



Before the Bell: IPO Edition

by

Yash Shah (Asst. Manager - Research)



Company Overview

- PhonePe is India's first private non-bank player to launch a UPI-based application and is India's largest digital payments platform in terms of the number of transactions and total payments value.
- PhonePe earns revenue from payment monetization (P2P transfers, bill payments, merchant payments), merchant solutions (devices, EDC machines, payment gateways), lending and insurance distribution, mobile recharges and advertising, and newer platforms such as stock broking, mutual funds, and Indus Appstore.
- PhonePe's 48% UPI market share and 40 Million+ merchant base create genuine competitive moat. However, payments are commoditizing (becoming free/zero-margin). Real value creation depends on financial services (insurance, lending, stock broking) which contribute only 10% of revenue. If these fail to scale, PhonePe reverts to a low-margin payments processor.
- **Competitive Advantages:**
 - **Deep penetration in value-focused India:** Strong penetration with ~65% of consumers coming from Tier-2+ cities.
 - **Extensive Sales Network:** The Company has a network of 25,657 sales team members, covering 96.96% of India's pin codes.
 - **Localized Experience:** App caters to a diverse and multi-lingual user base across India, supporting 11 Indian languages as of September 2025
- **Risks/Challenges:**
 - **Low Margins:** Core UPI transactions generate limited revenue, thus forcing reliance on cross-selling lending, insurance, and investments, which is currently has a very limited revenue share.
 - **Intense competitive landscape:** Strong rivals like Google Pay, Paytm, and emerging fintech apps keep pricing pressure high and make customer retention expensive.
 - **Regulatory changes and pressure:** Government rules such as UPI market-share limits, RBI compliance obligations, data-storage requirements, and changing fintech regulations could restrict expansion and increase operating costs.

Financial Overview

(Amount in INR Crores)

Income Statement	FY 2022A	FY 2023A	FY 2024A	FY 2025A
Revenue from Operations	1,646	2,914	5,064	7,115
Adjusted EBITDA	(1,803)	(375)	652	1,477
PBT	(2,013)	(2,802)	(2,007)	(1,736)
PAT	(2,013)	(2,796)	(1,996)	(1,727)

Revenue by Segment (FY 2025):

- Consumer and Merchant Payments:
 - Revenue: INR 64,979 Crores (91.33%)
- Lending, Insurance Distribution and Other services:
 - Revenue: INR 6,169 Crores (8.67%)

Key Points:

- The Company has shown tremendous revenue growth from INR 1,646 crores in FY 2022 to INR 7,115 crores in FY 2025, representing a CAGR of approximately ~63%
- Along with revenue growth, the company has turned EBITDA positive for the first time in FY 2024
- The company has reported continuous losses from FY 2022 to FY 2025 along with negative cash flow from operations from FY 2022 to FY 2024. The company has generated positive cash flow from operations for the first time in FY 2025.

Important Points

- The operations of the Company depends on the sponsor Payment System Provider (PSP) banks, namely Yes Bank Limited, Axis Bank Limited and ICICI Bank Limited. Any change in commercial terms or technical disruptions, failures or operational issues at these banks could adversely affect the operations of the company.
- The Company's full-time employee attrition rate is approximately ~30%. In simple words, 1 out of 3 employees leave the Company every single year.
- **Financial Summary for Six-months ended 30th September, 2025:**
 - Revenue: INR 3,918 Crores
 - EBITDA: INR 254 Crores
 - PAT: (INR 1,444 Crores)
- **Revenue by Segment (Six-months ended 30th September, 2025):**
 - Consumer and Merchant Payments:
 - Revenue: INR 3,406 Crores
 - Lending, Insurance Distribution and Other services:
 - Revenue: INR 513 Crores
- Even though there is revenue growth for the six-months ended 30th September, 2025, the adjusted EBITDA margin has narrowed from 15.74% to 6.48%, when compared to six-months ended 30th September, 2024.
- The IPO is a 100% Offer for Sale with no fresh issue.

Disclaimer

This material is for informational purposes only and should not be construed as investment advice. Ekvity makes no representations or warranties regarding the accuracy or completeness of the content. Any decisions made based on this information are solely at the recipient's risk, and Ekvity shall not be liable for any resulting loss.

