

Meesho Ltd. - IPO Investment Note

Issue Open	Issue Close	Price Band (₹)	Rating
3 December 2025	5 December 2025	₹105 to ₹111	SUBSCRIBE

Investment Summary

Meesho stands as India's top e-commerce platform in terms of annual transacting users and order volumes, providing unique exposure to the value-focused segment of Indian retail. The core investment thesis is built on its powerful, self-sustaining flywheels that effectively integrate consumers, sellers, logistics providers, and content creators to drive network effects. Critically, the company structurally delivers affordability the key driver of mass market penetration by adopting a zero-commission model for its fragmented merchant base. This low-cost structure, combined with continuously optimized, technology-first operations, maintains efficient fulfillment and generates a strong barrier to entry. The platform relies on advanced artificial intelligence and machine learning (AI/ML) algorithms to ensure a hyper-personalized, discovery-led shopping experience for consumers while driving operational scalability. This robust, asset-light architecture positions the platform for continued dominant growth in the fast-expanding Indian market.

Company Overview

Meesho is a leading online shopping platform helping more people to buy and sell products throughout India. The company operates its value-focused marketplace, "Meesho," by driving interactions among four key stakeholders: consumers, sellers, logistics partners, and content creators. The platform prioritizes delivering 'Everyday Low Prices'. This affordability is structurally achieved through a zero-commission model for sellers and technology-first operations that enable low-cost order fulfillment. Meesho is founded by Vidit Aatrey and Sanjeev Kumar who uses advanced AI/ML algorithms to deliver a discovery-led shopping experience. Originally incorporated in Bengaluru on August 13, 2015, Meesho maintains its registered and corporate office in Bengaluru, Karnataka.

Business Model

The business model is built on an asset-light pure-play marketplace architecture, designed for scale and capital efficiency across the vast Indian market. The company intentionally avoids owning core assets like inventory, logistics infrastructure, or manufacturing capabilities, enabling growth without proportionate increases in fixed costs. This strategy fundamentally reduces operating expenses, allowing the platform to sustain its focus on affordability by lowering the overall cost barrier for its large and fragmented seller base, which includes manufacturers and wholesalers. Furthermore, the platform maintains a neutral stance by not engaging in private label products, fostering trust and giving an equal level field for all the sellers.

Meesho runs efficiently by using advanced technology and AI/ML. It analyzes data from consumers, sellers, logistics partners, and content creators to improve the platform, making each part stronger and driving more growth over time. These specialized algorithms optimize various critical processes, such as providing data insights to sellers on pricing and top-performing products. Logistics operations leverage Valmo, a proprietary technology platform that efficiently executes a multi-stage fulfillment network using multiple third-party partners, resulting in cost-efficient and dynamic delivery solutions.

Meesho earns mainly by providing value-added services to sellers instead of charging commissions, which helps keep merchant costs low. These services bring in revenue through fees for order fulfillment, digital advertising placements, and the use of Meesho's proprietary data insights. In addition, the company is pursuing strategic growth through its "Horizon 2 Initiatives," which aim to increase platform stickiness and widen its total addressable market. These initiatives include pilot projects such as a financial services platform offered through regulated partners and the development of a low-cost local logistics network for daily essential goods.

Industry Outlook

The Indian retail market presents substantial long-term growth potential, projected to expand from approximately ₹83 trillion in Fiscal 2025 to ₹123–135 trillion by FY2030. This significant acceleration is primarily supported by the nation's favorable macroeconomic factors, including a growing middle class, rising urbanization, and increasing consumption uptake, particularly within tier 2+ cities. E-commerce is the fastest-growing retail format, expected to expand at a 20–25% CAGR over the next five years, reaching a projected market size of ₹15–18 trillion by FY2030. Critically, new online shoppers are anticipated primarily from tier 2+ cities, which are projected to constitute 51–52% of India's e-commerce market value by that time. Supply fragmentation is expected to persist, with regional brands and unbranded products forecast to drive over 70% of total retail spending through 2030. Consequently, the value focused e-commerce model is uniquely positioned to spearhead userbase expansion and capture market share by aggregating this diverse supply. This sectoral growth is expected to be led primarily by non-electronics categories, further augmented by the content commerce segment, which projects an accelerating CAGR of 30–40% between Fiscal 2025 and Fiscal 2030.

