Equity Research

November 9, 2022
BSE Sensex: 61185

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Q2FY23 result review and earnings revision

Financials

Target price: Rs1,285

Earnings revision

(%)	FY23E	FY24E
Revenue	↑ 10.3	↑ 7.0
Adj. EBITDA	↑ 38.3	↑ 51.4
PAT	↑ 9.3	↑ 6.8

Shareholding pattern

	Mar '22	Jun '22	Sep '22
Promoters	0.0	0.0	0.0
Institutional investors	5.5	6.6	78.6
MFs and others	1.1	1.1	1.3
FI/Banks	0.0	0.0	0.0
FIIs	4.4	5.5	5.8
FDI	0.0	0.0	71.5
Others	94.5	93.4	21.4

Source: NSE

ESG disclosure score

Year	2020	2021	Chg
ESG score	**13.1**	**13.1**	**0.0**
Environment	0.0	0.0	0.0
Social	3.2	3.2	0.0
Governance	36.1	36.1	0.0

Note - Score ranges from 0 - 100 with a higher score indicating higher ESG disclosures.
Source: Bloomberg, I-sec research

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INDIA

ICICI Securities

One 97 Communications (Paytm)

BUY
Maintain
Rs651

Revenue and margin profile steadily improving

One 97 Communications (Paytm) continues to improve its revenue and margin profile, evident in narrowing of consolidated loss at Rs5.7bn in Q2FY23 (vs loss of Rs6.5bn in Q1FY23). The performance was characterised by 1) sustained lower processing charges and net payment margin improving a tad; 2) sharp acceleration in lending business with disbursements of Rs73bn; (3) enhanced contribution/adjusted-EBITDA (before ESOP cost) margin with higher financial services/cloud revenue growth further aided by lower indirect costs; 4) sustained growth in monthly transacting users (MTUs), deployment of offline devices and continued build-up of gross merchandise value (GMV). What failed to cheer: 1) Contribution margin expansion capped at 84bps QoQ to 44.1% due to 34%/15% QoQ increase in promotional/other direct expenses, 2) decline in commerce revenue. Steady improvement in margin profile with better monetisation suggests achievement of operating profitability (positive EBITDA before ESOP cost) ahead of its guided timeline of Q2FY24. Maintain BUY with an unchanged target price of Rs1,285 based on customer lifetime value methodology.

- **Revenue from operations buoyed by acceleration in lending business, rebound in payment services to merchants, and uptick in cloud revenue**
  - Continuous growth of user base on app for bill payments and other use cases supported 6%/55% QoQ/YoY growth in 'payment service to consumers' revenue. It earned platform fees and convenience fees from customers in certain use cases.
  - Gained momentum in payment gateway business, higher GMV in online merchants, particularly e-commerce and growth in the number of device subscriptions (which drives both subscription and MDR revenues) led to a robust 12%/56% QoQ/YoY growth in revenue from 'payment service to merchants'. This was partially offset by the marginal adverse impact of the full quarter effect of account level rationalisation done during Q1FY23. Paytm did not record any UPI P2M government incentives revenue in Q2FY23 as well.
  - Payment services take rate improved a tad to 0.37% in Q2FY23 (*vs* 0.36% in Q1FY23), while payment processing charges were flat at 0.23% of GMV.
  - With 32% QoQ growth in disbursements led by personal and merchant loans, financial services revenue grew 29% QoQ (292% YoY). Its contribution towards operating revenue now stands increased at 18% in Q2FY23 (vs 9% in FY22).
  - Commerce revenue declined 10% QoQ as it was a seasonally weak quarter for entertainment ticketing business. Nonetheless, it grew 49% YoY.
  - Decline in commerce revenue was offset by 31% QoQ growth in cloud revenue led by scale up in credit card distribution and traction in PAI cloud. It also grew 58% YoY.

Market Cap	Rs423bn/US$5.1bn
Bloomberg	PAYTM IN
Shares Outstanding (mn)	648.9
52-week Range (Rs)	2150/516
Free Float (%)	100.0
FII (%)	71.5
Daily Volume (US$/'000)	23,795
Absolute Return 3m (%)	(17.0)
Absolute Return 12m (%)	NA
Sensex Return 3m (%)	5.1
Sensex Return 12m (%)	3.2

Year to Mar (Rs mn)	FY21	FY22	FY24E	FY26E
Revenue from operations	28,024	49,742	99,016	1,56,424
Contribution Profit	3,625	14,981	45,546	78,103
- Contribution margin (%)	*12.9%*	*30.1%*	*46.0%*	*49.9%*
EBITDA	-17,673	-23,402	-18,567	4,093
- EBITDA margin (%)	*-63.1%*	*-47.0%*	*-18.8%*	*2.6%*
PAT	-17,010	-23,964	-21,633	-869
Diluted EPS (Rs)	-28.1	-34.4	-31.0	-1.2
GMV (Rs bn)	4,033	8,520	17,564	30,597
Price / Sales (x)	14.0	9.1	4.6	2.9
Price / Book (x)	6.0	3.2	4.3	4.0

- **Net payment take rate improved a tad to 13bps of GMV, an encouraging sign:** Net payment margin grew 16% QoQ to Rs4.4bn given 9% QoQ growth in payment revenue while rise in payment processing charges was capped at 7.5%. Payment revenue build-up was supported by continued platform expansion across MTU and merchant base, growth in subscription (and MDR) revenue from offline merchants and higher GMV from online merchants in payment gateway business. Payment processing charges stayed put QoQ at 0.23% (of GMV) on better negotiations with existing partners. While reclassification of payment related cashback incentive expenses towards processing charges will increase payment charges, management remains confident of further improving net payment margin going forward.

