

# INDIA INTERNET

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**Apurva Prasad**

IT Sector

[apurva.prasad@hdfcsec.com](mailto:apurva.prasad@hdfcsec.com)

+91-22-6171-7327



**Amit Chandra**

IT Sector

[amit.chandra@hdfcsec.com](mailto:amit.chandra@hdfcsec.com)

+91-22-6171-7345



**Vinesh Vala**

IT Sector

[vinesh.vala@hdfcsec.com](mailto:vinesh.vala@hdfcsec.com)

+91-22-6171-7332

# Internet Sector

## India Internet: the stage is set

In collaboration with HDFC Bank (IB), we recently hosted the leading Indian internet companies (both listed and unlisted) cutting across multiple industries at our Internet conference. Most internet companies are on a hyper-compounding trajectory, powered by their business moat and supported by the industry drivers of rising internet/smartphone penetration, the democratisation of technology, and seamless payment ecosystem. With customer cohorts expanding and overlapping with the economy, we list key highlights and lead indicators across sectors.

A quick check on global internet for growth/size/valuation threshold unveils (1) ~T100 US and China-listed Internet companies have a median growth of 20% and revenue of USD 2bn, (2) listed global tech software and services (n=1540) have median growth of 10% and revenue of ~USD 100mn, (3) 3-Y growth estimates (consensus) across leaders in sub-segments categories are 29% (e-commerce), 13% (Ad and Social), 20% (Entertainment), 23% (Gaming), 17% (Classified & Web Hosting), 25% (Food & Mobility), >35% (EduTech & HealthTech), and 21% (FinTech).

Given (1) global precedent, (2) Indian ecosystem drivers (e-retail expected to grow 3.6x in five years, digital payments 10x in the next five years), (3) expected broad-basing of the capital base (disparity between listed Indian internet at <USD 12bn M-cap and <USD 0.5bn revenue pool and >30 unicorns in India with ~50% entering in just the past two years), we believe the stage is set.

- Agile models:** Accelerated by the pandemic, internet companies/start-ups are instrumental in not just adding value from '0 to 1' but also taking that from '1 to n', leading to a rising user base, improving AOV, and stable churn. Key drivers include: (1) shorter cycle timelines to scale the business (disrupt/partner offline models) also supported by Metcalfe's Law working across monetisation models such as classified, e-commerce, subscription, ad tech, (2) focus to improve the LTV/CAC with emphasis on subscription route, and (3) investments to build omnichannel model, new offerings and supply chain.
- Key highlights and industry read-across:** (1) Auto demand is sustaining post-Diwali and shift in auto buying behaviour/trend indicators with increased spending on e-commerce platforms (online channels receive ~90% of the search for vehicle purchase). (2) Delay in OOH activity recovery and strong growth in the wearables segment. (3) Within grocery retail, a shift to the online channel has led to lower customer acquisition cost (CAC) and stable demand with improvement in selection without impact on inventory; competitive intensity to remain for fringe operators in furniture retail. (4) Penetration levels of e-pharmacies in drug market with foot-in diagnostics and consultation have increased; however, the impact on pharma manufacturer is limited, given the fragmented distribution and dominance of offline stores. (5) In-store BNPL can become a significant low-cost retail credit acquisition channel for banks. (6) Challenges for incumbent banks and NBFCs to overhaul the existing legacy systems to experiment with frictionless payment systems. (7) Uptick in term and health (protection) insurance products should continue due to increased awareness (pandemic), and web-aggregators could gain more relevance. (8) Price competition in broking is expected to continue (discounted pricing plans) as new-age online brokers are benefiting from the structural surge in Aadhar/digital account openings (especially in Tier-2-3 cities).

### Listed Corporate

Company	CMP* (Rs)	Mcap (Rs bn)	Reco
Info Edge	4,601	589	NR
IndiaMART	5,504	159	NR
Affle	4,026	102	NR
Matrimony	841	19	NR

\*CMP as on 16<sup>th</sup> Dec 2020

### Unlisted Corporate

Company	Sector
Amazon Pay	FinTech
BoAt	Consumer/wearables
CarDekho	Car e-marketplace
Grofers	e-Commerce
Paytm Money	FinTech
Pepperfry	e-Commerce
PharmEasy	ePharma
Pine Labs	FinTech
PolicyBazaar	FinTech
Razorpay	FinTech
Upstox	FinTech
Urban Company	e-Commerce
Zerodha	FinTech

### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Vinesh Vala

vinesh.vala@hdfcsec.com  
+91-22-6171-7337

## Contents

<b>Industry Overview</b> .....	<b>3</b>
<b>Powering the marketplace</b> .....	<b>5</b>
<b>Powering commerce</b> .....	<b>8</b>
<b>Charting the global tech landscape</b> .....	<b>10</b>
<b>Listed Corporates</b>	
Info Edge (India).....	12
IndiaMART InterMESH.....	14
Affle India.....	16
Matrimony.com.....	18
<b>Unlisted Corporates</b>	
Amazon Pay.....	20
BoAt.....	21
CarDekho.....	22
Grofers.....	23
Paytm Money.....	24
Pepperfry.....	25
PharmEasy.....	26
Pine Labs.....	28
PolicyBazaar.....	29
Razorpay.....	31
Upstox.....	32
Urban Company.....	33
Zerodha.....	34
<b>Global Internet Valuation</b> .....	<b>36</b>
<b>India Internet Valuation charts</b> .....	<b>38</b>

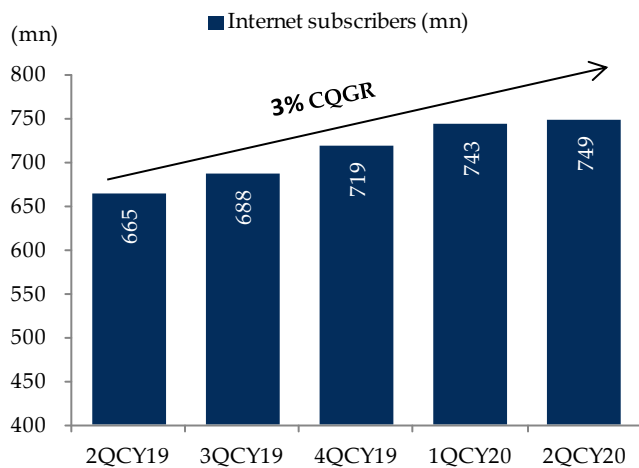
# Industry Overview

## India Internet key stats

App downloads (2QCY20)	Wireless Phone subscribers	Internet subscribers	Smartphone devices	Social media users	Daily mobile time	E-commerce market (CY20)	Monthly UPI transactions vol.
7bn	1.15 billion	749 million	500million	376million	4.8hrs	USD 54bn	2billion

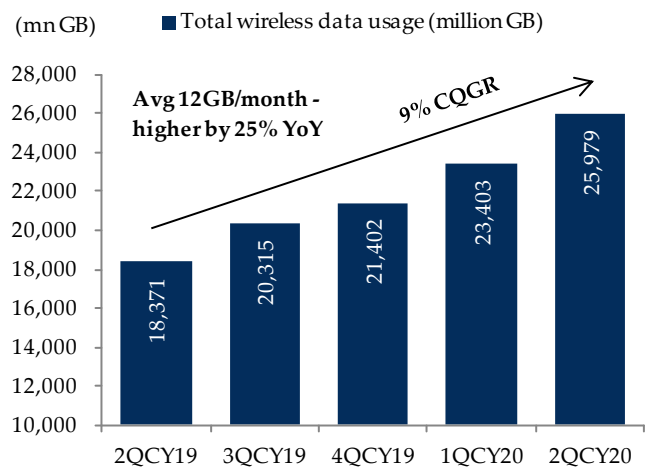
Source: Company, HSIE Research

### Growth trend in Indian internet subscriber base: 3% CQGR



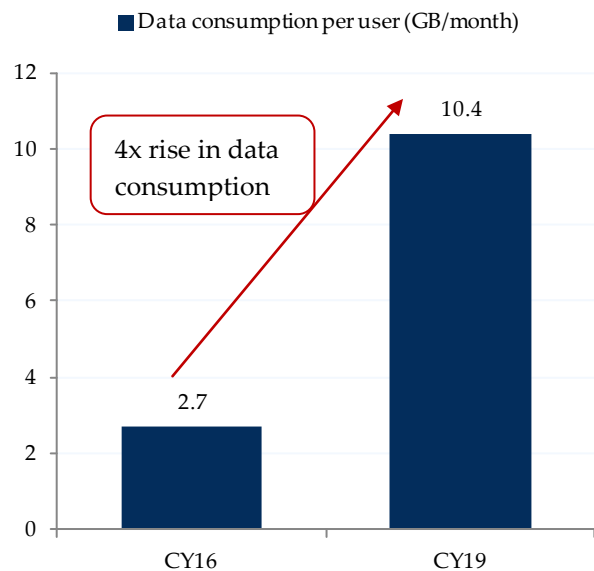
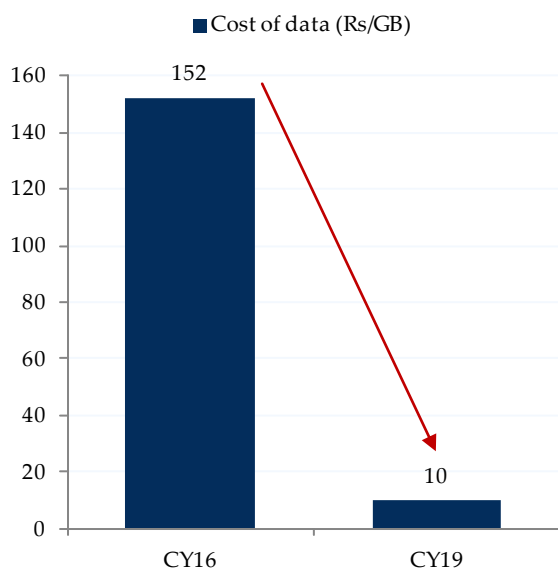
Source: TRAI, HSIE Research

### Growth trend in data usage: 9% CQGR



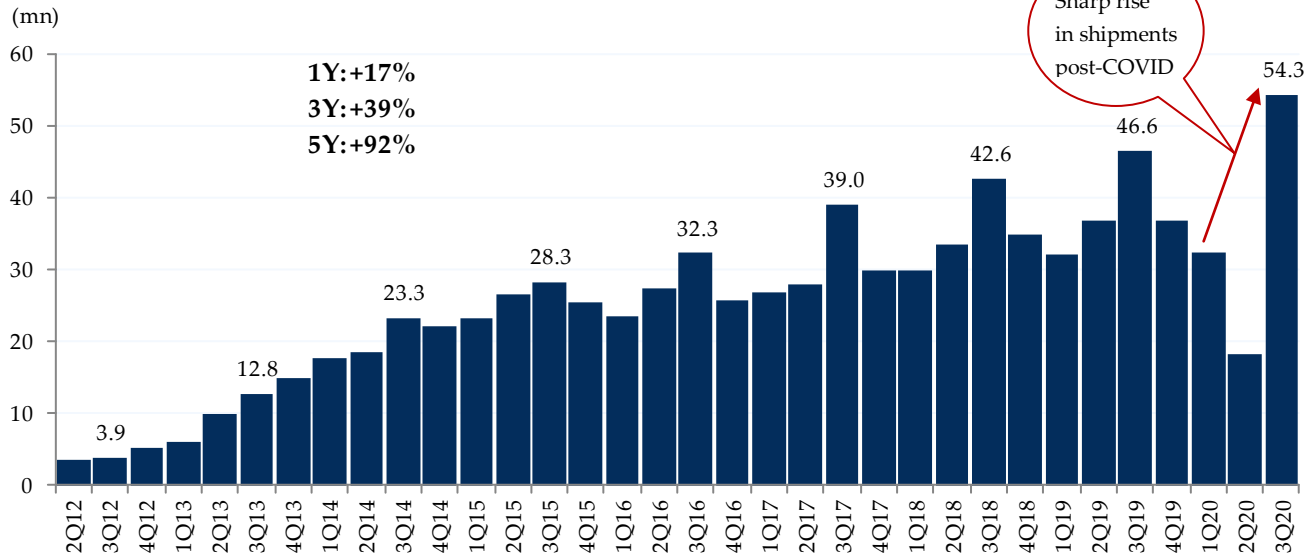
Source: TRAI, HSIE Research

### Data consumption drivers: Drop in data cost (93%) & Rise in data consumption (4x)



Source: ICEA, HSIE Research

India smartphone shipments trends (mn): sharp recovery



Source: IDC, HSIE Research

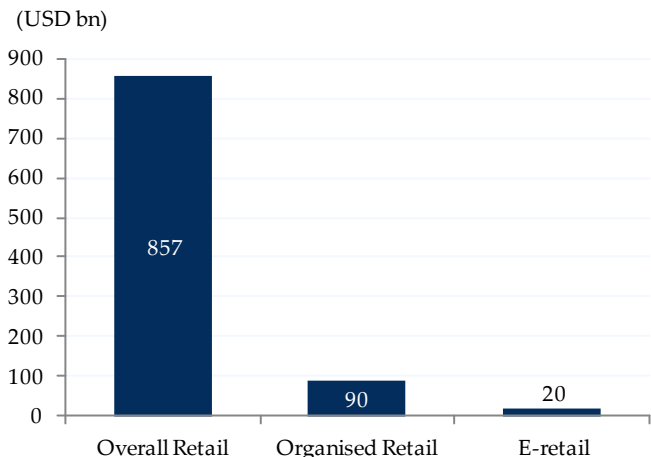
Shift to the app ecosystem; top downloaded apps globally (2019)

Games		Social/Messaging		Entertainment		Food & Drink		Dating	
1	Anger Free Fire 266.9M	1	WhatsApp 759.4M	1	Netflix 236.6M	1	Uber Eats 96.8M	1	Tinder 78.4M
2	Subway Surfers	2	TikTok	2	YouTube	2	McDonald's	2	Badoo
3	Color Bump 3D	3	Messenger	3	Hotstar	3	DoorDash	3	Tantan
4	Fun Race 3D	4	Instagram	4	Amazon Prime Video	4	Swiggy	4	Happn
5	Run Race 3D	5	Facebook	5	YouTube Kids	5	Starbucks	5	Bumble
6	Homescapes	6	Snapchat	6	ZEDGE Wallpapers	6	foodpanda	6	MeetMe
7	Tiles Hop	7	Facebook Lite	7	JoTV	7	Rappi	7	Plenty of Fish
8	My Talking Tom 2	8	Pinterest	8	Watermelon Video	8	iFood	8	LOVOO
9	PUBG MOBILE	9	Telegram	9	Twitch: Live Game Streaming	9	Grubhub	9	Grindr
10	Call of Duty: Mobile	10	Helio	10	Tencent Video	10	Postmates	10	Skout
Travel		Shopping		Music & Audio		Health & Fitness		Finance	
1	Uber 142.5M	1	Wish 168.8M	1	Spotify 223.6M	1	Drink Water Reminder 40.5M	1	One Google Pay 148.1M
2	Google Maps	2	AliExpress	2	YouTube Music	2	MI Fit	2	PayPal
3	Booking.com	3	Amazon	3	Shazam	3	Flo Period & Ovulation Tracker	3	PhonePe
4	Grab	4	Pinduoduo	4	SoundCloud	4	Calm	4	Cash App
5	Google Earth	5	Club Factory	5	Drum Pad Machine	5	Samsung Health	5	Alipay
6	Airbnb	6	Lazada	6	Smule	6	Home Workout	6	Cloud Flash Payment
7	Where is my Train	7	SHEIN	7	JoMusic	7	MyFitnessPal	7	Venmo
8	Lyft	8	Mercado Libre	8	Gaana Music	8	Period Tracker Period Calendar	8	Personal Income Tax
9	Ola Cabs	9	Flipkart	9	Deezer	9	Six Pack in 30 Days	9	Sberbank
10	GOJEK	10	Shopee	10	Amazon Music	10	Fitbit	10	CASHIER

Source: Apptopia

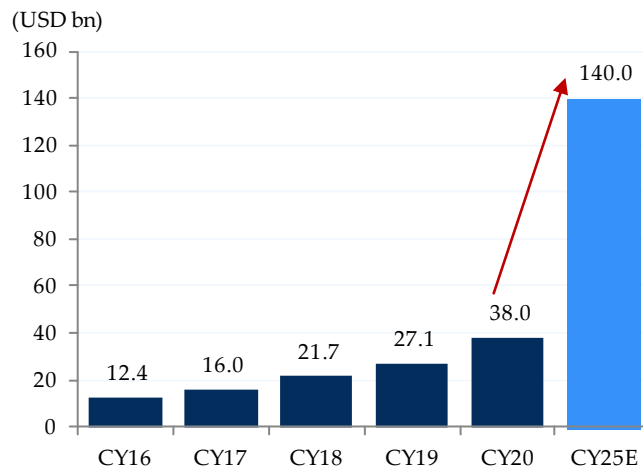
# Powering the marketplace

## India Retail market (USD bn)



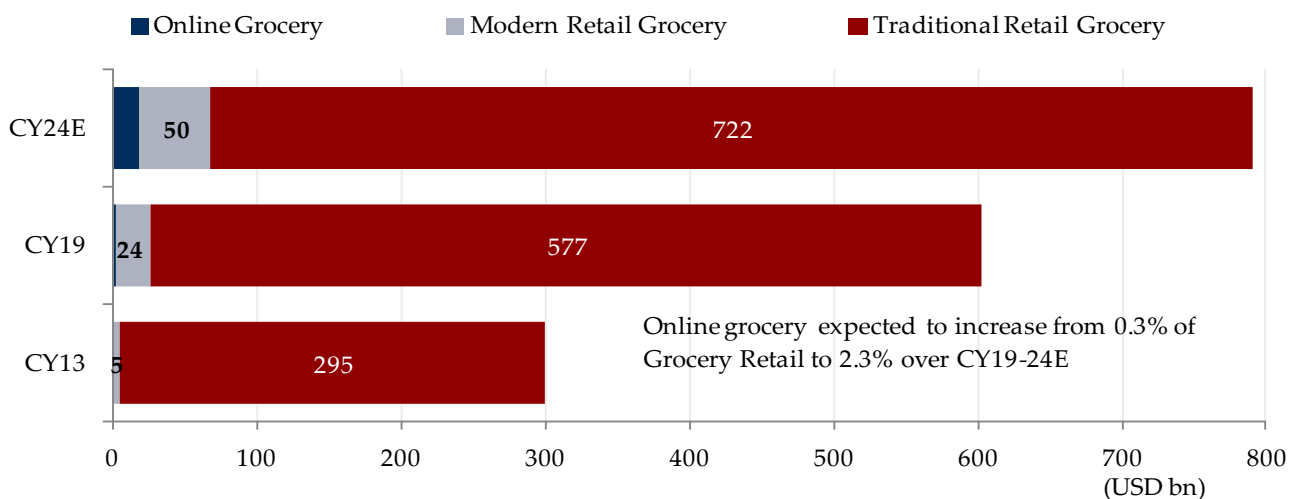
Source: Avenue Supermarts (Jan '20), HSIE Research

