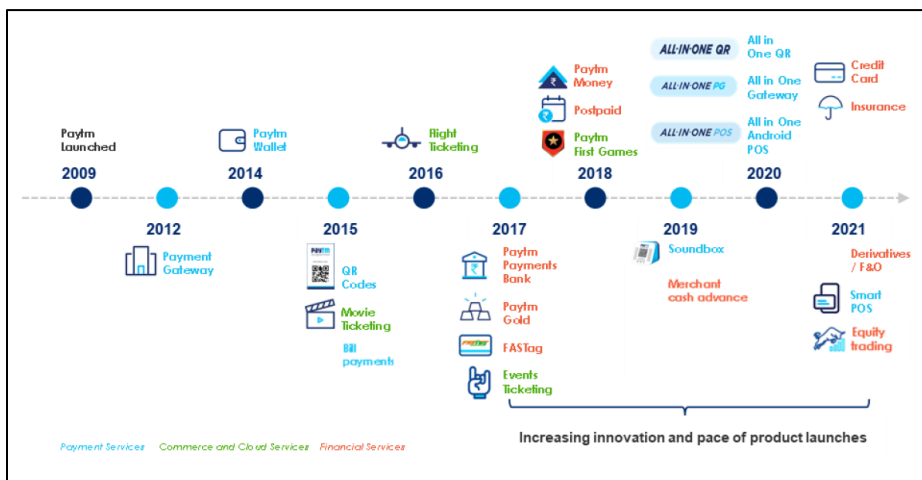


Client Advisory - IPO Note (Paytm)

Multi-Act Advisory:	<ul style="list-style-type: none"> • Paytm is one of the largest digital payments companies in India with ~18% market share. • Company’s payment business is key and generated positive contribution margin for the first time in 2021. Digital payments are expected to grow fast which will benefit the Payments Business. • Further, company has forayed into commerce and financial services business to increase user engagement and monetize its user base. However, these segments are relatively new and have low market shares. • Company is not profitable yet and has raised around INR 186 bn till date to fund its operations. • At IPO, stock would be priced at around 45 times EV/Sales which is far higher than ~10 times Sales at which Ant Group was rumored to list. • Further, considering that growth in payments business and the scaling up of other business verticals would be key for a step towards profitability, the risk-reward currently is unfavorable.
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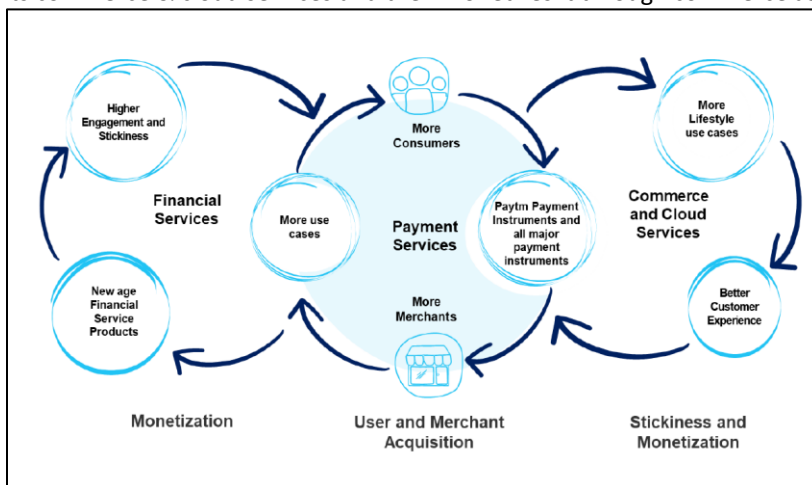
1. Company

One97 Communications Ltd. ('Paytm' or 'Company') launched Paytm in 2009 with bill payments and mobile top-ups as the first use cases. Paytm wallet as the first Paytm Payment Instrument (PPIs), was launched in 2014. Since then, company has introduced various products (please refer the image below) and now offers payment services, commerce and cloud services, and financial services to ~333 mn consumers (~50 mn users transact on a monthly basis - MTU) and over 21 million merchants as of March 31, 2021.



Source: Paytm’s DRHP

Business Model: Company acquires its consumers and merchants through the payment services business (company is the largest payments platform in India based on the number of consumers, merchants, transactions and revenue as of March 31, 2021 according to RedSeer). After the user acquisition, company builds higher engagement and stickiness with consumers and merchants through its commerce & cloud services and then monetizes it through commerce as well as the financial services business.



