

# One 97 Communications

Estimate change



TP change



Rating change



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Bloomberg	PAYTM IN
Equity Shares (m)	649
M.Cap.(INRb)/(USDb)	535 / 6.5
52-Week Range (INR)	915 / 440
1, 6, 12 Rel. Per (%)	-8/44/-6
12M Avg Val (INR M)	3239

## Financials & Valuations (INR b)

Y/E Mar	FY23	FY24E	FY25E
Revenue	79.9	113.6	151.9
Cont. Profit	39.0	61.8	85.4
Adj. EBITDA	(1.8)	8.4	18.7
EBITDA	(16.3)	(6.5)	7.7
PAT	(17.8)	(10.0)	1.9
EPS (INR)	(28.0)	(15.5)	3.0
EPS Gr. (%)	(24.1)	(44.6)	NM

## Ratios (%)

Cont. Margin	48.8	54.4	56.2
Adj. EBITDA Margin	(2.2)	7.4	12.3
EBITDA Margin	(20.4)	(5.7)	5.1
ROE (%)	(13.1)	(7.7)	1.5
ROA (%)	(9.9)	(5.7)	1.1

## Valuations

P/E(X)	(30.0)	(54.3)	NM
P/BV (X)	4.1	4.2	4.2
P/Sales (X)	6.7	4.8	3.6

**CMP: INR844**

**TP: INR1,000 (+19%)**

**Buy**

**Revenue, GMV growth inline; business metrics on track**

**Contribution margin improves slightly**

- Paytm reported a net loss of INR3.6b (our est. INR3.1b loss) in 1QFY24. Total revenue grew 39% YoY to INR23.4b (in line) supported by healthy growth in GMV, disbursements and addition of subscription devices.
- Net payment margin grew 69% YoY to INR6.5b in 1QFY24, which, along with financial services revenue, resulted in improvements in contribution margin to ~56%.
- We cut our estimates and expect Paytm to report EBITDA of INR7.7b by FY25 vs. earlier estimate of INR8.8b. However, we continue to believe that Paytm will achieve earnings breakeven in FY25. **We retain our BUY rating.**

**Disbursement growth robust; Financial services revenue mix rises to 22%**

- Paytm reported a loss of INR3.6b in 1QFY24 vs. a loss of INR1.7b in 4QFY23 (Ex UPI incentive, net loss for 4QFY23 stood at INR3.5b).
- GMV grew 37% YoY to INR4.1t in 1QFY24 (+12% QoQ). Loan disbursements grew 167% YoY to INR148.5b in 1QFY24.
- Total revenue grew 39% YoY (flat QoQ, broadly in line) to INR23.4b supported by healthy growth in GMV and disbursements.
- Revenue from payment and financial services grew 44% YoY to INR19.4b, with 98% YoY growth in financial services and 51% YoY growth in payment services to merchants. Financial services now form ~22% of total revenue.
- Revenue from commerce and cloud services grew 22% YoY (+3% QoQ, in line) to INR4.1b. Growth was subdued during the quarter due to a decline in movie industry and volume of entertainment business. As a result, take rates moderated to 5%-6% from 8% in 4QFY23. The number of active cards increased by 0.16m to ~0.75m as of 1QY24.
- Payment processing charges stood at 19bp of GMV vs. 22bp in 4QFY23. Despite no UPI incentives received during the quarter, payment processing margin stood at 7-9bp of GMV and the company expects it to settle at 5-7bp over the medium to long term. Thus, net payment margin grew 69% YoY to INR6.5b, aided by healthy subscription revenue as subscription devices increased to 7.9m (up ~1.1m in 1QFY24).
- Direct expenses stood at 44% of total revenues (45% in 4QFY23), driven by an increase in promotional cash-back and incentives during the quarter. Thus, contribution profit rose to INR13.0b (our est. INR13.2b), with contribution margin of 56% in 1QFY24 (55% in 4QFY23).
- Adjusted EBITDA came in at INR0.84b in 1QFY24 (27% miss) vs. INR2.3b in 4QFY23. Adjusted EBITDA margin thus declined to 3.6% (5% ex UPI incentives in 4QFY23).

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Investors are advised to refer through important disclosures made at the last page of the Research Report.

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**Highlights from the management commentary**

- Paytm remains focused on becoming free cash flow positive before the end of FY24.
- Take rate in the lending business is 3.5-3.75% (including collection incentives given by the lender) and the company expects it to improve going forward.
- Portfolio quality improved in 1QFY24 vs. 4QFY23, with a reduction in bounce rates and a moderation in ECL costs, especially in postpaid loans.
- Excluding GST, Paytm charges ~INR100 per month as subscription fees on the sound box and ~INR300-INR500 per month on the POS card machines, depending on the device model.
- Sales employee count grew by 38% YoY to ~30k as the company expanded into new geographies.

**Valuation and view**

Paytm reported a largely in-line 1QFY24 with sustained momentum in GMV and robust growth in disbursements. This, coupled with strong traction in subscription devices, led to healthy growth in total revenue. Gradual improvements in operating leverage boosted contribution margin to 56%. Adjusted EBITDA was below our estimate, but the company remains on track to achieve EBITDA breakeven by FY25. We believe that consistent improvement in contribution margin and operating leverage will continue to drive operating profitability. We value Paytm based on 17x FY28E EV/EBITDA and discount the same to FY25E taking a discount rate of ~15%. We thus value the stock at INR1,000, which implies 4.7x FY25E P/Sales.

