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**Finantix, The Finance Society**  
**Global Business Operations**  
**Shri Ram College of Commerce**



# FINZETTE

Financial Gazette

## Inside this week's issue:

Prosus-BillDesk Acquisition

The acquisition is a 4.7 Billion US Dollar deal of BillDesk, an Indian payment gateway firm announced on the 31st of August.



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4th September 2021

## A Landmark Deal

Indian Payments Gateway firm, BillDesk, is set to be acquired by Prosus, under the ambit of its payment gateway called PayU. Prosus is the global investment arm of South African MNC Naspers, a leading player in the consumer internet sector. The all-cash deal, amounting to 4.7 Billion US Dollars will go down as the biggest consolidation in the Fintech sector, and the second-largest internet-based acquisition, after the 16 Billion Walmart-Flipkart deal.

The deal, expected to be closed by February 2022, is pending regulatory clearances from the Competition Commission of India and RBI.

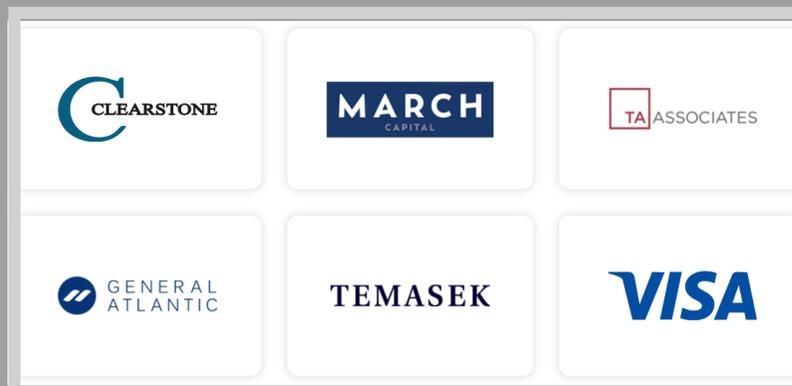
**Prosus** - Prosus N.V., or Prosus, is a Dutch company that is the international Internet assets division of South African multinational Naspers.

## What is BillDesk?

BillDesk, founded in 2000 at a time when the term “fintech” was not prominent, is one of the leading payment aggregators in India. It has the largest collection of business clients and accounts for about 50-60% of billing transactions in the Indian Industry.

It started with the idea of providing customers with an effortless experience of viewing and paying bills from the comfort of their homes and has now emerged as one of the largest bill payment ecosystems in the world.

## Backing BillDesk



## “ BIG BET BIG RETURNS

Group Chief Executive, Bob van Dijk realised if Prosus wanted to scale up in the fintech sphere, it was better to join forces and carry out an M&A.

Previous investments amounting to \$1.5 billion in payments and fintech was now worth three times, signaling a great organic growth, laying a credible base for going forward with this acquisition. ”

## Desi Connection

Prosus has consistently backed top-tier Indian startups like Swiggy, Byju's, PharmEasy, and UrbanCompany. Long-term partnerships with India since 2005 have led to a total investment of \$6 Billion in the Indian Tech sphere to date. The current deal will see this number shoot up to a mammoth \$10 billion.

Prosus' investment portfolio also includes prominent payments and fintech firms in India like Wibmo, Dot, Fisdom, Indiagold, LazyPay, Citrus, PaySense, and now BillDesk.

An investment of 1.5 billion USD growing threefold over the years paints a rosy picture about lofty returns possible in the Indian Fintech space. This particular case provides a credible base for later-stage investors to generate hefty returns with the right investments.

## An Independent Status

Following this acquisition, the founders, MN Srinivasu, Ajay Kaushal, and Karthik Ganapathy, will continue under the new setup and enjoy a separate legal entity status with BillDesk. Since there was a lot of confusion in BillDesk on either coming up with an IPO or taking up the next stage of growth, this move itself solves all the confusion.



The intention is to stay and build the BillDesk platform, in order to scale up in a smooth and accelerated manner. The founders are looking at reinvesting the acquisition proceeds back into BillDesk to further promote this growth.

Prosus will provide BillDesk with necessary backing and strong business strategies, two pillars massively stressed upon as the most interesting aspects of the offer by the founders.

## Mammoth Annual Volumes

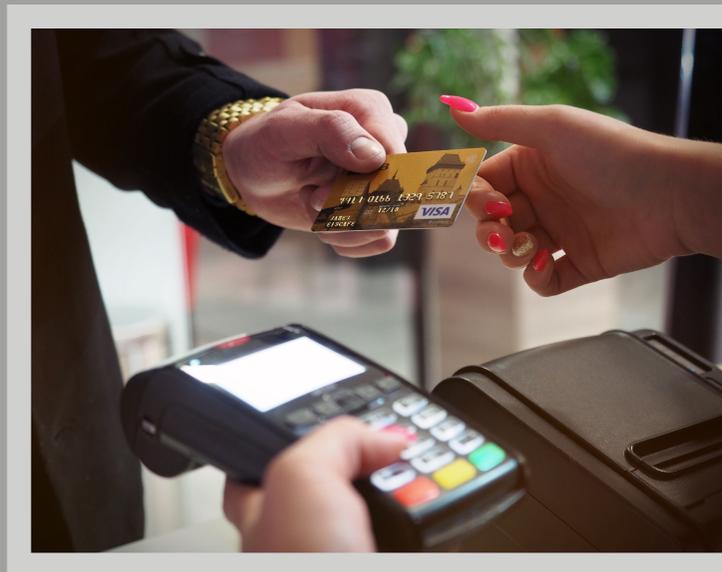
The combined entity is set to emerge as one of the top online payment providers, on a global as well as a local scale, with annual total payment volumes (TPV) well over \$147 billion.

