

Paytm again turned EBITDA (ex ESOP)-positive in 4Q, at Rs0.8bn (Emkay: Rs1.1bn). This was due to lower UPI incentive, which coupled with accelerated cost (Rs4.9bn) on ESOPs surrendered by MD & CEO Vijay Sharma and impairment in subs led to net loss of Rs6.1bn. Though Paytm reduced overall loss in FY25 mainly due to business consolidation and cost optimization, we expect it to turn net profit-positive in FY26 on the back of revenue acceleration from payment as well as the financial services business, higher treasury income on cash balance boosted by recent stake sales, and lower depreciation/ESOP cost. Additionally, potential re-introduction of MDR on high-value UPI transactions and receipt of payment aggregator and wallet license (either its own or on rent) should further boost its revenue/profitability and act as a stock catalyst. We retain BUY with DCF-based TP of Rs1,050, implying FY27E EV/Operating revenue at 3.1x and P/BV at 3.0x.

Payment/device subscription business going strong; MDR on UPI, payment aggregator license could further boost revenue

Paytm's Payment GMV grew 9% YoY/1% QoQ in 4Q, despite it being a seasonally soft quarter; moderating process margins benefiting from the changing transaction mix/rate negotiations led to flat net payment margin at 9bps (3bps excl subscription revenue). Net merchant additions stood healthy at ~1mn in 4Q, with device merchant share improving further to 23% and, in turn, leading to strong healthy subscription revenue. After a decline in 3Q, the MTU base improved by 0.2mn to 72mn and should expand the funnel for the financial services business. Notably, Paytm management is hopeful of securing a payment aggregator license, which we believe should boost its online merchant GMV/revenue. Additionally, the management expects MDR on UPI (~30bps with Paytm share at 5-10bps) to be re-introduced by the NPCI in CY25 on transactions (above Rs2,000/transaction) which should flow straight to the profit. The mgmt indicated that the Board discussed ways to secure back wallet license, either its own or on rent.

Consumer lending incl PL recedes, albeit hopeful of revival later in the year

Overall loan disbursements were in line with expectations, at Rs57bn in 4Q, with merchant loan (ML) disbursements (Rs43bn; up 13% QoQ) trending well. This has been due to a strong ML customer base CAGR of 88% (5.4% penetration in the device merchant base, up from 3.5% a year ago) and ticket size CAGR of 15% over FY22-25. PL disbursements recede further to Rs14bn, though the management expects a pick up later in the year as the credit cycle improves and partners gain comfort.

We retain BUY, with unchanged TP of Rs1,050

We expect Paytm to turn profitable from FY26 on which, coupled with a payment aggregator/wallet license and MDR on UPI, could further boost its profitability and act as a stock catalyst. We retain BUY with unchanged TP of Rs1,050.

Target Price – 12M	Mar-26
Change in TP (%)	-
Current Reco.	BUY
Previous Reco.	BUY
Upside/(Downside) (%)	28.8

Stock Data	PAYTM IN
52-week High (Rs)	1,063
52-week Low (Rs)	310
Shares outstanding (mn)	637.8
Market-cap (Rs bn)	520
Market-cap (USD mn)	6,155
Net-debt, FY25E (Rs mn)	(124,133.3)
ADTV-3M (mn shares)	8
ADTV-3M (Rs mn)	4,575.6
ADTV-3M (USD mn)	54.2
Free float (%)	53.2
Nifty-50	24,379.6
INR/USD	84.4

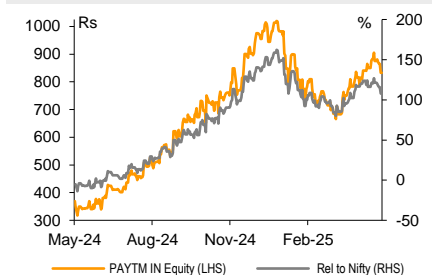
Shareholding, Mar-25

Promoters (%)	0.0
FPIs/MFs (%)	55.4/14.0

Price Performance

(%)	1M	3M	12M
Absolute	(0.3)	2.1	131.9
Rel. to Nifty	(6.3)	(1.2)	113.5

1-Year share price trend (Rs)



One 97 Communications: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	99,778	69,011	85,398	104,884	127,761
Op. EBITDA	(9,068)	(15,067)	1,880	11,289	21,667
Adj. PAT	(14,224)	(6,640)	6,184	15,045	24,331
Adj. EPS (Rs)	(21.8)	(10.4)	9.5	23.3	37.7
Op. EBITDA margin (%)	(9.1)	(21.8)	2.2	10.8	17.0
Op. EBITDA growth (%)	NM	NM	NM	500.5	91.9
Adj. EPS growth (%)	NM	NM	NM	146.0	61.9
RoE (%)	(10.8)	(4.7)	4.0	9.2	13.2
RoA (%)	(7.9)	(3.5)	2.7	5.9	8.4
EV/Op. rev. (x)	4.2	5.2	4.0	3.1	2.3
EV/EBITDA (x)	(115.9)	(46.0)	27.4	14.4	8.6
P/B (x)	3.9	3.5	3.3	3.0	2.7
P/E (x)	(37.4)	(78.1)	86.2	35.0	21.6

