

## Twitter Thread by Aditya Kondawar



**Aditya Kondawar**  
[@aditya\\_kondawar](#)



**Paytmmmmm Karooooooo! Most of us have heard this jingle right?**

**After the much-celebrated #IPO of Zomato, all eyes are now on #PayTM!**

**So let's not wait and let's understand everything about PayTM in the below thread**



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- The DRHP mentions a Rs 16,600 Cr Fundraise
- Split - 50% Fresh, 50% OFS
- Valuation of \$25-30 billion targeted from this IPO

Let's put all of these numbers into perspective here –

<https://t.co/Lq4B0zrrwF>

<https://t.co/cq9LrsQ1nd>

Paytm Pre IPO info -

Unlisted price - ₹2450-2500

Valuation - ₹151,250 Cr

Targeting 25-30bn\$ as per various news sources

25 bn \$ - ₹185,925 Cr

30 bn \$ - ₹223,110 Cr

6.05 cr shares - FY21 (FV ₹910)

Recent split to ₹91 FV, 60.5 Cr shares

Exchange rate 74.37 taken

No reco!

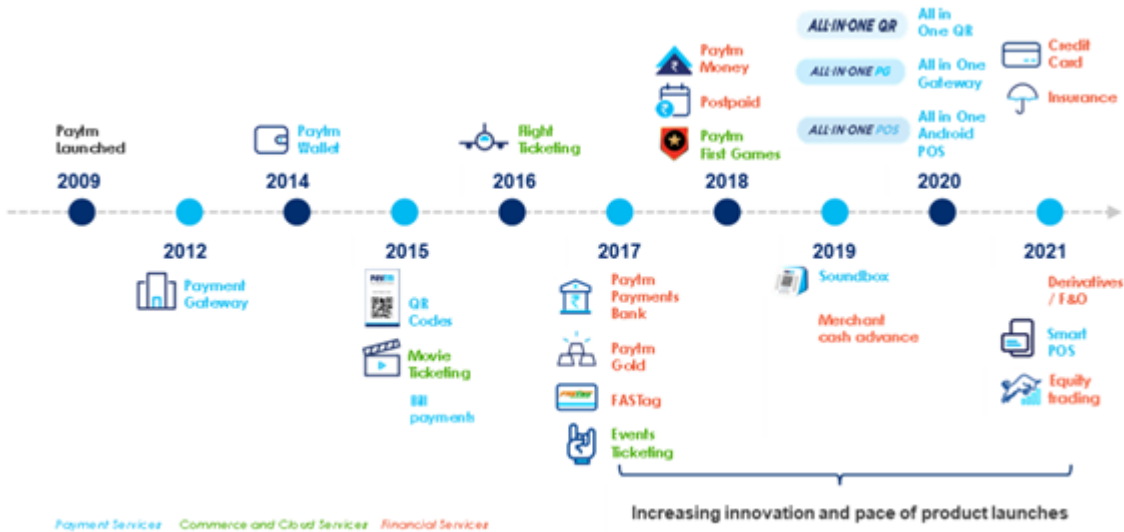
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Some big numbers, right? OK back to PayTM now –

What does it do?

Well, it does a lot of things but at the core of it let's term it a fintech company.

