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One97 Communications Limited (Paytm)

Data Collection

Paytm does not have many subsidiaries, and all the subsidiaries are primarily controlled by its parent company. Hence, we analyzed consolidated financial statements rather than a standalone analysis. The financial statements are for the financial year '23.

Cash Flow Statement		
Income Statement (in Rs. Cr.)	**MAR 23**	**MAR 22**
Net Profit/Loss Before Extraordinary Items And Tax	-1,742.90	-2,385.10
Net Cashflow From Operating Activities	415.60	-1,236.30
Net Cash Used In Investing Activities	2,625.50	-5,488.60
Net Cash Used From Financing Activities	-1,112.30	8,053.50
Foreign Exchange Gains / Losses	2.30	4.90
Net INC/DEC In Cash And Cash Equivalents	1,931.10	1,333.50
Cash And Cash Equivalents Begin of Year	1,378.90	45.40
Cash And Cash Equivalents End Of Year	3,310.00	1,378.90

Balance Sheet		
Balance Sheet (in Rs. Cr.)	**MAR 23**	**MAR 22**
Total Share Capital	63.40	64.90
Total Reserves And Surplus	12,952.10	13,084.50
Total Shareholders Funds	13,015.50	14,151.60
Total Non-Current Liabilities	486.00	529.60
Total Current Liabilities	4,486.90	3,332.50
Total Capital And Liabilities	17,965.80	17,991.60
Fixed Assets	1,175.90	881.60
Total Non-current Assets	3,976.70	7,246.60
Total Current Assets	13,989.10	10,745.00

Income Statement		
Income Statement (in Rs. Cr., except earnings per share)	**MAR 23**	**MAR 22**
Total income	8,400	5,264.3
Total expenses	10,130.4	7601.1
Loss for the year	-1,776.5	-2,396.4
Total Comprehensive Income/ (Loss)	-1,568.3	-1,441.5

Cash Flow Statement

As observed in the data, the cash flow from operating activities has significantly increased compared to the previous year. The company, which incurred losses last year, has successfully turned a profit this year.
In the Investing Activity section, the company raised 5,488.60 Cr. Rupees last year, while this year, it generated funds by selling assets worth 2,625.50 Cr.
Regarding Financing Activities, Paytm raised 8,053.50 Cr. in the previous year and paid off 1,112.30 Cr. this year.
Notably, cash and cash equivalents have substantially increased compared to last year.

Balance Sheet

There is a noteworthy increase in Total Current Assets from 10,745.00 Cr. to 13,989.10 Cr. The Total Fixed Assets, which include Tangible, Intangible, and Capital work-in-progress assets, have increased compared to the last financial year. However, the total Non-Current assets have decreased significantly.
The company exhibits a decrease in Non-current Liabilities from the previous financial year. On the other hand, Current Liabilities have increased, suggesting the company needs to repay loans and borrowings in the current financial year.
While Total Shareholders' funds have decreased from last year, the change is not highly significant. Notably, a substantial portion of the company's funding comes from shareholders' funds, indicating a strong reliance on trust for the company's growth. The lower liabilities also contribute to the company's reliance on shareholder trust.

Income Statement

The revenue has increased; however, expenses have also risen significantly compared to the company's revenue. Although the company is still at a loss compared to the previous year, there is an improvement in the Earnings Per Share (EPS) value, indicating positive growth potential.

Capital Mix Analysis

Financial Ratio	Definition	Formula	Mar 2022	Mar 2023	Conclusion
Debt Ratio	Indicates the proportion of assets financed by debt	Total Debt / Total Assets	0	0	a lower ratio suggests lower financial risk.
Equity Ratio	Measures the proportion of assets financed by equity	Total Equity / Total Assets	1	1	higher ratios signify greater financial stability.
Debt-to-Equity Ratio	Measures the proportion of debts and equity	Total Debt / Total Equity	0	0	a lower ratio suggests lower financial risk.
Interest Coverage Ratio	Reflects a company's ability to meet interest obligations	EBIT / Interest Expense	-58.86	-84.52	used to measure how well a firm can pay the interest due on outstanding debt
Earning Per Share	Measures companies profitability	(Net Income - Dividend)/ Shares	-37	-29	stock value has increased from last year

Overall, Paytm's financial health appears to be stable. The company does not have any debt. Moreover, this implies that the company is not willing to take risks currently. It does not finance operations through borrowing, limiting the total return that can be realized and passed on to shareholders. This means that the company’s stock status is currently of type ‘low risk-low return’.

