State of the Fintech Union 2024

Building sustainable long-term businesses in Financial services

GLOBAL FINTECH FEST | AUGUST 2024

fka Matrix Partners India

GLOBAL FINTECH FEST

28th - 30th AUGUST 2024

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fka Matrix Partners India

We are early-stage investors targeting companies in the Indian consumer and enterprise market. Matrix Partners began in Boston in 1977, and today invests actively in the USA, India and China. Z47 (fka Matrix Partners India) was established in 2006, and invests across a variety of sectors including ConsumerTech, B2B commerce, Enterprise, Fintech, among others. We look for the best and brightest founders and teams. In our experience, the quality, passion and commitment of a company's core team are more important than any other element

We invest in between seed and series B initially in each company. We like to get to know founders early, ideally well before they are ready to raise capital, with a focus on companies primarily targeting the Indian market. We prefer to be the lead investor. We often invest on our own but also co invest with other investors

Founders are always first in our eyes, whether you have just a nascent idea or are already running a business, let us help you turn your ideas into reality and grow your business

Introduction

Yashraj Erande
Global Leader - Fintech
India Leader, Financial Institutions, BCG

The Indian Fintech ecosystem is the third largest globally and continues to grow rapidly with tripling of Unicorns/Soonicorns and quadrupling of Minicorns over the last four years. The ecosystem has also matured significantly with 35+ Fintechs at $500M+ valuation, compared to only 13 in 2020. We are now in the "middle journey" of growth, with a long roadmap ahead to stabilize and scale. As we continue to witness this transformation, it's essential to probe into the rising strategic needs of this sector and identify initiatives companies must execute to catapult their growth journey and manage potential risks.

The partnership between Boston Consulting Group and Z47 (fka Matrix Partners India) underscores this commitment to fostering a deeper understanding and supporting this ecosystem. This partnership aims to provide comprehensive insights into the evolving landscape of Fintechs in India, highlighting the key trends and opportunities, the journey to prepare for IPOs, and collaboration potential within the ecosystem.

The Fintech growth in India has been bolstered by an evolving regulatory landscape that has promoted innovation while upholding security and compliance, both critical in promoting consumer trust. Our survey of 60+ founders & CXOs shows that more than 65% of respondents believe that regulations have helped reduce systematic risks. This regulatory evolution has also increased the confidence of both institutional and retail investors, leading to exponential growth in business accessing deep public markets (IPOs) for raising capital. In the past five years alone, there has been an almost 2x surge in IPO filings in India!

Our study shows that successful IPOs require several years of preparation and an informed approach to effectively navigate the hurdles. This report will serve as a critical guide, outlining best practices and strategies for navigating the complexities of public market listings, especially considering that only half of the founders and CXOs feel they are adequately prepared.

As the Fintech system has evolved, so have the threats that loom over the sector. Cyber intrusions and digital attacks have led to $20+ B of losses reported by financial sector over the last 20 years. Collaboration may present a key solution to these threats by enabling faster escalation and information sharing among collaborators. Collaborations can also help incumbents access new technologies and Fintechs access large consumer bases.

By focusing on these critical areas, this report aims to enable Fintech leaders to accelerate their growth journey, enhance strategic decision-making, and contribute to a more robust and sustainable Fintech ecosystem in the country.

With a strong belief that enabling more Fintech leaders can unlock the next revolution in Financial Services and drive the country's economic growth, we hope you find this report an insightful read!

Executive Summary (I/II)

Indian Fintech ecosystem, cumulatively valued at $100Bn+, is in the middle journey with potential to create 2-3X value in the next decade

- India continues to be among the top 3 Fintech destinations; ecosystem growth across the pyramid with 3.5x Minicorns, 3x Unicorns & Soonicorns in 4 Years
- Fintechs driving significant impact on financial inclusion: ~56% revenue growth from 2022 to 2023 vs. ~13% growth rate of global Fintechs in similar period
- Indian Fintechs have generated $100Bn+ value in 10 years but are still in the "middle" phase compared to incumbents who have over 30-50 years created $600Bn+ value
- With 63% of the Indian population outside the top cities, huge opportunity exists to serve Bharat with next wave of penetration expected to come from Tier 2 cities

Profitability is now a central focus across Fintech sectors, with over 40% of founders and CXOs prioritizing unit economics alongside market expansion. Mature Fintechs preparing for or in the IPO journey are emphasizing governance, investment in infrastructure, security

- Across survey of 60+ Executives of top Fintechs, market share expansion & growth emerged as priorities for early and growth stage Fintechs
- Pre/post IPO stage Fintechs tend to place greater emphasis on unit economics & profitability and investing in tech, infra & security
- While market share and growth remain the primary priority across LendingTech, InsurTech and SaaS/InfraTech segments; PayTech firms focusing on unit economics
- Profitability outlook is improving YoY across segments, with Neobank & InsurTech showing the highest positive projections, marking the most significant shift since 2022
- Stricter financial management, reducing CAC and portfolio pruning emerge as top 3 priorities

However, the industry is not without challenges - particularly in cybersecurity, with over $20 billion lost to cyber and digital attacks in the past two decades. Compliance is equally critical – needs to be a "feature" and not a "fix"

- Number of fines for non-compliance has surged
- Robust risk management is be the most critical factor amongst >80% respondents to strengthen governance which in turn also driving better opportunities of partnership with incumbents

The lines between online and offline are quickly blurring with Fintechs adopting "Phy-gital" approaches to serve customers

- "Phy-gital" journeys with offline touchpoints help Fintechs reach previously un/underserved customers, allowing for higher-value transactions built on trust
- Using the "right-tech" combined with operational rigour is helping Fintechs unlock value across functions like sourcing, underwriting, customer service, and collections

Executive Summary (II/II)

Regulatory system is conducive for innovation; sentiment is strong, supportive and clarity has evolved; simplification of processes can further unlock value

- Strong positive outlook noted across various progressive regulatory moves with 75%+ respondents having positive or neutral view on AA, SRO for Fintech and DPDP
- While strong sentiments exist on regulatory system being effective in safeguarding risks and accessibility, pain points emerging on driving greater clarity and simplifying complex processes

Are Fintechs ready to tango with capital markets? Several Fintechs are expected to compete for public capital over the next few years; Indian startups typically go public in 3.5-4 years after reaching Unicorn status, with over 35 fintech firms valued at $500M+, many would be contemplating or approaching IPO

- While Indian markets remain bullish, capital is heavily competed for across sectors
- IPO filings have nearly doubled from 75 annually in 2018-2019 to 120-140 per year from 2021 to 2023, indicating strong market momentum
- Despite the deemed importance of profitability, leadership, and governance in a successful IPO, only 40-60% of fintech founders feel fully prepared on all these fronts

IPO is not a destination but the beginning of a journey to building an institution that stands the test of time. Investing in the IPO readiness journey is critical; ~70% of Fintechs listed in India have had their share prices decline in 6 months of listing

- Around 70% of Fintechs listed in India over the last 5 years saw share prices decline within 6 months post-IPO, highlighting the need for sustained performance
- Successful IPOs will require a clear equity story backed by strong fundamentals in financials, governance and a well-run IPO office which prepares for not just the journey but for the expectations post IPO

As we move ahead, there are few key imperatives for Fintech founders and the ecosystem:

- Ruthless in Resilience: Build a resilient, tech-led, internal architecture with sufficient lines of defence
- Compliance as a "Feature", not a "Fix": Start early and embed compliant practices in design, from Day 1 – stay away from "grey areas",
- IPO is a milestone, not an end-goal: While thinking early for IPO and preparing along the 5Ps – Proposition, Profitability, Prudence, Process and People
- Constant calibration and collaboration of policy to balance innovation and risk management

It is an exciting next few years as Fintechs continue to invest in building sustainable long-term businesses while driving disruptive innovation with strong focus on governance, compliance!

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State of the Indian Fintech market

Market landscape, key growth drivers and challenges

Indian Fintech Ecosystem - Key Highlights

$25 Bn

India Fintech market size in revenue in 2023, up by 56% YoY

$100+ Bn

Valuation of Indian Fintech industry, still in its "middle" journey with potential for exponential growth

35+

Decacorn, Unicorn & Soonicorn Fintechs in India, compared to 13 in 2020, indicating a maturing ecosystem

3.5x

Growth in Minicorns in the last 4 years that are driving overall Fintech growth in India

-33%

YoY drop in India Fintech equity funding in 2023, in-line with global Fintech equity funding decline of 51% YoY

$20+ Bn

Losses from cyber intrusions over the last 20 years globally – key priority for ecosystem

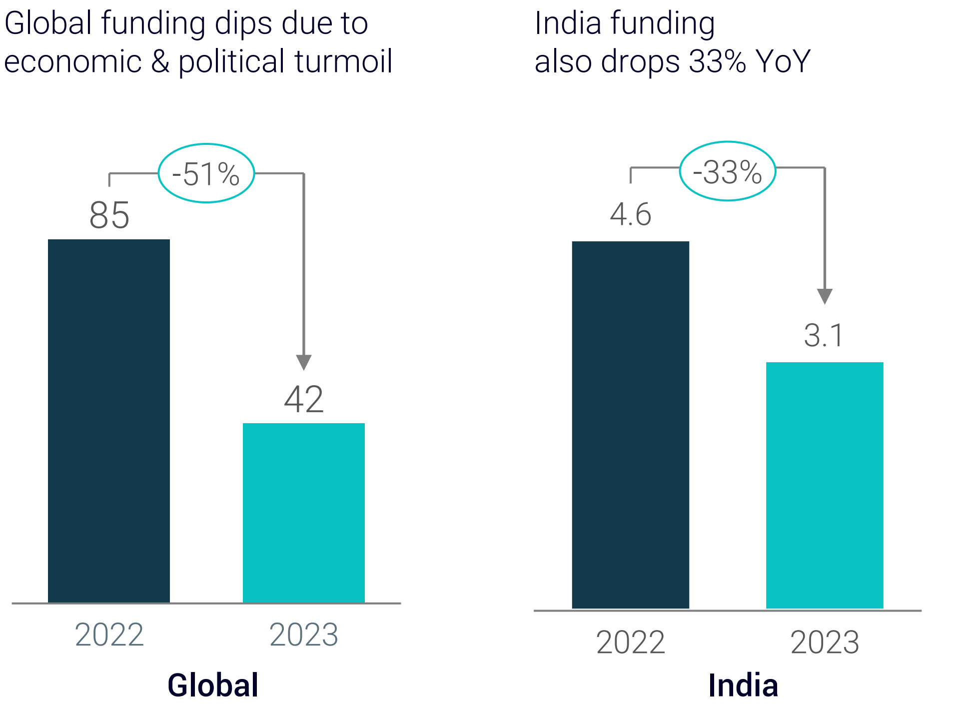
India continues to be among the top 3 Fintech destinations

	# Fintechs As of Jul '24	Growth in # Fintechs (2019-2024[1])	Funding ($) (Jun'19–Jun'24)	# Deals (Jun'19–Jun'24)	# Unicorns as of Jun '24
USA	39,065	10%	218 Bn	7,266	131
UK	14,576	10%	71 Bn	2,339	28
India	12,370	12%	26 Bn	2,479	24
Canada	4,535	10%	11 Bn	621	7
Australia	4,082	6%	9 Bn	372	3
China	4,010	5%	13 Bn	520	22

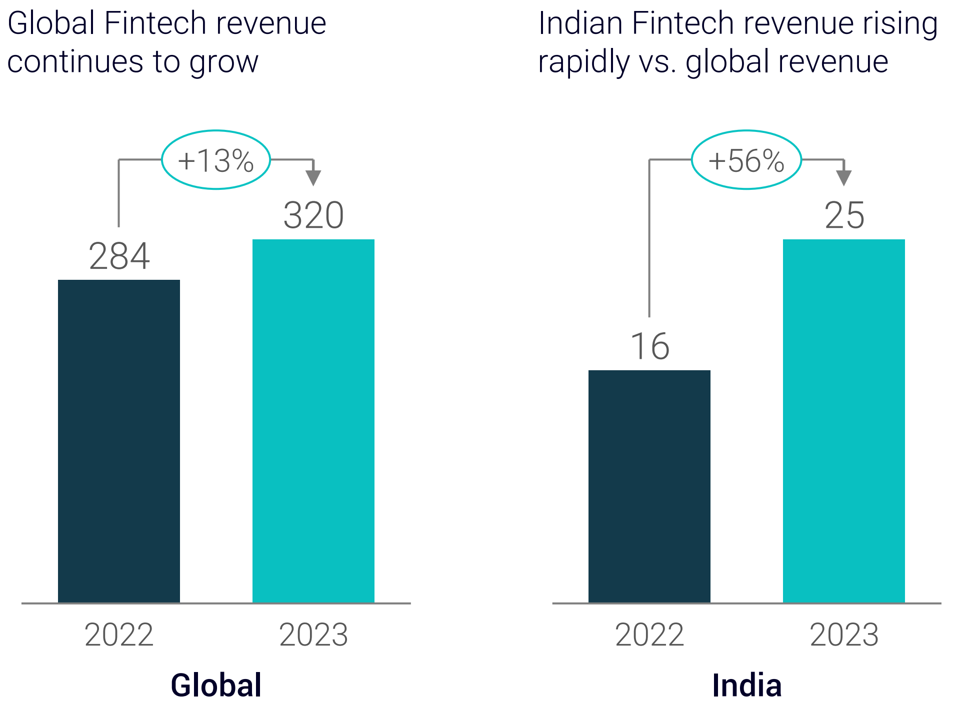
1. As of Jun'24; Note: # means Number
Source: Tracxn

While funding has declined for Indian Fintechs, revenues continue to grow fast

Fintech equity funding ($ billion)



Fintech revenue ($ billion)



Source: "Prudence, Profits, and Growth" BCG QED Investors Report, BCG Fintech Control Tower

Growth in Fintechs across the pyramid; 3.5x Minicorns in 4 Years

Indian Fintech landscape in	2020	2024
Decacorn (>$10B)	1	1
Unicorns ($1-10B)	7	20
Soonicorns ($0.5-1B)	5	17
Century Club Fintechs ($100-500M)	39	74
Minicorns ($1-100M)	200	713

The number of Minicorns has nearly quadrupled from 200 to 700+ in the last 4 years

Note: 2024 data is as of July 2024. Calculation is based on latest valuation available as per database.
Source: Tracxn

Positive outlook for Fintech ecosystem given the "penetration" potential across sectors

Growth across all Fintech segments in financial services over the last 3 years

($Bn)	FY 20		FY 23
Unsecured Retail Loan book	80	1.5x growth	147
Credit Card spends	73	2x growth	143
Insurance commission[1,3]	6	1.25x growth	7.5
Household Value of MF assets[2]	146	2x growth	280

However, significant potential ahead with penetration still lower than global levels …

Penetration	India	Global	India Growth (5-year CAGR)[4]
Mutual Funds (% GDP)	21	70-100	20%
Life Insurance density (per capita premium in $)	70	361	12%
Non-Life Insurance density (per capita premium in $)	25	528	11%
Unsecured Retail Loans[5] (% population[6])	9	90-120	23%

1. Private and Web aggregators insurance pool considered. 2. Household value of MF assets as on Jan'20 and Jan'23 instead of financial year. 3. From Jan'20 and Jan'24 instead of financial year. 4. FY19 to FY24; 5. Includes Personal Loans and Credit Cards. 6. as % of total working population (15-64 years).
Source: UIDAI, IRDAI, AMFI, SEBI, RBI, IMF, CRIF: How India Lends Report, UNFPA State of World Population 2023 Report, Life Insurance Council, General Insurance Council, Axis Capital Report – "Unsecured Lending and its Promise of Structural Growth"

Our Fintechs are in the "middle" journey with significant headroom for growth

Illustrative

Fintechs have created sizeable value in a 10-year period …

Fintechs (Combined valuation of $100+ Bn)

RAZORPAY	PHONEPE	CRED	ZERODHA		
GROWW	ONECARD	SLICE	FIVE STAR	UPSTOX	
ACKO	JUPITER	ZETA	PAYTM	INCRED FINANCE	DIGIT
PB FINTECH	OXYZO	COINDCX	PINE LABS	PAYU	YUBI

Incumbents have created 5.5x value in a 30-to-50-year period …

Incumbents (Market cap. of $610+ Bn)

HDFC BANK	ICICI BANK	AXIS BANK
SBI	SBI LIFE	BAJAJ FINSERV
SHRIRAM FINANCE	KOTAK	HDFC LIFE
SBI CARD	ICICI PRUDENTIAL	HDFC AMC

Source: Tracxn , Capital IQ, Press Search.

