

IPO Note: One 97 Communications Ltd.

Industry: Online Payment Service

Date: November 03, 2021

Issue Snapshot		Issue Break up		
Company Name	One 97 Communications Ltd.	QIB ex Anchor	30%	25,534,884
Issue Opens	November 08, 2021 to November 10, 2021	Anchor Investor	45%	38,302,326
Price Band	Rs. 2080 to Rs. 2150	HNI	15%	12,767,442
Bid Lot	6 Equity Shares and in multiples thereof.	RII	10%	8,511,628
The Offer	Public issue of 85,116,279 Equity shares of Face value Re. 1 each, (Comprising of fresh issue of 38,604,651 Equity Shares* (Rs. 8300 cr.) and Offer for Sale of 46,511,628 Equity Shares (Rs. 10,000 cr.*) by Selling Shareholder).	Total Public	100%	85,116,279
Issue Size	Rs. 18,300 Crore	Equity Share Pre Issue (Nos. Cr.)		61.0
IPO Process	100% Book Building	Fresh Share (Nos. Cr.)		3.9
Face Value	Re. 1.00	OFS Share (Nos. Cr.)		4.7
Exchanges	NSE & BSE	Equity Share Post Issue (Nos. Cr.)		64.8
BRLM	Morgan Stanley India Company Pvt Ltd, Goldman Sachs (I) Securities Private Ltd, Axis Capital Ltd, ICICI Securities Ltd, J.P. Morgan India Pvt Ltd, Citigroup Global Markets India Private Ltd and HDFC Bank Ltd	Market Cap (Rs. Cr.)		139,378.8
Registrar	Link Intime India Private Ltd	Equity Dilution		6.0%
		Stake Sale by OFS		7.2%

Objects of the Offer

Offer for Sale

The Company will not receive any proceeds of the Offer for Sale by the Selling Shareholder. (Up to Rs. 4,026.5 million by Mr. Vijay Shekhar Sharma, up to Rs. 47,044.3 million by Antfin (Netherlands) Holding B.V., up to Rs. 7,848.2 million by Alibaba.com Singapore E-Commerce Private Limited, up to Rs. 750.2 million by Elevation Capital V FII Holdings Limited, up to Rs. 640.1 million by Elevation Capital V Limited, up to Rs. 13,276.5 million by SAIF III Mauritius Company Limited, up to Rs. 5,636.3 million by SAIF Partners India IV Limited, up to Rs. 16,890.3 million by SVF Panther (Cayman) Limited and up to Rs. 3,017.7 million by BH International Holdings, and up to Rs. 869.8 million Other Selling Shareholders)

Fresh Issue

- Growing and strengthening Paytm ecosystem, including through acquisition and retention of consumers and merchants and providing them with greater access to technology and financial services (Rs. 4300 cr.);
- Investing in new business initiatives, acquisitions and strategic partnerships (Rs. 2000 cr.); and
- General corporate purposes.

Company Highlights

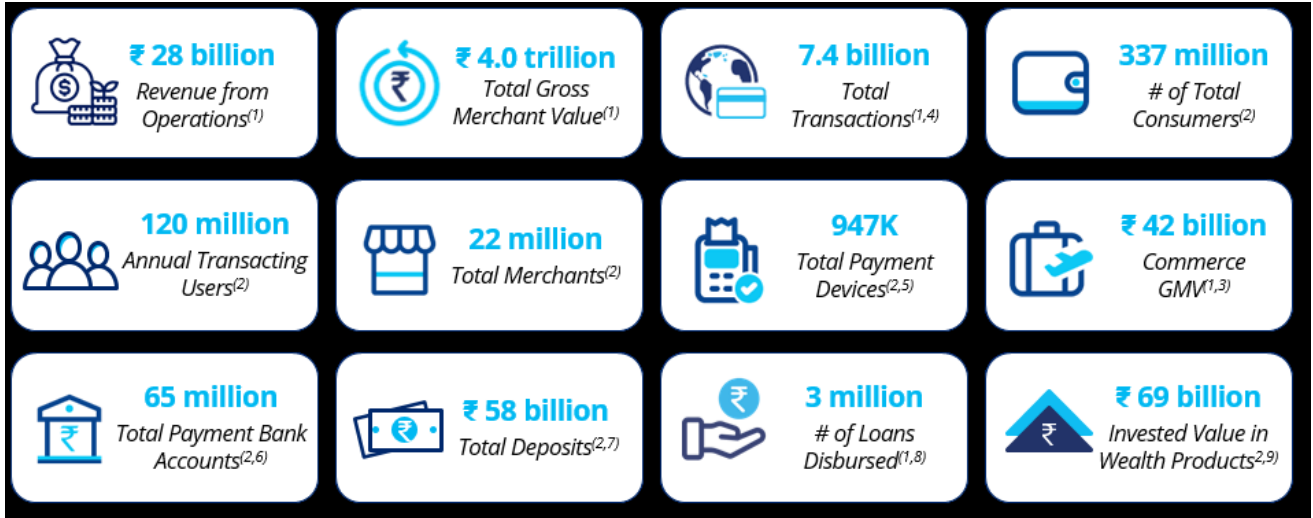
- One 97 Communications Ltd. (PayTM) is India's leading digital ecosystem for consumers and merchants as it has built the largest payments platform in India based on the number of consumers, number of merchants, number of transactions and revenue as of March 31, 2021, according to RedSeer.
- PayTM offers payment services, commerce and cloud services, and financial services to 337 million registered consumers and over 21.8 million registered merchants, as of June 30, 2021. PayTM's two-sided (consumer and merchant) ecosystem enables commerce, and provides access to financial services through financial institution partners, by leveraging technology to improve the lives of consumers and help merchants grow their businesses.
- It launched Paytm in 2009, as a "mobile-first" digital payments platform to enable cashless payments for Indians, giving them the power to make payments from their mobile phones. Starting with bill payments and mobile top-ups as the first use cases, and Paytm Wallet as the first Paytm Payment Instrument, it has built the largest payments platform in India based on the number of consumers, number of merchants, number of transactions and revenue as of March 31, 2021, according to RedSeer. PayTM has also been able to leverage core payments platforms to build an ecosystem with innovative offerings in commerce and cloud, and financial services. As per the Kantar Brandz India 2020 Report, the "Paytm" brand is India's most valuable payments brand, with a brand value of US\$ 6.3 billion, and Paytm remains the easiest way to transact across multiple methods.

