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Paytm breaking its business into two helped it cut losses by 40%

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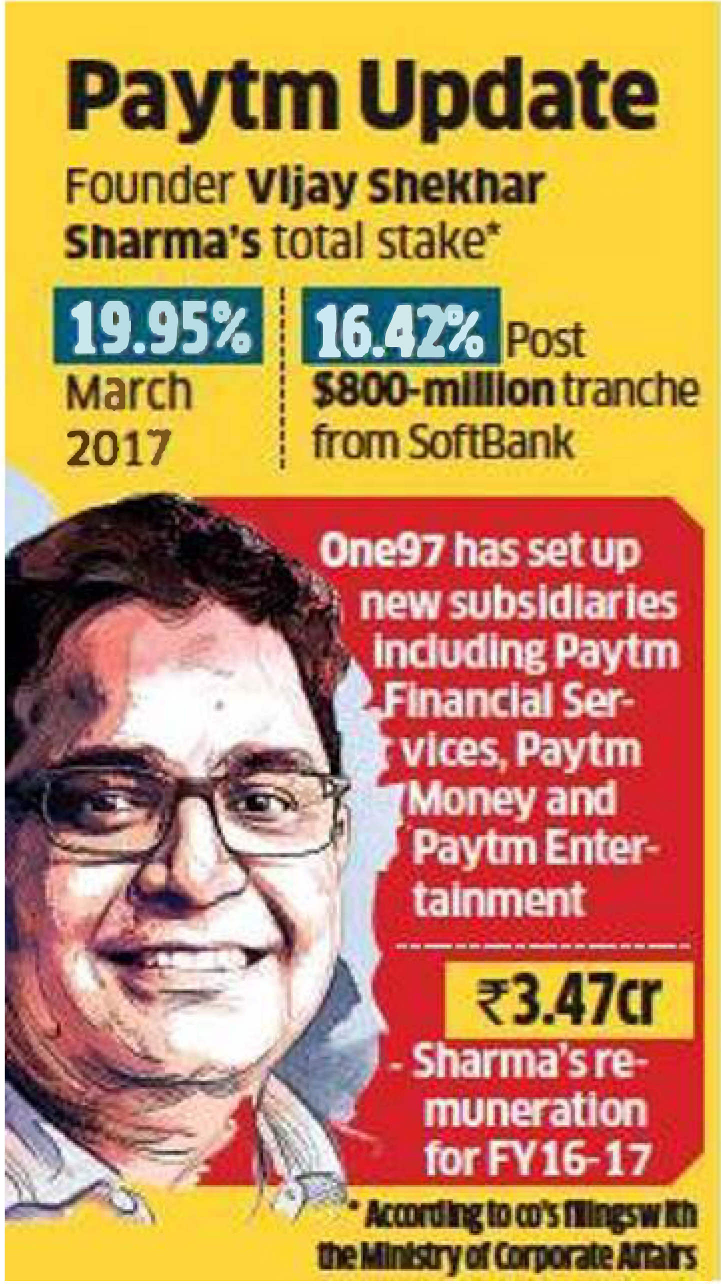
BENGALURU: Paytm's parent company One97 Communications' restructuring exercise wherein it separated its online retail from its payments business has helped it pare losses by over 40% to Rs 900 crore in financial year 2016-17 from Rs 1,548 crore in FY16, according to the company's filings with the Registrar of Companies (RoC).
The company had hived off its ecommerce platform into Paytm Ecommerce (Paytm Mall) while it became a 49% shareholder in the payments bank business because of regulatory reasons in mid-2016.

Paytm E-commerce had paid Rs 620 crore to One97 Communications for the transfer of assets during restructuring. This is likely to have brought down the losses for the parent company. One97 is yet to file its detailed financial statement. One97 had seen its losses increase five-fold between FY15 and FY16, from Rs 370 crore to Rs 1,548 crore, while revenue had also nearly tripled from Rs 324 crore to Rs 920 crore in the same period, as per documents sourced from Tofler.



One97 Communications' filings for its valuation before getting the funding from SoftBank show that it is projected to make revenues of Rs 1,752 crore in FY18 although its losses is likely to be Rs 1,383 crore, as per the valuation done in May last year.

Paytm E-Commerce was incorporated in August 2016 and it acquired the retail marketplace business of One97 effective March 2017 for Rs 620 crore, as per the documents filed with RoC, including Rs 213 crore for intangible assets such as 'non compete right' and 'right to use brand'. Paytm E-Commerce, in turn, showed losses of only Rs 13.63 crore in FY17. The Paytm Payments Bank showed losses of Rs 30 crore for the same period. "Companies restructure for multiple reasons. It could be to have different balance sheets for different businesses, or to hive off different businesses so that they can work with other businesses, or to eventually sell the demerged business," said corporate lawyer Vaibhav Parikh of Nishith Desai Associates.

Another corporate lawyer, who did not wish to be named, said that such restructuring may also be driven by promoters or investors to reduce debt, or if investors want unrelated businesses to be hived off before they invest, which is also likely to bring down the losses.