No overnight successes, but significant compounding potential for the Indian Fintech ecosystem as indicated by Global Financial Industry

Examples of companies from US and India

Market cap. (in $ Bn)	VISA (Est. 1958)		FINSERV (Est. 1984)		HDFC BANK (Est. 1994)		BAJAJ FINSERV (Est. 2007)	
2008	40		7		8		2	
2018 (10 years)	315	+275	35	+28	80	+72	14	+12
2023 (5 years)	565	+250	88	+53	165	+85	32	+18
Total growth of market cap. ($B)	+525		+81		+157		+30	

Financial industry demonstrates gradual value accumulation, leading to significant compounding growth

Examples show market cap growth in the recent five years equaling or exceeding growth of the initial ten years

Highlights importance of investing in long-term capabilities for compounding growth, even at large scales

Source: CapitalIQ

Next set of growth for Fintechs to come from Bharat

The rural and semi-urban Indian economy is set to become 2x of its present size by 2030 …

64%

Indian population resides beyond Tier-I cities as of 2023

2x

Growth of outstanding loans in rural v/s urban (14% vs. 7% of urban[2])

44%

Indian population in the next billion[1] segment

51%

Consumers of Fintech lending come from semi-urban & rural segment

… but remains highly underserved, presenting a huge opportunity in Bharat

20-25 INR Tn

Estimated credit gap[3] in MSME sector

<1%

Share of Fintechs in total Agri-lending segment

25-30 %

Gross cropped area insured

~30%

Total farmers with access to formal credit

1. Annual household gross income based out of 2019; 2. CAGR Growth from FY19-22; 3. Amount of outstanding loan as of 2022
Source: World Bank, "Financial Services Innovation for Bharat" BCG RBIH Report, "Growing Inclusion in India - The Fintech Way" BCG StartUp India report, "The Rise and Evolution of India's Digital Finance" TransUnion CIBIL report

Serving Bharat requires a "Phy-gital" model with Fintechs leveraging FoS, and traditional players innovating with digital interventions

Illustrative

Combine physical and digital channels to create a seamless customer experience

Online players exploring Feet-on-Street (FoS) distribution and offline distributors enhancing operations with technology

"

Nisha Bachani
Partner, BCG

While banking access has improved significantly over the last decade in Rural India, credit penetration and holistic financial inclusion is yet to be achieved. Over 80% Rural women have very limited data footprint, only 30-35% farmers have access to formal credit. Serving the diverse Bharat community will require a hyper-local approach, with a deep understanding of their digital and economic activity, and creation of "blended" offerings that enable users in their day-to-day lives & are "community-led" in the adoption cycle"

Fintechs expanding via FoS to reach Bharat customers

BharatPe	BharatPe has **onboarded over 7 million merchants from tier 3-4 cities** by leveraging an extensive network of **local sales agents**
ASSET PLUS	Asset Plus has **expanded its user base in rural areas** through a **hybrid distribution model**, making MF investments accessible and convenient
HDFC BANK	HDFC Bank **plans 1000+ branches across India and will continue to deepen its semi-urban and rural presence** in 2024
KaleidoFin	KaleidoFin has **empowered over 1 million low-income households** in **tier 3-4 cities** with tailored financial solutions

Traditional institutions & incumbents are leveraging tech to serve Bharat

RBIH	Reserve Bank Innovation Hub was set-up to promote innovation especially enabling financial inclusion. Initiatives like **Swanari, SHGs, Rural and Agri Finance, and the Public Tech Platform** for Frictionless Credit built in this direction.
NPCI	**UPI Lite and UPI123Pay** facilitate small-value transactions without internet to over 400 million feature phone users
HDFC BANK	**HDFC Smart Saathi: All-in-one platform** offering quick agent onboarding, banking products, transaction capabilities, services, and more
Spice Money	Spice Money has established a **network of over 1.2 M "Adhikaris"** (local entrepreneurs) equipped with smartphones & POS devices to deliver financial services directly to underserved rural and semi-urban populations

Source: Company Websites, Press Search

India's Digital Public Infrastructure at scale fuels new opportunities for Fintechs

Identity Layer

Aadhaar-led Identification
- 1.4 Bn Aadhaar generated
- 118 Bn authentications done (18% YoY growth)

Digi Locker
- Registered users: 300 Mn (32% YoY growth)
- Documents issued: 7.7 Bn

e-KYC
- Total e-KYC transactions, 19.8 Bn (22% YoY growth)

GSTIN
- >14 Mn registered taxpayers

Payments Layer

Unified Payments Interface
- FY24 volume: 131 Bn (57% YoY growth)
- FY24 value: Rs. 200 Tn

Aadhaar-enabled payment system
- FY24[1] volume: 1 Bn
- FY24[1] value: Rs. 2.6 Tn

CBDC
- 9 banks currently in pilot
- 4.6 Mn users onboarded

UPI Lite
- 37 banks live
- 12 other apps live

Data Layer

Account Aggregators
- Accounts linked: 71 Mn (400% YoY growth)
- Entities live: 370+

National Health e-Registries
- 648 Mn accounts created (60% YoY growth)
- 397 Mn records linked

Public Credit Registry
- 360-degree database of all credit info of borrowers

Goods & Services Tax
- Taxpayer base up 40% from Apr '18

Open Networks

Open Network For Digital Commerce (ONDC)
- Live in 600+ cities
- Monthly transactions: 9.9 Mn (~1.8x of Dec '23)

Open Credit Enablement Network (OCEN)
- Aimed at bridging credit gap for MSMEs

National Digital Health Mission
- 22 Mn health IDs created

Public Tech Platform for Frictionless Credit (PTPFC)

1. Till Jan '24. All data as latest available on the respective websites captured in June 2024.
Source: India Stack, Press Releases, BCG Analysis.

The AI "Buzz" - Transforming banking across seven key use-cases

Value seen across revenue growth, cost reduction, and risk management

Use cases in the global financial sector	Value Lever[1]		
1 **Customer intimacy:** Enhancing customer experiences with targeted marketing campaigns and personalizing offerings	**Revenue**	**Productivity**	Risk
2 **Operational excellence:** Streamlining operations by automating routine and repetitive tasks with AI to increase efficiency	Revenue	**Productivity**	Risk
3 **Controlling credit risks:** Implementing predictive models to manage credit risks effectively	Revenue	**Productivity**	**Risk**
4 **Containing compliance and operational risks:** Embracing Responsible AI to enhance compliance measures and mitigate risks	Revenue	**Productivity**	**Risk**
5 **Building workforce and culture:** Utilizing AI in workforce planning and fostering a culture of innovation	Revenue	**Productivity**	Risk
6 **Fraud detection and prevention:** Leveraging AI to analyze transaction patterns to detect suspicious activities and mitigate risk	Revenue	Productivity	**Risk**
7 **AI-based products and services:** Maximize revenue with dynamic pricing, automated data analysis to derive insights quickly, etc.	**Revenue**	**Productivity**	Risk

Practice 'Responsible AI' to build accountability and mitigate risks

Responsible AI focuses on AI's development and use legally and ethically. It targets minimizing harm, prioritizes transparency and fairness

It addresses the main concerns of bias, data privacy, and lack of explainability of complex models

It encourages sustainable innovation and enhances performance

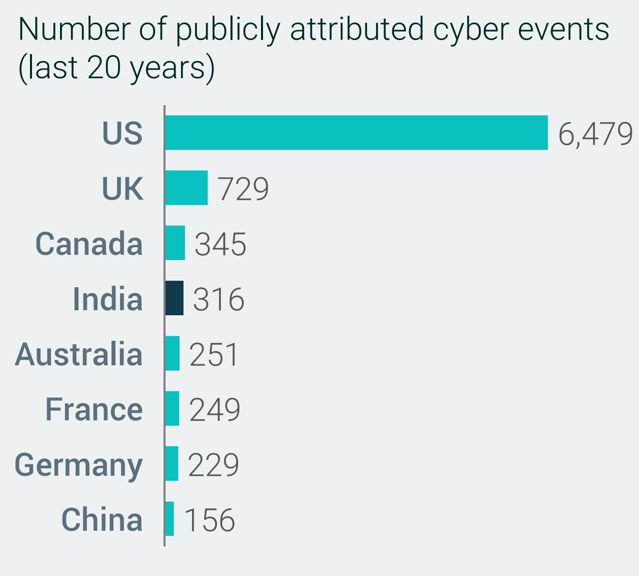
1. AI use-cases deliver value through one or a combination of growing revenue, increasing productivity (i.e. doing more with the same number of FTE, or doing the same work with fewer FTE), or avoiding risk/potential costs

Source: "AI at Work: What People are Saying" BCGX.

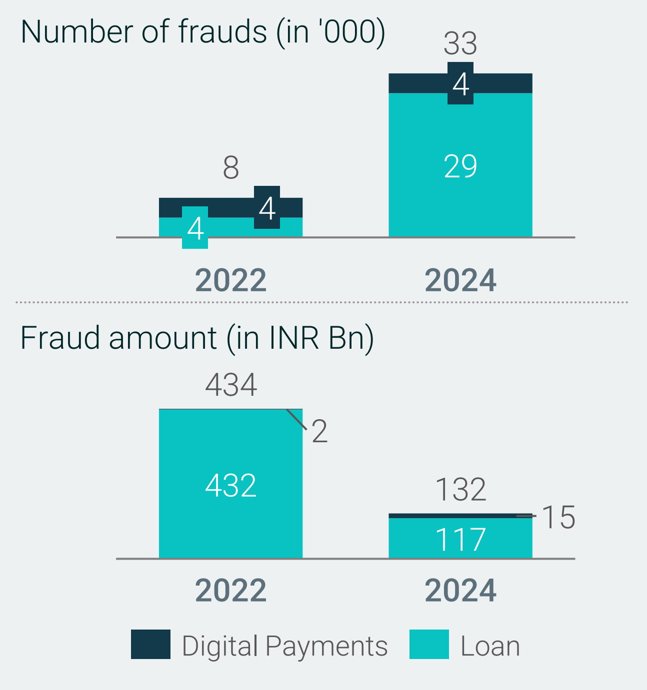
Frauds and cyber attacks - A major challenge for the ecosystem

$20+ Bn lost in cyber and digital attacks by the financial services sector globally

$20 billion in losses have resulted from over **20,000 cyber intrusions** and digital attacks reported by the financial sector over the **last 20 years.**



Number of frauds have risen significantly in India while value has shown a decline



Measures to reduce frauds and cyber attacks

Establishment of cyber range
Established a cyber range under the Utkarsh 2.0 initiative to enhance cyber incident response capabilities of SCB[1]

AI/ML algorithms deployed
Detects potential fraud by identifying unusual patterns and behaviors in real-time

Robust KYC procedures implemented
Verify customer identities during onboarding and at periodic intervals to prevent identity theft and ensure compliance

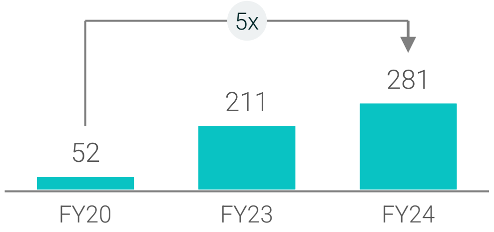
1. Scheduled Commercial Banks.
Source: RBI Annual Report 2024, "Cyber Risks for Indian Lenders" Jefferies Report.

Compliance as a "Feature," not a "Fix"

Regulator's actions aimed at ensuring longer-term stability of our financial ecosystem

Increased scrutiny by regulator on compliance

of instances wherein fines were imposed on banks by RBI



	FY20	FY23	FY24
Fine Value (INR Crore)	55	40	86

+11 Cr fines on Fintechs in last 3 years

Founder & CEO, Neobank

"... regulator's actions have been overall a positive for the industry by enabling increase in consumer trust in the Fintech ecosystem ... it has been a clear message that companies need to ensure that compliance is a Day 1 focus and regulatory arbitrage is not a winning strategy ..."

Three major reasons that cause firms to miss compliance

Focus on short-term results
- Perceived conflict in objectives (profit maximization vs compliance)
- Compliance an afterthought post regulatory actions

Process and system issues
- Inability to keep up with new regulations due to legacy systems, business continuity risks
- Risks covered are non-comprehensive
- Ineffective and unindustrialized processes

Un-empowered compliance function
- "Tick mark" culture lacking insights
- Stakeholders not empowered to make decisions

Compliance as a "feature," not a "fix"

Seat at the table or you are on the menu!

Do the right thing, be seen doing it and tell others

Every mini-crisis is an opportunity for step change

Source: RBI Annual Report 2024, Press Search, BCG analysis.

Moving towards self-governance in the Fintech sector

RBI proposes omnibus SRO-FT(s)[1]: These are to include diverse players, set conduct standards, and enforce compliance

What is an SRO[1]?

- **RBI-recognized NGO** that serves to regulate the sector
- **Operates independently** and consists of members from the industry

Need for SROs[1] in Fintech space

- **Rapid growth** and **diverse nature** of sector (digital lenders, account aggregator, P2P business)
- **Regulatory asymmetry** and **competition with banks**
- Issues like mis-selling, data privacy, cyber security, unauthorized transactions, unfair practices, etc.

Roles and responsibilities of SROs[1]

- **Create policies**, **resolve conflicts**, **offer expertise**, and training programs
- **Communication channel** between the diverse industries and the regulator
- **Manage data** pertaining to the activities of its members

Eligibility to become SRO[1] and membership criteria

- Minimum net worth of **Rs. 2 crore**, MoA stating the operation as an **SRO-FT as its primary objective**
- **Robust IT infrastructure**, systems for managing 'user harm' instances
- **Voluntary membership** for diverse Fintechs, including those domiciled outside India

What does this mean?

- This has paved the way for an industry-wide move towards **self-governance**, with organizations like PCI & DLA already expressing interest in applying

Anand Khetan
Associate Vice President
Z47 (fka Matrix Partners India)

"The SRO guidelines have been much awaited. This has for the first time provided a structured way for Fintech ecosystem to connect with the regulator …. FLDG is a good example for one … going forward we expect that this collaboration will help the ecosystem strengthen itself against emerging threats like frauds & further drive innovation"

1. Self-Regulatory Organization for Fintechs; 2. Self-Regulatory Organization
Source: RBI

As DPDP puts data ownership fully in the hands of consumers, Fintechs can take the lead in helping ecosystem adapt

DPDP guides organizations to integrate privacy

Consent form
- Clear affirmative consent with purpose of data collection
- Notice containing details of mechanism for consent withdrawal, grievance redressal

Data mapping
- Keep a trace of data flow, security, and monitor usage
- Use risk assessments to prioritize vendors and customize mitigation plan

Data modification
- Enable data deletion and modification upon request from data principal
- Separate out legally required data points from others; e.g. KYC data required for 5 yrs.

Concerns for the DPDP Act

Period of limitation for data: Does not grant below rights to the data principal
- Right to data portability (i.e. data principal can obtain data for own use in structured, common format)
- Right to be forgotten (i.e. limitation of time period for which data can be accessed)

Transfer outside India
- Allows transfer of personal data outside India
- May not ensure adequate data protection in countries where data transfer is allowed

Independent functioning of Board
- Members of Board will be appointed for 2 years & are eligible for re-appointment
- The short-term with scope for re-appointment may affect their independence

Source: MeitY - Digital Personal Data Protection Act, 2023, Press Search

02

Voice of CXOs: Building high-growth businesses

Opportunities for sustainable high-growth businesses in India

Key strategic priorities

Identifying key focus areas that drive growth, innovation, and competitive advantage in the Fintech industry

Governance, compliance, and collaboration

Understanding the state of regulatory adherence, compliance, and collaboration between Fintechs & incumbents

Assessment and Playbook for IPO readiness

Laying out foundations for successful IPOs to ensure long-term growth and market presence

Building technology and talent advantage

Assessing the impact of technology and the availability of skilled personnel in building competitive advantage

Key strategic priorities

Identifying key focus areas that drive growth, innovation, and competitive advantage in the Fintech industry

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Understanding the state of regulatory adherence, compliance, and collaboration between Fintechs & incumbents

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Assessing the impact of technology and the availability of skilled personnel in building competitive advantage

Market share expansion and improving profitability emerged as the top strategic priorities across segments

Top strategic priorities across Fintech segments

(selected by % respondents[1])

Positive outlook across Fintech segments	Market share expansion & growth	Focus on unit economics & profitability	Investment in tech., infra. & security	Governance and compliance	Talent development strategy	Strategic partnerships / expansion	Strengthening customer engagement
LendingTech	67%	56%	31%	38%	21%	17%	10%
PayTech	27%	43%	33%	40%	0%	47%	20%
InsurTech	79%	57%	29%	7%	21%	21%	21%
WealthTech	48%	30%	39%	17%	17%	30%	13%
Neobank	44%	44%	44%	39%	0%	28%	17%
SaaS/ InfraTech	81%	26%	39%	19%	29%	16%	0%
Overall	58%	43%	35%	30%	16%	26%	12%

1.Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 strategic priorities by the total number of respondents
Note: Q: What strategic objectives are the most pressing for your company? (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Balancing growth with profitability is top of mind for all Fintechs; those closer to IPO are also giving equal focus to technology, infrastructure, and security

Top strategic priorities across Fintechs at various stages

(selected by % respondents[1])

	Early Stage	Growth Stage	Pre/ Post IPO Stage
Market share expansion & growth	77%	80%	51%
Focus on unit economics & profitability	41%	67%	63%
Investment in tech, infra & security	33%	47%	60%
Governance and compliance	36%	47%	42%
Talent development strategy	41%	20%	5%
Strategic partnerships/ expansion	21%	40%	44%
Strengthening customer engagement	NA	NA	30%

- Market share expansion & growth emerged as priorities for early and growth stage Fintechs
- Pre/post IPO stage Fintechs tend to place greater emphasis on unit economics & profitability and investing in tech, infra & security

1.Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 strategic priorities by the total number of respondents
Note: Q: What strategic objectives are the most pressing for your company? (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Early Stage Fintechs | Market entry & growth strategy emerge as highest priorities; PayTech firms focusing on profitability

Top 3 strategic priorities across segments

(selected by % respondents[1])

