



Presents

# Paytm(One-97 Communication)

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## **“A revolution in the making”**

### **The Story:**

Paytm is like a one-stop solution provider in the digital space, be it in transactions, shopping or investing in mutual funds. It has simplified banking and transactions to a much simpler level. It is viewed as a fin-tech company, a digital marketplace, and/or an application for monetary exchange. Paytm has applications ranging from a digital payments bank, ‘Paytm Payments Bank’ that allows users to open a digital account with Paytm to a mutual fund platform, Paytm money that makes investing simple and direct (with no commission). Paytm phenomenon has spread so rampantly that any shop, ranging from a local kirana shop to a large retailer accepts transactions digitally through Paytm.

### **Entrepreneurship behind ‘Paytm’:**

Paytm, part of One97 Communications is founded by ‘Vijay Shekhar Sharma’. He is deeply passionate and committed to bring India to the forefront of digital disruption with Paytm. His dream is to scale Paytm to the likes of the giants and be an example of “Made in India”.

### **Opportunities:**

Paytm is changing the day-to-day operations of urban consumers in India largely. It is disrupting the channel of ‘cash’ based transactions with the help of ‘e-wallets’. With the help of QR code or a phone number, transactions are being carried in seconds. This presents a huge opportunity for Paytm to change minds of consumers from traditional banking to digital space. Paytm has forayed into the financial services platforms like ‘Investments’, ‘Insurance’, and ‘Payments Bank’. Paytm is currently the largest ‘e-wallet’ in India. As of 2018, only 7.6% of the population of India uses e-wallets[1]. This statistic shows the under penetration

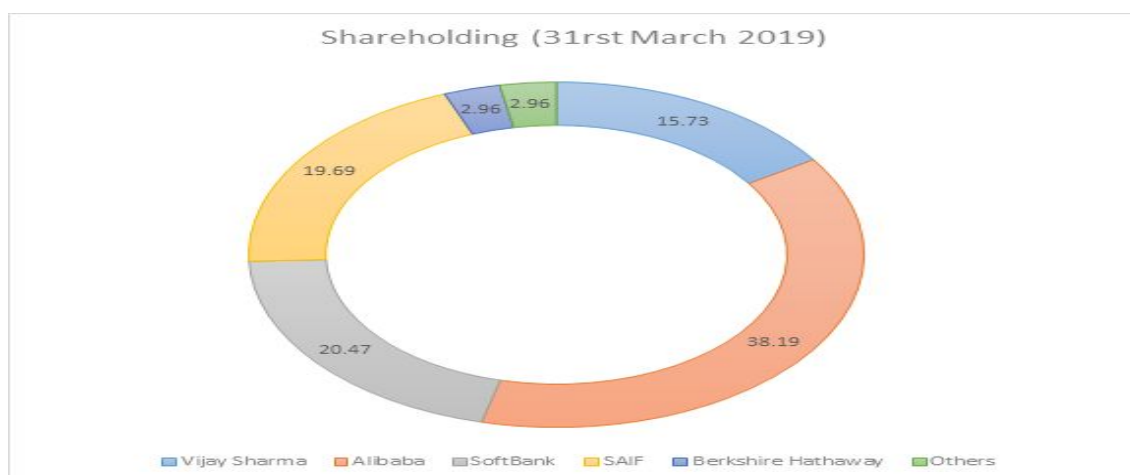
of digital wallets in India and the scope of growth it offers. The wallet space has been growing at a CAGR of nearly 30% for the past 3 years.

The key ‘**Growth Drivers**’ in this area include

- Government initiatives like ‘Demonetization’ and UPI (unified payments interface), which helps people move towards digital wallets, thereby increasing the market share of Paytm.
- Increase in penetration of smartphones with good internet connections’ helps in people shifting to digital wallets and online transactions. The transactions through Paytm are very smooth, efficient and simple to execute.
- Paytm’s own marketing and advertising strategies help in gaining market share.
- Network effects.(More people using the same platform induces oneself to use it too)

### **Shareholding Pattern:**

One97 Communications Limited has marquee investors from all around the world. ‘Eminent Investors’ like Warren Buffett and Masayoshi Son (through their investment companies like Berkshire Hathaway and Softbank funds); ‘Visionaries’ like Jack Ma (through Alibaba) form the shareholder base. Paytm might benefit immensely with years of experience of veterans running the above companies. Paytm can gain insight into what the leading investors and visionaries are focussing on.



