

Billionbrains Garage Ventures Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
4 November 2025	7 November 2025	₹95 to ₹100	Neutral

Investment Summary

Billionbrains Garage Ventures Ltd (Groww) stands out as India's leading digital investment platform, leveraging a strong brand presence and deep market penetration to drive scalable growth. The company's user-centric model, supported by an intuitive design and seamless technology infrastructure, enables consistent customer engagement and retention. Notably, Groww's in-house technology stack provides significant competitive advantage through faster innovation cycles, reduced operating costs, and enhanced system reliability, capable of supporting millions of users concurrently. This technology-led efficiency has allowed the company to maintain one of the lowest costs to serve in the industry, improving profitability metrics over time. With a diversified product portfolio spanning equities, mutual funds, and fixed-income instruments, Groww is well-positioned to capture India's accelerating retail investing trend. The firm's strong execution, agile organizational structure, and high employee ownership further strengthen its long-term growth visibility and operational resilience.

Company Overview

Billionbrains Garage Ventures Limited, operating under the brand name "Groww," is a direct-to-customer digital investment platform providing wealth creation opportunities through diverse financial products and services. The company was originally incorporated in January 2018 and converted into a public limited company in April 2025. Its promoters include Lalit Keshre, Harsh Jain, Ishan Bansal, and Neeraj Singh. Groww's offerings span investing and trading in stocks, mutual funds, derivatives, and bonds, and also include access to personal loans and a margin trading facility. The platform relies on a customer-friendly design and an in-house, asset-light technology stack to deliver a seamless investing experience that prioritizes speed and stability. The company intends to venture into wealth management through a new brand called 'W by Groww' which was launched in August 2025. As of June 30, 2025, the company was recognized as India's largest and fastest-growing investment platform by active users on NSE. This comprehensive digital approach has allowed Groww to reach customers across 98.36% of pin-codes in India.

Business Model

Billionbrains Garage Ventures Limited, operating under the brand name "Groww," is a direct-to-customer digital investment platform dedicated to providing wealth creation opportunities through a variety of financial products and services. The fundamental principles driving the company's business model are being customer-first, technology-led, and asset-light. Groww aims to deliver a seamless investing experience characterized by transparency, simplicity, and speed. The company has successfully become India's largest and fastest-growing investment platform by active users on NSE as of June 30, 2025, reaching customers in 98.36% of pin-codes across India. This extensive reach is supported by strong brand recognition and organic customer acquisition; for instance, 83.16% of new customers were acquired organically in the three months ended June 30, 2025, which contributes to maintaining a low cost of growth.

The platform offers a comprehensive suite of financial products, including avenues to invest and trade in stocks (including via IPOs), derivatives, bonds, and mutual funds. Groww employs a "pull-based" strategy, observing that customers generally initiate their journey by investing in a single product (typically Stocks or Mutual Funds) and subsequently adopt multiple offerings over time. This ecosystem is managed through several key subsidiaries: Groww Invest Tech Private Limited (GIT), a Material Subsidiary, provides stock broking services and funds the Margin Trading Facility (MTF), allowing customers to use a loan to purchase securities. Another Material Subsidiary, Groww Creditserv Technology Private Limited (GCS), holds an RBI-licensed NBFC status (NBFC-ML), through which the company offers on-balance sheet unsecured personal loans and new credit products like Loans Against Securities (LAS). Furthermore, Groww has expanded its offerings into wealth management targeting Affluent Users with the launch of 'W by Groww' in June 2025.

Groww generates revenue through a combination of two primary streams: Fees and Commission Income and Interest Income. Fees and commissions are largely derived from transaction-based activities in Broking Services (Stocks and Derivatives), depository charges, and distribution activities for third-party products like credit offerings, where revenue

consists of a share of processing fees and net interest income. Interest income is earned on loans disbursed through the MTF business, personal loans underwritten by the NBFC subsidiary (GCS), and from fixed deposits earmarked with stock exchanges. Revenue also includes management fees generated by Groww Asset Management Limited (Groww AMC), which started operating its AMC business in May 2023. The company's reliance on its proprietary, in-house technology stack provides significant operating leverage at scale, meaning revenue can increase efficiently without a proportional rise in fixed costs. This efficiency is highlighted by the Adjusted Cost to Operate declining as a percentage of Revenue from operations, falling from 26.32% in Fiscal 2023 to 13.77% in Fiscal 2025.

Industry Outlook

The outlook for India's Investment and Wealth Management industry is exceptionally strong, with the Total Addressable Market (TAM) valued at approximately ₹1.1 trillion as of March 2025. This market is forecast to grow at a robust Compound Annual Growth Rate (CAGR) of 15–17%, potentially reaching ₹2.2–₹2.6 trillion by March 2030. Growth is driven primarily by higher investor participation, growing disposable incomes, and the shift towards financial assets. Furthermore, the rise of digital-first platforms democratizes access, streamlining investment processes with enhanced transparency and user experience. Despite this rapid expansion, market penetration remains low, with only 16–18% of the adult population having opened a demat account, signaling massive future growth opportunities. This potential is supported by India's favorable demographic dividend and advancing digital infrastructure, such as UPI and e-KYC.

