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Capital Markets with Special Reference to Paytm – A Study

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Abstract:

The past 15 years have seen the emergence of large infusions of private capital at levels previously accessible only in public markets. One direct effect of these non-public fundraisings is the spawning of private entities with market valuations reaching $1 billion, thereby achieving the status of unicorns. Given the economic crisis globally, survival and scale for unicorns without the prolonged inflow of venture capital investments is out of the question. As stated earlier, in addition to the venture capital at risk of being diluted at these unicorns, a financial collapse would be catastrophic for the surmounting unemployment rate in India. It will not only push back innovation but also wreak havoc in the economy.

Keywords: *Unicorns, finance, Zomato, Paytm, Nykaa, capital Market.*

1. INTRODUCTION

There has been a lot of hype about unicorns. It is now the world of new companies that are attracting heavy funding from the venture capitalists and other investors. But the question is what are the factors that drive the funding of these unicorns. As interesting, innovative this concept sounds, equally is the challenge involved in taking a newly start-up to height of success. The paper is based on Case study analyses of few selected companies, yet having huge funding from the entrepreneurs. This seems to be surprising which makes me question what are the possible factors that can be responsible for the funding of the start-up. So, the paper makes an initiative of exploring financial performance of the unicorn in capital market.

2. UNDERSTANDING UNICORNS

"Unicorn" is a term used in the venture capital industry to describe a privately held startup company with a value of over $1 billion. The term was first popularized by venture capitalist Aileen Lee, founder of Cowboy Ventures, a seed-stage venture capital fund based in Palo Alto, California.

3. PROFILE OF THE SELECT UNICORNS

Paytm

Paytm (a partial abbreviation for "**pay through mobile**") is an Indian multinational technology company that specializes in digital payment system, e-commerce and financial services, based in Noida. Paytm is currently available in 11 Indian languages and offers online use-cases like mobile recharges, utility bill payments, travel, movies, and events bookings as well as in-store payments at grocery stores, fruits and vegetable shops, restaurants, parking, tolls, pharmacies and educational institutions with the Paytm QR code. As of 2016, Paytm is valued at US$16 billion, making it one of the highest valued fintech companies in the world. As per the company, more than 2 crore merchants across India use their QR code payment system to accept payments directly into their bank account. The company also uses advertisements and paid promotional content to generate revenues.

Zomato

Zomato is an Indian multinational restaurant aggregator and food delivery company founded by Deepinder Goyal and Pankaj Chaddah in 2008. Zomato provides information, menus and user-reviews of restaurants as well as food delivery options from partner restaurants in select cities. As of 2016, the service is available in 24 countries and in more than 10,000 cities.

Nykaa

Nykaa is an Indian e-commerce company, founded by Falguni Nayar in 2012 and headquartered in Mumbai. It sells beauty, wellness and fashion products across websites, mobile apps and 84 offline stores. In 2016, it became the first Indian unicorn start-up headed by a woman.[3]

Nykaa sells products which are manufactured in India as well as internationally. In 2015, the company expanded from online-only to an omni channel model and began selling products apart from beauty. As of 2016, it retails over 2,000 brands and 200,000 products across its platforms.

4. OBJECTIVES OF THE STUDY

1. To study the profile of the select unicorn.
2. To analyse the performance of Indian Unicorns in capital Market.
3. To analyse the financial performance of Paytm.
4. To analyse the financial performance of Zomato.
5. To analyse the financial performance of Nykaa.

5. RESEARCH METHODOLOGY

In order to accomplish the said objectives researcher collected data from the secondary source such as money control websites, Newspaper, Financial Magazines and Research Articles.

Researcher employed the analytical research technique in order to study the profile of the select unicorns, analysis the performance of Indian Unicorns in capital Market, in addition to this analyse the financial performance of the Zomato, Paytm and Nykaa.

INTERPRETATION

The above table shows the loses for the year on standalone basis reduced from INR (2,833,18) cores in FY 2016-20 to INR(1,560.20) cores in FY 2016-21. Paytm losses for the year on consolidated basis reduced form INR(2,942.36) cores in FY 2016-20 to INR (1,701,01) cores in FY 2016-21.

Covid-19 continues to spread across global and India this has impact on all local and global economic activates. Government of India has taken series of measures to contain spread of virus and limit economic impact on corporates and individuals. The Company has considered the possible effects that may result from Covid-19, on the carrying amount of the receivables, Investments, goodwill etc. While making the assessment the company has taken cognizance of internal and external information up to the date of approval of financial Statements. The Company based on current estimates experts the carrying amount to the above assets will be recovered. The company believes that it has taken into account all the possible impact of known events arising from COVID-19 pandemic in the preparation of standalone and consolidated financial statements. However, the impact assessment of COVID-19 is a continuing process given the uncertainties associated with its nature and duration. The company will continue to monitor any material changes to the future economic conditions.

5.1 Financial performance of the Zomato

Our revenue in FY20 grew by 105% as compared to FY19 while the costs grew by only 47% in the corresponding period. Moving our business towards profitability was a core focus for us in FY20 and we made significant progress along that journey.

In the last few quarters, as is evident from the charts above, we fast tracked our efforts towards making our business profitable and drive efficiency into our spends. While COVID-19 has impacted the size of our business, it has accelerated our journey to profitability. In terms of the size of the business, COVID-19 has set us back by a year or so – but a year is only a small blip when you are building a company for the next 100 years. Having said that, COVID-19 has positively impacted the health of our business – we seem to have gained 2-3 years along this vector. In July 2016, we estimate our monthly burn rate to land under $1m, while our revenue should land at ~60% of pre-COVID peaks ($23m per month). We expect to make complete recovery over the next 3-6 months while continuing to maintain tight control on costs/profitability.

5.2 Financial Performance of Nykaa

The above Chart shows the Gross merchandise value of the Nykaa Company which shows the increasing trend in the year 2016 it shows the 16,501, it is increased to 26,849 in the year 2016, again it increases to 40,460 in the year 2016.

EBITD result of Nykaa shows as follows.

EBITDA: • EBITDA was ₹ 288 million with flat EBITDA Margin at 3.3% as compared to Q1 FY22. • Marketing and Advertisement Expense as % to Revenue from Operations was at 13.7% higher as compared to 11.1% in Q1 FY22, on account of mass media marketing campaign aimed at building brand awareness and higher customer acquisition costs to acquire new customers

6. Conclusion

The past 15 years have seen the emergence of large infusions of private capital at levels previously accessible only in public markets. One direct effect of these non-public fundraisings is the spawning of private entities with market valuations reaching $1 billion, thereby achieving the status of unicorns. As the authors reported in an earlier study, by the end of 2015, there were 142 unicorns with an aggregate value exceeding $500 billion. It's found 142 companies that had been able to access sufficient non-public sources of financial capital to grow to market valuations of at least $1 billion while still retaining their status as privately held enterprises. At that time, the concept of large, private capital infusions totalling millions (or even billions) of dollars was itself a sufficiently novel concept to merit the new designation "private initial public offerings," or PIPOs. In assessing the forces behind these capital market developments, researcher considered a number of factors that might encourage and enable companies to stay privately owned longer, including the beneficial discipline that comes with PIPO financing. Above all, we argued that the ultimate success of every corps-ration depends upon its operating performance, which can be significantly enhanced by the governance structures offered through private ownership. At the same time, however, we also cautioned that the pursuit of status as a unicorn could cause the firm's founders and managers to become distracted from pursuing their core business objectives.

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