Source: Paytm’s DRHP



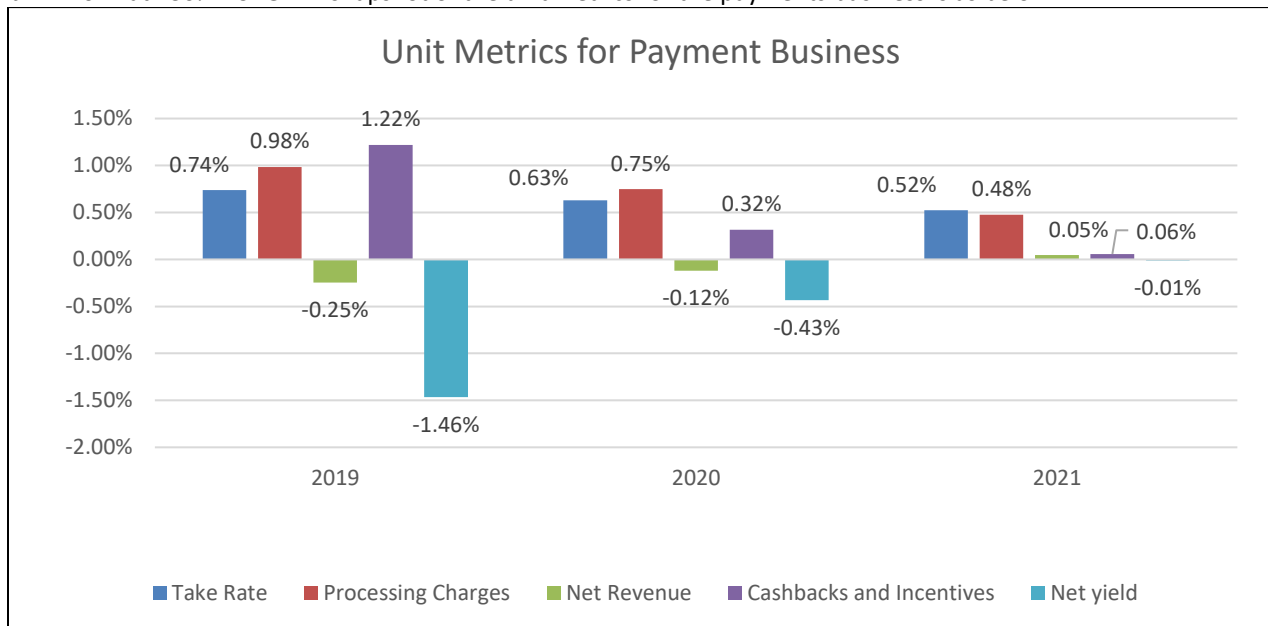
Company is engaged into a variety of businesses and operates through three verticals: (a) Payment Services; (b) Commerce and Cloud Services; and (c) Financial Services. The Commerce and Cloud services accounted for ~25% of the revenues at end of FY 21 while Payment & Financial Services contributed the remaining ~75%. We have discussed these verticals below:

(A) Payment Services

Company provides payment services for both consumers (mainly issuer services) and merchants (mainly acquirer services). For merchants, it offers comprehensive set of payment services including payment gateway, all-in-one QR code and all-in-one POS, among others enabling them to accept payments through PPIs and major third-party instruments and payment methods.

Customers can use the app to make bill payments and mobile top-ups, transact and pay online or in-store for commerce, transfer money digitally and more. Consumers can make payments through PPIs on the Paytm App, in-store payments, online payments and on mobile. Some key points from our analysis of this vertical are:

- **Key Operating Metrics:** Gross Merchant Value (GMV) for the payment business has grown from INR 2,292 bn in 2019 to INR 4,033 bn in 2021 at ~30%+ CAGR. A snapshot of the unit metrics for the payments business is as below:



Note: This also includes revenue from financial services, lease rental on Soundbox/POS machines, etc. and thus, the take rate & net yield could be slightly overstated. Also, some of the cashbacks/incentives could be relating to the commerce business (most of these are netted off against revenues of commerce business but bifurcation of some amount which has been charged to the income statement is not disclosed by the company). Hence, the net yield could be impacted.