Business Category	LendingTech	PayTech	InsurTech	WealthTech	Neobank	SaaS/ InfraTech
Top 3 priorities for Early Stage Fintechs	• Market share expansion • Talent development strategy • Governance and compliance	• Focus on unit economics & profitability • Market share expansion • Strategic partnerships/ expansion	• Market share expansion • Focus on unit economics & profitability • Building the core team	• Market share expansion • Talent development strategy • Investment in tech, infra & security	• Focus on unit economics & profitability • Market share expansion • Governance and compliance	• Market share expansion • Talent development strategy • Investment in tech & infra

1.Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 strategic priorities by the total number of respondents
Note: Q: What strategic objectives are the most pressing for your company? (n=28)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Growth Stage Fintechs | Investment in technology, infrastructure, and security emerge as a priority across sectors

Top 3 strategic priorities across segments

(selected by % respondents[1])

Business Category	LendingTech	PayTech	InsurTech	WealthTech	Neobank	SaaS/ InfraTech
Top 3 priorities for Growth Stage Fintechs	• Focus on unit economics & profitability • Market share expansion • Investment in tech, infra & security	• Investment in tech, infra & security • Governance and compliance • Strategic partnerships/ expansion	• Market share expansion • Focus on unit economics & profitability • Strategic partnerships/ expansion	• Market share expansion • Strategic partnerships/ expansion • Investment in tech, infra & security	• Focus on unit economics & profitability • Market share expansion • Governance and compliance	• Investment in tech, infra & security • Strategic partnerships/ expansion • Market share expansion

1.Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 strategic priorities by the total number of respondents
Note: Q: What strategic objectives are the most pressing for your company? (n=7)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Pre/Post IPO Stage Fintechs | IPO stage Fintechs driving stability at scale with focus on tech, infra, and security

Top 3 strategic priorities across segments

(selected by % respondents[1])

Business Category	LendingTech	PayTech	InsurTech	WealthTech	Neobank	SaaS/ InfraTech
Top 3 priorities for Pre/Post IPO Stage Fintechs	◆ Market share expansion ◆ Focus on unit economics & profitability ◆ Governance and compliance	◆ Investments in tech, infra & security ◆ Strategic partnerships/ expansion ◆ Governance and compliance	◆ Market share expansion ◆ Focus on unit economics & profitability ◆ Customer engagement	◆ Market share expansion ◆ Investments in tech, infra & security ◆ Strengthening customer engagement	◆ Investments in tech, infra & security ◆ Governance and compliance ◆ Strengthening customer engagement	◆ Market share expansion ◆ Investments in tech, infra & security ◆ Focus on unit economics & profitability

1.Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 strategic priorities by the total number of respondents
Note: Q: What strategic objectives are the most pressing for your company? (n=29)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Profitability outlook continues to improve year-on-year, with SaaS, PayTech, and WealthTech outlook rising significantly

Higher % of respondents believe in Fintech profitability

(% respondents[1] who believe Fintechs will be profitable in the next 2 years)

2022	2024
30-35%	45-50%

Positive outlook across segments

Positive outlook across segments	2024	Change from 2022
LendingTech	68%	42%
PayTech	52%	18%
InsurTech	71%	52%
WealthTech	55%	25%
Neobank	79%	57%
SaaS/InfraTech	70%	20%

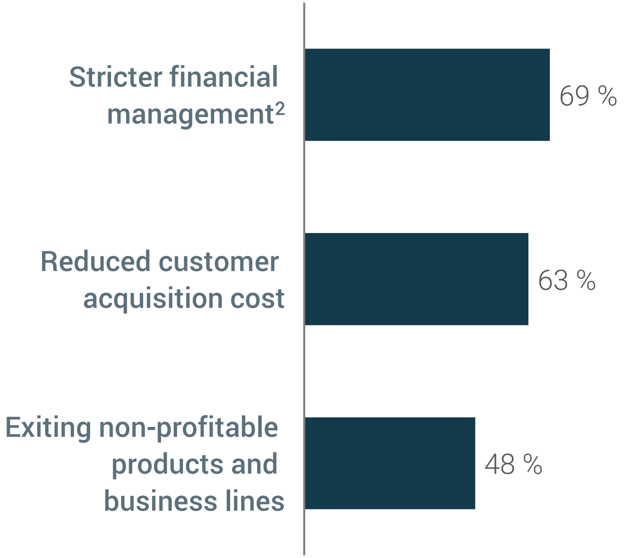
Neobank & InsurTech emerging with the highest positive outlook on profitability in the next 2 years, also with the biggest change from 2022; personalized financial products and subscription-based services, are the key drivers towards the positive outlook

1.Percentage of respondents is calculated by dividing the number of people who agreed by the total number of respondents
Note: Q: Do you believe most Fintechs in your sector will operate profitably in the next 2-3 years? (n= 60 in 2024, n=102 in 2022)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Stricter financial management and customer acquisition cost rationalization emerge as key levers for cost reduction across segments

Stricter financial management, reducing CAC and portfolio pruning emerge as top 3 priorities

Top 3 challenges
(selected by % respondents[1])



Segment specific split of priorities across top cost reduction levers

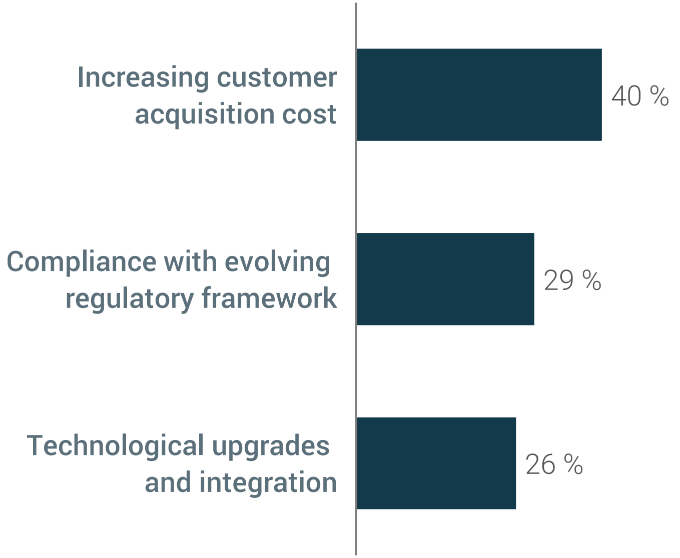
Business Category	Stricter financial management	Reduce customer acquisition cost	Exit non-profitable business lines	Outsource non-core functions	Introduce alternate commercial model
LendingTech	68%	57%	39%	21%	25%
PayTech	73%	67%	40%	33%	20%
InsurTech	57%	71%	43%	43%	0%
WealthTech	71%	71%	71%	29%	14%
Neobank	67%	67%	67%	33%	11%
SaaS/ InfraTech	78%	56%	56%	33%	22%
Overall	69%	63%	48%	29%	19%

1.Percentage of respondents is calculated by dividing the number of people who agreed this to be top 3 priority by the total number of respondents; 2. "Strict financial management" involves rigorous budgeting, expense tracking, and cost control to minimize expenses and maximize operational efficiency and profitability
Note: Q. Which cost reduction measures are you prioritizing/believe are most effective to cut costs? (Rank in order) (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Increasing CAC and compliance with the evolving regulatory guidelines highlighted as major challenges

CAC, regulatory compliance & technology upgrades / integration as top 3 challenges

Top 3 challenges
(selected by % respondents[1])



Segment specific split across challenges being faced by the Fintechs

Business Category	Increasing customer acquisition cost	Evolving regulatory compliances	Tech integration and upgrades	Fraud prevention and cyber-security	Competition from incumbents
LendingTech	40%	63%	31%	6%	26%
PayTech	42%	74%	26%	56%	11%
InsurTech	38%	13%	50%	25%	25%
WealthTech	58%	25%	8%	25%	17%
Neobank	70%	60%	20%	30%	10%
SaaS/ InfraTech	32%	53%	37%	16%	5%
Overall	40%	29%	26%	23%	16%

1. Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 challenges by the total number of respondents
Note: Q. What are the top challenges you foresee for your business in the next 2-3 years? (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Key strategic priorities

Identifying key focus areas that drive growth, innovation, and competitive advantage in the Fintech industry

Governance, compliance, and collaboration

Understanding the state of regulatory adherence, compliance, and collaboration between Fintechs & incumbents

Assessment and Playbook for IPO readiness

Laying out foundations for successful IPOs to ensure long-term growth and market presence

Building technology and talent advantage

Assessing the impact of technology and the availability of skilled personnel in building competitive advantage

India's regulator undertaking progressive initiatives to boost innovation

Strong positive outlook noted across most initiatives

Respondents' view on top 3 progressive regulatory moves

Progressive regulatory moves	Account Aggregator Model	SRO for Fintech	Digital Personal Data Protection Act
% respondents[1] with positive or neutral outlook	90%	87%	75%

Positive outlook on regulatory innovation can be harmonized through clear communication

- IRDAI Sandbox — 63%
- Bureau access to Fintechs — 63%

Outlook on recently introduced regulations

Establishing an SRO to streamline compliance, enhance industry collaboration, and adapt regulatory frameworks to foster innovation in India's Fintech sector

DPDP Act to strengthen data privacy, enhance consumer trust, and set clear guidelines for secure data management in the Fintech industry

1. Percentage of respondents is calculated by dividing the number of people who selected strongly positive, positive and neutral by the total number of respondents.
Note: Q: What is your outlook on the following regulations and their impact on the industry? (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Regulatory system highly effective in safeguarding risks; however, potential to benefit from greater clarity & easier processes exists

Strong positive sentiment on regulatory environment …

Best features of regulatory environment
(selected by % respondents[1])

65%
Safeguard systemic risks

50%
Accessibility to regulatory authority

40%
Future oriented and pro-innovation

… however, potential to further improve clarity & consistency

Biggest pain points of regulatory environment
(selected by % respondents[2])

50%
Driving higher clarity in regulations

47%
Complex process and regulation

35%
Offering level playing field

Change from 2022

Safeguard systemic risks	Accessibility to regulatory authority	Future oriented and pro-innovation	Driving higher clarity in regulations	Complex process and regulation	Offering level playing field
12%	6%	19%	20%	8%	14%

1. Percentage of respondents is calculated by dividing the number of people who agreed to this being best feature by the total number of respondents; 2. Percentage of respondents is calculated by dividing the number of people who agreed to this being a pain point by the total number of respondents
Note: Q: What are the best features of the regulatory environment in your business area? Q. What are the biggest pain points of the regulatory environment in your business area? (n=60 in 2024, n=102 in 2022)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Fintech founders/CXOs have continuously improved governance frameworks focusing on enhanced risk management and compliance readiness

Continuous improvement in Fintech's governance systems noted year on year

(% respondents[1] who believe Fintechs are at par with incumbents in terms of governance)

2024	28-33%
2023	25%-30%
2022	<20%

Robust risk management continues to be the most critical factor amongst >80% respondents to strengthen governance

(% respondents[2] who mentioned this as a step to improve governance standards over the last year)

	2024	Change from 2023
Set up stricter internal controls and risk management systems	83%	10%
Enhanced readiness for regulatory compliance and reporting	72%	5%
Improved cybersecurity systems	65%	3
Improved data handling and management capabilities	47%	(6%)
Establishing an advisory board and ensuring board independence and composition	42%	13%

1. Percentage of respondents is calculated by dividing the number of people who agreed to Fintechs being at par with incumbents by the total number of respondents; 2. Percentage of respondents is calculated by dividing the number of people who selected this by the total number of respondents
Note: Q: Fintechs are at par with Incumbents in terms of governance mechanism? (n=51); Q: What has your business done to improve governance standards over last year? (n=60 in 2024, n=45 in 2023, n=102 in 2022)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Robust risk management processes and greater balance in the "win-win" equation between Fintechs & Incumbents will accelerate collaboration

Top challenges faced during collaboration between Fintechs and incumbents

(selected by % respondents[1] considering it as a top challenge)

	2024	Change from 2022
Risk management	68%	NA
Regulatory challenges	64%	11%
Ways of working/ operational complexity	33%	(21%)
Tech maturity & commercial models	24%	(33%)

Jitendra Gupta
Founder & CEO, Jupiter

"Having balanced and scaled partnerships between incumbents and Fintechs can go a long way in unlocking mutual value, along with ensuring strong compliance. However, imbalanced collaborations will lose their edge over time."

Madhusudanan R
Founder & CEO, M2P

"Like in every other industry, a wave of disruptors will herald the demise of companies that do not adopt quickly enough, it is inevitable that the incumbents have to partner up to stay relevant. It's also important to note that India is already blazing new trail on a number of avenues within Fintech and India will become the Fintech factory for the world."

1. Percentage of respondents is calculated by dividing the number of people who agreed this is one of the top 3 challenges by the total number of respondents
Note: Q: What will be the biggest challenge for you while partnering with fintech's? n=60 in 2024, n=102 in 2022
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Key strategic priorities

Identifying key focus areas that drive growth, innovation, and competitive advantage in the Fintech industry

Governance, compliance, and collaboration

Understanding the state of regulatory adherence, compliance, and collaboration between Fintechs & incumbents

Assessment and Playbook for IPO readiness

Laying out foundations for successful IPOs to ensure long-term growth and market presence

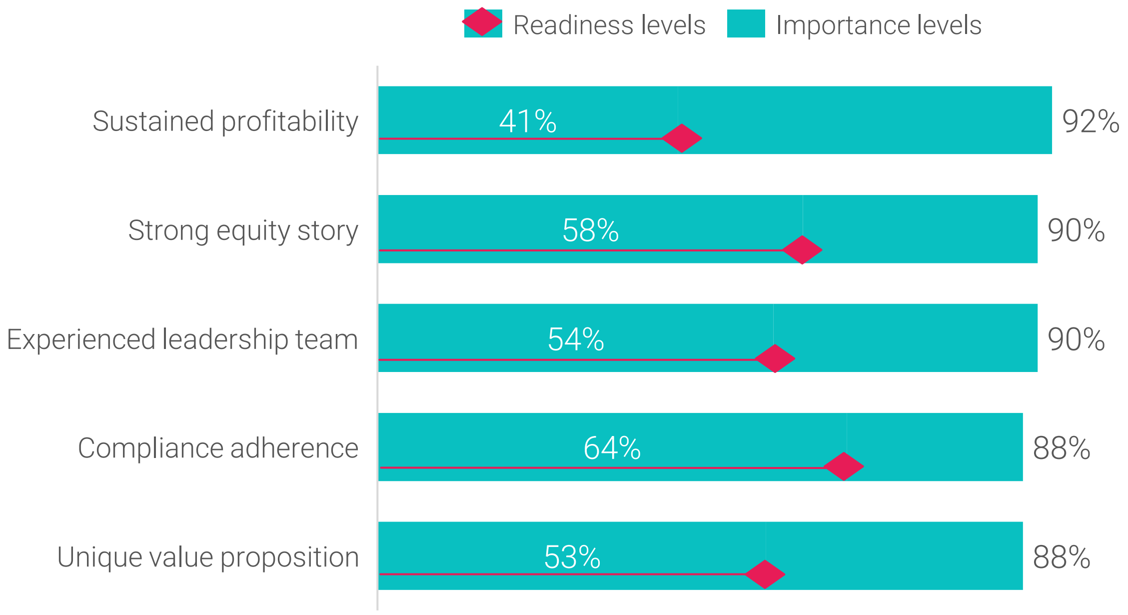
Building technology and talent advantage

Assessing the impact of technology and the availability of skilled personnel in building competitive advantage

Top 5 critical factors identified for IPO readiness; however, readiness levels roughly around the half-way mark

Profitability, equity story, leadership, compliance & unique value proposition emerge as critical factors for IPO readiness

(% respondents[1] mentioning this as the importance and level of readiness)



V. R. Govindarajan
Co-founder & Executive Chairman, Perfios

"An IPO is a significant milestone in a company's evolution, requiring thorough preparation. Founders and leaders must ensure that governance and a strong team culture are deeply embedded in the organization. With the emphasis on tracking and delivering strong numbers, it is crucial for founders and leaders to focus on steady, sustainable growth and establish robust systems and processes that ensure these goals are achieved."

