

# Paytm set to become biggest-ever IPO with \$2.5 billion in kitty

By: Tech Observer Desk



Paytm (Photo: File)

In one of the most-awaited initial public offerings (IPO) by digital payment gateway major Paytm is set to raise over \$2.5 billion. The country's biggest-ever IPO this year opened on Monday.

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. Sharma has ranked India's youngest dollar billionaire four years ago at the age of 38 and now has a net worth of \$2.4 billion, according to Forbes. He owns a nearly 14% stake in the company.

Paytm is issuing fresh shares worth Rs 8,300 crore (\$1.1 billion), with existing shareholders selling stocks worth \$1.34 billion, the company prospectus said. The IPO is expected to make Paytm India's most valuable tech company with a valuation of \$20 billion, up 25% from two years ago.

The platform was launched in 2010. The payment gateway 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.

The digital platform had over 337 million customers at the end of June, according to the company's regulatory filing. In 2020-21 it undertook transactions worth more than \$54 billion.

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

Foreign giants have also sought to grab a piece of the pie including Google and Amazon. Another major player is PhonePe, owned by Flipkart in which US retail giant Walmart owns a majority stake.

Paytm however, is yet to become profitable. The company reported a net loss of Rs 1,700 crore last year on revenue of nearly Rs 3,200 crore. "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 \$2 billion targets, Paytm would surpass Coal India's \$2 billion issues in 2010 to become India's biggest IPO.

Ahead of the offer, Paytm raised Rs 8,235 crore from 74 anchor investors including BlackRock and the Canadian Pension Plan Investment Board last week.

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

Earlier food delivery giant Zomato was the country's biggest IPO of the year until now with its \$1.3 billion share issue in July. This year, India has also seen a record number of unicorns created — start-ups with a valuation of \$1 billion or more — benefiting from investors spooked by a crackdown on technology giants in China.