## Indian E-Retail Market by Gross GMV: 30% CAGR over CY20-25E



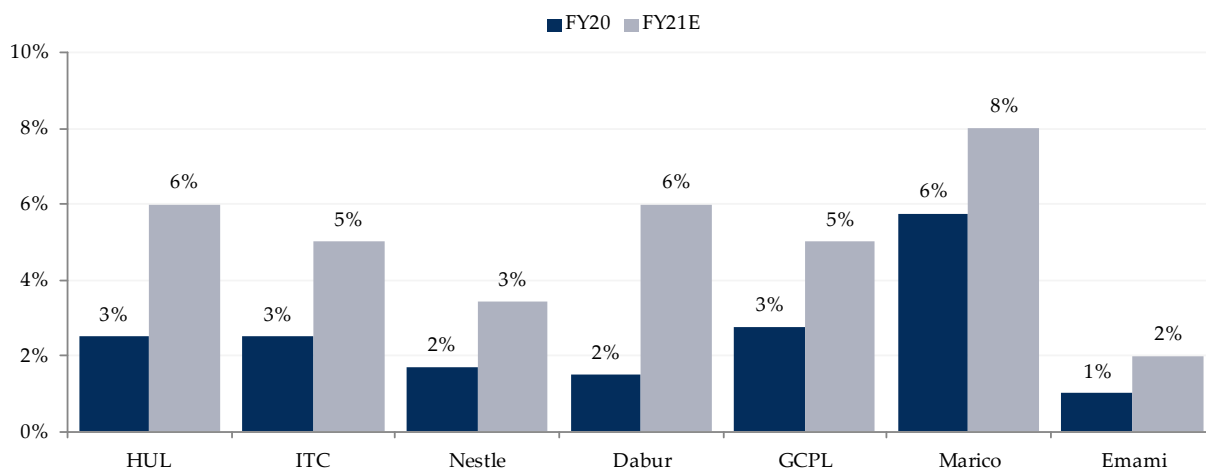
Source: RedSeer, HSIE Research

## Grocery Retail Market: Online grocery 59% CAGR CY19-24E



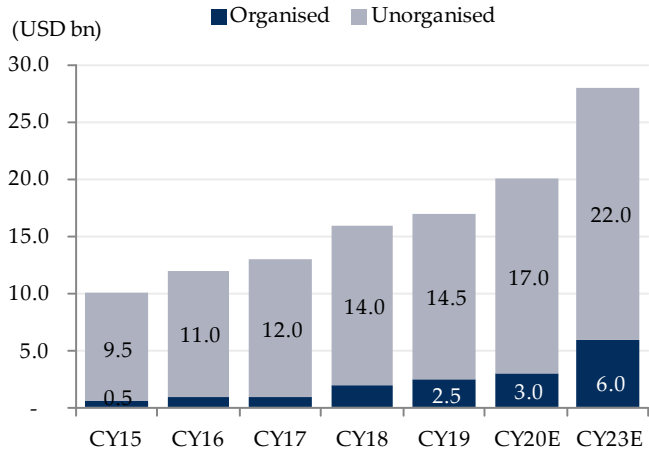
Source: RedSeer, HSIE Research

## Rising share of e-commerce revenue (%) for consumer goods



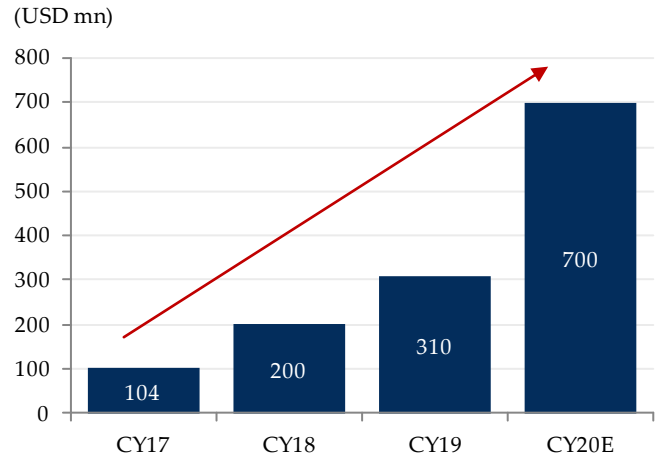
Source: Company, HSIE Research

**India furniture market trend**



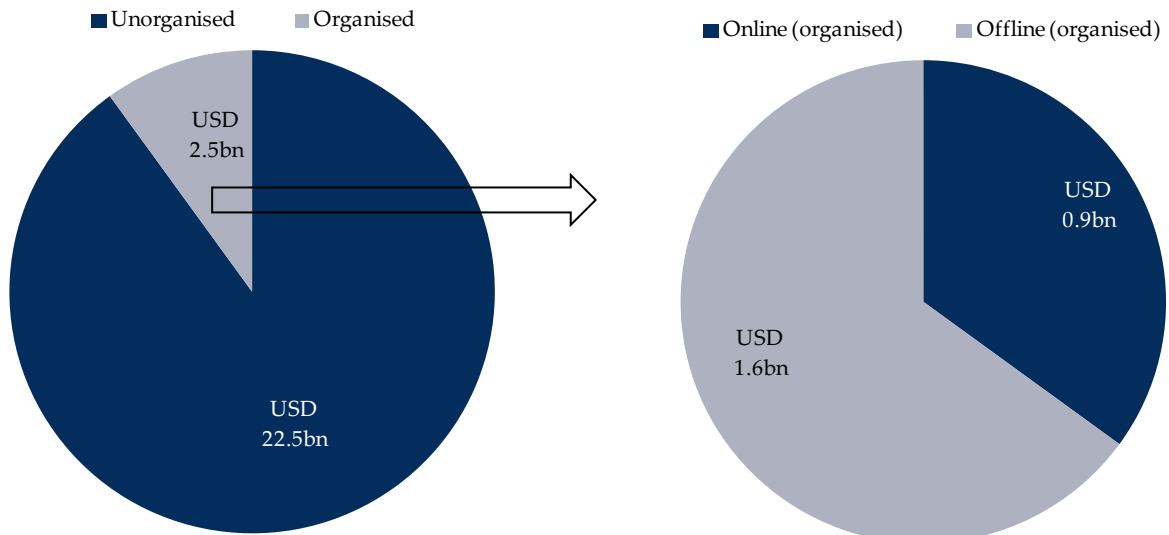
Source: RedSeer, HSIE Research

**Online furniture market trend: WFH has accelerated B2C**



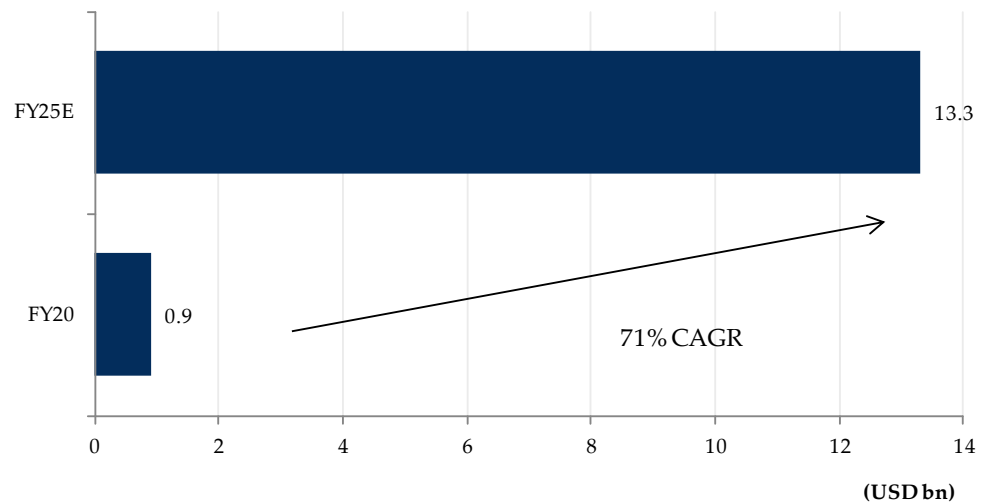
Source: RedSeer, HSIE Research

**India Pharma Retail market**



Source: RedSeer, HSIE Research

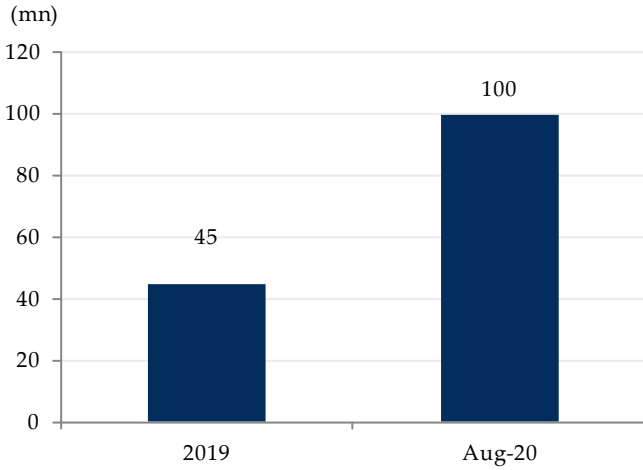
**E-Pharmacy market trend**



Source: RedSeer, HSIE Research

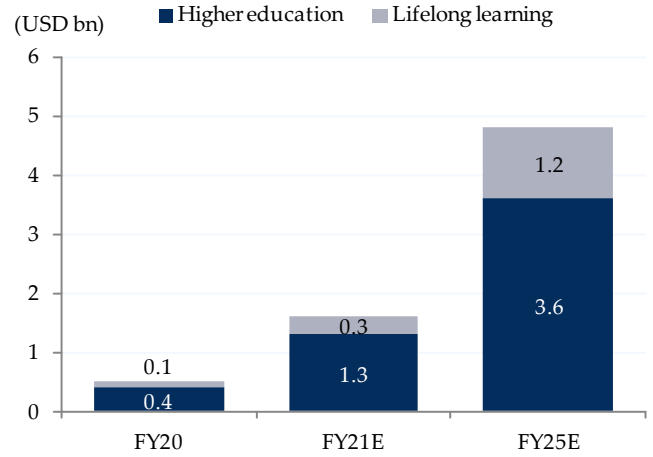
# HSIE India Internet

## Rise in EdTech usage (mn)



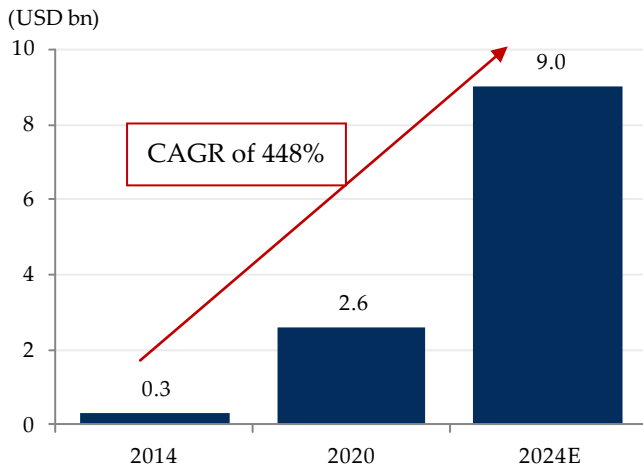
Source: Zinnov, HSIE Research

## Online education market: 10x growth potential



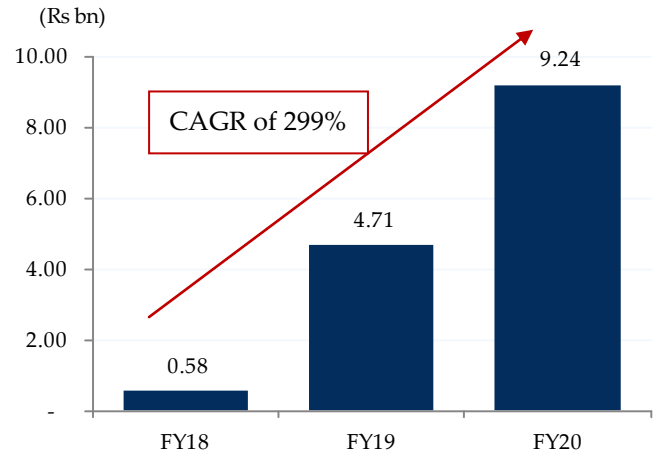
Source: RedSeer, HSIE Research

## Surge in online gaming market in India



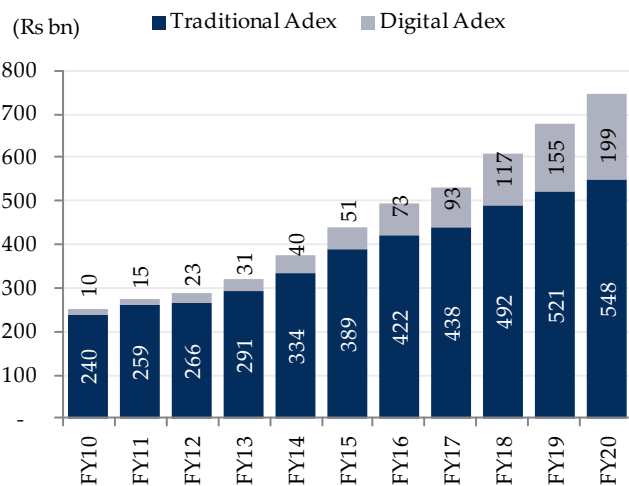
Source: RedSeer, HSIE Research

## Rise in OTT consumption: Netflix India revenue trend



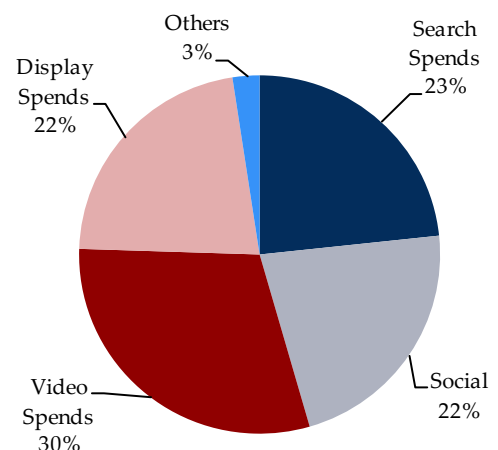
Source: Entrackr, HSIE Research

## Consequently a rising share of digital advertising



Source: Pitch Madison, HSIE Research

## Digital Ad by verticals (FY19)

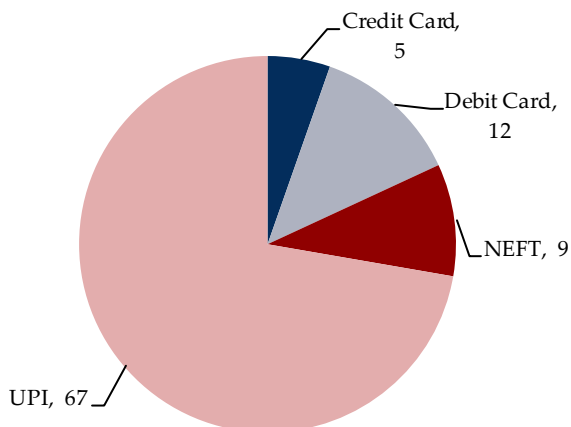


Source: Pitch Madison, HSIE Research



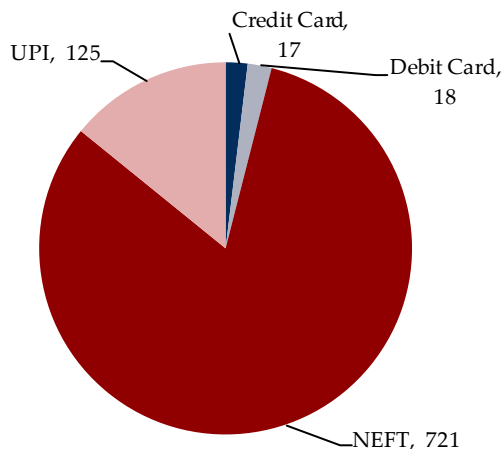
## Powering commerce

Payments market by Transaction volume: 92mn daily



Source: RBI Data; Credit/Debit card, NEFT, UPI

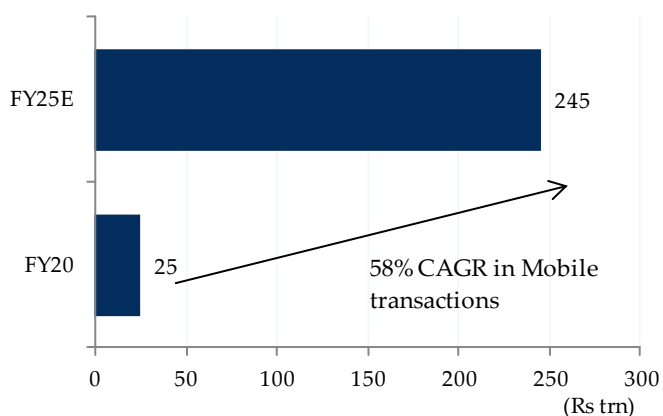
Payments market by Transaction value: USD 12bn daily



Source: RBI Data; Credit/Debit card, NEFT, UPI

India Digital Payment industry: 10x opportunity in 5 years

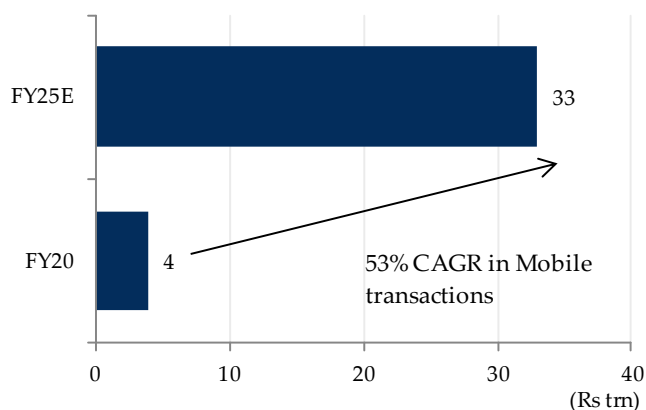
■ Mobile transactions (Rs tm)



Source: RedSeer, HSIE Research

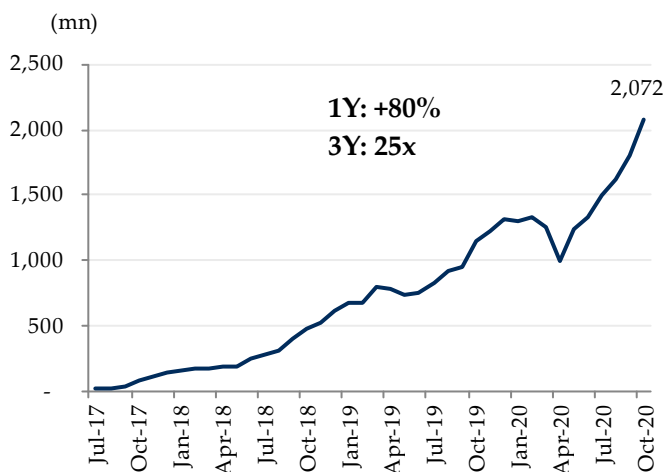
India P2M Digital Payment industry: 8x opportunity in 5 years

■ P2M Mobile payments (Rs tm)



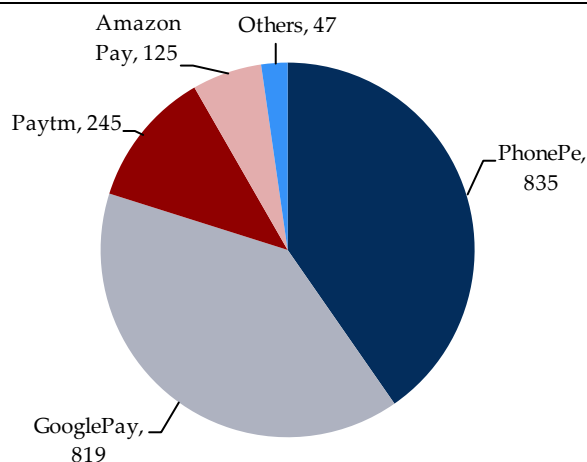
Source: RedSeer, HSIE Research

Monthly UPI transactions (mn): +56% since pre-covid high



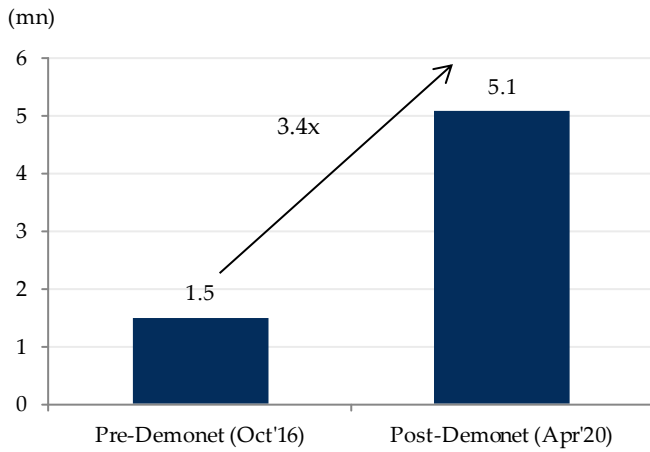
Source: RBI Data, HSIE Research

UPI transactions share by volume (mn)



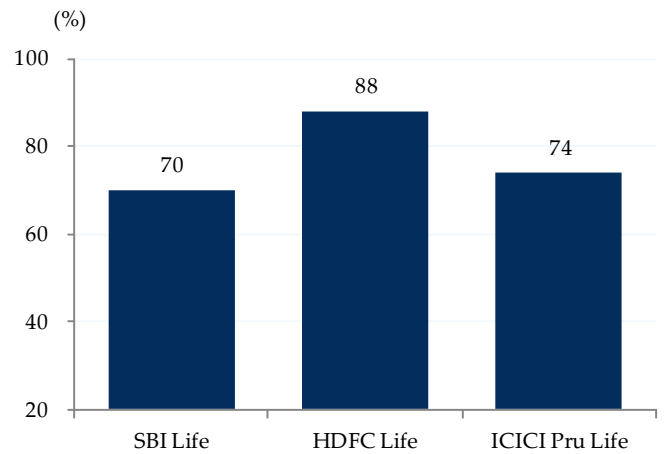
Source: Entracker, HSIE Research; Oct '20 data