- **Despite revenue beat, increased promotional cashbacks and incentives limit contribution margin expansion:** Better net payment margin and scale up in financial services led to the significant beat in revenue. However, promotional cashbacks and incentive expenses and other direct expenses that grew 34% and 15% QoQ, respectively, restricted contribution margin improvement to 44.1% in Q2FY23 (vs 43.2%/24% in Q1FY23/Q2FY22). Incremental delta in promotional and cashback incentives pertained primarily to Paytm postpaid business.

- **EBITDA (before ESOP cost) margin also improved to -9% in Q2FY23 *vs* -16% in Q1FY23 led by improved contribution margin and lower indirect costs:** Indirect costs as a percentage of operating revenue decreased to 53% in Q2FY23 vs 60%/63% in Q1FY23/Q2FY22, respectively. Indirect marketing and promotional expenses declined 22% QoQ, albeit up 33% YoY. Indirect employee expenses (excluding ESOP costs) grew 4%/59% QoQ/YoY as company continued its investments in i) sales channels to drive the penetration of devices that have better economics and upsell opportunities, and ii) product and technology teams (investment in sales team is at Rs1.72bn quarterly run-rate compared to Rs0.94bn a year ago). Software, cloud and data centre expenses grew 6.5%/53% QoQ/YoY primarily due to an increase in cloud infrastructure costs, which are linked to transaction volumes and GMV. Other indirect operating expenses increased by 15% QoQ/YoY primarily due to an increase in repairs of Soundbox and POS devices. Despite ESOP expenses rising 3%/14x QoQ/YoY, reported EBITDA margin improved to -28% in Q2FY23 vs -38%/-42% in Q1FY23/Q2FY22, respectively.

  We expect EBITDA improvement trajectory to continue and there is some visibility of it getting into positive territory by FY26E. Annual non-cash ESOP charges of Rs10bn-18bn over FY23-FY26E will drag reported EBITDA. We forecast adjusted-EBITDA margin (excluding ESOP charges) to turn positive by FY25E.

- **Continued accelerated growth in lending business provides incremental revenue and earnings delta:** In Q2FY23, it disbursed 9.2mn loans (up 8%/224% QoQ/YoY) through the Paytm platform – equivalent to a disbursal value of Rs73bn (up 32%/482% QoQ/YoY). Within lending business, disbursements in BNPL / personal loan / merchant loan segments grew 20% / 53% / 46% QoQ to Rs40.5bn / Rs20.6bn / Rs12.1bn. Having said that, number of Paytm postpaid loans disbursed grew by only 8% sequentially with only 0.6mn incremental run-rate (vs 1.5-2.1mn in past 3 quarters). This was due to the interim disruption from the recent digital lending guidelines issued by the regulator regarding the fund flow. Going forward, the incremental run-rate should retrace back to the recent quarter’s average.

Cumulative signed-up user base for postpaid has now crossed 6mn (QoQ growth from 5.3mn). Cross-sell from postpaid continues to see traction with over 40% (down from 50% in Q1FY23) personal loan disbursements given to existing postpaid customers in Q2FY23. Paytm postpaid's reach increased to 15mn (from 11mn QoQ) online and offline merchants. In merchant loans, repeat rate inched up to 50% (vs 45% QoQ). Currently, Paytm is working with 9 partners, of which 6 are with respect to lending business. It recently partnered with Piramal Enterprises and business will kickstart from Q4FY23. Credit loss expectation in all 3 lending products – BNPL / personal loan / merchant loan remained constant at 1.1-1.3% / 4.5-5.0% / 5.0-5.5% QoQ. Bucket-1 resolution metrics also remained constant QoQ.

Despite significant scale up in the loan distribution business, penetration level for each product remains low. For Q2FY23: postpaid penetration is 4.0% of average MTU, personal loans is 0.6% of average MTUs whereas merchant loans penetration is 4.4% of total devices deployed.

We estimate that 20mn-22mn consumers (16% of MTUs) and 1.3mn merchants (>10% of merchants with Paytm devices and >3% of total merchant base) will avail financing products through Paytm platform by FY26E. We forecast financial services revenue to grow at a CAGR of >70% over FY22-FY26E, comprising 28% of operating revenue (from <5%/<10% in FY21/FY22).

- **GMV grew 7% QoQ; rolling out of payment devices:** GMV grew 7% QoQ to Rs3.2trn and MTUs too scaled up at the rate of 7% QoQ / 39% YoY to 79.8mn. This is despite the ongoing audit on Paytm Payment Bank (PPBL), reflecting the increased user activity on Paytm platform. Paytm continues to rollout offline payment devices, that expanded to 4.8mn in Sep'22 *vs* 3.8mn/1.3mn in Q1FY23/Q2FY22, despite being conservative about the quality of merchants onboarded. Monthly transacting user base of Paytm is likely to nearly double over FY22-FY26E to 135mn. We forecast the company's merchant GMV to grow at 38% CAGR over FY22-FY26E to reach Rs31trn by FY26E.

