7 mn pre-approved and 1 mn active customers



Source: Company data, press reports, Ken

# ZestMoney

## BNPL player with 6 mn+ users

Founded in 2016, ZestMoney is a digital consumer financier that offers BNPL and real-time consumer EMI loans for e-commerce transactions. It uses alternative data points to assess customers and provide EMI loans. It has 6 mn+ registered users and more than 3,000 merchant tie-ups offering checkout financing with an average ticket size of Rs 18-20k and average tenure of 16-18 months. According to the company, ~75% of its customers are repeat customers with 50% availing further credit within six months. ZestMoney operates as a platform, offering real time credit (EMI/BNPL) to customers in partnership with banks and NBFCs on whose balance sheet loans are originated. The company started by providing EMI-based credit for e-commerce transactions and is now expanding off-line merchant partnerships by tying up with brands such as Titan, Croma and Xiaomi. It has also partnered with Pine Labs to offer ZestMoney as a payment option across the latter's POS machines.

### Product offerings

- **EMI/BNPL:** It offers a 'credit limit' for checkout financing to customers after completing a credit assessment. These are no-cost/low cost EMIs to be repaid over 3-12 months.
- **Personal loans:** These are high-ticket, longer tenure loans offered to only existing customers after assessing their track record.

### Provides credit in partnership with banks and NBFCs

The company uses an automated decision engine based on both traditional as well as alternative data such as a customer's social and transactional data from merchants, time taken to pay utility bills, etc. Zest acts as a funnel for its lending partners i.e. banks and NBFCs on whose balance sheets loans sourced by Zest originate. It has tie-ups with 16 banks and NBFCs.

### Management profiles

#### Lizzie Chapman

Lizzie Chapman is the co-founder and CEO of ZestMoney. Prior to Zest, she worked at DBS to help launch 'digibank' — a mobile-only virtual bank in India. She was also responsible for the India operations for digital lender Wonga.com. She has also worked at Goldman Sachs and an endowments fund focussing on financial services and Indian investments. She holds a CFA Charter and has a bachelor's in science from Edinburgh University.

#### Priya Sharma

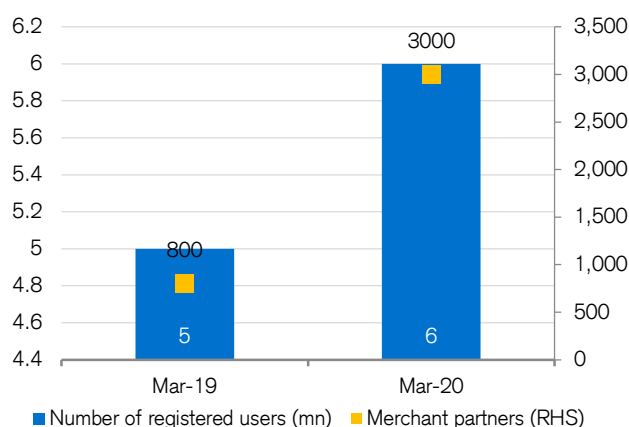
Priya Sharma is co-founder, CFO and COO of Zest Money. Prior to Zest, she worked in international strategy at Wonga.com, investment banking at Bank of America Merrill Lynch and as a management and technology consultant at Deloitte and Sapient Corporation. She holds an MBA from the London Business School and a Bachelor of Technology from the Indian Institute of Technology, BHU.

Figure 137: ZestMoney...

Key stats		
Cumulative funding raised	US\$ mn	83.4
Select investors	Quona Capital, Ribbit Capital, Omidyar Network, PayU, Xiomi, Goldman Sachs	
Key data points		
Customers	mn	6+
Merchant partners	Nos	3,000+
Avg ticket size (2019)	Rs	18k-20k
Monthly trx volume (2019)	mn	0.5
Annual disbursements (2019)	US\$ mn	140

Source: Company data, Crunchbase

Figure 138: ...has more than 6 mn customers



Source: Company data

# Khatabook (US\$300 mn)

## Digital ledger for 20 mn SMEs with the potential to deliver credit to its customers

Khatabook offers a digital ledger as an alternative to physical notebook-based account keeping for small merchants such as kirana stores, grocery vendors and mobile repair shops, etc. Within two years of its launch, Khatabook has garnered 20 mn registered users of which more than 8 mn are active. Merchants can post transactions on the app's 13 Indian languages. Within a year of its launch, the app had registered US\$7.7 bn of transactions cumulatively. It also assists merchants in collections by sending reminders to debtors through WhatsApp and SMS for payment reminders and dues outstanding. The venture is yet to generate revenues given the app is currently free to use. The company intends to drive monetisation by unlocking credit to its small merchants, which traditionally do not have a credit history, on the basis of transaction data generated on the app.

### Lending to unorganised SMEs to drive monetisation

While user aggregation and growth are the immediate focus for Khatabook, it intends to drive monetisation by offering financial services including credit to its customers. The account aggregator and loan service provider framework which is being developed, would enable Khatabook to deliver credit to its small merchants on the back of transaction data from its platform. While it currently generates book-keeping data, it intends to build transaction-related data by building a UPI-based payment stack enabling in-app payment transactions. To facilitate this, it has plans to install QR codes at its small merchant customers.

In addition to lending, Khatabook also plans to launch software-based business productivity solutions to increase the engagement and digitisation of merchants. While it has already launched Mystore, an app to create a mini online store, it also plans to add the capabilities of bill generation, and the ability to design and share offers to its customers.

### Management profile

#### Ravish Naresh

Ravish Naresh is co-founder and CEO of Khatabook. Prior to Khatabook, he co-founded and was COO of an online real estate listing portal, Housing.com, and was a summer intern at Deloitte. He holds a bachelor's degree from IIT Bombay.

#### Dhanesh Kumar

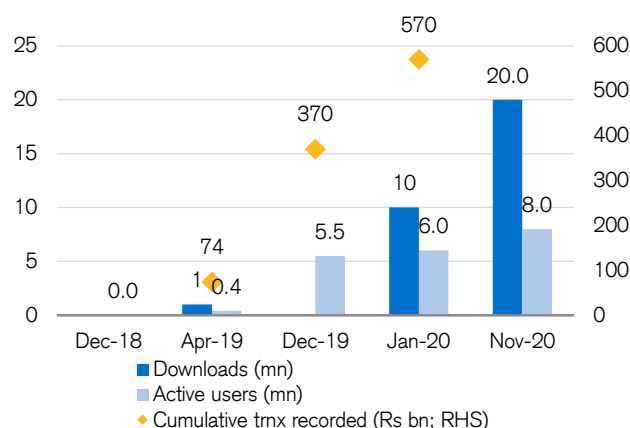
Dhanesh Kumar is co-founder and CTO of Khatabook. He holds a bachelor's degree from IIT Bombay.

Figure 139: Khatabook...