- **UPI vs Wallets:** Company operates 'Paytm wallet' which consumers use for its convenience including having greater control on their expenses, highly secure payments, Fast Forward on bill payments, and seamless integration across mobile, online and in-store payments. However, the preference of wallet has declined as users are increasingly using UPI as shown below:

Relative Market Share	Volumes Market Share				Value Market Share			
	2018	2019	2020	2021	2018	2019	2020	2021
UPI	20.9%	53.9%	70.1%	81.9%	43.7%	80.4%	90.8%	95.4%
Prepaid Payment Instruments (PPI)	79.1%	46.1%	29.9%	18.1%	56.3%	19.6%	9.2%	4.6%
- Wallet	69.2%	41.4%	23.8%	14.5%	47.7%	17.9%	8.3%	3.8%
- Others	9.9%	4.7%	6.1%	3.6%	8.6%	1.7%	0.9%	0.8%

Source: RBI and Mobikwik DRHP

While company has high market share in wallet transactions (65-70% within the wallet merchant transaction), its market share in UPI is low at ~12% (PhonePe leads the UPI market with ~46% market share followed by Google Pay at ~34% market share) based on market data for July 2021. As per NPCI's guidelines on volume cap, PhonePe and Google Pay will have to adhere to a cap of 30 percent in volume market share by calendar year 2023. This could help Paytm and other small players to gain volume market share.



At present, the mix of relative volume mix of UPI and Wallet in mobile consumer to merchant (C2M) transactions is around 47:53 (calculated using Paytm’s market share in total C2M mobile volumes, wallet merchant transactions, UPI and some assumptions). This indicates that a large number of UPI transactions are C2C. With the increasing share of UPI transactions, the relative volume share of wallets could come down in future which could impact Paytm’s overall market.

- Interoperability (effective from April 2022):** With Interoperability, a full-KYC user will be able to send and receive money from various mobile wallets or PPIs like Paytm, PhonePe, Google Pay, Mobikwik, etc. This could drive consolidation in the industry as users may stick to one or maybe two apps as they don't need to keep different apps to receive/pay money. Given the extended reach of Paytm and PhonePe (as depicted below), they may gain market share from other players.

Particulars	Number of Users (mn)	Monthly Users (mn)	Number of Merchants (mn)	Market Share - Wallet	Market Share - UPI
Paytm	333	50	21.1	65-70%	~12%
PhonePe	~300	125	~20	na	~46%
Google Pay	~70	na	na	na	~34%
Mobikwik	~100	na	~3.44	na	na

- Payment Gateway:** Company by leveraging its large merchant base has expanded into processing PPIs and other third-party instruments such as credit card, debit card, net banking, and UPI. Company has priced its offering attractively compared to peers:

Particulars	Paytm	Razorpay	CCAvenue	Mobikwik	Cashfree	PayU	PayPal
Account Activation	Instant	1 Business Hour	1 Business Hour	2 days	24 hours	NA	Immediate
Setup Fee	Zero	Zero	Zero	Zero	Zero	NA	NA
Annual Maintenance Fee	Zero	Zero	1200	Zero	Zero	Zero	Zero
Transaction Charges (excluding Taxes)							
- Debit/Credit Card, Wallets and others	1.99% 0.4%/0.9% for Debit Card	2.00%	2.00%	1.90%	1.75%	2.00%	NA
- UPI	0%	2.00%	2.00%	0%	1.75%	2.00%	NA
- Amex/Diners	NA	3.00%	3.00%	2.90%	3.5% + Rs 7 per transaction	3.00%	NA
- International + EMI	2.90%	3.00%	3.00%	NA	3.5% + Rs 7 per transaction	3% + Rs 6 per transaction	4.4% + \$0.3 + conversion charges
Settlement Cycle	T +1	T + 2	Weekly	T + 2	T +1	T + 2	Daily
Recurring Payment allowed	Yes	NA	NA	NA	Yes	Yes	NA
Multi-Currency Support	Yes	Yes	Yes	NA	Yes	Yes	NA
Withdrawal Fees	Zero	Zero	Zero	Zero	NA	Zero	NA

NA = Information Not Available

Company allows zero MDR charges which as a unique offering could allow it to gain merchants. Company/peers do not incur any processing charges on UPI/Rupay cards as per the government directive and thus, it does not lead to incremental losses for Paytm. However, given peers charge MDR, they would report better profitability vs Paytm.

- Merchant Acquisition Products:** Company through various products like All-in-one QR Codes, All-in-one POS Machines, Paytm Soundbox, etc. acquires merchants (as acquirer it would earn MDR charges from these) and also increases the merchant base for the use of Paytm wallet and other PPIs. The MDR charges is similar to the payment gateway fees for online payments. For in store payments, MDR for payment wallet is zero for Gross Transaction Value (GTV) of up to INR 20,000 and 0.84% thereafter. As per DRHP, company has ~0.8 mn payment devices including POS and Soundbox.
- Paytm FASTags:** FASTags are used for making toll payments directly from the customers linked prepaid or savings/current account. A key differentiator of Paytm FASTag is that it does not require a separate prepaid account or login credentials, and is linked seamlessly to the Paytm Wallet. This increases consumer convenience and has helped Paytm gain significant market share.