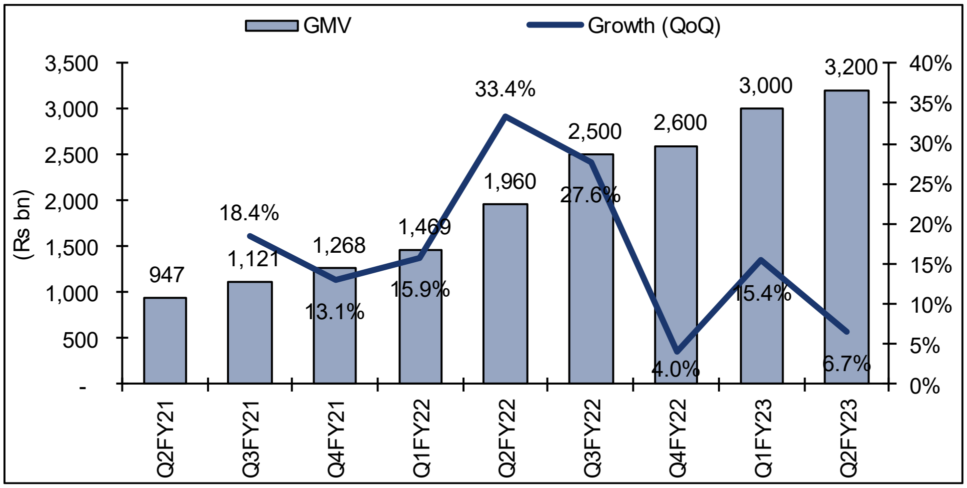
- **Update on RBI direction to PPBL:** PPBL management has received written IT auditors report and RBI's observation on the same which are largely around the continued strengthening of IT outsourcing processes and operational risk management. The bank management is in the process of responding back to the RBI and will wait for further discussions / directions from the regulator. At present, there is no firm timeline on when PPBL would be permitted by the regulators to start on-boarding new customers. Paytm shared in Mar'22 that the measures imposed upon PPBL will not materially impact Paytm's overall business. Its constant MTU and revenue growth performance continues to show evidence that its initial assessment was correct, and it does not see any material impact on Paytm's overall business.

Table 1: Q2FY23 review (consolidated)

	Q2FY23	Q2FY22	% Change YoY	Q1FY23	% Change QoQ
Payment and financial services	**15,220**	**8,430**	**80.5%**	**13,460**	**13.1%**
Payment Service revenue	11,730	7,540	55.6%	10,760	9.0%
- Payment services to consumers	*5,490*	*3,540*	*55.1%*	*5,190*	*5.8%*
- Payment services to merchants	*6,240*	*4,000*	*56.0%*	*5,570*	*12.0%*
Financial Service revenue	3,490	890	292.1%	2,700	29.3%
Commerce and cloud services	**3,770**	**2,434**	**54.9%**	**3,316**	**13.7%**
-Commerce revenue	*1,250*	*840*	*48.8%*	*1,390*	*-10.1%*
-Cloud revenue	*2,520*	*1,594*	*58.1%*	*1,926*	*30.8%*
Other operating revenue	150	-	-	20	650.0%
Revenue from operations	**19,140**	**10,864**	**76.2%**	**16,796**	**14.0%**
Payment processing charges	7,458	6,700	11.3%	6,938	7.5%
Promotional cashbacks and incentives	1,910	833	129.3%	1,430	33.6%
Other expenses	1,340	724	85.1%	1,170	14.5%
Contribution Profit	**8,432**	**2,607**	**223.4%**	**7,258**	**16.2%**
Other Marketing & promotional expenses	1,365	1,024	33.3%	1,751	-22.0%
Employee benefits expense excluding ESOP	5,731	3,595	59.4%	5,527	3.7%
Software, cloud and data centre expenses	1,728	1,129	53.1%	1,622	6.5%
Other expense	1,276	1,113	14.6%	1,107	15.3%
Adjusted EBITDA	**-1,668**	**-4,254**	**60.8%**	**-2,749**	**39.3%**
ESOP Expense	3,710	270	1274.1%	3,590	3.3%
EBITDA	**-5,378**	**-4,524**	**-18.9%**	**-6,339**	**15.2%**
Depreciation and amortisation expense	1,043	504	106.9%	972	7.3%
Finance costs	53	102	-48.0%	55	-3.6%
Other income	996	481	107.1%	1,020	-2.4%
PBT	**-5,478**	**-4,649**	**-17.8%**	**-6,346**	**13.7%**
Share of profit / (loss) of associates / joint ventures/Others	-92	-66	-39.4%	-60	-53.3%
Exceptional items	-	-	-	-	
Tax Expense	145	20	625.0%	48	202.1%
PAT	**-5,715**	**-4,735**	**-20.7%**	**-6,454**	**11.5%**
Ratios as %age of operating revenue					
Contribution margin	44.1%	24.0%	2005 bps	43.2%	84 bps
EBITDA margin	-28.1%	-41.6%	1354 bps	-37.7%	964 bps
Adjusted EBITDA margin	-8.7%	-39.2%	3044 bps	-16.4%	765 bps
PAT margin	-29.9%	-43.6%	1372 bps	-38.4%	856 bps
Ratios as %age of GMV					
GMV (Rsbn)	3,200	1,960	63.3%	3,000	6.7%
Payment and financial services	0.48%	0.43%	4 bps	0.45%	2 bps
- Payment services to consumers	*0.17%*	*0.18%*	*-1 bps*	*0.17%*	*-1 bps*
- Payment services to merchants	*0.20%*	*0.20%*	*-1 bps*	*0.19%*	*0 bps*
- Others including financial services revenue	*0.11%*	*0.05%*	*6 bps*	*0.09%*	*1 bps*
Revenue from operations	**0.6%**	**0.6%**	**4 bps**	**0.6%**	**3 bps**
Payment processing charges	0.23%	0.34%	-11 bps	0.23%	0 bps
Marketing and promotional expenses	0.10%	0.09%	0 bps	0.11%	-1 bps
Contribution	**0.26%**	**0.13%**	**13 bps**	**0.24%**	**2 bps**
EBITDA	**-0.17%**	**-0.23%**	**6 bps**	**-0.21%**	**4 bps**
Adjusted EBITDA	**-0.05%**	**-0.22%**	**16 bps**	**-0.09%**	**3 bps**