**POS Terminals trend**



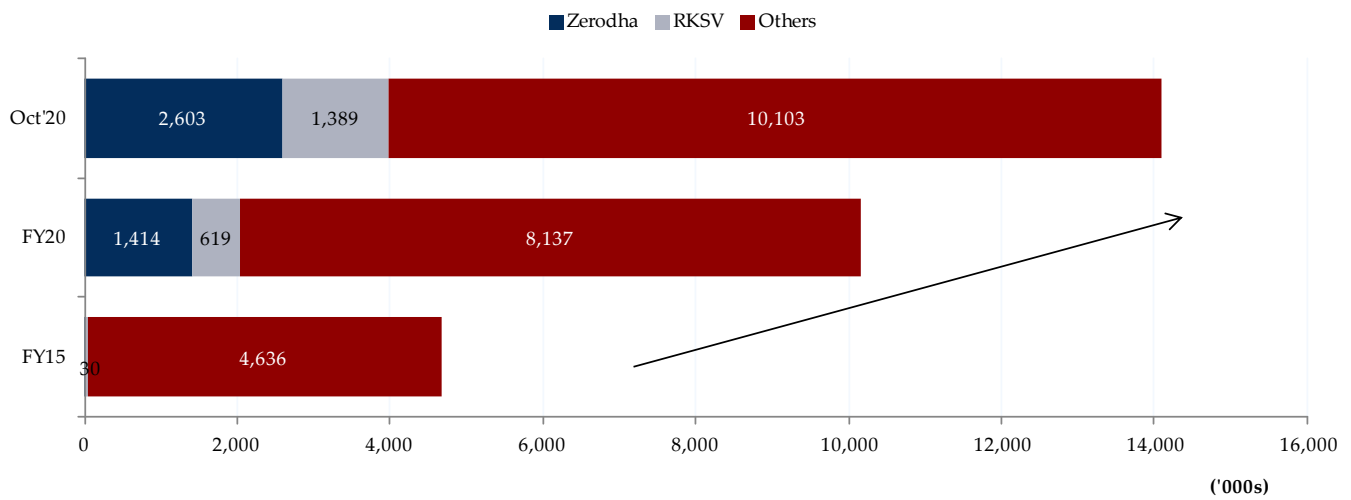
Source: RedSeer, HSIE Research

**Insurance renewal premium sourced digitally (%)**



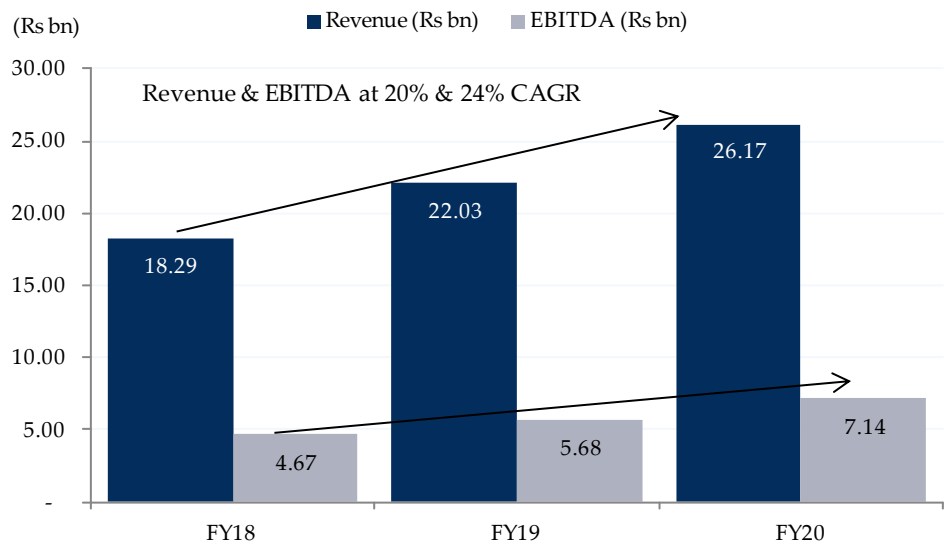
Source: Company, HSIE Research

**Active customers trend ('000s)**



Source: Company, HSIE Research

**India Internet (listed) Revenue & EBITDA growth trend**

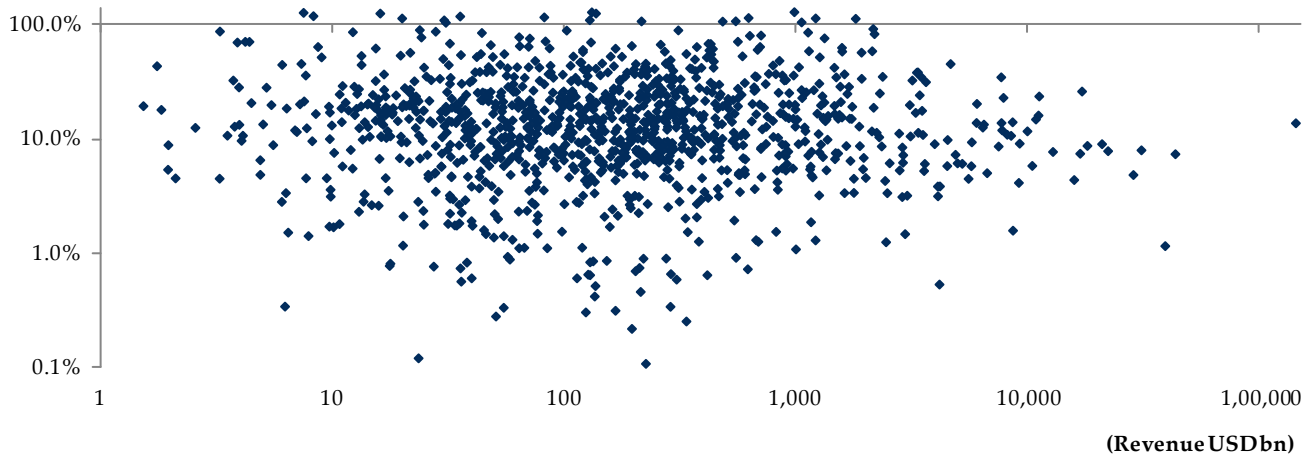


Source: Company, HSIE Research; Aggregate of Info Edge, IndiaMART, Affle, Matrimony

# Charting the global tech landscape

## Growth & Scale distribution of Global Listed Tech (Software & services)

(3Y Revenue Growth CAGR %)



Source: Bloomberg, HSIE Research; Logscale, n=1176

### Countries with top active unicorns

SR NO.	Countries	Unicorns (Nos)
1	USA	233
2	China	227
3	UK	24
4	India	21
5	South Korea	11
6	Germany	10
7	Brazil	8
8	Israel	8
9	France	7
10	Switzerland	5

Source: Hurun Global Unicorn Index 2020

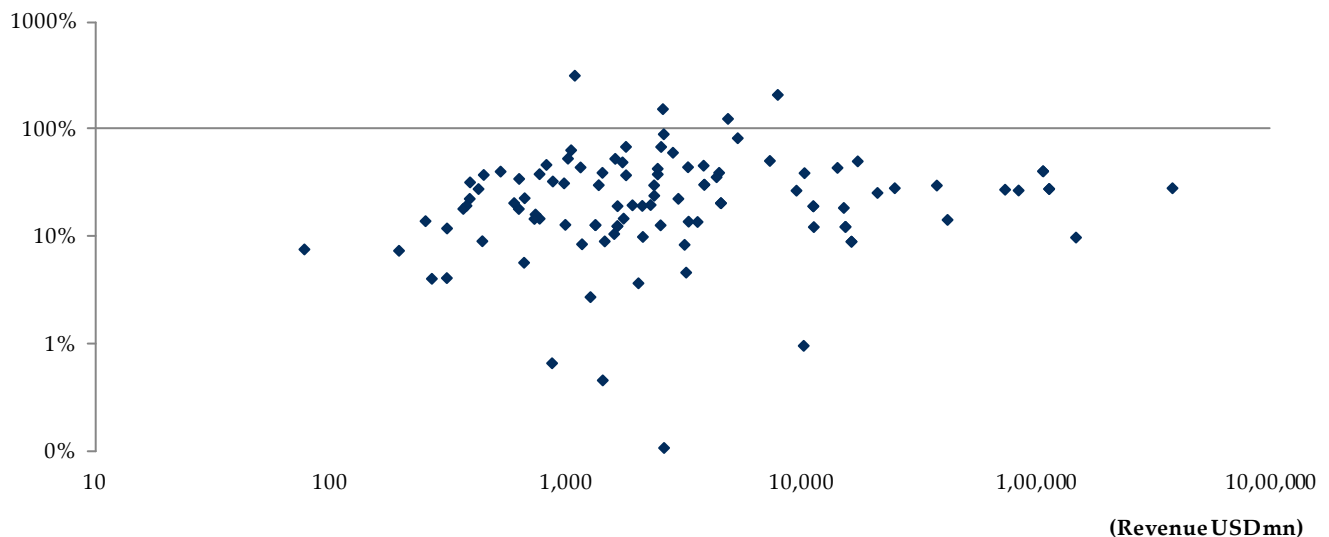
### Global unicorns by industry

SR NO.	Industry	No. of Unicorns
1	E-commerce	89
2	Artificial Intelligence	63
3	FinTech	63
4	SaaS	53
5	Shared Economy	33
6	Health Tech	28
7	Big Data	20
8	EdTech	20
9	Media & Entertainment	19
10	BioTech	17

Source: Hurun Global Unicorn Index 2020

## Growth & Scale distribution of US + China Listed Internet companies

(3Y Revenue Growth CAGR %)



Source: Bloomberg, HSIE Research; Note: Logscale, n=106 constituents include from Nasdaq Internet & CSI Global China indices

## Indian unicorns

SR NO.	Company	Segment	Year of entry in USD 1bn+	Key investors
1	InMobi	Mobile Ads	2011	KPCB, Sheralo Ventures, SoftBank
2	Mu Sigma	Analytics	2013	Accel, Sequoia Capital, General Atlantic
3	Flipkart	E-commerce	2012	Accel, Tiger Global, Naspers, SoftBank, Tencent
4	Snapdeal	E-commerce	2014	Kalaari Capital, Nexus Ventures, Bessemer, SoftBank, Alibaba
5	Ola	Ride hailing	2015	Tiger Global, Matrix Partners, Steadview, SoftBank, Tencent
6	Paytm	FinTech	2015	Saama Capital, SAIF, Alibaba, Berkshire Hathway
7	Quikr	Classifieds	2015	Matrix Partners, Omidyar Network, Norwest, Kinnevik
8	Zomato	FoodTech	2015	Info Edge, Sequoia Capital, Vy Capital, Alibaba
9	Hike	Messaging	2016	Tiger Global, Tencent, Foxconn
10	Shopclues	E-commerce	2016	Nexus Ventures, Helion Ventures, Beenos, Tiger Global, Others
11	Byjus	EdTech	2018	Aarin Capital, Sequoia Capital, Lightspeed Ventures, Tencent, General Atlantic, Tiger Global
12	Paytm Mall	E-commerce	2018	SAIF, Alibaba, SoftBank, eBay
13	Swiggy	FoodTech	2018	Accel, SAIF, Norwest, Naspers, Tencent
14	Policy Bazaar	FinTech	2018	Info Edge, Intel, Inventus Capital, Tiger Global, SoftBank, Tencent
15	Oyo Rooms	Hotel	2018	Lightspeed Ventures, Sequoia Capital, SoftBank
16	Udaan	E-commerce	2018	Lightspeed Ventures, DST Global, Tencent
17	Freshworks	SaaS - CRM	2018	Accel, Tiger Global, Google, Sequoia Capital
18	Bill Desk	FinTech	2018	SIDBI VC, TA Associates, General Atlantic
19	Delhivery	Logistics	2019	Nexus Ventures, Multiples PE, Tiger Global, Carlyle, SoftBank Corp, Fosun Group
20	Dream11	Gaming	2019	Kalaari Capital, Tencent, Multiples PE, Steadview
21	Big Basket	Groceries	2019	Ascent Capital, Helion Ventures, Bessemer, IFC, Alibaba
22	Rivigo	Trucking	2019	SAIF, Warburg Pincus
23	Druva Software	Data management	2019	WestBridge, Nexus Ventures, Sequoia Capital
24	Icertis	Contract management	2019	Eight Roads, B Capital, PremjiInvest
25	Citius Tech	Healthcare	2019	General Atlantic, Baring Asia
26	Ola Electric	Mobility	2019	SoftBank Corp, Tiger Global, Matrix Partners
27	Lenskart	E-commerce	2019	SoftBank Corp, Kedaara Capital, TPG, Chiratae Ventures, TR Capital
28	Pine Labs	FinTech	2020	Sequoia Capital India, New Atlantic Ventures, Altimeter Capital, Temasek, Mastercard
29	Nykaa	E-commerce	2020	Techpro Ventures, TVS Capital, Sharrp Ventures, TPG Growth
30	Postman	SaaS	2020	Nexus Ventures, Charles River Ventures, Insight Venture Partners
31	Unacademy	EdTech	2020	Blume Ventures, Nexus Venture Partners, Sequoia Capital India, SAIF, General Atlantic, SoftBank
32	Razorpay	FinTech	2020	Matrix Partners India, Tiger Global, Sequoia Capital India, DST Global
33	Cars24	Auto	2020	Asia Venture Group, Apoletto, Unbound, DST Global, Sequoia Capital India

Source: Ventureintelligence

## Info Edge (India)

Info Edge (India) Ltd is an internet company that operates India's largest online job portal Naukri.com (71% of the revenue), real estate platform 99Acres.com (14% of rev), matrimony platform Jeevansathi.com (third-largest player in the market), and education services (Shiksha.com). The company also holds a stake in 23 online companies, including two unicorns - the food-tech company Zomato and insurance aggregator PolicyBazaar.

### Key takeaways:

#### Naukri

- The pandemic impacted the recruiter/jobseeker traffic on Naukri.com by 70-80%. The traffic has now returned to pre-COVID level, supported by a revival in the IT-ITes sector (32% of Naukri). Other verticals like BFSI, Manufacturing, and Pharma have started to revive.
- Travel and Hospitality were the most impacted verticals during the pandemic (down 80-90% in Apr-May). Currently, it is down 40-45% YoY and is likely to remain in stress over the medium term.

#### 99Acres

- Traffic on 99acres.com has returned to pre-COVID levels, although builders are still cautious over advertising spend. Brokers have started focus on the resale and rental category, but realisations are still down 28% YoY.
- New project launches have come down, and buyer preference has changed to ready-to-move homes. Higher activity is witnessed in Tier-2/3 cities, and broker recovery is better than the builder category.

#### Jeevansathi

- Profile growth accelerated due to higher traffic on the platform as most of the people were at home. InfoEdge has stepped up marketing spends which have resulted in higher sales growth (better than pre-COVID level).
- New features like video calling, video profiles, and video-based online meetings are driving profile growth. Around 60-70% of the profiles are created by parents and have a higher conversion ratio.
- Jeevansathi has a dominant position in the North and Western market, while Matrimony has a 70% market share in the south market.

#### Zomato

- With the ease in lockdown, billing has reached pre-COVID levels; however, the number of food orders is still struggling to reach pre-COVID levels.

### Financial summary

YE March (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	TTM
Net Sales	6.11	7.18	8.02	9.15	10.98	12.73	11.80
EBITDA	1.79	1.36	2.27	2.97	3.41	4.03	3.59
APAT	1.65	1.37	2.08	2.74	3.15	3.29	3.04
Diluted EPS (Rs)	13.7	11.3	17.2	22.5	25.8	26.9	24.8
P/E (x)	335.5	406.7	267.3	204.4	178.2	171.0	185.6
EV / Revenue (x)	12.8	11.9	11.0	12.8	51.1	44.2	48.5
EV / EBITDA (x)	43.7	62.9	38.7	39.6	164.5	139.7	159.7
RoE (%)	13.3	7.8	11.0	13.4	14.2	13.8	8.9

Source: Company, HSIE Research, Standalone Financials

## Not Rated

CMP (as on 16 Dec 2020)	Rs 4,601
Target Price	NA
NIFTY	13,683

### KEY STOCK DATA

Bloomberg code	INFOE IN
No. of Shares (mn)	129
MCap (Rs bn) / (\$ mn)	592/8,040
6m avg traded value (Rs mn)	1,869
52 Week high / low	Rs 4,740/1,580

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	30.0	63.5	74.1
Relative (%)	11.2	24.7	60.1

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	40.37	38.47
FIs & Local MFs	12.56	12.82
FPIs	37.01	39.16
Public & Others	10.06	9.55
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

#### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

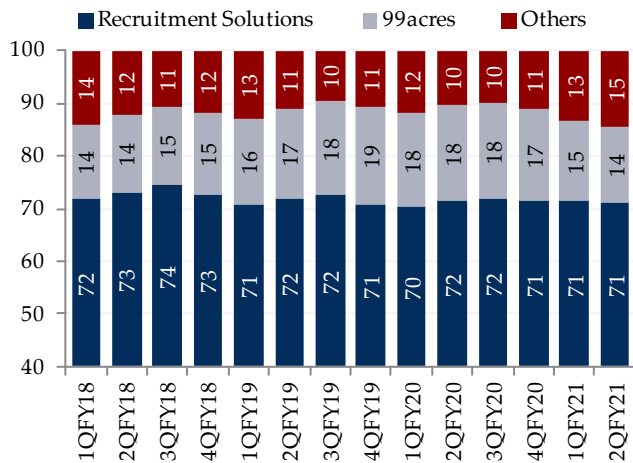
#### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

#### Vinesh Vala

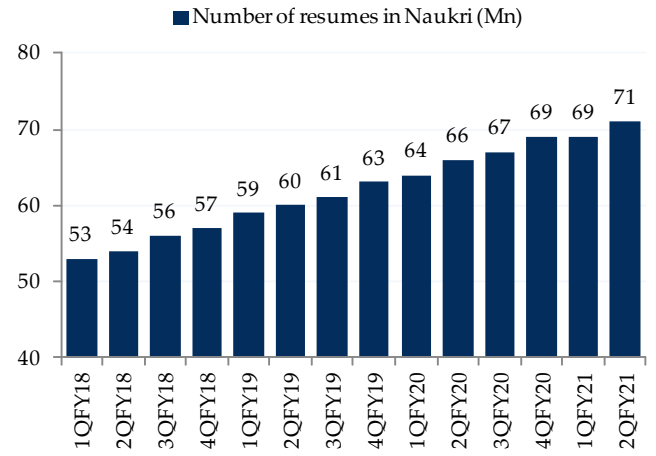
vinesh.vala@hdfcsec.com  
+91-22-6171-7332

**Revenue segment contribution**



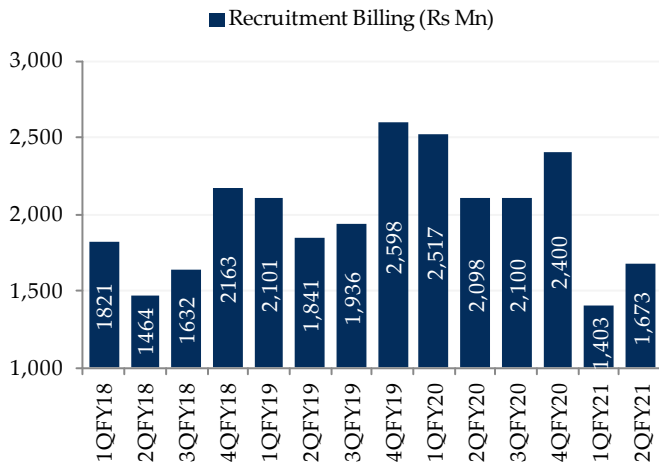
Source: Company, HSIE Research

**Increasing trend of resumes in Naukri**



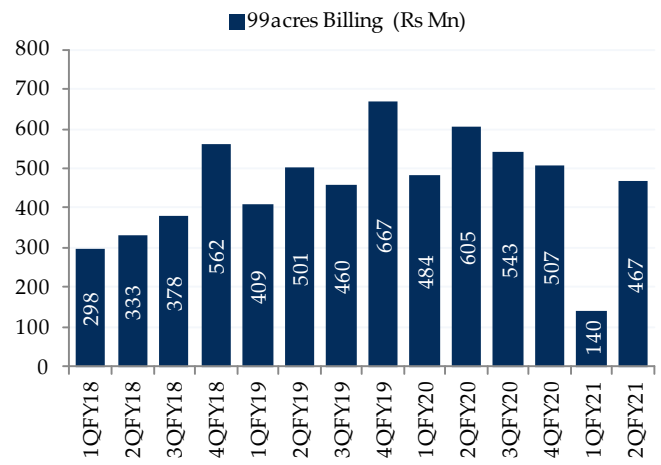
Source: Company, HSIE Research

**Recovery started in Recruitment**



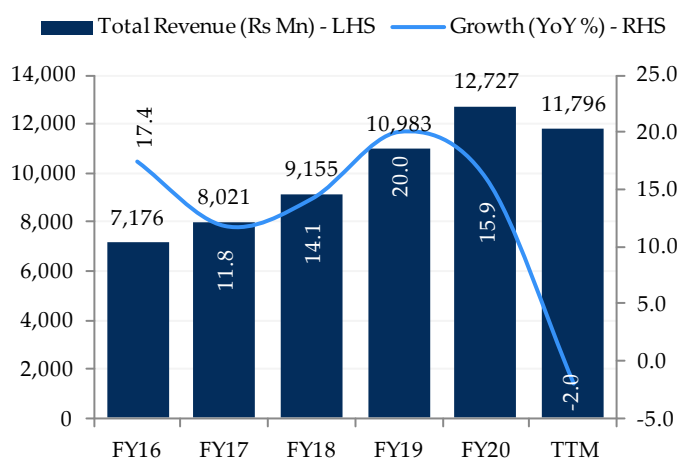
Source: Company, HSIE Research

**as well as Real estate billings**



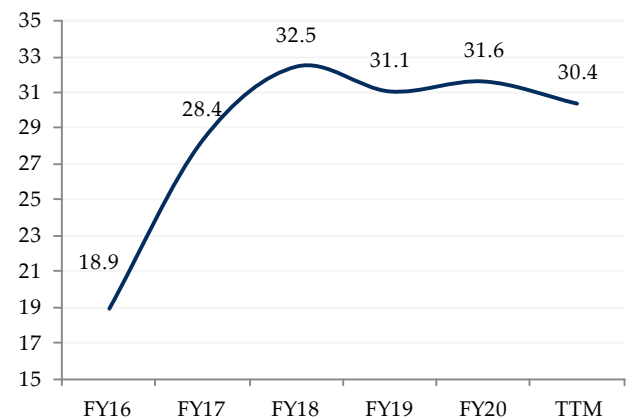
Source: Company, HSIE Research

**Total revenue trend**



Source: Company, HSIE Research

**EBITDA margin (%) trend**



Source: Company, HSIE Research

## IndiaMART InterMESH

IndiaMART InterMESH Ltd is India's largest online B2B marketplace with ~60% market share. Indiamart provides a two-way discovery platform for buyers and sellers. It has a diversified product catalogue (69mn products) across 56 industries. The traffic on the platform is 100% organic, and 83% of it flows through the mobile. Indiamart has 113mn registered buyers and 6.9mn registered suppliers. The platform has ~61% repeat buyers, and 36% of the suppliers are buyers. The company generates revenue through a subscription-based revenue model, and the paying supplier base has increased at a CAGR of 15%.