Further, consumers who actively use Paytm FASTags are more likely to keep wallet balance which in turn makes it more likely that they will use Paytm wallet at other merchants. Market share of top issuer and acquirer banks by volume for July 2021:

Particulars	Issuer Banks		Acquirer Banks	
	Volume (in mn)	Market Share	Volume (in mn)	Market Share
ICICI Bank	53.4	27.7%	67.0	34.9%
Paytm Payments Bank	43.9	22.8%	55.1	28.6%
IDFC/IDFC First Bank	35.0	18.2%	46.1	24.0%
Others	60.0	31.2%	24.1	12.5%
Total	192.3	100.0%	192.3	100.0%

Source: NPCI. Note: Total value of transactions amounted to ~30 bn for July 21. Annualized value comes to ~360 bn.

Company was able to utilize its existing user base and regulatory advantage (Paytm FASTag does not require a separate prepaid account) to gain significant market share. Paytm's existing user base and engagement provides it an opportunity to expand into other potential opportunities in the future like they are trying to utilize the user base for financial services, etc. (discussed later).

We have tried to simplify the role of Paytm in a digital payment transaction through the example below:

Q: If a customer transfers money to a merchant through the Paytm App, does Paytm make any money on this transaction?

It will depend on how the customer pays - in-store (by going to their store) or online (their website, etc.). For the online option, the customer uses a payment gateway to make the payment. For each payment, the merchant incurs an MDR (the payment charge highlighted in the Payment Gateway point) and this is divided between the acquirer, issuer, networks like Visa/Mastercard, etc. Paytm based on its presence as acquirer/issuer would make money on a usual transaction (modes other than UPI and Rupay). However, in case of a UPI/Rupay transactions, Paytm does not charge anything and thus, would earn net zero from those transactions.

For in-store transactions, the customer can scan and pay via wallet/UPI or the customer can pay through the registered instruments in Paytm (credit/debit cards, BNPL, etc.) but most of the small merchants would not be this supporting now due to MDRs (Paytm BNPL had only ~0.5mn registered merchants). For UPI transactions, Paytm would earn net zero. For wallet and others, they make MDR as highlighted in the payment gateway point.

(B) Commerce and Cloud Services

Company provides these services to both the merchants and consumers. Company helps its merchants conduct targeted outreach to Paytm's consumers to offer services such as ticketing (for entertainment and travel), deals, loyalty services, mini apps and advertising. Company also provides the merchants software and cloud services for various aspects of their business, such as billing, ledger, vendor management, customer promotions, catalogue and inventory management.

For consumers, it provides various services at one platform. Further, company offers its gaming services (mainly Card games and Fantasy games) and Paytm First membership (premium subscription-based rewards and loyalty program) to the users.

Travel and Entertainment/Movie Ticketing are key sub-segments within this vertical. Both were impacted in FY 21 due to Covid which impacted the overall GMV for this vertical (down from ~INR 142 bn in 2020 to ~INR 42 bn in 2021). Revenue Yield/GMV for this vertical increased from ~8% in 2020 to ~16% in 2021 which might be due to change in mix, etc.

In Movie Ticketing, company had ~30% relative market share to BookMyShow in 2018 (gaining trend - latest data not available). Company entered entertainment ticketing through the acquisition of Insider in 2017 and offers sports ticketing, tickets for various events, etc.

For Travel Ticketing, company's market share and likely commissions are as below:

Particulars	Fee	Total Size (INR Bn)	Online Share	OTA's Share in Online	Paytm's share	Remarks
Flights Ticket	~7% of Value	1,950	55%	65%	na	MakeMyTrip and Goibibo (51%), EaseMyTrip (19%), Ixigo (12%), Yatra (9%) and Others (9%).
Trains Ticket	INR 20-40 per ticket	507	85%	25%	28%	Ixigo & ConfirmTkt (42%), Paytm (28%), Amazon (10%), MMT & Goibibo (6%) and Others (14%).
Bus Ticket	~8-10% of Value	585	15%	75%	7%	RedBus (80%), AbhiBus (10%), Paytm (7%) and Others (5%).
Hotel Ticket	~20-25% of Value	650	20%	70%	na	MakeMyTrip, Agoda and Booking.com account for ~75% of market. Expedia and Yatra are other major players.

Source: Ixigo DRHP and MakeMyTrip Presentation. Paytm's share is within the OTA market



(C) Financial Services

Company offers mobile banking, lending, BNPL (Paytm Postpaid), insurance, and wealth management (broking, etc.) for consumers and merchants. These are offered through Paytm Payments Bank (PPB) and partner financial institutions.