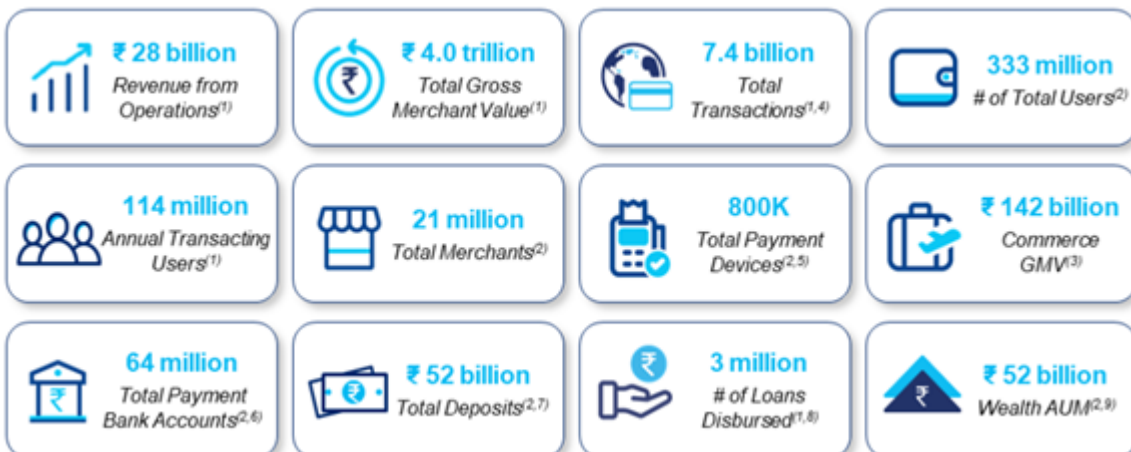
- It started as a digital wallet-based platform focused on mobile SIM top-ups and utility payments in 2010



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- They pivoted to marketing, mobile phone top-ups, payments, e-comm, then a full-scale fintech services company – The avatar that we see today

- The Paytm ecosystem has payments (wallet / UPI), merchant acquiring, credit, savings, broking, wealth management, and insurance.



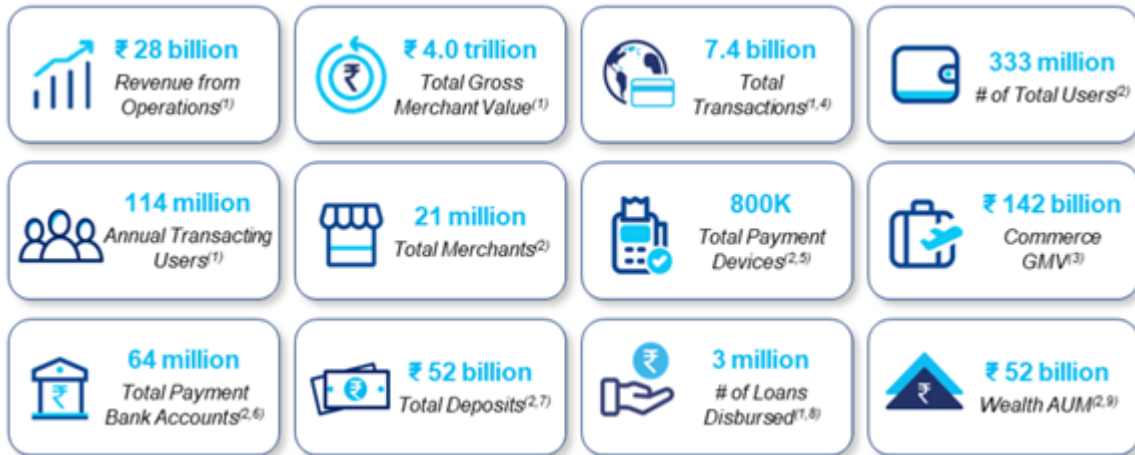
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Total users - 333 mn

Monthly active users - 50 mn

Merchants - 21.1 mn

RedSeer - Paytm has a payments transaction volume market share of ~40% and wallet payments transaction mkt share of 65-70% in India for FY21



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Some notable investors in PayTM are Ant Group, Softbank, Warren Buffett, and even Mr. Ratan Tata (extremely small investment holding but).