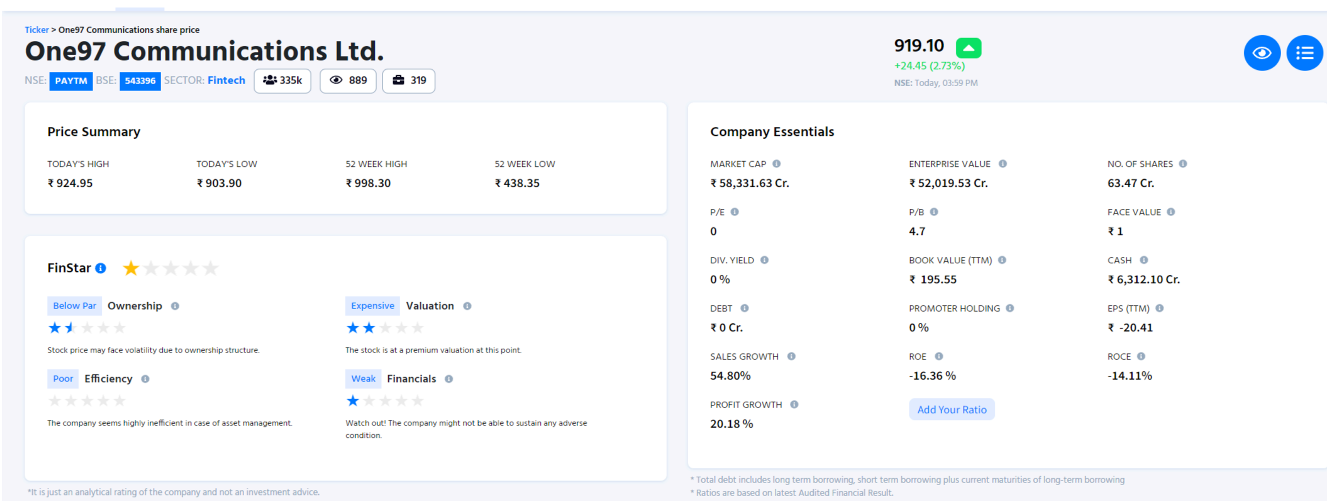
Industry Benchmarking

Industry benchmarking is a process in which a company evaluates its performance, practices, and strategies by comparing them to those of its competitors or industry peers. The goal is to identify areas of improvement, best practices, and opportunities for innovation. This comparative analysis helps companies understand where they stand in relation to others in the industry and can inform strategic decision-making. Here are some key aspects of industry benchmarking:

Performance Metrics	Best Practices	Innovation Opportunities	Cost Benchmarking
Compare financial, operational, and customer satisfaction metrics with industry averages or competitors.	Identify and adopt industry-leading practices to improve overall performance.	Analyse competitors' strategies to spark new ideas and innovative approaches.	Evaluate costs against industry averages to identify areas for cost-saving and increased competitiveness.
Operational Processes	**Market Positioning**	**Regulatory Compliance**	**Strategic Planning**
Assess and streamline supply chain, production, and distribution processes for improved efficiency.	Understand and strengthen market position by comparing market share, brand perception, and customer loyalty with competitors.	Evaluate adherence to industry regulations and standards.	Use benchmarking insights to set realistic goals, prioritize improvements, and align strategies with industry trends.

There are different types of benchmarking, including internal benchmarking (comparing performance within different units or departments of the same organization) and external benchmarking (comparing performance with other organizations). The choice of benchmarking approach depends on the specific goals and context of the organization.

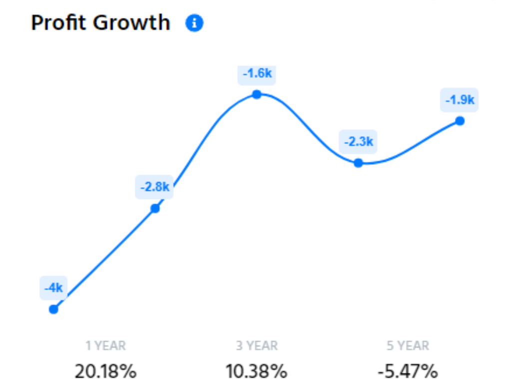
Overall, industry benchmarking is a valuable tool for organizations seeking to enhance their competitiveness, efficiency, and overall performance within their respective industries.



