IJCRT.ORG ISSN : 2320-2882

INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Financial Analysis Of Paytm Fintech Company: An Evidenace

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ABSTRACT

Paytm was founded in August 2010 with an initial investment of US$2 million by its founder Vijay Shekhar Sharma in Noida, Delhi NCR. It started off as a prepaid mobile and DTH recharge platform, and later added debit card, postpaid mobile and landline bill payments in 2013. And we went on to become India's leading Payments App. Today, more than 20 Million merchants & businesses are powered by Paytm to Accept Payments digitally. This is because more than 300 million Indians use Paytm to pay at their stores. And that's not all, Paytm App is used to Pay bills, do Recharges, Send money to friends & family, Book movies & travel tickets. With innovations to financial services & products in pipeline, this is but one of the milestones achieved towards our mission to bring 500 million unserved and underserved Indians to the mainstream economy. This paper covers the analysis of financial position, current status and future prospects. The author has reviewed and analyses by using ratios, EPS, Share price and market share of the fintech company.

Key Words: Fintech Company, Paytm, Financial Statements, Analysis.

INTRODUCTION

Fintech, the application of digital technology to financial services, is reshaping the future of finance a process that the COVID-19 pandemic has accelerated. The ongoing digitization of financial services and money creates opportunities to build more inclusive and efficient financial services and promote economic development. Fintech is transforming the financial sector landscape rapidly and is blurring the boundaries of both financial firms and the financial sector. This presents a paradigm shift that has various policy implications, including:

Foster beneficial innovation and competition, while managing the risks. Broaden monitoring horizons and re-assess regulatory perimeters as embedding of financial services blurs the boundaries of the financial sector. Be mindful of evolving policy tradeoffs In 2017 Paytm became India's first payment app to cross over 10 crore app downloads. The same year, it launched Paytm Gold,[31] a product that allowed users to buy as little as ₹1 of pure gold online. It also launched Paytm Payments Bank and 'Inbox', a messaging platform with in-chat payments. By 2018, it started allowing merchants to accept Paytm, UPI and card payments directly into their bank accounts at 0% charge. It also launched the 'Paytm for Business' app (now called Business with Paytm App), allowing merchants to track their payments and day-to-day settlements. Its merchant base to grow to more than 70 lakh by March 2018. It launched two new wealth management products - Paytm Gold Savings Plan and Gold Gifting for long-term savings. It was rebranded as Paytm First Games in June 2019. In March 2018, Paytm Money was started with an investment of ₹9 crore for investment and wealth management.

RESEARCH OBJECTIVES

1. To study Paytm Fintech Company
2. To Analyse the financial position of Paytm fintech company

RESEARCH METHODS

This research papers throws light on Paytm Fintech Companies in India. Its deals with the conceptual study in a descriptive way of synthesizing the gathered data and information. The researcher has collected the required financial related information from official website of Paytm Fintech Company which are currently practicing financial technological aspects for development. Journal articles have been reviewed thoroughly to meet the set objectives of the paper.

RESEARCH RESULTS AND DISCUSSION

Following are the results and analysis of Paytm company financial position for the past last 5 year in various segments and aspects.

PAYTM INCOME STATEMENT ANALYSIS

Operating income during the year rose 24.9% on a year-on-year (YoY) basis. The company's operating profit was by NA YoY during the fiscal. Operating profit margins witnessed a growth and down at 12.1% in FY24 as against 20.6% in FY23. Depreciation charges increased by 51.6% and finance costs increased by 10.2% YoY, respectively. Other income grew by 39.9% YoY. Net profit for the year declined by NA YoY. Net profit margins during the year grew from 22.3% in FY23 to 14.3% in FY24.