To put that into perspective, the closest rivals in the Indian FinTech Payments sphere, RazorPay, and CCAvenue have annual TPVs of \$50 billion and \$18 billion respectively.

This move sheds light on the significant opportunity when it comes to digital payments in India propelled by innovation and recent regulations by the RBI.

Putting two teams together, leading to a larger ability to carry out operations will add to the multiplier effect and hence, will be relevant to assess the position of digital payments in India and how it plans to grow.

Putting it into perspective, the deal will create a platform for handling more than 4 billion transactions per year, roughly 4 times that of what PayU is currently achieving in India.



Being one of the few rare profitable internet companies in India, the biggest advantage of this combined platform is that the other competitors have still not figured out the right platform to be sustainable and generate profits. The deal will also enable the firms to meet changing payment needs for multiple stakeholders throughout the country.

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"This deal is an example of how our purpose and our business objectives work together, accelerating growth and increasing access to financial services."

- Laurent Le Moal,  
chief executive of  
PayU

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# Analysing The Situation

Essentially, this acquisition will provide PayU with crucial access to the large merchant database discussed above, which will further enable the firms to provide new offerings to the merged client base. The combined teams of both firms will cater to various segments ranging from SMEs to giant E-commerce players in the Indian market.

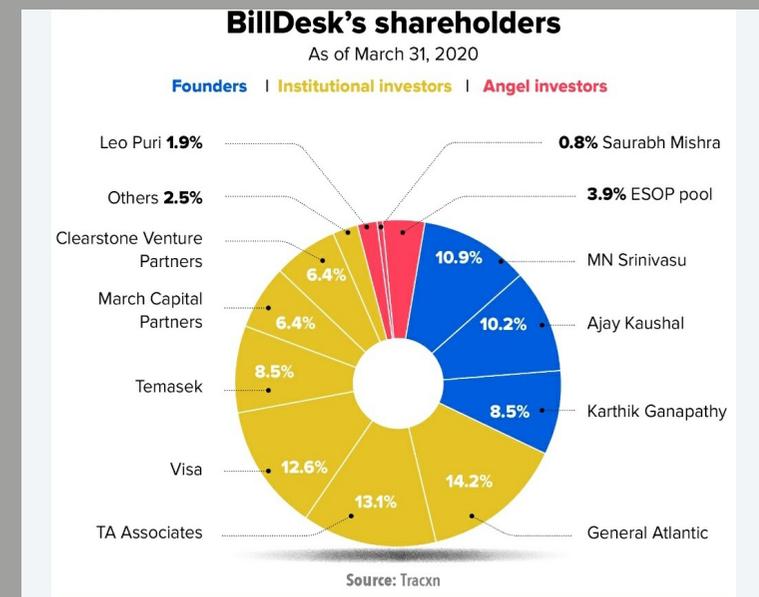
<b>PAYING TOP DOLLAR</b> Top M&A deals involving fintech start-ups	Target company	Sub-sector	Acquirer	Amount (\$ mn)	Month
	BillDesk	Payment Gateway	PayU	4,700	Aug '21
	Freecharge.in	Mobile Recharge & Discount Coupons	Snapdeal	400	Apr '15
	Citrus Payment Solutions	Payment Gateway	PayU	130	Sep '16
	ItzCash	Prepaid Card	Ebix	124	May '17
	QwikSilver	Gift Cards	Pine Labs	110	Mar '19

Note: Based on disclosed deals only  
Source: Venture Intelligence

The digital payments market amidst the pandemic in 2020, witnessed a total of 25.5 billion transactions and is growing day by day owing to an increased preference for contactless methods of transacting. A positive trajectory is expected for 2021 as well.

The price tag, more than 100 times that of BillDesk's earnings for March 2021, is justified given the rapid growth in its market. Being the market leader, its current profit margin and potential for the combined entity entering new avenues within the existing market make for an interesting prospect given the attractiveness of the Indian digital payment market.

The acquisition will also serve as an exit route for the investors, by providing liquidity. The company had earlier been evaluating the process of going for an IPO to achieve the same but with the current deal, the burden of this responsibility has been shifted off the founders.



All in all, this acquisition will stimulate both innovation and competition within India's digital payments industry, which will not only help strengthen India's digital economy but also bring newer financial services to the public while working in cohesion with the Governments vision of a "Digital India".