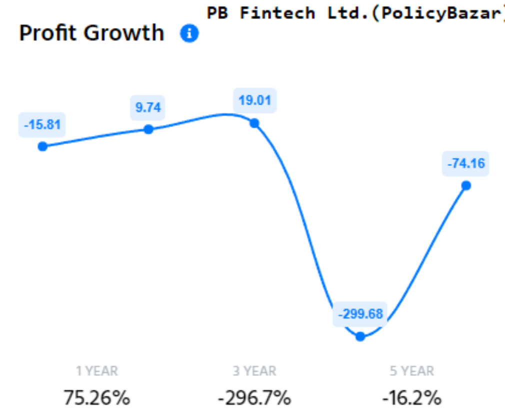
Peer Comparison									
Company	**Price (Rs.)**	**MCAP (Cr.)**	**P/B**	**P/E**	**EPS (Rs.)**	**ROE (%)**	**ROCE (%)**	**P/S**	**EV/ EBITDA**
Paytm	919.1	58,331.63	4.7	0	-20.41	-16.36	-14.11	9.69	-88.17
PB Fintech	764.65	34,418.15	4.54	674.89	1.13	-1.14	-1.03	256.57	614.68

Infibeam Avenues	22.1	6,140.21	1.98	47.63	0.46	4.9	6.43	3.44	25.19
Zaggle Prepaid Ocean	252.85	3,087.22	5.81	134.81	1.88	148.8	37.32	5.58	64.96
MOS Utility	98	244.37	3.23	43.02	2.28	31.97	31.09	2.3	23.03
Suvidhaa Infoserve	5.3	109.95	0.88	0	-0.18	-0.59	-0.28	3.96	10.24

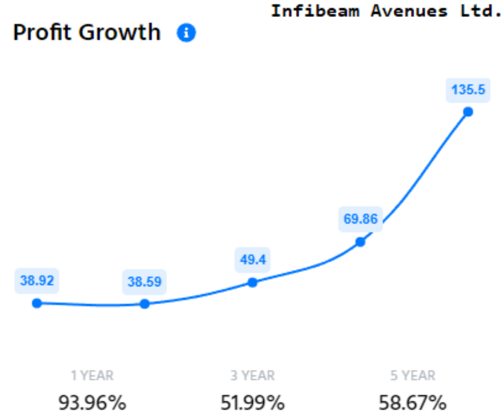
One97 Communications Ltd.(PAYTM)



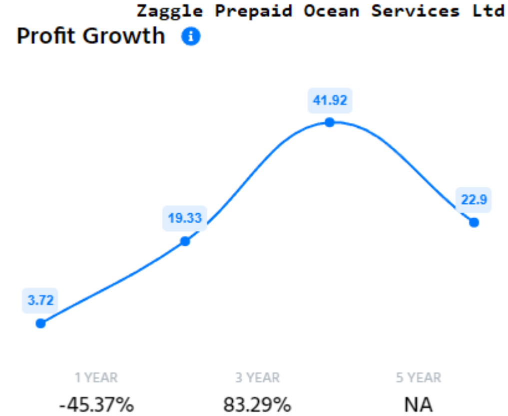
PB Fintech Ltd.(PolicyBazar)



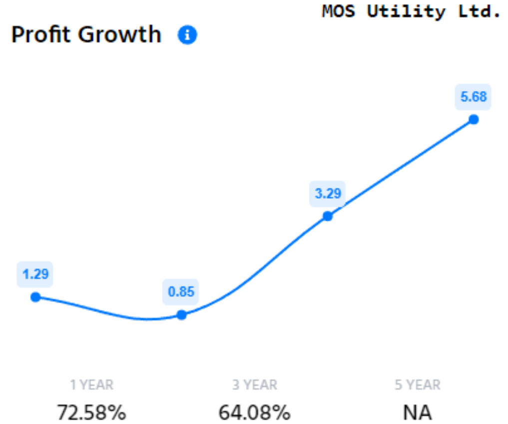
Infibeam Avenues Ltd.