Source: Company, Emkay Research

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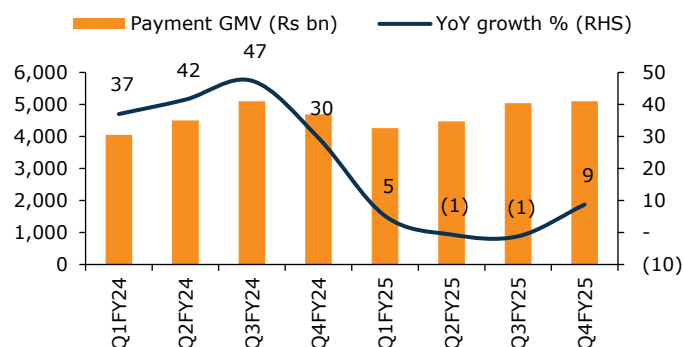
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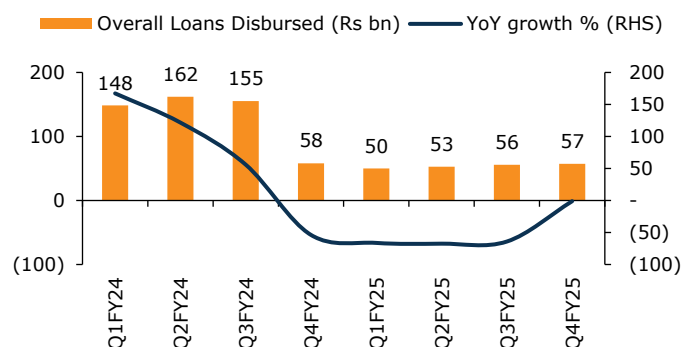
Key Concall Takeaways

- UPI incentive is expected to remain low. However, the anticipated introduction of Merchant Discount Rate (MDR) on high-value (>Rs2,000) UPI transactions on large merchants is likely to offset this impact. The company believes that even after introduction of MDR, consumers will not be charged, so GMV should remain largely unaffected.
- Payment charges have declined due to an improved mix of payment instruments, which has led to slight improvement in net payment margin.
- The company emphasizes that merchant acquisition is more crucial than user growth.
- The company is picking up inactive devices and redeploying them at new merchants after refurbishment, resulting in lower capex. Refurbishment costs are expensed through the P&L (part of indirect costs) and are much lower than the capex for new devices.
- Going forward, the management expects capex to increase in line with increased pace of device deployment; however, capex will be much lower than FY24 levels (pre disruption) even though the company is deploying more devices than earlier. Accordingly, it expects depreciation expenses to be in the range of Rs5-6bn in FY26.
- An easing credit cycle is expected to positively impact both, the credit card and personal loan businesses. Nevertheless, the company expects moderate growth in personal loan disbursements over the medium term. Expected Credit Loss (ECL) guidance for FY26 is 2%.
- A decline in the number of financial services users is attributed to the slowdown in PL disbursements and regulatory impact on the equity broking industry affecting Paytm Money.
- The company currently has 14 active lending partners.
- Per IndAS-102, the entire cost of the ESOP relinquished by Vijay Sharma, amounting to ~Rs41bn (recorded in the P&L fr FY22-25), has been credited back to retained earnings of the company and, therefore, increased the free reserves of the company.
- ESOP expenses are expected to be in the range of Rs0.75-1.0bn in Q1FY26, and at a similar range for subsequent quarters in FY26.
- Through increased automation and AI-driven efficiency, non-sales employee costs have reduced, leading to a decline in headcount and limited incremental hiring going forward.
- Paytm Money: While the current annual revenue contribution is modest (~Rs20-30mn), the business benefits from strong customer lock-in and offers significant future potential. The newly introduced Loan against mutual funds product is witnessing encouraging traction.