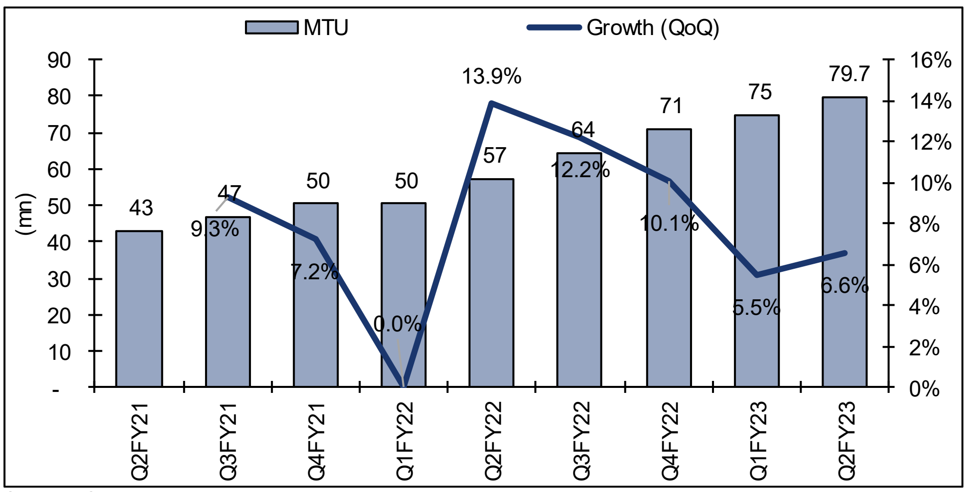
Source: Company reports, I-Sec research

Chart 1: Sustained growth in GMV



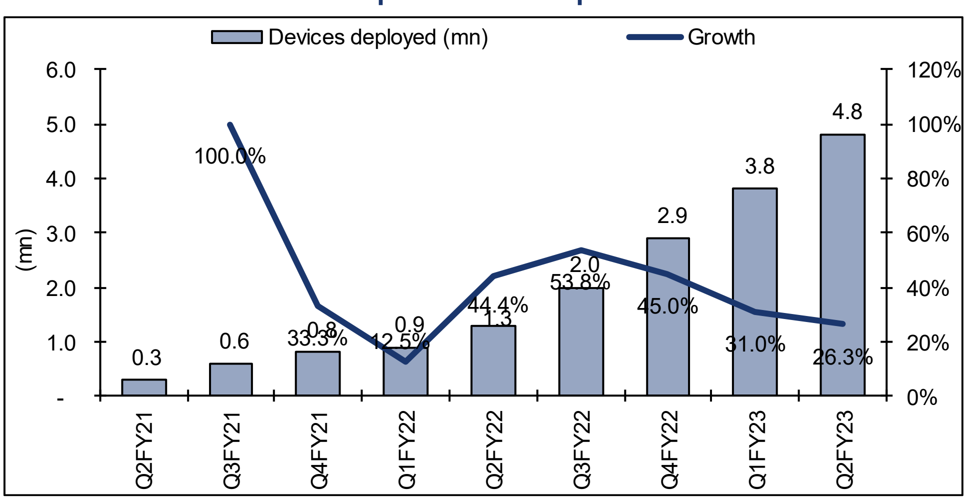
Source: Company reports, I-Sec research

Chart 2: Consistent increase in MTUs implying increased user activity



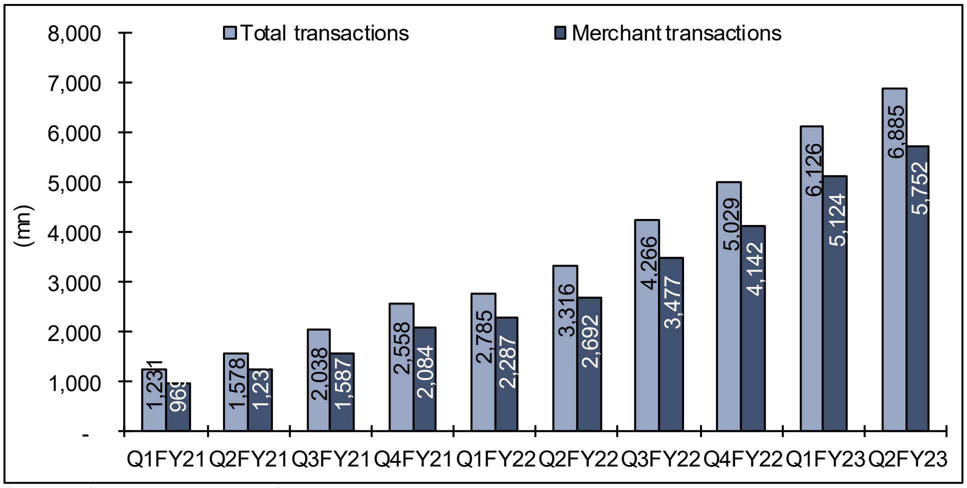
Source: Company reports, I-sec research

Chart 3: Offline devices footprint further expands



Source: Company reports, I-Sec research

Chart 4: User activity pick-up also evident in transaction volume increase



Source: Company reports, I-Sec research

Table 2: Strong pick-up and acceleration in lending business

	Q4FY21	Q1FY22	Q2FY22	Q3FY22	Q4FY22	Q1FY23	Q2FY23
Total value of loans disbursed (Rs mn)	6,900	6,320	12,570	21,810	35,530	55,540	73,130
Total no. of loans disbursed (mn)	1.4	1.4	2.8	4.4	6.5	8.5	9.2
Avg. ticket size (Rs)	4,996	4,410	4,426	4,957	5,429	6,551	7,956
BNPL Loans							
BNPL Loans (Paytm postpaid) (Rs mn)	4,158	4,470	7,380	11,900	21,830	33,830	40,500
No. of BNPL loans disbursed (mn)	1.4	1.4	2.8	4.3	6.4	8.3	8.9
Avg. ticket size (Rs)	2,970	3,193	2,645	2,755	3,411	4,076	4,536
Instant personal Loans							
Instant personal loans (Rs mn)	681	1,110	2,460	5,160	8,050	13,440	20,550
No. of instant personal loans disbursed (mn)	0.01	0.01	0.03	0.06	0.09	0.13	0.19
Avg. ticket size (Rs)	75,672	85,385	84,828	86,000	87,500	1,01,818	1,08,186
Merchant Loans							
Merchant cash advance loans (Rs mn)	2,032	730	2,730	4,740	5,650	8,270	12,080
No. of merchant loans disbursed (mn)	0.02	0.01	0.02	0.04	0.04	0.06	0.08
Avg. ticket size (Rs)	1,19,551	1,21,667	1,18,696	1,35,429	1,48,684	1,37,833	1,48,366

Source: Company reports, I-sec research

Q2FY23 Earnings Conference Call Key Takeaways

Quarter gone by

- Strongly working on ***target of improving EBITDA before ESOP cost by Sep'23***
- Company works on the philosophy of platform expansion driving revenues and improving unit economics.

Payment business

- ***Expanded to online/omni-channel merchant network as well***. Example, also help Flipkart collect payments through offline mode as well.
- Government subvention income on UPI will get reported in a quarter when it gets added
