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Mobile payments firm Paytm kicks off India's biggest IPO

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[MUMBAI] India's biggest-ever initial public offering opens on Monday with digital payments platform Paytm looking to raise nearly US\$2.5 billion, in what h...

[MUMBAI] India's biggest-ever initial public offering opens on Monday with digital payments platform Paytm looking to raise nearly US\$2.5 billion, in what has already been a record year for share listings.

Paytm is backed by Chinese tycoon Jack Ma's Ant Group, Japan's SoftBank and Warren Buffett's Berkshire Hathaway, which together own around a third of the company.

The firm was founded barely a decade ago by Vijay Shekhar Sharma, the son of a schoolteacher who says he learned English by listening to rock music.

He was ranked India's youngest dollar billionaire four years ago at the age of 38 and now has a net worth of US\$2.4 billion, according to Forbes.

His stake of nearly 14 per cent will most likely make him far richer still.

Paytm will issue fresh shares worth 83 billion rupees (S\$1.5 billion), while existing shareholders will sell shares worth US\$1.34 billion, according to the prospectus.

The IPO is expected to make Paytm India's most valuable tech company with a valuation of US\$20 billion, up 25 per cent from two years ago.

The platform was launched in 2010 and quickly became synonymous with digital payments in a country traditionally dominated by cash transactions.

It has benefited from the government's efforts to curb the use of cash - including the demonetisation of nearly all banknotes in circulation five years ago - and most recently, from Covid.

"I didn't know corona would happen but Paytm was very useful to me during the pandemic," grocery shop owner Naina Thakur told AFP.

Thakur said about a third of her customers pay her for milk, bread and other daily groceries via Paytm.

"It's much easier than a bank transfer because they only need my mobile number to pay and I get the settlement within seven hours," she said.

Thakur is one of nearly 22 million Indian shop owners, taxi and rickshaw drivers and other vendors who accept payments as low as 10 rupees (\$0.18) using Paytm's ubiquitous blue-and-white QR code stickers.

The platform had 337 million customers at the end of June, according to the company's regulatory filing.

The company said it undertook transactions worth more than US\$54 billion in 2020-21.

The number of mobile payments in India has skyrocketed in the last four years, accounting for 26 billion transactions in the 2020-21 financial year.

Mumbai-based financial analysis firm Motilal Oswal estimates mobile digital payments in the country will cross US\$3.1 trillion in value by 2026.

'MAY NOT ACHIEVE PROFITABILITY'

But Paytm has made continual losses and is not sure if it will make a profit. It reported a net loss of 17 billion rupees last year on revenues of nearly 32 billion rupees.

"We expect to continue to incur net losses for the foreseeable future and we may not achieve profitability in the future," the prospectus warned.

Paytm has reported negative cash flows for the last three years, primarily due to operational losses.

With its US\$2.46 billion target, Paytm would surpass Coal India's US\$2 billion issue in 2010 to become India's biggest IPO.

Ahead of the offer, Paytm raised 82.35 billion rupees from 74 anchor investors including BlackRock and the Canada Pension Plan Investment Board last week.

Paytm will issue shares in a price band of 2,080-2,150 rupees in the offering, which is slated to close on Wednesday.

Indian companies have raised a record US\$9.7 billion through IPOs in 2021 so far, figures from market monitor Prime Database showed.

Food delivery giant Zomato was the country's biggest IPO of the year until now with its US\$1.3 billion share issue in July.