1. Percentage of respondents is calculated by dividing the number of people who agreed this factor as of high or very high importance by the total number of respondents
Note: Q: If you prepare your Fintech company for an IPO, in your mind, what will be the importance across the mentioned factors. Plotted high and very high responses as % of total responses, (n=60)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Key strategic priorities

Identifying key focus areas that drive growth, innovation, and competitive advantage in the Fintech industry

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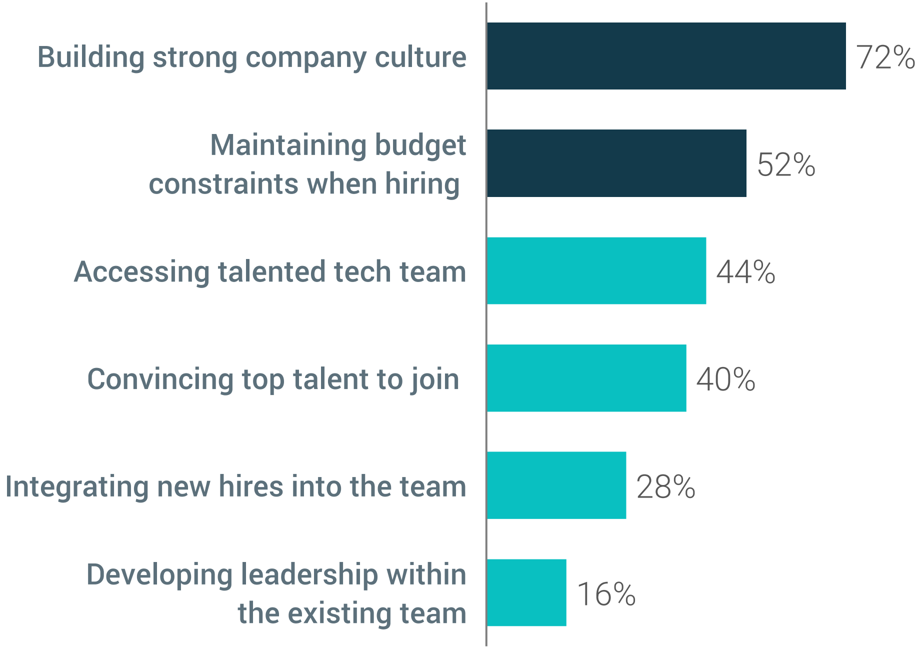
Early Stage Fintechs | Building strong company culture and adhering to budget critical as early stage Fintechs ramp up their workforce

Establishing strong culture from the ground up should be prioritized in early stage Fintech startup

(% respondents[1] mentioning this as the critical teaming priority)



Key difficulties faced by early-stage Fintechs as they strengthen their employee value propositions

(% respondents[2] mentioning this as a challenge)

59% of respondents — Budget constraints to hire the best talent

41% of respondents — Retaining original culture becomes difficult as team expands

41% of respondents — Difficulties in adjusting to new environment faced by new hires from established companies

1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 teaming priority by the total number of respondents. 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents

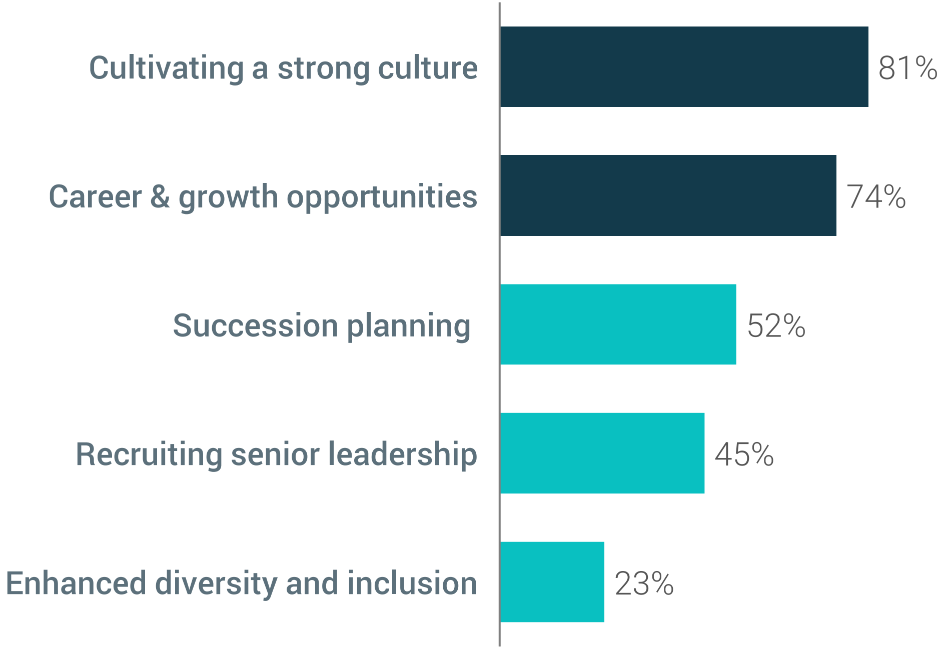
Note: Q: Which teaming priorities do you believe are critical to your company's success and Key challenges faced to achieve these priorities. (n= 22)

Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Growth Stage Fintechs | Cultivating strong company culture and career development are priorities for companies at other stages of investment

Cultivating and maintaining a strong culture along with well-defined career development trajectories critical

(% respondents[1] mentioning this as a top teaming priority)



Key difficulties faced by growth-stage Fintechs as they maintain their employee value propositions

(% respondents[2] mentioning this as a challenge)

59% of respondents — Attracting strong senior leadership

59% of respondents — Maintaining a strong culture, especially with global and remote teams

38% of respondents — Ensuring leadership continuity in critical areas

1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 teaming priority by the total number of respondents. 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents
Note: Q: Which teaming priorities do you believe are critical to your company's success and Key challenges faced to achieve these priorities. n= 22
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Segment specific deep-dives

1 LendingTech

2 PayTech

3 InsurTech

4 WealthTech

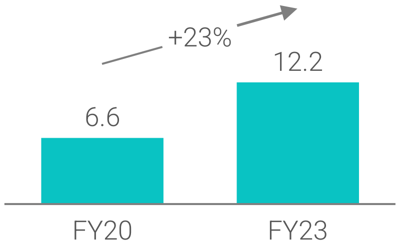
5 Neobank

6 SaaS/ InfraTech

LendingTech | Market Overview: Significant potential in India's underpenetrated retail lending market but requires a measured approach by Fintechs

Unsecured retail loans witnessed robust growth with stable GNPA

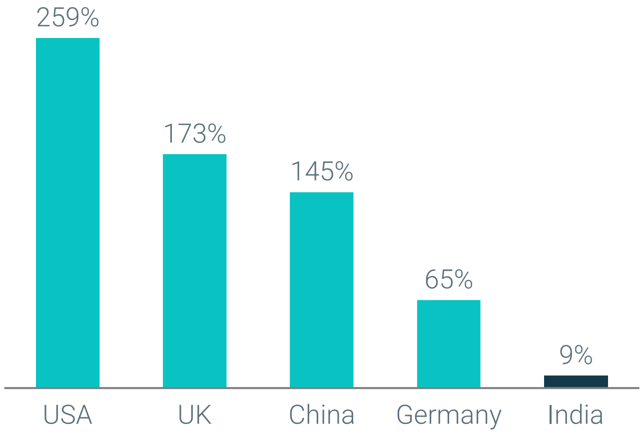
India retail unsecured loan book (INR Tn)



	FY20	FY23
% unsecured vs., retail loans	16%	20%
% unsecured vs., total loans	5%	7%
% GNPA	2.8%	2.8%

Low penetration underscores huge expansion potential in India

Retail unsecured loan[1] penetration[2], as of Dec' 23



Measured approach with relevant guardrails to tap into this market

- 49% of retail loan originations from 5 states (Maha., Kar., UP, TN & Telangana). Other states (AP, WB) underpenetrated
- RBI is keeping a close watch, hiking risk weights on PL by 25% as a proactive step for risk management
- NTC customers coming into fold with ~56% growth over the last 4 years. However, they account for 13% of overall portfolio
- While unsecured lending has potential, Fintechs need to balance it with secured loans, aligning with the regulator's stance

Gaurav Kumar
Founder and CEO, Yubi

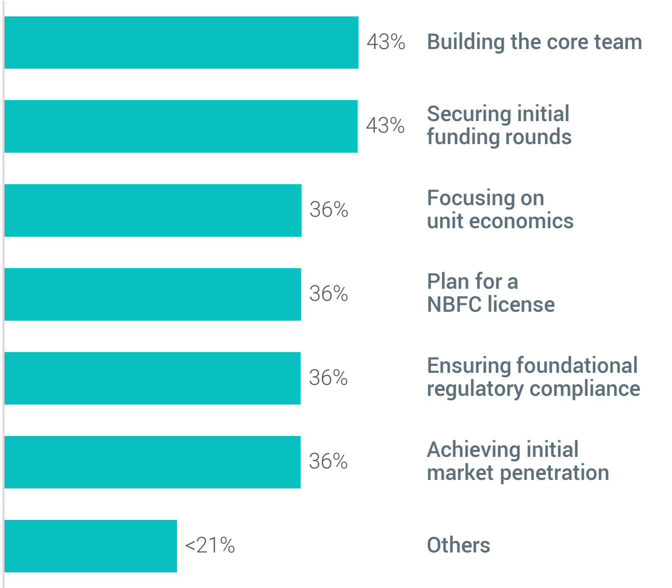
"As the demand for credit continues to surge, driven by the rapid digitization of financial services, we are witnessing a significant influx of individuals and businesses engaging with formal financial systems for the first time. This trend, often referred to as 'First to Bank' and 'First to Credit,' is reshaping the financial ecosystem. With advancements in technology, the average loan size is expected to decrease as embedded finance solutions proliferate, allowing customers to access credit seamlessly across various digital platforms."

1. Includes Personal loans and credit cards. 2. Calculated as % of total working population (15-64 years)
Source: Experian, Axis Capital report "Unsecured Lending and its Promise of Structural Growth", Federal Reserve Bank of St. Loius, SBI Research, CNBC, RBI, "The Rise and Evolution of India's Digital Finance" TransUnion CIBIL report, "Personal Loans UK Report" – Mintel, "UK labour market statistics" – House of Commons Library, "How many credit cards can you have?" – Uswitch, National Bureau of Statistics, China, SOHU - China, Press Search, BCG Analysis

LendingTech | Strategic Priorities: Focus on profitability is unwavering, along with increasing market share and regulatory compliance

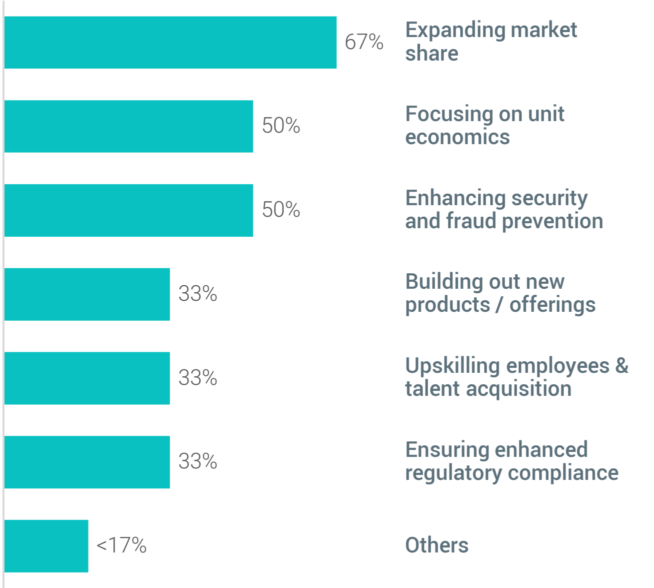
Focusing on unit economics & building the team remain top strategic focus areas

Startups in early-stage of investment



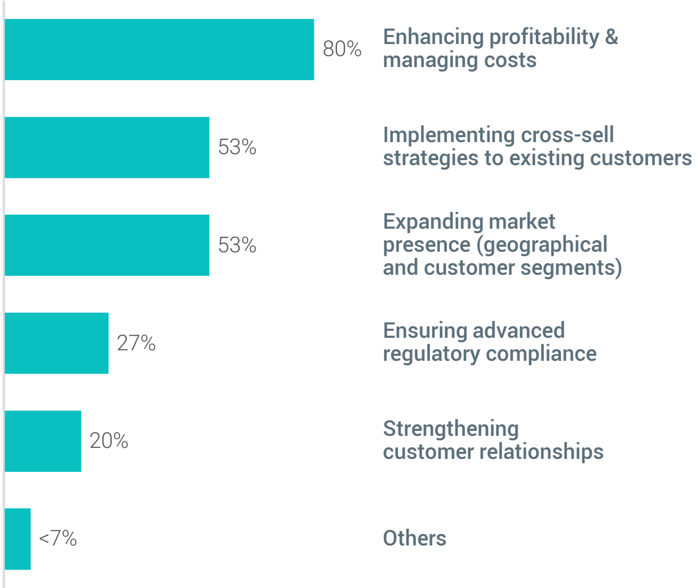
Increasing market share and optimizing unit economics remain the top priorities

Startups in growth-stage of investment



Enhancing profitability and advancing in regulatory compliance remain top priorities

Startups in IPO-stage



Note: Q: What are the most important strategic focus areas for you and your business in next 2-3 years? (Rank in order) ; Others in early stage include: finding initial core customers, building out the loan origination & management system, developing a viable product; Others in growth stage include: pursue a NBFC license, scaling up the loan origination & management system, focusing on driving collections; Others in pre and post IPO include: focusing on driving collections, revamping technology stack, enabling agility & customer service, defending against new entrants, preparing for IPO or strategic exit, pursue / acquire a NBFC license, onboarding senior executives to strengthen management.
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

LendingTech | Key Challenges: Regulatory compliance by Fintechs viewed as a key challenge dampening avenues for Incumbent collaboration

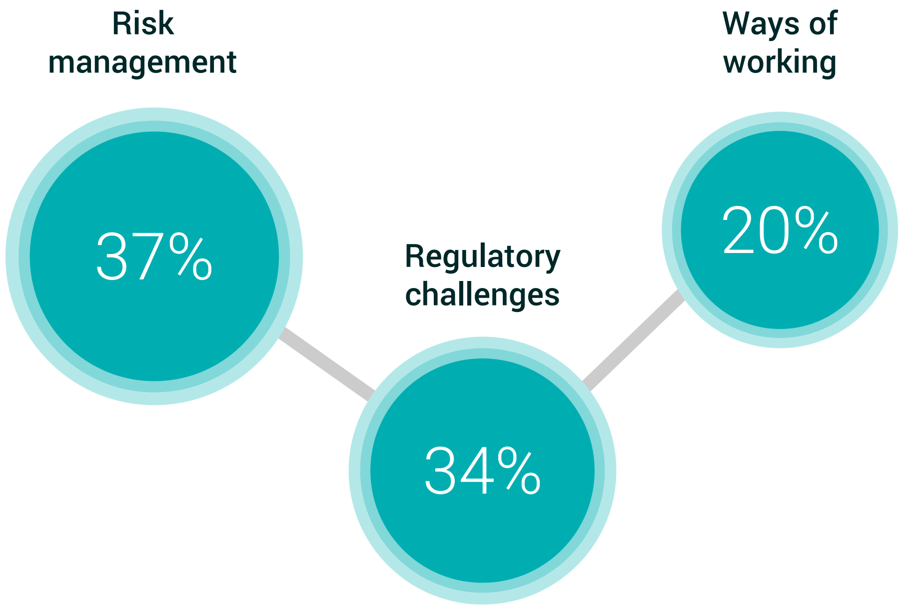
Key to drive further clarity in the regulatory environment, optimizing CAC

(% respondents[1] who mentioned this as a foreseeable top challenges)

Regulatory compliance & policy changes	63%
Increasing customer acquisition cost	40%
Customer retention & satisfaction	40%
Oversaturation of the unsecured lending market	23%

Robust risk management can further drive Fintech and Incumbent collaboration

(% respondents[1] who mentioned this as a top challenges)

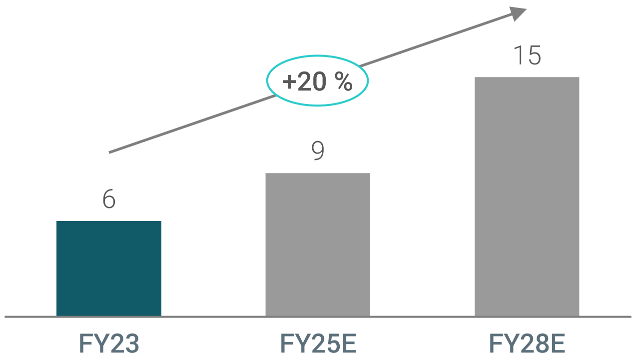


1.Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge forseen by the total number of respondents
Note: Q: What are the top challenges you foresee for you and your business in the next 2-3 years? (n=40); Q: What will be the biggest challenge for you while partnering with Fintechs? (n=13)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

CollectTech | Market Overview: AI-Digital driven collections a $15 billion opportunity; 30-40% cost reduction scope

India's collections market on the rise

Collections spending in India ($ Bn)



Share of digital collections

20% → 2x → +40%

6 Key drivers of digital collections

1. Rising customer awareness
About the impact of late payments on credit scores and extra charges

2. Preference for DIY modes
Comfort of digital banking in collections

3. Costly traditional collections
Costs reaching 10-15% of gross collections

4. AI and Gen AI
Enabling personalized collection strategies

5. Analytics-powered tele-calling
Transforming call center productivity

6. Regulatory push
To adopt customer-centric and compliant approaches

Adoption of AI-Digital collections to reduce credit loss by up to 50% and boost recoveries by 20-30%

Gaurav Kumar
Founder and CEO, Yubi

"We anticipate a rapid expansion of the partnership lending ecosystem, where collaborations between banks, non-banking financial companies (NBFCs), and large digital platforms will become increasingly common. In this evolving landscape, collection technology will play a pivotal role, moving beyond mere efficiency to focus on the cost-effectiveness and compliance of collections. The ability to manage collections effectively in this new environment will be crucial for maintaining financial stability and ensuring sustainable growth."