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>300</b>
Cumulative funding raised	US\$ mn	90
Select investors	Tencent, Sequoia, GGV Capital, B Capital	
Key data points		
Active merchant base	mn	8
Cumulative downloads	mn	20
Cumulative transactions recorded (Jan-20)	Rs bn	570

Source: Company data

Figure 140: ...has 8 mn active users with cumulative recorded transactions of US\$7.7 bn



Source: Company data

# PSB loans

## Largest lending platform with US\$9 bn+ sanctions to date

PSB loans operates PSBLoansin59minutes.com platform which provides loan sanctions on the basis of an individual lender's scoring models within 59 minutes. It analyses the GST, credit bureau and other data of borrowers. The platform has sanctioned loans of more than US\$9 bn since its inception and disbursements are estimated to be ~US\$7.7 bn. According to the company, delinquencies on loans originated through its platform have been less than 0.5%. The online pre-approval of loans has helped reduce turnaround time for MSME loan disbursement in the case of PSU banks, from ~31 days to 7-8 days. These loans have an average ticket size of ~Rs3 mn. Nearly 60% of applications on PSB's loan platform are from existing borrowers that partner banks route to the platform.

### Expanding to offer retail loans in addition to MSME loans

While PSB loans started off to provide pre-approvals for MSME loans, it has expanded its product offering to consumer and mudra loans. It processes personal, auto and home loan applications with ticket sizes up to Rs100 mn within 15 minutes. The company also plans to launch loan monitoring capabilities for MSME loans as well as expand to provide pre-approvals for other credit products such as invoice and order financing, letters of credit and bank guarantees.

### Management profiles

#### Jinand Shah

Jinand Shah is co-founder and MD at PSB loans. He is a chartered accountant and has more than a decade of experience in fund raising, structuring and due diligence.

#### Ronak Shah

Ronak Shah is co-founder and COO at PSB loans. Prior to PSB loans, he worked as VP at the DDB Mudra group for two decades. He has an MBA from the Symbiosis Institute, Pune.

**Figure 141: PSB loans has sanctioned...**

Key stats		
Select investors	SIDBI, SBI, BoB, PNB	
Key data points		
Cumulative sanctions (Aug-20)	Rs bn	670
Cumulative disbursements (Nov-20)	Rs bn	580
Loans sanctioned (Aug-20)	Nos bn	212
Avg ticket size	Rs mn	~3
Lending partners	Nos	21
Avg TAT (sanction to disbursement)	Days	MSME: 7-8 days Retail: 5 days

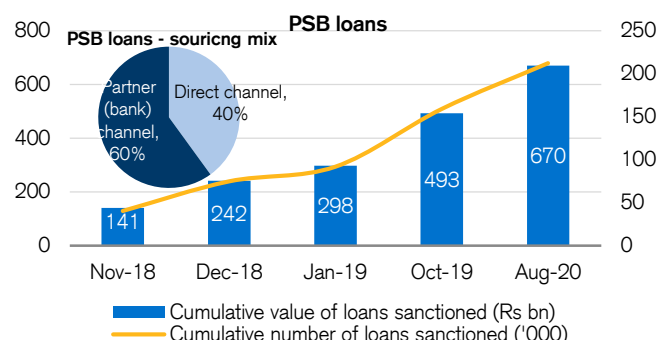
Source: Company data

**Figure 143: PSB loans is expanding its offering**

PSB loans	Loan upto (Rs mn)	Eligible borrowers	Docs required	Decision time (mins)
<b>Retail loans</b>				
Personal loans	2	Salaried	IT and bank docs, employment details	Up to 15 mins
Auto loans (2W and cars)	10	Salaried and self employed	6M bank statements, IT return	Up to 15 mins
Home loans	100	Salaried and self employed	6M bank statements, IT return	Up to 15 mins
<b>Others</b>				
MSME loans	50	GST registered	GST nos, IT returns, bank statements	< 59 mins
Mudra loans	1			

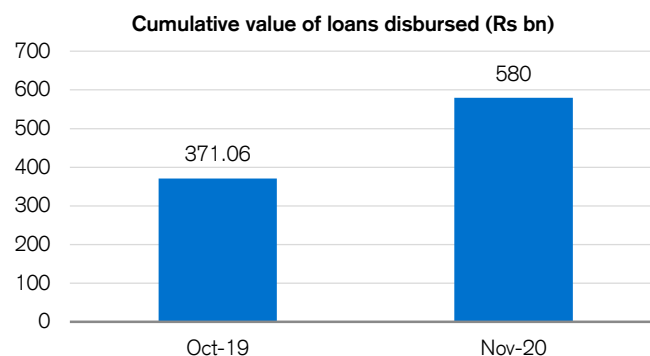
Source: Company data

**Figure 142: ...US\$9 bn+ and disbursed US\$7.7 bn+ loans**



Source: Company data

**Figure 144: PSB loans has sanctioned US\$7.7 bn of loans**



Source: Company data

# Dhani Services (US\$3 bn)

## Digital platform with financial and healthcare offerings

Dhani Services is a listed company with a market cap of US\$3 bn. Having developed a digital personal and SME loan platform, Dhani Services pivoted in FY20 to offer subscription-based digital transactional finance, healthcare and broking services to its 22.2 mn user base. Its offerings, such as doctor consultations and e-pharmacy, credit lines up to Rs0.1 mn, EMI finance, prepaid cards with cash backs and broking are available through monthly subscription plans ranging from Rs150-1,500. To increase customer engagement, the platform also has a wallet and enables common payment use cases such as bill payments, recharges and the purchase of brand vouchers. It has a paid user base of 1.3 mn representing penetration of 5.9% as of Dec-2020. Additionally, Dhani's platform also cross-sells insurance policies.

### Management profiles

#### Sameer Gehlaut

Sameer Gehlaut is the founder, chairman and CEO of Dhani. He is also the founder of the Indiabulls Group and has interests in housing finance, real estate, personal finance and pharmaceuticals. He is an alumni of IIT Delhi.

#### Divyesh Shah

Divyesh Shah is the COO and executive director at Dhani and has been associated with it since its inception. He has more than 25 years of experience in building financial businesses. He is a commerce graduate.

Figure 145: Dhani Services...

Key stats		
Valuation	US\$ mn	3,000
Key data points (PolicyBazaar)		
Total user base (Dec-20)	mn	22.2
Paid users (Dec-20)	mn	1.3
Select financials		9M FY21
Revenues	Rs bn	11.3
PBT	Rs bn	(0.2)
PAT	Rs bn	(0.7)

Note: Valuation using the market cap as of 12-Feb-2021.

Source: Company data

Figure 146: ...offers transactional finance, healthcare and broking via a digital platform

Key products	Offerings	Cost of monthly subscription (Rs)
Dhani Doctor	Doctor consultations, discounts on medicines and e-pharmacy	Rs150
Dhani Freedom	Interest free credit upto Rs0.1 mn, free doctor consultations, cash backs on spends	Rs125-1,500
Dhani Super Saver	5% cash back on spends, free doctor consultations, discounts on medicines, Rupay card	Rs100-150
Dhani Credit line	Instant credit, Rupay card, cashbacks on EMI payments	
Dhani Stocks	Discount trading platform	Rs500
Dhani Wallet	Bill payments, recharges, vouchers	
Insurance	Cross-sell	

Source: Company data

# PolicyBazaar (US\$1.5 bn)

## Leading insurance aggregator with 50-60% market share

PolicyBazaar has >90% market share in online insurance aggregation and 50% market share in total digital insurance sale in India, with a monthly run-rate of 1 mn policies. It originated Rs40 bn premium in FY20, growing at ~50% CAGR over the last two years. The platform has ~150 mn unique visitors annually with >90% from direct channels. It has 8-10% market share in health insurance and 20-25% in term life insurance policies in India. PB Fintech, also houses other verticals: PaisaBazaar, an aggregator platform for various lending and investment products and a similar insurance platform in the Middle East.

