Mobile Wallets Market in India

- A short perspective document on the mobile wallets sector and key players
- Assessed through a regularly tracked set of performance indicators
- Published half-yearly

CY 2016 (Annual) Edition
Study Background

Objective
Gathering insights on multiple aspects of the Digital Wallet market in India including:

- Industry size and market future
- Market share and insights on key players

Research Approach

RedSeer’s Integrated Research Approach™, incorporating the following:

- Primary Interviews with 300+ shoppers
- Merchant Interviews
- Desk Research

Note:
1. Transaction and GTV related performance numbers are broad estimates based on best available data
2. Currency conversion rate of USD 1 = INR 65 throughout the deck

Disclaimer: The numbers and analysis quoted in the report have been developed through RedSeer research with industry experts and customer survey. The report is a fact-based study and should not be interpreted as a recommendation document.
Indian regulation is enabling the cashless push through regulatory support, with demonetization the most recent impetus.

**Annual Transaction Volume in India (%)**

- **Cash**
- **Cheque / DD**
- **ECS**
- **Mobile Wallets**

**Increasing Institutional Support**

1. Financial inclusion through Jan Dhan Yojana and Aadhar
2. Regulatory easing with introduction of Unified Payment Interface and release of consultation paper on P2P lending
3. Funding support to startups through Start-up India funding, and tax relief for digital transactions
4. Infrastructure and expertise support to startups through incubators/accelerators sponsored by VCs, Universities and industry bodies such as Nasscom

**Notes**: ECS includes IMPS, NEFT, and RTGS (various standards of Indian payments)

Source: Reserve Bank of India, 2016
Demonetization had a greater positive impact on Merchant onboarding as first-time users adopted Digital Wallets.

**Growth in Digital Wallet Adoption due to Demonetization**

Q: When did you start using Digital Wallets? (%) (N = 715)

**Digital Wallet Onboarding by Time Period**

Source: RedSeer Research, 2017
Digital Wallets have now entered the high-growth phase

Growth in Digital Wallet Transactions, 2015-16

<table>
<thead>
<tr>
<th>Volume, Millions</th>
<th>Value, USD Billions</th>
</tr>
</thead>
<tbody>
<tr>
<td>550</td>
<td>2.6</td>
</tr>
<tr>
<td>965</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Notes: Others includes Banking Tech, Insurance Tech, Trading Tech.

Source: Reserve Bank of India, 2016; RedSeer Analysis
Online commerce is compounding the accelerated adoption of Mobile Wallets with a strong network effect

E-commerce as a driver of FinTech

Lending Tech

Suppliers

Working Capital Loans

Financial Services Companies

E-commerce

Flow of consumption

Partnership to provide user data

Mobile Wallets

Consumers

Source: RedSeer Analysis
Consumers have identified alternative online and offline use cases for Digital Wallets beyond just Recharges

Growth in Digital Wallet Use Cases

Q: To what purpose do you use your Digital Wallet? (N = 314)

<table>
<thead>
<tr>
<th>Category</th>
<th>Share of GTV</th>
<th>Key Takeaways</th>
<th>Growth Outlook</th>
</tr>
</thead>
</table>
| Recharge      | >20%         | • Historically, recharges has been the primary use case for Digital Wallets contributing >70% of the GTV  
                             • Ratio is declining with an overall increase in use cases | Bearish        |
| Utilities     | 10-20%       | • The fastest growing category in 2015-16, Utilities contributes to 10-20% GTV for most Wallets | Neutral        |
| Restaurant    | <10%         | • Pan-India tie-ups with restaurant chains and online aggregators is driving growth for Restaurant category | Bullish        |
| Taxi          | <10%         | • Integration with Uber was the one of the first examples of diversification of use cases for Paytm, and still remains a major driver | Neutral        |
| E-tailing     | >20%         | • Although wallet takeup remains low, Paytm and Freecharge are both reaping the benefit of a tight integration with the e-tailing business | Bullish        |
| Travel        | <10%         | • Despite user incentives, still remains a slow growth category with low frequency use cases and high average transaction value | Neutral        |
| Movies        | >20%         | • Nascent category, primarily driven by user incentives; expected to grow quickly as offline cinemas adopt Digital Wallets | Bullish        |

Source: RedSeer Analysis
2017 will be an exciting year with growing consumer comfort and ecosystem support

High-Growth Future of Digital Wallets

- Players start at small scale in select Indian metros
- Customer adoption remains low with primary usage directed towards recharges and utilities

- Breakout years for sector – receives $1.3 Bn in 2015
- Market gets crowded with players expanding footprint and merchant onboarding

- Government jumps the digital bandwagon with regulation targeted at decreasing cash usage by incentivising electronic transactions

Source: RedSeer Analysis
Paytm dominates the landscape in a very fragmented Digital Wallet market

**India Transaction Landscape (%)**

<table>
<thead>
<tr>
<th></th>
<th>Paytm</th>
<th>Freecharge</th>
<th>Mobikwik</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paytm</td>
<td>43%</td>
<td>4%</td>
<td>11%</td>
<td>42%</td>
</tr>
</tbody>
</table>

**Mobile Wallet GTV Share**

- **US$ 5.8 Bn**
  - Paytm, the most well-funded Digital Wallet backed by Alibaba, is the clear market leader with highest brand recall and adoption.
  - Tight integration with its own e-commerce business and latest Payment Bank license, Paytm is expected to remain market leader.
  - Freecharge, acquired by Snapdeal, transitioned its recharge business into a Digital Wallet, with Recharge and Utility still strength areas.
  - Integration with Snapdeal and offline merchant tie-ups will drive next year’s growth.
  - Mobikwik, backed by Sequoia Capital, has raised $125+ Mn, and is on track to be the dominant third player with pan-India tie-ups with offline and online Restaurants.
  - The rest of the market is extremely fragmented with 10+ players, and none with a market share >4%.
  - Jio Money (on the Reliance Jio network) and Airtel Money (on the Airtel network and Payment Bank License) are expected to be the breakaway players.

Source: RedSeer Research, 2017
Paytm leads comfortably in all categories; Mobikwik does well in Restaurants with pan-India tie-ups

### India Transaction Landscape by Category

<table>
<thead>
<tr>
<th>Category</th>
<th>Paytm</th>
<th>Rank 1</th>
<th>Freecharge</th>
<th>Rank 2</th>
<th>Mobikwik</th>
<th>Rank 3</th>
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</thead>
<tbody>
<tr>
<td>Recharge</td>
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<td>Utilities</td>
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<td>Restaurant</td>
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<td>E-tailing</td>
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<td>Travel</td>
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Q: To what purpose do you use your Digital Wallet? (N = 314)

Source: RedSeer Research, 2017
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Thank You!

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