

Snapshot – BNPL Prospects In India

January 2022

D P N C Advisors

Executive Summary

\$35 Bn+

Estimated GMV Of The Indian BNPL Market By 2026

66%

Estimated GMV CAGR for next 5 years

300%

YoY Growth in BNPL transactions in FY21

41.1%

Smartphone Penetration in FY21

7 Mn+

BNPL Customer Base (FY 2021)

100Mn+

Estimated BNPL User Base by FY26

100 Mn+

Online Shoppers In India In FY20

\$820 Bn+

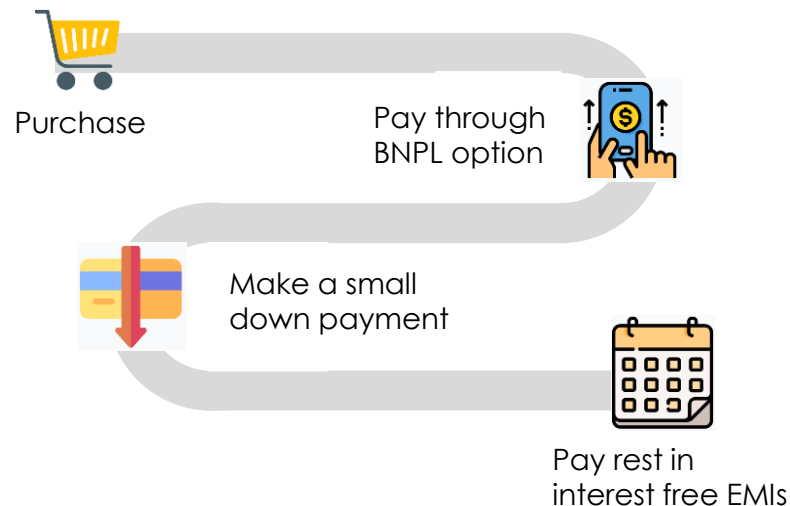
Total Retail market in India in FY21

\$30 Bn+

Total Online Retail market in India in FY21

Overview - BNPL

- Buy Now, Pay Later (BNPL) short-term micro-credit options that enable consumers to shop online and pay within a few days or weeks with little to no interest.
- BNPL makes money from both sellers and consumers:
 - Sellers pay BNPL a fee ranging between 2% and 8% of the purchasing amount if the customer uses the BNPL facility.
 - BNPL players also make money by solidifying their positions through various marketing or promotional spend given that the seller is able to increase conversion or traffic.



BNPL Market Trends in India

Fig. in \$ Bn

BNPL GMV Trends

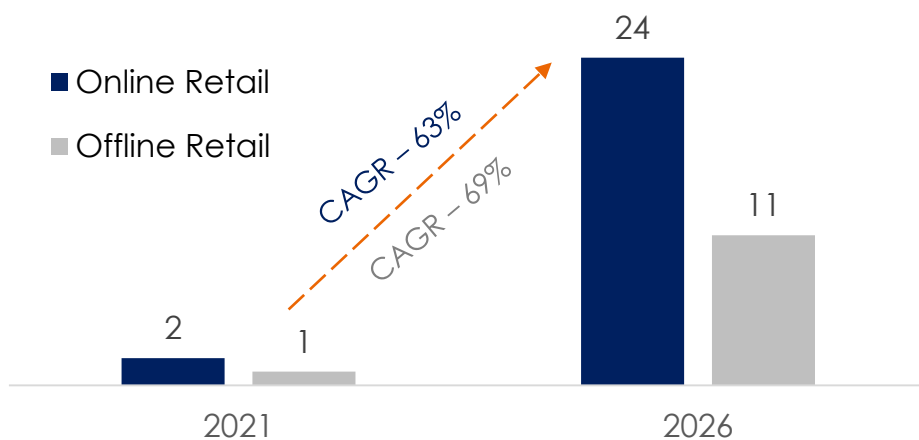
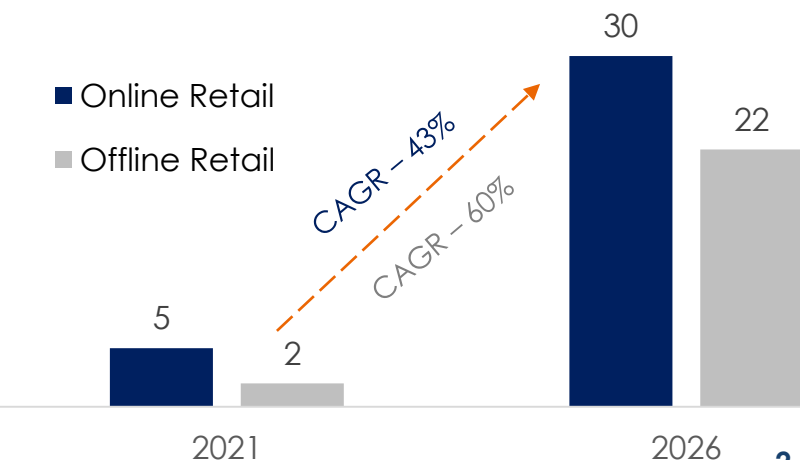