- Merchant subscription stands at ***4.8mn***
- ***MTU up 39% YoY, GMV up 63% YoY (aiming to add profitable GMV), 3.5mn devices added in last 12 months.*** The company will continue to ***trim businesses on which it is not making payment margin***.
- ***Platform fee is a very small number as of now***. It is **charged to cohort of customers as it offers various other services such as reminders etc**. ***Completely in compliance to the regulatory guidelines***.
- Company is hopeful of getting license from RBI related to payment aggregators.
- ***Most of the capex is related to devices and sound boxes***. It is incurring ***capex*** of around ***Rs120-150crore a quarter***. **Depreciation rate to be at faster than average life of device (2 years for soundbox and 3 years for EDC machine).**

Lending/Other financial services business

- ***Paytm's business model looked at following all the guidelines related to RBI's guidelines related to digital lending business model.*** **Made all the small incremental changes which needed to be accommodated.**
- Small fraction of customer base utilizing the loan products. Hence, high headroom to increase the same.
- Company continues to seek clarifications from RBI to ***add new partners*** to expand the same.
- Value of loans disbursed ***Rs73bn in Q2FY23. No impact of RBI's guideline on digital lending***
- All the 3 businesses are showing strong growth. Postpaid ***moved up 5x (YoY) (Added 15mn merchants to accept Paytm postpaid- largest across industries, aims to increase the same to 20mn). It is still 4% of MTU, hence, the expansion headroom is there.***
- Personal loans ***doubled from Jun'22 to Sep'22*** driven by **cross sell to Paytm postpaid business (50%) and new customers coming to get PL loan from Paytm platform**. The company does not see any issue with TAM (only 1% of MTU).
- Merchant loans, concern 2 quarters back during covid is behind. **This quarter saw momentum from merchant to seek loan on the back of device growth.** In the coming quarters, it will see continuous momentum on the back of device expansion story.