Also time for a fun fact :)

<https://t.co/Hkrp8KpcRt>

One more amazing fact of [@vijayshekhara](#) [@Paytm](#)

How to find customers! \U0001f601 [pic.twitter.com/9HLontqexy](https://pic.twitter.com/9HLontqexy)

— Aditya Kondawar (@aditya\_kondawar) [November 21, 2019](#)

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What will they do with the raised money? (Fresh issue part of 8300 Cr)

<i>(in ₹ million)</i>		
S. No	Particulars	Total estimated amount / expenditure
1.	Growing and strengthening our Paytm ecosystem, including through acquisition of consumers and merchants and providing them with greater access to technology and financial services	43,000
2.	Investing in new business initiatives, acquisitions and strategic partnerships	20,000
3.	General corporate purposes <sup>(1)</sup>	[•]

<sup>(1)</sup> To be finalized upon determination of the Offer Price and updated in the Prospectus prior to filing with the RoC. The amount utilized for general corporate purposes shall not exceed 25.00% of the Net Proceeds.

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#### Paytm Payments Bank

Paytm owns 49%, Vijay Shekhar Sharma(VSS) holding the rest 51%. Why 49%? That's because of FDI rules. The policy restricts foreign investment in the banking sector (through the automatic route) to 49%

Note - PayTM has an option to buy out VSS stake

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#### About PPB -

- Paytm Payments Bank is the only profitable arm of Paytm
- Offering of a Savings account, 2.5% per annum, the max balance of ₹200,000 as per RBI Rules. Also has a partnership with Paytm Money, the wealth management business.

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#### Offerings of PPB -

Wallet – Secure digital wallet, allows customers to make payments at 87,000 online merchants, 21.1 mn in-store merchants, FY21 - 333 mn Paytm Wallets

Post-paid – BNPL (buy no pay later) to customers across their merchant base

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FASTags –Largest issuer, as of FY21 issued a cumulative of ~ 9 million FASTags, with a market share of 28%.

UPI - 155 mn+ UPI IDs. Doesn't reveal the no. of UPI transactions which is the better metric to know about the hold of payments it has.

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Data from NPCI - Paytm 13.6% market share in the volume of UPI transactions in June 2021, up from the 10.3% it had in June 2020.

FDs - Via partnership with Indian commercial banks. FY21 - FDs ■1750 Cr

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Total deposits - 5200 Cr+ including savings accounts, current accounts, fixed deposits with partner banks, and balance in wallets

Debit Card and Paytm Credit Card - Offer co-branded credit cards

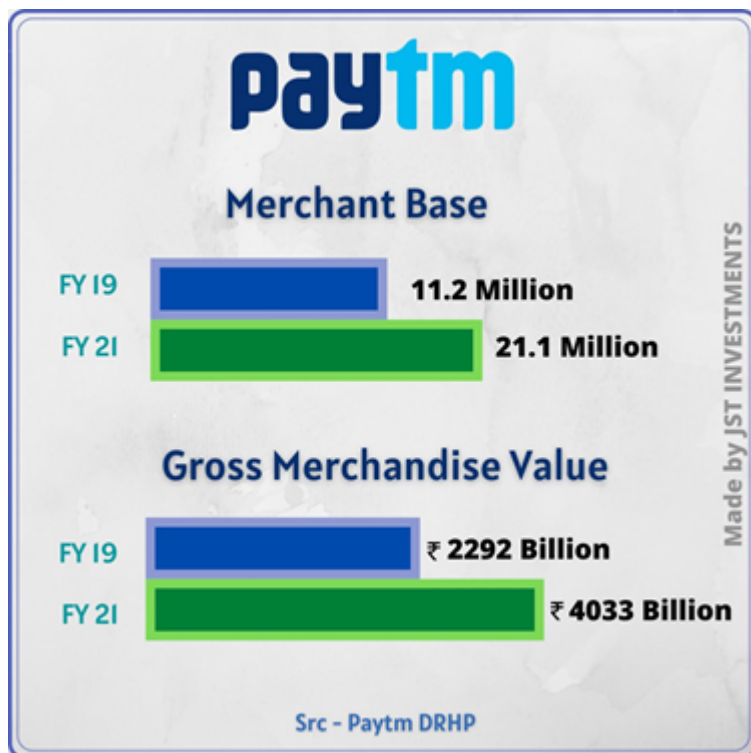
FY21 - Paytm Payments Bank had 6.4 Cr bank accounts