Source: Press Search, BCG Analysis

PayTech | Market Overview: Revolutionizing B2B payments with Fintech-driven efficiency, security, and scalability

Real-time payments
Leveraging UPI to ensure instant transaction settlements

AI-powered fraud detection
To detect and prevent fraudulent activities in real-time

Digital invoicing
Adapting to the mandatory e-invoicing system, ensuring compliance and reducing errors

Open | PayMate

Recurring payments
Supports recurring mandates, enhancing cash flow management

One-time mandate
Blocks funds for future payments, reducing credit risks

Invoice in the inbox
Integrates invoices directly into the payment system, reducing admin overheads

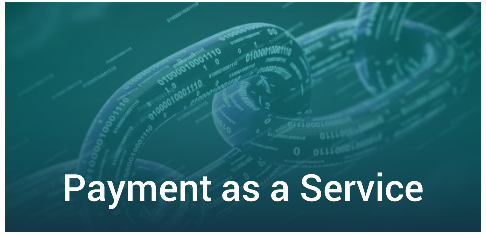
Razorpay | InstaMojo

Faster settlements
Reduces time for international transactions from days to seconds

Reduced costs
Innovative payment channels, making international trade more cost-effective

Currency flexibility
Offers better currency conversion options, improving planning and budgeting for businesses

InstaRem | Payoneer



Scalability
Growing with business needs, ensuring flexibility and adaptability

Integration
Streamlining payment processes and improving operational efficiency

Customization
Solutions tailored to specific business requirements, enhancing user experience

Cashfree Payments | FSS

Source: BCG Analysis

PayTech | Market Overview: Opportunity worth $1.8 Tn in cross border payments yet to be cracked

Despite their large volume, cross-border payments in India face many hurdles

Cross-border opportunity	
$2 Tn	India's targeted exports by FY30 from $776 Bn in FY24
46%	Contribution of MSME products to exports in FY24[1]

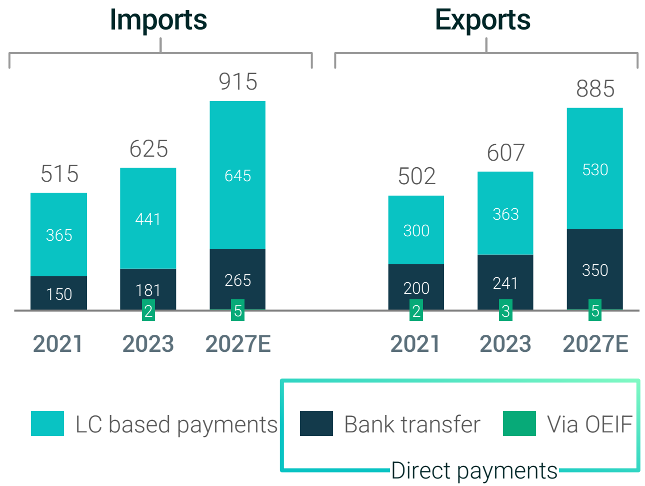
Challenges	
2-10%	High transaction charges for cross-border payments
	Other issues include lack of transparency and speed

Three key drivers defining the cross-border landscape

Rise of B2B2X	Marketplaces are enabling sellers to go multi-country easily e.g., Atomgrid, Shopee, etc.
Demand for direct trade payments	Higher focus on fee income by banks leading to bundled offers
Sophistication of Nanopreneurs	Rise of freelancers / sole proprietors

Cross-border payments expected to grow by ~1.5x to $1.8 Tn in the next 3 years

B2B cross-border transactions ($ Bn)



Harshil Mathur
CEO and Co-founder, Razorpay

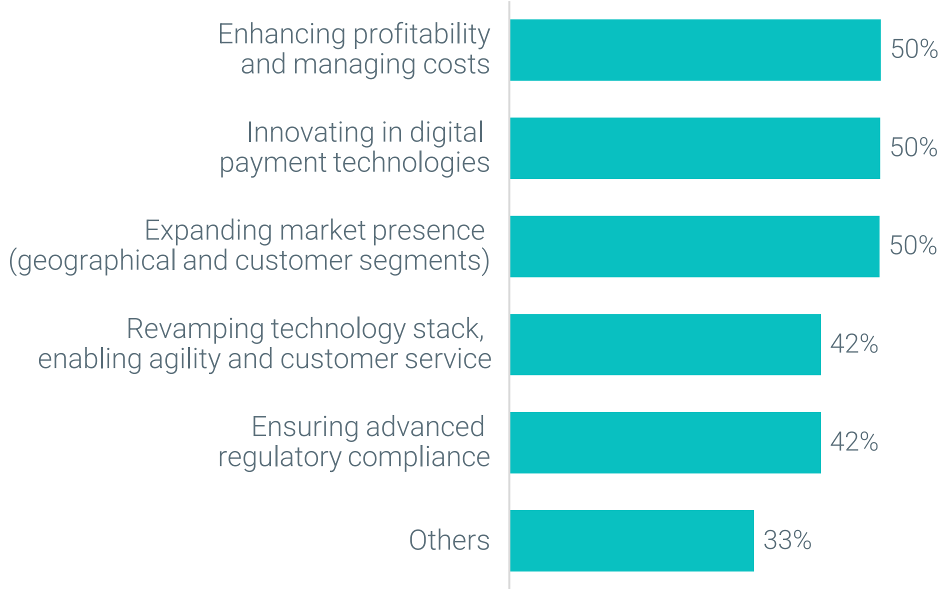
"The Indian Fintech industry has been undergoing significant transformation, with new-age technologies redefining how businesses transact with money today. I believe the next frontier of innovation lies with cross-border payments. And as more and more small and medium-sized enterprises enter the formal economy, Fintechs will play a crucial role in addressing key challenges in the payment value chain—such as reconciliation and seamless integration into business models. This shift towards integrated payment systems will not only enhance transaction reliability, scalability, and overall success rates, but also offer an opportunity for mature Fintechs to expand into Southeast Asia and similar geographies, bringing their expertise and innovations into new markets."

1. Up to September 2023; Source: Draft RBI circular on 'Processing and settlement of small value Export and Import related payments facilitated by Online Export-Import Facilitators (OEIF) (erstwhile OPGSP) ', dated Apr 2022; Indian Cross Border E-Commerce Survey, Payoneer. Expert discussions, Foreign Trade Policy 2023, PIB, Analyst Reports, Press Search

PayTech | Priorities and Challenges: Need to prioritize profitability, digital innovation, and expanding market presence while monitoring policy shifts

Enhancing profitability & innovating in digital payments remain high priority, followed by expanding market presence

Strategic priorities of IPO stage companies (selected by % respondents[1])



Driving further clarity in regulatory environment, and lowering operational risk key

Challenges of IPO stage companies (selected by % respondents[2])

- Regulatory compliance and policy changes — 74%
- Increasing fraud and operational risks — 58%
- Increasing customer acquisition cost — 42%
- Managing operational cost — 32%

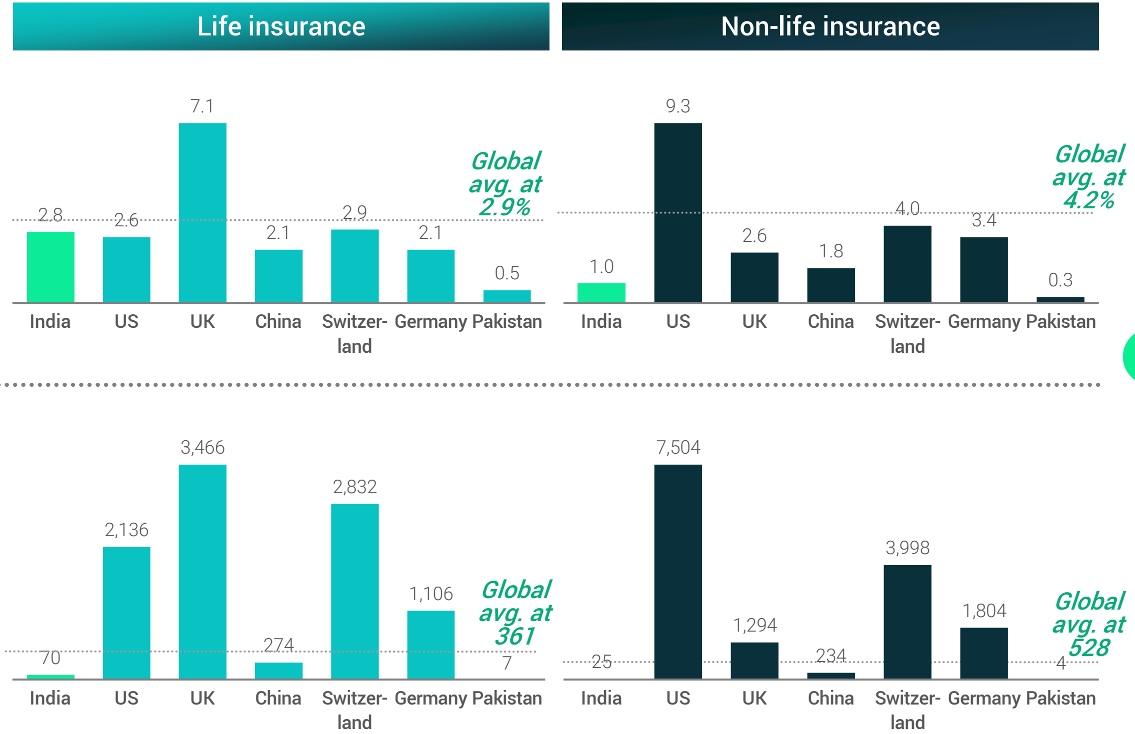
1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 strategic priority by the total number of respondents. 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents
Note: Q: What are the most important strategic focus areas for you and your business in next 2-3 years? (Rank in order) (n=16) Q. What are the top challenges you foresee for you and your business in the next 2-3 years? (Rank in order) n=11; Others in IPO include: Developing new revenue growth avenues beyond payments, Strengthening customer relationships, Preparing for IPO or strategic exit, Onboarding sr. exec to strengthen mgmnt., Defending against new entrants;
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

InsurTech | Market Overview: India is a chronically underpenetrated market in insurance providing a vast growth opportunity

The Indian insurance market is heavily underpenetrated …

Insurance penetration by country (% premiums to GDP) as of 2023

Insurance density by country (per capita premium in $) as of 2023



… across multiple segments

Tier 2 cities: Potential to cover over 55% of lives. Furthermore, by 2030, 70% of Indian insurance demand is expected to come from these areas

Missing middle: The bottom ~50% benefit from government schemes, and the top ~20% have health insurance, leaving the middle ~30% as potential target lacking financial health protection[1]

Self-employed individuals: are structurally disincentivized from availing insurance like their employed counterparts. Many lack stable income proofs, face eligibility issues, or lack awareness

Huge gap in health and life insurance: Unlike mandatory motor insurance, there are no regulations for other insurances, leading to high potential in adoption—72% of Indians lack life insurance, and 63% lack health insurance

1. Data for 2021
Note: Data for India is based on the financial year and all other countries' data is based on the calendar year
Source: IRDAI Handbook, "Sigma 3/2024- World Insurance" Swiss Re Institute report, NITI Aayog's Health insurance for India's Missing Middle report, BCG's India Insurtech Landscape and Trends 2023 report

InsurTech | Market Overview: Opportunity in capitalizing on the new digital and analytical disruptions

Hyper-personalization

Using data from wearables and apps for personalization of insurance cover

E.g. ICICI Lombard's "Elevate" leverages AI to tailor personalized, optimal coverage

Tech enablement

Insurtech enhances pricing, underwriting, and fraud prevention

E.g. HDFC Ergo's partnership with Meta enables AI-driven vehicle inspections for insurance renewals via WhatsApp

Bionic distribution

Integrating tech enablers in agency and banca channels

E.g. Bajaj Allianz uses Gen AI-powered bot “Insurance Samjho” to improve productivity and customer experience

Ecosystem collaboration

InsurTechs creating or joining ecosystems with Fintechs central to partnerships

E.g. Paytm partners with insurance companies to offer a variety of insurance products on its platform

On-demand insurance

Rise in usage-based insurance due to the sharing economy and demographic changes

E.g. The "Pay As You Drive" model allows vehicle owners to save premiums based on driving usage

Health and wellness integration

Opportunity for HealthTechs to partner with Insurtech, to promote preventive care, proactive health management, and reduce healthcare costs

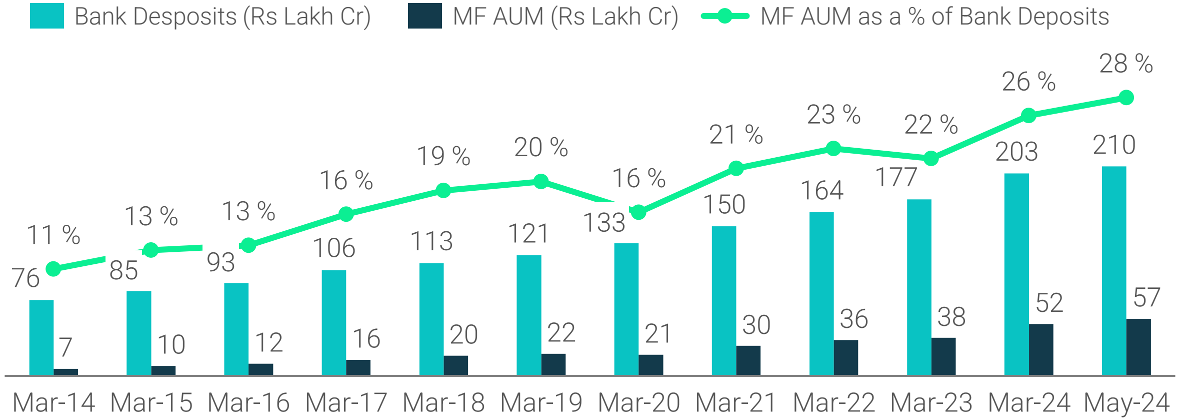
E.g. ekincare's partnership with Bharti AXA enables fitness tracking with reward points that can be redeemed for lower insurance premiums

Source: BCG's The Second Wave: Resilient, Inclusive, Exponential Fintechs report, Company Website, Press Search

WealthTech | Market Overview: Shift in consumer behavior towards investment in markets but penetration still low

MF AUM has increased to 1/4th from 1/10th the size of overall bank deposits in the past 10 years …

MF AUM as a % of Bank Deposits



… with further potential to grow as India still lags in MF penetration

Country	MF Penetration (as % of GDP)
India[1]	**21%**
USA[2]	90-100%
Brazil[2]	75-80%
UK[2]	60-70%
China[3]	25-30%

India MF investor count has doubled since Mar'20 from 9 Cr to 18 Cr, however, penetration still lower vs. other countries

Sandeep Jethwani
Co-founder, Dezerv

"To unlock growth among first-time investors and the emerging affluent segment, two key factors are crucial: enhancing accessibility and offering unbiased, personalized investment solutions. Collaborations between Wealth Techs and traditional AMCs can seamlessly merge digital agility with the trust and reach of established players, driving innovation and creating tailored investment products. This synergy will be pivotal in providing a trust-driven, digitally-led investment experience for emerging wealth creators."

1. As of June 2024. 2. As of December 2023. 3. As of April 2024
Source: RBI, Investment Company Institute, Bureau of Economic Analysis (USA), AMFI, IMF, The Investment Association (UK), Office for National Statistics (UK), Asset Management Association of China, Fitch Ratings, IBGE

WealthTech | Market Overview: Next frontier of growth with influx of first-time investors and rising penetration in affluent segments

Industry supported by equity growth

1.8x	Equity returns vs FD returns over the last decade
4.7%	Household assets in equities as compared to 2.2% in 2013
10.9%	Nifty large cap annualized returns vs 6% of the US and 2.7% of China market in the last 10 years

Affluent population & wealth to increase by ~60% by 2028, creating an opportunity for WealthTech

Indian population to continue moving up the ladder with higher growth in affluent+

Indian adult population in millions

Segment	2021	2024		2028P
HNW & UHNW	0.1	0.2	+60%	0.3
Affluent	0.5	0.7	+58%	1.1
Masses	968	1,013	+6%	1,074
Overall	969	1,014		1,075

Indian affluent and masses segment projected to grow ~60% in next 4 years

Indian financial wealth in $ billions

Segment	2021	2024		2028P
HNW & UHNW	1,535	2,226	+58%	3,512
Affluent	217	321	+61%	516
Masses	2,148	3,012	+50%	4,516
Overall	3,900	5,560		8,544

Growth further fostered by tech platforms

WealthTech Firms have made investing easy and affordable, and are at forefront of driving MF penetration in the country accounting for 15-20% of overall equity inflows. Fixed income & quant strategies have seen a rise as they provide asymmetric returns and are analytical driven appealing to tech-savvy investors.

Anish Patil
Vice President,
Z47 (fka Matrix Partners India)

"India is seeing a secular trend - financialization of savings. Increased awareness, coupled with the availability of diverse and customized investment products has led to broad-based retail investor participation. Indian capital markets today offer a "once-in-a-lifetime" wealth creation opportunity for investors."