- **Calibration** could happen from partners **(initiated by Paytm)** as company feels that quality is also important. **Every month, the company is taking 5% from cohort and makes sure that the selected cohort is not getting renewal.**
- Credit quality remains stable in terms of bounce rate, expected credit loss, resolution etc. ***Actual ECL numbers are better than the ones which are reported in the IP.*** Not seen any impact on credit quality of macro headwinds so far.
- As the personal loan starts maturing, ***the loan to repeat customers have increased to around 16-17% from 10% earlier.***
- ***There are now 9 partners (5-6 lending partners).*** There is no one partner which is taking the lion share of the business. ***Currently, it is reasonably well-distributed***. ***New lender added is Piramal which will go live in Q4FY23.*** The company will continue to add new partners over time.
- ***Credit cards business:*** Started back 18 months. ***HDFC and SBI cards are the partners***. Portfolio of this business has shown strong growth. It is operating much beyond the expectations in terms of number of customers on-boarded. ***Aspiration to build 1mn cards issued a year over the next 12-18 months continue to be there.***
- ***Paytm Postpaid: made some adjustments*** with regard to ***new digital lending guidelines*** in terms of fund flow. Hence, the disruption was there in terms of no. of loans originated during the quarter. However, new customers on-boarding continues to be same at around 400k a month. ***The range of 1.5-2mn is expected to remain same.***
- Merchants can subscribe to Postpaid lending option on Paytm Business app.
- Between 6-8 months is the time wherein lenders revisit the performance of the customers. Hence, some of the customers gets downgraded and some upgraded.
- ***80% of loans are given to device merchants***. Once a merchant has taken a device, 6 months forward, their probability to qualify to take credit***. Currently, there are around 1.5mn white listed merchants (pre-qualified) and with average ticket size of Rs150k translated to targeted disbursement value of Rs180-220bn.***

Revenue

- ***Operating revenue up 55% YoY. Total revenue increased 76% YoY.***
- ***Payment business revenue up 56% YoY, 9% QoQ***
- ***Payment to merchant revenue also increased due to growth in revenues from online channels, especially e-commerce***
- Revenue from financial services (majority part coming from lending business, with broking business also contributing now). ***4x increase YoY.***
- ***Commerce is up 50% YoY*** as travel merchants continue to do well. ***Entertainment merchant had season impact in Q2FY23 (QoQ).***
- ***Early sign of recovery in advertising revenue*** reported in commerce revenue. It was seen towards the end of Q2FY23.
- Shopkeepers commerce, ticketing commerce driven by movie and third is advertising. Movie part of ticketing has not moved much. Shopkeepers have grown and travel has also grown. Advertising has also grown this time.

Expenses

- **Despite increasing the investments in Employees, (Rs1.72bn quarterly vs Rs0.94bn a year ago), the company is increasing the profitability**
- ***Indirect costs:*** it might increase if the company sees any good investments that needs to be made as long as it is not impacting reducing EBITDA loss story.
- ***Promotional and cash back incentives expenses:*** related to both ***payment services and lending services (customer incentives passed on to customers for promoting lending business). However, going forward, the expenses related to payment servicest will get added in the payment charge. The incremental delta in promotional and incentives was related mainly to Paytm postpaid business.*** In the commerce business, the company makes sure that cash back incentives are not more than margins. This business has also turned profitable at operating level.
- ***The change in promotional and cashback incentives expenses accounting (related to payment services) will lead to high payment processing charges as it is a material number. However, the company will continue to increase its Net payment margin.***
- ***There was a jump in market expense in last quarter because of IPL sponsorship. A part of marketing expenses is little chunky.***

Margins

- ***Contribution profit at 44% (improved from 24% YoY). Even improved on QoQ basis. Main reasons: 1) more profitability in payment business, 2) acceleration of high margin financial services business***
- EBITDA before ESOP is seeing operating leverage come through. ***Added Rs2.16bn in this over the last 2 quarters.***
- **Ahead of EBITDA (before ESOPs) guidance, however, the company will continue to maintain the guidance.**

Others

- PPBL management has received written IT auditors report and RBI's observation on the same which are largely around continued strengthening of IT outsourcing processes and operational risk management. The bank management is in the process of responding back to the RBI and will wait for further discussions / directions from the regulator