### Key takeaways:

- The major strengths of the platform are (1) strong network effect, (2) buyer satisfaction, (3) helping suppliers manage leads through RFQs, (4) high diversification, and (5) low cost of acquisition. Most of the traffic is driven through Google search as it manages to come at the top of the search for most product listings, despite not paying anything to search engine.
- The traffic on the IndiaMart platform is 100% organic, and the company does not spend on advertising. The buyer traffic on the platform has increased at a CAGR of 32% and is now higher than pre-COVID levels.
- The surge in buyer traffic has led to higher inquiries (+40% YoY), and the ROI proposition for suppliers has improved. As a result, the company expects to add ~5,000 suppliers every quarter, similar to pre-COVID levels.
- Subscribers with long-term packages have not opted out during the pandemic; the real impact was witnessed on short-term (monthly) packages. The supplier base has stabilised, and the new supplier addition has also revived. The company has added 2-3k new suppliers in the past three months.
- The platform is free for buyers, and revenue is generated from suppliers through a subscription model. There are three different kinds of subscription models, Platinum, Gold, and Silver (offered on a monthly and annual basis). Out of the total 0.14mn paying suppliers, ~67% of the suppliers buy annual subscriptions, and ~33% are opting for a monthly subscription model.
- We believe growth in ARPU would be driven by a price increase, selling higher duration premium packages, and up-gradation of existing lower duration packages (~20% of existing suppliers typically upgrade every year).
- The buyer traffic is coming from Tier 2-3 cities and only 35% of the traffic is from Tier-1 cities. Top-10 (Platinum customers) contribute ~41% of revenue.
- Margin expansion in 1HFY21 (+2,472bps YoY) was driven by cost optimisation and lower feet on street cost. Expenses would rise, in our view, as business volumes recover to pre-COVID levels and an EBITDA margin of ~35% (vs 48.7% in 1HFY21) is sustainable.

### Financial summary

YE March (Rs bn)	FY16	FY17	FY18	FY19	FY20	TTM
Net Sales	2.46	3.18	4.11	5.07	6.39	6.51
EBITDA	-1.26	-0.54	0.47	0.82	1.69	2.49
APAT	-1.24	-0.45	1.78	0.85	1.47	2.52
Diluted EPS (Rs)	NM	NM	20.2	7.6	50.2	87.3
P/E (x)	NM	NM	249.1	661.8	100.2	57.7
EV / Revenue (x)	58.6	45.2	34.6	27.3	21.4	20.7
EV / EBITDA (x)	NM	NM	304.2	168.3	80.8	54.2
RoE (%)	NM	NM	NM	NM	67.8	59.8

Source: Company, HSIE Research, Consolidated Financials

## Not Rated

CMP (as on 16 Dec 2020)	Rs 5,485
Target Price	NA
NIFTY	13,683

### KEY STOCK DATA

Bloomberg code	INMART IN
No. of Shares (mn)	29
MCap (Rs bn) / (\$ mn)	160/2,171
6m avg traded value (Rs mn)	656
52 Week high / low	Rs 5,550/1,641

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	6.8	151.2	170.8
Relative (%)	(11.9)	112.4	156.8

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	52.34	51.99
FIs & Local MFs	3.78	5.73
FPIs	15.15	21.67
Public & Others	28.73	20.61
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Apurva Prasad

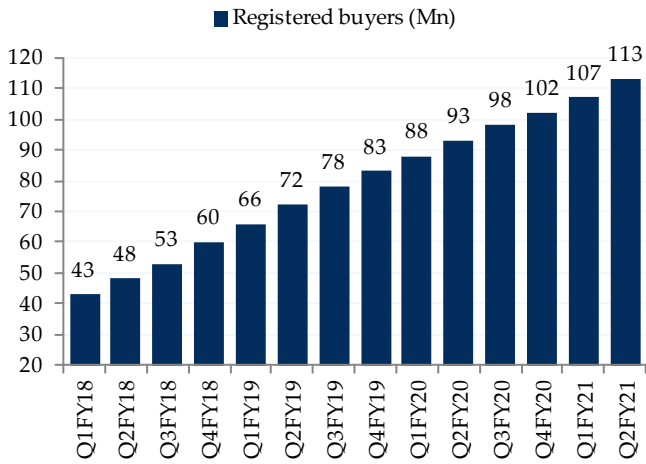
apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Vinesh Vala

vinesh.vala@hdfcsec.com  
+91-22-6171-7332

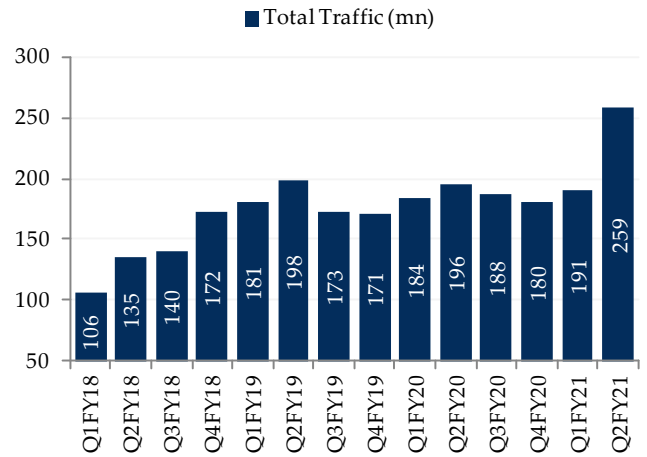
# HSIE India Internet

## Increasing trend of registered Buyers



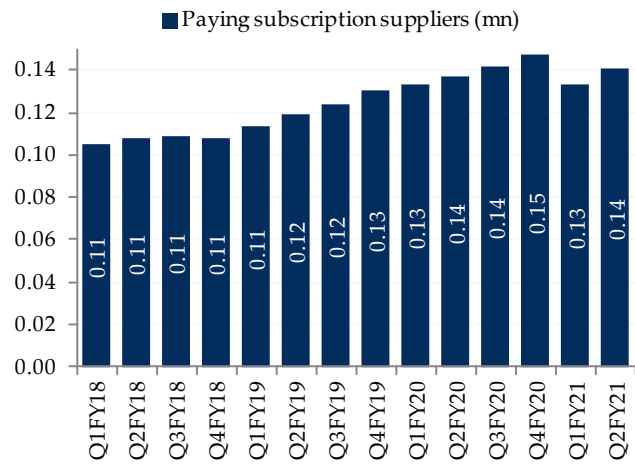
Source: COMPANY, HSIE Research

## Buyer Traffic increasing on the platform



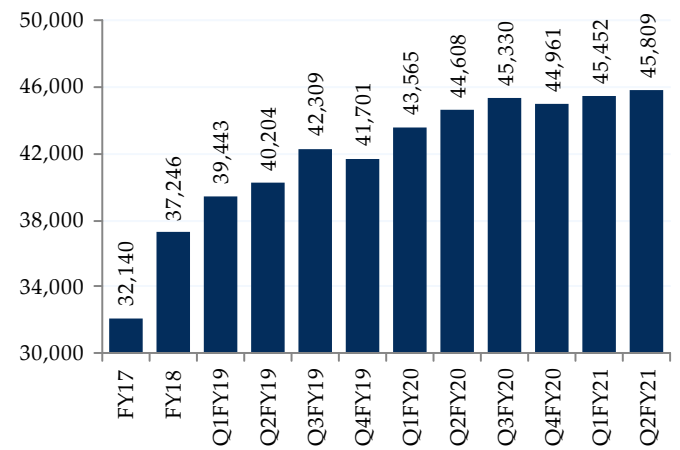
Source: Company, HSIE Research

## Paying suppliers returning to the pre-COVID level



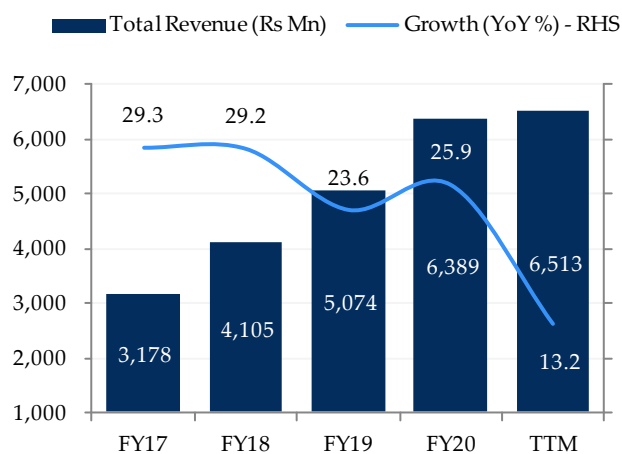
Source: Company, HSIE Research

## ARPU stable during the pandemic



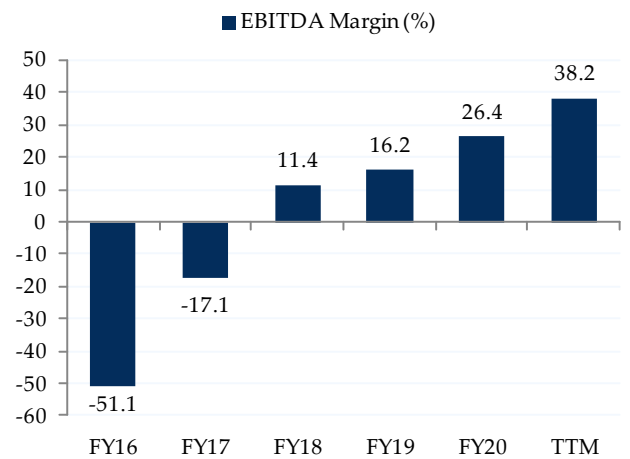
Source: Company, HSIE Research

## Total revenue trend



Source: Company, HSIE Research

## EBITDA margin (%) trend



Source: Company, HSIE Research



## Affle (India)

Affle (India) Ltd is an advertising technology company operating in the fast-growing digital advertising industry. Mobile/Digital advertising spend is growing at a CAGR of 33/29%. Affle has an ROI-driven customer-centric business model, and revenue has grown at a CAGR of 48% over FY18-20. Affle gets cost per converted user (CPCU) of Rs 40 for every converted user (72mn in FY20). Converted users/CPCU eight-quarter CQGR has been +10.2/-0.1%. Affle has two business segments, Consumer Platform (98.3% in H1FY21) and Enterprise Platform (1.7% in H1FY21). The company generates 90% revenue from emerging markets (India, Indonesia, Vietnam and Malaysia), with India alone contributing ~50% of revenue. Affle generates 90% of revenue from the Top-10 verticals (e-commerce, Ed-tech, Food-Tech, FMCG, Gaming, Entertainment, Health-Tech, Fin-Tech, and Groceries).

### Key takeaways:

- There are ~600mn connected devices, but only 20% are online shoppers. The target user base for Affle is ~120mn devices, where the probability for the conversion is high. Affle's predictive algorithm works to predict the next 100mn potential shoppers and target them with ads based on user preference.
- The moat of Affle's platform is (1) ROI driven CPCU based business model where the advertiser pays only on conversions, (2) data filtering and enhancing technology which predicts future users and drives conversions, (3) fraud detection M-FaaS platform which prevents digital ad fraud and (4) excellent preparation to handle data privacy laws, with data servers located in Singapore, India and the US and accredited by Singapore Government (SG:D).
- The pandemic has led to higher screen time (~8 hours), an increase in mobile activity, and more app downloads. The average time spent on mobile devices has increased significantly. It has led to higher conversions with ad-spends on mobile advertising platforms also increasing significantly.
- Higher conversions will drive growth; CPCU should remain around Rs 40. CPCU increase will be driven by higher international revenue, where conversion ratio and pricing are higher than in the domestic market.
- Google and Facebook are not direct competitors. Around 33% of the digital advertising budget is allocated to large players like Google/Facebook, ~33% goes with other network/web applications, and the remaining is allocated to players like Affle, InMobi, etc.
- Affle acquired Vizury, Shoffr, RevX, Appnext, and MediaSmart in the past two years to enhance the capabilities of the platform. It intends to keep up the acquisition strategy and invest in upcoming areas such as Connected Devices/TVs. Appnext and Mediasmart are doing well and should reach a 20% PAT level in the next 1-2 years.

### Financial summary

YE March (Rs bn)	FY18*	FY19	FY20	TTM
Net Sales	1.67	2.49	3.34	3.99
EBITDA	0.46	0.70	0.88	1.04
APAT	0.28	0.49	0.66	0.82
Diluted EPS (Rs)	11.4	20.1	26.1	32.3
P/E (x)	354.0	200.3	154.1	124.6
EV / Revenue (x)	58.4	39.1	30.0	25.8
EV / EBITDA (x)	214.5	138.8	113.8	98.6
RoE (%)	94.6	67.4	62.3	30.3

Source: Company, HSIE Research, Consolidated Financials, \*Unaudited Proforma Combined financial

## Not Rated

CMP (as on 16 Dec 2020)	Rs 4,026
Target Price	NA
NIFTY	13,683

### KEY STOCK DATA

Bloomberg code	AFFLE IN
No. of Shares (mn)	25
MCap (Rs bn) / (\$ mn)	103/1,395
6m avg traded value (Rs mn)	243
52 Week high / low	Rs 4,072/899

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	33.5	172.0	178.9
Relative (%)	14.8	133.2	164.9

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	68.38	68.38
FIs & Local MFs	10.95	10.32
FPIs	7.59	8.37
Public & Others	13.08	12.93
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

### Apurva Prasad

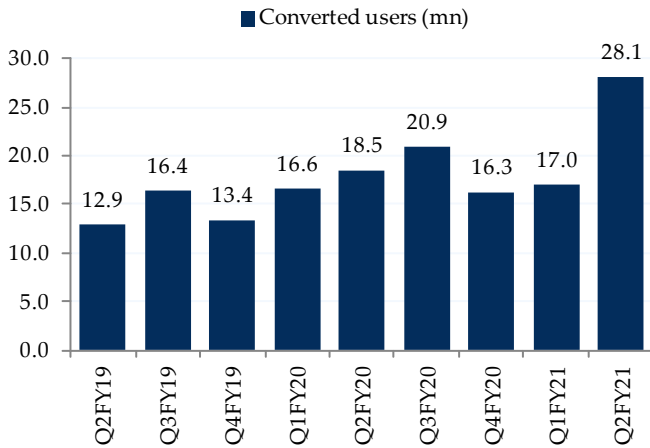
apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Vinesh Vala

vinesh.vala@hdfcsec.com  
+91-22-6171-7332

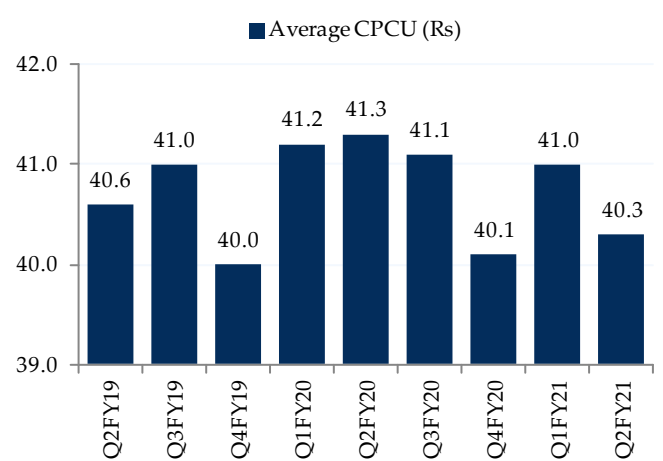
## HSIE India Internet

### High growth in converted users



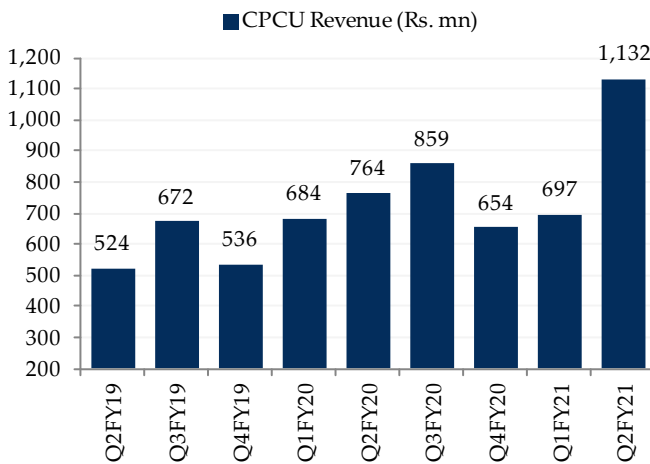
Source: COMPANY, HSIE Research

### Average CPCU in a narrow range



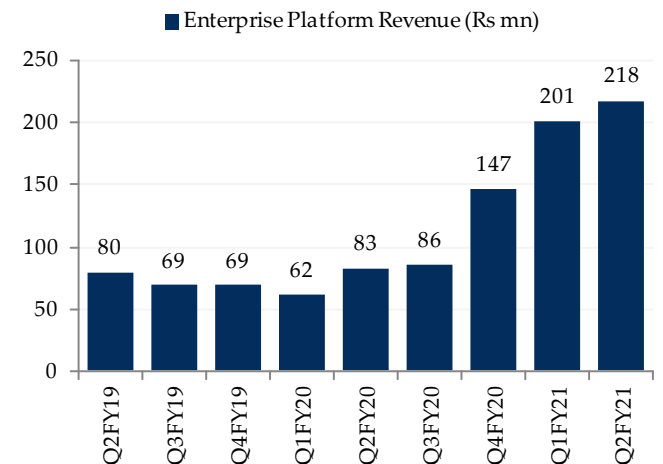
Source: Company, HSIE Research

### Improvement in CPCU revenue



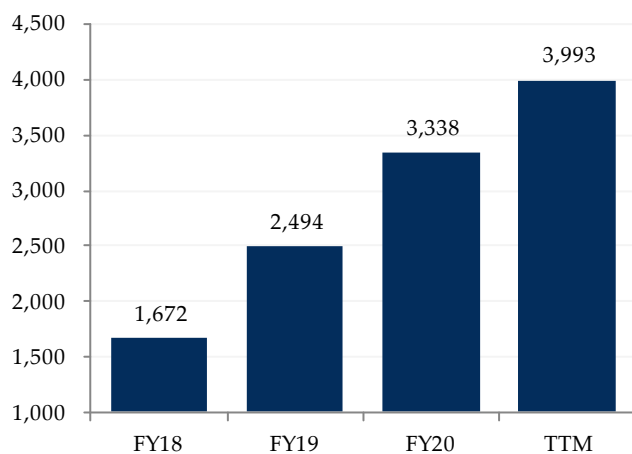
Source: Company, HSIE Research

### as well as Enterprise Platform revenue



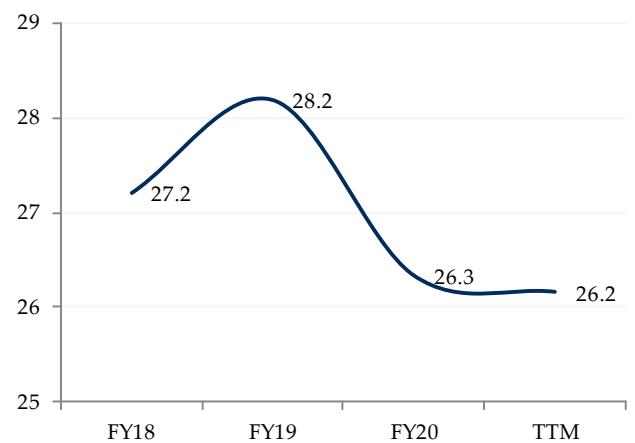
Source: Company, HSIE Research

### Total Revenue trend



Source: Company, HSIE Research

### EBITDA margin (%) trend



Source: Company, HSIE Research

## Matrimony.com

Matrimony.com Ltd is India's largest matchmaking service provider with a dominant market share in the south region. Matchmaking services account for 99% of its revenue, while Marriage services account for just 1% of it. Matrimony has a subscription-based business model and 0.7mn paid subscribers. The company offers 3,6 and 12 months subscription packages with the average transaction value of Rs 5,150/subscriber.

### Key takeaways:

- Matrimony has a flexible subscription-based revenue model and offers differentiated pricing for different segments. Paid subscribers have registered healthy growth (+23% YoY) and are now above pre-COVID levels.
- The platform has a total of 5mn active profiles, but revenue is generated from 14% of the profiles. The primary focus is to convert the free profile to paid subscribers. For this purpose, the company has a dedicated team of 1,500 associates who drive conversions through AI and data analytics tools.
- Matrimony also operates through 130 retail outlets, which contribute ~10% of revenue. The purpose of the offline model is to support parents and drive paid subscriptions. The company operates 300 community sites, with 15% of revenue coming from Elite and assisted Matrimony.
- Matchmaking billing is expected to grow in double digits while Marriage Services growth would remain muted. The loss in Marriage Services is expected to normalise in 2HFY21 (loss of Rs 100mn in FY21), in our view.
- The average subscription price is Rs 4,000+ for three months. Typically, a profile remains active for at least nine months, and profiles created by parents and women have a higher conversion ratio. Pricing is different for the north and south markets and slightly higher than the competition.
- The competitive intensity has increased in the near term. Matrimony has also stepped up marketing spend (+33% YoY) to increase market share in the north market and maintain a dominant position in the south market.
- There is no risk from the rise of dating websites/apps as ~80% of the marriages in India are arranged, and only 6% take place through matchmaking websites.
- The company wants to expand in the international markets and has planned to set up Sri Lankan Matrimony.

