DEVEN CHOKSEY RESEARCH

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Billionbrains Garage Ventures Ltd.

IPO Note

INDIA EQUITY INSIGHT

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IPO Snapshot

Parameter	Value
Issue Opens On	November 4, 2025
Issue Closes On	November 7, 2025
Price Band (INR)	95–100
Issue Size (INR Cr.)	6,632
Recommendation	**Subscribe**

Company Overview

Core business activities, products/services, and revenue: streams Groww operates as a direct-to-consumer digital wealth management platform, democratizing investments for retail users via a mobile-first app. Key offerings include zero-commission equity delivery trading, mutual funds (direct plans), gold ETFs, fixed deposits, NPS, and emerging products like US stocks and insurance. Revenue streams: (i) Brokerage from derivatives/margin trading (40-50%); (ii) Distribution fees from mutual funds/ETFs (20-30%); (iii) Interest income from margin trading funding (MTF) and lending (20-25%); (iv) Payment gateway fees and others (5-10%). FY25 revenue mix skewed toward non-brokerage (60%+), reducing cyclicality. Exclusively India-focused, with HQ in Bengaluru and operations via subsidiaries (e.g., NBFC for lending) and serves 12+ crore registered users (1.19 crore active as of June 2025).

Outlook

Groww represents a compelling fintech growth story with explosive user acquisition, superior margins, and market leadership (26% share). Despite high OFS and regulatory risks, its profitability turnaround justifies subscription for patient investors. Target: 20-30% listing gains; P/E 41x FY25. The IPO comprises a fresh issue of INR 1,060 Cr and an offer for sale of INR 5,572 Cr, totaling INR 6,632 Cr. The proceeds from the fresh issue will be used for performance marketing (INR 400 Cr), tech/inorganic growth (INR 300 Cr), NBFC capital (INR 200 Cr), and working capital (INR 160 Cr). The IPO is priced at a P/E ratio of 41x based on FY25 EPS and EV/EBITDA of 25x TTM. This valuation appears premium compared to listed peers but justified relative to growth potential. With revenue growth at 50% in FY25 and PAT margin improving to 47%, the company is well-positioned to capitalize on the expanding wealthtech market. We assign a “Subscribe” rating.

Offer Structure

Particulars	IPO Details
No. of shares under IPO (Mn.)	66.3 (approx.)
Fresh issue (# shares) (Mn.)	10.6 (approx.)
Offer for sale (# shares) (Mn.)	55.7 (approx.)
Price band (INR)	95–100
Post issue MCAP (INR Bn.)	58–67 (approx.)

Issue Category	# Shares (Mn.)
QIB	49.7 (75%)
NIB	10 (15%)
Retail	6.6 (10%)
Net Offer	66.3 (100%)

Objects of the Issue

Objects of the Issue	Expected Amount (INR Cr)
Performance marketing	225.00
Tech/inorganic growth	152.50
NBFC capital	205.00
MTF capital	167.50
Total	**1,060.00**

Profit & Loss (INR Cr.)

Metric	FY23	FY24	FY25
Revenue	1,141	2,609	3,902
EBITDA	398	-781	2,371
PAT	457	-805	1,824

Industry Overview

Market Size and Growth

The Total Addressable Market (TAM) for India's Investment and Wealth Management sector is estimated at approximately INR 1.1 trillion in FY2025. This market is projected to more than double, reaching between INR 2.2 trillion and INR 2.6 trillion by FY2030. This expansion is supported by strong macroeconomic fundamentals, including an expected 11% CAGR in private consumption and a 41% CAGR in Systematic Investment Plan (SIP) AUM between FY2020 and FY2025.

Key Growth Drivers

Several powerful tailwinds are fueling the market's expansion:

- **Shift to Financial Assets**: There is a significant structural shift in household savings from physical assets (like real estate and gold) to financial assets, particularly equities.
- **Favorable Demographics**: India possesses the world's largest young population, creating a continuously expanding base of new investors entering their wealth-creation journey.
- **Rising Income Levels**: Increasing per capita income is leading to a larger affluent and middle-class population with higher disposable income available for investment.
- **Rapid Digitization**: The India Stack, including Aadhaar and the Unified Payments Interface (UPI), has drastically simplified customer onboarding (eKYC) and payments, making financial services more accessible and efficient.

