

WEAK DEBUT

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Paytm lists at discount, stock crashes over 27%

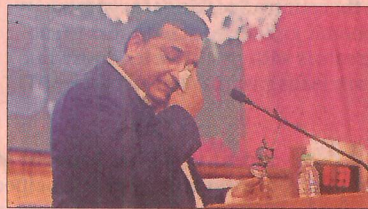
Investors question digital payment firm's expensive valuation, path to profitability

FE BUREAU
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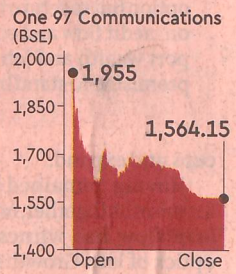
DIGITAL PAYMENT FIRM
Paytm's debut on the bourses on Thursday disappointed investors with the country's largest initial public offering (IPO), of ₹18,300 crore, listing at a discount to the issue price.

Shares of One97 Communications, the parent company of Paytm, hit a closing low of ₹1,564.15, a fall of 27.25% over the issue price of ₹2,150. Paytm's market capitalisation stood at ₹1,01,399.73 crore.

The IPO had attracted a



Paytm founder Vijay Shekhar Sharma gets emotional during the listing



BIGGEST LISTING DAY CRASH

	Listing date	First-day performance (%)
One 97 Communications	11/18/2021	-27.25
Coffee Day Enterprises	11/02/2015	-17.64
Reliance Power	02/11/2008	-17.22
ICICI Securities	04/04/2018	-14.41
Cairn India	01/09/2007	-14.06

Note: IPOs with a minimum issue size of ₹1,000 cr Source : primedatabase.com

subscription of slightly less than two times.

The Street has been apprehensive of the company's valuation, deemed to be expensive, for a business that could take time to become profitable

on a sustained basis. In the year to March, the firm's consolidated net loss was ₹1,701 crore while the income was ₹3,186.8 crore.

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Ahead of the listing brokerage Macquarie assigned a target price of ₹1,200 for the stock, a level that is 44% lower than the offer price. "Paytm's valuation, at around 26x FY23E Price to Sales (P/S), is expensive especially when profitability remains elusive for a long time. Most fintech players globally trade around 0.3x-0.5x price to sales growth ratio and we have assumed the upper end of this band. We are unwilling to give it a premium here as we are unsure about the path to profitability," the analysts wrote.

The brokerage pointed out that most functions performed by Paytm are performed by other large ecosystems, including Amazon,

Flipkart and Google. The competition in the buy now pay later (BNPL) market is intense and Paytm needs to enter the lending business on its own balance sheet and become profitable. However, this will require a banking licence from the regulator. "Obtaining a small finance bank licence could be difficult in our view given that Chinese-controlled firms own more than a 30% stake in Paytm," Macquarie noted.

Among recent listings, Zomato's market capitalisation was higher at ₹1,21,731.04 crore, Bloomberg data showed. Some unicorns that have gone public this year have delivered stellar returns to investors on listing day. Zomato, Nykaa (FSN E-commerce Ventures), and Policybazaar (PB Fintech) gained as much as 65%, 96%, and 22%, respectively, on their debuts.

