

## Pine Labs Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
07 November 2025	11 November 2025	₹210 to ₹221	Neutral

### Investment Summary

Pine Labs Limited, a professionally managed FinTech infrastructure company, is raising ₹2,080 crore through a Fresh Issue as part of its IPO. The business operates at a scale, processing ~₹1,142 crore in Platform GTV across 5.68 billion transactions and delivering ₹2,274 crore in revenue in FY25. In India, it holds a leading position as the largest digital affordability solution enabler at checkout in FY25. While the company reported a net loss of ~₹145 crore in FY25, it generated Adjusted EBITDA of ~₹357 crore and posted a consolidated profit in the latest quarter. This combination of scale, leadership, and improving profitability supports operating leverage as transaction volumes continue to grow.

### Company Overview

Pine Labs is a technology company that digitizes commerce for merchants, brands, enterprises, and financial institutions. It runs two core platforms: the Digital Infrastructure and Transaction Platform for in-store and online payments, affordability, VAS, and processing; and the Issuing and Acquiring Platform for prepaid, issuing, and acquirer processing. The business operates in India and select international markets including Malaysia, the UAE, Singapore, Australia, the U.S., and Africa. The ecosystem includes 988,304 merchants, 716 brands and enterprises, and 177 financial institutions as of June 30, 2025. The company reports high reliability, with ~99.93% uptime for payments and ~99.99% for prepaid issuing over FY23–FY25. Revenue from operations was ₹2,274 crore in FY25, with ₹616 crore in Q1 FY26. Pine Labs is a leader in India in digital affordability at checkout and in closed and semi-closed loop gift card issuance by transaction value. It has expanded through product builds and acquisitions, enabling a broad suite of workflows such as payments acceptance, affordability tools, loyalty, analytics, issuing, and processing.

### Business Model

The company operates as a technology company focused on digitizing commerce for an entire ecosystem encompassing merchants, consumer brands and enterprises, and financial institutions. Its advanced technology infrastructure accelerates the digitization journey of its customers across India and international markets like Malaysia, the UAE, Singapore, Australia, the U.S., and Africa. The business model is segmented into two core platforms, both designed to facilitate transactions, increase customer engagement, and enable commerce: the Digital Infrastructure and Transaction Platform and the Issuing and Acquiring Platform.

The Digital Infrastructure and Transaction Platform forms the core merchant and consumer interface, primarily monetized through subscriptions and transaction-linked fees. This platform offers comprehensive solutions, including: (1) In-store and Online Infrastructure (via Digital Check-out Points or DCPs and payment gateways), allowing merchants to accept a wide range of payment methods such as cards, UPI, and digital wallets, often integrating with the merchant's billing software. (2) Affordability, Value-Added Services (VAS), and Transaction Processing, which connects merchants and major consumer brands with lenders (credit partners) to enable instant cashback and installment plans (EMIs) at the point of purchase, with the crucial detail that the company does not take any consumer credit risk. (3) FinTech Infrastructure (via Setu), providing API-enabled solutions for financial institutions related to payments, data, and insights, assisting with customer life cycle management (onboarding, underwriting, collections).

The Issuing and Acquiring Platform focuses on creating value and loyalty by managing payment instruments and financial services infrastructure. This platform includes: (1) Prepaid Solutions (Pine Labs Prepaid), enabling consumer brands and enterprises to issue, process, distribute, and manage digital and physical prepaid cards for use cases like gifting, loyalty programs, promotions, and corporate incentives. (2) Full-Stack Issuing & Acquiring Technology (Credit+), which offers banks and FinTech companies API-first infrastructure to issue and process credit, debit, prepaid, and forex cards, along with providing merchant acquiring solutions. Revenue here is mainly earned through processing fees based on GTV processed or distributed, as well as interest income on funds held for customers. This multi-faceted model allows the company to monetize transactions from multiple participants—merchants, acquiring banks, credit partners, and consumer brands—creating a self-reinforcing network effect.

## Industry Outlook

The digital payments and commerce industry is poised for substantial growth, particularly in India, where the total market opportunity (Total Payment Value or TPV) is projected to more than double, growing from approximately ₹116.8 trillion (US\$3.0–3.3 trillion) by FY 2029. This massive expansion is anticipated to occur at a CAGR of 22–24%. Key growth drivers include favorable macroeconomic conditions (India's nominal GDP growing at 10% CAGR), increasing penetration of affordability solutions, and continued maturity of the digital payment ecosystem across in-store and online channels. Government-led initiatives like UPI, the Account Aggregator framework, and Bharat Connect are crucial, fostering innovation in FinTech infrastructure. Furthermore, the market remains underpenetrated in areas like credit cards (only ~0.8 cards per capita) and Digital Check-out Points (DCPs, used by only ~10% of merchants in FY 2025), signaling significant future digitization potential.