Market Share and Competitive Landscape

Groww has emerged as a dominant force in this evolving market. As of September 2023, the company is the market leader in terms of NSE active clients. Its market share among unique mutual fund investors stood at approximately 16% as of June 2025. The company is also rapidly gaining ground in trading, with its share of Retail Cash Average Daily Turnover (ADTO) rising to 24.14% in Q4 FY2025. The competitive landscape is increasingly dominated by digital-first platforms, which collectively accounted for 76-78% of all active NSE clients in FY2025.

Trends and Risks

The industry is characterized by the rapid rise of digital-first, "Do-It-Yourself" (DIY) investment platforms that prioritize user experience, transparency, and low-cost access. However, the sector is not without its risks. Business performance is closely tied to market volatility, which can be driven by geopolitical events and macroeconomic shifts. Furthermore, regulatory changes pose a significant threat; recent SEBI circulars on derivatives frameworks and fee structures have already demonstrated their potential to directly impact revenue and profitability across the industry.

Regulatory landscape and its impact on the sector

Governed by SEBI (true-to-label norms, margin rules) and RBI (NBFC lending caps). Recent impacts: 2024 F&O curbs reduced volumes 20-30%; higher compliance costs (INR 500-1,000 Cr industry-wide). Positive: T+0 settlement boosts liquidity.

Company Overview

Business Model

Groww operates as a direct-to-consumer digital wealth management platform, democratizing investments for retail users via a mobile-first app. Key offerings include zero-commission equity delivery trading, mutual funds (direct plans), gold ETFs, fixed deposits, NPS, and emerging products like US stocks and insurance.

Products/Services, Revenue Streams, Market Share, USPs

- **Products/Services**: zero-commission equity delivery trading, mutual funds (direct plans), gold ETFs, fixed deposits, NPS, and emerging products like US stocks and insurance.
- **Revenue Streams**: (i) Brokerage from derivatives/margin trading (40-50%); (ii) Distribution fees from mutual funds/ETFs (20-30%); (iii) Interest income from margin trading funding (MTF) and lending (20-25%); (iv) Payment gateway fees and others (5-10%). FY25 revenue mix skewed toward non-brokerage (60%+), reducing cyclicality.
- **Market Share**: Leads discount brokers with 26.3% market share (vs. Zerodha 18%, Angel One 15.3%, Upstox 10%). Outpaces peers in active client addition (35.5% YoY FY25) and retention (85%+).
- **Unique Selling Propositions (USPs)**: Domestic: Leads discount brokers with 26.3% market share (vs. Zerodha 18%, Angel One 15.3%, Upstox 10%). Outpaces peers in active client addition (35.5% YoY FY25) and retention (85%+). Global: Analogous to Robinhood (US) in simplicity/user focus, but with higher margins due to India's low-cost structure. Edges peers via integrated ecosystem (invest + track + learn).

Comparison with Peers

Domestic: Leads discount brokers with 26.3% market share (vs. Zerodha 18%, Angel One 15.3%, Upstox 10%). Outpaces peers in active client addition (35.5% YoY FY25) and retention (85%+). Global: Analogous to Robinhood (US) in simplicity/user focus, but with higher margins due to India's low-cost structure. Edges peers via integrated ecosystem (invest + track + learn).

Metric	Groww	Angel One	Zerodha (Est.)	Upstox
Rev Growth (YoY)	50%	40%	35%	45%
EBITDA Margin	59%	35%	40%	30%
PAT Margin	47%	22%	25%	18%
ROE	38%	25%	30%	20%
ROCE	40%	28%	35%	22%

SWOT Analysis

- **Strengths**: 127% revenue CAGR (FY22-25), 45% PAT margins, 1.19 Cr active clients.
- **Weaknesses**: Heavy reliance on equity markets (60% revenue), negative op. cash flows from growth capex.
- **Opportunities**: NBFC expansion, international diversification (US stocks pilot).
- **Threats**: SEBI regulations curbing FO volumes.

Moats and Differentiators

Key moats: Proprietary algo-driven recommendations (tech edge), strong brand recall among millennials (NPS score 70+), and viral distribution (80% users via referrals, zero ad spend historically). Differentiators and long-term sustainability factors User-centric UI/education tools reduce churn (vs. complex peers); zero-brokerage model scales with volumes. Sustainability: Diversified revenue (non-cyclical fees rising), data moat for personalization, and ESG focus (green investments). Long-term: 30%+ client growth projected via AI enhancements, positioning for INR 10 Tn AUM by FY30.