PAYTM INCOME STATEMENT 2023-24

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*	% Change
Net Sales	Rs m	79,801	99,642	24.9%
Other income	Rs m	4,097	5,731	39.9%
Total Revenues	Rs m	83,898	105,373	25.6%
Gross profit	Rs m	-16,437	-12,018	NA
Depreciation	Rs m	4,853	7,357	51.6%
Interest	Rs m	236	260	10.2%
Profit before tax	Rs m	-17,429	-13,904	NA
Tax	Rs m	336	320	-4.8%
Profit after tax	Rs m	-17,765	-14,224	NA
Gross profit margin	%	-20.6	-12.1	
Effective tax rate	%	-1.9	-2.3	
Net profit margin	%	-22.3	-14.3	

* Results Consolidated Interim results exclude extraordinary / exceptional items Source: Accord Fintech, Equitymaster

PAYTM BALANCE SHEET ANALYSIS

The company's current liabilities during FY24 down at Rs 35 billion as compared to Rs 45 billion in FY23, thereby witnessing an decrease of -21.7%.Current assets fell 13% and stood at Rs 122 billion, while fixed assets rose 25% and stood at Rs 50 billion in FY24. Overall, the total assets and liabilities for FY24 stood at Rs 171 billion as against Rs 180 billion during FY23, thereby witnessing a fall of 5%.

PAYTM BALANCE SHEET AS ON MARCH 2024

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*	% Change
Networth	Rs m	106,193	96,396	-9.2
Current Liabilities	Rs m	44,869	35,153	-21.7
Long-term Debt	Rs m	0	0	0.0
Total Liabilities	Rs m	179,573	171,272	-4.6

Current assets	Rs m	139,863	121,637	-13.0
Fixed Assets	Rs m	39,710	49,635	25.0
Total Assets	Rs m	179,573	171,272	-4.6

* Results Consolidated Interim results exclude extraordinary / exceptional items Source: Accord Fintech, Equitymaster

PAYTM CASH FLOW STATEMENT ANALYSIS

PAYTM's cash flow from operating activities (CFO) during FY24 stood at Rs 7 billion, an improvement of 56.6% on a YoY basis. Cash flow from investing activities (CFI) during FY24 stood at Rs 3 billion on a YoY basis. Cash flow from financial activities (CFF) during FY24 stood at Rs -221 million, an improvement of 98% on a YoY basis. Overall, net cash flows for the company during FY24 stood at Rs 10 billion from the Rs 19 billion net cash flows seen during FY23.

PAYTM CASH FLOW STATEMENT 2023-24

Particulars	No. of months	12	12	% Change
	Year Ending	Mar-23	Mar-24	
Cash Flow from Operating Activities	Rs m	4,156	6,508	56.6%
Cash Flow from Investing Activities	Rs m	26,255	3,180	-87.9%
Cash Flow from Financing Activities	Rs m	-11,123	-221	-
Net Cash Flow	Rs m	19,311	9,672	-49.9%

* Results ConsolidatedInterim results exclude extraordinary / exceptional items Source: Accord Fintech, Equitymaster

CURRENT VALUATIONS FOR PAYTM

The trailing twelve-month earnings per share (EPS) of the company stands at Rs -22.4, an improvement from the EPS of Rs -28.0 recorded last year. The price to earnings (P/E) ratio, at the current price of Rs 559.0, stands at -21.5 times its trailing twelve months earnings. The price to book value (P/BV) ratio at current price levels stands at 3.7 times, while the price to sales ratio stands at 3.6 times. The company's price to cash flow (P/CF) ratio stood at -60.9 times its end-of-year operating cash flow earnings.

PER SHARE DATA/VALUATIONS

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*
Sales per share (Unadj.)	Rs	125.9	156.8
TTM Earnings per share	Rs	-28.0	-22.4
Diluted earnings per share	Rs	-27.9	-22.4
Price to Cash Flow	x	-31.4	-60.9
TTM P/E ratio	x	-23.0	-21.5
Price / Book Value ratio	x	3.8	4.3
Market Cap	Rs m	406,892	418,309
Dividends per share (Unadj.)	Rs	0.0	0.0

RATIO ANALYSIS FOR PAYTM

Current Ratio: The Company’s current ratio improved and stood at 3.5 xs during FY24, from 3.1x during FY23. The current ratio measures the company's ability to pay short-term and long-term obligations.

Interest Coverage Ratio: The Company’s interest coverage ratio improved and stood at -52.5x during FY24, from -72.9x during FY23. The interest coverage ratio of a company states how easily a company can pay its interest expense on outstanding debt. A higher ratio is preferable.

Return on Equity (ROE): The ROE for the company improved and stood at -14.8% during FY24, from -16.7% during FY24. The ROE measures the ability of a firm to generate profits from its shareholders capital in the company.