## Investment Rationale

### 1. Platform with proven scale and growth in operating profitability

Pine Labs demonstrates significant scale by processing ₹ 11,424.97 billion in Gross Transaction Value (GTV) and 5.68 billion transactions in Fiscal Year 2025. This scale translates into meaningful financial performance, evidenced by revenue from operations of ₹ 6,159.10 million and a consolidated profit of ₹ 47.86 million in the three months ended June 30, 2025. Furthermore, the company holds key market positions, including being the largest digital affordability solution enabler at Digital Checkout Points (DCPs) and the largest player in closed and semi-closed loop gift card issuances by transaction value in India in Fiscal Year 2025, which underscores its established market dominance and monetization capacity.

### 2. Ecosystem which brings together Merchants, Consumer Brands, and Financial Institutions enabling Commerce Transactions and creating Network Effects

The company has successfully constructed an ecosystem that unites disparate constituents—merchants, consumer brands/enterprises, financial institutions, and third-party software providers to create powerful self-reinforcing network effects. As of June 30, 2025, this ecosystem comprised 988,304 merchants, 716 consumer brands and enterprises, and 177 financial institutions. Every new participant increases the transaction volume and data generation, leading to enhanced solutions that, in turn, attract more partners. This integrated structure offers multiple monetization opportunities across different participants in the commerce cycle.

### 3. Deep Partnerships with Large Merchants, Consumer Brands, and Financial Institutions

Pine Labs leverages strong, entrenched partnerships, with relationships extending over 10 years with major partners, providing resilience and high customer retention. As of June 30, 2025, the company serves key industry verticals, including department stores, e-commerce, and restaurants, and collaborates closely with major institutions such as Croma and HDFC Bank. These deep engagements enable multi-product relationships, allowing Pine Labs to cross-sell its full suite of offerings, including affordability solutions, full-stack issuing capabilities, customer spend analytics, and loyalty programs.

### 4. Full Stack, Cloud-Based Flexible and Scalable Technology Platform

The platform's technological core is characterized by a cloud-native infrastructure designed for high availability and elastic scalability, crucial for reliably handling massive transaction volumes. It features an API-first design, which promotes plug-and-play integration and ease of customization for partners. The modular architecture allows for the agile deployment of new features while ensuring stability. This robustness is validated by consistently high performance, achieving a near-constant 99.93% uptime for in-store and online payments and 99.99% for prepaid issuing over the last three fiscal years (FY23–FY25).

### 5. Ability to Consistently Innovate New Solutions and Features

Innovation is driven by a combination of a deep understanding of ecosystem needs and a dedicated technology stack. The company has successfully launched a wide range of commerce solutions, complementing organic development (like launching the proprietary online payments offering in October 2021) with opportunistic inorganic acquisitions (such as Qwikilver, Mosambee, Qfix, Setu, and Credit+). This focus on development is structural, aimed at creating additional



omnichannel payment solutions, enhanced analytics, and FinTech infrastructure like UPI switches, ensuring the platform remains competitive in a dynamic industry.

## **6. Experienced, Professional Management Team with Entrepreneurial Leadership**

The management team provides a critical competitive edge due to its significant expertise in developing technology solutions and scaling companies. Leadership members possess deep experience across multiple relevant industries, including FinTech, payments, financial services, technology, and e-commerce. The company has deliberately integrated world-class management teams through its acquisitions, fostering an entrepreneurial mindset that is viewed as essential for navigating complexity and scaling operations successfully across both domestic and international markets.

## **Key Risks**

### **1. Persistent Net Losses and Unsustainable Cost Structure**

Pine Labs has struggled to achieve sustained profitability, recording consolidated net losses in Fiscal Years 2023, 2024, and 2025. This includes a significant loss of ₹ 1,454.87 million in Fiscal Year 2025, primarily driven by total expenses exceeding total income by 104.29%. Although the company earned a small profit in Q1 FY26, there is no assurance that it will maintain profitability in the future. As Pine Labs continues to invest heavily in expanding its operations, technology, and pursuing strategic acquisitions, these efforts may require more capital than anticipated and may fail to generate sufficient revenue, potentially forcing the company to incur continuous losses, which would materially and adversely affect the value of the investment.

### **2. High Revenue Concentration Risk Among Key Customers**

The company's revenue stream is vulnerable due to a high dependence on a small number of clients. The top 10 customers collectively accounted for 30.95% of the revenue from operations in Fiscal Year 2025. Since agreements with these customers are generally non-exclusive and some contracts allow for termination on short notice (between 15 days and three months), any decision by these entities to reduce or terminate their business engagement could significantly impact Pine Labs' financial condition and operating results. There is no assurance that Pine Labs will be able to maintain historic levels of business with these concentrated clients.

### **3. Historical Negative Cash Flows from Operating Activities**

Pine Labs has experienced periods of negative net cash flows from operating activities in the recent past, including Fiscal Years 2023 and 2024, and the three-month period ended June 30, 2025. The net cash used in operating activities reached ₹ 2,811.93 million in the most recent reported period (Q1 FY26). These negative flows are primarily driven by adverse working capital changes. If the company continues to generate significant negative cash flows over extended periods, it could severely compromise its ability to operate the business, fund expansion plans, and secure necessary financing in the future.

