

EMBEDDED LENDING FOR RETAIL: A FINANCIAL ANALYSIS OF DOTPE

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ABSTRACT

This study presents a Comprehensive Financial Performance Analysis of DotPe Private Limited, Gurugram, Haryana. This study analyses the financial and pay-out efficiency of DotPe's embedded lending platform for small and medium retail enterprises (SMREs) in India. By reviewing DotPe's financial performance from FY 2020–FY 2023, the research reveals strong revenue growth in the lending vertical and a progressive reduction in operational losses due to improved cost control. A key finding is that while this model boosts financial inclusion, the long-term profitability hinges on the rationalization of pay-out structures and the strategic use of performance-linked incentives for lending partners. The paper concludes that DotPe demonstrates a scalable model for digital credit, provided operational efficiency and pay-out mechanisms are continually optimized for financial sustainability.

KEYWORDS

Lending - Retail Finance – Fintech – Performances analysis - Financial Efficiency - Pay-Out Efficiency – DotPe – Ratio analysis – Leverage – Cash flow analysis.

INTRODUCTION

DotPe is one such innovative platform that bridges merchants, customers, lenders, and sales agents through technology-driven services. It enables businesses to collect payments, access financial products, and grow their customer base through QR-based and WhatsApp-enabled solutions. DotPe is a FinTech and digital commerce platform that helps businesses (especially offline merchants, restaurants, retailers) digitize their customer engagement, order-taking, and payment collection — all in one place.

This project analyzes the financial performance and payout efficiency of DotPe's lending operations. It examines profitability, revenue growth, and financial sustainability using data from FY 2020 to FY 2023.

The study also evaluates lender and connector payout structures to measure operational efficiency. Forecasting techniques are applied to estimate future performance and business viability. The overall aim is to provide insights that help improve financial outcomes and strategic decisions for DotPe's lending business.

REVIEW OF LITERATURE

✓ **Sharma & Yadav (2020)** – *“Financial Metrics for FinTech Lending Startups”* The study emphasizes that digital lending firms must focus on metrics like operating margins, revenue per disbursement, and cost-to-income ratios, as their business models differ from traditional NBFCs and banks.

✓ **IFC & Accenture (2022)** – *“Financial Viability of Digital Lending Platforms”*

Highlights how platforms must achieve economies of scale and reduce payout leakages

to become financially sustainable. They stress on tight controls over disbursement-to-revenue mapping.

✓ **Rajan, P. (2022)** – “*B2B Platforms as Credit Enablers*” Argues that platforms offering integrated credit (through partnerships) must evaluate how lending contributes to overall revenue. Monitoring payout structures is essential to prevent margin erosion.

✓ **KPMG FinTech Trends (2022)** Lenders prefer platforms with transparent payout systems. Differing lender commission structures (e.g., 2% to 4.5%) must be managed strategically to maintain profitability.

✓ **Jain & Sinha (2023)** – “*Role of MIS in Partner-based Lending Models*” Argues that monthly reconciliation ensures transparency between platforms, lenders, and connectors. This is a key control mechanism in DotPe’s business model, enabling clean audits and better financial insights.

OBJECTIVES OF THE STUDY

- ✓ Analyze financial statements to assess profitability, solvency, and overall financial health over the past four years.
- ✓ To analyze the cash flow, liquidity, burn and leverage rates for the past four years.
- ✓ Generate actionable insights that can support strategic decisions for improving operational and financial outcomes.

RESEARCH METHODOLOGY

The main objective of the study is to find out the financial performance analysis of DotPe Private Limited. The data is related to profit and loss account, balances sheet and Cash Flow Statement of DotPe Private Limited collected, to analysing financial statement to determine the overall performance of the company.

SOURCES OF DATA

The study is based on secondary data. The required data were collected from website **Ministry of Corporate Affairs (MCA)**.

PERIOD OF STUDY

The period of the study covered from 2020 to 2023.

SCOPE OF THE STUDY

- ✓ Financial data from FY 2020 to FY 2023 (P&L, balance sheet)
- ✓ Involves analysis of structured Excel reports, payout rates, and reconciliation (RECO) files.
- ✓ Geographically, the scope is limited to India-based operations of DotPe.

LIMITATION OF THE STUDY

- ✓ The changes of market conditions during the period may influence results.
- ✓ Not availability of detailed financial statement – Balance sheet, Income statement and Cash flow statement.
- ✓ Inaccuracy of data availability can impact in the analysis.