Company started offering majority of these services in 2020 or 2021 and thus, they are still in very nascent stage. Key metrics reported by company regarding this vertical are:

Particulars	2019	2020	2021
<u>For Mutual Funds/Broking Services</u>			
Consumers with Direct MF Investments (mn)	na	na	1.3
Number of Equity Trading Accounts (In '000)	na	na	208
Company has ₹52 billion in AUM in direct mutual funds, digital gold, and stock broking investments, as on March 31, 2021. However, company does not earn on direct mutual funds which account for most of the AUM.			
<u>For Insurance Services</u>			
Unique Insurance Customers (mn)	na	na	11.3
Cumulative Attachment Products and Insurance Policies Sold (In millions)	na	na	31.5
<u>For Lending Business</u>			
Number of Loans Disbursed (In Thousands)	5	75	2,635

2. Industry

Digital payments transactions were valued at ~USD 20 trillion for FY 21 with 43 billion transactions. Mobile digital payments account for ~3% of this value. For Consumer to Merchant (C2M) transactions, the Total Purchase Value (TPV) amounted to more than USD 300 bn in FY 21. Out of these, mobile C2M transactions accounted for ~35% of the TPV. The mobile C2M payments are expected to grow the fastest at ~50% CAGR during FY 21-26 and reach ~64% of the total C2M TPV. The total C2M TPV is expected to grow at ~26% CAGR during the same period.

Within the C2M TPV, payment gateways account for ~57% share followed by POS machines (~31%) and QR Code (~13%). QR code is expected to grow the fastest during FY 21-26 (~60% CAGR) and reach ~34% of the total market. Payment Gateway and POS machines are expected to grow at ~20-25% CAGR and account for ~44% and ~22% of the C2M TPV respectively.

BNPL annual disbursement are expected to grow from \$15-20 bn in FY 21 to \$90-100 bn in FY26. Within these, the disbursements by digital BNPL lenders are expected to grow from \$3-3.5 bn to \$45-50 bn in FY 26 (increase market share from ~20% to ~50%).

Paytm has ~18% value share in C2M digital payments. For mobile C2M transactions, company claims to have ~40% volume share.

3. Profitability

Company is not profitable yet. It reported positive contribution margin (revenue minus direct costs) in 2021. Expansion of financial services and growth in payments business would be key for a step towards profitability of the company.

Particulars	2019	2020	2021
Revenue	32,320	32,808	28,024
<i>Contribution Margin</i>	-61.8%	-7.2%	12.9%
<i>Operating Margin</i>	-138.5%	-85.6%	-69.3%
Net loss	(41,007)	(25,438)	(16,728)
<i>Net Margin</i>	-126.9%	-77.5%	-59.7%



4. Key Drivers

- (i) Increasing penetration of digital C2M payments along with increasing the consumer/merchant base will be key driver for the company.
- (ii) Scaling up of new business verticals like financial services and increasing adoption of e-ticketing and better market position in different segments within commerce business would be key for growth of the company.

5. Key Risks

- (i) Company is not profitable yet (turned positive contribution during FY 21) and relies on continuous funding to survive and grow its business. Company has raised ~186 bn till FY 21 to fund its losses, capex and business operations.
- (ii) Increasing mix of UPI could affect the overall market share of company. Further, company charges zero MDR for UPI and Rupay card and thus, higher mix of UPI could affect the net yield and the contribution margin.
- (iii) Government of India is creating ONDC platform which would democratize digital commerce and move it from platform-centric model to an open-network model. How the ONDC would function is not clear yet but if payment options are provided therein, it could affect the company's platform business as users could use any payment provider in the ONDC network.

6. Comparison – Global (Source: Haitong Broker Report and Ant Group's Prospectus)

Ant Group holds ~30% stake in the company. They operate in the same industry like Paytm. We have analyzed the evolution, business and key operating/financial parameters of Ant Group.

Company started from Alipay's financial service platform and has grown into a leading open platform for financial technology. It has split the business into two major segments, namely (a) Payment Business and (b) Fintech.

Payment Business: It aims at connecting its users with financial institutions. The digital payment service revenues come from transaction fees generated from merchants and transaction platforms based on a percentage of transaction volume from commercial transactions in China and, to a lesser extent, from cross-border transactions. To a significantly lesser extent, Alipay generate revenues from personal transactions.

Transaction take rate is ~0.5% from the merchants per transaction. However, merchants based upon transaction volume through can negotiate lower rate along with subsidies provided Alipay. Alipay shores out ~0.07% to financial institutions per transaction. Along with that, Alipay Charges every wallet holder Consumer or Merchant ~0.1% for transaction over RMB 20,000. Transactions in Alibaba ecosystem are facilitated by Alipay. As of 2019, Alipay has 55% market share in Gross transaction value in digital payments in China.