**Quarterly performance**

(INR b)

	FY23				FY24E				FY23	FY24E	FY24E	V/s our
	1Q	2Q	3Q	4Q	1Q	2QE	3QE	4QE		1QE	Est	
Payment Services to Consumers	5.2	5.5	5.1	5.2	5.5	5.9	6.4	7.3	21.1	25.2	5.4	3%
Payment Services to Merchants	5.6	6.2	6.4	9.2	8.4	8.8	9.5	10.8	27.4	37.6	7.7	10%
Financial Services and Others	2.7	3.5	4.5	4.8	5.2	7.3	8.0	10.8	15.4	31.3	6.8	-23%
<b>Payment and Financial Services</b>	<b>13.5</b>	<b>15.4</b>	<b>16.4</b>	<b>19.4</b>	<b>19.4</b>	<b>22.3</b>	<b>24.2</b>	<b>29.4</b>	<b>63.8</b>	<b>94.1</b>	<b>20.1</b>	<b>-3%</b>
% Change (Y-o-Y)	95.7	82.4	47.1	59.1	43.6	44.9	47.1	51.2	65.5	47.4	48.8	-11%
<b>Commerce and Cloud Services</b>	<b>3.3</b>	<b>3.8</b>	<b>4.2</b>	<b>3.9</b>	<b>4.1</b>	<b>4.5</b>	<b>5.0</b>	<b>4.9</b>	<b>15.2</b>	<b>18.5</b>	<b>4.0</b>	<b>1%</b>
<b>Revenue from Operations</b>	<b>16.8</b>	<b>19.1</b>	<b>20.6</b>	<b>23.4</b>	<b>23.4</b>	<b>26.8</b>	<b>29.2</b>	<b>34.3</b>	<b>79.9</b>	<b>113.6</b>	<b>24.1</b>	<b>-3%</b>
% Change (Y-o-Y)	88.7	76.2	41.7	51.5	39.3	39.8	41.3	46.9	60.6	42.2	43.4	-9%
Direct Expenses	9.5	10.7	10.2	10.5	10.4	12.4	13.3	15.7	40.9	51.8	10.9	-4%
<b>Contribution Profit</b>	<b>7.3</b>	<b>8.4</b>	<b>10.5</b>	<b>12.8</b>	<b>13.0</b>	<b>14.3</b>	<b>15.8</b>	<b>18.6</b>	<b>39.0</b>	<b>61.8</b>	<b>13.2</b>	<b>-1%</b>
% Change (Y-o-Y)	197.4	223.4	131.0	138.1	79.3	69.8	51.1	44.9	160.3	58.4	82.0	-3%
<b>Adjusted EBITDA</b>	<b>-2.7</b>	<b>-1.7</b>	<b>0.3</b>	<b>2.3</b>	<b>0.8</b>	<b>1.5</b>	<b>2.2</b>	<b>3.9</b>	<b>-1.8</b>	<b>8.4</b>	<b>1.1</b>	<b>-27%</b>
<b>EBITDA</b>	<b>-6.3</b>	<b>-5.4</b>	<b>-3.3</b>	<b>-1.3</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-1.6</b>	<b>0.2</b>	<b>-16.3</b>	<b>-6.5</b>	<b>-2.5</b>	<b>17%</b>
<b>PAT</b>	<b>-6.4</b>	<b>-5.7</b>	<b>-3.9</b>	<b>-1.7</b>	<b>-3.6</b>	<b>-3.0</b>	<b>-2.3</b>	<b>-1.2</b>	<b>-17.8</b>	<b>-10.0</b>	<b>-3.1</b>	<b>14%</b>
<b>Operating Parameters</b>												
GMV (INR t)	3.0	3.2	3.5	3.6	4.1	4.3	4.8	4.7	13.2	17.8	4.0	1%
Disbursements (INR b)	55.5	73.1	99.6	125.5	148.5	169.2	194.6	213.0	353.8	725.3	150.0	-1%
GMV Growth (%)	101.5	62.6	38.4	39.8	36.8	36.3	39.0	28.5	55.2	35.0	35.0	
Disbursements Growth (%)	778.8	481.8	356.6	253.3	167.3	131.4	95.4	69.6	364.2	105.0	170.0	
Contribution Margin	43.3	44.0	50.8	55.0	55.7	53.5	54.3	54.2	48.8	54.4	54.9	
Adjusted EBITDA Margin (%)	-16.3	-8.7	1.5	10.0	3.6	5.6	7.5	11.4	-2.2	7.4	4.8	
EBITDA Margin (%)	-37.7	-28.1	-16.0	-5.5	-12.5	-8.3	-5.3	0.5	-20.4	-5.7	-10.4	