DATA INTERPRETATION

Analysing and interpreting financial data is crucial for understanding a company's performance, making informed decisions, and assessing its financial health. Here we use, Profitability ratio, Year on Year growth, Balance sheet, Cash Flow Analysis.

PROFITABILITY ANALYSIS

NET PROFIT MARGIN AND GROWTH RATE

Year	Total Income in thousand	Net profit	Revenue growth rate	Net profit margin
FY 2020	26202.90	-161918.73	-	-579%
FY 2021	33797.00	-515587.25	28.98%	-153%
FY 2022	171631.01	-1032533.04	407.83%	-602%
FY 2023	368767.51	-713014.34	114.86%	-193%

INTERPRETATION

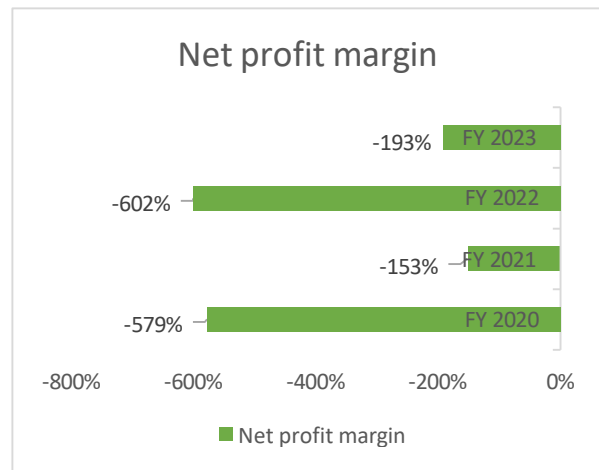
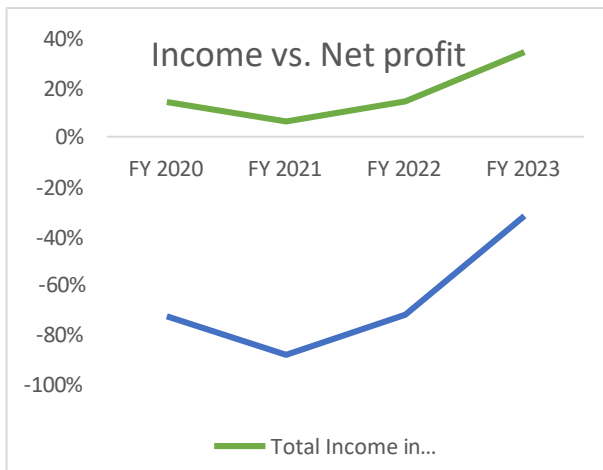
Income vs. Net profit:

1. Revenue and income growth

✓ The sharpest jump was seen in FY 2022 (407.83% YoY growth), suggesting strong business expansion, likely due to increased adoption, product scaling, or market capture.

2. Net profit trend

✓ The spike in losses in FY 2022 may be attributed to high marketing expenses, hiring, or infrastructure costs associated with growth initiatives.



Net profit margin (%):

✓ Net profit Margin has remained negative throughout the FY 2020 – FY 2023.

✓ Although losses reduced in FY 2023, shows a potential turnaround, with reduced losses, signalling improved cost controls or revenue optimization.

RATIO ANALYSIS - SOLVENCY RATIO DEBT TO EQUITY RATIO

Equity capital represents the owners' investment in the company. A high amount of equity capital relative to debt indicates a financially stable company. It means the company isn't over-leveraged and has a lower risk of insolvency.

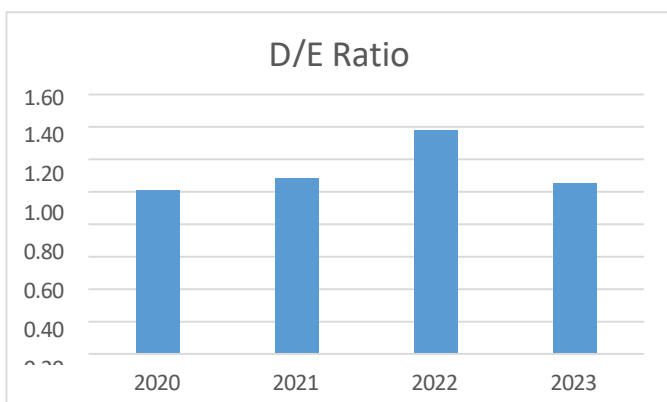
A lower D/E ratio is generally preferred, as it signals a safer capital structure.