Fintech business: Company provides

- (i) Micro-lending: Provides consumer credit through Credit Sesame platform, Merchant (SME) financing through Mybank platform.
- (ii) Wealth management: Provides platform to AMCs along with its money market fund, Yu'eobao (China's largest)
- (iii) Insurance Services: Provides platform to partner insurance underwriters
- (iv) Blockchain Services: China's Leading Blockchain technology service provider
- (v) Credit Rating Service: Provides credit scoring services to Alipay users through Zhima Credit platform.

Key Parameters

Key operating metrics are

Operating Parameters	Dec-17	Dec-18	Dec-19	Jun-20
Alipay app MAUs (mn)	499	618	659	711
Alipay app Monthly active merchants (mn)	>30	>55	>75	>80
Alipay app AAUs (mn)	652	833	925	987
Alipay app digital finance AAUs (mn)	457	634	713	729
Digital Payments - TPV (RMB trillions)	69	91	111	118
Credit through platform (RMB billions)	647	1,046	2,014	2,154
Investment AUM through Platform (RMB billions)	2,277	2,709	3,398	4,099
Insurance Premiums and Contribution through Platform (RMB billions)	9	14	38	52

Total registered users and merchants are around 1 Bn and 80 million respectively. Around 70% of the registered users are MAUs as compared to only ~15% for Paytm.



Key financial metrics (figures are in RMB Mn) of Ant Group are:

Financial Analysis	Dec-17	Dec-18	Dec-19	Jun-20
Revenues	65,397	85,722	120,619	72,527
- Digital Payments and merchant services	35,890	44,361	51,905	26,011
- Digital Finance technology platform	28,993	40,616	67,784	45,972
- Innovation initiatives and others	514	745	930	544
Operating Profit	13,182	4,502	24,071	24,903
Operating Margin	20.2%	5.3%	20.0%	34.3%
Net Profit	8,205	2,156	18,072	21,923
Net Margin	12.5%	2.5%	15.0%	30.2%
Breakup of Digital Finance technology platform				
CreditTech	16,187	22,421	41,885	28,586
InvestmentTech	10,490	13,882	16,952	11,283
InsureTech	2,315	4,313	8,947	6,104
Digital Payment as %age of payments TPV	0.05%	0.05%	0.05%	0.02%
Credit Revenue as %age of total credit	2.50%	2.14%	2.08%	1.33%
Investment Revenue as %age of Investment AUM	0.46%	0.51%	0.50%	0.28%
Insurance Revenue as %age of Premiums	25.7%	30.8%	23.5%	11.7%

Ant Group is profitable and generates operating and net profits. The margins increased significantly in 6M 2020 but margins have been volatile (~3% operating margin in 2018).

7. Some Key Observations

- Business Verticals and Entity:** Considering that company has lots of subsidiaries, JVs and Associates, we have summarized the key business verticals by entity and company's stake:

Name of Entity	Type	Stake	Business Verticals
Standalone Entity and 100% subsidiaries	na	na	Payments: Payment Gateway business, QR Codes/POS devices, Bill Payments, Money Transfer, etc. Commerce: Travel ticketing, Entertainment ticketing, etc. Financial Services: Paytm Postpaid, Credit Cards, and Lending (through partnership), Broking Services, etc.
Paytm Payments Bank	Associate	49.0%	Paytm wallet, UPI, FASTags, Debit Cards, Current/Savings Account, Fixed Deposits.
Paytm First Games Private Limited	Joint Venture	55.0%	Gaming business
Paytm Insuretech Private Limited	Associate	49.0%	Insurance business
Urja Money Private Limited	Subsidiary	67.5%	Developing software/applications and/or carry on the business of providing financial, investment and lending advisory services. Also, it conducts debt recovery services.
Little India/Nearbuy	Subsidiary	62.5%	Act as an online marketplace operating primarily in sectors such as food & beverage, spa & salon, local retail/gift cards and it helps connect the merchants in these sectors by selling their curated deals online to the end customers.

Note: This is only indicative as Company has not given clear information about which business is under which entity.

- Paytm Payments Bank (PPB):** As per RBI regulations, Payments Bank are required to be owned and controlled by Indian residents. Given that majority of the company's shareholding is held by overseas investors (regulations require Indian citizens or Indian companies to hold >50% shareholding), company is considered as a foreign investor for this purpose. So, company's founder holds 51% in the PPB while company owns the remaining 49% stake. Company has a call option on the shares of PPB held by the Founder, subject to him shareholding and other restrictions under the applicable law.