### Financial summary

YE March (Rs bn)	FY15	FY16	FY17	FY18	FY19	FY20	TTM
Net Sales	2.41	2.55	2.93	3.35	3.48	3.72	3.64
EBITDA	0.18	0.07	0.59	0.78	0.74	0.54	0.56
APAT	0.13	(0.01)	0.48	0.61	0.42	0.30	0.32
Diluted EPS (Rs)	5.8	-0.6	21.2	26.9	18.7	13.0	14.0
P/E (x)	145.3	NM	39.7	31.3	45.0	64.8	60.0
EV / Revenue (x)	7.8	7.5	6.5	5.2	4.9	4.5	4.8
EV / EBITDA (x)	103.1	286.9	32.1	22.5	23.0	30.8	31.5
RoE (%)	NM	NM	NM	37.2	23.2	13.7	13.4

Source: Company, HSIE Research, Consolidated Financials

## Not Rated

CMP (as on 16 Dec 2020)	Rs 841
Target Price	NA
NIFTY	13,683

### KEY STOCK DATA

Bloomberg code	MATRIM IN
No. of Shares (mn)	23
MCap (Rs bn) / (\$ mn)	19/260
6m avg traded value (Rs mn)	36
52 Week high / low	Rs 917/250

### STOCK PERFORMANCE (%)

	3M	6M	12M
Absolute (%)	37.3	145.6	80.4
Relative (%)	18.6	106.7	66.4

### SHAREHOLDING PATTERN (%)

	Jun-20	Sep-20
Promoters	50.43	50.43
FIs & Local MFs	5.06	7.76
FPIs	25.19	22.09
Public & Others	19.32	19.72
Pledged Shares	0.00	0.00

Source : BSE

Pledged shares as % of total shares

### Amit Chandra

amit.chandra@hdfcsec.com  
+91-22-6171-7345

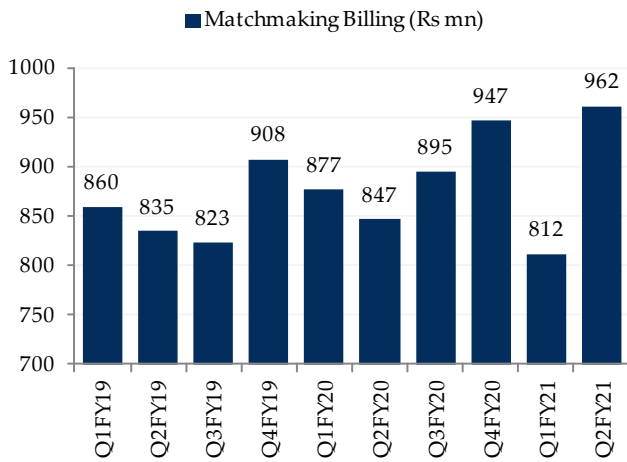
### Apurva Prasad

apurva.prasad@hdfcsec.com  
+91-22-6171-7327

### Vinesh Vala

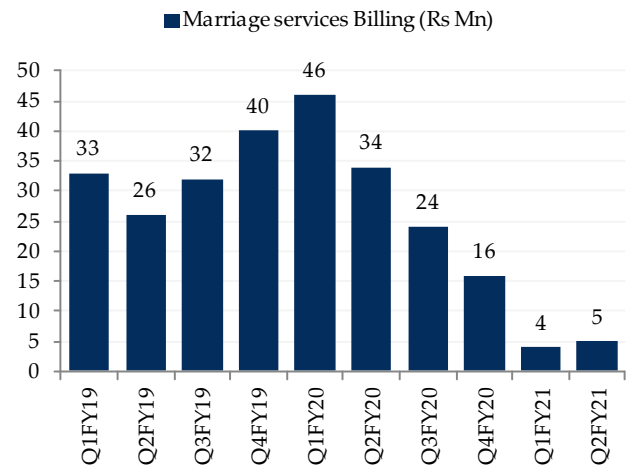
vinesh.vala@hdfcsec.com  
+91-22-6171-7332

**Increasing traction in Matchmaking billing**



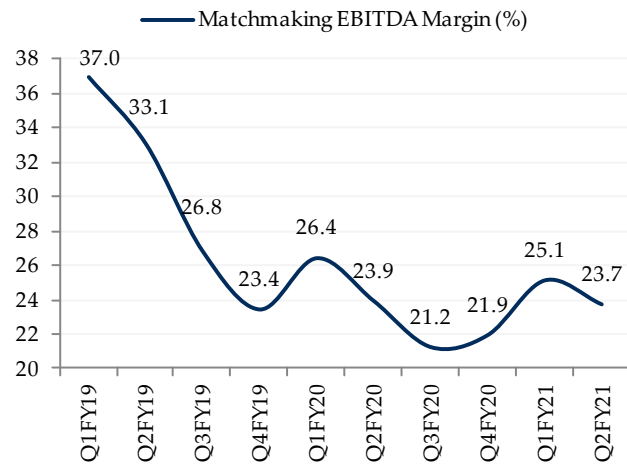
Source: Company, HSIE Research

**Lower billing in Marriage services**



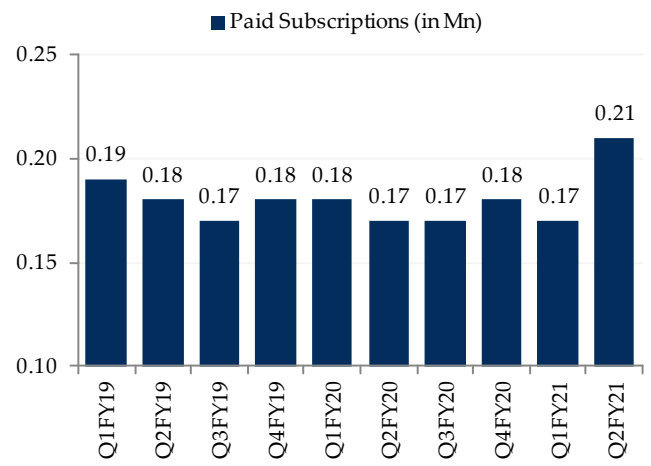
Source: Company, HSIE Research

**Matchmaking EBITDA margin trend**



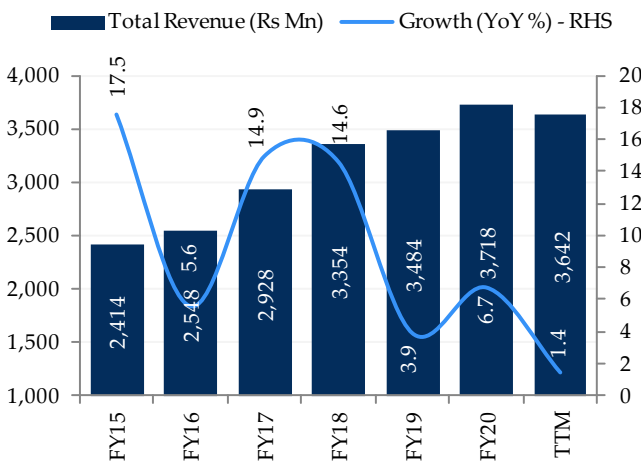
Source: Company, HSIE Research

**Digital adoption led to improved paid subscriptions**



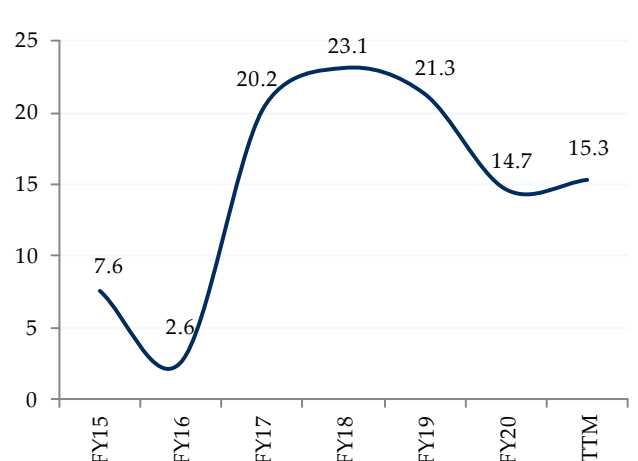
Source: Company, HSIE Research

**Total Revenue trend**



Source: Company, HSIE Research

**EBITDA margin (%) trend**



Source: Company, HSIE Research

# Amazon Pay, 'Payments as an adjacency'

We hosted Amazon Pay represented by Amit Kurseja, Head - Merchant Acceptance Products at our Internet conference. Captured below are some of the key messages:

### TAM and industry drivers:

- Amazon Pay is targeting the online commerce merchant ecosystem adjacent to the parent entity business.
- On the back of the COVID-induced no-contact customer purchase journey, the P2M payments universe has leapfrogged to ~Rs 7trn (FY20: Rs 4trn) and is expected to grow at 50% CAGR over the next five years.

### Unit economics and financials:

- CoD vs. digital payments quantified:** The CoD mode of payment, although convenient historically, carries an economic cost, which is 3-4x higher due to high-probability of returns and no-shows. Amazon has a sub-50% mix of CoD payments in its e-commerce business, lower than the industry average.
- Standalone profitability:** The economics of Amazon Pay is not assessed on a standalone basis, but as a part of the overall Amazon experience, given the significant synergies it drives in the customer purchase journey.

### Business moat:

- Payment offerings for every customer segment:** Amazon Pay offers a carefully-curated set of credit products (Wallet, Pay Later, Co-Branded Credit Card) to drive upselling on a neatly-segmented customer franchise.

### Read-across for banks and NBFCs:

- Amazon Pay ICICIBC CBCC:** The Amazon Pay-ICICI Bank co-branded credit card is the fastest-to-a-million and emerged as one of the most successful CBCC tie-ups, in terms of time to scale. In the near term, Amazon Pay is not looking to cannibalise this arrangement. Further, it expects a majority of the profits from the partnership to be realised over 6-10 years.
- Tie-ups with lenders:** In addition to ICICIBC, Amazon Pay has tied up with Capital Float and KVB to offer credit to select customers. It is likely to stay away from on-balance sheet lending.



### MD & CEO

Mahendra Nerurkar

### Company Description

Amazon Pay is an online payment processing platform owned by Amazon. It uses consumer base of Amazon.com providing customer the option to pay on external merchant websites.

### Stats

NA

### Lead Investors

Amazon

### Krishnan ASV

venkata.krishnan@hdfcsec.com  
+91-22-6171-7330

### Aakash Dattani

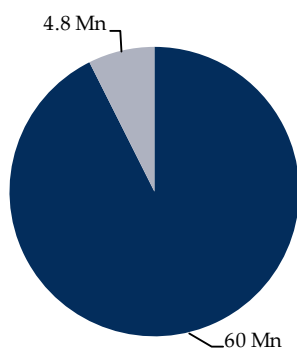
aakash.dattani@hdfcsec.com  
+91-22-6171-7337

### Punit Bahlani

punit.bahlani@hdfcsec.com  
+91-22-6171-7354

## Total Addressable Market for Micro Merchants

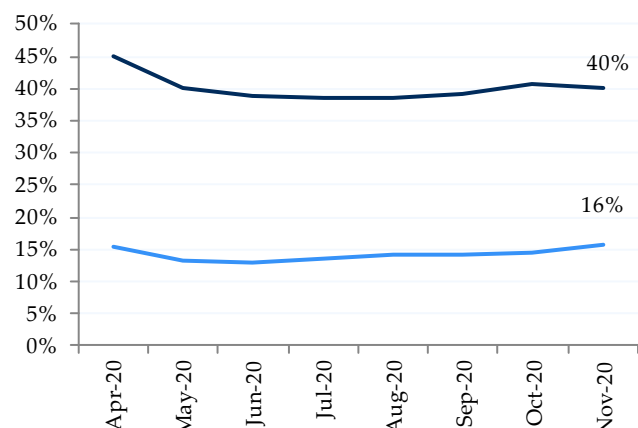
■ Micro Merchants in India ■ POS Machines available



Source: Company, HSIE Research

## P2M UPI Transactions as % of total UPI transactions

— P2M Mkt Share Volume — P2M Mkt Share Value



Source: Company, HSIE Research

# BoAt, 'Plug Into Nirvana'

We hosted boAt, represented by the co-founder Aman Gupta, at our Internet conference and below are the key highlights:

### TAM and industry drivers:

- India had <5% share (15mn units) in the global wearable market (345mn units) in 2019. The country is the fastest-growing market in 2020, with the market share expected to reach ~8% (~30mn units).
- boAt has become the fifth-player in the global wearable market in Sep '20 with 2.6% share. It is the number 1 player in India with ~30% market share.
- During the lockdown, the at-home lifestyle has spurred demand for headphones and earwear in India.
- Increasing spend on e-comm platforms aided boAt due to its strong e-comm presence (80% mix). However, it also has a robust offline network with presence in 5,000 retailers.

### Business moat:

- boAt's success has been driven primarily by its brand positioning, which is aspirational but affordable. Its target group is youth (18-24-year olds).
- Smartwatches and fitness are a new category for the company, which is expected to be a strong growth driver next year. boAt has also acquired a company in the gaming industry with plans to expand into gaming products.
- boAt started shifting its manufacturing from China to India and has shifted the manufacturing for its chargers, cables and some headphones.

### Financials:

- boAt posted Rs 5bn revenue in FY20 (2x YoY), and we expect it to reach Rs 10bn in FY21. COVID accelerated demand for wearables and boAt was the key beneficiary. Although demand has tapered down post-festive season, it is still 40% YoY. Co expects revenue growth to rebound in Dec and Jan.
- The Average Order Value (AOV) was Rs 450 last year, while this year, it has grown to Rs 750; improved technology would continue to propel this growth.
- The company is also planning to enter global markets, which has been delayed due to global pandemic.
- The EBITDA margin is in double digits. Margins for online and offline channels are similar.

### Read-across for the wearable sector:

- Sustained demand following the festive season is a positive for the entire appliances industry. The increased spending on e-comm platforms should aid companies with a strong e-comm presence.
- IoT products are likely to gain salience as increased use of wearables should make consumers technologically savvy.



### Founders

- Aman Gupta
- Sameer Mehta

### Company Description

Omnichannel consumer tech company with a product portfolio encompassing headphones, earphones, speakers, wireless audio accessories and fitness bands.

### Stats

Community of 2mn+ customers, presence in 5000+ retail stores, supported by 20+ distributors

### Lead Investors

Fireside Ventures

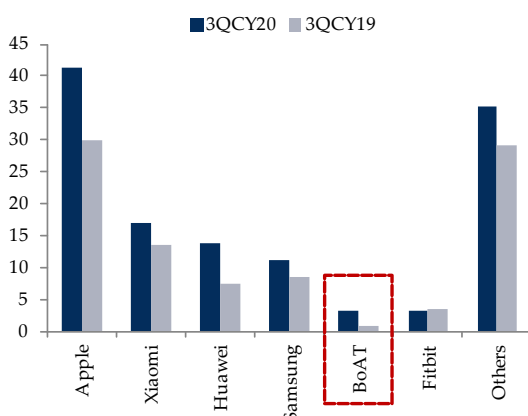
### Naveen Trivedi

naveen.trivedi@hdfcsec.com  
+91-22-6171-7324

### Aditya Sane

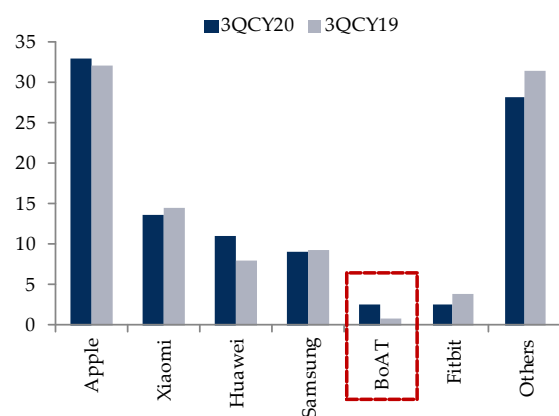
aditya.sane@hdfcsec.com  
+91-22-6171-7336

**Total Shipments by Wearable Companies (mn)**



Source: Company, HSIE Research

**Market Share for Wearable Companies (%)**



Source: Company, HSIE Research

# CarDekho, 'Right Car, Right now'

We hosted CarDekho represented by Amit Jain, Co-founder & CEO at our internet conference and below are the key highlights.

### TAM and industry drivers:

- Car Dekho is amongst India's largest online car platform that receives 25mn hits a month. The website drives traffic through its presence across the automobile lifecycle including new cars, used cars as well as financing and insurance.

### Unit economics:

- Used car segment:** As per the management, a customer sells his/her car after 4-5 years of usage. CarDekho offers buy-sell of the vehicle, financing and some value-added services.
- The company does not offer bargaining power to the customers. The price of selling the used car is decided after several inspections. The management expects to reach 1mn vehicles used car buy-sell in the next 3-5 years, assuming higher margins.

### Business moat:

- CarDekho operates in 4 major segments: New auto (recently started), used cars, insurance & financial services. The major benefit from having such a diversified business model is that the company is able to receive revenues in multiple segments from a single customer.
- CarDekho uses technology to facilitate the sale and purchase of new and used vehicles. The company generates 2x more leads compared to its next competitor. The management believes that the content created by the company and its AI differentiates it from others.

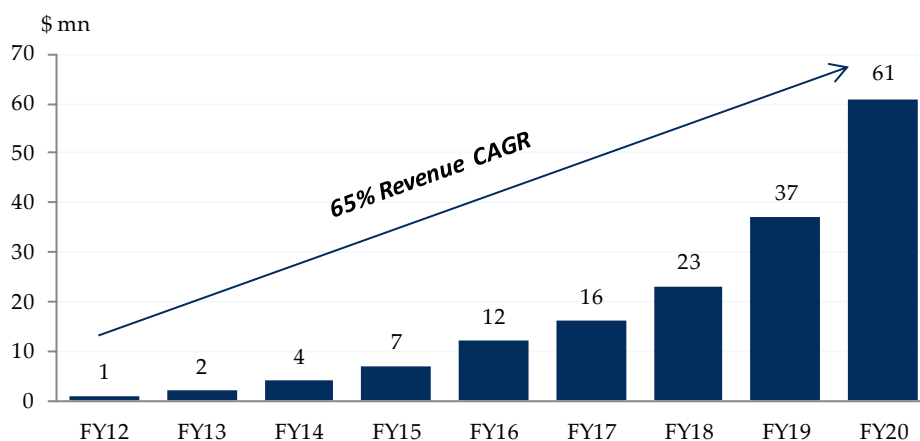
### Financials:

- The company has reported 65% CAGR in revenues over FY12 – 20. Current revenues are ~\$60mn in FY20.
- The management plans an IPO in the next few years.

### Read-across for Auto sector:

- The online channels now account for 90% of searches before customers purchase their vehicle. This will gradually lead to a change in the purchasing habits of consumers and will drive changes in the car ecosystem (dealers, financiers, used car network, etc).
- The auto sector demand is sustaining post the festive season. Due to the pandemic, the availability of second hand cars has reduced as consumers are utilising vehicles for personal mobility.

### CarDekho's revenue growth over the years



Source: Company, HSIE Research



### Founders

- Amit Jain
- Anurag Jain

### Company Description

Founded in 2008, one of the largest auto classified portal in India, operates leading auto sites viz. Gaadi, ZigWheels, BikeDekho etc & Insurance site InsuranceDekho, international presence in SEA.

### Stats

Partnership with 4000+ auto dealerships, 3000+ used car dealership, car loan disbursements of Rs 120cr per month, 4000+ monthly car inspections.

### Lead Investors

Sequoia, Hillhouse, CapitalG, HDFC Bank, Ping An

### Aditya Makharia

aditya.makharia@hdfcsec.com  
+91-22-6171-7316

### Mansi Lall

mansi.lall@hdfcsec.com  
+91-22-6171-7357

# Grofers, 'Hitting its stride!'

We hosted Grofers represented by Manas Gupta and Keshav Gupta, (M&A, Strategy and IR team) at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- India is a USD600bn grocery market with <5% organized share (including <1% online share). Ergo, the potential to tap for organised retailers remains amongst the highest across categories.
- Grofers remains amongst the fastest growing grocers and has swiftly registered a rank amongst the top 10 Indian grocers with a relative market share of ~3% (Universe: Top 15 grocers).
- During the lockdown, most e-grocers have benefitted from the shift in grocery spends from offline stores to online channel. Grofers too rode this wave well.

### Business moat:

- Grofers' successful scale up has been a function of its value position + stock up DNA (caters to what it calls "Middle India" – A 300mn consumer base with income levels of Rs. 0.25-0.65mn/year). These consumers are typically sticky if a platform consistently offers savings and SKU availability).
- On the other hand, Grofers' high avg. order value (~USD26) ensures that with scale its journey to profitability is shorter vs peers. Cost of retailing remains the lowest among e-grocers.

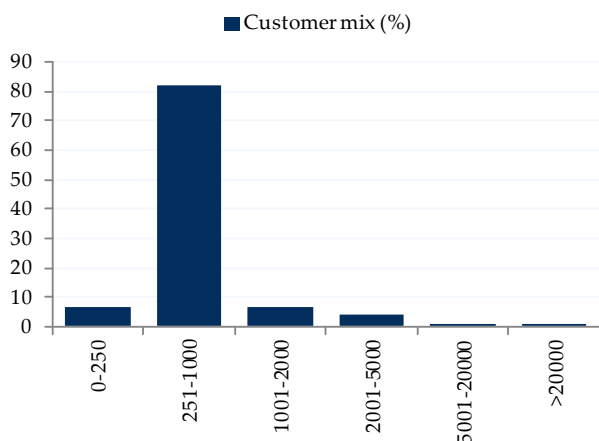
### Financials:

- Grofers is estimated to have clocked net sales of ~Rs. 29bn (>2x YoY) in FY20 (annualized GMV of USD600mn).
- While AoVs have shown signs of mean reversion since the peak of the pandemic (45-50% jump in AoVs), what is heartening is AOVs still remain significantly higher than pre-COVID19 levels (~USD26 vs Pre-COVID19: USD19) and purchases remain broad-based; ergo sticky in nature.
- Customer acquisition costs (CAC) have significantly come down as less marketing spends were spent to attract online traffic during the pandemic (CAC: USD1.5 vs Pre-COVID19: USD: 6-7. Consequently, the company is likely to hit EBITDA breakeven in 6-9 months.

