

India's biggest-ever IPO Paytm slumps by 27% on market debut

November 18 2021, by Nivrita Ganguly



Paytm founder Vijay Shekhar Sharma broke down in tears as the national anthem was played during the opening ceremony at the Bombay Stock Exchange, where the firm tumbled on its debut.

Indian mobile payments giant Paytm lost more than a quarter of its value on its market debut Thursday after raising \$2.5 billion in the country's

biggest-ever IPO, as traders questioned whether the loss-making firm would ever turn a profit.

Asia's third-largest economy has been in the grip of an initial public offering frenzy, with start-ups attracting billions of dollars in investment in a bright spot in the Covid-battered economy.

But while Paytm has established a leading position in the fast-growing marketplace for mobile payments it has lost money in each of the past three years and its market debut showed the limits of investor appetite.

Founder Vijay Shekhar Sharma, once named India's youngest billionaire, wiped tears from his eyes when the national anthem was played at an opening ceremony before trading began at the Bombay Stock Exchange.

Referring to the phrase in the anthem "Bharat bhagya vidhata"—"the one who will define the fortune of this country"—he said Paytm has "actually done that".

But the company's shares dived at the open and finished at 1,650 rupees (\$21), down more than 27 percent from their IPO price of 2,150 rupees.

"There is a lot of euphoria for the digital space and that seems to now be subsiding," said SMC Global Securities analyst Saurabh Jain.

"These companies are coming out with IPOs at scorching valuations and it's anybody's guess what valuations are correct," he told AFP.

"It is very difficult for a company like Paytm to turn profitable. They have the scalability but they are not able to make money through their business model."

Following the debut, Paytm's market capitalisation fell from an IPO

valuation of \$20 billion to about \$13.6 billion at the close of trade.

Rakesh Mehta, a 49-year-old Kolkata-based rice exporter, said he had bought 12 shares worth 25,800 rupees in Paytm, encouraged by Sharma's bullishness about his firm.



Sharma (L) — a schoolteacher's son who says he learned English by listening to rock music—retains a 14 percent stake in the business.

"I was shocked to see the price when it opened. I didn't get much of a chance to sell," Mehta told AFP.

"I was planning to sell 50 percent for listing gains and hold the rest. Now

I have no choice but to hold on. If it goes anywhere close to my purchase price, I will definitely sell. I wouldn't want to risk holding it further."

Rock music

Sharma—a schoolteacher's son who says he learned English by listening to rock music—retains a 14 percent stake in the business, worth \$2.4 billion at the IPO price but approximately \$540 million less by the close of trade.

Other shareholders include Chinese tycoon Jack Ma's Alibaba group and associate Ant Financial, along with Japan's SoftBank and Warren Buffett's Berkshire Hathaway.

Ant Financial sold 3.5 percent of its 28 percent stake in the IPO to meet regulatory requirements that no shareholder should own more than 25 percent of a listed company. Alibaba continues to own another six percent.

Paytm's 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 the pandemic.

Nearly 22 million Indian shop owners, taxi and rickshaw drivers and other vendors accept payments as low as 10 rupees (\$0.13) 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. In 2020-21 it handled transactions worth

more than \$54 billion.

Apart from Paytm, Indian companies have raised a record \$10.5 billion through IPOs in 2021 so far, including beauty retailer Nykaa, which doubled on its debut last week.

© 2021 AFP

Citation: India's biggest-ever IPO Paytm slumps by 27% on market debut (2021, November 18) retrieved 20 June 2024 from <https://techxplore.com/news/2021-11-india-biggest-ever-ipo-paytm-slumps.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.