### **4. Extensive Regulatory Oversight by RBI and ReBIT**

The company's operations are exposed to high regulatory risk due to continuous oversight and inspection by the Reserve Bank of India (RBI) and the Reserve Bank Information Technology Private Limited (ReBIT). Failure to comply with evolving regulations, such as the Payment and Settlement Systems Act, 2007, or rules regarding KYC, AML, and prepaid instruments (PPIs), can result in severe consequences. Penalties can include substantial fines, administrative actions, and even the revocation of licenses or authorization. Regulatory changes require continuous, costly investments in technology and operational infrastructure, potentially affecting the company's ability to innovate and expand efficiently.

### **5. Material Weaknesses in Internal Financial Controls**

The auditor reports for Fiscal Years 2025, 2024, and 2023 contain remarks and modifications, including adverse opinions, indicating fundamental weaknesses in financial governance. Specifically, the auditors identified material weaknesses in the General IT Control Environment (GITC) of certain subsidiaries related to critical areas like user access, program development, and change management procedures. A material weakness raises a reasonable possibility that a material misstatement in the annual or interim financial statements could occur and not be prevented or detected on a timely basis, which could harm the company's reputation and reporting integrity.

**Financial Snapshot**

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	1598	1770	2274
EBITDA (₹ Cr)	197	158	357
Adjusted Net Profit (₹ Cr)	(265)	(342)	(145)
Reported Net Profit (₹ Cr)	-	-	-
EBITDA Margin (%)	12.3	8.9	15.7
Adjusted PAT Margin (%)	-	-	-
Adjusted EPS (Basic) (₹)	-	-	-

**Segment – Wise Revenue Mix**

Particulars	FY23		FY24		FY25	
	Rs. Cr	% of revenue	Rs. Cr	% of revenue	Rs. Cr	% of revenue
Digital Infrastructure and Transaction Platform	1152	72	1276	72	1603	70
Issuing and Acquiring Platform	445	28	493	28	671	30
<b>Total</b>	<b>1598</b>	<b>100</b>	<b>1770</b>	<b>100</b>	<b>2274</b>	<b>100</b>

**Platform Gross Transaction Value Mix**

Particulars	FY23		FY24		FY25	
	Rs. Cr	as a% of Total Platform GTV	Rs. Cr	as a% of Total Platform GTV	Rs. Cr	as a% of Total Platform GTV
Digital Infrastructure and Transaction Platform	406	92.4	570	93.8	1091	95.5
Issuing and Acquiring Platform	33	7.6	38	6.2	52	4.5
<b>Total Platform GTV</b>	<b>439</b>	<b>100</b>	<b>608</b>	<b>100</b>	<b>1143</b>	<b>100</b>

## IPO Details and Use of Proceeds

Parameter	Details
<b>Issuer</b>	Pine Labs Ltd Ltd.
<b>IPO Structure</b>	Fresh Capital-cum-Offer for Sale
<b>Issue Size</b>	17,64,66,426 shares (aggregating up to ₹3,899.91 Cr) Fresh Issue : 9,41,17,647 shares (aggregating up to ₹2,080.00 Cr) Offer for sale : 8,23,48,779 shares of ₹1 (aggregating up to ₹1,819.91 Cr)
<b>Price Band</b>	₹210 to ₹221 per share
<b>Face Value</b>	₹1 per share
<b>Post-Issue Market Cap</b>	Rs. 25376 Cr. (Upper Band)
<b>IPO Opening Date</b>	November 7, 2025
<b>IPO Closing Date</b>	November 11, 2025
<b>Listing</b>	BSE & NSE
<b>Book Running Lead Manager(s)</b>	Axis Capital Ltd
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>Rs. 532 Cr. - Repayment / prepayment, in full or in part, of certain borrowings availed of by our Company and certain of our Subsidiaries.</li> <li>Rs. 60 Cr. - Investment in certain of our Subsidiaries, namely Qwikilver Singapore, Pine Payment Solutions, Malaysia and Pine Labs UAE for expanding our presence outside India.</li> <li>Rs. 760 Cr. - Investment in IT assets, expenditure towards cloud infrastructure, technology development initiatives and procurement of DCPs.</li> <li>General corporate purposes and unidentified inorganic acquisitions</li> </ul>

## Valuation and Recommendation

At the upper price band of ₹221, Pine Labs is valued at **56.5x EV/EBITDA** and **8.9x EV/Sales**, implying a **post-issue market cap** of **₹25,376.65 crore**. The company reported a PAT-positive Q1 FY26, driven by a one-off tax credit adjustment, and delivered robust EBITDA growth. While the operating momentum is encouraging, we need to see if these margin levels are sustainable over the coming quarters. On relative metrics, the valuation appears stretched versus peers. Hence, we give a **Neutral** Rating and we shall monitor post listing for underlying earnings traction, consistency in margin delivery, and the quality of growth.

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