Thus, company gets only 49% of the value from PPB through which it offers various payments and issuer businesses (as highlighted above). Further, considering that company owns only 49% stake in PPB, it is consolidated using equity method and thus, the revenue/costs of PPB are not reflected in company's income statement.

We analyzed the financials of PPB and observed the following:



- (i) PPB earned Net Interest Income (NII) of ~1,650 mn in 2020. Since Payment Banks are not allowed to lend, company earns mainly from investments (~5-6% yield). The source of funds (cost of funds is ~1%) is mainly current account balances (2/3rd - mainly merchant balances) and the balance 1/3rd is through savings deposit (offers interest rate of 2.5% p.a.).
- (ii) PPB earned Non-Interest Income of ~20,000 mn in 2020. Around 47% of this is from transactions with Paytm while the nature of balance ~50% is not known. These could be through transaction fees as issuer, commission from distribution of different products, etc.
- (iii) Total revenue in 2021 was ~20,000 mn. Breakup of this is not available.
- (iv) Around 40% of the non-interest expenses are from transactions with Paytm. Employee cost, selling expenses and D&A account for ~15%. Rest is from other expenses (nature not known).
- (v) PAT for the last 3 years (2019-21) has ranged from around 200 mn to 300 mn.

As per the RBI website, when the payments bank reaches the net worth of 5,000 mn, it will be mandatory to list within three years of reaching that net worth. As per FY 21 data, PPB had a net worth of ~4,087 mn (increasing gradually from ~3,500 mn in FY 18). The criteria for listing of Small Finance Bank (SFB) are also similar to payments bank. Thus, company would need to list its payments bank unit within 3 years after it attains the 5,000 mn net worth.

- **PEPL (Paytm Mall):** Company has significant transactions with PEPL but it is not a related party of the company. PEPL was earlier part of company but they sold it in 2017 (recognized exceptional gains of ~5,913 mn - the reason for sale not available, could be regulatory reasons). They don't own any stake and not much information about this was discussed in DRHP. But as per a very small note to the receivables in DRHP, it is mentioned that the Holding Company has an option to convert this into equity shares of the counterparty (derivative assets of ~56 mn at end of FY 21). Quantum or any other detail regarding that is not available.

If the company decides to exercise the buying option in the future, it could affect cash, profitability (if they achieve) in the future as Paytm mall is currently struggling in its operations.

- **Corporate Governance:** Company's board has eight directors, six of which are located outside India. Among the directors located outside India, three are nominee directors for the shareholders (API, SVF and SAIF & Elevation Capital - jointly) while three independent directors are located outside India. Given that independent directors are for oversight, them being located outside India is negative from a corporate governance point of view. Out of the three nominee directors, two of them have appointed alternate directors (to represent them) but their location is not known.
- **Nominee Directors:** Investors API, SVF and SAIF & Elevation Capital (jointly) have right to appoint one nominee director each till they continue to hold at least 10% of shareholding on fully diluted basis. Further, Founder is also permitted to appoint a nominee director if he fulfills both the conditions specified below:
 - (i) holds at least 31 mn equity shares of face value ₹1 each on a fully diluted basis (which shall in no event be less than 2.5% on a fully diluted basis), and
 - (ii) continues to hold an executive position in the Company

Founder has not appointed any nominee director to the Board as of now.

- **Capital Allocation:** Company has made acquisitions in regular intervals. Details of some of them are below:

Particulars	Acquired In	Value	EV/Sales	Impairment of Goodwill/Intangibles		
				2019	2020	2021
Little Internet Private Limited (Nearbuy)	07 Dec '17	~2,000 (USD 30mn)	27.3	510	2,775	-
Orbgen Technologies Private Limited (TicketNew)	June 9, 2018	1225	6.2	674	198	-
Wasteland Entertainment Private Limited (Insider.in)	2017	~350	3.7	15	-	-
Mobiquest Mobile Technologies Private Limited	2017	na	na	2	-	-
Urja Money Private Limited	2017	na	na	-	-	-

Source: Factset, AceEquity & Various News Articles

The acquisition of Little India/Nearbuy is at a very high valuation when compared to other deals. Company has written off its investment in Little India during 2019 & 2020.



- **Depreciation & Amortization:** Company's depreciation policy seems aggressive when compared to the schedule II rates and peer Mobikwik. For all assets other than P&M, depreciation rate is lower. For P&M, the higher rate (considers useful life of 5-8 years) seems justified as majority of the P&M is related to POS devices and soundboxes installed at customer points and wear & tear would be higher for such assets.

