

DIGITAL PAYMENTS

Flipkart said to be in talks to buy payments start-up PhonePe

If the deal valued at \$10-20 million goes through, it will be Flipkart's third major acquisition in payments

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India's largest e-commerce company Flipkart Ltd is in talks to buy a majority stake in PhonePe Internet Pvt. Ltd, a payments start-up started by three of its former senior executives, two people familiar with the matter said.

Mint couldn't confirm the exact size of the proposed deal, but one of the two people cited above said the companies are negotiating an amount between \$10 million and \$20 million.

The deal is in advanced stages and is likely to be completed within the next 45 days, the two people said.

Flipkart didn't respond to an email seeking comment. PhonePe didn't respond to calls and messages on Thursday.

PhonePe was launched in December by Sameer Nigam and Rahul Chari, former senior



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leaders who recently left Flipkart, and Burzin Engineer, another former Flipkart executive.

"Our goal is to make digital payments so easy, safe and uni-

versally accepted that people never feel the need to carry cash or cards again. We believe India is at the cusp of a new mobile revolution, which will change the way we manage our money

on the go. We see ourselves facilitating this change, by giving people and businesses the power to make commerce more simple, open and seamless," according to a note on the company's website.

Flipkart has been a laggard in payments. The Bengaluru-based company shut PayZippy in August 2014 after the product failed to sell to as many customers as the firm had expected.

If a deal goes through, PhonePe will be Flipkart's third major acquisition in payments.

Flipkart bought payments start-up NGPay (Jigrahak Mobility Solutions Pvt. Ltd) in 2014, although no new payment technology or service has come out of that company so far. Last August, Flipkart also purchased FX Mart Pvt. Ltd, which owns a prepaid wallet licence. The company subsequently launched a mobile wallet called Flipkart Money earlier this month.

Payments is a key function in e-commerce. Yet, because of a combination of lack of focus by e-commerce companies, limited utility for shoppers, unreliable Internet connectivity and regulatory hurdles, payment solutions are currently used only to buy a very narrow range of products

and services such as mobile recharges and cab rides. A majority of payments in India still happen via cash.

The current market leaders in payments are Paytm (run by One97 Communications Ltd) and Snapdeal-owned Freecharge followed by a host of smaller firms such as Oxigen Services India Pvt. Ltd and One MobiKwik Systems Pvt Ltd.

PhonePe hasn't released a product yet but it is working on a payments solution based on the Unified Payments Interface (UPI), which is an initiative of the National Payments Corporation of India.

Some experts expect UPI to transform the payments business as it will allow the transfer of funds between banks with the help of a single identifier and facilitate instant payments through banks.

Nigam, Chari and Engineer previously founded digital content start-up Maller's Inc., which was bought by Flipkart in late 2011. Flipkart adopted Maller's technology to launch a digital music service called Flyte, but shut down the service in 2013 after Flyte struggled to generate enough demand.

Nigam and Chari, however, rose among the ranks quickly at Flipkart, performing roles across functions such as engineering, supply chain and marketing. Nigam was senior vice president, engineering, when he left Flipkart last August, while Chari was vice-president, supply chain, when he left in November.

Sadhana Chathurvedula contributed to this story.