- The company offers products and services across "payment services", "commerce and cloud services" and "financial services". Its products and services are carefully developed to address large markets, and in areas where the consumers and merchants are underserved.
- The Paytm app is a payments-led super-app, through which it offers consumers innovative and intuitive digital products and services. The company offers its consumers a wide selection of payment options on the Paytm app, which include (i) Paytm Payment Instruments, which allow them to use digital wallets, sub-wallets, bank accounts, buy-now-pay-later and wealth management accounts and (ii) major third-party instruments, such as debit and credit cards and net banking. The app, enabled consumers to transact at in-store merchants, pay their bills, make mobile top-ups, transfer money digitally, create and manage their Paytm Payment Instruments, check linked account balances, service city challans and municipal payments, buy travel and entertainment tickets, play games online, access digital banking services, borrow money, buy insurance, make investments and more.
- Leveraging the large scale, reach, and deep and high-frequency engagement by consumers and merchants on the payments platforms, it has been able to add new payments offerings, as well as expand into commerce and cloud services and financial services. Each of its offerings increases the scope of the ecosystem for consumers and merchants, enhancing the value of the ecosystem.

View

- One 97 Communications Ltd is India's leading digital ecosystem for consumers as well as merchants. As of March 31, 2021, the company has a 333 million+ client base and 21 million+ registered merchants to whom it offers payment services, financial services, and commerce and cloud services.
- The company have the largest payments platform in India with a GMV of ₹4,033 billion in FY 2021. It also has an overall mobile payments transaction volume market share of approximately 40% and wallet payments transaction market share of 65% – 70% in India as of FY 2021.
- India is a country of hundreds of millions of young and aspiring consumers who are underserved in payments and financial services products. There are millions of small businesses in India that would benefit from having increased access to affordable software, technology and financial services. These consumers and small businesses can be served through technology-led, digital-first commerce. Paytm has a large addressable market in India. The market segments that they serve have large growth potential, due to significant under-penetration, and the ability of technology to grow the market.
- Company's brand, distribution, insights, technology skills, and the scope of their ecosystem gives them an advantage to grow their business through, (i) cost-effective acquisition of consumers and merchants; (ii) reinforce their platform by building higher engagement and stickiness with consumers and merchants; and (iii) build high monetisation products at low cost of acquisition.
- Paytm will continue to grow the consumer and merchant base, adhering to the mission which is to bring half a billion Indians into the mainstream economy. There is continued scope for expansion given the under-penetration of the various products and services Paytm offers. The company endeavour to continue to increase the engagement and retention of the consumers and merchants on the ecosystem by offering them better products.
- Paytm will continue to focus on bringing together various pieces of the ecosystem to build innovative products for the consumers, which could take the form of increasing seamlessness between (i) consumers and merchants, (ii) various use cases and, (iii) various payment instruments.
- A key strategic focus for Paytem is to scale up the consumer and merchant lending businesses, including Paytm Postpaid, in collaboration with the financial partners, as well as the wealth management offerings. The company plan to continue to leverage the partnership with Paytm Payments Bank to expand the suite of banking solutions for consumers and merchants.
- There is a large opportunity for Paytm to leverage the technology infrastructure and expand to international markets. In 2017, Paytm piloted the bill payment services in Canada and in 2018, Paytm partnered with Softbank Corp. and Yahoo Japan Corporation to launch PayPay, a leading digital payments and financial services company in Japan. The company continue to explore international opportunities, especially in the developed markets, where the company can either launch the merchant services, or collaborate with partners to launch consumer facing platforms.