Financials

Table 3: Income statement

(Rs mn)	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
P&L								
Payment and financial services	**16,955**	**19,068**	**21,092**	**38,577**	**64,478**	**79,112**	**1,02,441**	**1,24,255**
Payment Service revenue	15,711	17,778	19,808	34,205	48,812	57,669	72,793	84,737
- Payment services to consumers	*10,851*	*10,120*	*9,692*	*15,286*	*23,039*	*25,778*	*31,083*	*34,488*
- Payment services to merchants	*4,860*	*7,658*	*10,116*	*18,919*	*25,773*	*31,891*	*41,710*	*50,249*
Financial Service revenue	1,244	1,290	1,284	4,372	15,666	21,442	29,648	39,518
Commerce and cloud services	**15,365**	**11,188**	**6,932**	**11,048**	**14,966**	**19,905**	**25,951**	**32,169**
-Commerce revenue	*11,915*	*7,109*	*2,452*	*3,736*	*5,501*	*6,820*	*8,318*	*9,733*
-Cloud revenue	*3,450*	*4,079*	*4,480*	*7,312*	*9,465*	*13,085*	*17,633*	*22,435*
Other operating revenue	-	2,552	-	117	170	-	-	-
Revenue from operations	**32,320**	**32,808**	**28,024**	**49,742**	**79,614**	**99,016**	**1,28,392**	**1,56,424**
Payment processing charges	22,574	22,659	19,168	27,538	32,005	39,892	50,103	58,978
Promotional cashbacks and incentives	27,937	9,592	2,357	3,781	6,813	7,370	10,095	11,812
Connectivity and content fees	1,071	1,561	1,819	2,259	3,501	3,922	4,314	4,745
Content, ticketing and FASTag expenses	680	1,221	681	516	722	831	930	1,023
Logistic, deployment and collection cost	38	153	374	667	1,301	1,457	1,602	1,763
Contribution Profit	**-19,980**	**-2,378**	**3,625**	**14,981**	**35,271**	**45,546**	**61,348**	**78,103**
Other Marketing & promotional expenses	6,146	4,379	2,968	4,773	7,381	9,380	12,848	15,033
Employee benefits expense excluding ESOP	7,016	9,532	10,724	16,094	23,314	26,764	31,606	34,786
Software, cloud and data centre expenses	3,096	3,603	3,498	4,999	6,899	7,726	8,499	9,179
Other expense	5,877	4,791	2,983	4,292	4,143	4,618	5,064	5,332
Adjusted EBITDA	**-42,115**	**-24,683**	**-16,548**	**-15,177**	**-6,466**	**-2,942**	**3,331**	**13,773**
ESOP Expense	1,546	1,661	1,125	8,225	17,799	15,625	11,977	9,680
EBITDA	**-43,661**	**-26,344**	**-17,673**	**-23,402**	**-24,265**	**-18,567**	**-8,647**	**4,093**
Depreciation and amortisation expense	1,116	1,745	1,785	2,473	4,451	5,564	6,399	7,039
Finance costs	342	485	348	394	383	391	385	374
Other income	3,477	2,599	3,844	2,901	3,597	3,304	2,833	2,824
PBT	**-41,642**	**-25,975**	**-15,962**	**-23,368**	**-25,502**	**-21,219**	**-12,597**	**-495**
Share of profit / (loss) of associates / joint ventures/Others	93	-560	-740	-459	-436	-414	-394	-374
Exceptional items	-825	-3,047	-281	-24	-	-	-	-
Tax Expense	-65	-158	27	113	-	-	-	-
PAT	**-42,309**	**-29,424**	**-17,010**	**-23,964**	**-25,938**	**-21,633**	**-12,991**	**-869**

Source: Company data, I-Sec research

Table 4: Balance sheet

(Rs mn)	**FY19**	**FY20**	**FY21**	**FY22**	**FY23E**	**FY24E**	**FY25E**	**FY26E**
Share Capital	575	604	605	649	655	662	669	675
Reserves &Surplus	56,674	80,448	64,743	1,40,867	1,32,785	1,26,825	1,25,843	1,34,660
Minority Interest	862	-140	-186	-221	-273	-316	-342	-344
Networth	**58,111**	**80,912**	**65,162**	**1,41,295**	**1,33,168**	**1,27,171**	**1,26,169**	**1,34,992**
Non-current liabilities	2,338	5,459	4,799	5,296	5,687	6,106	6,560	7,052
Current liabilities	27,219	16,660	21,552	33,325	44,479	39,883	35,846	40,065
Total equity & liabilities	**87,668**	**1,03,031**	**91,513**	**1,79,916**	**1,83,334**	**1,73,161**	**1,68,576**	**1,82,109**
PP&E incl. right to use of assets and WIP	5,260	5,421	4,483	8,663	9,213	8,880	7,939	5,947
Goodwill	2,930	467	467	443	443	443	443	443
Investment in JV/Associate	2,462	3,230	2,317	2,233	2,283	2,283	2,283	2,283
Investments	1,051	2,276	341	10,062	9,559	10,037	10,539	11,066
Non-current Deposits	30	13,517	2,506	40,688	18,645	32,662	28,107	32,003
Other non-current assets	9,226	13,763	7,401	10,377	12,136	13,529	14,912	16,011
Total Non-current assets	**20,959**	**38,674**	**17,515**	**72,466**	**52,278**	**67,834**	**64,223**	**67,752**
Investments	24,979	31,894	1,472	-	16,780	1,519	1,307	1,489
Cash & cash equivalents	3,255	4,232	5,468	13,790	20,509	11,394	9,805	11,164
Bank balances other than cash and cash equivalents	1,358	1,170	23,296	38,230	37,289	30,383	26,146	29,770
Other current assets	37,117	27,061	43,762	55,430	56,477	62,031	67,096	71,935
Total current assets	**66,709**	**64,357**	**73,998**	**1,07,450**	**1,31,055**	**1,05,327**	**1,04,354**	**1,14,357**
Total Assets	**87,668**	**1,03,031**	**91,513**	**1,79,916**	**1,83,334**	**1,73,161**	**1,68,576**	**1,82,109**