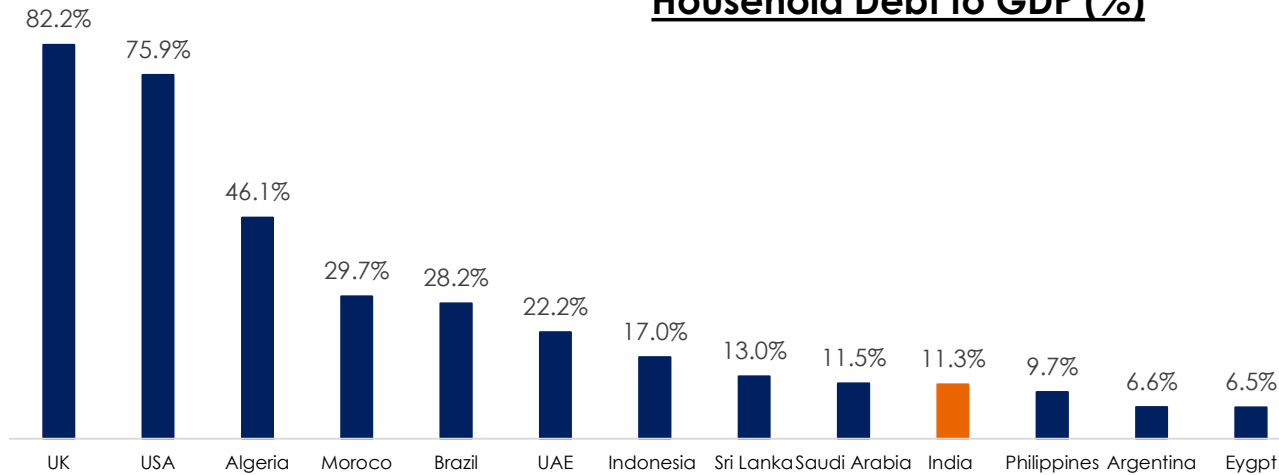
Fig. in Mn

BNPL Customer Base



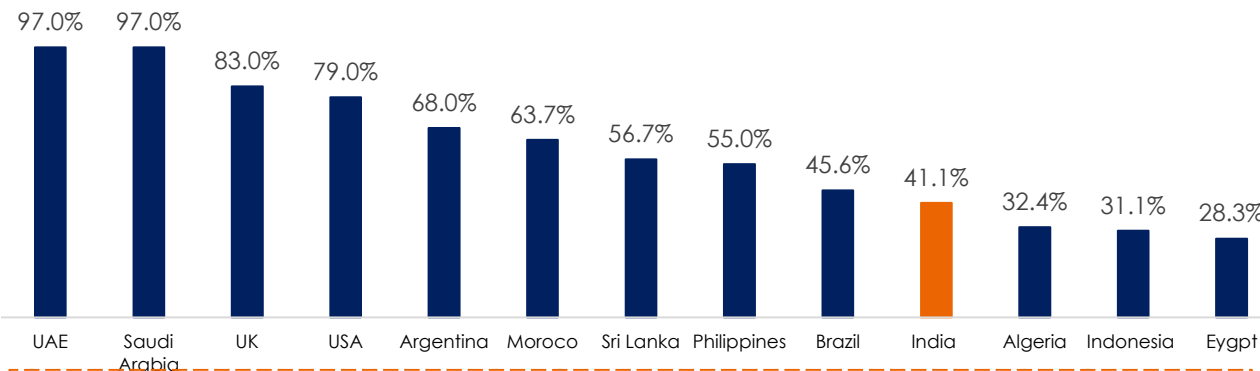
Source: The India BNPL report 2021 | ZestMoney, Various other Websites

Household Debt to GDP (%)



Low household debt in emerging markets indicates a short supply of credit

Smartphone Penetration (%)








Rising penetration in emerging nations offers easier access to digital credit

- Apart from having the world's cheapest mobile network data, India also has the world's most advanced payment infrastructure, such as the Unified Payments Interface (UPI).
- This, together with the India stack, has made delivering financial services solutions in this market easier than before.
- All of these characteristics provide India with an advantage and provide a potential for BNPL to become an Indian category: a credit-powered convenience category.

