

# Equity Research | CRUNCHFISH: Outlook is brightening up following UPI Lite X update

**While the numbers for Q3'23 came in as expected, the key takeaways from the report conference call painted a brighter picture. Following the recent release of UPI Lite X, that initially raised some questions about Crunchfish's position, we now find some clear opportunities for Crunchfish in the expansive Indian market. With the raise of SEK 51.2m earlier in Q4, Crunchfish is now poised to scale up its collaboration with IDFC Bank, while continuing to engage with other banks and payment service providers. We keep our fair value intact of SEK 15-17 per share.**

## **Q3 figures in line with our expectations**

Q3'23 sales came in at SEK 0.2m, and total OPEX was SEK 11.7m. With own work capitalized at SEK 4m, the operating loss amounted to SEK 7m. In early November, Crunchfish announced the outcome of its rights issue. It was subscribed to 60% and injected SEK 35.5m after issue-related costs and netting of a loan. While at a large discount, and guarantors accounting for 45.4% of the money, the financing is now in place, extending the runway by at least 12 months. The implementation of Crunchfish's Digital Cash Telecom into IDFC FIRST Bank's digital rupee app has now been completed, and the bank is now waiting for approval for its setup from the Reserve Bank of India before release.

## **More clarity on the market outlook in India**

Our key takeaways from the Q3 conference call were the new details with regards to UPI Lite X. UPI Lite X, announced by NPCI in September 2023, enables transactions in proximity without any network connection, is similar to Crunchfish Digital Cash. However, whereas NPCI provides the switching part of the solution, the banks will develop their own implementations of UPI Lite X according to NPCI's specifications. Crunchfish sees opportunities to supplement and enhance these bank implementations with its Digital Cash solutions, providing a higher degree of offline wallet security and more offline payment use cases. By making Digital Cash compatible with UPI Lite X the vast opportunities for Crunchfish in the Indian market are now taking shape again.

## **Maintain our fair value while awaiting further details**

The third quarter sales contained revenues from the commercial agreement with IDFC FIRST Bank. The agreement initially covers a first, small batch of users over 2 years. Which if we assume 100% of Q3-sales came from Digital Cash, translates to a total value of SEK 1.6. Should IDFC FIRST Bank choose to add the additional batches of users covered by the agreement, this deal alone has the potential to exceed the company's annual cost base 2024, which we estimate to SEK 40m. With the new information regarding UPI Lite X and a bit more clarity on Crunchfish's role in the future of Indian real-time payments, the outlook is much brighter now than at the time of our last update. The company still has ongoing dialogue with the largest private bank in India, HDFC Bank, and with the recognition and support from IDFC FIRST Bank, we are more optimistic about the



future. However, there are still many unknown factors that lower visibility for investors. As we still await more clarity about how the integration work with UPI Lite X will unfold, along with IDFC FIRST Banks' digital rupee approval, and further details about the HDFC Bank negotiations, we leave our fair value range of SEK 15 – 17 per share intact.

Read the full report here [https://www.emergers.se/crunchfish\\_L/](https://www.emergers.se/crunchfish_L/)

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