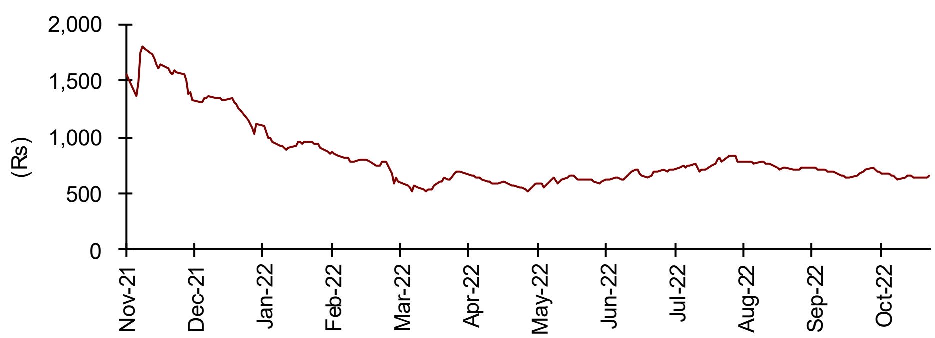
Source: Company data, I-Sec research

Table 5: Key ratios

Growth ratios	FY19	FY20	FY21	FY22	FY23E	FY24E	FY25E	FY26E
Total revenue from operations		1.5%	-14.6%	77.5%	60.1%	24.4%	29.7%	21.8%
Payment processing charges		0.4%	-15.4%	43.7%	16.2%	24.6%	25.6%	17.7%
Marketing and promotional expenses		-59.0%	-61.9%	60.6%	65.9%	18.0%	37.0%	17.0%
Employee benefits expense		30.7%	5.9%	105.2%	69.1%	3.1%	2.8%	2.0%
Software, cloud and data centre expenses		16.4%	-2.9%	42.9%	38.0%	12.0%	10.0%	8.0%
Other expense		0.8%	-24.2%	32.0%	25.0%	12.0%	10.0%	8.0%
EBITDA		-39.7%	-32.9%	32.4%	3.7%	-23.5%	-53.4%	-147.3%
Adjusted EBITDA		-41.4%	-33.0%	-8.3%	-57.4%	-54.5%	-213.2%	313.5%
EBIT		-37.3%	-30.7%	33.0%	11.0%	-16.0%	-37.7%	-80.4%
PBT		-37.6%	-38.5%	46.4%	9.1%	-16.8%	-40.6%	-96.1%
PAT		-30.5%	-42.2%	40.9%	8.2%	-16.6%	-40.0%	-93.3%
Contribution Profit		-88.1%	-252.4%	313.3%	135.4%	29.1%	34.7%	27.3%
As a % of GMV								
GMV (Rs bn)	2,292	3,032	4,033	8,520	13,619	17,564	23,730	30,597
Payment and financial services	0.74%	0.63%	0.52%	0.45%	0.47%	0.45%	0.43%	0.41%
- Payment services to consumers	*0.47%*	*0.33%*	*0.24%*	*0.18%*	*0.17%*	*0.15%*	*0.13%*	*0.11%*
- Payment services to merchants	*0.21%*	*0.25%*	*0.25%*	*0.22%*	*0.19%*	*0.18%*	*0.18%*	*0.16%*
- Others including financial services revenue	*0.05%*	*0.04%*	*0.03%*	*0.05%*	*0.12%*	*0.12%*	*0.12%*	*0.13%*
Revenue from operations	**1.41%**	**1.08%**	**0.69%**	**0.58%**	**0.58%**	**0.56%**	**0.54%**	**0.51%**
Payment processing charges	*0.98%*	*0.75%*	*0.48%*	*0.32%*	*0.24%*	*0.23%*	*0.21%*	*0.19%*
Marketing and promotional expenses	*1.49%*	*0.46%*	*0.13%*	*0.10%*	*0.10%*	*0.10%*	*0.10%*	*0.09%*
Contribution	*-0.87%*	*-0.08%*	*0.09%*	*0.18%*	*0.26%*	*0.26%*	*0.26%*	*0.26%*
EBITDA	*-1.90%*	*-0.87%*	*-0.44%*	*-0.27%*	*-0.18%*	*-0.11%*	*-0.04%*	*0.01%*
Adjusted EBITDA	*-1.84%*	*-0.81%*	*-0.41%*	*-0.18%*	*-0.05%*	*-0.02%*	*0.01%*	*0.05%*
Margin								
Contribution margin	-61.8%	-7.2%	12.9%	30.1%	44.3%	46.0%	47.8%	49.9%
EBITDA margin	-135.1%	-80.3%	-63.1%	-47.0%	-30.5%	-18.8%	-6.7%	2.6%
Adjusted EBITDA margin	-130.3%	-75.2%	-59.0%	-30.5%	-8.1%	-3.0%	2.6%	8.8%
PAT margin	-130.9%	-89.7%	-60.7%	-48.2%	-32.6%	-21.8%	-10.1%	-0.6%
RoE	0.0%	-42.3%	-23.3%	-23.2%	-18.9%	-16.6%	-10.3%	-0.7%
Per share ratios								
EPS (Basic)	-73.0	-47.2	-28.1	-36.9	-39.5	-32.6	-19.4	-1.3
EPS (Diluted)	-73.0	-47.2	-28.1	-34.4	-37.2	-31.0	-18.6	-1.2
BVPS	100.0	134.7	108.4	203.6	192.0	183.4	182.0	194.7
EBITDA per share	-76.3	-43.8	-29.3	-33.7	-34.9	-26.7	-12.4	5.9
Op. revenue per share	56.4	54.5	46.5	71.6	114.6	142.5	184.7	225.1
Valuation ratios								
Price / Sales	11.5	11.9	14.0	9.1	5.7	4.6	3.5	2.9
EV / EBITDA	-8.5	-14.9	-22.2	-19.3	-18.7	-24.4	-52.3	111
Price / Book	6.5	4.8	6.0	3.2	4.1	4.3	4.3	4.0
Price / Earnings	-8.9	-13.8	-23.1	-18.9	-21.1	-25.3	-42.1	-628.7

Source: Company data, I-Sec research.

Price chart



Source: Bloomberg

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