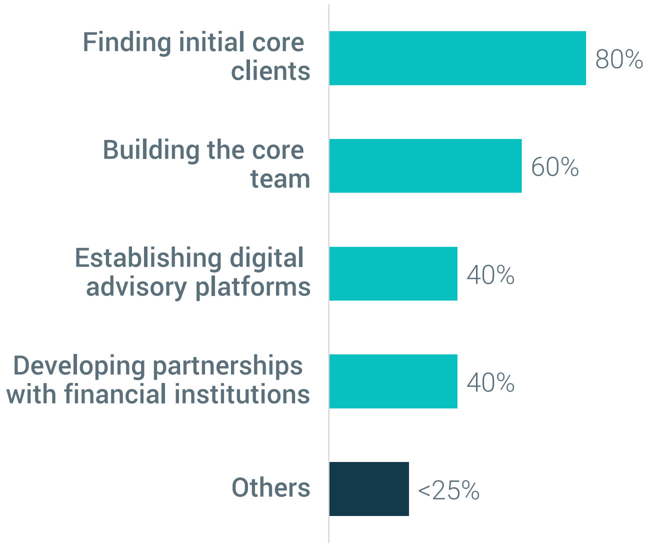
Note: Population and wealth segment categorized basis Global Wealth Market Sizing data; P denotes Projected
Source: BCG Global Wealth Market Sizing 2024, Asian Private Banker, Expert Interviews, Press Search, Investor Presentations, BCG Analysis

WealthTech | Priorities and Challenges: Building team and customer focus critical

Rising talent cost and increasing CAC foreseen as top challenges

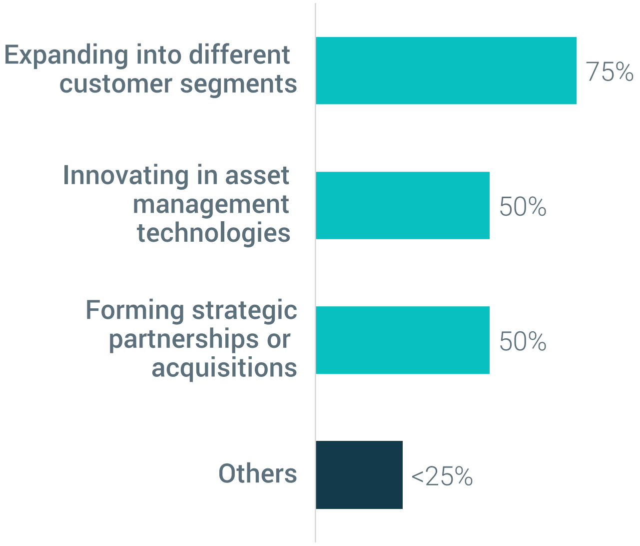
Securing initial customer base is the top priority, followed by building the core team

Top strategic focus areas for business in growth stage (selected by % respondents[1])



Expansion is the top priority, followed by innovation in asset management tech

Top strategic focus areas for business in IPO stage (selected by % respondents[1])



Adapting to customer expectations and increasing CAC seen as top challenges

Top challenges foreseen (selected by % respondents[2])

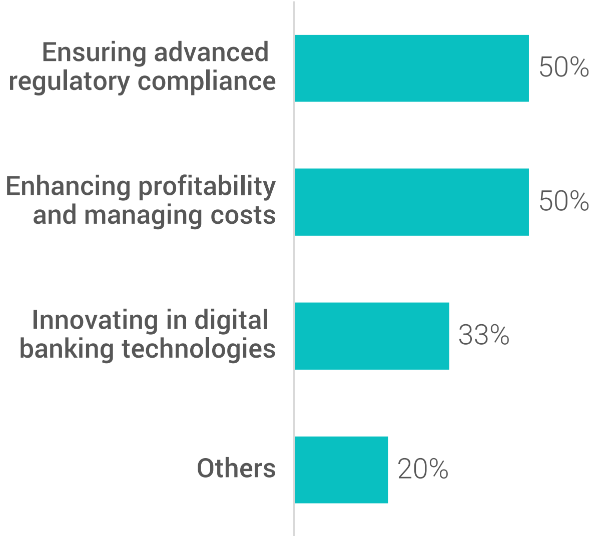
- Adapting to changing consumer expectations — 58%
- Increasing CAC and retention — 58%
- Rising cost of talent — 42%
- Regulatory compliance and policy changes — 25%

1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 strategic priority by the total number of respondents. 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents
Note: Q: What are the most important strategic focus areas for you and your business in next 2-3 years? (n=4 in Early stage), (n=4 in IPO) ; Q. What are the top challenges you foresee for you and your business in the next 2-3 years? (Rank in order) n=14 ; Others in IPO include: Developing new revenue growth avenues beyond payments, Strengthening customer relationships, Preparing for IPO or strategic exit, Onboarding sr. exec to strengthen mgmnt., Defending against new entrants ; Others in growth stage include: Developing initial investment product offerings, Securing seed funding
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

Neobank | Priorities and Challenges: Focus on profitability and optimizing costs key, while constantly evolving compliance poses challenges

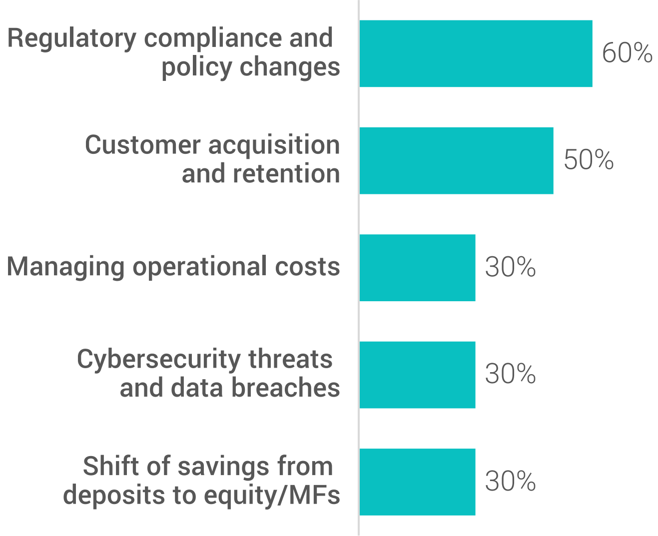
Advance regulatory compliance and profitability are top strategic priorities

Top strategic focus areas for business (selected by % respondents[1])



Regulatory compliances & changing policies is the top challenge to profitability

Top challenges to profitability (selected by % respondents[2])



IPO readiness best among Industry players. However, attention to profitability required

Top factors for IPO readiness (selected by % respondents[3])

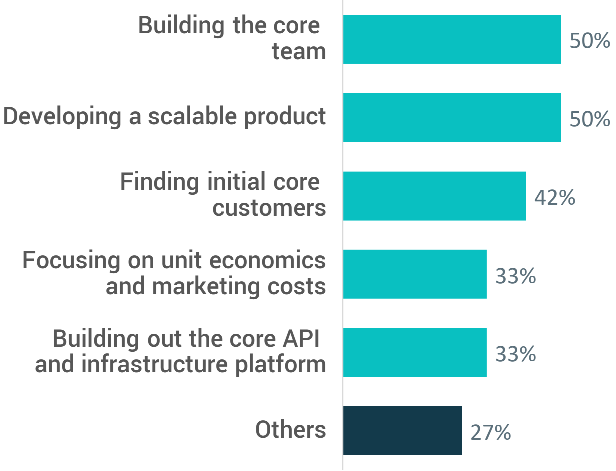
- Sustained profitability is critical for IPO readiness — 100%
- Experienced leadership important for launching IPO — 100%
- Adherence to compliance is necessary for launch readiness — 75%
- Robust risk management challenge between Fintech and incumbent collaborations — 67%
- Regulatory challenges exist in collaboration with incumbents — 56%

1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 strategic priority by the total number of respondents; 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents; 3. Percentage of respondents is calculated by dividing the number of people who have mentioned this as an important factor by the total number of respondents
Note: Q: What are the most important strategic focus areas for you and your business in next 2-3 years? (Rank in order) (n=5); Q: What are the top challenges you foresee for you and your business in the next 2-3 years? (Rank in order) (n=9); Others in strategic focus areas include: Developing new financial products, Defending against new entrants, Strengthening customer relationships, Expanding geographical & customer seg., Onboarding senior exec., revamping tech. & customer service, and Preparing for IPO or Exits; Q: What will be the biggest challenge for you while partnering with Fintechs? (n=6); Q: If you prepare your Fintech company for an IPO, in your mind, what will be the importance across the mentioned factors? (n=8)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

SaaS/InfraTech | Priorities and Challenges: Creating scalable products and identifying new revenue streams emerge as critical priorities

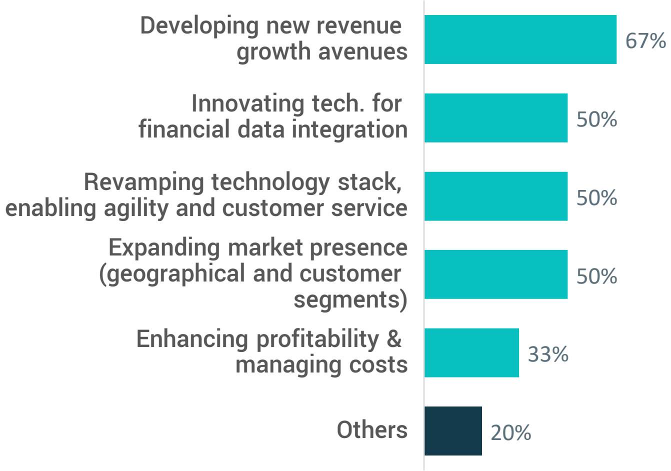
Building core team and scalable products are the top strategic focus areas

Top strategic focus areas for business in early stage
(selected by % respondents[1])



New revenue growth models and innovative products are the top strategic focus areas

Top strategic focus areas for business in IPO stage
(selected by % respondents[1])



Regulatory compliance is seen as the top challenge followed by customer retention and satisfaction

Top challenges foreseen across all stages
(selected by % respondents[2])

- Regulatory compliance and policy changes — 53%
- Customer retention and satisfaction — 47%
- Managing scalability and performance of the API & infrastructure platform — 42%
- Rising cost of talent — 42%

Madhusudanan. R
Founder & CEO, M2P

"SaaS in general and Fintech SaaS in particular, is at an inflection point globally. We are seeing an increased adoption of cloud native capabilities by banks and there has been an acceleration particularly by large banks looking for all things SaaS even in core processing assets that were otherwise considered out of bounds. With the crashing cloud compute costs, SaaS offerings should become a better bang for the buck as against capex heavy models deployed today, it is pertinent that AI products will provide the tailwinds for a rapid adoption with the only speed bumps being the growing cyber risks and event like the recent Cloudflare outage that could prove to be a dampener that regulators have been cautioning."

1. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 strategic priority by the total number of respondents. 2. Percentage of respondents is calculated by dividing the number of people who have mentioned this as a top 3 challenge by the total number of respondents
Note: Q: What are the most important strategic focus areas for you and your business in next 2-3 years? (n=11 in Early stage) (n=5 in IPO); Q: What are the top challenges you foresee for you and your business in the next 2-3 years? (n=24)
Source: BCG Z47 (fka Matrix Partners India) SOFTU Survey'24

03

Journey to IPO and Beyond

Getting to a successful IPO along with real world case studies

India's maturing Fintech ecosystem looking at the next large liquidity event

Select Fintechs

35+
Fintechs in mature stage (i.e., Decacorns, Unicorns and Soonicorns) in India

~3 Years
The average age of unicorn Fintechs in India

~3.5 Years
Average time from Unicorn to IPO for Indian startups

120-150
Doubling of average draft offers filed with SEBI per year in CY21-23 vs CY18-19

Multiple mature Fintechs potentially looking for IPO in next few years…

PayTechs			WealthTechs		LendingTechs		Fintech Infra	InsurTech
$12.7Bn PhonePe	$7.5Bn Razorpay	$6.4Bn CRED	$3.6Bn Zerodha	$3.4Bn Upstox	$1.8Bn Slice	$1.5Bn Yubi	$3.5Bn Charge-bee	$1.1Bn Acko
$3.5Bn Pine Labs	$3.2Bn Open Money	$2.7Bn BharatPe	$3 Bn Groww	$2.2Bn CoinDCX	$1.5Bn Zeta	$1Bn Perfios		
$1.6Bn BillDesk	$1.3Bn OneCard	$924Mn MobiKwik	$1.9Bn Coin-Switch Kuber		$963Mn Oxyzo	$500Mn Kissht		

The liquidity event required for mature Fintechs with ~$72Bn current combined valuation needs additional $15-20Bn[1] IPO capital made available through government regulations

1.The Second Wave, Resilient, Inclusive, Exponential Fintechs Report; Valuations as per last funding rounds
Source: SEBI (as of June'24), Tracxn (as of July'24 – Latest funding valuation)

Preparing for a successful IPO journey and beyond

Treating an IPO as a milestone instead of the end goal for a company involves focusing on three key stages

	Journey to IPO 18-24 months pre	IPO window 6-9 months pre	Journey beyond IPO 3-6 months post
Priority	Detail out your dream equity story	Tell your equity story	Live your equity story
Watch out	Proactively deal with weaknesses in your equity story	Mitigate internal and external accidents that erode confidence	Ensure no expectation mismatch with market
Core question	Why will we be seen as a good company and stock at and post IPO?	How do we ensure the listing upholds and creates value?	How do we settle into a rhythm to Set-Beat-Raise quarterly?

Fintech founders must continuously ask themselves crucial questions throughout the IPO journey to ensure meticulous planning and alignment with their long-term vision and market expectations

Yashraj Erande
Managing Director & Partner, BCG

"An IPO is merely a step within a company's broader strategic plan, and not the final goal. It offers substantial capital access, enabling companies to drive growth, innovation, and market expansion. By viewing the IPO as part of a long-term transformational process, companies can better position themselves for sustained success in the public market."

Preparing for a successful IPO journey and beyond

Journey to IPO
18-24 months pre

1A
Strategic Planning & Structural Decisions
- The Why? "Go" or "No go" decision
- The Where? Domestic or International
- The When? Market conditions & Readiness
- The What? Investor study, Peer reference

1B
Equity Story Development
- Develop unique value proposition
- Identify and mitigate risks

Financial Planning
- Plan use of IPO capital
- Define target valuation
- Define MOIC and TSR targets

IPO window
6-9 months pre

2A
Stakeholder Management
- Select merchant bankers
- Ensure key stakeholder benefits are covered
- Plan analyst engagement in advance

2B
Financial Readiness
- Establish expected valuation
- Conduct necessary pre-IPO rounds
- Internal scorecard with key metrics

2C
Risk Management
- Corrective actions (organic & inorganic) to strengthen narrative
- Forecast first two quarters' performance
- Prepare for major risks
- Prepare IPO checklist

2D
Market Preparation
- Determine required participation
- Understand strengths and weaknesses
- Investor roadshows to generate interest and gauge share demand

Journey beyond IPO
3-6 months post

Market Integration
- Establish analyst coverage model
- Ensure right investors are in our stock

3A
Performance Tracking
- Establish TSR equation for 3 and 5 years
- Settle into 'Set-Beat-Raise' rhythm with markets

3B
Ongoing Risk Management
- Manage negative overhang

3C
Operational Monitoring
- Monitor IPO fund utilization
- Ensure on-track delivery of first quarter
- Maintain visibility into next four quarters

Journey via IPO: Treating an IPO as a milestone instead of the end goal

Preparing for a successful IPO journey and beyond

Journey to IPO
18-24 months pre

1A
Strategic Planning & Structural Decisions
- The Why? "Go" or "No go" decision
- The Where? Domestic or International
- The When? Market conditions & Readiness
- The What? Investor study, Peer reference

1B
Equity Story Development
- Develop unique value proposition
- Identify and mitigate risks

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- Plan use of IPO capital
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- Define MOIC and TSR targets

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6-9 months pre

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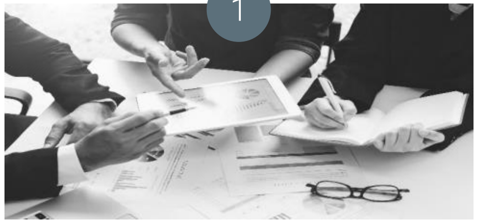
Journey via IPO: Treating an IPO as a milestone instead of the end goal

The 4Ws: Key questions to ask before embarking on the IPO journey

1



The WHY

Why IPO?

- Raising capital, brand visibility, liquidity for shareholders, and other strategic reasons

Why Not IPO?

- Increased scrutiny, near-term pressure of public markets, stringent compliance, and equity dilution
- Other financing alternatives

2

The WHERE

Where to list - domestic or international?

- Decision based on regulatory and liquidity requirements

Single or dual listing?

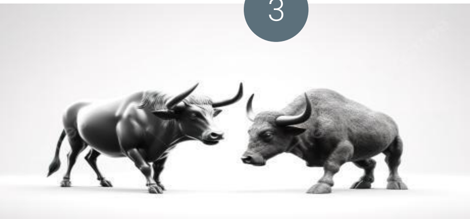
- Capital requirements and investor base demographics

Direct to IPO, or private placement?

- Market conditions, investor sentiment, and capital needs

Deep dive ahead

3



The WHEN

When is the best time to go public?

- Company stage, market conditions, and investor sentiments

When to go for IPO preparation?

- Stable governance, financials, and operations over an extended period

4

The WHAT

What is the investor study?

- Equity story resonance and missing narratives

What is the peer reference?

- Which peers should the company be referenced against

What is the valuation?