E: MOFSL estimates

## Quarterly snapshot

	FY22				FY23				FY24	Change (%)	
Profit and Loss (INR m)	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	YoY	QoQ
Payment Services to Consumers	3,005	3,536	4,058	4,687	5,190	5,490	5,130	5,240	5,540	7	6
Payment Services to Merchants	3,340	4,003	5,858	5,718	5,570	6,240	6,400	9,180	8,420	51	-8
Financial Services and Others	549	887	1,252	1,684	2,710	3,490	4,460	4,750	5,220	93	10
<b>Payment and Financial Services</b>	<b>6,894</b>	<b>8,426</b>	<b>11,168</b>	<b>12,206</b>	<b>13,490</b>	<b>15,370</b>	<b>16,430</b>	<b>19,420</b>	<b>19,370</b>	<b>44</b>	<b>0</b>
Commerce	517	838	1,348	1,033	1,390	1,250	1,850	1,680	1,560	12	-7
Cloud	1,497	1,600	2,045	2,170	1,930	2,520	2,350	2,250	2,490	29	11
<b>Commerce and Cloud Services</b>	<b>2,014</b>	<b>2,438</b>	<b>3,393</b>	<b>3,203</b>	<b>3,320</b>	<b>3,770</b>	<b>4,200</b>	<b>3,930</b>	<b>4,050</b>	<b>22</b>	<b>3</b>
<b>Other Operating Revenue</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>117</b>	<b>20</b>	<b>150</b>	<b>440</b>	<b>250</b>	<b>190</b>	<b>850</b>	<b>-24</b>
<b>Revenue from Operations</b>	<b>8,908</b>	<b>10,864</b>	<b>14,561</b>	<b>15,409</b>	<b>16,810</b>	<b>19,140</b>	<b>20,630</b>	<b>23,350</b>	<b>23,420</b>	<b>39</b>	<b>0</b>
Payment processing charges	5,265	6,700	7,831	7,742	6,938	7,460	7,380	7,803	7,670	11	-2
Promotional cashback & incentives	607	833	1,166	1,175	1,431	1,910	910	780	850	-41	9
<b>Direct Expenses</b>	<b>6,463</b>	<b>8,257</b>	<b>10,024</b>	<b>10,017</b>	<b>9,539</b>	<b>10,710</b>	<b>10,150</b>	<b>10,513</b>	<b>10,380</b>	<b>9</b>	<b>-1</b>
<b>Contribution Profit</b>	<b>2,445</b>	<b>2,607</b>	<b>4,537</b>	<b>5,392</b>	<b>7,271</b>	<b>8,430</b>	<b>10,480</b>	<b>12,837</b>	<b>13,040</b>	<b>79</b>	<b>2</b>
<b>Indirect Expenses</b>	<b>5,770</b>	<b>6,866</b>	<b>8,465</b>	<b>9,068</b>	<b>10,012</b>	<b>10,100</b>	<b>10,170</b>	<b>10,494</b>	<b>12,200</b>	<b>22</b>	<b>16</b>
<b>Adjusted EBITDA</b>	<b>-3,325</b>	<b>-4,259</b>	<b>-3,928</b>	<b>-3,676</b>	<b>-2,741</b>	<b>-1,670</b>	<b>310</b>	<b>2,343</b>	<b>840</b>	<b>NM</b>	<b>-64</b>
ESOP Expense	390	190	3,895	3,615	3,590	3,710	3,620	3,630	3,770	5	4
<b>EBITDA</b>	<b>-3,715</b>	<b>-4,449</b>	<b>-7,823</b>	<b>-7,291</b>	<b>-6,331</b>	<b>-5,380</b>	<b>-3,310</b>	<b>-1,287</b>	<b>-2,930</b>	<b>54</b>	<b>-128</b>
Finance Costs	100	102	125	70	55	50	50	70	70	27	0
Depreciation and Amortization	410	504	609	951	972	1,040	1,240	1,600	1,590	64	-1
Other Income	570	481	773	1,075	1,020	996	780	1,300	1,230	21	-5
<b>PBT</b>	<b>-3,775</b>	<b>-4,724</b>	<b>-7,729</b>	<b>-7,620</b>	<b>-6,398</b>	<b>-5,564</b>	<b>-3,770</b>	<b>-1,677</b>	<b>-3,540</b>	<b>45</b>	<b>-111</b>
Tax	30	20	56	6	48	150	150	7	40	-17	471
<b>PAT</b>	<b>-3,825</b>	<b>-4,744</b>	<b>-7,785</b>	<b>-7,626</b>	<b>-6,446</b>	<b>-5,714</b>	<b>-3,920</b>	<b>-1,684</b>	<b>-3,580</b>	<b>-44</b>	<b>-113</b>
<b>Balance Sheet (INR m)</b>											
Net Cash Balance	0	0	0	92,710	94,110	91,820	89,560	82,740	83,670	-11	1
<b>Key Metrics (INR b)</b>											
GMV (INRt)	1.5	2.0	2.5	2.6	3.0	3.2	3.5	3.6	4.1	37	12
Disbursements (INR b)	6.3	12.6	21.8	35.5	55.5	73.1	99.6	125.5	148.5	167	18
No of loans disbursed (In mn)	1.4	2.8	4.4	6.5	8.5	9.2	10.5	12.4	12.7	50	3
Net Payment Margins (INRm)	1,080	839	2,085	2,780	3,842	4,420	4,590	6,867	6,480	69	-6
MTU (average over the period) (mn)	50.4	57.4	64.4	70.9	74.8	79.7	84.9	90.0	92.0	23	2
Registered Merchants (mn)	21.8	23.0	24.9	26.7	28.3	29.5	31.4	33.5	35.6	26	6
Payment Devices (mn)	0.9	1.3	2.0	2.9	3.8	4.8	5.8	6.8	7.9	108	16
<b>Ratios</b>											
<b>Asset Quality Ratios (%)</b>											
Take rates - Financial Services (%)	8.7	7.1	5.7	4.7	4.9	4.8	4.5	3.8	3.5	-136	-27
Payment processing charges % of GMV	0.36	0.34	0.31	0.30	0.23	0.23	0.21	0.22	0.19	-4	-3
Net Payment Margin as % of GMV	7.35	4.29	8.34	10.73	12.98	13.90	13.27	18.97	16.00	302	-297
Net Payment Margin	17.0	11.1	21.0	26.4	35.6	37.2	38.3	46.8	45.8	1,015	-101
Direct Expense % of Revenues	72.6	76.0	68.8	65.0	56.7	56.0	49.2	45.0	44.3	-1,242	-70
Contribution Margin	27.4	24.0	31.2	35.0	43.3	44.0	50.8	55.0	55.7	1,242	70
Indirect Expense % of Revenues	64.8	63.2	58.1	58.8	59.6	52.8	49.3	44.9	52.1	-747	715
Adjusted EBITDA Margin (%)	-37.3	-39.2	-27.0	-23.9	-16.3	-8.7	1.5	10.0	3.6	1,989	-645
EBITDA Margin (%)	-41.7	-41.0	-53.7	-47.3	-37.7	-28.1	-16.0	-5.5	-12.5	2,515	-700
PAT Margin (%)	-42.9	-43.7	-53.5	-49.5	-38.3	-29.9	-19.0	-7.2	-15.3	2,306	-807