Return on Capital Employed (ROCE): The ROCE for the company improved and stood at -14.2% during FY24, from -16.2% during FY23. The ROCE measures the ability of a firm to generate profits from its total capital (shareholder capital plus debt capital) employed in the company.

Return on Assets (ROA): The ROA of the company improved and stood at -8.2% during FY24, from -9.8% during FY23. The ROA measures how efficiently the company uses its assets to generate earnings.

KEY RATIO ANALYSIS

No. of Mths Year Ending		12 Mar-23*	12 Mar-24*
Current ratio	x	3.1	3.5
Debtors' Days	Days	57	60
Interest coverage	x	-72.9	-52.5
Debt to equity ratio	x	0.0	0.0
Return on assets	%	-9.8	-8.2
Return on equity	%	-16.7	-14.8
Return on capital employed	%	-16.2	-14.2

* Results Consolidated Interim results exclude extraordinary / exceptional items

PAYTM SHARE PRICE PERFORMANCE

Over the last one year, PAYTM share price has moved down from Rs 905.6 to Rs 559.0, registering a loss of Rs 346.7 or around 38.3%. Overall, the S&P BSE SENSEX is up 24.5% over the year. (To know more, check out historical annual results for PAYTM and quarterly results for PAYTM)

SHARE PRICE OF PAYTM

PAYTM currently trades at Rs 750.0 per share. You can check out the latest share price performance of PAYTM here... The revenues of PAYTM stood at Rs 105,373 m in FY24, which was up 25.6% compared to Rs 83,898 m reported in FY23. PAYTM's revenue has grown from Rs 35,407 m in FY20 to Rs 105,373 m in FY24. Over the past 5 years, the revenue of PAYTM has grown at a CAGR of 31.3%. The net loss of PAYTM stood at Rs -14,224 m in FY24, which was NA compared to Rs -17,765 m reported in FY23. This compares to a net loss of Rs -23,964 m in FY22 and a net loss of Rs -17,010 m in FY21. Over the past 5 years, PAYTM net profit has grown at a CAGR of -16.6%. The cash flow statement is the financial statement that presents the cash inflows and outflows of a company during a given period of time. This statement is one of the most useful tools for judging a company's liquidity position.

THE CASH FLOW STATEMENT OF PAYTM REVEALS

Cash flow from operations increased in FY24 and stood at Rs 6,508 m as compared to Rs 4,156 m in FY23. Cash flow from investments decreased in FY24 and stood at Rs 3,180 m as compared to Rs 26,255 m in FY23. Cash flow from financial activity increased in FY24 and stood at Rs -221 m as compared to Rs -11,123 m in FY23.

CASH FLOW STATEMENT OF PAYTM FOR THE PAST 5 YEARS

(Rs m)	FY20	FY21	FY22	FY23	FY24
From Operations	-23,766	-20,825	-12,363	4,156	6,508
From Investments	-19,963	19,298	-54,886	26,255	3,180
From Financial Activity	51,599	-2,221	80,535	-11,123	-221
Net Cashflow	7,863	-3,708	13,335	19,311	9,672

Be it the company's profitability, operations effectiveness or utilization of funds, ratio analysis is an important tool which helps in making investment decisions. The ratio/financial analysis of PAYTM reveals: Operating profit margins witnessed a growth and down at 12.1% in FY24 as against 20.6% in FY23. Net profit margins grew from 22.3% in FY23 to 14.3% in FY24. Debt to Equity ratio for FY24 stood at 0.0 as compared to 0.0 in FY23.

RATIO/ FINANCIAL ANALYSIS OF PAYTM FOR THE PAST 5 YEARS.

PARTICULARS	FY20	FY21	FY22	FY23	FY24
Operating Profit Margin (%)	-91.1	-66.7	-48.0	-20.6	-12.1
Net Profit Margin (%)	-89.7	-60.7	-48.2	-22.3	-14.3
Debt to Equity Ratio (x)	0.0	0.0	0.0	0.0	0.0

CONCLUSION

This research paper covers the broad area of analyses of financial position and performance of Paytm Company which is fintech giant in India. The financial position and solvency, share price, earning per share, market capitalization, advance tech enabled service services, ease doing of financial and non-financial transaction has gained goodwill and made biggest market player in the fintech arena. The Paytm company has emerged has dominating fintech company among all the current partnering and competitive companies.

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