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### Product offerings

- **Online insurance policy platform:** Aggregator platform also enabling online purchase of policies across life, health, motor, travel, general and corporate segments. It has also set up a service element which offers after-sales support to customers.
- **Loan aggregator platform:** PaisaBazaar acts as a lead generator for various credit and investment products such as personal, home, business, micro, LAP, gold and educational loans.
- **Investment aggregator platform:** PaisaBazaar provides comparative saving and fixed deposits across banks and NBFCs. It has also developed a platform for direct MF investing.

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### ~50% CAGR growth in insurance premium origination

The revenue model for PolicyBazaar is based on commission -/take rate of ~15-20% of premium. Term life insurance policies and health insurance policies are the core key focus areas for the company. Motor insurance is seen as a key product for customer acquisition and engagement. Nearly 80% of premiums are from health and term life policies, with the balance being motor and other policies. Over the last two years, the company has had a conversion rate of one-third: i.e., of ~30 mn customers visiting its platform, PolicyBazaar has sold insurance policies to 10 mn customers. It also focusses on cross-selling other insurance products to its existing customers and has achieved a product per customer metric of 1.25 on the platform. PolicyBazaar also provides post-sales customer support including premium collection, claim registration and settlement.

PaisaBazaar which initially started off as a lead generator, is gradually transitioning to credit delivery on the platform itself by tying up with lenders. This is much similar to PolicyBazaar where the platform gradually transformed from just a comparison site to enabling end-to-end policy transactions on the platform itself.

---

### Targeting net profit breakeven on the back of rapid growth

PolicyBazaar turned profitable in 2017 but higher marketing costs resulted in a marginal loss in 2018 which further widened in 2019 to Rs2.1 bn. However, it has contribution margins of mid-thirties and intends to turn profitable in FY21 on the back of rapid growth in online insurance products during COVID-19 (70% to 100%).

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### Management profiles

#### Yashish Dahiya

Yashish Dahiya is co-founder and group CEO at PB Fintech. He holds a bachelor's degree in engineering from IIT Delhi, a PGDM from IIM Ahmedabad and an MBA from INSEAD. Prior to PolicyBazaar, he worked at Bain & Co. and then worked as CEO of First Europa, a Global Online Insurance Broker. He also led an online travel aggregator, ebors.com, as its MD.

#### Sarbvir Singh

Sarbvir Singh is the CEO for PolicyBazaar. He is an IIT Delhi and IIM Ahmedabad alumnus and has over 20 years of global experience in venture capital, senior corporate leadership and public markets investing. Prior to PolicyBazaar, he was managing partner at WaterBridge Ventures.

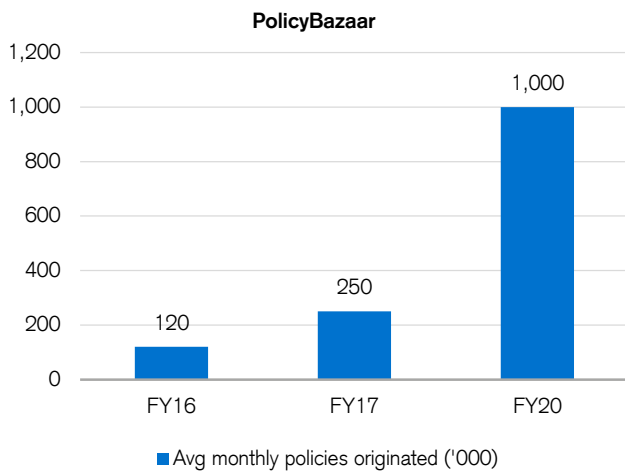


**Figure 147: PolicyBazaar (PB Fintech)**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>1,500</b>
Select investors	Info Edge, Softbank, Intel, Inventus Capital, Tiger Global, Tencent	
Key data points (PolicyBazaar)		
Customers	Mn	~10mn
Annual premium originated	Rs mn	4,000
2 year CAGR	%	49%
Select financials (PolicyBazaar)		FY19
Operating revenues	Rs mn	3,103
Profits	Rs mn	(2,131)
Net operating cash flows	Rs mn	(1,671)

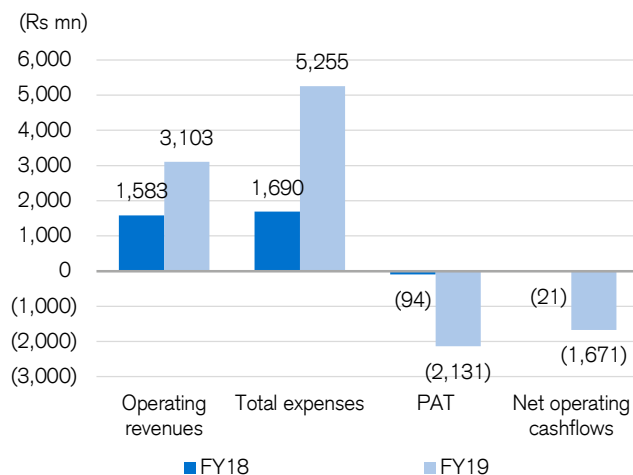
Source: CB Insights, Fintrackr, Company data