Investment Rationale

1. "Groww" is a well-known and preferred brand for investing across cities, towns and villages in India

Groww is recognized as a leading retail investing brand in India and registered the highest search interest among the top 10 brokers (based on NSE active clients) in Fiscal 2025. This strong brand recall results in organic customer acquisition, meaning customers join through word-of-mouth and referrals, keeping the cost of acquisition low. For instance, in the three months ended June 30, 2025, 83.16% of new customers were acquired organically. The platform has successfully expanded its reach across the country, serving Active Users in 98.36% of pin-codes in India as of June 30, 2025, with approximately 81% of Active Users located outside the top six major cities.

2. High customer retention, engagement and price in-elasticity

Groww focuses on developing long-term relationships with customers beyond single transactions by maintaining high engagement on the platform. The company provides consistent and relevant content, information, and customized updates through various features like personalized notifications and widgets. This strategy results in strong customer loyalty; for Active Users who completed three years on the platform, the average retention rate was 77.70%. Furthermore, retention rates during the critical first quarter following acquisition have remained high, ranging from 84.79% to 92.98% across cohorts starting from Fiscal 2022 until March 31, 2025.

3. Customer-friendly design for enhancing investing experience

The platform is intentionally designed to be aesthetically pleasing, uniform, and easy for all customers to use, providing transparency, simplicity, and speed within a single app. This approach caters simultaneously to beginners (through streamlined processes like SIP investment) and advanced traders (offering specialized tools). According to data aggregated by Appbot, "User Friendliness" was the most appreciated feature of the Groww app on Google Play reviews from Fiscal 2023 through the three months ended June 30, 2025. The company's design philosophy prioritizes "user delight" and avoids being "generic," using elements like color prompts to assist investors who may not fully rely on the English language interface.

4. In-house technology stack to deliver a differentiated experience at low cost

Groww develops the majority of its technology internally, which provides customized infrastructure, allowing for rapid reactions to customer demands and regulatory changes, sustaining quick product development, stability, and reliability. The robust system capacity enables handling roughly 50 million users simultaneously and executing approximately 50 million orders per day. This proprietary technology includes AI/ML for seamless onboarding, the in-house payment solution Groww UPI (GUPI) (which handles 77.84% of total deposit transactions as of Q1 FY2026), and a dedicated disaster recovery system called Groww Lite. This tech-first approach increases operating efficiencies, demonstrated by the "Cost

to Serve" (software/server costs and transaction charges) as a percentage of revenue, which declined from 15.85% in Fiscal 2023 to 14.80% in the three months ended June 30, 2025.

5. Entrepreneurial and ownership-driven culture

The organizational culture blends a clear vision from the Promoters with execution driven by an experienced team, fostering an entrepreneurial mindset where ownership is highly valued. The company operates using a flexible, cross-functional team structure (pod-based) that promotes fast decision-making and quick updates to products and services. This culture is supported by the Employee Stock Option Plan (ESOP), with 77.29% of employees in the Engineering, Product, Design, and Data (EPDD) and Corporate teams holding stock options as of June 30, 2025. Groww also emphasizes continuous learning and customer-centricity through initiatives like the financial literacy program "Ab India Karega Groww" (AIKG), which provides employees direct insights into customer needs and priorities.

6. Strong execution delivering growth and profitability

Groww's execution is founded on three core principles: being customer-first, technology-led, and asset-light. The technology-led model provides strong operating leverage, meaning revenue scales efficiently without a proportional increase in fixed costs. This efficiency is highlighted by the "Adjusted Cost to Operate" (largely fixed in nature) which decreased as a percentage of Revenue from operations, falling from 26.32% in Fiscal 2023 to 13.77% in Fiscal 2025. Additionally, maintaining an asset-light structure allows the company to convert profits into free cash, which can then be strategically reinvested to drive further business expansion or customer acquisition.

Key Risks

1. Heavy Reliance on Broking Services and Vulnerability to Regulatory Changes

The company derives a substantial portion of its operating income from Broking Services (Stocks and Derivatives), accounting for 84.50% of revenue in Fiscal 2025 and 79.49% in the three months ended June 30, 2025. This revenue stream is highly vulnerable to evolving laws, rules, and regulations imposed by regulators like SEBI, RBI, and stock exchanges. Recent regulatory changes, such as the new derivatives framework (increasing contract size) and the "Charges levied by Market Infrastructure Institutions – True to Label" circular, have already caused declines in Broking Transacting Users, Derivatives Active Users, and overall fees and commission income in the three months ended June 30, 2025. If the company fails to adapt to new or stricter regulations or if unfavorable interpretations of existing laws occur, it could materially harm its business and prospects.