Operating Matrix



Revenue from Operations

	FY19	FY20	FY21	Q1FY21	Q1FY22
Payments and Financial Services					
Payments Services to Consumers	1085.1	1012.0	969.2	208.5	300.5
Payments Services to Merchants	486.0	765.8	1011.6	197.9	334.0
Others (including Financial Services)	124.4	129.0	128.4	23.4	54.9
Total Payments and Financial Services	1695.5	1906.8	2109.2	429.8	689.4
Commerce and Cloud					
Commerce	1191.5	710.9	245.2	26.6	51.7
Cloud	345.0	407.9	448.0	94.8	149.7
Total Commerce and Cloud	1536.5	1118.8	693.2	121.4	201.4
Other Operating revenue	-	255.2	-	-	-
Total Revenue	3232.0	3280.8	2802.4	551.2	890.8

Key Operating and Financial Metrics

	FY19	FY20	FY21	Q1FY21	Q1FY22
GMV (Rs. Cr)	229,200	303,200	403,300	69,700	146,900
GMV growth (%)	95.9%	32.3%	33.0%	3.4%	110.6%
Number of loans disbursed (No. in '000)	5	75	2,635	23	1,433
Revenue from operations (Rs. Cr)	3,232.0	3,280.8	2,802.4	551.2	890.8
Payment and financial services (Rs. Cr)	1,695.5	1,906.8	2,109.2	429.8	689.4
Commerce and cloud services (₹ Cr)	1,536.5	1,118.8	693.2	121.4	201.4
Other operating revenue (Rs. Cr)	-	255.2	-	-	-
Contribution profit (Rs. Cr)	-1,998.0	-237.8	362.5	82.0	244.5
Contribution profit margin (Rs. Cr)	-61.8%	-7.2%	12.9%	14.9%	27.4%
Adjusted EBITDA (Rs. Cr)	-4,211.5	-2,468.3	-1,654.8	-321.1	-331.9
Adjusted EBITDA Margin (%)	-130.3%	-75.2%	-59.0%	-58.3%	-37.3%

Financial Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Share Capital	57.5	60.4	60.5	60.4	60.5
Net Worth	5811.1	8091.2	6516.2	7814.0	6245.5
Long Term Borrowings	0.0	0.0	0.0	0.0	0.0
Other Long Term Liabilities	233.8	545.9	479.9	643.3	476.6
Short-term borrowings	696.2	208.7	544.9	253.4	476.0
Other Current Liabilities	2025.7	1457.3	1610.3	1567.0	2260.9
Fixed Assets	896.7	608.2	514.9	531.3	530.4
Non Current Assets	2018.2	3259.2	1236.6	3537.0	1512.9
Current Assets	6670.9	6435.7	7399.8	6209.4	7415.7
Total Assets	8766.8	10303.1	9151.3	10277.7	9459.0
Revenue from Operations	3232.0	3280.8	2802.4	551.2	890.8
Revenue Growth (%)		1.5	(14.6)		61.6
EBITDA	(4366.1)	(2634.4)	(1767.3)	(331.6)	(370.9)
EBITDA Margin (%)	(135.1)	(80.3)	(63.1)	(60.2)	(41.6)
Net Profit	(4225.6)	(2942.4)	(1701.0)	(284.4)	(381.9)
Net Profit Margin (%)	(130.7)	(89.7)	(60.7)	(51.6)	(42.9)
Earnings Per Share (Rs.)	(75.0)	(49.0)	(28.0)	(5.0)	(6.0)
Return on Networth (%)	(73.0)	(35.1)	(26.0)	(3.6)	(6.1)
Net Asset Value per Share (Rs.)	100.0	135.0	108.0	130.0	104.0

Source: RHP, Ashika Research

Cash Flow Statement

(In Rs. Cr)	FY19	FY20	FY21	Q1FY21	Q1FY22
Cash flow from Operations Activities	(4475.9)	(2376.6)	(2082.5)	(210.3)	330.7
Cash flow from Investing Activities	1911.0	(1996.3)	1929.8	420.9	(145.9)
Cash flow from Financing Activities	2110.5	5159.9	(222.1)	30.5	415.3
Net increase/(decrease) in cash and cash equivalents	(454.4)	787.0	(374.8)	241.1	600.1
Cash and cash equivalents at the beginning of the year	89.7	(370.1)	416.2	416.2	45.4
Cash and cash equivalents at the end of the year	(370.1)	416.2	45.4	658.4	650.1

Source: RHP

Comparison with listed industry peers

There are no listed companies in India whose business portfolio is comparable with that of the company business and comparable to the scale of operations.

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