**Figure 149: PolicyBazaar sells ~1 mn policies/mth...**



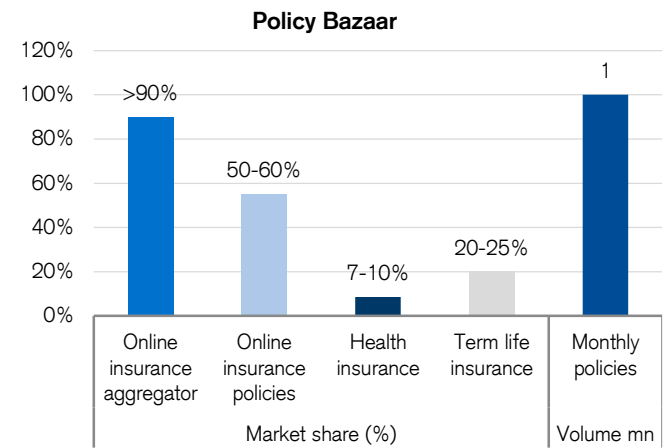
Source: Company data

**Figure 151: PolicyBazaar financials**



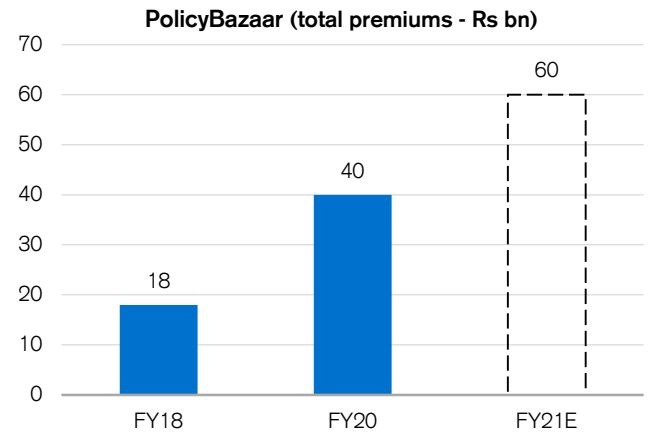
Source: Company data, Fintrackr

**Figure 148: PolicyBazaar has dominant market share in online insurance aggregation and sales**



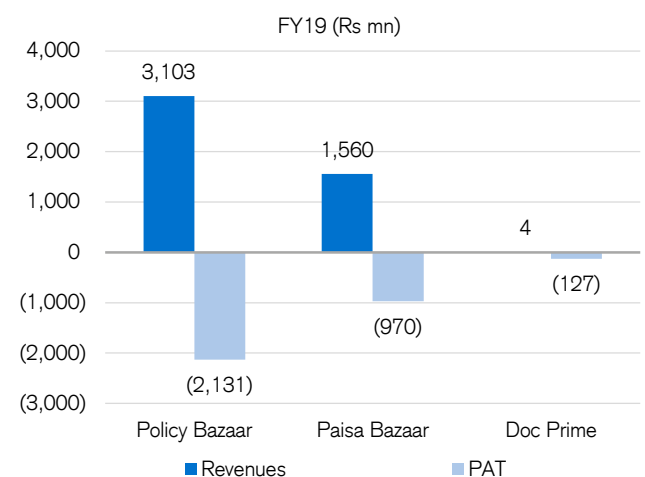
Source: Company data, Ken, Entracker

**Figure 150: ...with a total premium of Rs40 bn in FY20**



Source: Company data

**Figure 152: PB Fintech group financials**



Source: Company data, Fintrackr, Ken

# Digit (US\$1.9 bn)

## Online first general insurer rapidly gaining market share

Go-Digit is a general insurer with tech-enabled processes across distribution, policy issuance and claims processing. It has achieved 1.4% market share (by gross direct premiums) with a much higher market share in focus segments: motor, fire and property, and liability insurance. Its gross direct premiums have scaled to ~Rs28 bn (FY21 annualised) and has a customer base of 14 mn. Along with rapid growth, the company has also been able to control costs—bringing down its combined ratio to 117% by FY20 from 205% in FY19.

Go Digit has partnerships with platforms such as Cleartrip, PayTM, Flipkart, Tanishq to offer 'bite sized' contextual insurance products such as flight delay, mobile phone screen damage, jewellery theft, etc. It also has tie-ups with online insurance aggregators such as PolicyBazaar and dealers for traditional policies like motor, P&C, health, etc., though with high levels of digitisation in the underwriting process. It has also developed digital claims settlement processes like self-inspection/self-survey approach across products which has helped reduce TAT.

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### Product offerings

- **Motor:** Provides third-party and own damage cover for 2W, PVs and CVs, and add-on riders. It has ~1400 network garages facilitating cashless repairs and forms 2/3rd of GDPI.
- **Fire:** Comprehensive coverage for business and home property along with cover for assets and loss of business. Contributes 18% of the total gross direct premium for Digit.
- **Health:** Contributing 9% to total premiums, it provides traditional health insurance, top up and floaters. Digit has a network of 6,400 hospitals facilitating cashless hospitalisations.
- **Others:** Differentiated other insurance products like flight travel insurance covering delays beyond 75 min and complete digital claim process with ~100% claim settlement ratio, cover for used mobile screens with software-based remote diagnosis for underwriting and claims.

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### Fast approaching breakeven with combined ratio down to 117% in FY20 (within three years of operations)

Within three years of operations, Digit has expanded its customer base to 14 mn customers. In FY20, it doubled its gross direct premium with volumes growing 1.5x YoY. Digit has doubled its market share from 0.7% in FY19 to 1.4% for FY21 (up to Oct-2020). However, its market share within its focus segments of motor, fire, and property and liability is much higher at 3.1%, 2.3% and 2.4% respectively. In the 1H FY21, Digit grew its business by 30% led by health and fire insurance segments even as motor (largest segment) posted minor growth impacted by COVID-19. It has been able to reduce its combined ratio to 117% in FY20 from 124% in FY19 and 205% in FY18. The company expects to break even by the end of FY21 on the back of lower operating costs, equity infusion and improved business metrics.

In an indication of Digit's reach, nearly one-fourth of Digit's policies originated in tier 3 cities. However, the average ticket size for Digit's motor policies is 1.8x of ICICI Lombard and ~3x of Acko due to mix: lower share of 2W and higher share of CVs. Similarly due to higher share of smaller ticket health insurance plans addressing specific needs such as COVID-19, its ticket size is about one-fifth of ICICI Lombard's which also offers comprehensive health insurance policies. Digit's claim settlement ratio has been above 90% on an overall basis over the last one year with near 100% claim settlement in travel, mobile and property (in 2H FY20) segments.

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### Management profiles

#### Kamesh Goyal

Kamesh Goyal is the chairman and founder of Go Digit. He has decades of experience in the insurance industry working at Bajaj Allianz General Insurance as both the CEO and COO and also at Allianz Asset Management prior to that. He also worked at New India Assurance Company for nine years. He graduated from St. Stephen's College, Delhi, and completed his MBA from Delhi University.

#### Vijay Kumar

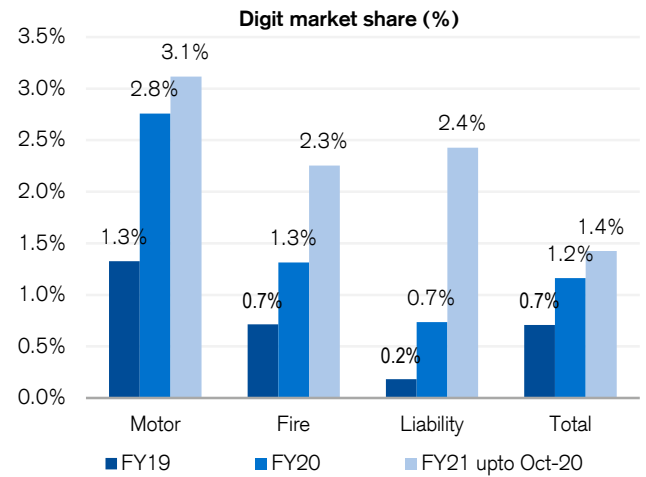
Vijay Kumar is CEO and principal officer of Go Digit. Prior to Joining Go Digit, he worked as president at Bajaj Allianz General Insurance. He started his career at Maruti and later worked at Hyundai as a deputy general manager.