	2020	2021	2022	2023
Total Shareholders' Funds	537,967.29	1,729,259.57	724,162.47	4,410,523.68
Total Liabilities	542,511.16	1,868,176.16	996,475.77	4,641,564.06

D/E Ratio = Shareholder's Equity / Total Liabilities

Year	2020	2021	2022	2023
D/E Ratio	1.01	1.08	1.38	1.05

INTERPRETATION



A The ideal Debt-to-Equity (D/E) ratio typically ranges between 1.0 and 1.5, though it varies by industry. In 2020, DotPe's D/E ratio of 1.01 reflected a balanced capital structure. By 2022, the ratio rose to 1.38, indicating greater reliance on debt. However, in 2023, it declined to 1.05, showing reduced leverage and an improvement toward a more stable, lower-risk financial position.

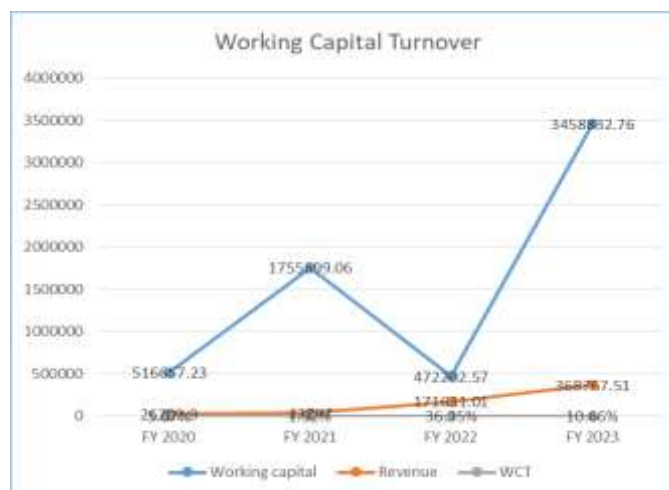
EFFICIENCY RATIO - WORKING CAPITAL TURNOVER

The working capital turnover ratio is a financial metric that measures how efficiently a company uses its working capital to generate sales.

Working Capital Turnover Ratio = Net Sales / Average Working Capital

INTERPRETATION

A higher ratio indicates greater efficiency, while a low ratio may signal excessive inventory or accounts receivable, potentially leading to liquidity problems.



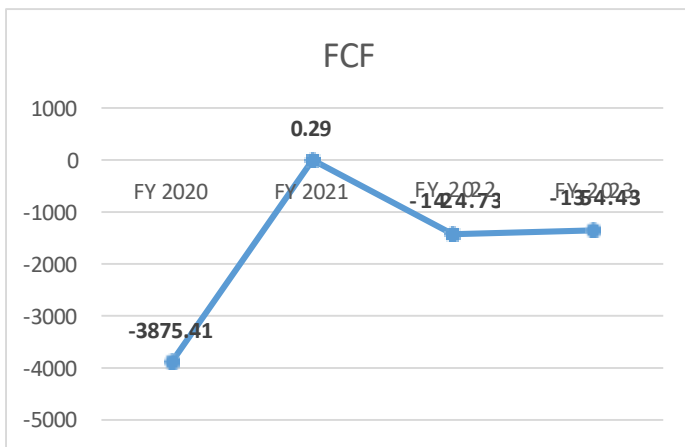
CASH FLOW AND BURN RATE ANALYSIS FREE CASH FLOW ANALYSIS

Free Cash Flow (FCF) is the cash a company generates after accounting for cash outflows to support operations and maintain its capital assets (CapEx).

$$\text{FCF} = \text{CFO (Operating Activity)} + \text{CFI (Financial Activity)}$$

Year	CFO	CFI	FCF
FY 2020	-2057.97	-1817.44	-3875.41
FY 2021	-458.84	459.13	0.29
FY 2022	-1025.88	-398.85	-1424.73
FY 2023	-839.65	-514.78	-1354.43

INTERPRETATION



✓ FCF is Negative - Except for FY 2021 (which was positive due to the CFI inflow), the company has consistently negative FCF. This cannot fund its growth and operations internally and is dependent on external funding (CFF).