Investment Rationale

Our platform is built on multiple-scale self-reinforcing flywheels

The platform works by connecting four main groups: consumers, sellers, logistics partners, and content creators. This creates a Commerce flywheel where more consumers attract more sellers, which improves product selection and prices, bringing in even more consumers. There is also a Logistics flywheel where higher order volumes increase delivery density, allowing logistics partners to operate more efficiently and lower their costs. These savings reduce the fees sellers pay, keeping the platform affordable and competitive. Together, these flywheels generate large amounts of data on user and seller behavior. Meesho uses this data to improve decision-making models, strengthening its network effects and making it difficult for new competitors to enter the market.

Our technology-first approach with focus on AI driven solutions

The company employs a deep technology mindset, prioritizing AI-driven solutions over manual interventions for problem-solving across the platform. The technology team is significant, encompassing 1,182 full-time employees, including 163 in the machine learning (ML) and AI teams, as of September 30, 2025. This technological foundation powers essential features like hyper-personalized product recommendations for consumers, optimizes logistics coordination, and is built to be simple and intuitive, supporting multiple Indian languages and multi-modal search (text, image, or voice). The proprietary ML platform, "BharatMLStack," processes trillions of data signals daily to refine real-time predictions, ensuring scalability, efficiency, and continuous technological advancement.

Trusted layer among our stakeholders

The company focuses heavily on building trust, particularly for products spanning regional and unbranded categories. This trust is supported by powerful consumer signals, including over 1.29 billion consumer ratings, 399 million reviews, and 86 million consumer-generated images and videos as of September 30, 2025. The platform reinforces buyer confidence through a consumer-friendly return policy of up to seven days, with refunds often processed quickly (e.g., an average of 1 hour 14 minutes from pickup in Fiscal 2025). Furthermore, data-driven checks minimize instances of brand infringement, resulting in the deactivation of millions of counterfeit and infringing product listings (e.g., 11.79 million deactivated in the six months ended September 30, 2025).

Ability to scale in a capital efficient manner

The company utilizes an asset-light business model, deliberately avoiding the ownership of physical assets such as product inventory, warehousing infrastructure, or captive logistics assets. This approach contrasts sharply with inventory-led models, enabling highly capital-efficient growth and delivering higher returns on capital. This efficiency is demonstrated by substantial growth in core metrics (Annual Transacting Users grew from 136.40 million in Fiscal 2023 to 198.77 million in Fiscal 2025) while critical fixed costs, such as advertising and server expenses, have declined as a percentage of Net Merchandise Value (NMV) over time.



Key Risks

Significant Tax Liability

The recent strategic reorganization in Fiscal 2025 has created a substantial and immediate financial exposure. This restructuring resulted in a significant one-time current tax expense provision for the year, specifically the Tax payable on account of business combination, amounting to ₹24,868.42 million. While the core restructuring is complete, administrative procedures, such as applying for necessary new licenses and novating key contracts, remain pending. Failure to effectively manage the complexities and costs associated with this reorganization could adversely affect the business operations, financial condition, and compliance obligations going forward.

High Operational and Financial Risks from Cash on Delivery

A significant portion of transactions rely on cash on delivery, accounting for 72.00% of Shipped Orders in the six-month period ended September 30, 2025. This high reliance inherently reduces the rate of successful final deliveries and increases operational and logistical inefficiencies. Furthermore, cod exposes the company to risks associated with physical cash handling by its third-party logistics partners, particularly those operating through the Valmo platform, who may lack sophisticated operational processes or sufficient working capital, potentially leading to delayed or incomplete cash remittances.

Exposure to Material Contingent Liabilities and Tax Disputes

The company is currently exposed to material contingent liabilities stemming largely from regulatory and tax disputes, which could materialize and adversely affect cash flows. The most notable of these is an Income Tax dispute demand amounting to ₹5,720.69 million as of September 30, 2025, related to disputed allowances and additions made to the taxable income for assessment year 2022–2023. An adverse outcome in this or other proceedings, such as those initiated by the Central Consumer Protection Authority (CCPA) regarding the promotion of spurious goods, could necessitate substantial unplanned payments and inflict serious reputational harm.