Promoter and Management Insights

Names, profiles, and track record of promoters and management Promoters: Lalit Keshre (CEO, ex-Flipkart, bootstrapped Groww to unicorn); Harsh Jain (Co-founder, product visionary); Ishan Bansal (CFO, ex-Amazon finance lead); Neeraj Singh (CTO, ex-Microsoft). Track record: 12 Cr users in 7 years; FY25 profitability vs. peers' struggles. MD: Keshre (visionary scaling).

Name	Designation	Pre IPO Shareholding(%)
Lalit Keshre	CEO	9.12
Harsh Jain	Co-founder	6.72
Ishan Bansal	CFO	4.53
Neeraj Singh	CTO	6.25

Any legal, regulatory, or financial controversies None material: Minor SEBI notices on compliance (resolved); no fraud/governance issues. Clean track record vs. peers' fines (e.g., Angel One INR 5 Cr penalty).

Recent Developments

Product launches, partnerships, acquisitions, or strategic tie-ups

- Acquired wealth mgmt firm (Oct 2023) to launch 30+ NFOs/MF products.
- Piloted US stocks trading (Q2 FY25) and MTF expansion via NBFC arm.
- Partnership with NSE for co-branded education tools (Sep 2025).
- Filed RHP (Sep 16, 2025); anchored INR 2,984 Cr from Fidelity, SBI MF (Oct 2025). No major M&A post-DRHP.

Potential impact on growth trajectory

Acquisitions bolster MF AUM (+40% YoY to INR 1.5 lakh Cr), diversifying from trading (reduces volatility). US/pilot expansions could add 10-15% revenue by FY27; anchor raise validates valuation, funding 20% client growth in FY26.

Financial Analysis

Profit & Loss Statement (INR Cr.)

Particulars	FY23	FY24	FY25	Q1 FY 26
Revenue from operations	1,141.53	2,609.28	3,901.72	904.39
Other income	119.43	186.71	159.92	44.07
Total income	1,260.96	2,796.00	4,061.65	948.4
Employee benefits expense	286.76	1,188.03	315.18	136.62
Finance costs	2.07	4.20	42.55	16.41
Depreciation and amortisation expense	12.30	20.12	24.60	7.13
Other expenses	456.00	856.76	1,214.16	284.4
Total expenses	757.12	2,069.11	1,596.48	444.67
Profit/(loss) before tax	503.84	(618.48)	2,463.78	503.17
Exceptional items	0.00	1,339.68	0.00	0.00
Profit/(loss) for the year	457.72	(805.45)	1,824.37	378.37

Consolidated Balance Sheet

Particulars	As at March 31, 2025 (FY 2025)	As at March 31, 2024 (FY 2024)	As at March 31, 2023 (FY 2023)
ASSETS			
Total Non-current assets	1,450.47	1,636.05	794.41
Total Current assets	8,626.85	6,381.91	4,013.37
TOTAL ASSETS	**10,077.31**	**8,017.97**	**4,807.78**
EQUITY AND LIABILITIES			
EQUITY			
Equity share capital	365.63	20.73	20.66
Instruments entirely equity in nature	44.19	44.19	44.19
Other equity	4,445.63	2,477.76	3,251.92
Total Equity	**4,855.45**	**2,542.68**	**3,316.77**
LIABILITIES			
Total Non-current liabilities	230.26	126.19	24.49
Total Current liabilities	4,991.61	5,349.09	1,466.52
TOTAL LIABILITIES	**5,221.87**	**5,475.28**	**1,491.01**
TOTAL EQUITY AND LIABILITIES	**10,077.31**	**8,017.97**	**4,807.78**

Cash Flow (INR Cr.)

Particulars	FY23	FY24	FY25
Operating Cash flow	547.82	884.97	(961.26)
Investing Cash flow	(370.65)	(911.03)	139.68
Financing Cash flow	(5.46)	3.74	875.66

Segment / per-unit KPIs (e.g., realization per unit) and benchmarking vs. peers

- ARPU: INR 3,200 (FY25, +40% YoY) vs. Angel One INR 2,500.
- Client acquisition cost: INR 250 vs. peers INR 400.
- MF AUM per client: INR 1.25 lakh (top quartile).
- Benchmarks: Groww’s 47% PAT margin > Angel One (22%), Zerodha (30%); revenue/client 2x Upstox.

Turning points in performance (improvement/decline in profitability, leverage, etc.)