**Figure 153: Digit...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>1,900</b>
Select investors	Fairfax, Faering capital, TVS capital	
Key data points		
Customers	mn	14
Agents	nos	345
Market share (FY21 YTD)	%	1.4%
Select financials		FY20
Gross direct premium	Rs bn	22
Opex ratio	%	53%
Combined ratio	%	117%

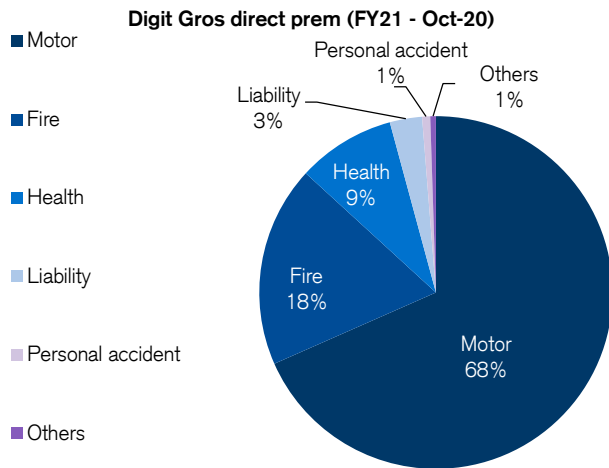
Source: Company data, IRDAI, Entrackr

**Figure 154: ...has 3.1% market share in motor and 2.3% in fire**



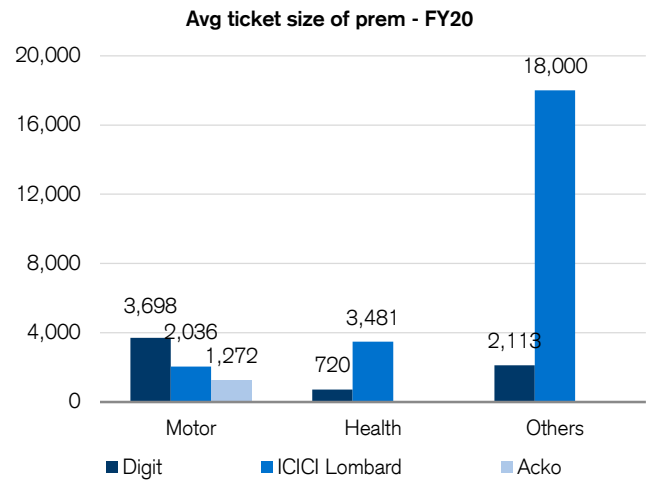
Source: IRDAI

**Figure 155: Motor and fire constitute ~90% of GDP for Digit**



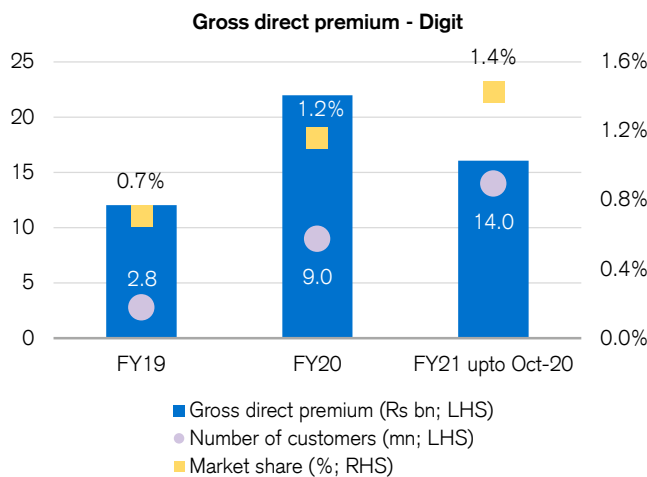
Source: IRDAI

**Figure 156: ATS for Digit is higher due to lower share of 2W**



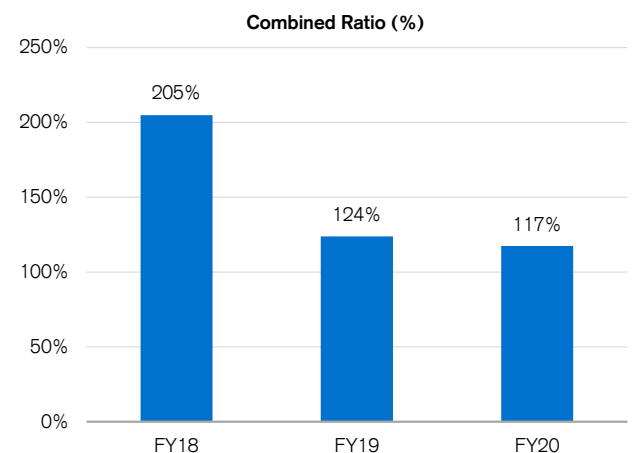
Source: Company data

**Figure 157: Digit has gained 1.4% market share and acquired 14 mn customers...**



Source: Company data, IRDAI

**Figure 158: ...and reduced combined ratio to 117% in three years on the back of lower costs, improved metrics and scale**



Source: IRDAI

# Acko (US\$500 mn)

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## Direct-to-consumer general insurer with 60 mn+ customers

Acko with 60 mn+ unique customers is an online-only general insurer providing contextual and bite-sized insurance products, apart from traditional motor and health insurance products albeit through a direct-to-consumer model with digital distribution, underwriting and claims management processes. Acko has gained ~0.2% market share within three years of operation. Motor and health insurance contributes ~85% to Acko's gross direct premium. However, most of its 650 mn+ cumulative policies sold are micro and bite-sized insurance products to customers. Acko has partnered with consumer internet companies such as Oyo, Ola, redBus, Zomato, Zest money, etc., to provide bite-size contextual insurance products such as ride insurance, stay protection, mobile and appliance protection, etc. It has also partnered with Amazon, which is also one of its major investors, to provide motor insurance with specialised benefits for Amazon Prime customers. It uses consumption behaviour and data analytics offers to offer risk-based pricing to customers.

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### Motor and health insurance: major segments for Acko

Within three years of commencing operations, Acko has acquired ~0.2% market share in gross direct premium with an annualised run-rate of Rs3.7 bn in FY20. Motor insurance makes up for two-thirds of gross premiums with the company claiming to have better underwriting due to its direct-to-customer distribution approach. It has also tied up with Amazon to offer motor insurance products along with special benefits for Amazon Prime customers. It also offers travel and liability insurance as bite-sized products, in partnerships with consumer internet companies.

With offering bite-sized contextual insurance being a major focus area for Acko, it has gained a 2.1% market share in the segment. It has also gained 0.4% market share in motor insurance compared to its overall market share of 0.17%. However, the ticket size for Acko's motor premiums is ~40% and ~65% lower than ICICI Lombard and Digiti which could be explained by a higher share of 2W policies.

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### Management profile

#### Varun Dua

Varun Dua is co-founder and CEO of Acko insurance. He is a serial entrepreneur with him co-founding Coverfox, an online insurance aggregator platform and Glitterbug technologies, which facilitated integration of online channels of acquisition for insurance companies with their core offline applications.