## Highlights from the management commentary

### Balance sheet related

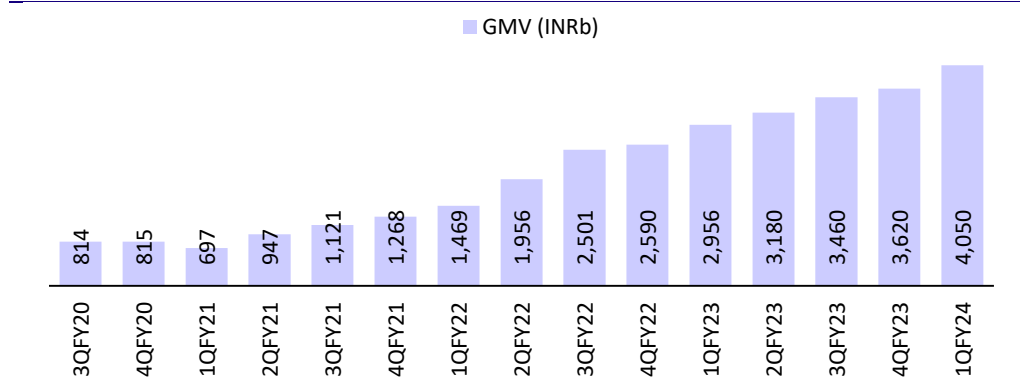
- Based on market conditions, the increase in cash reserves and better business performance, Paytm expects to be free cash flow before the end of FY24.
- MTU grew 23% to 92m in 1QFY24 and Paytm added 1.1 merchant subscriptions.
- ATS on loans is increasing due to higher renewal rates as the lender is confident of disbursing higher ATS loans to 2nd time customers. ATS for new customers remains at the same level.
- FLDG model circular is a very positive move from the regulator. Paytm has never given FLDG rather just acts as an intermediary for its finance partners and is not looking to offer FLDG going forward.
- The number of credit cards grew 27% QoQ, with 0.75m active cards as on 1QFY24. The company has launched a Paytm co-branded SBI Rupay credit card last month and with credit card acceptance on UPI being in high demand, this could add extra margins to the credit card business.
- Commerce GMV grew by a subdued 10% YoY to INR25.4b as on 1QFY24 due to a decline in movie industry & entertainment industry and a decline in Play store vouchers industry.
- Hence, take rate in the commerce business moderated to 5%-6% in 1QFY24 but is expected to increase in 2HFY24 due to seasonality of business.
- Innovations in the payment ecosystem, such as UPI Lite, Rupay credit cards on UPI, and multi-bank EMI aggregation, will be key growth drivers in the business.
- India still has low penetration of mobile payments on the merchant side and loan distribution products, providing a huge opportunity for the company.
- Paytm Money has launched a bond trading platform for retail investors.
- In 1QFY24 the company on-boarded Shriram Capital as a finance partner, which will be operational in the upcoming quarters after the software integration is complete. In FY24, a total of 3-4 partners will be added to the lending business.
- The company does not track o/s loan book but estimates it to be 33% of the disbursements made during the quarter.
- The focus is to ensure the best quality portfolio for finance partners with the RBI displaying discomfort in unsecured loans.
- Online payment aggregator business has been doing well despite Paytm not being able to add new clients due to pending RBI approval.
- With wallet interoperability going live, it makes Paytm universally acceptable on all UPI QR codes and online merchants, which will enable an additional pool of transactions.

### Related to P&L and Others

- Paytm delivered 39% YoY growth in total revenue to INR23.4b. Contribution margin grew to 56%, led by payment business and business margin.
- Software expense as a % of revenue is declining QoQ as the company has moved to a new system, which is cost effective for the company.
- Net payment processing margin remains at ~7-9bp of GMV despite no UPI incentives in 1QFY24 due to: 1) an increase in GMV of non-UPI instruments such as EMI and cards, and 2) lower interchange cost for wallets post interoperability circular by NPCI.

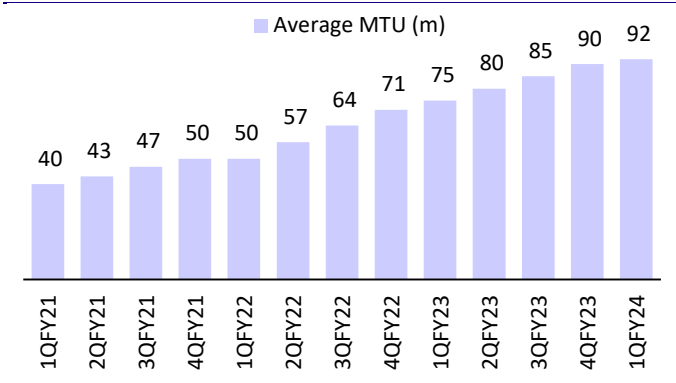
- Paytm postpaid ECL% has improved to 65b-85bp from 75bp-100bp in 4QFY23.
- Marketing expenses increased due to expenses on sponsorships for events such as IPL during the quarter.
- Sales employee count grew by 38% YoY to ~30k as the company is reaching new geographies (100 new geographies added in the last 12 months) and the company sees the TAM for the merchant devices and subscriptions revenue increasing constantly.
- Inter-change was reduced by 50bp last quarter and the company has taken a hit on take rate due to changes in the repo rate.
- Take rate in the lending business is 3.5%-3.75% (including collection incentives given by the lender) and the company expects it to improve going forward.
- Excluding GST, Paytm charges ~INR100 per month as subscription fees on the sound box and ~INR300-INR500 per month on the POS card machines, depending on the device model.

