

Mobile payments firm Paytm kicks off India's biggest IPO

November 8 2021, by Nivrita Ganguly



Paytm is expected to become India's most valuable tech company with its IPO.

India's biggest-ever initial public offering opened Monday with digital payments platform Paytm looking to raise nearly \$2.5 billion, in what has already been a record year for share listings.

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, the son of a schoolteacher who says he learned English by listening to rock music.

He was 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-percent stake.

Paytm was issuing fresh shares worth 83 billion rupees (\$1.1 billion), with existing shareholders selling stocks worth \$1.34 billion, according to the prospectus.

The IPO is expected to make Paytm India's most valuable tech company with a valuation of \$20 billion, up 25 percent from two years ago.

The 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 Covid.

"I didn't know corona would happen but Paytm was very useful to me during the pandemic," Mumbai grocery shop owner Naina Thakur told AFP.

Thakur said about a third of her customers pay her for milk, bread and other daily groceries via Paytm.

"It's much easier than a bank transfer because they only need my mobile number to pay and I get the settlement within seven hours," she said.

Thakur is one of nearly 22 million Indian shop owners, taxi and rickshaw drivers and other vendors who 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 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.

Mumbai-based financial analysis firm Motilal Oswal estimates mobile digital payments will cross \$3.1 trillion in value by 2026.

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.

'May not achieve profitability'

But Paytm has made continual losses and is not sure when it will make a profit. It reported a net loss of 17 billion rupees last year on revenues of nearly 32 billion rupees.

"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 \$2.46 billion target, Paytm would surpass Coal India's \$2 billion issue in 2010 to become India's biggest IPO.

Ahead of the offer, Paytm raised 82.35 billion rupees from 74 anchor investors including BlackRock and the Canada Pension Plan Investment Board last week.

Paytm will issue shares in a price band of 2,080-2,150 rupees in the offering, which is slated to close on Wednesday.

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

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.

© 2021 AFP

Citation: Mobile payments firm Paytm kicks off India's biggest IPO (2021, November 8) retrieved 27 April 2024 from

<https://techxplore.com/news/2021-11-mobile-payments-firm-paytm-india.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.