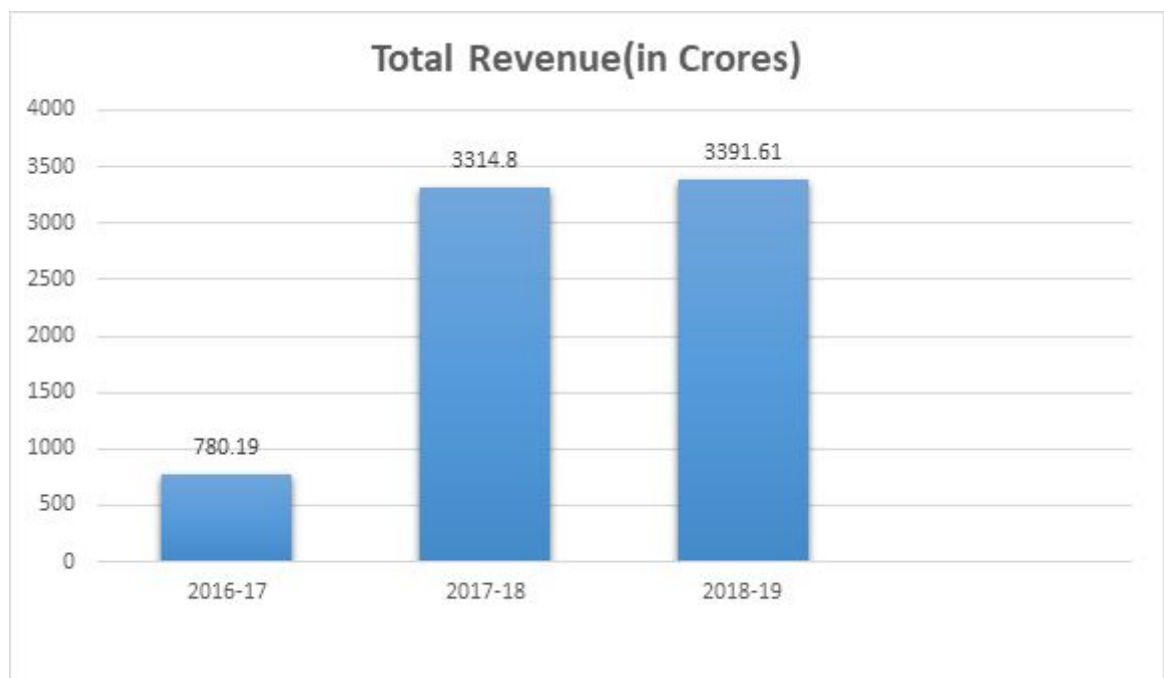
## Challenges & Competitors:

Firstly, there are no barriers to entry in the digital wallet and services space. It is essential to be efficient and be an innovator to retain the market share. Secondly, with many multinationals looking to be a part of the growth story of India have developed services equivalent to that of Paytm. For example, Tez from Google, PhonePe from Flipkart offer online transactions similar to Paytm. In Payments bank space, Airtel Payments Bank and Digibank by DBS (backed by Govt. of Singapore) present a challenge to Paytm.

Even traditional banking presents a challenge to all digital fin-tech companies, that of direct physical interaction with the customers. Even though consumers are changing their preferences, many people still are agnostic to the digital changes happening simply because there is no physical interaction possible with the agents and/or no physical branches present. Nevertheless, this is the cost as well as the differentiator of a digital bank

## FINANCIALS:

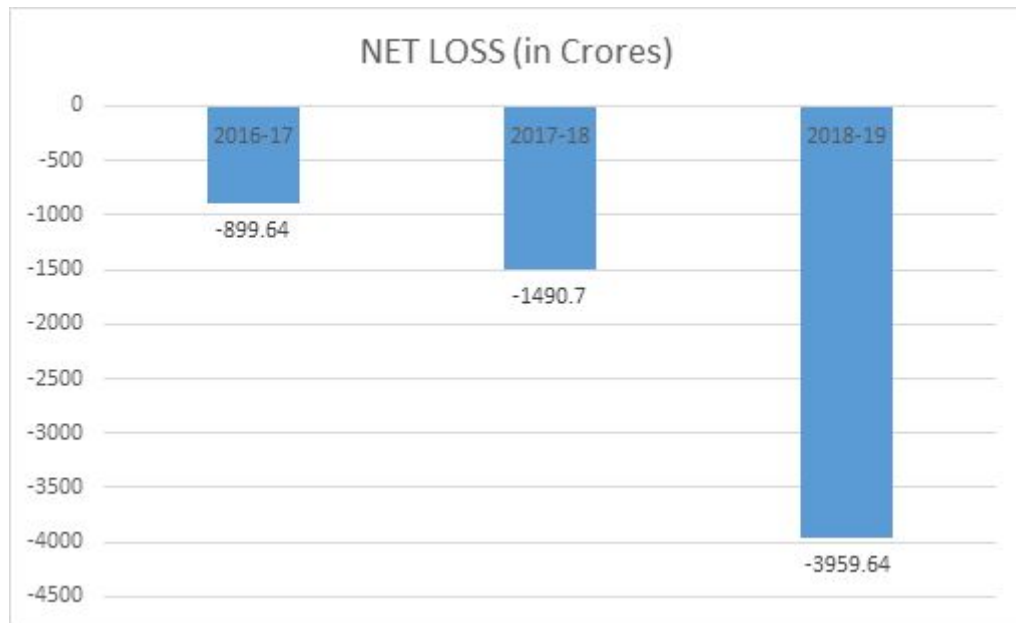
### Total Income:



The revenues have grown at a CAGR of nearly 100% for the past two years and the room for growth is phenomenal.

## NET INCOME:

The losses are due to the intense expansion Paytm is undertaking in its projects.



Particulars	2018-19(Cr)	2017-18( Cr)	2016-17(Cr)
FV	10	10	10
Revenue	3579	3314.8	780.19
Expense	7730	3884.95	1961.29
PAT	-4172	-1604.34	-899.64
EPS	-743	-318.44	-194.73

## **CONCLUSION:**

Paytm stands to benefit from the explosive growth happening in India in the digital space. Nevertheless, its competitors also take a share from the growing pie. What makes Paytm stand out is the first mover advantage in the minds of consumers that will play a role to a certain extent and the rapid scaling of the network to almost all throughout India. This is evident from the market share it commands UPI-based merchants payments, nearly 60%[3]. Paytm is very well integrated across all services, which many of its competitors lack. If Paytm tries to offer value to consumers by constantly innovating, it can prosper for a very long time.

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### **Disclaimer:**

~This is not an investment advice. The article published on UnlistedZone are only for educational purpose. Please consult your financial advisors to buy or sell shares.

### **Ref:**

[1] Statistics from <https://www.emarketer.com/content/the-mobile-payments-series-india>

[2] Annual report (2018-19) - One97 Communications Limited.

[3]

<https://www.livemint.com/companies/start-ups/paytm-dominates-upi-merchant-payment-segment-with-60-share-1560160951172.html>