**Figure 159: Acko General insurance...**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>500</b>
Select investors	Amazon, Munich Re, Ascent Capital, Binny Bansal	
Key data points		
Customers	mn	60+
Agents	nos	5
Market share (FY21 YTD)	%	0.17
Select financials		FY20
Gross direct premium	Rs bn	3.7
Opex ratio	%	172%
Combined ratio	%	210%

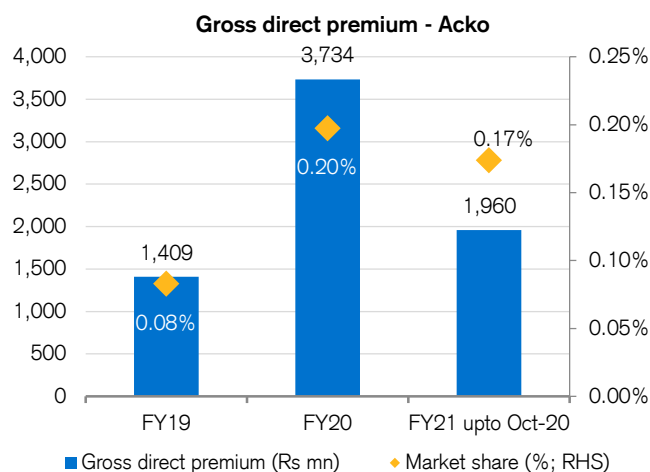
Source: Company data, Press reports

**Figure 160: ...has tied up with consumer internet companies to provide bite-sized insurance products**

Partner	Partner description	Acko partnership
Ola	Ride hailing	Ride insurance
DriveU	Professional driver on hire	Car and personal prote
GoCars	Ride hailing	Travel insurane
Happay Travel	Travel and business exp management platform	Travel insurane
redBus	Bus hailing	Travel insurane
Rapido	2W ride hailing	Travel insurane
Oyo	Chain of leased and franchise hotels	Stay insurance
Zomato	Food delivery and listings	Insurance for Zomato executives
ZestMoney	Buy-now-pay-later	Credit insurance

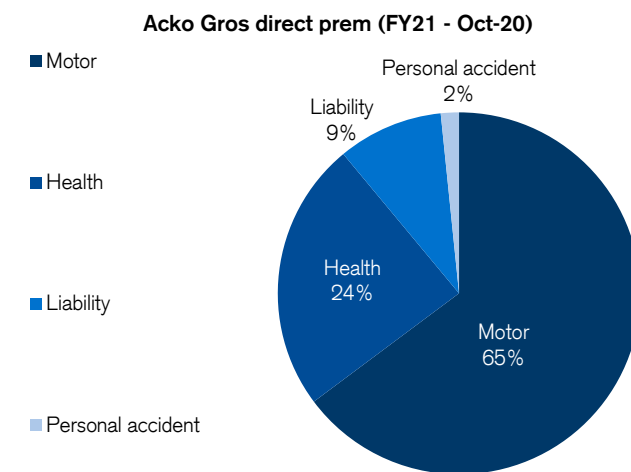
Source: Company data

**Figure 161: Acko has reached ~0.2% market share**



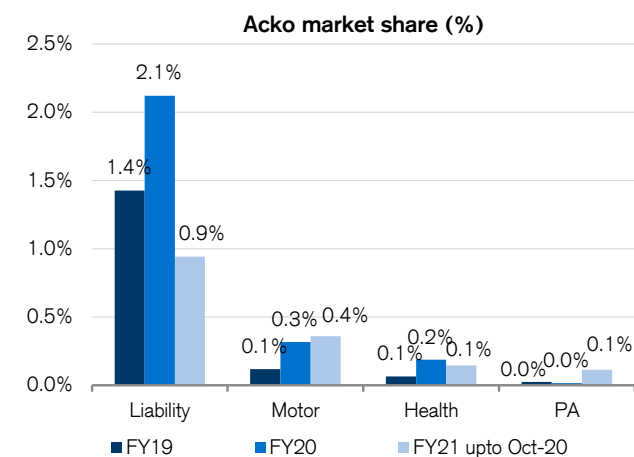
Source: IRDAI

**Figure 162: Motor and health constitute ~90% of Acko's premiums**



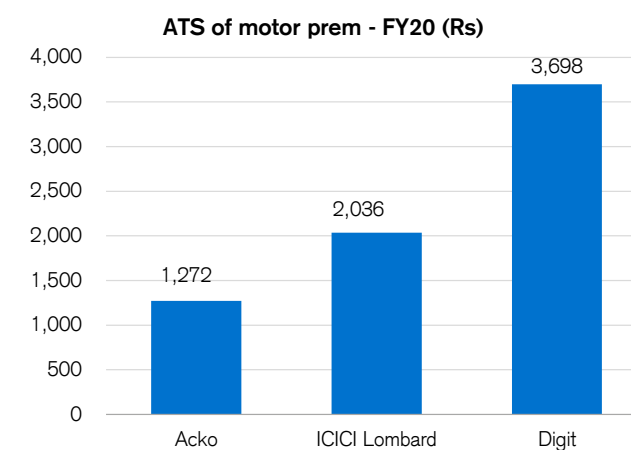
Source: IRDAI

**Figure 163: Acko has 2.1% market share in liability and 0.3% in motor segments**



Source: IRDAI

**Figure 164: Avg ticket size for Acko's motor insurance is ~40-65% below ICICI Lombard and Digit**



Source: Company data

# Toffee insurance (US\$15 mn)

## Bite-sized, contextual insurance distributor

Founded in 2018, Toffee insurance operates as a corporate agent distributing bite-sized insurance policies. It offers contextual single-event policies in partnership with insurance companies which helps to increase affordability. It has sold 200ku policies cumulatively with a claim approval ratio of 99.1%. It has partnered with six life and general insurance companies namely HDFC Ergo, ICICI Life, Religare, Tata AIG, Indiafirst Life and Manipal Signa. Examples of its bite-sized event-specific policies include dengue insurance which provides health insurance for all dengue-related illnesses at Rs682 for a year or Rs225 cycle insurance which provides theft/damage protection of cycle along with accident cover of Rs0.1 mn.

### User-friendly interface, easy to understand plans to attract millennials

To further improve affordability and match the income cycles of low-income customers, Toffee has launched a monthly payment plan covering health, life and household for bite-sized products. Toffee launched this product in partnership with Tata AIG, Religare, ICICI Prudential, and India First and provides a family health insurance cover starting from Rs0.3 mn, life Insurance starting from Rs5 mn and household insurance starting from Rs0.1 mn. Toffee claims a greater affinity amongst younger customers by offering features such as a user-friendly UX, average purchase time of 90 seconds, and average claim approval time of two hours.

### Management profile

#### Rohan Kumar

Rohan Kumar is co-founder and CEO of Toffee insurance. Prior to 'Toffee', he spearheaded/founded multiple startups like Ballr, Startsmall & PlayUp and DesignforUse. He holds a master's degree in marketing and a BBA in International Business.

#### Nishant Jain

Nishant Jain is co-founder and chief product officer at Toffee insurance. He has two decades of experience in product design-related activities. Previously, he led and mentored design teams at Doctore and Faircent. He has a master's in human computer interaction, University of Michigan and a bachelor's degree in engineering from the Delhi College of Engineering.

**Figure 165: Toffee insurance**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>15 mn</b>
Select investors	IVM Intersurer, Omidyar Network, Accion, Kalaari	
Insurance partners	HDFC Ergo, Indiafirst life, Manipal Cigna, ICICI Pru Life, Tata AIG, Religare	
Key data points		
Cumulative polices sold	mn	0.2+
Claims approval ratio	%	99.1

Source: Company data

**Figure 166: Toffee insurance's current bite-sized, contextual insurance products**

Product	Pricing (Rs)	Cover	Protection tenure
Dengue insurance	682	Health insurance to cover all dengue-related illnesses	12 months
Intl. travel insurance	346 onwards	Comprehensive intl travel insurance	1-180 days
Mosquito insurance	189 onwards	Health insurance to cover 7 mosquito-borne diseases	12 months
Backpack insurance	25 onwards	Theft of backpack	6 months
Cyclist insurance	225 onwards	Theft/damage insurance for cycles and PA up to Rs0.2mn	12 months
Daily cash plan	449	Daily Rs1,000/2,000 in case of normal/ICU hospitalisation	12 months

Source: Company data

# Zerodha (US\$1 bn)

## Market leader in broking with ~18%+ market share

Within a decade of operations, Zerodha has grown to become the largest broker in India with an active customer base of 2.9 mn (18.3% market share) displacing many older and bank-backed brokers. It currently handles 5-7 mn trades from 1 mn+ users on a daily basis. The company disrupted the broking industry with a discount broking model charging a flat fee structure (Rs20/trade; including for cash trades) at a time when traditional brokers had a fixed % fee structure. However, its initial target segment of professional day traders lacked scale (~0.3-0.4 mn day traders in India). To further expand the target market, in 2015 it reduced brokerage on delivery trades to NIL and also launched an app-based trading platform, Kite. This has helped Zerodha expand its customer base with ~75% of its trades currently happening via its app. According to the company, ~35% customers account for ~85% of its revenues.