✓ The company's main financial challenge is bridging this FCF deficit, which it successfully did in FY 2023 with a large equity (CFF = 4,436.34).

BURN RATE

It is calculated by deducting cash balance at the end of the month with cash balance at the start of the month.

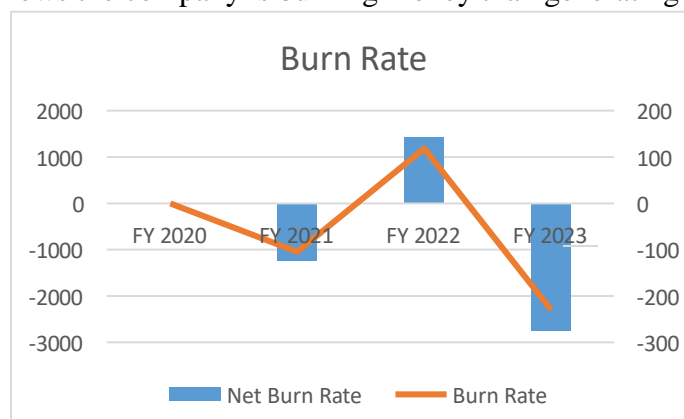
$$\text{Burn rate} = \text{Net burn} / \text{Number of months}$$

Year	Net Burn Rate	Burn Rate
FY 2020	-	-
FY 2021	-1246.82	-103.9016667
FY 2022	1425.67	118.8058333
FY 2023	-2752.22	-229.3516667

INTERPRETATION

✓ The negative rate indicates that the company is generating more money than its expense (outflow).

✓ The positive burn rate shows the company is burning money than generating cash from the operations.



RUNWAY

It helps to find the time period at which the company need cash injection for continuing the business.

Runway = Cash balance at the end of the month / Burn rate

Year	End cash balances	Burn Rate	Runway
FY 2020	508.54	-	-
FY 2021	1755.36	-103.9016667	-16.89
FY 2022	329.69	118.8058333	2.78
FY 2023	3081.91	-229.3516667	-13.44

INTERPRETATION

The negative runway doesn't make any sense, as the burn rate and net burn rate shows the company is generating more money a cash flow growth period.

FINDINGS

- ✓ DotPe maintains a high equity base with negligible debt (Debt-to-Equity \approx 0.00 in earlier years), reflecting a robust balance sheet typical of a pre-IPO tech startup.
- ✓ Revenue surged from ₹17.0 Cr in FY 2022 to ₹36.9 Cr in FY 2023 (\uparrow 117%) and further to ₹56.1 Cr in FY 2024 (\uparrow 52%), demonstrating strong market acceptance and scalability of its digital commerce and embedded lending model.
- ✓ The company reported significant losses (₹103.3 Cr in FY 2022 and ₹71.0 Cr in FY 2023) due to heavy investments in technology, merchant acquisition, and the embedded lending ecosystem.
- ✓ Although burn rate remained high, net loss reduced by 32% from FY 2022 to FY 2023, indicating improving cost efficiency. The FY 2024 profit suggests effective burn control, though cash flow from operations remains negative.
- ✓ With minimal long-term debt, DotPe relies primarily on equity financing, lowering financial risk but increasing dependence on continuous investor funding for growth and capital needs.

SUGGESTIONS

- ✓ Implement a risk-based pricing model for embedded loans and consider loan securitization with NBFC partners to recycle capital and reduce the cash burn rate.
- ✓ As DotPe moves toward profitability, management should emphasize ROI measurement for merchant acquisition and technology spending.
- ✓ Utilize advanced machine learning models to analyse merchant transaction data for faster, more accurate credit underwriting and lower credit risk.

CONCLUSION

DotPe's financial performance reflects a transition from high-growth losses to improving stability and efficiency. Between FY 2020 and FY 2023, the company recorded rapid revenue expansion but high investment-driven losses. The loss reduction and move toward profitability in FY 2024 demonstrate strong progress in business model validation and cost optimization.

The firm's low leverage and strong liquidity provide financial resilience; however, the negative operating cash flow indicates ongoing pressure from lending-related capital needs. Going forward, focusing on cash flow management, data-driven lending, and sustainable ROI will be crucial for achieving consistent profitability. Overall, DotPe is positioned to evolve from a growth-focused startup into a financially disciplined leader in India's embedded lending and digital commerce space.

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