- Acceptable valuation range and optimal valuation method

The best listing venue is specific for each company, with considerations following key determinants

Regulatory requirements

Legal and procedural obligations to ensure compliance, avoid fines, and maintain reputation, including:

- Compliance requirements
- Ease of execution
- Fees and economics of listing
- Legal and investor relations

Volume of placing

Listing locations vary in capacity and scale, influencing the handling of large transactions and overall market perception through:

- Market depth/liquidity
- Tax and FX implications
- Diverse equity base
- Valuation effects

Ambition

Unique advantages like potential inclusion in major indices, asset manager interest, and automatic demand, influencing:

- Investor support and sentiment
- Liability exposure
- Expertise of the analyst and investor community

Political stability

Companies choose IPO locations with predictable and safe conditions:

- Investor confidence influenced by political environment
- Impact on financial deals
- Country's legal and regulatory framework

Ring the bell

Significant event for companies, serving as both a marketing tool and a strategic move:

- Provides a moment of pride for the founders
- Enhances marketing opportunities
- Attracts consumer attention
- Increases media presence

Nubank | Global access to funds through NYSE listing; strategic planning and optimal timing critical factors for successful IPO

About Nubank

Brazilian digital bank providing financial services through digital channels (mobile app. and website), founded in 2013

The bank has +**100 million[1] customers**, about 2x from the time of public listing[2]

Known for **organic customer acquisition**, a pillar of its strong **unit economics**. Strong customer repute with high NPS

Nubank continues to exhibit strong operating metrics in Q2 CY24 with increase in Revenue of 65% YoY to $ 2.8 B, Portfolio of 49% YoY to $18.9 B, Deposits of 64% YoY to $ 25.2 B and Net Income of 28% YoY to $487 M

Nubank listed on NYSE to access global funds and lower regulatory disclosures …

1. Tapped into broader **global investor base**, gaining a market capitalization of nearly $60 bn[3]
2. As an **FPI** (Foreign Private Issuer), benefited from **reduced regulatory filing requirements** (e.g., only 2 years of audited financial statements required)
3. Relaxation on filing periodic reports with SEC vs. US firms, **option to use non-US GAAP and IFRS** financial standards
4. **Exemptions** from certain NYSE **corporate governance standards** applicable to U.S. issuers especially, those related to "controlled" company

… along with strong fundamentals and a good timing capturing the digital wave

1. Unmatched advocacy with **highest[4] NPS of ~76 among banks (40-50)** in Brazil; strong customer service through excellence platforms
2. **Low cost to acquire customers (CAC)** compared to incumbents in digital channels
3. Compounded by a **lower cost to serve** of <$1 per month i.e., 0.1-0.3x of competitors
4. **Strong brand promise and customer centric culture** as showcased by low complaint index
5. Pandemic-driven shift **in favor of digital banking,** with a fully digitized E2E experience

1. As of CY Q2'24, 2. As of Q4 2021, 3. As of 13 Aug '24, 4. As of 2022 Rebex Consumer Survey
Source: Nubank prospectus, Q2'24 Nu Holdings Earnings Release, Bacen's complaint index, XP research, Press Search

Wise | Unconventional direct listing on London Stock Exchange; steady profitability and customer focus key differentiators

About Wise

Leading London-based global tech company founded in 2011, **offering cross-border payments for consumers, businesses and banks** with more transparent fees and faster transfer times

Rebranded to Wise in Feb '21 to highlight its evolution from a money transfers firm to **an international account** for people and businesses to send, spend, receive, and hold money across borders. Wise also enabled banks to leverage its infrastructure through Wise Platform, allowing them to offer their customers seamless international payments

Profitable since '17 achieved through **self-funding and re-investments. Steady revenue growth** with CAGR of 54% for the past 3 years in FY21. Processed £54 bn in cross-border payments in FY'21

Low pricing model up to 4x cheaper than leading UK banks

Managed a **successful direct listing** with actual valuation exceeding prior expected

Key reasons for direct listing on the LSE in Jul '21

1. Management roadshow shortened as no bookbuilding was required
2. Shorter execution period favoring momentum, increased awareness and lower risk
3. Existing shareholders could sell on their own terms with no new shares being issued
4. Incentivized shareholders through customer shareholding program **OwnWISE**
5. Transparent buy and sell orders facilitating further trades on opening day
6. Cost-effective than an IPO aligning with mission of lower prices

- Incentivized customers to become long-term shareholders
- Special entitlements given to shareholders, for shares held for >12m, as bonus shares of up to £100 and rewards
- Issued dual class shares ensuring low dilution of voting rights with 2.5 million Class A shares
- The program allowed international customers to participate as shareholders as well

Source: Wise Prospectus, Press Search, LSEG report

A successful equity story is much beyond the sound long-term vision & strategic planning exercise

Investor types and demands

- What do investors care about, e.g., growth vs. margin vs. cash yield?
- Which groups of investors can we attract given our profile?

Convincing narrative

- Why would an investor invest? What is the risk reward profile from investor’s perspective?
- What is a compelling investment rationale?
- Is my operating and business model "bulletproof" from an investor's view?

Sound business plan

- What is the long-term vision?
- What is the overall operating and business model?
- What is our unique positioning and our right to win?

“

Vivek Mandhata
Managing Director & Partner, BCG

Storytelling must be ingrained in a company's culture, with founders and CEOs actively involved. Investing in PR well ahead of an IPO is essential for building a strong presence and lifelong brand. Clear and consistent communication strategies are crucial to meet the expectations of both institutional and individual investors, requiring careful planning and execution."

Crafting a great equity story requires operating at the intersection of great company and great stock

Source: "An Algorithm for a Successful 21st-Century CEO," BCG CEO Tenure Study

Great Company

Predictable and strong business fundamentals and competitive position

Great Stock

Strong potential upside, adjusted for the risks the company is undertaking

Designing a great stock – it's an always on process

10 pro-moves to be made–it takes time and consistency

1. **Align/position your opportunity towards a large macro trend; build the right narrative**
   High multiples are inherent to large high growth macro trends. Industry matters a lot – it's rare to outperform an entire industry consistently

2. **Place multiple bets towards a large goal; avoid single points of failure**
   Investors love focus in very early-stage companies, but as companies mature, they like management teams that have multiple bets placed towards a large opportunity as it creates optionality and pivots

3. **Build high talent density with high performance culture**
   Attracting and retaining high quality talent in a high-performance culture increases the chances of success manifolds

4. **Explicitly reduce exposure to structural risks in your idea; be known as a strong risk manager**
   Isolate the specific biggest risks to your idea – capital, talent, macros etc.; Hedge those risks explicitly and all the time

5. **Over invest (relative to competition) in assets that are critical for building unique IP or, in other words, 'moat'**
   Isolate the specific assets that will make you win – e.g. data, algorithms, channels, UX design, partnerships etc. – and over invest in them

Designing a great stock – it's an always on process

10 pro-moves to be made–it takes time and consistency

6 **Build a reputation of a good actor in the ecosystem with strong governance**

Be known for taking hard decisions because they are right

7 **Be available for stakeholders (analysts, key media, regulators, influencers) and give them the right level of disclosure for them to do their job properly**

Always ensure that your chosen important stakeholders don't look bad because of your errors of omission or commission

8 **Align your incentives with the investors' incentives–but also remember to align on the downside**

Everyone makes money or loses money together – this needs to be symmetric for all parties otherwise one side takes the upside and other downside

9 **Know what to expect from your cap table**

Will the investors be supportive or exit at the first sign of risk? Depends on the role of your investment in their portfolio and who they are

10 **Have high pain threshold, but be clear about your and your investors' maximum risk appetite and if you need an off-ramp; always be solvent with salvage value**

Despite best intentions and efforts, things can go south. Know when the risk appetite is breached and what off-ramps are feasible

Critical to tailor equity story based on future investor goals

Investors can be segmented similarly to customers, helping founders identify the most suitable investors to target

Investors criteria	"Yield" investors	"Core value" investors	"Alpha value" investors	Income Growth investors	GARP investors	"Core growth" investors
Fund manager goal	TSR of portfolio above benchmark average					
Revenue Growth expectations	0% GDP level growth	0% GDP level growth, skeptical about M&A	2–5% organic, OK with tuck-ins	Above GDP (4–8%) organic + tuck-in M&A	Above GDP (4–8%) organic + tuck-in M&A	>10% organic, plus M&A
Time horizon	In and out with yield, particularly relative to bonds	In & out with P/E	5+ years	5–10 years	5–10 years	3–5 years
Key metrics	P/E, level of risk,yield	Growth in ROIC and P/E	Growth in FCF	EPS growth 6–10% Growing dividend, high ROE	EPS growth >10% Growing dividend, high ROE	Forward 3–5 year organic revenue growth >10%
Expected P/E multiple	Low P/E	Below normal P/E that can rise unlikely to pay above 12x	9x–15x	18x–24x, but willing to pay above 24x	18x–24x, but willing to pay above 24x	Prepared to pay >30x
Target yield	"Better than bonds"	6–10%, debt reduction, dividends and buybacks	3–6% buybacks and dividends	Growing dividend yield, 0–2% share repurchases	2–3% dividend yield, 0–2% share repurchases	None (preferable), share repurchase (last resort)
Growth spend and funding	Organic growth + tuck-in M&A, fund with debt	Organic growth + minimal tuck-in M&A, fund with debt	Organic growth + tuck-in M&A, fund with debt, cash flow	Organic growth + tuck-in M&A + adjacencies, fund with cash flows or equity	Organic growth + tuck-in M&A + adjacencies, fund with cash flows or equity	Aggressive M&A focused on growth platforms + rollups, any funding ok

2 Are we well positioned to meet their demands?

1 Who are our future investors?

Source: BCG analysis

Narratives that work – We interviewed major capital allocators on narratives that have worked in India to drive premium

Turnaround – improving metrics		Mahindra Motors/Tata Motors with catchup on quality
Leaders in long-term trends	Relevant for IPO	HUL in India consumption, Jio in data and digital
Leaders in consolidating industry	Relevant for IPO	Jio and Tatas through acquisition
New player with strong parent	Relevant for IPO	Tata Power's renewables unit
Repositioning towards higher multiple		Bajaj Finserv as Fintech, Havells as consumer company
Leader in organizing a sector	Relevant for IPO	Udaan in retail
Decommoditization and premium branding		ITC with Aashirvaad Atta

Preparing for a successful IPO journey and beyond

Journey to IPO
18-24 months pre

1A **Strategic Planning & Structural Decisions**
- The Why? "Go" or "No go" decision
- The Where? Domestic or International
- The When? Market conditions & Readiness
- The What? Investor study, Peer reference

1B **Equity Story Development**
- Develop unique value proposition
- Identify and mitigate risks

Financial Planning
- Plan use of IPO capital
- Define target valuation
- Define MOIC and TSR targets

IPO window
6-9 months pre

2A **Stakeholder Management**
- Select merchant bankers
- Ensure key stakeholder benefits are covered
- Plan analyst engagement in advance

2B **Financial Readiness**
- Establish expected valuation
- Conduct necessary pre-IPO rounds
- Internal scorecard with key metrics

2C **Risk Management**
- Corrective actions (organic & inorganic) to strengthen narrative
- Forecast first two quarters' performance
- Prepare for major risks
- Prepare IPO checklist

2D **Market Preparation**
- Determine required participation
- Understand strengths and weaknesses
- Investor roadshows to generate interest and gauge share demand

Journey beyond IPO
3-6 months post

Market Integration
- Establish analyst coverage model
- Ensure right investors are in our stock

3A **Performance Tracking**
- Establish TSR equation for 3 and 5 years
- Settle into 'Set-Beat-Raise' rhythm with markets

3B **Ongoing Risk Management**
- Manage negative overhang

3C **Operational Monitoring**
- Monitor IPO fund utilization
- Ensure on-track delivery of first quarter
- Maintain visibility into next four quarters

Journey via IPO: Treating an IPO as a milestone instead of the end goal

In addition to merchant bankers and law firms, critical to have a strong IPO Office

	IPO Office	I-Bank	Law firms	Financial Advisors
	Orchestrate multiple workstreams, identify and support in key decisions	Act as underwriter; bear risk, thus not always value maximizing	In charge of prospectus; oversee DD & compliance with regulations	Audit financials; contribute to financial section in prospectus
Support IPO decision	✓	✓	✓	
BP[1], execution certainty & gap fixes	✓	✓		
Equity Story, value acceleration	✓	✓		
Due diligence (IB)	✓	✓		
Prospectus	✓	✓ *Input*	✓ *Lead*	✓ *Input/ Con – financials[2]*
Documentation	✓	✓		✓ *Input*
IPO Valuation	✓	✓		
Offer structure	✓	✓	✓	
Marketing	✓	✓	✓	
Communication/PR	✓	✓	✓	
PMO	✓			

1. BP - Business Plan; 2. Con-financials means Consolidated financials

Activist IPO Office to orchestrate multiple threads across life cycle

Activist IPO office

IPO monitoring, coordination and support

IPO related communication and change management

01 Domestic capital market

Engage with Capital Market Regulator (CMR) and national stock exchange to monitor changes on CMR regulation, and stock exchange infrastructure

02 Government & regulations

Codify and implement changes related to ownership and economic factors as well as regulations in coordination with government stakeholders

03 Finance preparation

Implement changes to finance processes and systems to comply with listing requirements and best practices for listed companies

04 Corp. strategy & development

Adapt internal management processes and develop capabilities required for a listed company

05 Transaction preparation

Prepare documentation for review by investors (e.g. equity story) and engage with investors. Setup underwriter team and prepare information (e.g. data, reports) for the execution phase

External preparation (01–02) | **Internal preparation** (03–04) | **Transaction preparation** (05)

Founders to constantly review/evaluate IPO readiness across multiple areas

xx Number of Checklist Items

Total: 140

Internal readiness	A	**Strategic and financial readiness**	46	Do we have an **equity story** to educate the market? Is our **capital structure** optimal? How do we develop a **dividend policy?**
	B	**Reporting and compliance readiness**	34	Can we **prepare financial reports** in a timely manner? Can we prepare **financial reports on segment level?** Can we comply to all **disclosure requirements?** Do we have any **unresolved disputes?**
	C	**Governance readiness**	28	Do we have the right **governance structure?** Do we have enough **independent board members?** Do we have all the **required committees?** Do we comply with **control system** requirements?
	D	**Corporate readiness**	28	Do we have **required capabilities?** Is our **IT system** ready for reporting requirements? Do we have a **variable compensation scheme?** Do we have enough resources for the IPO process?
External readiness	E	**Government readiness**	4	Are **government regulations** in our favor? Can they be influenced? What **regulatory changes** need to occur?

As the IPO approaches, ensure all functions can meet capital market requirements; prepare to revamp if necessary

IPO affected functions	Post—IPO challenges (demonstrative)
Accounting	Increased amount, speed, and interval
Treasury	E.g., transparent foreign currency management/hedging
Tax	Reporting of soft facts (Tax Map)
Compliance	Additional (disclosure/legal) requirements
Internal audit	E.g., process for communication of ad—hoc relevant issues
Pensions	Dedicated pension reports
Risk management	Ad—hoc reporting
Strategy	Competitive analysis and high-level business plan
M&A	Explicit M&A strategy—potential to fill gaps in high level business plan
Legal	E.g., tracking of shareholdings, preparation of shareholders' meetings
...	...

Ability to fulfill scope post—IPO?

Resources Competencies Process Output Responsible Deadline

- Secures data, protects customers, builds trust, and mitigates Fintech risks
- Enables Fintechs' cross-border operations, avoiding legal issues and protecting reputation

Alexander Duschek
Partner and Associate Director, BCG

"IPO windows are crucial elements and everyday counts, i.e., be prepared for surprising external factors"

Source: BCG Corporate Finance Task Force

Crucial to engage analysts with strategic, data-driven presentations in the months before IPO

Analysts' assessment of deal crucial for success of IPO …

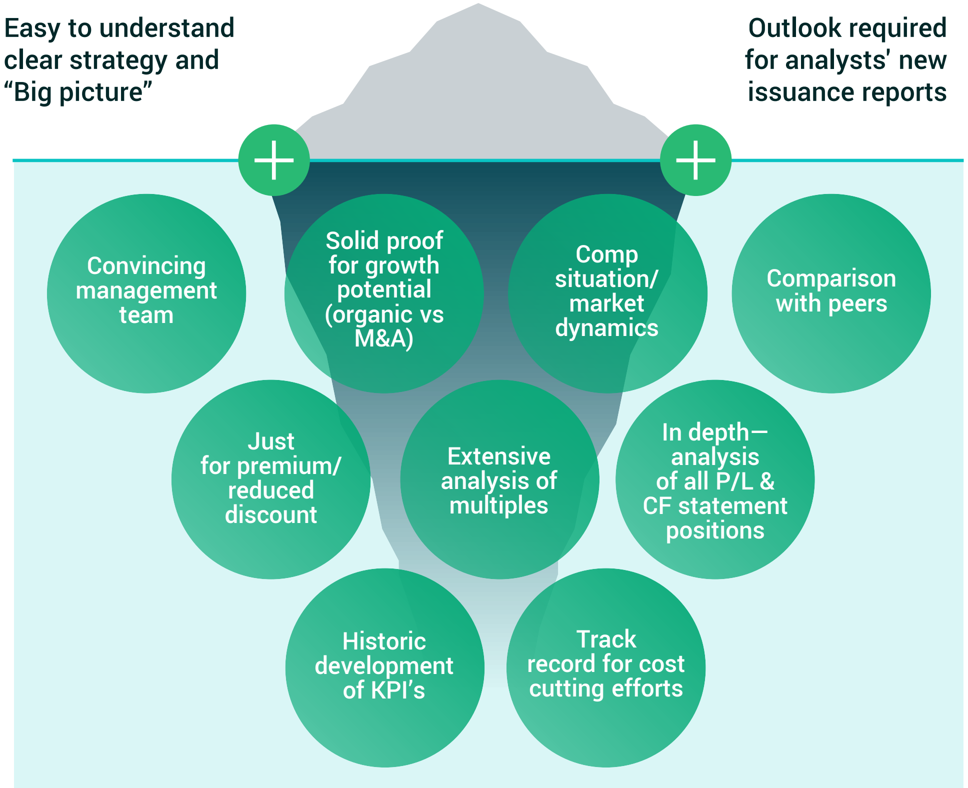
Initial valuation of analysts with significant impact on final IPO price

- **Convincing presentation of equity story** helps to reduce the common IPO discount or even justifies a premium compared to peers
- Soundness of **business plan key to raise confidence** among analysts that translates in positive evaluation model adjustments