**Exhibit 1: Total GMV grew 37% YoY to INR4.1t in 1QFY24**



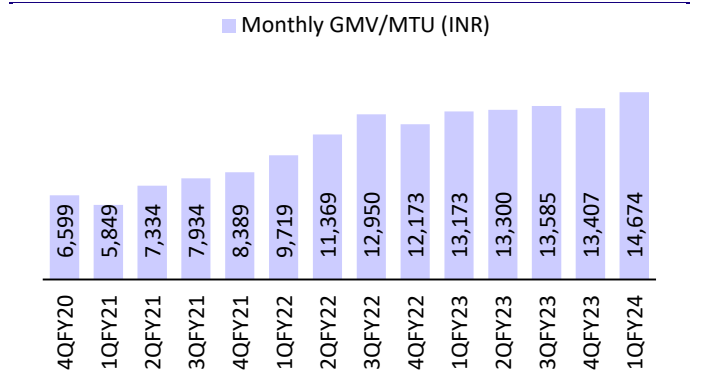
Source: MOFSL, Company

**Exhibit 2: Average MTU increased to 92m in 1QFY24**



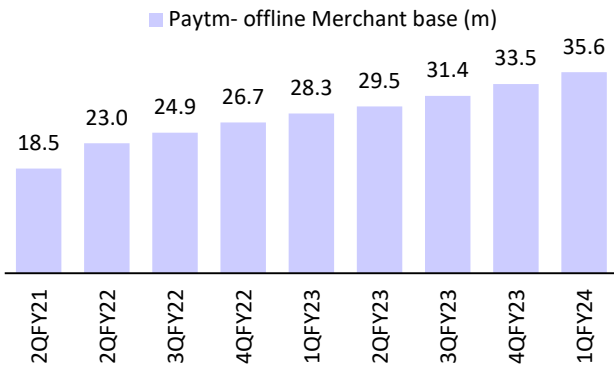
Source: MOFSL, Company

**Exhibit 3: Monthly GMV/MTU stood at INR14.7k in 1QFY24**



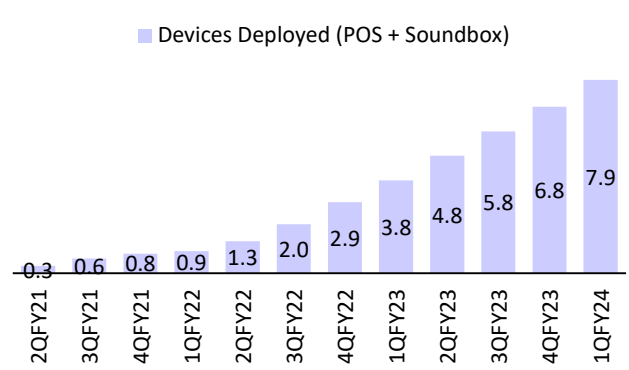
Source: MOFSL, Company

**Exhibit 4: Merchant base grew to 35.6m in 1QFY24**



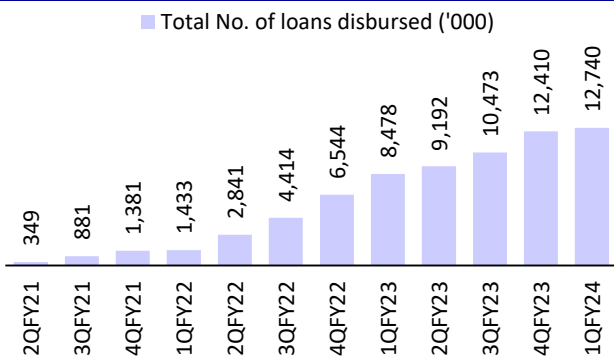
Source: MOFSL, Company

**Exhibit 5: Devices deployed increased to 7.9m in 1QFY24**



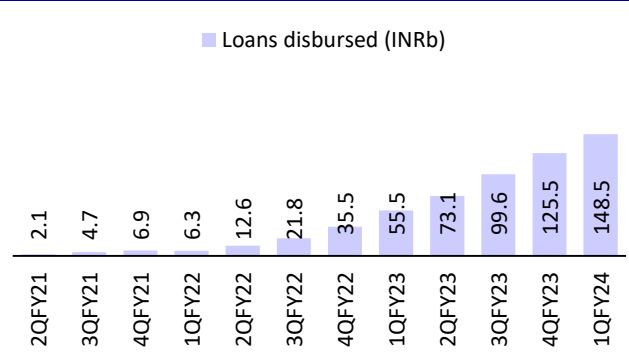
Source: MOFSL, Company

**Exhibit 6: No of loans disbursed increased to 12.7m**



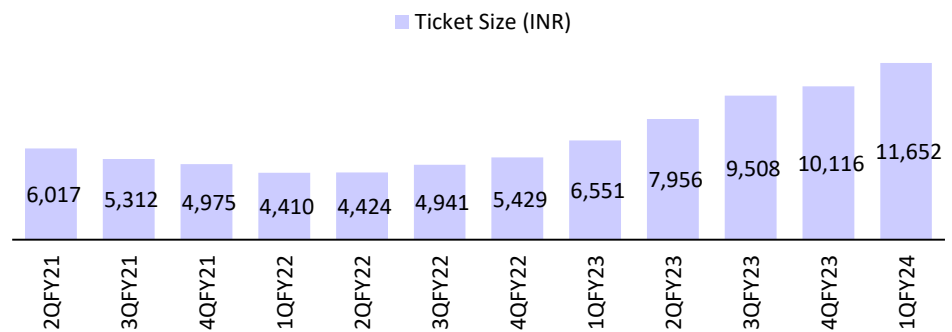
Source: MOFSL, Company

**Exhibit 7: Value of loans surged 1.7x YoY to INR148.5b in 1Q**



Source: MOFSL, Company

**Exhibit 8: Ticket size rose to INR11.7k in 1QFY24 vs. INR10.1k in 4QFY23**



Source: MOFSL, Company

**Valuation and view**

- The overall payment industry is expected to double to USD16t by 2026, and the mix of digital payments is expected to increase to 65%. Thus, digital payments are expected to grow ~3x to USD10t by 2026 from USD3t in 2021. Mobile payments are expected to grow even faster at ~5x to USD3t by 2026. Moreover, an increase in QR deployment will boost merchant payments, which are likely to grow ~6x to USD2.7t by 2026. Paytm will be a big beneficiary of this, as it has built up a strong position in the digital payments and lending businesses.
- **Reiterate BUY with a TP of INR1,000:** Paytm reported largely in-line 1QFY24 with a sustained momentum in GMV and robust growth in disbursements. This, coupled with strong traction in subscription devices, led to healthy growth in

total revenue. Gradual improvements in operating leverage boosted contribution margin to 56%. Adjusted EBITDA has been below our estimate, but the company remains on track to achieve EBITDA breakeven by FY25. We believe that consistent improvement in contribution margin and operating leverage will continue to drive operating profitability. We value Paytm based on 17x FY28E EV/EBITDA and discount the same to FY25E taking a discount rate of ~15%. We thus value the stock at INR1,000, which implies 4.7x FY25E P/Sales.