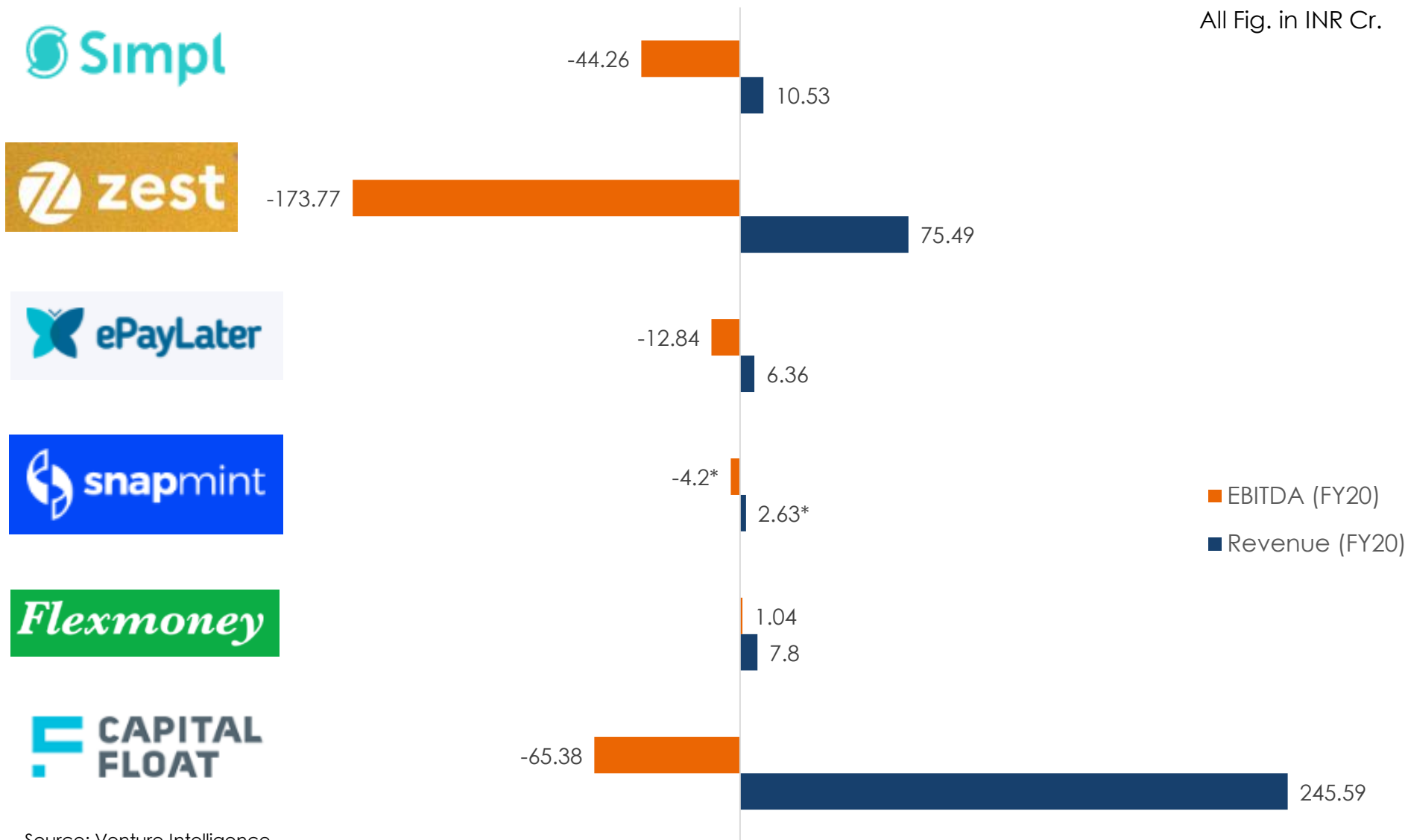
India – A ripe market for BNPL

(2/2)