### Read-across for the grocery sector:

- Sustained demand at >USD25 and lower CAC makes unit economics far more palatable for e-grocers and has made penetration sustainable
- Online selection is improving and Grofers too, has cautiously improved upon its selection without impacting inventory management (now offers 3000 SKUs), which in turn helped it recruit more customers for sampling during the pandemic.

### Grofers' customer mix across income groups



Source: Company, HSIE Research



### Founders

- Albinder Singh Dhindsa
- Saurabh Kumar

### Company Description

An online stock up grocer offering over 3000 essential SKUs including a strong private label portfolio with annualized sales of USD600mn 16.3mn orders and boasts of 3.2mn transaction customers.

### Stats

3.2mn transacting customers, 16.3mn orders served, 6000+ strong local partner network

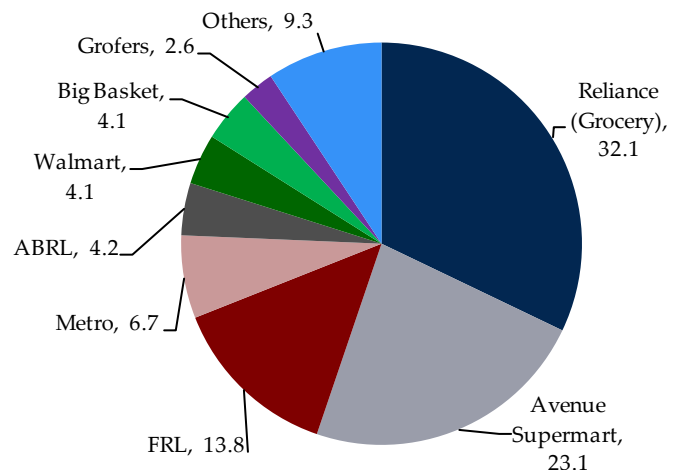
### Lead Investors

SoftBank Vision Fund, Tiger Global, Sequoia, Bennett Coleman, Abu Dhabi Capital Group

### Jay Gandhi

jay.gandhi@hdfcsec.com  
+91-22-6171-7320

### Related market share among Grocers



Source: Company, HSIE Research



# Paytm Money, 'Wealth management for the masses'

We hosted Paytm Money, represented by its CEO Varun Sridhar, at our Internet conference and below are the key highlights.

## TAM and industry drivers:

- By FY25, workforce earning > US\$ 10K is expected to grow > 2x from the current pool of ~30-40mn. Additionally, increased income should lead to greater market participation. We expect total broking accounts to grow to ~80mn by FY25E from the current ~45mn (Aug-20) and the total number of unique mutual fund individual investors to double to ~50mn.

## Unit economics:

- Paytm Money's broking business is at a very nascent stage and, since the company is in a highly competitive industry, it currently does not disclose metrics such as customer acquisition costs (CAC), ARPU etc. Paytm Money charges Rs 10/order for all intraday cash and F&O trades whereas equity delivery trades are free.

## Business moat:

- PayTM Money's moats are its industry lowest pricing and distribution reach of parent PayTM. The company intends to build a robust platform which it believes would be its key differentiating factor.

## Financials:

- The company has not disclosed its financials and is currently not profitable as it is in the investment phase.

## Read-across for the sector:

- Broking industry is undergoing a structural shift with (1) bank-owned brokers (not all) offering discounted brokerage charges, which could further intensify competition, (2) regulatory changes resulting in low leverage to negatively impact volumes.
- Aadhar-based paperless account opening along with internet penetration would drive broking new account opening growth in tier 2-4 cities.
- AMC space expects strong and innovative products in passive funds category to compress yields further.

## Other key takeaways:

- Philosophy:** The company believes that there are principally four types of investors:
  - Fresh to market:** Offerings to include localisation, teaching, simplicity, guidance.
  - Amateur:** 70% of this category is losing money despite a high activity ratio. Offerings to include education, guidance and investing tools.
  - Advanced:** This category is using derivatives and actively manages money but is still losing money and could drop out. PayTM Money aspires to provide tools and education.
  - Advanced traders:** The company plans to provide this class with HFT facilities. It believes that this business is still a lot focused on institutional profitability rather than investor profitability. The company believes that wealth management is under-penetrated and believes that the industry would see a high degree of growth.
- Technology:** PayTM money believes it can use technology to give the individual attention, advise and training that a client needs to become a successful investor. Using AI and by developing machine learning, the company intends to achieve the same. **Through technology, the company aims at (1) personalising trades to match customers risk appetite, (2) helping traders improve behavioural aspects, and (3) educating investors.**
- Shift from MF to equity:** PayTM Money believes that 70% of the investment in direct equity is new, while only 30% is from the redemption of MFs.



## Founders

- Vijay Shekhar Sharma

## Company Description

SEBI registered IA offering direct investing in MF schemes, largest provider of digital gold, runs a low cost equity broking platform.

## Stats

Active clients at 26k, ~5mt digital gold sold in FY20, direct MF investors – 6.75mn

## Lead Investors

Softbank, Ant Financial, AGH Holdings, SAIF Partners, Berkshire Hathaway, Discovery Capital

**Madhukar Ladha, CFA**  
madhukar.ladha@hdfcsec.com  
+91-22-6171-7323

**Sahej Mittal**  
sahej.mittal@hdfcsec.com  
+91-22-6171-7325

# Pepperfry, 'Happy Furniture to You'

We hosted Pepperfry, represented by Chief Financial Officer Neelesh Talathi at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- The furniture market in India is pegged at USD20bn (online market: USD1.2bn). 70-80% of consumer demand continues to be catered by local retailers.
- Pepperfry (founded in 2011) has become a force to reckon with in the online furniture market with a 25% market share.
- Like for other categories, the pandemic has expedited the shift from offline to online furniture purchase and improved unit economics.

### Business moat:

- What works for pepperfry is its ability to work with small manufacturers, develop strong private labels, its supply chain efficiencies (variable logistics cost in low-single-digit) and increasing omnichannel. These COGS increasingly feed into better competitiveness and better unit economics with scale in this high AoV (USD110), high GM (55%+) category.
- The company retails seven private labels, which account for 50% of the business.
- The company has 60 Studio pepperfry stores (COCO: 40, Franchisees: 20) and intends to expand to ~100 franchisee stores over the next 2-3 years.

### Financials:

- Pepperfry's reported revenue of Rs. ~2bn (FY19) with 86% of business coming from furniture.
- COVID19 performance: April was a washout with business resuming only in May-20. By Aug-20, pepperfry touched pre-COVID levels in sales. During the pandemic, it witnessed a 30-35% jump in first-time buyers, and the lion's share came from Tier 2/3 cities.
- Since, the pandemic, customer acquisition costs (CAC) have significantly come off (organic: inorganic traffic: 80:20 vs Pre-COVID level of 65:35) and 60% of sales come from repeat customers.
- The company, as a consequence of higher AoV and lower CAC, has managed to reduce losses significantly (cash burn in Aug-20 is a mere 10% of Aug-19 losses). It intends to break even at EBITDA level by exit FY21.
- It remains confident on the Studio pepperfry business. 25% of the business comes from these stores. Conversion rates at the Studios are 70%+, AoVs and repeat orders are 2.8/1.8x of a pure online transaction.

### Read-across for the furniture sector:

- Given the high AoV, High GM category, a well-capitalised outfit such as Reliance Retail (via Urban Ladder) could undercut fringe operators over the medium-to-long term and still be reasonably profitable.

## pepperfry

### Founders

1. Ambareesh Murty
2. Ashish Shah

### Company Description

Omnichannel furniture and home products marketplace.

### Stats

9 private labels, 8mn+ registered users, 60 experience studios pan-India, 3 warehouses, 21 distribution centres, 58% transactions from repeat buyers

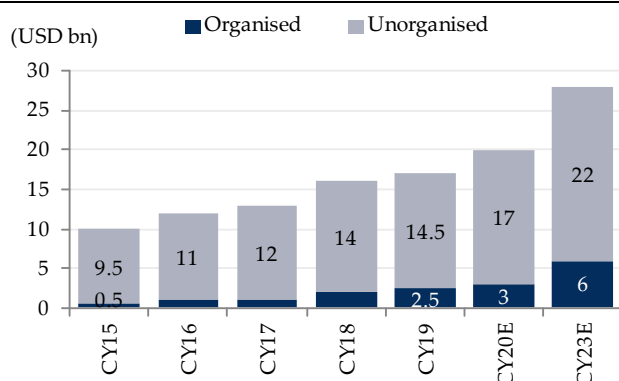
### Lead Investors

Goldman Sachs, Norwest, Bertelsmann, Pidilite, State Street Global Advisors

### Jay Gandhi

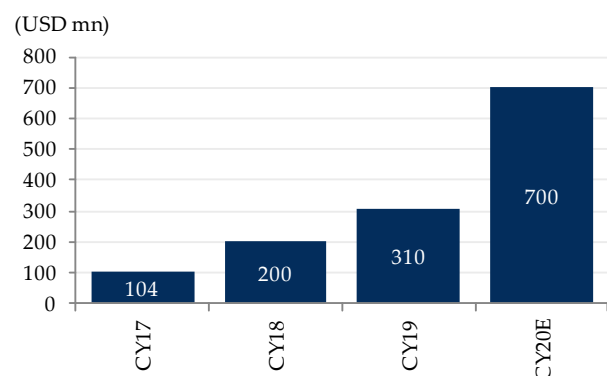
jay.gandhi@hdfcsec.com  
+91-22-6171-7320

### Indian furniture market (USDbn)



Source: Company, HSIE Research

### Online furniture market trend



Source: Company, HSIE Research

# PharmEasy, 'Health meets a new space'

We hosted PharmEasy, represented by Head Strategy and IR Akarsh Bharadwaj at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- The out-patient market in India is divided into: (a) pharma (USD20bn); (b) diagnostics (USD8bn); (c) consultation (USD2-3bn). Epharmacy business has penetration levels of 3% today, which are expected to increase to 7-8% in FY25 and to 10-12% by FY30. **The epharmacy GMV is expected to grow at 35% CAGR from ~USD0.9bn in FY20 to ~USD4bn by FY25.**
- Growth drivers – increasing pharma demand, chronic conditions, digital access & higher adoption, consumer awareness and behavioural shifts.

### Unit economics:

- PharmEasy's B2B business (distribution) has an EBITDA margin of 4% whereas **B2C business (e-pharmacy) is three years away from breakeven.**

### Business moat:

- Presence across the supply and value chains, **scale benefits – 60% market share among key players** (Netmeds, 1mg, PharmEasy and Medlife).

### Financials:

- Revenue of Rs40bn (including Medlife) split equally between distribution and e-pharmacy. Diagnostics business has a revenue of ~Rs1.5bn.

### Read-across for Pharma and Diagnostics sector:

- Volume-linked discounts offered by pharma manufacturers and improved supply relationships with distributors has resulted in 500bps margin expansion for PharmEasy in the last five years. However, given e-pharmacies account for only 3% of the market, the impact on pharma manufacturers is limited today. Even with their rising scale, we expect limited impact on pharma companies profitability, given that offline stores are likely to dominate the market in the foreseeable future.
- Diagnostics – PharmEasy is planning to invest significantly in the diagnostics market (40% is unorganised). While currently it is in nascent stages, focusing only on basic blood-related tests (Rs 600-700 ticket size), it plans to set up its own labs starting with a few metros.



### Founders

- Dharmil Sheth
- Dhaval Shah
- Siddharth Shah
- Harsh Parekh
- Hardik Dedhia

### Company Description

PharmEasy is India's largest e-pharmacy offering services including online medicines, healthcare products, doctor consultation, and lab tests. It operates through a market place model.

### Stats

Connects 600+ pharma cos, 50,000+ retailers, 2500 distributors, 22,000+ pin codes, serves 5mn families, 1mn orders every month.

### Lead Investors

Bessemer Venture Partners  
Everstone, Eight Roads, LGT  
Lightstone Aspada, CDPQ,  
Temasek

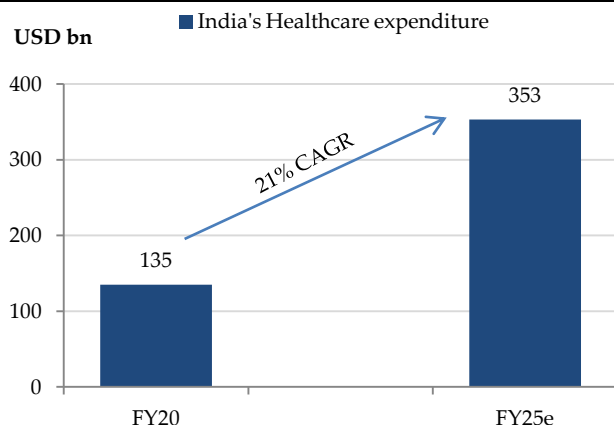
### Bansi Desai, CFA

bansi.desai@hdfcsec.com  
+91-22-6171-7341

### Karan Vora

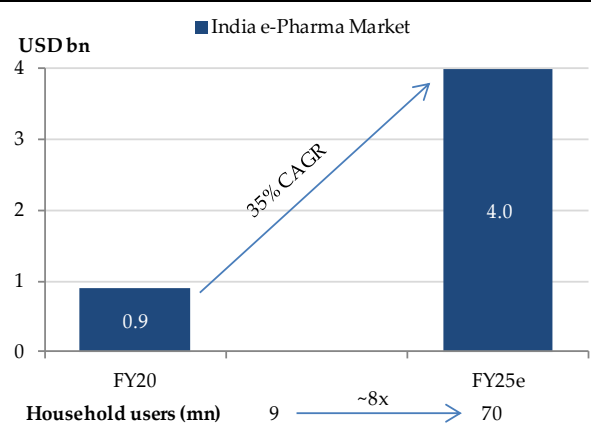
karan.vora@hdfcsec.com  
+91-22-6171-7359

### Healthcare spends to grow 2.5x in 5 years



Source: Company, HSIE Research

### e-pharmacy to grow 4x in 5 years



Source: Company, HSIE Research

### Other highlights:

- **The pharma supply chain in India is highly fragmented with 80-85k distributors across the country, with the largest having only 2% market share.** This compares unfavourably with most major economies in the world (~95% for the top 3 in the US, ~60% for the top 7 in EU and ~30% for the top 3 in China). Besides being highly fragmented and unorganised, it faces issues of high inventory levels (~1.5x more than FMCG distributors), more expiries and meagre credits (5-7 days in India vs. 42-45 days in EU and US). PharmEasy identified and addressed this issue by acquiring distributors. Till date, it has made ~ 17 acquisitions (backed by PE capital).
- According to PharmEasy, **the entry of Reliance/Amazon will expand the market; however, they are likely to adopt aggressive strategies which would impact PharmEasy's ability to gain market share.** However, given that the online pharma market is 1/10<sup>th</sup> the size of FMCG's, it will attract lesser capital. In the long run, the market will consolidate, resulting in a 2-3 players' field.
- **Pharma companies are increasingly willing to partner with online pharmacies** as they provide solutions to (a) manage inventory and expiry/damage of goods; (b) offer a consumer platform for insights.
- Acute vs chronic: **60% of the business is from chronic orders** – high AOV, better margins, planned orders.
- The online consultation market (USD2-3bn) is difficult to monetise in the medium term. The market in India is at a nascent stage where consumer behaviour is still evolving. Though this is an interesting space for long-term digital delivery of healthcare services, there are likely to be headwinds with changing consumer behaviour and extensive adoption over the next 3-4 years. It would be interesting to observe how the adoption evolves post the pandemic. In the developed economies, higher insurance penetration has driven online consultation market.
- Diagnostics – currently, it operates with two models: (a) act as an aggregator - low margins; (b) own labs - high margin business.
- Regulatory environment – Draft guidelines have been issued by the government, but there is no law governing the sector today. **Switching prescription for unbranded generics/substitutes looks tricky in getting approved by regulatory bodies.**
- **Financials:**
  - **Average discounting has reduced from 20-22% to 15-18% today.**
  - Gross margins are likely to improve, driven by (a) volume-linked discounts, led by larger scale; (b) higher contribution from private labels/OTC/generic business; (c) a higher proportion of diagnostics revenues.
  - Fixed costs such as warehousing, delivery charges can further be optimised with a larger scale. Cost of delivery is 20% lower than food delivery at Rs25-30/per order.

# Pine Labs, 'Graduating beyond merchant payments'

We hosted Amrish Rau, CEO, Pine Labs, at our Internet conference to showcase the world view on the Indian payments landscape.

### TAM and industry drivers:

- Pine Labs is a market leader in the offline merchant acquiring business with a 14% payments TPV market share.
- The Buy Now Pay Later (BNPL) option is beginning to take off as one of the largest addressable opportunities in India (USD 180bn by 2023).

### Unit economics and financials:

- Pine Labs' business model is built to monetise its entire throughput by way of transaction charges (variable) and subscription fees (fixed). It has a higher mix of large merchants (55-60% market share) relative to peers, as evidenced by its high throughput-to-merchant ratio.
- Pine Labs exercises significant pricing power on the back of its tech-based "white machine" resulting in high mix of subscription fees (65-70%).

### Business moat:

- **Plug-and-play interoperability:** Pine Labs' unique plug-and-play tech allows PoS interoperability across banks as against traditional PoS that are usually custom-built for a single acquiring-bank. This results in lower switching costs and better convenience for the merchant.
- **Market leader in offline merchant space:** Pine Labs has been riding the BNPL wave; as one of the only merchants to offer this option on in-store PoS, it has a 95% market share in the offline BNPL market.

### Read across for banks and NBFCs:

- **In-store Buy Now Pay Later (BNPL):** In-store BNPL can become a significant low-cost retail credit acquisition channel for banks.
- **Credible alternative to "credit cards":** BNPL, in many ways, poses a credible threat to credit cards due to better convenience and similar pricing. While pricing can be replicated across payment modes (debit or credit cards and Pay Later schemes), the addressable market is significantly larger in the case of wider adoption of debit card-EMIs.



### Founders

1. Lokvir Kapoor
2. Rajul Garg
3. Tarun Upadhaya

### Company Description

A full-stack merchant commerce solution provider, focused on technology and financial solutions. Today, its offerings include payments, affordability (PoS EMI), prepaid cards and credit (Pine Labs Capital) amongst others.

### Stats

~USD 27bn throughput  
150k+ merchants

### Lead Investors

Sequoia, Temasek, Actis, Mastercard, Paypal, Flipkart, Madison India Capital

### Darpin Shah

darpin.shah@hdfcsec.com  
+91-22-6171-7328

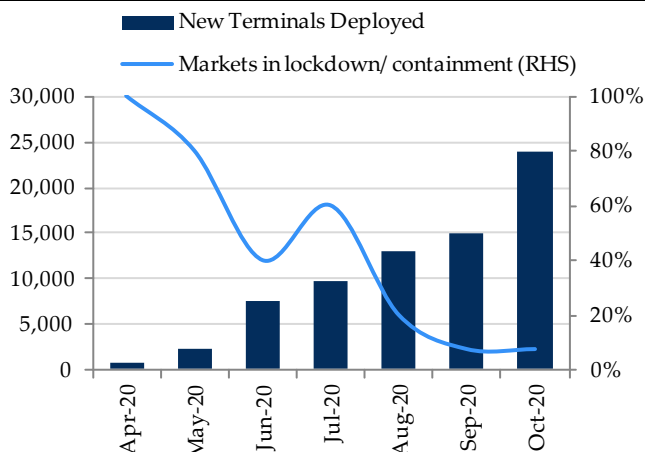
### Aakash Dattani

aakash.dattani@hdfcsec.com  
+91-22-6171-7337

### Punit Bahlani

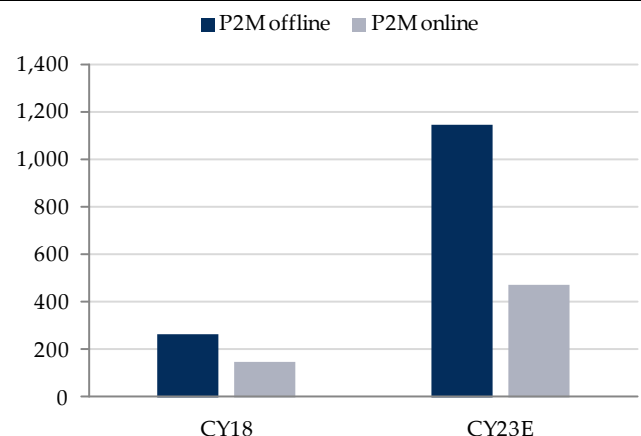
punit.bahlani@hdfcsec.com  
+91-22-6171-7354

### New terminal deployments rising



Source: Company, HSIE Research

### P2M (offline) to lead digital payments growth



Source: Company, HSIE Research, Note in USD bn

# PolicyBazaar, 'Think Insurance, Think PolicyBazaar'

We hosted PolicyBazaar represented by Alok Bansal, Co-founder at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- Life/Non-life insurance penetration in India is low at just 2.7/1.0% in FY19. This is expected to grow. Digital sales penetration for life/non-life insurance products is estimated at 1.4/2.0% in FY20; we expect the same to grow to 3.5/5.0% by FY25E. This works out to a FY20-25E CAGR of 33.7/31.4%.