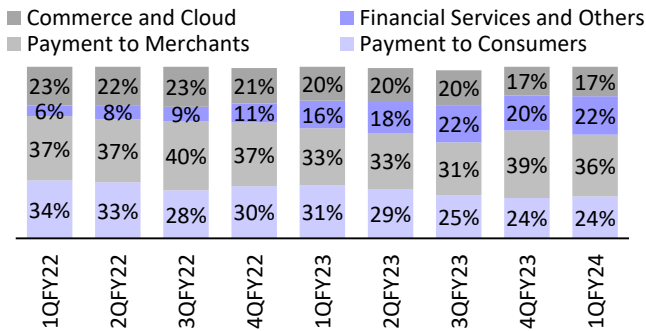
**Exhibit 9: We cut our Adjusted EBITDA estimates for FY24/FY25 by 21%/4% while revenue estimates are broadly unchanged**

INR b	Old Estimates		New Estimates		Change (%/bps)	
	FY24	FY25	FY24	FY25	FY24	FY25
Payment and Financial Services	93.2	125.2	94.1	127.8	1.0	2.1
Commerce and Cloud Services	18.8	23.2	18.5	22.8	-1.9	-1.9
<b>Revenue from Operations</b>	<b>113.0</b>	<b>149.7</b>	<b>113.6</b>	<b>151.9</b>	<b>0.5</b>	<b>1.4</b>
Direct Expenses	50.8	65.5	51.8	66.5	2.1	1.4
<b>Contribution Profit</b>	<b>62.3</b>	<b>84.2</b>	<b>61.8</b>	<b>85.4</b>	<b>-0.8</b>	<b>1.5</b>
Indirect Expenses	51.6	64.7	53.4	66.7	3.3	3.1
<b>Adjusted EBITDA</b>	<b>10.6</b>	<b>19.5</b>	<b>8.4</b>	<b>18.7</b>	<b>-20.7</b>	<b>-4.1</b>
GMV (INR t)	17.8	23.1	17.8	23.1	0.0	0.0
Disbursements	743	1,152	725	1,124	-2.4	-2.4
Contribution Margin (%)	55.1	56.2	54.4	56.2	-72	1
Adjusted EBITDA Margin (%)	9.4	13.0	7.4	12.3	-198	-72
EBITDA Margin (%)	-3.5	5.9	-5.7	5.1	-218	-81
PAT Margin (%)	-6.7	1.7	-8.8	1.3	-207	-44