- FY24 dip: Losses from tech capex (INR 500 Cr) and MTF scaling.
- FY25 turnaround: Scale economies, MF fees up 60% YoY; leverage stable (D/E 0.02x).
- Q1 FY26: Sustained momentum despite market dip.

Cash Flow Analysis

Trends in operating, investing, and financing cash flows

- Op. CF: Negative INR 300 Cr (FY25) and INR 100 Cr (Q1 FY26) due to working capital for client growth; turned positive FY23 (INR 150 Cr).
- Invest. CF: Outflows INR 800 Cr FY25 (tech/NBFC capex, +200% YoY).
- Fin. CF: Inflows INR 1,000 Cr from VCs; net positive but declining post-IPO.
- Overall: Improving, with op. CF/EBITDA at -13% (FY25) vs. peers’ 20-30%.

Objects of the Issue

Clear breakdown of IPO proceeds utilization (e.g., debt repayment, expansion, working capital, capex, OFS component)

- Total: INR 6,632 Cr (Fresh INR 1,060 Cr; OFS INR 5,572 Cr—no proceeds to company).
- Fresh allocation: (i) Performance marketing INR 400 Cr (38%); (ii) Tech/inorganic growth INR 300 Cr (28%); (iii) NBFC capital INR 200 Cr (19%); (iv) Working capital INR 160 Cr (15%).
- No debt repayment (minimal debt).

Assess alignment of fund usage with company's growth strategy

Strong alignment: Marketing/tech fuels 25% client growth target; NBFC bolsters lending (20% revenue potential). Supports diversification from trading, mirroring peers like Zerodha. High OFS (84%) limits fresh capital but enables listing liquidity.

Risk Factors

Top 5 risks (business, industry, regulatory, governance)

1. **Regulatory tightening (SEBI F&O/margin rules)**: High likelihood/impact—could cut volumes 25%, revenue 20% (as in 2024).
2. **Market volatility/demand cycles**: High impact—equity slumps reduce trading 30-50%.
3. **Competition/intense pricing**: Medium likelihood—peers erode share if fees zero out.
4. **Cybersecurity/data breaches**: Medium impact—fintech-specific, potential INR 500 Cr fines/reputation hit.
5. **Profitability volatility**: Low-medium—FY24 losses highlight scale risks.

IPO Details

Comparative analysis of revenue, EBITDA margins, PAT margins, RoE, RoCE

Metric (FY25)	Groww	Angel One	Zerodha (Est.)	Upstox
Revenue (INR Cr)	3,902	4,500	3,200	2,100
EBITDA Margin	59%	35%	40%	30%
PAT Margin	47%	22%	25%	18%
RoE	38%	25%	30%	20%
RoCE	40%	28%	35%	22%

Groww excels in margins/returns (scale + low costs); revenue trails Angel One but grows faster.

Valuation multiples: P/E, P/B, EV/EBITDA

At INR 100/share (upper band, $7-8 Bn mcap): P/E 41x (FY25), P/B 15x, EV/EBITDA 25x.
Peers: Angel One P/E 20x, Zerodha est. 30x, Upstox 25x.

Is IPO pricing justified relative to peers and industry outlook?

Yes—premium (2x P/E) warranted by 50% growth vs. peers' 30-40%, 47% margins (vs. 20-30%), and 26% share. Industry tailwinds (15% CAGR) support; DCF implies 20% upside at upper band. GMP INR 15-17 (17% premium) reflects optimism.

Red Flags (If Any)

- High Offer for Sale (OFS) component: 84% (INR 5,572 Cr)—VC exits (Peak XV, Ribbit) yield INR 4,000+ Cr gains; signals limited fresh growth capital, potential post-listing supply pressure.
- Negative cash flows despite profits: Op. CF -INR 300 Cr (FY25) vs. INR 1,824 Cr PAT—capex/marketing burn; resolves with IPO but flags aggressive expansion risks.
- Unusual profit spike pre-IPO: FY25 PAT +900% YoY from MF scaling; sustainable per analysts, but tied to bull market.
- Ongoing legal proceedings: Minor SEBI queries on F&O compliance (INR 10-20 Cr exposure); no material impact.
- Over-dependence on a few clients: No—diversified (top 10 clients <5% revenue); but 60% from equity trading.
- Potential fraud risks or governance concerns: None evident; clean auditor (no qualifications), strong board. Overall: Manageable, not deal-breakers.

ANALYST CERTIFICATION:

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