### Unit economics:

- Policy Bazaar's avg. ticket size is 1.5-2.0x that of the industry's avg; protection and health: ~Rs 23-25k, Savings: ~Rs58k. The company has an avg. take rate of 17-18%. PolicyBazaar does not disclose its customer acquisition costs.

### Business moat:

- PolicyBazaar is a strong brand and is a single stop solution for all insurance needs. It is an end to end service provider and provides consumers ability to evaluate and ultimately buy insurance. Business from PolicyBazaar is valuable for insurance companies as claim ratios are much lower eg. For health products claims are at 30-40% vs. 75-85% industry average.

### Financials:

- PolicyBazaar reported Sales/PAT of Rs 5.3/-3.4bn (+46.5/NM% YoY) in FY19.
- For FY21E, PolicyBazaar expects policy sales of ~\$600-650mn with take rate of ~17-18%. About 55% of the premium is from protection products (health and term); these contribute ~85% to the top-line. Total revenues along with PaisaBazaar are expected to be ~\$140mn.
- While PolicyBazaar is expected to be EBITDA positive, PaisaBazaar is expected to make an EBITDA loss of ~\$9mn. The management has a clear strategy to generate 25% EBITDA margins over the next three years.

### Read-across for sector:

- Sales of protection products and health products saw an up-tick as awareness increased during the pandemic. We expect this to trigger an increase in sales of protection products over the next few years.
- Motor renewal market is expected to see rapid increase in online sales.
- Web-aggregators will become further relevant in next 4-5 years as educated customer base moves online and compares price across insurers.



### Founders

1. Yashish Dahiya
2. Alok Bansal
3. Avaneesh Nirjar

### Company Description

PolicyBazaar is India's largest online insurance broker offering more than 250 insurance plans from around 50 insurance brands. The company is an end to end service provider and provides consumers ability to evaluate and ultimately buy insurance.

### Stats

100mn annual visitors

### Lead Investors

Softbank, Tiger Global, Temasek, Premji Invest, True North, Ribbit Capital, Steadview, Wellington, Infoedge, Inventus, Chiratae Ventures.

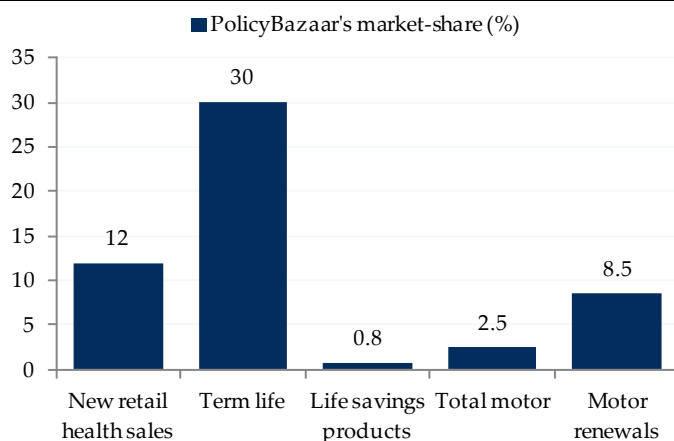
### Madhukar Ladha, CFA

madhukar.ladha@hdfcsec.com  
+91-22-6171-7323

### Sahej Mittal

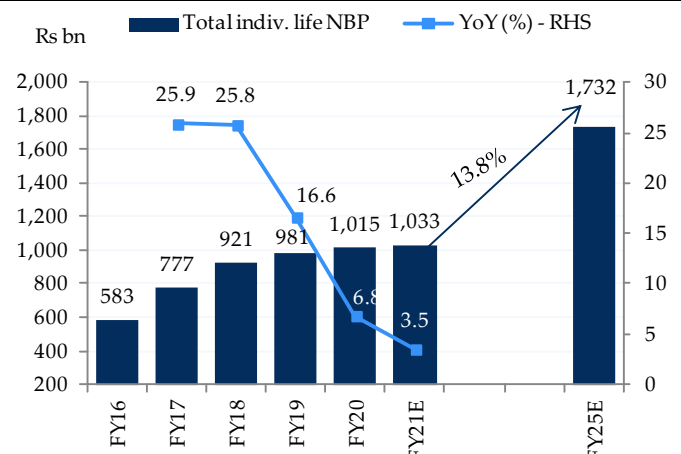
sahej.mittal@hdfcsec.com  
+91-22-6171-7325

### Market share across products



Source: Company, HSIE Research

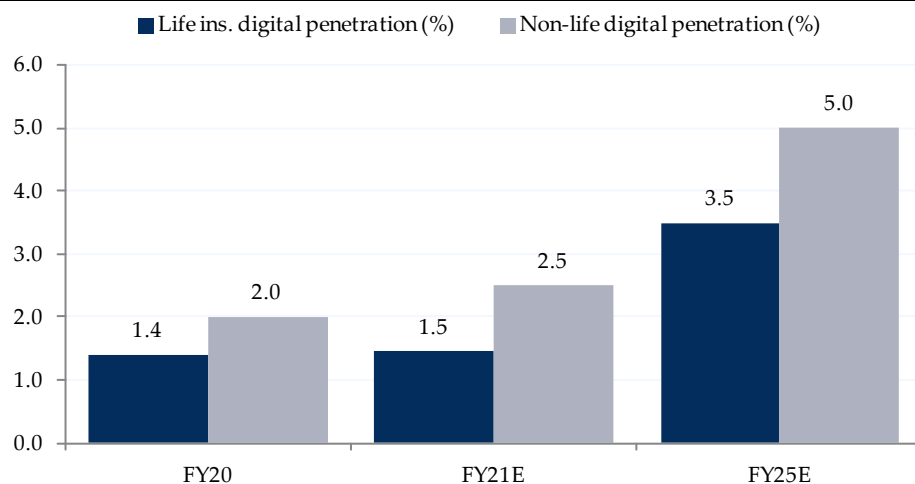
### Industry: Life insurance indiv. NBP trend



Source: Company, HSIE Research

**Other key takeaways:**

- **Journey so far:** PolicyBazaar's vision is to make itself indispensable for consumers' insurance needs. It believes that "If a consumer thinks about insurance it has to be through Policy Bazaar". **1st phase:** The company started off as a price comparison web aggregator platform where it earned by passing leads to insurance companies. **2nd phase:** Moved from marketing to transaction model. This involved giving all the policy related details to the customers on the website itself and integrating with the insurance companies. **3rd phase** entailed development of end to end transaction capabilities, while in the **4th phase** PolicyBazaar aims at to differentiate between customers and provide customers with the right product through expert sales agent advise.
- Management expects health/term life industry to grow 10-20/5-10x in the next 5-10 years. PolicyBazaar aims to increase its retail health market share to ~25% in next 5 years.
- **Operating metrics:** The company boasts of having 100mn annual visitors, 0.6mn monthly transactions.
- Pricing on PolicyBazaar varies based on customer profile. PolicyBazaar claims that ~89% of the customers get the cheapest price, while ~11% are offered higher prices.
- PolicyBazaar received a total funding of ~\$ 330mn of which ~\$ 200mn is still on the books (indicating healthy balance sheet).
- **The company was last valued at \$1.5bn in Jul-20.**

**Digital sales penetration trend**

Source: HSIE Research, Note: estimates

# RazorPay, 'Expanding the merchant ecosystem'

We hosted RazorPay represented by Arpit Chug, CFO at our Internet Conference to present the unicorn's view on the Indian payments ecosystem.

### TAM and industry drivers:

- RazorPay is currently building traction around frictionless payments for mid-sized businesses with its building blocks around receivable and payable management. This opportunity is pegged at USD400-500bn with a 30-40% CAGR.

### Unit economics and Financials:

- Strong revenue growth; EBIDTA positive:** In FY20, revenues grew 2.6x YoY, reaching ~Rs 5bn (75% domestic) and EBITDA % came in at 48bps.
- Core business OCF positive:** The flagship merchant acquisition (payment gateway) business is operating cash flow positive and is largely a function of business volumes. However, RazorPay continues to invest in building new businesses around lending (RazorPay Capital) and its neo-banking platform (RazorPayX).

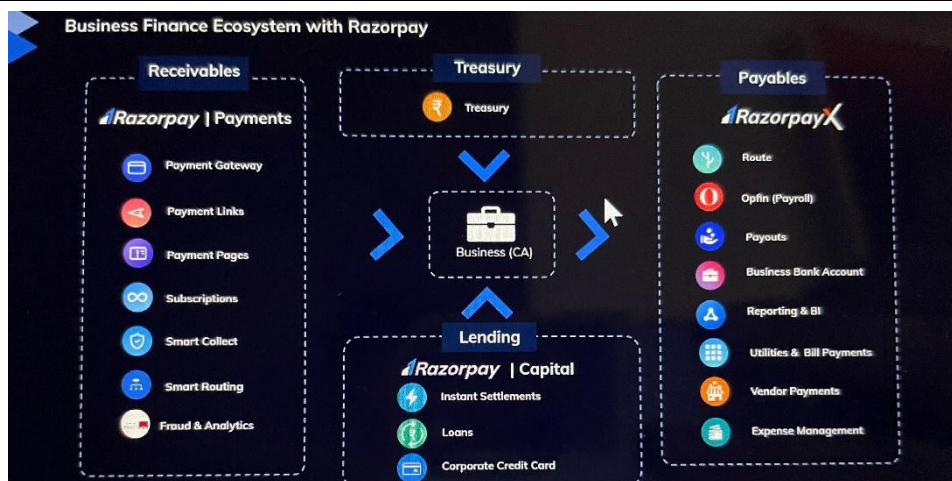
### Business moat:

- Ecosystem build-out in progress:** RazorPayX allows merchants to manage payables and receivables using a single platform linked to their current account. RazorPay Capital also allows access to credit (via partner lenders) to select merchants.
- Instant set-up:** It takes just a few hours for a merchant to set up a payment gateway with RazorPay and be ready for business.

### Read across for banks and NBFCs:

- Few new-generation banks better off:** These banks operate a relatively better, more efficient payments architecture compared to banks with legacy payments systems (including private sector banks).
- Incumbents challenged:** Incumbents with large customer base will find it difficult to overhaul their existing systems and experiment with frictionless payment systems for fear of disrupting a vast customer franchise.

## RazorPay Ecosystem



Source: Company, HSIE Research



### Founders

- Harshil Mathur
- Shashank Kumar

### Company Description

RazorPay, since its inception, has been synonymous with SMEs - payment gateway, lending platform (RazorPay Capital) and neo-bank offering (RazorPay X) and continues to partner and innovate with other complementary offerings (cross-border payments).

### Stats

USD 5bn throughput 1mn merchants

### Lead Investors

Sequoia, Tiger Global, GIC, Ribbit Capital, Mastercard

### Darpin Shah

darpin.shah@hdfcsec.com  
+91-22-6171-7328

### Aakash Dattani

aakash.dattani@hdfcsec.com  
+91-22-6171-7337

### Punit Bahlani

punit.bahlani@hdfcsec.com  
+91-22-6171-7354



# Upstox, 'Trade faster & smarter'

We hosted Upstox represented by Ravi Kumar, CEO and co-founder, at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- By FY25, workforce earning > US\$ 10K is expected to grow > 2x from the current pool of ~30-40mn. Additionally, increased income should lead to greater market participation. We expect total broking/Demat accounts to grow to ~80mn by FY25E from the current ~45mn (Aug-20).

### Unit economics:

- Broking is a highly competitive space. Customer acquisition costs (CAC) and ARPUs are sensitive and hence remain classified.
- Customer acquisition costs for Upstox includes referral fees and advertising charges. The payback period for a new customer is between 3-4 months.

### Business moat:

- Upstox believes that improving customer experience over the platform has been its key differentiator. The company is continuously innovating and improving the platform to deliver a better customer experience
- The company expects that robust platform and user experience will take its user count to ~100mn in the next 5-10 years.

### Financials:

- Upstox delivered strong revenue/PAT of Rs 566/131mn (+126.1/556.6% YoY) in FY19. FY20 data is still not disclosed.
- Revenue mix comprises brokerage (~50%) and other charges (~50%). Within broking, F&O/cash contribute 60/40%.

### Read-across for the sector:

- Broking industry is undergoing a structural shift with (1) a few bank-owned brokers also offering order based (discounted) pricing, thereby resulting in increased competitive intensity, and (2) regulatory changes, which could lower leverage (provided to clients), and impact volumes negatively.
- Aadhar non-paper account opening along with internet penetration should drive new account opening growth in broking in tier 2-4 cities.



### Founders

- Ravi Kumar
- Shrinivas Viswanath

### Company Description

India's second largest discount broker with 1.5mn active customer base, providing trading services at one of the lowest rates in the industry. Other offerings include direct MF investing, and MTF facility.

### Stats

Active clients at 1.5mn.

### Lead Investors

Ratan Tata, Tiger Global, Kalaari Capital, GVK Davix.

### Madhukar Ladha, CFA

madhukar.ladha@hdfcsec.com  
+91-22-6171-7323

### Sahej Mittal

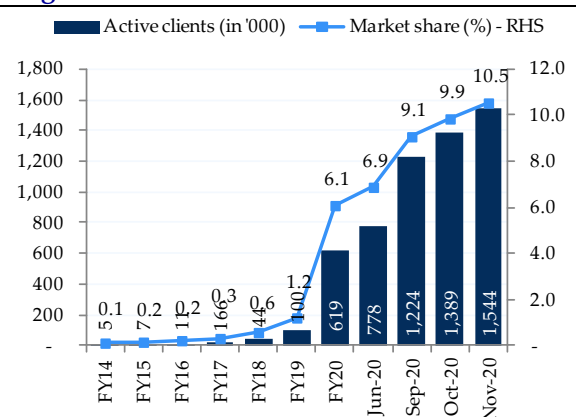
sahej.mittal@hdfcsec.com  
+91-22-6171-7325

### Financial Summary

(Rs mn.)	FY17	FY18	FY19
Revenues	85	250	566
Growth (%)	NA	194.9%	126.1%
EBITDA	(139)	29	142
Margin (%)	(163.3)	11.5	25.2
Growth (%)	NA	NM	394.6%
APAT	(96)	20	131
APAT growth (%)	NA	NM	556.6%
RoE (%)	NA	12.7	56.4

Source: Company, HSIE Research

### Rising active client market share



Source: NSE, HSIE Research

# Urban Company, 'A Single Destination for Every Household's Needs'

We hosted Urban Company (UC), represented by **Abhay Mathur, CFO**, at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- Online penetration of home services in India is low at <2%, while the market size for home services is expected to be ~\$15bn. The break-up of the market is Daily Maid cleaning at \$5bn, Beauty for Women at \$2bn, Appliance Repair at \$2bn, Painting \$2bn, Male Grooming \$1bn and others \$3bn.
- UC is present in 22 cities in India along with the UAE, Singapore, and Sydney. **It currently has 25,000 partners, with a target of 1mn partners by 2030.**

### Unit economics:

- Average Order Value (AOV) for the company is Rs 1,200.
- Gross margin for the company is healthy at ~80%.**

### Business moat:

- The company is extremely technology-centric and uses technology across the board to ensure quality. Partners receive frequent training, resulting in high ratings from consumers for UC across platforms.
- The company offers mass-premium as well as luxury services. 30% of the orders today come from the subscription service launched two years ago.

### Financials:

- Annualised revenue stands at Rs 3.5bn, with GMV of Rs 12.6bn, and 92% of it is from India. The company has targeted reaching annualised revenue of Rs 5.5bn with GMV of Rs 22bn by April 2021. **Top 6-8 cities contribute ~80% of the India revenue.**
- Beauty/Home segment revenue salience is 42/51%.** Salon services/AC & Appliance Repair are the largest sub-segments with 30/21% salience.
- Take-rate for the company is 22-23% depending on the service.**
- Revenue in Oct/Nov has been 40% above pre-COVID level. UC expects its India business to reach breakeven by the end of 2021.

### Read-across for the Home Services sector:

- UC's recovery in Nov/Dec (up 40% YoY) reflects improving sentiment in the urban market (mainly metros).
- However, sustained growth also indicates that consumers remain unwilling to venture out, which could delay recovery for OOH categories.



### Founders

1. Abhiraj Bhal
2. Varun Khaitan
3. Raghav Chandra

### Company Description

Founded in 2014, Urban Company is home services startup operating through a horizontal gig-marketplace model across 7 key verticals viz. beauty, spa, grooming, repairs, cleaning, painting and fitness/yoga.

### Stats

18 Indian Cities, 4 international markets (Dubai, Abu Dhabi, Australia, Singapore), 25,000+ trained professionals.

### Lead Investors

Bessemer, Tiger Global, Vy Capital, Steadview Capital, SAB Holdings

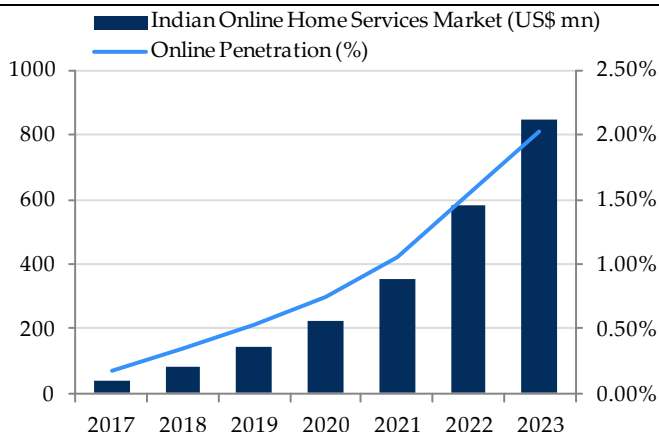
### Naveen Trivedi

naveen.trivedi@hdfcsec.com  
+91-22-6171-7324

### Aditya Sane

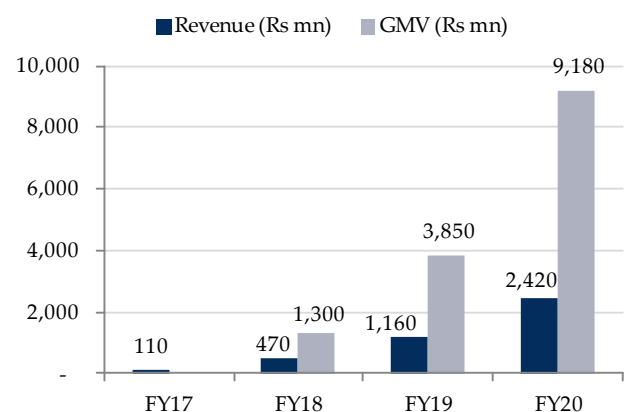
aditya.sane@hdfcsec.com  
+91-22-6171-7336

### Indian Online Home Services Market



Source: Company, HSIE Research

### Total Revenue (Rs mn)



Source: Company, HSIE Research

# Zerodha, 'Trade without "Rodha" (Obstacles)'

We hosted Zerodha Broking, represented by Somnath Mukherjee, VP Business, at our Internet conference and below are the key highlights.

### TAM and industry drivers:

- By FY25, workforce earning > US\$ 10K is expected to grow > 2x from the current pool of ~30-40mn. Additionally, increased income should lead to greater market participation. We expect total broking /Demat accounts to grow to ~80mn by FY25E from the current ~45mn (Aug-20).

### Unit economics:

- Broking is a highly competitive space. CAC and ARPUs are sensitive and hence classified.
- Zerodha does not incur any CAC except for referral fees. Zerodha charges a one-time account opening fee of Rs 200.

### Business moat:

- Zerodha believes that the key differentiator is not pricing but the platform and that investors will pay for smarter platforms, speed of execution and additional features. Zerodha believes it offers one of the best user interfaces.

### Financials:

- Zerodha claims to have delivered revenue/PAT of Rs 11.0/4.3bn (+214.3/138.9% YoY) in FY20. The company states that it is on track to deliver an 80-90% growth in FY21E.
- Revenue mix is dominated by broking with ~70% share. Interest income on the float and other charges (account opening, Demat, etc.) contribute 15% each.

### Read-across for broking sector:

- Broking industry is undergoing a structural shift with (1) bank-owned brokers (not all) offering discounted brokerage charges, which is expected to intensify competition further, (2) regulatory changes, which could lower leverage (given to clients) and impact volumes negatively.
- Aadhar non-paper account opening along with internet penetration should drive new account opening growth in broking in tier 2-4 cities.



### Founders

- Nithin Kamath
- Nikhil Kamath

### Company Description

India's largest discount broker with 2.7mn active customer base, providing trading services at one of the lowest rates in the industry. The co has assets under custody of Rs 550bn. Coin is its direct MF investing platform which has assets of Rs 95bn.

### Stats

Active clients at 2.7mn, ADTV market share ~15%.