2. Adverse Impact of Financial Market Downturns and Economic Conditions

The company's performance is inherently linked to the stability and health of the financial markets and overall investor sentiment in India and globally. Any prolonged slump or downturn in the Indian or global financial markets, driven by factors such as geopolitical instability, global recessions, or adverse policy changes (like a hawkish monetary policy by the United States), directly impacts trading volumes and investment patterns. For example, a market slowdown caused by macro and geo-political factors resulted in the company's New Transacting Users (NTUs) declining sharply, from 1.67 million in the three months ended June 30, 2024, to 0.76 million in the three months ended June 30, 2025. A failure to acquire or retain customers due to market volatility could materially and adversely affect revenue and results of operations.

3. Outstanding Litigation, Including Criminal and Tax Proceedings

The company, its subsidiaries, Promoters, and Directors are involved in various outstanding legal proceedings, including criminal matters, tax proceedings, and statutory or regulatory actions. As of the date of the Red Herring Prospectus, the aggregate ascertainable amount involved in tax proceedings against the Company and its subsidiaries amounts to approximately ₹1,391.41 million and ₹403.70 million, respectively. This litigation includes a criminal matter involving a subsidiary, Groww Invest Tech Private Limited, and all four Promoters/Directors. Unfavorable rulings or the levy of penalties in these proceedings could divert management time, consume substantial financial resources, and potentially have a material adverse effect on the business and reputation.

**4. Operational Risk from Technology Platform Failures and Cybersecurity Threats**

Uninterrupted access to the proprietary technology platform is essential for the business, and any system failures or interruptions could severely impact performance, reliability, and service availability. As a digital-first platform integrated with third-party vendors and market intermediaries, the business is highly exposed to cyber-attacks, data breaches, and system failures. The company has occasionally experienced technology anomalies, such as a firewall failure impacting order placements for roughly 10 minutes in August 2024, or a hardware failure causing order completion issues in September 2023. A failure to resolve such issues promptly, or a successful cyber-attack resulting in the theft of sensitive internal or customer data, could severely damage the company's reputation, brand, and financial condition.

5. Credit and Default Risks in the NBFC Lending Business

The subsidiary, Groww Creditserv Technology Private Limited (GCS), operates as an NBFC and provides on-balance sheet unsecured personal loans, meaning the company assumes the credit risk for customer defaults. Customers may fail to repay loans due to higher inflation, adverse economic environments, or personal factors, which could increase the Non-Performing Asset (NPA) ratio and lead to write-offs. The unsecured nature of this lending heightens asset quality concerns. While the company uses collections strategies, including legal proceedings (GCS has 57 outstanding criminal matters related to non-payment of dues), there is no guarantee that all outstanding amounts will be recovered. The planned utilization of ₹2,050.00 million from the offer proceeds to augment GCS's capital base highlights the strategic importance and inherent risk exposure of this lending segments.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	1142	2609	3902
EBITDA (₹ Cr)	518	(594)	2531
Adjusted Net Profit (₹ Cr)	458	(805)	1824
EBITDA Margin (%)	45.4	-	64.9
Adjusted PAT Margin (%)	40.1	-	46.7
Adjusted EPS (Basic) (₹)	0.8	-	3.0

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Billionbrains Garage Ventures Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	66,32,30,051 shares (aggregating up to ₹6,632.30 Cr) Fresh Issue - 10,60,00,000 shares (aggregating up to ₹1,060.00 Cr) Offer for Sale - 55,72,30,051 shares of ₹2 (aggregating up to ₹5,572.30 Cr)
Price Band	₹95 to ₹100 per share
Face Value	₹2 per share
Post-Issue Market Cap	₹61735.97 Cr. (Upper Band)
IPO Opening Date	November 4, 2025
IPO Closing Date	November 7, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	28%/18.5%
Book Running Lead Manager(s)	Kotak Mahindra Capital Co. Ltd.
Use of Proceeds	<ul style="list-style-type: none"> • Rs. 152.50 Cr - Expenditure towards cloud infrastructure • Rs. 225.00 Cr. - Brand building and performance marketing activities • Rs. 205.00 Cr. - Investment in one of the Material Subsidiaries, GCS, an NBFC, for augmenting its capital base • Rs. 167.50 Cr. - Investment in one of the Material Subsidiaries, GIT, for funding its MTF business • Funding inorganic growth through unidentified acquisitions and general corporate purposes

Valuation and Recommendation

At the upper price band of ₹100, Billionbrains is valued at **33.8x FY25 P/E** on a post-issue **market cap** of **₹61,735.97 crore**, based on EPS of ₹3.0. EBITDA margins have risen sharply, but the company is diversifying its product portfolio and entering new segments, which could pressure margins in the near term. The company is growing in double digit and the demand outlook is constructive, yet valuation appears stretched compared to its peers. We therefore assign a **Neutral** rating and will monitor post listing for sustained margin delivery, execution on diversification, and consistency in earnings growth.

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