

Cred- Your one-stop shop for credit and so much more!

If you've been exposed to the hilarious advertisements with Rahul Dravid, Anil Kapoor, Madhuri Dixit or Kumar Sanu and wondered how a recent unicorn can inject a hefty sum into its creative marketing campaigns, you know what we're here for!

Since its inception in 2018, Kunal Shah's CRED has grown from zero to a 4 billion dollar valuation to become one of the youngest Indian Startups to become a Unicorn. Set to lock its upcoming funding deal worth 300 million dollars, CRED is currently eyeing a valuation of about 6 Billion dollars.

But what exactly is CRED?

Dreamplug Technologies Pvt. Ltd, which operates under the online name CRED, is a financial services startup that facilitates its users to make credit card payments through its app and redeem exclusive offers online. It is an easy-to-use app that first checks the credit health of its users after asking them to enter their mobile number and allows them to sign up only if it is over 750.

Is that it? Is that all one can do with CRED?

Not quite! Apart from seamlessly managing your credit cards in one place, it also reminds you about the payment deadlines. And guess what? For every rupee you clear from your statement, you earn a Cred coin. You can later redeem these through an offer of your choice. Oh, you paid Rs. 4325? Here you go- a free meal at your favourite restaurant! (And this is just one of the offers. It gets better!)

But is that it? Still no, it has much more than just the dopamine rush you get from the timely payments. Although known primarily for its one-stop-credit shop, Cred also offers a band of other services.

Cred is basically an omnichannel or is at least trying to be one. After all, who doesn't like a single solution for all their needs? So, it doubles as an e-store (Cred store) that boasts a selection of 1800+ brands with customer-centric products.

You check the prices which are surprisingly low but unfortunately you have to sit out the n-th Covid wave? Worry not! Buy now and travel later with Cred.

And this is not where the story ends-

Cred *also* acts as a distributor of loans for certain banks and NBFCs through **CRED Cash**.

It allows peer-to-peer lending through **CRED Mint AND** recurring payments like monthly rents and EMIs through **RentPay** that too with added benefits. Sometimes it acts as a payments app for fun as well. (**CRED Pay**)

But it is still a new venture. Where is all the money coming from?

Remember all the brands and services that feature on the app? This is one of the ways the app generates revenue. Cred charges its partners a listing fee and allows them to market their products on the app. Further, it passively earns per purchase on the app. For every purchase, Cred receives a part of the sum spent by its users! They offer an eclectic selection of items and services to buy like Amazon gift cards and several fashion products.

CRED also gets commissions from Pay, Cash and deposits. Users can set automatic periodic payments for their rent and EMI. Cred charges a commission of about 1% to 2% on these offerings.

Lastly, CRED gathers your financial data to offer you better recommendations in the future. Cred caters to the people in the top 1% of the earners which is a lucrative way for the company to monetize it! Believe it or not, there are banks and credit card companies dying to "know you!"

Does that suffice for its smooth functionality?

No silly! Cred does have several venture capital firms backing them.

So far, Cred has raised a total amount of \$722.2 million in funding. It is backed by Tiger Global and Falcon Edge along with DST Global, Insight Partners, Coatue, Sofina, RTP, and Dragoneer. Cred also won the support of the London-based Marshall Wace and Steadfast Venture Capital recently!

Damn! That's a lot of money! Kunal must be swimming in profits, right?

Umm, not really! Au contraire, Cred has only reported huge, astronomical, "will blow your mind if you hear about it" losses!

In the year 2019, the company reported overall expenses of Rs 64 crores and incurred a loss of roughly 61 crores and had a zilch operating revenue.

Cred's expense calculation for the 6 months it operated in 2019:

1. Customer acquisition and brand development (C)= Rs 20 Cr
2. Talent acquisition and expenses related to employee benefits(T) = Rs 17 Cr
3. Direct Costs (the costs which represent the cost of transactions processing incurred) (D)= Rs 10.8 Cr
4. Communication & Information technology expenditure (CIT)= Rs. 6.93 Cr
5. Legal fees (L)= Rs 5.5 Cr
6. Total expenditure of CRED in FY 2019 (E) = C+ T+ D+ CIT+L= 64.23 Cr (~ 64 Cr)

And in 2020, it outperformed itself in all aspects but reported profits and a whopping Rs 360.3 Cr worth of losses.

Cred's expense calculation for 2020:

1. Those ads featuring Neeraj Chopra and cricket bigshots (C') = $9.3 \times C = 9.3 * Rs\ 20\ Cr = Rs\ 180.3\ Cr$
2. New jobs and benefits ('cause you more teams to work) (T')= $4.3 \times T = 4.3 * Rs\ 17\ Cr = Rs\ 72.51$
3. Direct Costs (D')= $5.5 \times D = 5.5 * Rs\ 10.8\ Cr = Rs\ 59.14\ Cr$
4. Communication & Information technology expenditure (CIT')= $4.4 \times CIT = 4.4 * Rs.\ 6.93\ Cr = Rs\ 30.3\ Cr$
5. More legal fees (L') = $4.69 \times L = 4.69 * Rs\ 5.5\ Cr = Rs\ 25.8\ Cr$
6. Another Rs 4 crore (R) was paid out as rent for the leased office building
7. Total expenditure of CRED in FY 2020 (E') = C' + T' + D' + CIT' + L' + R = $4.92 \times E = 4.92 * 64.23\ Cr = Rs\ 378.4\ Cr$
8. Total operating revenue CRED in 2020= Rs 52 Lakhs
9. Therefore amount spent by the company to generate Re 1 = $378.4\ Cr / 52\ Lakhs = Rs\ 727.69 \sim Rs\ 723$

Will Cred be able to grow further? Will it be able to survive the crazy race?

Cred was one of the first tech companies to dip its feet in the credit ocean. Although it is currently burning cash left and right, Venture Capitalists firms are going gaga over Cred owing to its credible customer base and screening process. Riding on the shoulders of the top tier of the earners, spenders and partnering top brands, Cred is set on the track of growth and it has only gotten started!