Source: MOFSL, Company

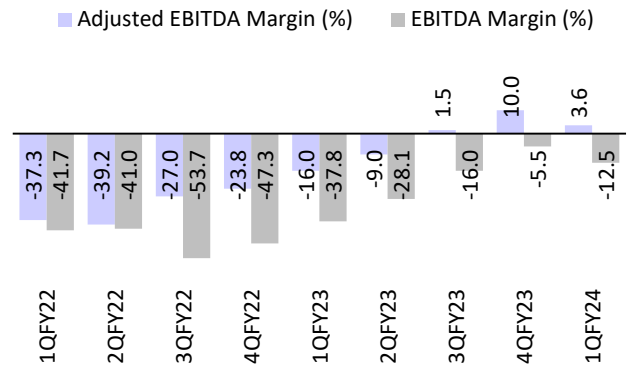
## Story in charts

**Exhibit 10: Payment and Financial services form 83%, within which Financial services and others form ~22%**



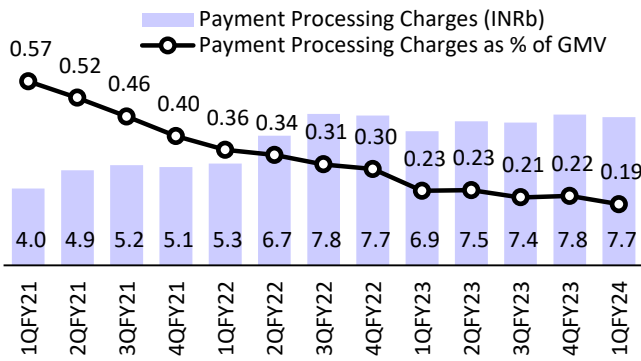
Source: MOFSL, Company

**Exhibit 11: Adjusted EBITDA margins moderated to 3.6% in 1QFY24 vs. 10% in 4QFY23 (5% ex UPI incentive)**



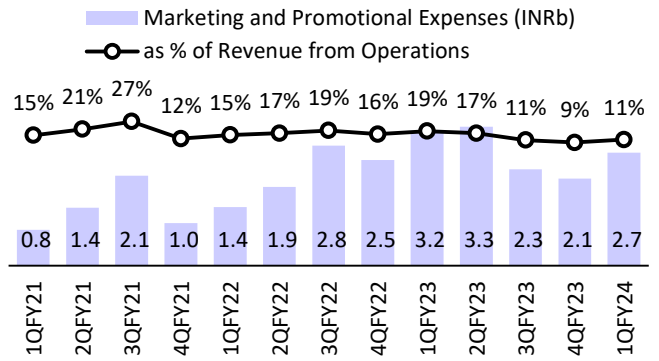
Source: MOFSL, Company

**Exhibit 12: Payment processing charges form 0.19% of GMV**



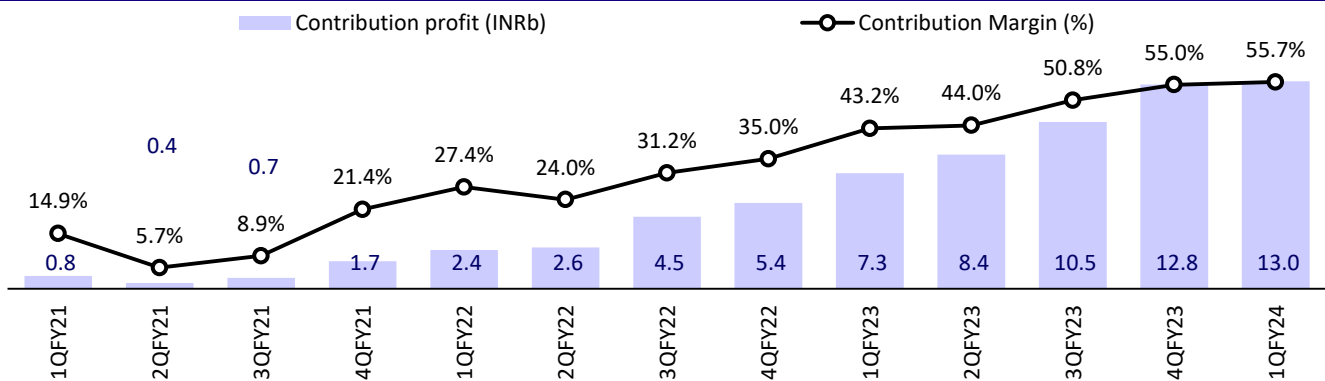
Source: MOFSL, Company

**Exhibit 13: Marketing expense grew to 11% of revenues**



Source: MOFSL, Company

**Exhibit 14: Contribution margin improved to 56% in 1QFY24 vs. 55% (52% ex of UPI incentive) in 4QFY23**



Source: MOFSL, Company



## Financials and valuations

Income Statement							(INR m)	
Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E	
Payment Services to Consumers	10,851	10,120	9,692	15,286	21,050	25,164	31,456	
Payment Services to Merchants	4,860	7,658	10,116	18,919	27,390	37,588	47,836	
Financial Services and Others	1,244	1,290	1,284	4,372	15,400	31,339	48,490	
<b>Payment and Financial Services</b>	<b>16,955</b>	<b>19,068</b>	<b>21,092</b>	<b>38,577</b>	<b>63,840</b>	<b>94,091</b>	<b>1,27,783</b>	
Growth (%)	NM	12.5	10.6	82.9	65.5	47.4	35.8	
Commerce	11,915	7,109	2,452	3,736	6,150	7,503	9,304	
Cloud	3,450	4,079	4,480	7,312	9,050	10,951	13,469	
<b>Commerce and Cloud Services</b>	<b>15,365</b>	<b>11,188</b>	<b>6,932</b>	<b>11,048</b>	<b>15,200</b>	<b>18,454</b>	<b>22,773</b>	
Growth (%)	NM	-27.2	-38.0	59.4	37.6	21.4	23.4	
Other Operating Revenue	-	2,552	-	117	860	1,075	1,322	
<b>Revenue from Operations</b>	<b>32,320</b>	<b>32,808</b>	<b>28,024</b>	<b>49,742</b>	<b>79,900</b>	<b>1,13,619</b>	<b>1,51,878</b>	
Growth (%)	NM	1.5	-14.6	77.5	60.6	42.2	33.7	
Payment processing charges	22,574	22,659	19,168	27,538	29,580	36,765	46,259	
Promotional cash back & incentives	27,937	9,592	2,357	3,781	5,020	6,246	7,864	
Other Expenses	1,789	2,935	2,874	3,442	6,300	8,820	12,348	
<b>Direct Expenses</b>	<b>52,300</b>	<b>35,186</b>	<b>24,399</b>	<b>34,761</b>	<b>40,900</b>	<b>51,831</b>	<b>66,472</b>	
Growth (%)	NM	-32.7	-30.7	42.5	17.7	26.7	28.2	
<b>Contribution Profit</b>	<b>-19,980</b>	<b>-2,378</b>	<b>3,625</b>	<b>14,981</b>	<b>39,000</b>	<b>61,788</b>	<b>85,407</b>	
Growth (%)	NM	-88.1	-252.4	313.3	160.3	58.4	38.2	
Marketing	6,146	4,379	2,968	4,773	5,740	7,044	9,113	
Employee cost (Ex ESOPs)	7,016	9,532	10,724	16,226	23,230	31,361	39,514	
Software, cloud and data center	3,096	3,603	3,498	4,999	6,940	8,883	10,926	
Other indirect expenses	5,877	4,791	2,983	4,160	4,850	6,063	7,154	
<b>Indirect Expenses</b>	<b>22,135</b>	<b>22,305</b>	<b>20,173</b>	<b>30,158</b>	<b>40,760</b>	<b>53,351</b>	<b>66,707</b>	
Growth (%)	NM	0.8	-9.6	49.5	35.2	30.9	25.0	
<b>Adjusted EBITDA</b>	<b>-42,115</b>	<b>-24,683</b>	<b>-16,548</b>	<b>-15,177</b>	<b>-1,760</b>	<b>8,437</b>	<b>18,700</b>	
ESOP Expense	1,546	1,661	1,125	8,093	14,560	14,910	11,010	
<b>EBITDA</b>	<b>-43,661</b>	<b>-26,344</b>	<b>-17,673</b>	<b>-23,270</b>	<b>-16,320</b>	<b>-6,473</b>	<b>7,690</b>	
Finance Costs	342	485	348	394	230	265	304	
Depreciation and Amortization Expenses	1,116	1,745	1,785	2,473	4,850	7,518	11,276	
Other Income	3,477	2,599	3,844	2,901	4,100	5,002	6,152	
<b>PBT</b>	<b>-41,642</b>	<b>-25,975</b>	<b>-15,962</b>	<b>-23,368</b>	<b>-17,300</b>	<b>-9,253</b>	<b>2,262</b>	
Share of (profit)/loss of associates/JV	-146	560	740	459	130	146	166	
Exceptional items	825	3,047	281	24	0	0	0	
Tax	-65	-158	27	113	336	564	168	
<b>PAT</b>	<b>-42,256</b>	<b>-29,424</b>	<b>-17,010</b>	<b>-23,964</b>	<b>-17,766</b>	<b>-9,962</b>	<b>1,928</b>	

