

Appetite still good: PEs and VCs upbeat about start-up offerings

PEERZADA ABRAR & DEV CHATTERJEE
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The Paytm listing debacle will not impact the forthcoming initial public offerings of other start-ups and new generation companies which are category leaders and have unique business models, say private equity heads, bankers, and venture capitalists.

Several Indian start-ups, including Delhivery, are IPO-bound and are expected to raise funds from anchor investors and retail. One97 Communications, popularly known as Paytm, lost 40 per cent of investor wealth in two trading days since listing. On Tuesday, the stock recovered by 10 per cent to close at ₹1,495.

"Paytm's IPO debacle has more to do with the pricing of the IPO than the opportunity for start-ups to build a very large business. Also, the price-to-value equation keeps on changing in the minds of investors. With the large market opportunity in India and strong performance of many tech companies, we don't see this one event affecting valuations meaningfully," said Anand Prasanna, managing partner, Iron Pillar, a major venture capital firm.



Bankers said it will be wrong to paint all the IPOs with the same brush after what happened to Paytm. "The ecosystem in India is quite good and there will be demand for shares of well-run companies and for category leader companies. Oversubscription of the IPOs of two recent companies showed that there is huge demand for shares and investors' appetite is good," said Gopal Agrawal, MD & head, investment

WAITING IN THE WINGS

IPOs that have got Sebi nod in recent months
Estimated size (₹ cr)

| Company | Estimated size (₹ cr) |
|----------------------------|-----------------------|
| Star Health | 7,500 |
| Adani Wilmar | 4,500 |
| Go Airlines | 3,600 |
| Crms Info Systems | 2,000 |
| Paradeep Phosphates | 2,000 |
| Northern Arc | 1,800 |
| Penna Cement | 1,550 |
| Fincare Small Finance Bank | 1,330 |

Source: PRIME Database

banking, Edelweiss Financial Services. An executive at an investment firm that has backed some of the biggest unicorns in India said that Paytm's IPO debacle is not going to have any impact on the future IPOs of other start-ups as the payments major's poor showing is a reflection of just one company which didn't do well; the rest of the IPOs like that of Zomato have been really strong. "Paytm's IPO debacle is more to do

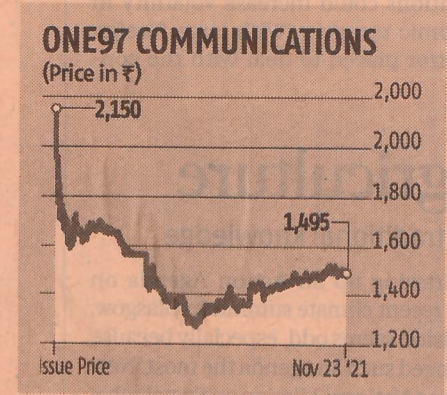
with the company and its valuation expectations. It would not have any impact on the IPO of other start-ups," said the investor. "However, Paytm's episode would lead to some correction in the valuation of companies in the public markets."

Many are also of the opinion that the fintech space is still evolving on several parameters and hence the retail investor will need time to understand such companies' business models.

100X.VC that has been actively investing in the early start-up ecosystem remains undeterred by Paytm's IPO response. Ninad Karpe, partner, 100X.VC said: "100X has funded 70 early-stage start-ups and intends to fund 100 start-ups next year. In the early stage start-up arena, we do not see any challenge and in fact, we are witnessing a far greater velocity of ideas from tier two and tier three cities, and also from women-led start-ups."

The head of a private equity firm said investors will pick and choose depending on what is on offer. "The valuation should be attractive enough for investors. If they think the promoter has not left anything on the table, the offering will end up like Paytm," he said.

Paytm sees first gains — of 10%



Shares of Paytm jumped nearly 10 per cent on Tuesday, recovering from a 37 per cent drop during its first two trading sessions. The stock ended at ₹1,490, up ₹130, or 9.6 per cent over its previous day's close, giving the company a market cap of ₹96,913 crore. The shares are now down 31 per cent over its initial public offering (IPO) price of ₹2,150. Paytm made its stock market debut on Thursday during which its shares slumped 27 per cent. This was the worst-ever listing day performance for an IPO of ₹1,000 crore or more. Paytm's ₹18,300-crore, India's largest-ever, had managed to garner just 1.89 times subscription. **BS REPORTER**