

Bruised by Paytm crisis, Softbank may find solace in 3 likely IPOs

Janaki Krishnan
Mumbai

Fintech firm Paytm may be proving to be a drag on Softbank's \$14-billion India investment portfolio, but it will be looking at selling stake and booking handsome gains in at least three companies, which will make their stock market debut this year, with a combined valuation of over \$20 billion.

Among its IPO-bound portfolio companies are Firstcry.com and Ola Electric, which have already filed their draft prospectuses, while on the anvil is food delivery firm and aggregator Swiggy, which is slated to file its papers soon. The first two companies will be looking for IPOs worth a combined \$250 million, according to reports, while Swiggy may have a \$1-billion IPO.

Flipkart accounts for 9 per cent of Softbank's total India portfolio. It did not make any investments in India in 2023, but that is set to change in 2024 as it is preparing to infuse fresh funds into companies that are in the growth stage. Over the last decade, the firm has invested around \$15 billion in India, reports said.

PAYTM CRISIS

The crisis in the fintech platform has cost Softbank a pretty packet with its market value plunging, taking a hit of around \$100 million in the immediate aftermath of its crackdown by the Reserve Bank of India, which barred the payments bank unit from accepting new deposits and credit transactions.

On February 16, Paytm's shares were trading at less than a third of their 52-week high reached on October 20, 2023. Since that low, its shares have gained more than 28 per cent, with the RBI giving it breathing

The image shows the SoftBank logo, which consists of the word "SoftBank" in a serif font, with a stylized "S" and "B". The logo is set against a dark background with a light-colored horizontal band.

time to make other arrangements for its payment app's back-end transactions.

At the end of December, Softbank's investment in Paytm had a value of ₹2,606.5 crore, down from ₹5,051 crore at the end of June, during which it had slashed its stake in the fintech firm to 6.46 per cent from 9.18 per cent, according to data provided by Prime Database.

In January, just before the RBI crackdown, Softbank sold a further 2 per cent stake in Paytm, bringing it down to 5.06 per cent, according to an exchange filing. Softbank has been steadily reducing its stake in the fintech firm over the years. At the end of 2021, it held a stake of 17.47 per cent in Paytm.

PROFITABLE EXITS

In December, Softbank exited Zomato, and last month PB Fintech (which runs Policybazaar) made decent returns on both. According to Prime Database, its stake sales in Paytm, PB Fintech, Zomato, and Delhivery in 2022 and 2023 were worth around \$1.1 billion.

It has bought down its stake in logistics firm Delhivery to 11.77 per cent at the end of December from 18.5 per cent at the end of June in 2022, selling stakes along the way. At the end of December 2023, Softbank's total global portfolio had a fair value of \$146.6 billion, according to its performance snapshot.