	USA	Australia	India	UK	Germany
					
No. of internet users (% of population)	290 Mn (78%)	22 Mn (88%)	550 Mn (40%)	55 Mn (80%)	71 Mn (88%)
No. of online shoppers	200 Mn	12 Mn	100 Mn	40 Mn	47 Mn
Total retail	\$3.6 Tn	\$250 Bn	\$820 Bn	\$500 Bn	\$550 Bn
Online retail (% of total retail)	\$450 Bn (13%)	\$20 Bn (8%)	\$30 Bn (4%)	\$90 Bn (18%)	\$80 Bn (15%)
Debt to GDP	80%	120%	16%	94%	53%
Credit Card penetration	75%	75%	3%	55%	35%

Selected BNPL Companies Financials

All Fig. in INR Cr.



Source: Venture Intelligence
*Fig. represents FY19

Brands & Investors in D2C Consumer Electronic Market

Major Brands



Marquee Investors



Recent PE/VC Transactions in BNPL Space

Company Names	Date	Deal Size (INR Cr.)	Investors	Enterprise Value (INR Cr.)	EV/Revenue	Revenue (INR Cr.)	Financial Year
Simpl Pay	Nov.21	289.9	Valar Ventures, IA Ventures, LFH Ventures	-	-	-	-
Capital Float	Sep.21	375*	Lightrock, Sequoia Capital India, Ribbit Capital, and Creation	-	-	-	-
Zest Money	Sep.21	375*	Zip Co, Collie Capital, Thorney Opportunities, Shaw Share Broking & Others	-	-	-	-
	Dec.19	107	Primrose Hill Ventures, Goldman Sachs, Naspers, Quona Capital and Omidyar Network	-	-	-	-
	Dec.19	143	Accion Frontier, Reinventure, Ribbit Capital, Omidyar Network, PayU	-	-	-	-
	Aug.18	93.8	Xiaomi, PayU, Ribbit Capital and Omidyar Network	-	-	-	-
Flexmoney*	Jun.21	35.5	Pravega Ventures, Z5 Capital. Ben Davey	-	-	-	-
ePayLater	Sep.21	73.6	Responsability Investments AG, Blue Ashva Capital, Pravega Ventures	-	-	-	-
	Feb.21	18	Pravega Ventures Trust	95.13	14.96x	6.36	FY20
	Jan.19	25.5	GMO Venture Partners, RAA Y Global Investments, Israel Rosenthal, Parekh Marketing Ltd and Marae India	51.05	17.18x	2.97	FY19
Snapmint	Aug.20	7.82	Secocha Ventures, Kae capital & Others	78.03	30.67x	2.54	FY19
	Nov.18	8	Secocha Ventures, Kae capital & Others	34.42	13.08x	2.63	FY19

Mean	18.97x
Median	16.07x

Banks now going the BNPL way

Several large-sized banks are approaching new-age 'buy-now-pay-later' or BNPL fintech firms to expand their credit base.

Banks are approaching 'new-age' BNPL either through in-house offerings or partnerships

Two distinct approaches that can be seen are:

- 01 Private banks with a large carded base offer BNPL exclusively to existing customers to raise engagement, cross-sell and maintain profitability.
- 02 On the other hand, those with a limited carded base have adopted the partnership route with fintech to tap into new-to-franchise customers.

Recent BNPL Product launch by Private Banks

- 01 **Axis Bank** has launched a BNPL product aimed at new-to-bank customers and other banks' customers through its subsidiary **Freecharge**. The product offers a one-month easy payment option to customers.
- 02 **ICICI Bank's PayLater** product is a digital credit facility designed for customers in the age bracket of 25-30 years.
- 03 **HDFC**, one of India's largest private lending banks, launched its **Flexipay** with a repayment cycle ranging from 15 to 90 days.

The RBI proposing to bring in tough norms for digital lenders would help weed out non-serious players and make BNPL an attractive proposition.

Conclusion

- India is a ripe market for BNPL with increasing smartphone penetration, affordable mobile data, ease of digital payments, and a stable regulatory environment.
- The World woke up to the potential of BNPL just 18 months ago, but India has known it for more than a decade. India is expected to be the largest BNPL market in the world. There will be more market cap created in this segment in India than anywhere else in the coming time.
- The majority of BNPL startups operating in the Indian market has experienced significant growth over the last year. With the market expected to record strong growth over the next few quarters, BNPL platforms are raising funds to expand and capitalize on the high-growth potential industry

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