Recently, Zerodha has also partnered with IDFC Bank to offer a 3-in-1 account (demat, savings and trading) enabling it to make its brokerage offering comparable to bank-led brokers who also offer 3-in-1 account. Zerodha also intends to enable direct US markets investing from its platform. It has also launched loan against shares/MF units through its NBFC to monetise its customers beyond broking.

---

### Product offerings

- **Discount broking platform:** Flagship discount platform with no brokerage for equity delivery trades and a flat fee (max of Rs20) for each futures, options, and intra-day trades.
- **Direct MF investment platform:** Through a separate app, Coin, Zerodha offers direct MF investment. Uniquely, it allows conditional orders for MF investment based on NAV price.
- **Lending:** Still in beta phase, it offers loan against securities maintained with Zerodha.

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### Growth accelerated post COVID-19 lockdowns

Customer acquisition for Zerodha picked up since 2015 when it made delivery trades free. According to the company, such trades are the most commonly done on the exchange (99% of stock market participants) but accounted for only 1% of volumes at the time. By eliminating brokerage for delivery trades, it was able to quickly gain market share with not much impact on revenues. Many of these customers gradually started intraday trading as well for which Zerodha charged brokerage at a flat rate. It scaled from 0.03 mn customers in 2015 to 1.4 mn as of Mar-2020. COVID-19 accelerated growth for Zerodha with its active customer base growing 107% from 1.4 mn as of Mar-2020 to 2.9 mn as of Dec-2020 and monthly customer acquisition increasing from 80k in 2019 to 250k post COVID-19. Two-thirds of these customers are new to trading.

---

### MF platform gaining ground; piloting loan against shares

Coin had a user base of 0.2 mn and AUM of Rs27 bn in FY19, which has grown to Rs70 bn in FY20. It has also promoted its own mutual fund to manufacture new investment products targeted at millennials and has received investment commitments of ~Rs1 bn.

With loan against shares which is still in beta phase, Zerodha targets to generate 300-400 bp of spread with an average tenure of one-year, ticket size of Rs50,000 and interest rate of 12-15%. Initially it aims to build book of Rs1-2 bn primarily out of its own capital.

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### Management profile

#### Nithin Kamath

Nithin Kamath is co-founder and CEO of Zerodha. Nithin was a trader for a decade before he bootstrapped and founded Zerodha in 2010. He has won numerous awards for pioneering and scaling discount broking in India.

#### Nikhil Kamath

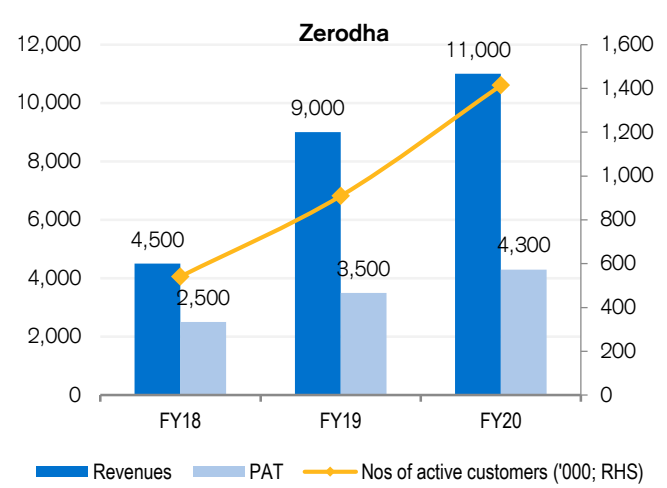
Nikhil Kamath is co-founder and CIO of Zerodha. He has a decade of experience in investment management. He heads investments and risk management at Zerodha.

**Figure 167: Zerodha**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>1,000</b>
Select investors	Founders: Nithin Kamath and Nikhil Kamath	
Key data points		
Active customers (Dec-20)	mn	2.9
Growth (YTD – April-Dec-20)	%	107
Market share	%	18.3
Select financials		FY20
Revenue	Rs mn	11,000
YoY growth	%	22.2
PAT	Rs mn	4,300

Note: Valuation of Zerodha is based on self-valuation used by company for buyback of ESOPs. Source: NSE, Entracker

**Figure 168: Zerodha financials**



Source: Company data, Ken



# Upstox (US\$80 mn)

## Rapidly gaining market share in broking on the back of discounts and referrals

Founded in 2012, Upstox is a tech-based retail broker which has rapidly grown to become the second largest broker in terms of active customers (1.6 mn as of Dec-2020) with 10.1% market share. In the first seven years of its existence, Upstox meaningfully lagged Zerodha with 0.1 mn active customers compared to 0.9 mn for Zerodha as of FY19. However, post the US\$25 mn funding from Tiger Global, Upstox accelerated growth with active users growing ~16x from FY19. For this, it provided discounts and referrals—Upstox waived off account opening charges and offered referral bonuses of Rs300-500. Indeed, referrals constituted two-thirds of new customer acquisition for Upstox. Further, like Robinhood, it also ‘gifts’ Rs20-30 ETFs into accounts of inactive users to nudge them to trade. According to the company, two-thirds of its customers are first time investors with an average age of 31 years and ~70% of customers are in tier 2 cities. It has also launched direct MF investing and investment in global equities and also plans to launch other investment options like digital gold and fixed deposits, positioning itself as an investment platform.

### Product offerings

- **Discount broking:** Similar to Zerodha. Additionally also offers waivers and referral bonus.
- **Direct MF investment platform:** Direct MF investment to increase user engagement.
- **International investments:** Facilitates investments in global equities (60+ exchanges and 25 countries) and NIL brokerage on US equities. Facilitates fractional investing.

### Management profiles

#### Ravi Kumar

Ravi Kumar is co-founder and CEO of Upstox and is responsible for overseeing key business decisions and driving corporate strategy at the company. Prior to starting Upstox, he managed an algorithmic high frequency trading fund in the US. He is a bachelor in computer science from the University of California, Irvine.