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Gross Merchandise Value (GMV) and Merchants

- Majority of revenue is from transaction fees collected from merchants for payment services

- Revenue from payment + financial services accounted for 52.5%, 58.1%, and 75.3% of total revenue in FY19, FY20, and FY21 respectively



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Some Key Indicators (payment, Financial services on the rise while commerce/cloud on the decline)

Financials –

Balance Sheet – 2876 Cr cash, 2375 cr in other financial assets, IPO only to give exit to PEs and raise a war chest for cash

burn/acquisitions, etc

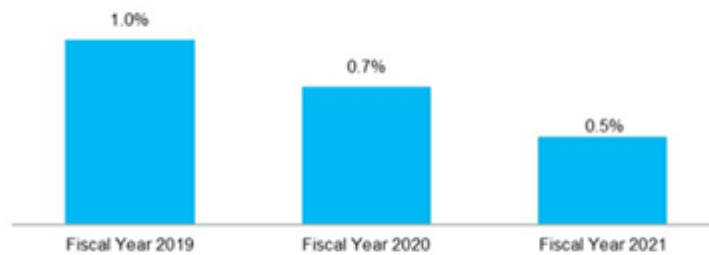
	Metric	As of and for the FY ended March 31,		
		2019	2020	2021
GMV <sup>(1)</sup>	₹ billion	2,292	3,032	4,033
GMV growth	%	95.9%	32.3%	33.0%
Number of loans disbursed	In thousands	5	75	2,635
Revenue from operations	₹ million	32,320	32,808	28,024
- Payment and financial services	₹ million	16,955	19,068	21,092
- Commerce and cloud services	₹ million	15,365	11,188	6,932
- Other operating revenue	₹ million	-	2,552	-

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P&L - Loss narrowed down (optical or long term? no one can say) due to lesser marketing expenses further aided by lower payment processing charges (img)

It has to be seen if the payment processing charges as % of GMV falls down further from here (currently at 0.5%).

Payment Processing Charges as % of GMV



Our Contribution margins have been improving consistently over the past three fiscal years primarily due to (i) a reduction in the overall payment processing charges, with scale, technology improvement and changes in instrument mix and, (ii) a reduction in promotional cashbacks and incentives, resulting from continued focus on optimizing cost of acquiring and retaining customers and merchants on our platforms.

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Cash Flows - bad Cash flows.

Super App Play

FY21 - 480 mini-apps+ on the platform ranging from content to transaction apps and across a broad range of industries, including food delivery, gaming, e-commerce, and with a visitor base of 5.7mn MAU