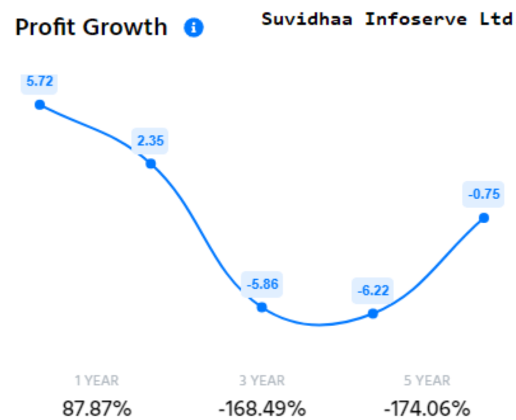
Zaggle Prepaid Ocean Services Ltd.



MOS Utility Ltd.



Suvidhaa Infoserve Ltd.



From the above major peers of PayTM we can identify that it is best interms of its profit growth thereby providing a more stable option for public to invest their money. Whereas rest of the competitors are either burning their savings or losing their profit growth.

Risk Assessment

Risk assessment examines occurrences that might lead to an asset, loan, or investment depletion. Prior to undertaking a new project, business venture, or investment, companies, governments, and investors engage in risk assessments.

1. **Financial Risk**: - Financial risk refers to the possibility of experiencing losses due to several variables such as market volatility, fluctuations in interest rates, credit defaults, or inadequate liquidity. This statement highlights the susceptibility of a company's financial well-being to external economic factors.
2. **Operational Risk**: - Operational risk refers to the possibility of incurring financial losses due to internal procedures, mechanisms, or external occurrences. It encompasses the hazards linked to operational failures, human mistakes, technological malfunctions, or unanticipated occurrences.
3. **Market Risk**: - Market risk refers to the possibility of incurring financial losses due to economic circumstances, industry trends, or competitive dynamics fluctuations. It represents the susceptibility of investments or company operations to changes in market conditions.

Paytm's business model heavily depends on its merchant and consumer base, and a significant portion of its revenue is generated from payment services.

Paytm faces several operational risks, such as process bottlenecks, non-adherence to process parameters, fraud risk, and other factors.

Paytm's business is subject to market risks such as changes to interest rates, exchange rates, geopolitical events, or recessions.

Capital structure affecting the Risks.

The capital structure of a company can affect its financial, operational, and market risks.Here are some ways in which the capital structure can affect the risks associated with a company:

Financial risk: A company with a high level of debt in its capital structure is more vulnerable to financial risk. This is because the company has to pay interest on its debt, which can be a significant expense.

Operational risk: If a company has a high level of debt, it may be forced to cut back on its operations to meet its debt obligations. This can lead to reduced productivity, lower quality products or services, and decreased customer satisfaction.

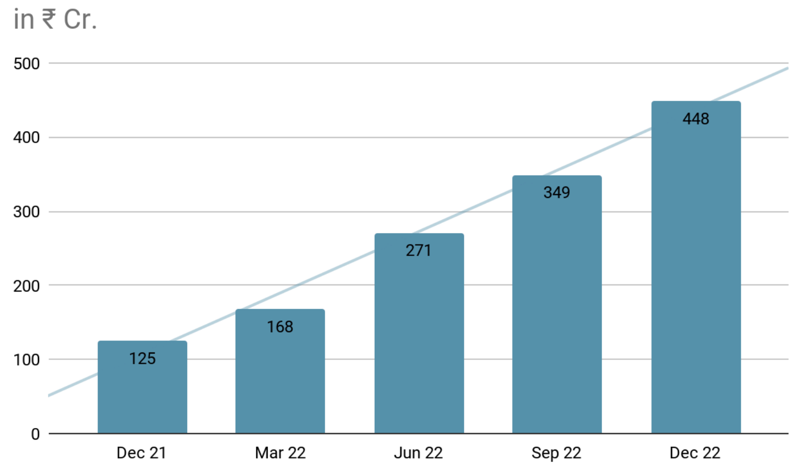
Market risk: If a company has a high level of debt, it may be more vulnerable to changes in interest rates or other market conditions. This can lead to decreased profitability and lower stock prices.