Analysts maintain close relationships (both formal and informal) with institutional clients

- **Strong analyst presentation** guarantees tailwind going into subsequent road shows with institutional clients

… though challenging to live up to their expectations



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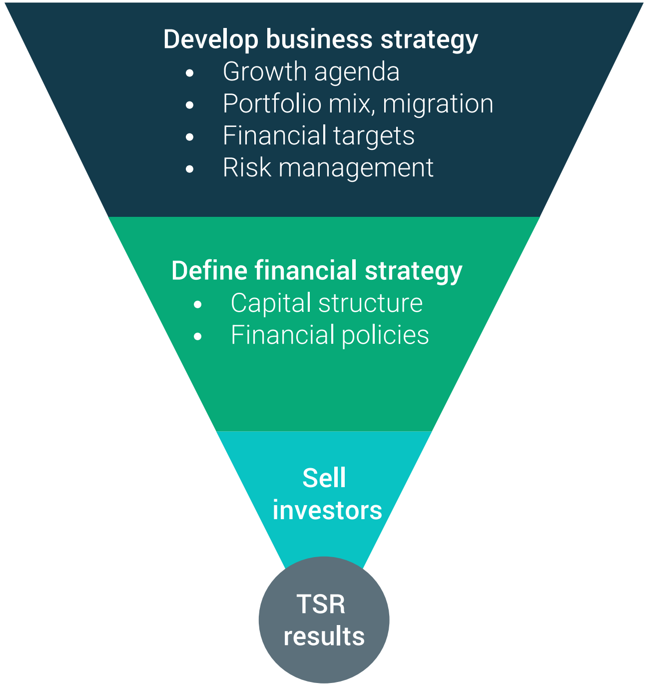
Journey via IPO: Treating an IPO as a milestone instead of the end goal

Under increased scrutiny, founders must focus on long-term sustainable TSR with targeted management model

Sub-optimal

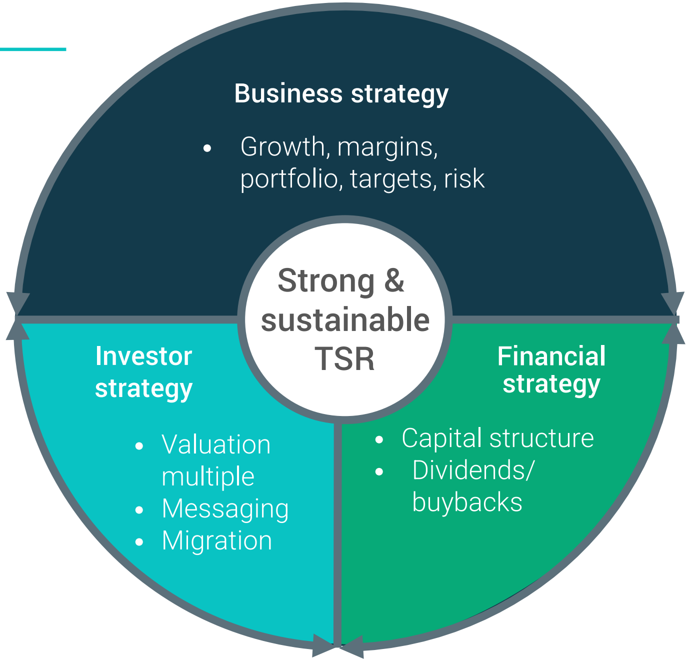
Typical approach



Optimal

TSR approach

- Build a shared fact base
- Develop and debate alternative scenarios
- Align around TSR goal, strategy, and roadmap
- Develop compelling business and financial plans



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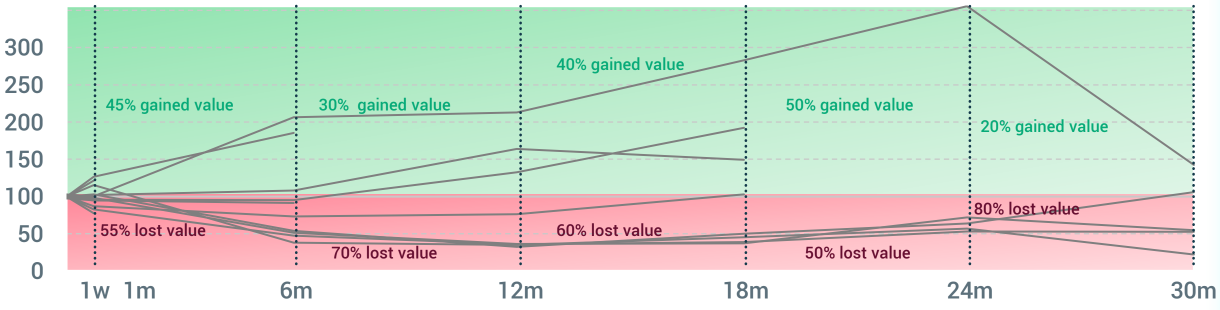
Vikram Vaidyanathan
Managing Director, Z47 (fka Matrix Partners India)

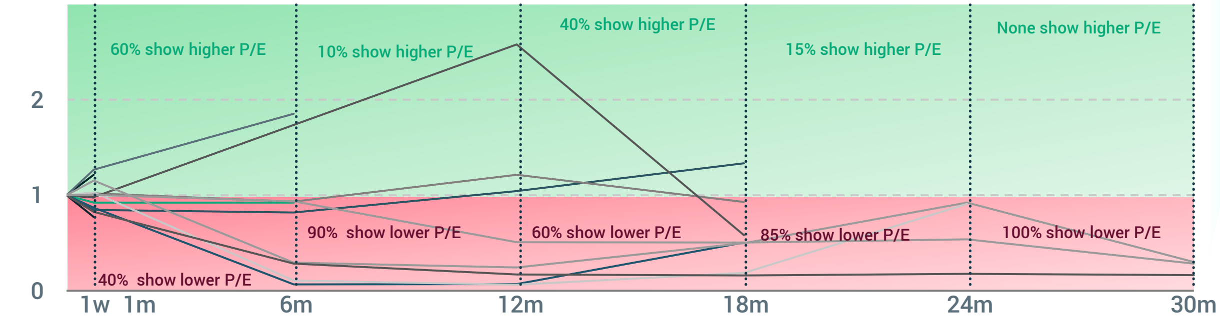
As companies transition from private to public entities, the focus on sustainable TSR and effective management becomes paramount due to increased transparency and accountability requirements. Achieving long-term sustainable TSR requires strategies that foster steady revenue growth, cost efficiency, and continuous innovation, collectively enhancing shareholder value over time. By emphasizing sustainable practices and strong governance, founders can successfully navigate the challenges of public market scrutiny."

Be prepared to handle any post-IPO ups and downs

Share price (₹) movement post-IPO:
+55% Fintechs lost value within 1 week; +70% lost value in 6-month period post-listing



P/E ratio (₹) movement post-IPO:
+40% Fintechs exhibited decline within 1 week; +90% in 6-month period post-listing



Multiple interventions to manage negative overhang

- Boost revenue and profitability through cost-cutting and increasing market share
- Develop and execute a clear long-term sustainable growth strategy
- Communicate transparent updates to build investor confidence and trust

Vikram Khanna
Partner, BCG

"As Fintechs look ahead to their IPO journeys, it's vital to recognize that success in the public markets requires meticulous preparation. Planning an IPO strategy 2-3 years in advance is crucial to be fully prepared and get optimal valuation while ensuring transparency and long-term growth. It's equally important to plan for post IPO success which will shape the company's future trajectory while creating value for incoming investors."

1. Share prices are normalized and start from 100 at the time of listing, percentage change marked post-listing, 2. P/E ratios are normalized and start from 1 at the time of listing, percentage change marked post-listing
Source: Capitaline

Formula for founders to win in public markets: Set, Beat, Raise rhythm

SET

- **Plan** for next 2 years: growth and profitability
- **Break** down metrics for next 2 quarters
- **Cascade** within the organization

BEAT

- **Track** projected metrics granularly
- **Course-correct** underperforming areas early
- **Rebalance** targets within portfolio if required

RAISE

- **Drive** efficiency in operations for short-term profitability
- **Invest** in digital, data & AI capability to drive productivity
- **Identify new pools of profits to expand** (customers, geographies)

Akshat Raj
Project Leader, BCG

"Newly listed companies should prioritize maintaining the 'Set, Beat, Raise' approach. This helps build investor trust, consistently meet expectations, drive growth with strategic fundraising, and boost their market reputation."

Five Star Business Finance | Well-defined business model and strategic expansion fueled growth post IPO

About Five Star Business Finance

Leading NBFC founded in South India in 1984

Specializes in providing secured business **loans to micro-entrepreneurs, self-employed individuals,** and for meeting small expenses

Steady AUM growth with CAGR of 65% from FY17 to FY21

Maintained robust asset quality by geographically expanding in several states in South India

Key strength to attract customers over competitors lies in the **underwriting model basis income and collateral assessment** for the customers beyond just the documented income

Key reasons for gaining 50% growth in share price after listing in Nov'22

Increased branch penetration by **doubling geographical expansion** is driving long-term value through high-volume growth

Leveraging local staff enhances service in high-demand areas and facilitates **local credit evaluation.** Increasing fleet on street to meet high demands

In-house sourcing, **robust credit risk management,** comprehensive credit assessment and collections framework support the model and ensure recovery of the loans

Continuous expansion post IPO has led to **achievement of scale,** which in turn has led to lower lending costs. Hence, strong return margins are expected

Investments in technology has led to lower TAT of ~10 days in FY24 vs ~17 in FY22, and also increased employee productivity

Long term presence has led to a **deep understanding of customer behavior and regional dynamics** along with healthy loan growth and strong profitability

Source: Company website, Analyst reports, Press Search

… There is something very positive about detailed and disciplined quarterly financial and operating reporting. But company CEOs and boards of directors should resist the undue pressure of quarterly earnings, and it is clearly somewhat their fault when they don't … build the company for the future, and you will maximize earnings over the long run …"

Jamie Dimon

Chairman and Chief Executive Officer,
JPMorgan Chase

Source: Annual Letter to Shareholders – JP Morgan - 2018, 2023

04

Action Agenda

Short & medium term priorities to unlock full potential

Fintechs | Embrace the multi-dimensional demands of the “Fin”tech business

New innovation paradigm

- Shifting from “Customer centric” Innovation -> “Economically viable & customer centric” Innovation -> “Compliant, Profitable & Desirable” Innovation
- Value propositions of Fintechs will go through stress tests on multiple fronts now – customer centricity, unit economics and compliance at scale
- Founders need to take a holistic, multi-dimensional view & have a rigorous & agile approach to experiment, test & scale / exit non-viable offerings

Ruthless in building Resilience

- Develop a resilient, tech-powered architecture with robust, multi-layered defenses to manage evolving fraud, cyberattacks, and geopolitical/economic risks
- Implement internal governance practices and culture that balance innovation and growth with strict adherence to internal controls
- Continuously adapt and strengthen defenses to stay ahead of emerging threats and maintain organizational integrity

Compliances as a "Feature", not a "Fix"

- Start early and embed compliant practices in design from Day 1, avoiding "grey areas" entirely
- Ensure Fintech compliance teams have a strong seat at the table in decision-making forums

Collaborate for "survival"

- Customers seek simplicity and seamlessness in accessing financial offerings as financial products, services, and digital lifestyles converge
- Collaboration has become a necessity to survive and thrive in this new era, beyond being just a growth lever

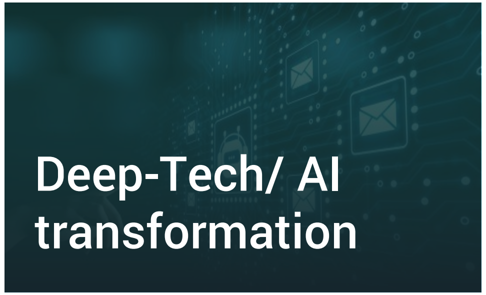
IPO is a milestone, not an end-goal

- Prepare along the 5Ps—Proposition, Profitability, Prudence, Process, and People—and develop a compelling narrative when considering an IPO
- Founders must give significant attention to post-IPO preparedness, as this will be a critical differentiator for long-term success
- Successfully transitioning into a public entity is key to becoming a long-term winner in the market

Incumbents | Strengthen the technology, security and innovation backbone for enabling ecosystem growth

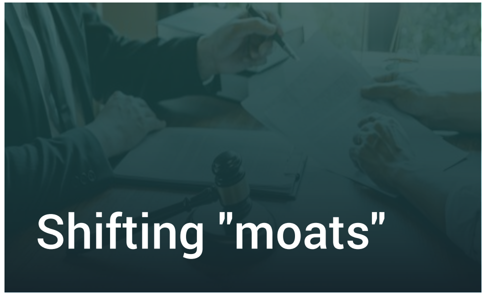
Partnership ingrained in DNA

- Collaboration and partnerships are essential to modernize and scale, driving joint innovation in the digital landscape
- Building internal "agile" hubs and incubating Fintechs will enable organizations to operate effectively in a two-speed world
- These strategies will help capture digital native opportunities, positioning firms for success in a rapidly evolving market



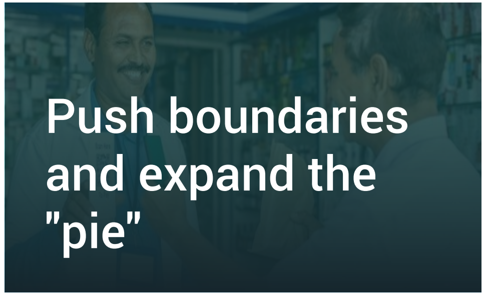
Deep-Tech/ AI transformation

- Starting early and exploring use cases across the customer lifecycle and front-to-back operations will be a strong differentiator as disruptive tech and AI continue to evolve
- Building a future-ready architecture and adopting "responsible" AI practices will be crucial in the next 5 years
- Use case orientation and responsible AI will be key factors in achieving long-term success



Shifting "moats"

- The competitive advantage for successful financial institutions will shift from customer experience and digital seamlessness to "security & safety" or "no-chance of frauds" as user awareness and regulatory monitoring increase
- Secure and compliant banking is now a necessity, becoming more critical than ever in the evolving financial landscape
- Customer experience and digital seamlessness will become table stakes, while security and compliance will define preferred institutions



Push boundaries and expand the "pie"

- Innovate to serve Bharat, drive the next wave of penetration, and support the self-employed and SME community for holistic financial inclusion across products
- Incumbents carry a heavy onus to realize the country's economic growth ambitions by expanding financial services penetration to the masses

Policy Enablers | The evolution of 4C's and a B (from SOFTU'22) for our Financial Services Ecosystem

"Over" Communication

- The need for high clarity and consistency remains crucial, with recognition of the regulatory entities' efforts to support ecosystem players
- Over-communication and multiple "two-way" forums will become increasingly critical in supporting growth within this large and fast-growing ecosystem
- Sharing learnings from best-in-class models and 'not-so-successful' practices will benefit all ecosystem stakeholders

Collaboration "made-easy"

- Establishing standardized guardrails for a "plug-n-play" architecture will enable the provision of offerings across diverse markets, sub-sectors, customer segments, and products/services
- This approach will significantly enhance the scalability of the financial services market through collaboration and partnerships
- Mid-sized and smaller players will particularly benefit, fostering broader market growth

"Convergence" beyond FIs

- Leveraging the broader non-FS ecosystem is essential for offering financial solutions as boundaries blur between financial and non-financial products
- This approach is crucial for serving under-penetrated segments and achieving growth in Bharat, where customers demand simplicity and speed

Checklists for Self-Calibration

- Introducing self-regulation guardrails and enhancing governance are necessary steps to strengthen the ecosystem
- Providing tools for self-assessment on compliance, governance, and security frameworks will benefit ecosystem players in maintaining standards

Balanced regulatory enablement

- Regulatory enablement that balances growth with risk, penetration with scale-up, and innovation with security will be most beneficial for the economy
- Maintaining equilibrium between user interest and business viability, and agility and stability is crucial for sustained progress
- Constructive dialogue with multiple stakeholders is essential to drive this balance effectively

Glossary

AUM	Assets Under Management
B2B	Business to Business
CBDC	Central Bank Digital Currency
CAC	Customer Acquisition Cost
DLA	Digital Lenders Association
DPDP	Digital Personal Data Protection Act
EPS	Earnings Per Share
ESOP	Employee Stock Ownership Plan
FoS	Feet on Street
FCF	Free Cash Flow
GenAI	Generative Artificial Intelligence
GSTIN	Goods and Services Tax Identification Number
GDP	Gross Domestic Product
GNPA	Gross Non-Performing Assets
HNW	High Net Worth
IPO	Initial Public Offering
IP	Intellectual Property
LC	Letter of Credit
LSE	London Stock Exchange
M&A	Merger and Acquisition
MOIC	Multiple on Invested Capital
MF	Mutual Funds
NTC	New to Credit
NYSE	New York Stock Exchange
PCI	Payments Council of India
P2P	Peer to Peer
POS	Point of Sale
P/E	Price to Earnings
ROE	Return on Equity
ROIC	Return on Invested Capital
SCB	Scheduled Commercial Banks
SHG	Self Help Group
SRO-FT	Self Regulatory Organization for Fintechs
SaaS	Software as a Service
TSR	Total Shareholder Return
TAT	Turn Around Time
UHNW	Ultra High Net Worth
OEIF	Online Export-Import Facilitators

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