Cybersecurity Vulnerability and Regulatory Exposure to Data Privacy Laws

The technology-intensive platform is consistently vulnerable to cybersecurity threats, including distributed denial-of-service (DDoS) attacks and credential stuffing. The business relies on collecting, storing, and processing sensitive personal, transactional, and financial data from its four key stakeholder groups. Any successful cyberattack or data breach could lead to severe reputational damage, financial loss, and stakeholder distrust. Furthermore, non-compliance with India's evolving data protection laws, such as the Digital Personal Data Protection (DPDP) Act, exposes the company to significant risks of government investigation, penalties, and enforcement actions.

Challenges in Maintaining Product Quality and Brand Integrity Across Fragmented Supply

The business model relies on a highly fragmented seller base, particularly offering regional and unbranded products, which makes consistency difficult to ensure. This structure poses significant challenges to quality control, delivery consistency, and regulatory adherence, potentially leading to high product return rates. The sale of counterfeit or defective products, even if unintentional by the seller, may be associated with the company's brand, eroding consumer trust and potentially triggering litigation or regulatory actions, such as the ongoing CCPA complaint regarding spurious and counterfeit goods.

Financial Snapshot

Metric	In (Cr)		
	FY23	FY24	FY25
Revenue (₹ Cr)	5735	7615	9390
EBITDA (₹ Cr)	-1804	-494	-579
Net Profit (₹ Cr)	-1672	-328	-3942
EBITDA Margin (%)	-31.45	-6.48	-6.17
PAT Margin (%)	-29.15	-4.31	-41.98
EPS (₹)	-4.04	-0.76	-9.54

IPO Details and Use of Proceeds

Parameter	Details
Issuer	Meesho Ltd.
IPO Structure	Fresh Capital-cum-Offer for Sale
Issue Size	Total Issue Size- 48,83,96,721 shares (aggregating up to ₹5,421.20 Cr) Fresh Issue - 38,28,82,882 shares (aggregating up to ₹4,250.00 Cr) Offer for Sale - 10,55,13,839 shares of ₹1 (aggregating up to ₹1,171.20 Cr)
Price Band	₹105 to ₹111 per share
Face Value	₹1 per share
Post-Issue Market Cap	₹50,096 Cr. (Upper Band)
IPO Opening Date	December 3, 2025
IPO Closing Date	December 5, 2025
Listing	BSE & NSE
Promoter Holding (Pre/Post)	18.51 %/ 14.6%
Book Running Lead Manager(s)	Kotak Mahindra Capital Co .Ltd.
Use of Proceeds	<ul style="list-style-type: none"> Rs. 1,390 Cr Investment for cloud infrastructure, in MTPL, our Subsidiary. Rs. 480 Cr - Payment of salaries of the existing and replacement hires for the Machine Learning and AI and technology teams for AI and technology development undertaken by MTPL, the Subsidiary. Rs.1,020 Cr – Investment in MTPL, our Subsidiary, for expenditure towards marketing and brand initiatives. General Corporate Purposes.

Valuation and Recommendation

Meesho Ltd operates a lean, asset-light e-commerce marketplace concentrated on low-priced, high-volume categories such as fashion, home & kitchen, beauty, and lifestyle. As a multi-sided digital platform, it facilitates India's e-commerce ecosystem by integrating four core participants consumers, sellers, logistics providers, and content creators. Its value proposition centers on affordability and a wide, unbranded product mix targeted primarily at Tier 2+ markets, complemented by a discovery-oriented shopping interface. The platform ranks among India's most downloaded shopping apps and contributes roughly 30% of the country's total e-commerce shipments.

From a valuation standpoint, on FY25 earnings, the company is aiming for a **Mcap to-Sales** multiple of about **5.33x**, translating into a post-issue market capitalization of nearly ₹50,096 crores indicating a premium pricing level. Although Meesho remains in a scale-up phase and reported a restated loss of ₹3,942 crores in FY25, improvement in adjusted EBITDA and positive free cash flow highlight ongoing operational tightening. With value-focused online retail set to expand further, the company's route to profitability depends on deeper cost efficiencies and disciplined marketing spend. Despite persistent competitive intensity and regulatory risks, Meesho's increasing scale and focus on execution support the potential for steady margin enhancement over time. Accordingly, we assign a **Subscribe (for listing gains)** rating until further due diligence.

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