## Balance Sheet

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Share Capital	575	604	605	649	634	642	652
Reserves & Surplus	56,812	80,448	64,743	1,40,867	1,29,522	1,28,526	1,29,490
Non-Controlling Interest	862	-140	-186	-221	-227	-250	-275
<b>Net Worth</b>	<b>58,249</b>	<b>80,912</b>	<b>65,162</b>	<b>1,41,295</b>	<b>1,29,929</b>	<b>1,28,918</b>	<b>1,29,867</b>
Non-Current Liabilities	705	6,017	5,229	6,119	6,435	2,485	2,610
Current Liabilities	26,867	16,102	21,122	32,502	43,294	41,017	39,795
<b>Total Liabilities</b>	<b>85,820</b>	<b>1,03,031</b>	<b>91,513</b>	<b>1,79,916</b>	<b>1,79,658</b>	<b>1,72,421</b>	<b>1,72,272</b>
Fixed Assets	7,064	6,082	5,149	9,259	12,202	12,812	13,453
Investments in JV/Associates	2,002	2,468	2,317	2,233	2,518	-	-
Investments	1,511	3,038	341	10,062	13,247	17,342	19,076
Other Non-Current Assets	8,552	26,358	8,533	48,394	8,655	10,000	11,240
<b>Non-Current Assets</b>	<b>19,129</b>	<b>37,947</b>	<b>16,340</b>	<b>69,948</b>	<b>36,622</b>	<b>40,153</b>	<b>43,768</b>
Investments	24,979	31,895	1,472	-	11,206	11,206	11,206
Cash and Bank Balances	4,612	5,401	28,764	52,020	70,395	52,796	42,237
Other Current Assets	37,100	27,788	44,937	57,948	61,435	68,265	75,061
<b>Current Assets</b>	<b>66,691</b>	<b>65,084</b>	<b>75,173</b>	<b>1,09,968</b>	<b>1,43,036</b>	<b>1,32,267</b>	<b>1,28,504</b>
<b>Total Assets</b>	<b>85,820</b>	<b>1,03,031</b>	<b>91,513</b>	<b>1,79,916</b>	<b>1,79,658</b>	<b>1,72,421</b>	<b>1,72,272</b>

## Financials and valuations

### Key Operating Metrics

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
GMV (INR b)	2,292	3,032	4,033	8,516	13,220	17,847	23,130
Disbursements (INR b)	NA	NA	14	76	354	725	1,124
Net Payment Margins (INR m)	-6,863	-4,881	640	6,667	19,719	15,710	17,744
<b>Revenue from Operations Mix (%)</b>							
Payment Services to Consumers	34%	31%	35%	31%	27%	23%	22%
Payment Services to Merchants	15%	23%	36%	38%	34%	33%	31%
Financial Services and Others	4%	4%	5%	9%	19%	28%	32%
<b>Payment and Financial Services</b>	<b>52%</b>	<b>58%</b>	<b>75%</b>	<b>78%</b>	<b>81%</b>	<b>84%</b>	<b>85%</b>
Commerce	37%	29%	9%	8%	8%	7%	6%
Cloud	11%	12%	16%	15%	11%	10%	9%
<b>Commerce and Cloud Services</b>	<b>48%</b>	<b>42%</b>	<b>25%</b>	<b>22%</b>	<b>19%</b>	<b>16%</b>	<b>15%</b>

E: MOSL Estimates

### Ratios

Y/E March	FY19	FY20	FY21	FY22	FY23	FY24E	FY25E
Payment Services to Consumers % of GMV	0.47	0.33	0.24	0.18	0.16	0.14	0.14
Payment Services to Merchants % of GMV	0.21	0.25	0.25	0.22	0.21	0.21	0.21
Take rates - Financial Services (%)	NA	NA	9.1	5.7	4.4	4.3	4.3
Payment processing charges % of GMV	0.98	0.75	0.48	0.32	0.22	0.21	0.20
Net Payment Margin (%)	-0.30	-0.16	0.02	0.08	0.15	0.09	0.08
Direct Expense % of Revenues	161.8	107.2	87.1	69.9	51.2	45.6	43.8
Contribution Margin	-61.8	-7.2	12.9	30.1	48.8	54.4	56.2
Indirect Expense % of Revenues	68.5	68.0	72.0	60.6	51.0	47.0	43.9
Adjusted EBITDA Margin (%)	-130.3	-75.2	-59.0	-30.5	-2.2	7.4	12.3
EBITDA Margin (%)	-135.1	-80.3	-63.1	-46.8	-20.4	-5.7	5.1
PAT Margin (%)	-130.7	-89.7	-60.7	-48.2	-22.2	-8.8	1.3

### Valuation

RoE	-62.9	-42.3	-23.3	-23.2	-13.1	-7.7	1.5
RoA	-49.0	-31.2	-17.5	-17.7	-9.9	-5.7	1.1
Sales per share (INR)	56	54	46	77	126	177	233
Growth (%)	NM	-3.4	-14.7	65.5	64.4	40.4	31.6
<b>Price-Sales (x)</b>	<b>15.0</b>	<b>15.5</b>	<b>18.2</b>	<b>11.0</b>	<b>6.7</b>	<b>4.8</b>	<b>3.6</b>
Book Value per share (INR)	101	134	108	218	205	201	199
Growth (%)	NM	32.2	-19.6	102.1	-5.9	-2.0	-0.8
<b>Price-BV (x)</b>	<b>8.3</b>	<b>6.3</b>	<b>7.8</b>	<b>3.9</b>	<b>4.1</b>	<b>4.2</b>	<b>4.2</b>
EBITDA per share (INR)	-76	-44	-29	-36	-26	-10	12
<b>Price-EBITDA (x)</b>	<b>-11.1</b>	<b>-19.3</b>	<b>-28.8</b>	<b>-23.5</b>	<b>-32.7</b>	<b>-83.5</b>	<b>71.4</b>
EPS (INR)	-73.5	-48.7	-28.1	-36.9	-28.0	-15.5	3.0
Growth (%)	NM	-33.7	-42.3	31.3	-24.1	-44.6	-119.1
<b>Price-Earnings (x)</b>	<b>-11.5</b>	<b>-17.3</b>	<b>-29.9</b>	<b>-22.8</b>	<b>-30.0</b>	<b>-54.3</b>	<b>284.8</b>

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BUY	>=15%
SELL	< - 10%
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UNDER REVIEW	Rating may undergo a change
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