#### Shrini Viswanath

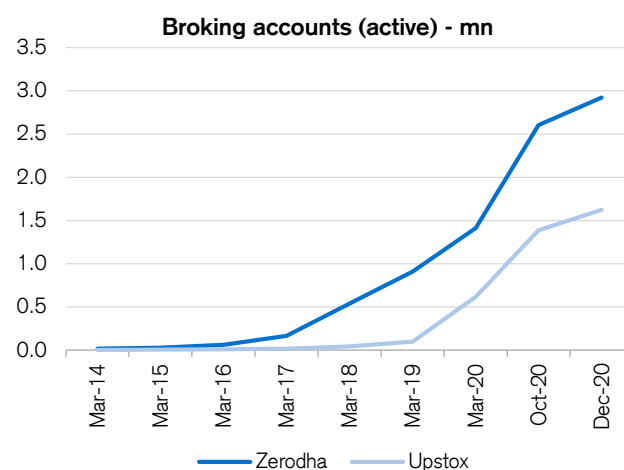
Shrini Vishwanath is co-founder and head of product management at Upstox. Prior to Upstox, he had stints at global banks like Citi, Morgan Stanley as a program manager and a technology analyst. He has a bachelor's in computer science from the University of Illinois in Urbana Champaign.

**Figure 169: Upstox**

Key stats		
<b>Valuation</b>	<b>US\$ mn</b>	<b>80</b>
Select investors	Tiger Global, Kalari Capital	
Key data points		
Active customers (Dec-20)	mn	1.6
Growth (YTD – April-Dec-20)	%	162
Market share	%	10.1
Select financials		FY19
Revenue	Rs mn	570
PAT	Rs mn	130

Source: Company data, NSE, Ken

**Figure 170: Upstox has scaled rapidly since FY19**



Source: NSE

# Smallcase (US\$50 mn)

## Pioneering basket investing in equities

Founded in 2016, Smallcase enables one-click investment in a basket/portfolio of stocks and ETFs in a specified weightage to reflect certain themes or strategies called 'smallcases'. It has 1.65 mn customers who have cumulatively invested Rs65 bn till date. Smallcase has partnered with twelve brokers and it intends to partner with two more brokers over the next twelve months and increase its reach to 95%+ of demat account holders in India. Investors can select and create a portfolio for themselves or subscribe to baskets (smallcases) created by 67 SEBI-registered advisors (termed as publishers). These publishers create their smallcases, update them and provide research/rebalancing advice to its subscribers for a subscription fee. It helps publishers disintermediate a typical PMS and widen the target audience. Through its gateway, Smallcase also enables non-broker platforms like Kuvera, Moneycontrol, Mirae MF, Nippon MF, SBI MF, etc., to offer ability to execute buy/sell transactions natively.

### Product offerings

- **Smallcases:** One click theme or strategy based basket investing either self-curated or by subscribing to one published by publishers.
- **Publishers:** SEBI registered RAs can monetise advisory services by publishing smallcase.
- **Gateway:** Enables non-broker platforms like Moneycontrol, Kuvera, etc., to offer its visitors ability to transact natively via integration with broker platforms.

### Business model/update

Smallcase's business model comprises: (1) fixed charges for investing through a smallcase (self-created by investor/subscribed to one by a publisher) and (2) a certain proportion of subscription revenues of publishers that they make from investors subscribing to smallcases. Smallcase helps research advisors to disintermediate a typical PMS and widen the target customers as there is no minimum investment criteria like Rs5 mn in a PMS. The platform takes care of billing, compliance, reporting and collection for the publishers.

### Management profile

#### Vasanth Kamath

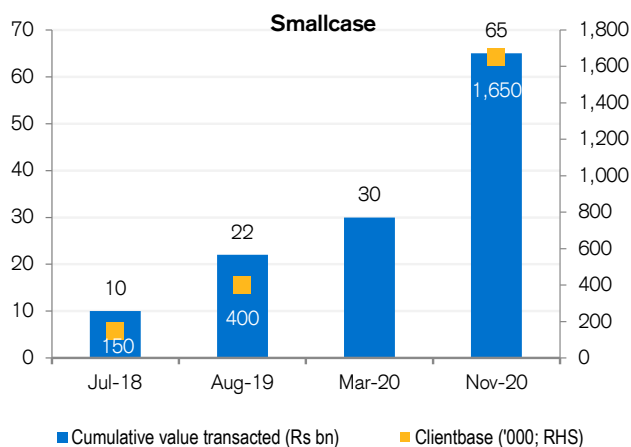
Vasanth Kumar is co-founder and CEO of Smallcase. He is an engineer from IIT-Kharagpur. Prior to Smallcase, he worked at Traxn, an analytics firm for venture capital and private equity deals in India.

Figure 171: Smallcase...

Key stats		
Valuation	US\$ mn	50
Select investors	Sequoia, Blume Ventures, HDFC bank, Staddle Capital	
Key data points		
Customers (Nov-2020)	mn	1.65
Cumulative value transacted	Rs bn	65n
Broker partners	Nos	12
Publishers on platform	Nos	67
Smallcases	Nos	270+

Source: Company data, Press reports

Figure 172: ...has facilitated Rs65 bn of investments till date



Source: Company data, Press reports

## Companies Mentioned (Price as of 19-Feb-2021)

**Aditya Birla Capital Ltd** (ADTB.BO, Rs97.8)  
**Alphabet** (GOOGL.OQ, \$2105.81)  
**Amazon com Inc.** (AMZN.OQ, \$3328.23)  
**Axis Bank Limited** (AXBK.BO, Rs749.35)  
**Bajaj Finance Ltd** (BJFN.BO, Rs5499.05)  
**Bajaj Finsrv** (BJFS.BO, Rs10251.05)  
**Bank of Baroda** (BOB.BO, Rs91.05)  
**Citigroup Inc.** (C.N, \$63.48)  
**DBS Group Holdings Ltd** (DBSM.SI, S\$25.63)  
**DCB Bank** (DCBA.BO, Rs115.0)  
**Dhani Services** (DHAE.NS, Rs357.05)  
**Edelweiss Financial Services Ltd** (EDEL.BO, Rs63.25)  
**Facebook Inc.** (FB.OQ, \$269.39)  
**Federal Bank** (FED.NS, Rs83.45)  
**Goldman Sachs Group, Inc.** (GS.N, \$309.9)  
**HDFC Bank** (HDBK.BO, Rs1538.8)  
**Housing Development Finance Corp** (HDFC.BO, Rs2735.45)  
**ICICI Bank** (ICBK.BO, Rs623.9)  
**ICICI Lombard** (ICIL.BO, Rs1494.9)  
**ICICI Securities** (ICCI.NS, Rs402.9)  
**IDFC First Bank** (IDFB.BO, Rs62.45)  
**Kotak Mahindra Bank Ltd** (KTKM.BO, Rs1937.3)  
**MakeMyTrip** (MMYT.OQ, \$29.94)  
**MasterCard Inc.** (MA.N, \$338.46)  
**Punjab Natl Bank** (PNBK.NS, Rs42.05)  
**RBL Bank** (RATB.BO, Rs246.4)  
**SBI Cards** (SBIC.NS, Rs1025.9)  
**SBI Life Ins** (SBIL.NS, Rs881.5)  
**Shriram City Union Finance Ltd** (SHCU.BO, Rs1516.1)  
**State Bank Of India** (SBI.BO, Rs399.35)  
**Union Bank of India** (UNBK.BO, Rs40.45)  
**Visa Inc.** (V.N, \$209.35)  
**Yes Bank Ltd** (YESB.BO, Rs16.0)

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Restricted	1%	

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