### Lead Investors

NA

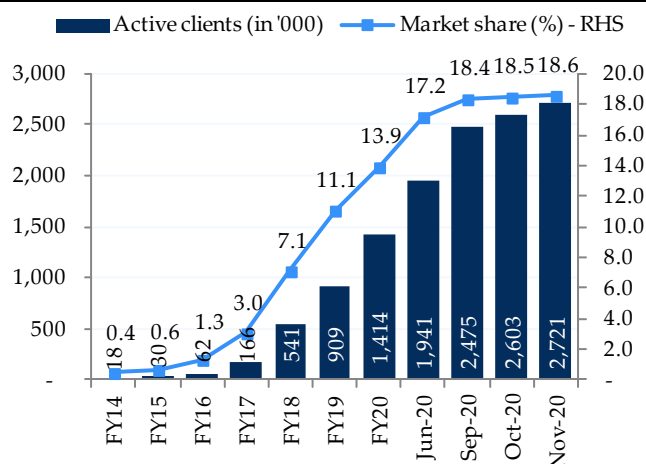
### Madhukar Ladha, CFA

madhukar.ladha@hdfcsec.com  
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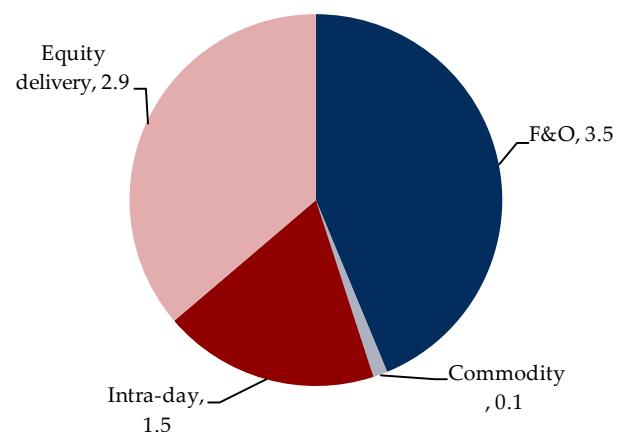
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### Active client market-share trend



Source: NSE, HSIE Research

### Trades break-up (mn)



Source: Management, VIC Conference-call, HSIE Research

**Other key takeaways:**

- **Recent pricing war:** Zerodha believes price competition is here to stay. The company stated that despite bank brokers reducing charges, customers would continue to prefer platform and pay more for a better experience. It further stated that it could not increase prices in the current environment.
- **Customer profile:** Zerodha's customers are mainly in the age group of 23-37. Most of these customers are first-time investors. It stated that the average age of new customers had dropped in the pandemic (32 to 27). The company has not been very successful in increasing customer base from the 40+ age category. The churn rate is very high for Zerodha at 3-6 months for super active clients; the company defines the super active number at ~0.3mn clients.
- **Execution capabilities:** On an average day, Kite (Zerodha's trading platform) executes 8mn trades with the following break-up (see pie-chart above).
- **Other:** Zerodha plans to start the NBFC to fund customers on MTF and LAS. The company's coin platform boasts of an equity AUM of ~Rs 95bn. Management plans to further monetise the platform by offering loans against MF. The company also plans to launch a US investing platform. On the recent regulatory changes (on margins), the company expects volumes to contract mainly from Mar-20 as peak margin requirement increases to 50%.
- **Zerodha is almost entirely (except for ~10% held by employees) owned by the Kamath Brothers and is estimated to be valued at over \$1bn.**

## Global Internet Valuation

Global Internet	Country	Ticker	M-cap (USD bn)	EV/Revenue (x)		EV/EBITDA (x)		P/E (x)		FY20-23E CAGR (%)		
				FY21	FY22	FY21	FY22	FY21	FY22	Sales	EBITDA	PAT
<b>E-commerce</b>												
Amazon	US	AMZN US	1588	4.3	3.7	30.1	24.7	65.6	53.6	23%	29%	56%
eBay	US	EBAY US	36	4.0	3.4	10.5	9.3	15.4	14.3	3%	10%	17%
Alibaba	China	BABA US	690	6.5	4.9	21.8	17.0	24.9	20.6	32%	34%	25%
JD.com	China	JD US	124	1.0	0.8	34.7	23.1	48.3	34.0	26%	36%	43%
Pinduoduo	China	PDD US	175	21.5	13.4	NM	802.4	NM	358.7	57%	NM	NM
Shopify	Canada	SHOP US	130	43.6	35.0	296.9	273.6	291.2	297.2	47%	NM	NM
Mercado Libre	LatAm	MELI US	83	21.0	15.1	296.0	223.1	1118.6	519.1	48%	NM	NM
Chewy	US	CHWY US	38	5.1	4.1	948.9	211.5	NM	624.2	30%	NM	NM
Wayfair	US	W US	27	1.9	1.6	30.6	36.2	61.9	133.0	28%	NM	NM
Etsy	US	ETSY US	22	13.4	11.7	45.6	41.9	72.2	73.6	38%	67%	62%
Vipshop	China	VIPS US	17	1.0	0.8	13.8	10.8	19.3	15.7	14%	26%	30%
Stitch Fix	US	SFIX US	7	3.1	2.6	287.0	94.4	NM	NM	19%	NM	NM
<b>Median</b>				<b>4.7</b>	<b>3.9</b>	<b>34.7</b>	<b>39.1</b>	<b>61.9</b>	<b>73.6</b>	<b>29%</b>	<b>32%</b>	<b>37%</b>
<b>Travel</b>												
Booking Holding	US	BKNG US	86	12.8	8.3	99.9	24.6	918.6	36.8	2%	3%	5%
Trip.com (Ctrip.com)	China	TCOM US	20	9.0	5.7	826.9	38.8	NM	37.3	3%	7%	1%
Expedia	US	EXPE US	18	4.5	3.0	NM	17.9	NM	158.1	4%	5%	20%
Tripadvisor	US	TRIP US	4	6.7	4.3	NM	20.2	NM	60.3	7%	2%	10%
MakeMyTrip	India	MMYT US	3	14.2	5.0	NM	NA	NM	-65.7	15%	NM	56%
<b>Median</b>				<b>9.0</b>	<b>5.0</b>	<b>463.4</b>	<b>22.4</b>	<b>918.6</b>	<b>37.3</b>	<b>4%</b>	<b>4%</b>	<b>10%</b>
<b>Ad &amp; Social</b>												
Alphabet	US	GOOG US	1194	7.4	5.9	17.1	13.8	31.8	25.9	9%	23%	17%
Facebook	US	FB US	785	8.6	6.7	16.8	13.8	27.9	24.7	21%	26%	28%
SNAP	US	SNAP US	77	32.1	22.4	6190.5	152.6	NM	262.0	40%	NM	NM
Baidu	China	BIDU US	63	3.1	2.6	12.3	10.5	20.1	18.5	10%	10%	140%
Twitter	US	TWTR US	42	13.0	10.6	42.5	32.8	NM	61.9	14%	19%	14%
Yandex	Russia	YNDX US	24	7.7	5.2	34.2	26.1	70.9	57.2	28%	17%	46%
Weibo	China	WB US	10	5.4	4.5	17.9	13.2	21.2	16.9	5%	5%	11%
Joyy	China	YY US	7	1.3	1.1	12.8	9.8	19.5	15.6	11%	23%	10%
<b>Median</b>				<b>7.6</b>	<b>5.6</b>	<b>17.5</b>	<b>13.8</b>	<b>24.5</b>	<b>25.3</b>	<b>13%</b>	<b>19%</b>	<b>17%</b>
<b>Entertainment</b>												
Netflix	US	NFLX US	230	9.6	8.1	47.0	37.4	78.5	54.1	19%	42%	50%
Spotify	Europe	SPOT US	62	6.2	5.0	NM	6733.7	NM	NM	23%	166%	NM
iQIYI	China	IQ US	17	3.7	3.3	NM	NM	NM	NM	12%	29%	44%
Tencent Music	China	TME US	32	6.9	5.7	41.5	31.4	42.5	34.0	21%	26%	32%
<b>Median</b>				<b>6.5</b>	<b>5.3</b>	<b>44.2</b>	<b>37.4</b>	<b>60.5</b>	<b>44.0</b>	<b>20%</b>	<b>35%</b>	<b>44%</b>
<b>Gaming</b>												
Tencent	China	700 HK	707	9.8	7.9	26.5	22.0	37.5	30.0	26%	21%	29%
NetEase	China	NTES US	59	4.4	3.7	20.8	16.5	23.3	20.0	21%	17%	2%
<b>Median</b>				<b>7.1</b>	<b>5.8</b>	<b>23.7</b>	<b>19.2</b>	<b>30.4</b>	<b>25.0</b>	<b>23%</b>	<b>19%</b>	<b>16%</b>

Source: Bloomberg

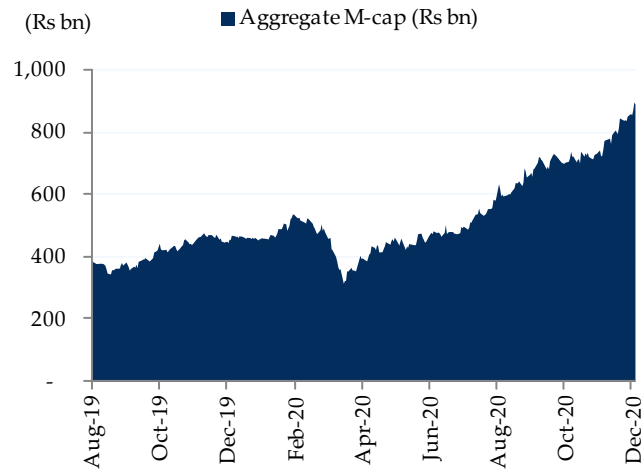
## Global Internet Valuation

Global Internet	Country	Ticker	M-cap (USD bn)	EV/Revenue (x)		EV/EBITDA (x)		P/E (x)		FY20-23E CAGR (%)		
				FY21	FY22	FY21	FY22	FY21	FY22	Sales	EBITDA	PAT
<b>Classifieds &amp; Web hosting</b>												
Carvana	US	CVNA US	41	7.9	5.4	NM	NM	NM	NM	40%	NM	16%
CoStar	US	CSGP US	34	19.1	16.4	59.0	47.1	91.6	75.4	17%	21%	23%
Zillow	US	Z US	31	NM	NM	NM	NM	566.9	383.4	37%	NM	NM
GoDaddy	US	GDDY US	14	5.2	4.5	21.5	18.0	NM	33.3	11%	31%	38%
Autohome	China	ATHM US	12	8.4	7.2	19.7	16.3	21.9	19.2	11%	15%	16%
Redfin	US	RDFN US	7	7.1	5.3	181.4	112.7	NM	NM	24%	NM	NM
Info Edge	India	INFOE IN	8	46.2	37.8	146.2	109.5	166.7	124.5	8%	20%	NM
<b>Median</b>				<b>8.1</b>	<b>6.3</b>	<b>59.0</b>	<b>47.1</b>	<b>129.1</b>	<b>75.4</b>	<b>17%</b>	<b>20%</b>	<b>20%</b>
<b>Food &amp; Mobility</b>												
Uber	US	UBER US	94	8.6	5.9	NA	NA	NM	NM	16%	NM	67%
Lyft	US	LYFT US	16	6.1	4.5	NA	NA	NM	NM	8%	NM	81%
Grubhub	US	GRUB US	7	3.6	3.0	68.0	33.8	NM	149.0	25%	33%	NM
Meituan	China	3690 HK	212	12.1	7.9	153.3	70.7	235.4	97.3	36%	74%	137%
DoorDash	US	DASH US	50	NM	NM	NM	NM	NM	858.9	87%	NM	NM
<b>Median</b>				<b>7.3</b>	<b>5.2</b>	<b>110.7</b>	<b>52.2</b>	<b>235.4</b>	<b>149.0</b>	<b>25%</b>	<b>53%</b>	<b>81%</b>
<b>EduTech</b>												
Chegg	US	CHGG US	11	17.6	14.2	54.6	42.2	68.3	52.4	32%	84%	NM
TAL Education	China	TAL US	42	9.0	6.1	168.1	50.0	128.5	60.5	38%	76%	NM
New Oriental	China	9901 HK	28	NM	NM	NM	NM	46.3	35.0	26%	35%	35%
GSX Techedu	China	GSX US	14	13.0	7.3	NM	NM	NM	NM	111%	56%	48%
<b>Median</b>				<b>13.0</b>	<b>7.3</b>	<b>111.3</b>	<b>46.1</b>	<b>68.3</b>	<b>52.4</b>	<b>35%</b>	<b>66%</b>	<b>41%</b>
<b>Health Tech</b>												
Teladoc Health	US	TDOC US	28	26.2	16.6	270.4	151.5	NM	NM	58%	NM	NM
Ali Health	China	241 HK	45	17.1	10.5	476.7	245.5	666.9	333.5	66%	239%	NM
<b>Median</b>				<b>21.6</b>	<b>13.5</b>	<b>373.5</b>	<b>198.5</b>	<b>666.9</b>	<b>333.5</b>	<b>62%</b>	<b>239%</b>	<b>NM</b>
<b>FinTech</b>												
Paypal	US	PYPL US	260	12.3	10.2	42.1	34.4	58.4	48.9	20%	32%	39%
Square	US	SQ US	99	10.6	8.0	229.7	146.8	289.5	196.2	46%	104%	37%
Adyen	Europe	ADYEN NA	69	80.0	56.6	145.8	97.8	225.5	142.0	19%	45%	46%
Zhong An	China	6060 HK	7	2.5	2.0	NA	NA	75.9	54.0	24%	NM	NM
East Money	China	300059 CS	34	24.1	18.9	39.6	29.5	52.7	42.1	42%	55%	54%
Lufax	China	LU US	35	3.6	2.9	8.1	6.1	16.9	15.0	14%	17%	14%
Xero	ANZ	XRO AU	17	27.6	23.1	100.7	89.0	402.3	324.4	23%	41%	254%
Envestnet	US	ENV US	4	4.9	4.3	21.1	19.0	32.9	31.2	10%	41%	NM
<b>Median</b>				<b>11.4</b>	<b>9.1</b>	<b>42.1</b>	<b>34.4</b>	<b>67.1</b>	<b>51.4</b>	<b>21%</b>	<b>41%</b>	<b>42%</b>

Source: Bloomberg

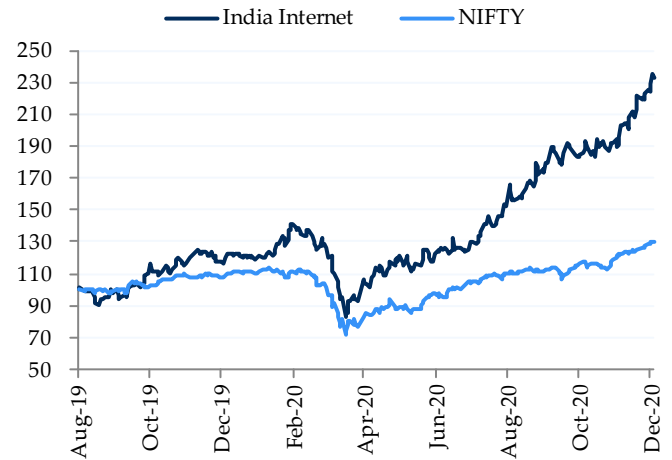
# India Internet valuation

## India Internet M-cap continues to surge



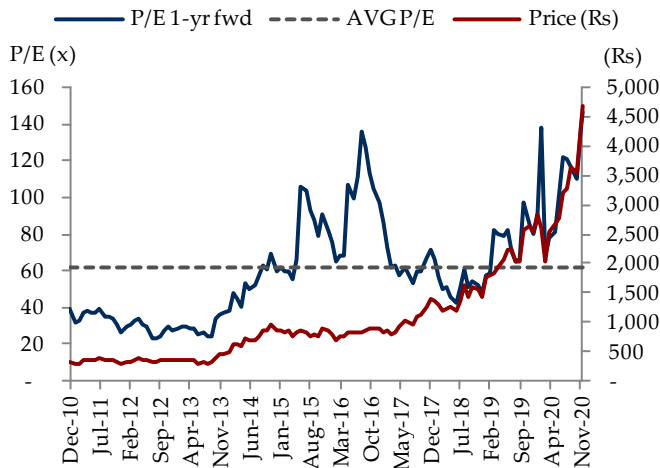
Source: Bloomberg; Aggregate of Info Edge, IndiaMART, Affle, Just Dial, Matrimony

## India Internet price performance vs. benchmark (base 100)



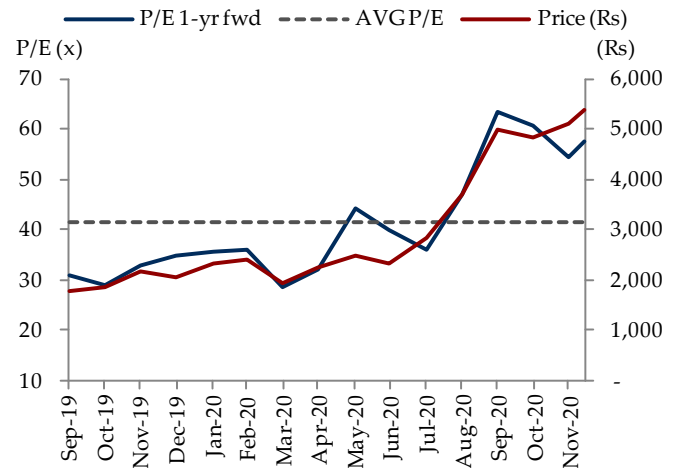
Source: Bloomberg; Aggregate of Info Edge, IndiaMART, Affle, Just Dial, Matrimony

## Info Edge P/E Trend



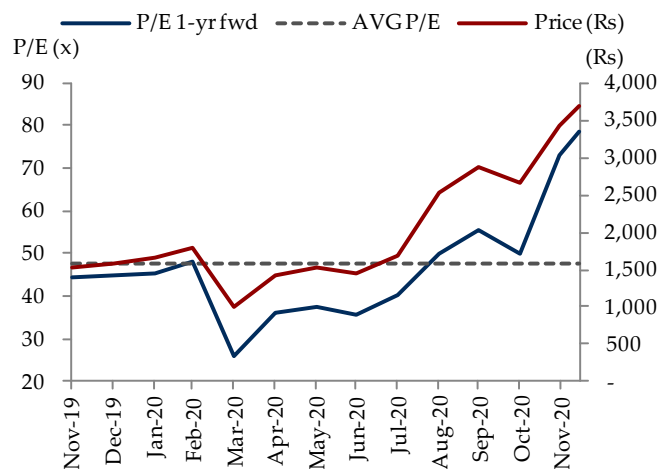
Source: Bloomberg

## IndiaMART P/E Trend



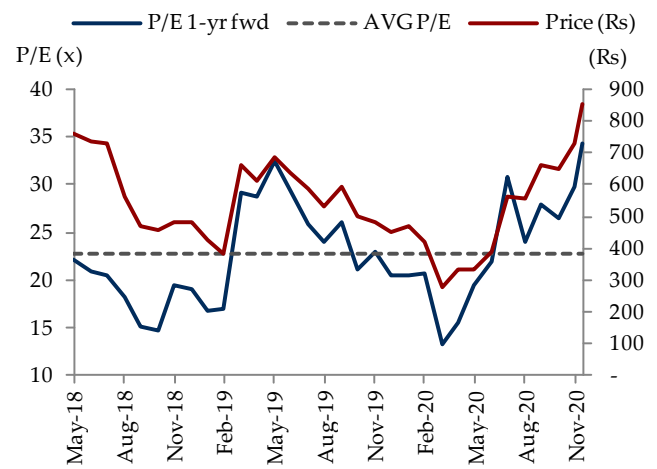
Source: Bloomberg

## Affle P/E Trend



Source: Bloomberg

## Matrimony P/E Trend



Source: Bloomberg

### Contributing Analysts

Info Edge (India)	Amit Chandra, Apurva Prasad, Vinesh Vala	MBA, MBA, MBA
Indiamart Intermesh	Amit Chandra, Apurva Prasad, Vinesh Vala	MBA, MBA, MBA
Affle (India)	Amit Chandra, Apurva Prasad, Vinesh Vala	MBA, MBA, MBA
Matrimony.com	Amit Chandra, Apurva Prasad, Vinesh Vala	MBA, MBA, MBA
Amazon Pay	Krishnan ASV, Aakash Dattani, Punit Bahlani	PGDM, ACA, ACA
BoAt	Naveen Trivedi, Aditya Sane	MBA, CA
CarDekho	Aditya Makharia, Mansi Lall	CA, MBA
Grofers	Jay Gandhi	MBA
Paytm Money	Madhukar Ladha, Sahej Mittal	CFA, ACA
Pepperfry	Jay Gandhi	MBA
PharmEasy	Bansi Desai, Karan Vora	CFA, CA
Pine Labs	Darpin Shah, Aakash Dattani, Punit Bahlani	MBA, ACA, ACA
PolicyBazaar	Madhukar Ladha, Sahej Mittal	CFA, ACA
RazorPay	Darpin Shah, Aakash Dattani, Punit Bahlani	MBA, ACA, ACA
Upstox	Madhukar Ladha, Sahej Mittal	CFA, ACA
Urban Company	Naveen Trivedi, Aditya Sane	MBA, CA
Zerodha	Madhukar Ladha, Sahej Mittal	CFA, ACA



### Rating Criteria

BUY:	>+15% return potential
ADD:	+5% to +15% return potential
REDUCE:	-10% to +5% return potential
SELL:	> 10% Downside return potential

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HDFC securities Limited, I Think Techno Campus, Building - B, "Alpha", Office Floor 8, Near Kanjurmarg Station, Opp. Crompton Greaves, Kanjurmarg (East), Mumbai 400 042 Phone: (022) 3075 3400 Fax: (022) 2496 5066 Compliance Officer: Binkle R. Oza Email: [complianceofficer@hdfcsec.com](mailto:complianceofficer@hdfcsec.com) Phone: (022) 3045 3600

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## HDFC securities

### Institutional Equities

Unit No. 1602, 16th Floor, Tower A, Peninsula Business Park,

Senapati Bapat Marg, Lower Parel, Mumbai - 400 013

Board : +91-22-6171 7330 [www.hdfcsec.com](http://www.hdfcsec.com)