To stop fraud, Paytm introduced the innovative idea of a sound box that makes sounds after a payment is done.

Investment Attractiveness

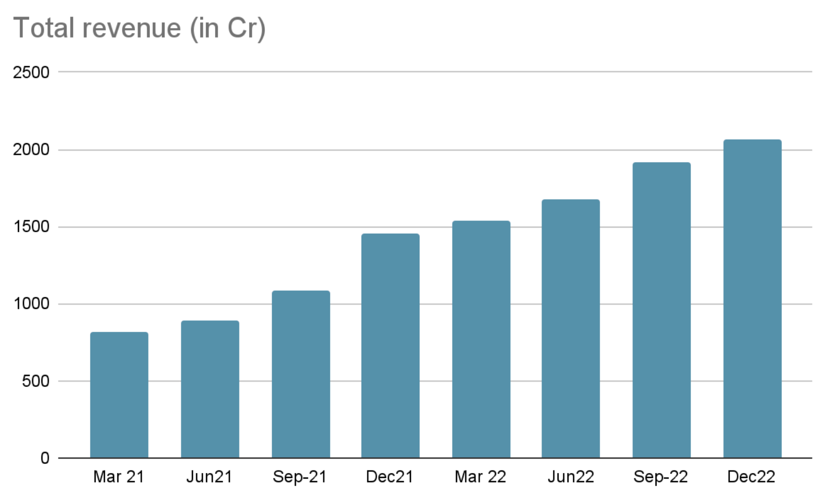
- Noteworthy individuals such as Warren Buffet, Jack Ma, and SoftBank have made financial investments in the Indian digital payment network known as Paytm.
- The most substantial Initial Public Offering (IPO) in terms of monetary value, totalling INR 18,300 crore, has been seen. Coal India Limited held the most substantial initial public offering (IPO) amounting to INR 15,200 crore previous to the year 2010.
- Initially, the application functioned exclusively as a digital wallet. Nevertheless, throughout time, it has undergone a transformation and now serves as a versatile platform with the ambition of becoming a super app. In addition to facilitating savings, users can leverage the application for other activities, including ticket booking, recharging, and online shopping, among other functionalities.
- The company is currently undergoing a transition in its business model, shifting from a business-to-consumer (B2C) approach to a business-to-business (B2B) strategy while also integrating cross-selling capabilities.
- **Profitability**
    - Based on the available data, it is evident that Paytm is now engaged in an extensive expansion strategy, resulting in a significant allocation of financial resources. Consequently, the company has yet to generate profits. However, an analysis of its profit trajectory reveals a notable shift from negative to positive figures in recent years.

- ○ Paytm has successfully attained its operational profitability earlier than anticipated.
- ○ The allocation of loans accounted for 22% of their whole revenue.



- **Stability**
  - ○ The occurrence of a sustained and progressive growth in revenue over a specific duration.
  - ○ The progression of Paytm's transformation into an enterprise that generates favorable free cash flow.

- **Growth Potential**
  - ○ The financial services sector has played a pivotal role in facilitating the growth of the financial industry, as seen by a significant increase in loans from 3,553 crore in March 2022 to 12,554 crore in March 2023.
  - ○ The company experienced significant growth in offline payments, with a subscriber base increasing from 2.9 million in March 2022 to 6.8 million in March 2023.



Recommendation

- Paytm can reduce its operational risk by improving its processes, policies, and systems. This can be achieved by investing in new technologies, hiring more skilled employees, or outsourcing certain functions.
- Paytm can reduce its market risk by diversifying its revenue streams and expanding into new markets. This can be achieved by launching new products or services, entering into partnerships, or acquiring other companies.
- Paytm should reevaluate its financial strategy, focusing on strengthening liabilities over equities to address challenges like volatility and limited financial flexibility. Strategic emphasis on liabilities

aims to enhance financial stability, reduce market exposure, and ensure long-term sustainability, fostering investor confidence and bolstering control over the capital structure.

- Cash flow of investment for property, plant, and intangible assets is less for Paytm (7000 Crores) compared to its other investments. Thus it should invest more in its own firm.

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