

When will Vijay Shekhar Sharma be classified as a promoter?

There is no denying that Vijay Shekhar Sharma is in control of PayTM. After the recent transaction, Vijay Shekhar Sharma together with the equity holding of the family trust, is arguably in control of 24.3% of voting rights. The deal demonstrates investors faith that he will deliver the numbers. The transaction also highlights the regulatory gaps in the definition and classification between founders and promoters.



The [recent transaction](#) between Antfin (Netherlands) Holding B.V. (Antfin) and Vijay Shekhar Sharma allows Vijay Shekhar Sharma control over another 10.30% voting rights of One 97 Communications Limited (PayTM). This will take his direct voting rights to 19.42%. A further 4.88% equity is held by the Sharma Family Trust, in the name of Axis Trustee Services.

[IiAS flagged this in January 2023](#), when we asked if the Sharma Family Trust's equity should be considered as Vijay Shekhar Sharma's shareholding. We continue to believe that Vijay Shekhar Sharma will have influence over how the 4.88% equity held by the trust will vote on shareholder resolutions, giving him effective control of 24.3% of the voting rights.

Vijay Shekhar Sharma revolutionized mobile payments in India through One 97 Communications Limited (Paytm). All through these years, investors have backed him for his ideas and the belief that he alone will drive the business and deliver punchy numbers. Despite the significant erosion in shareholder wealth from the listing price or that the company burns cash and is yet to show profitable growth, or that many believe he is overpaid (Exhibit 1), investors have not soured on him. This is evidenced by the

overwhelming support to his reappointment as managing director and CEO at the companies AGM in 2022 (Exhibit 2).

The investor vote last year has further cemented Vijay Shekhar Sharma's role in the company.

Vijay Shekhar Sharma is the present Chairperson, Managing Director and CEO, as a director, he is not liable to retire by rotation, and he has the right to a board seat for as long as he holds an executive capacity (Exhibit 3). He has remained central to the various shareholders' agreements since the time the company embarked on its current journey. He owns 51% of PayTM Bank, the payment bank in which PayTM holds 49%, through which PayTM offers banking services, wallet, net banking and other financial related products and services to its customers. Even in the current transaction, Antfin preferred to gift its votes to Vijay Shekhar Sharma over a market sale of its shares.

Its time Vijay Shekhar Sharma formally signals that he remains in control. He needs to give investors the comfort that he is the promoter and not someone who is sitting in the shadows. Afterall, Vijay Shekhar Sharma is the glue that continues to hold the company together. If this is not control, then what is?

Exhibit 1: AGM 2022 | Approve remuneration to Vijay Shekhar Sharma (DIN: 00466521) as Managing Director for three years from FY23 as minimum remuneration

	Total shares held	Votes polled	Votes in favour	Votes against	Votes polled %	Votes in favour %	Votes in against %
Promoters	-	-	-	-	-	-	-
Institutional Investors	4,78,30,912	3,40,45,759	83,08,578	2,57,37,181	71.2%	24.4%	75.6%
Others	60,10,44,957	54,17,04,144	53,56,72,549	60,31,595	90.1%	98.9%	1.1%
Total	64,88,75,869	57,57,49,903	54,39,81,127	3,17,68,776	88.7%	94.5%	5.5%

Source: stock exchange filings; www.iiasadrian.com

Exhibit 2: AGM 2022 | Reappoint Vijay Shekhar Sharma (DIN: 00466521) as Managing Director designated as Managing Director and Chief Executive Officer for five years from 19 December 2022, not liable to retire by rotation

	Total shares held	Votes polled	Votes in favour	Votes against	Votes polled %	Votes in favour %	Votes in against %
Promoters	-	-	-	-	-	-	-
Institutional Investors	4,78,30,912	3,40,45,759	3,22,37,804	18,07,955	71.2%	94.7%	5.3%
Others	60,10,44,957	54,17,13,764	54,16,00,770	1,12,994	90.1%	100.0%	0.0%
Total	64,88,75,869	57,57,59,523	57,38,38,574	19,20,949	88.7%	99.7%	0.3%

Source: stock exchange filings; www.iiasadrian.com

Exhibit 3: Article 113 of Paytm's AoA

113. After the consummation of an initial public offering of the Equity Shares of the Company (i.e. listing of the Equity Shares on the BSE Limited and/ or the National Stock Exchange of India Limited) subject to Applicable Laws and the approval of the Shareholders by way of a special resolution in the first general meeting convened after the consummation of the initial public offering:

- a) Notwithstanding anything contained elsewhere in the Articles, ***so long as the Founder either (x) directly or indirectly holds at least 3,100,000 Equity Shares on a fully diluted basis (which shall in no event be less than 2.5% of the issued and subscribed share capital of the Company on a fully diluted basis) or, (y) continues to hold an executive position in the Company ("Founder Director Threshold"), the Founder shall be entitled to nominate one (1) Director on the Board (the "Founder Director"), provided that if the Founder fails to meet either (but not both) of the conditions of the Founder Director Threshold at any time, the Founder himself shall be the Founder Director and shall not be entitled to nominate anybody else as the Founder Director; provided, further that when the Founder fails to meet both the conditions contained in the Founder Director Threshold, then he shall not be entitled to have himself or anyone else nominated as the Founder Director; and***
- b) Notwithstanding anything contained elsewhere in the Articles, so long as each of API, SVF and/or SAIF (as applicable) **hold at least 10%** (ten per cent.) of the Equity Shares ("Shareholder Director Threshold") on a fully diluted basis, each of API, SVF and/or SAIF shall be entitled to nominate a Director on the Board (each, a "Nominee Director"). For the avoidance of doubt, it is clarified that: (i) in determining the Shareholder Director Threshold with reference to API, the shareholding of API and any Affiliates of API which hold Shares at that time (collectively, the "API Entities") shall be aggregated; and (ii) API shall, at all times, subject to holding the Shareholder Director Threshold, be entitled to assign/ transfer its right to appoint the Nominee Director, to an Affiliate which pursuant to requisite approvals from Governmental Authorities, if required under Applicable Law, holds Shares at the time of such assignment/ transfer.

Source: Paytm's February 2022 Postal Ballot notice

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