**Restated Consolidated Statement of Cash Flows  
(Amounts in ₹ million, unless otherwise stated)**

	For the year ended March 31, 2021	For the year ended March 31, 2020	For the year ended March 31, 2019
<b>Cash flow from operating activities:</b>			
Restated loss before tax from			
Continuing operations	(16,983)	(29,582)	(42,321)
Discontinued operations	-	-	(53)
Adjustments for			
Depreciation and amortization expense	1,785	1,745	1,116
Interest income	(2,229)	(593)	(646)
Interest Income on unwinding of discount - financial assets measured at amortized cost	(218)	(334)	(457)
Interest on borrowing at amortized cost	216	253	107
Interest and finance charges on lease liabilities	123	218	217
Gain on lease termination	(50)	-	-
Stock acquisition rights (PayPay Corporation)	(221)	-	-
Trade receivables / advances written off	67	18	16
Provision for advances	19	65	18
Loss allowance for financial assets	428	320	310
(Gain) / loss on sale of investment in associates and subsidiaries	(19)	103	(422)
Liabilities / provision no longer required written back	(30)	(51)	(59)
Provision for impairment of investments in associates	300	100	46
Property, plant and equipment and intangible assets written off	3	2	223
Impairment of goodwill and Intangible on acquisition	-	2,844	1,201
Non-cash employee share based payment expenses	1,125	1,661	1,546
Provision for employee incentive	67	467	(98)
Share of restated profit / (loss) of associates / joint ventures	740	560	(146)
Fair value gain on financial instruments measured at FVTPL (net)	(899)	(1,353)	(2,189)
Profit on sale of property, plant and equipment (net)	(18)	(12)	(10)
<b>Operating loss before working capital changes</b>	<b>(15,794)</b>	<b>(23,569)</b>	<b>(41,601)</b>
Working capital adjustments:			
Increase/(decrease) in trade payables	(33)	(1,199)	2,845
Increase/(decrease) in provisions	(85)	212	117
Increase / (decrease) in other current liabilities and contract liabilities	(273)	3,496	4,577
Increase/(decrease) in other financial liabilities	2,669	(4,771)	4,494
(Increase)/decrease in trade receivables	(612)	(745)	2,248
(Increase)/decrease in other financial assets	(5,737)	2,134	(6,289)
(Increase)/decrease in other current and non-current assets	(2,729)	1,472	(8,481)
(Increase)/decrease in loans	(102)	(531)	(834)
<b>Cash used in operations</b>	<b>(22,696)</b>	<b>(23,501)</b>	<b>(42,924)</b>
Income taxes (net of refunds)	1,871	(265)	(1,835)
<b>Net cash (outflow) from operating activities (A)</b>	<b>(20,825)</b>	<b>(23,766)</b>	<b>(44,759)</b>
<b>Cash flow from/(used in) investing activities</b>			
Purchase of property, plant and equipment including intangible assets, work in progress and capital advances	(1,927)	(1,907)	(1,773)
Proceeds from sale of property, plant and equipment	56	41	24
Proceeds from sale of gaming business	-	-	339

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Valuations & Conclusion

PayTM didn't report an operating profit or a net profit in FY21.

They clocked sales of Rs 3186 Cr in FY21 and we also know that they are said to be targeting 25-30bn\$ as per various news sources.

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At 25 bn \$, the P/S (price to sales) will be 58x and at 30 bn \$, the P/S will be 71x!

They don't even own full of PayTM payments bank which is the only profitable entity, not that it makes a large difference as the FY21 Sales for PPB was Rs 1987 Cr and net profit Rs 18 Cr

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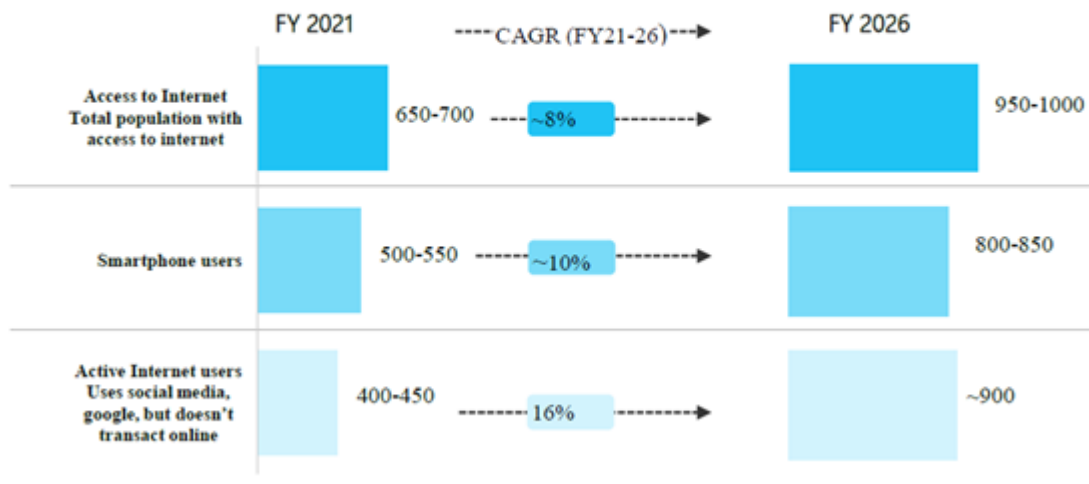
Outlook -

