

## Return of investor confidence lights up new-age firms' stocks

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Investor confidence in some new-age stocks has improved significantly. One 97 Communications (Paytm) hit a 52-week high on Friday, while PB Fintech (Policy Bazaar) and Zomato were near similar levels earlier last week.

Experts are of the view that the improvement in financials and expectations of a turnaround have led to a change in investor perception.

"They have shown a gradual turnaround in their financials and their valuations had fallen

to levels that seemed attractive to some investors," said Deepak Jasani, head of Retail Research at HDFC Securities. Limited selling pressure meant that uptick has been relatively sharp.

The business model has changed for One 97 Communications and with new credit strategies that are likely to scale up further, investors expect the new business model to be a game changer, AK Prabhakar, head of Research at IDBI Capital, said.

For companies such as PB Fintech or Zomato the revenue growth momentum had remained strong and the losses



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have been coming down making investors believe that they could turn profitable in a few quarters, said Prabhakar.

PB Fintech had reported a

much lower loss of ₹9 crore in Q4, compared to ₹133 crore during previous quarter (Q3) and ₹220 crore during year-ago quarter, indicating that

company was near break even.

Even Zomato's ₹187.6 crore loss at the consolidated level was much lower than ₹346.6 crore loss in the previous quarter and ₹360 crore in the year ago quarter. Analysts at JM Financial Institutional Research said, "Zomato's core business (excluding acquired Blinkit operations) turned adj. Ebitda positive in 4QFY23. The same was at the front end of management's guidance of achieving it by 2QFY24. The cherry on the cake, as per analysts, is management's commitment to turn both adjusted Ebitda and net profit positive on a consolidated level

(including Blinkit) by Q4FY24.

As the reduction in losses is encouraging, investors anticipate a turnaround of performance over next few quarters, said Prabhakar. Even if regulators are getting strict, online platforms like PB Fintech can sustain and grow in a low margin business environment. Demand for insurance products is strong and volumes handled by company are high.

The gains for the stocks have also been supported by a rally in the broader markets during the past two months with midcap and small cap stocks performing significantly well. Though stocks like

IndiaMart, Nazara Tech, Paytm and Policy Bazaar were stagnant or sluggish in the initial stages, they have picked up and performed quite well to yield more than 20% return. Vaishali Parekh, vice president - Technical Research, Prabhudas Lilladher Pvt. Ltd, said.

IndiaMart scaled 52-week highs in May and is trading near these levels again. Apart from Nazara Technology's handsome returns, even FSN E-Commerce Ventures (Nykaa) has gained more than 20% since April lows. However, both Nazara and Nykaa have a long way to go before they scale 52-week highs.