Particulars	%age of Gross Block	WDV Depreciation %age as per		
		Schedule II	Company	Mobikwik
Servers and networking equipment (Computers)	53.4%	53.6%	39.3%	53.6%
Laptops and desktops (Computers)		78.5%	63.2%	78.5%
Office equipment	4.4%	60.2%	45.1%	60.2%
Furniture and fittings	1.0%	36.9%	25.9%	36.9%
Plant & Machinery (P&M)	37.5%	26.4%	45% to 63%	na
Vehicles	0.2%	43.8%	31.2%	na
Software and licensed acquired	na	na	40.0%	na
Other intangibles acquired in business combination (SLM)	na	Straight line method (5 years)		na

- **Auditor Points:** While the auditors have not modified the report, they have given various emphasis on matters (trying to highlight these matters) and have made some observations in CARO. These points are relating to
 - Overdue Outstanding Forex receivables/payables
 - Issues regarding grant of ESOPs
 - NBFC License Requirement for Paytm Entertainment Ltd.
 - Delay in payment of statutory dues like professional tax, labor welfare fund, etc.
 - Auditors have not done physical verification of fixed assets (done by management). Also, for POS & soundboxes, management considers that assets exist based on 'active user status' of the customers.

8. IPO & Shareholding

Shareholding of the major shareholders is as below:

Name of Shareholder	%age of Pre-offer Shareholding	Amount of shares in OFS (up to INR mn)	Post IPO Shareholding %age	Remarks
Antfin (Netherlands) Holding B.V.	27.9%	47,044	22.9%	Alibaba Group - Ant Financial (formerly Ant Financial and Alipay)
SVF India Holdings (Cayman) Limited	17.3%		16.3%	Softbank Group
SAIF III Mauritius Company Limited	11.4%	13,277	9.8%	SAIF Partners (Asian PE Firm)
Mr. Vijay Shekhar Sharma (Founder)	9.1%	4,027	8.3%	
Alibaba.Com Singapore E-Commerce Private Limited	6.8%	7,848	5.8%	Alibaba Group
SAIF Partners India IV Limited	4.8%	5,636	4.1%	SAIF Partners (Asian PE Firm)
VSS Holding Trust	4.7%		4.4%	Founder Entity
BH International Holdings	2.6%	3,018	2.2%	Berkshire Hathaway
SVF Panther (Cayman) Limited	1.2%	16,890	-	Softbank Group
Others	14.2%	2,260	26.2%	
Total	100.0%		100.0%	

Note: Post IPO shareholding is assuming IPO and OFS at high end of price band (2,150 per share).

Company's IPO is a combination of fresh issue and Offer for Sale (OFS) as detailed below:

Particulars	Amount (INR mn)
Fresh Issue up to	83,000
Offer for Sale (OFS) up to	1,00,000
Total	1,83,000
Utilized of Fresh Issue towards (within 5 years):	
- Growing and strengthening Paytm Ecosystem	43,000
- Investing in new business initiatives and strategic partnerships	20,000
- General Corporate Purposes (net of IPO costs)	20,000
Total	83,000



9. Valuations

Company's business verticals like financial services & commerce are in nascent stage and scaling up of them would be critical for a step towards profitability of the company. Further, company's payments business could lose market share with increasing mix of UPI. Considering these, we have not valued the company. As per our analysis of Ant Group and its proposed valuations during IPO, the valuation multiples of Ant Group are as below:

Particulars	Multiples
Valuation/Revenue	9.7
Valuation/Operating Profit	28.4
Valuation/Net Profit	32.2

At the high end of IPO band (2,150 per share), Paytm's shares are valued at ~45 times EV/Sales based on FY 21 revenue. *During the time building up to IPO, Paytm's share in grey market traded up to 3,650 per share.*

Statutory Details: -

Multi-Act Equity Consultancy Private Limited

(SEBI Registered Portfolio Manager - Registration No. INP000002965)

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Risk factors

General risk factors

a. Securities investments are subject to market risks and there is no assurance or guarantee that the objective of the investments will be achieved.

b. As with any investment in securities, value of the Client's investments can go up or down depending on the factors and forces affecting the capital market. MAECL is neither responsible nor liable for any losses resulting from such factors.

c. The information on investments is subject to external risks such as war, natural calamities, and policy changes of local / international markets which affect stock markets.

d. MAECL has renewed its SEBI PMS registration effective October 14, 2014 and has commenced its portfolio management activities with effect from January 2011. However MAECL has more than 10 years of experience in managing its own funds invested in the domestic market.