The growth in Digital will come from –

Development of the Ecosystem – Digital payment adoption by Small businesses/merchants, PoS machines, QR Codes, UPI, Payment Gateways, etc

### India to have approximately 1 billion internet users by FY 2026

Millions of users



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Mobile Wallets and UPI – Set to increase with the number of increasing mobile phone users and mobile digital payment users

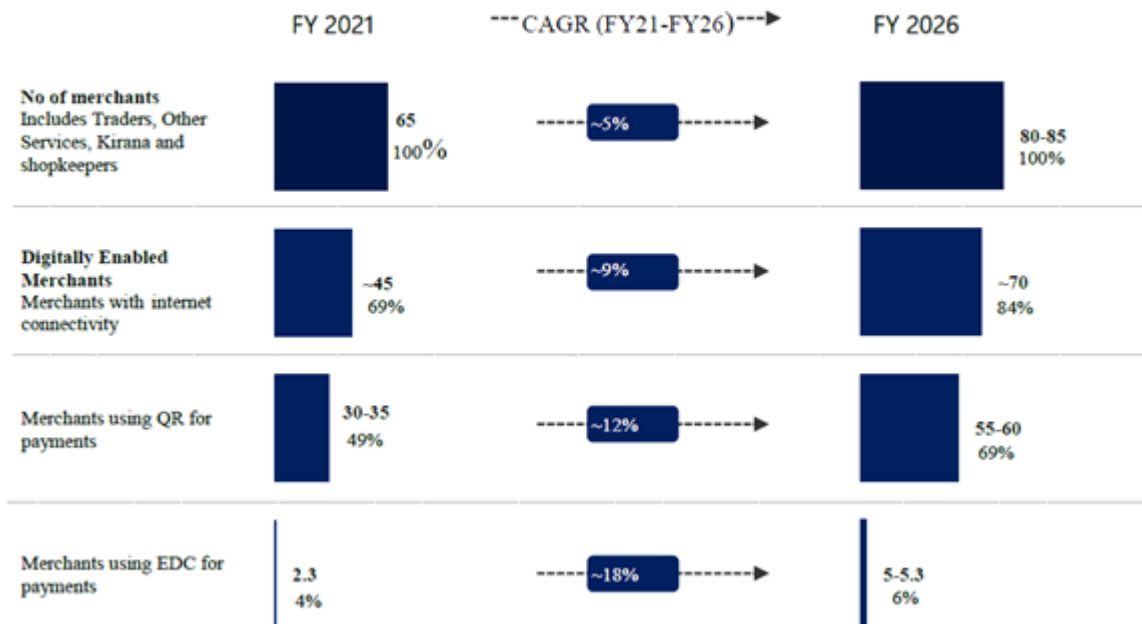
Increasing penetration of digital banking products

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According to RedSeer, in FY21 there were 30-35 mn unique merchants using QR codes for digital payments in India and expected to increase to 55-60 mn by FY 2026. Out of all the players driving QR adoption, Paytm has the highest QR code coverage amongst merchants.

## India Digital Payments Merchant Funnel

(#Merchants in million)



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Point of Sale (PoS) machines - TPV (Total Payment Value) of PoS is expected to reach USD 275 bn in FY26 from US\$ 94 bn in FY21

Payment Gateways and Payment Aggregators – TPV of payment aggregator is expected to reach US\$ 550 bn in FY26 from USD 170 bn in FY21

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End of thread! Thanks for reading!

Stay tuned for more :)