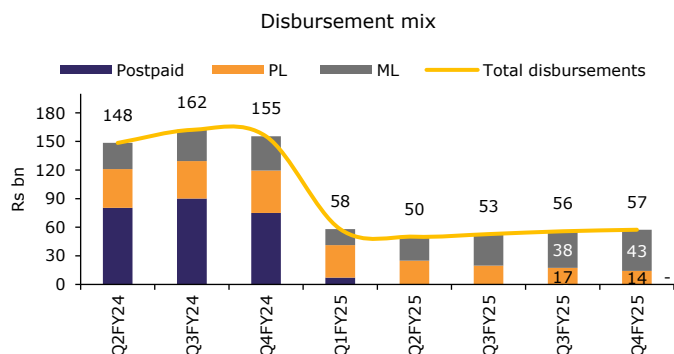
Story in Charts

Exhibit 1: Payment GMV growth continued to be healthy


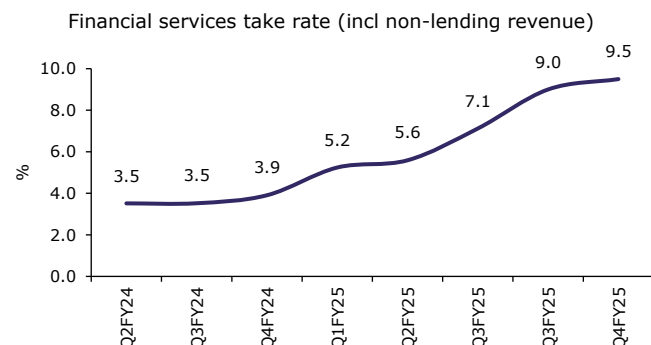
Source: Company, Emkay Research

Exhibit 2: Loan disbursements were in line with expectations, led by merchant loans, largely offsetting the reducing PL disbursements


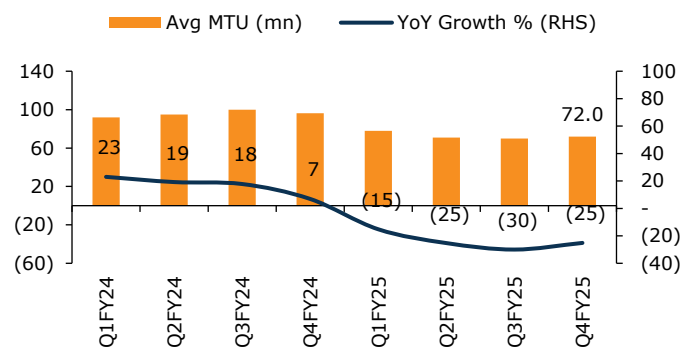
Source: Company, Emkay Research

Exhibit 3: Disbursements in the PL business continue to decline...


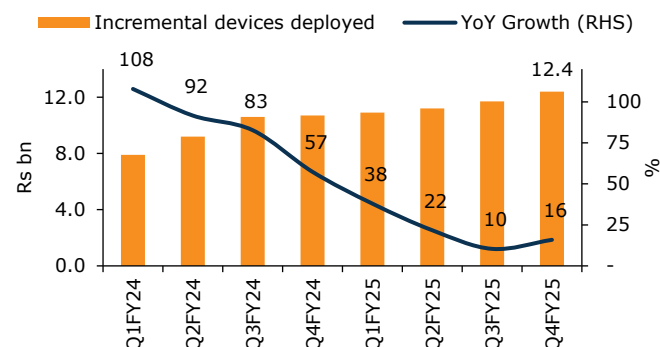
Source: Emkay Research

Exhibit 4: ...but higher share of the ML business, along with collection bonus, led to a take-rate in Q4


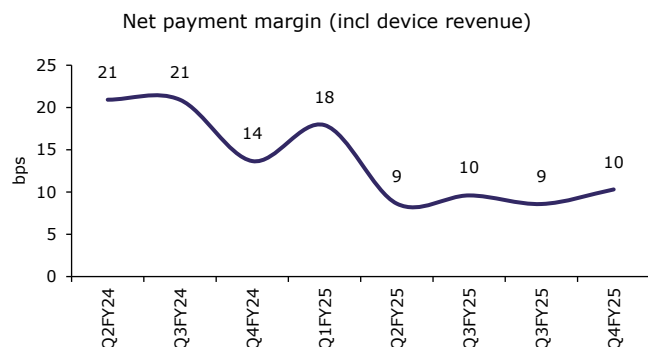
Source: Emkay Research

Exhibit 5: MTU improved to 72mn, expanding the funnel for financial services


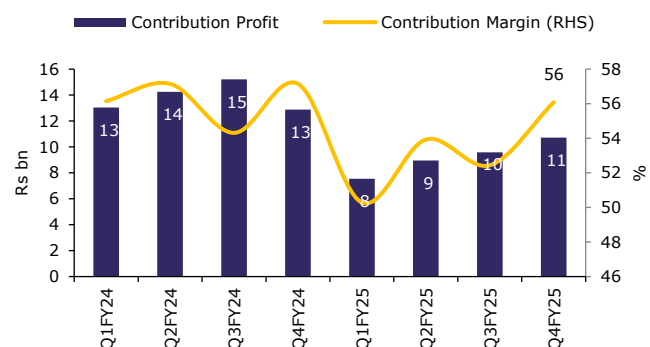
Source: Company, Emkay Research

Exhibit 6: Merchant device deployment picking up gradually


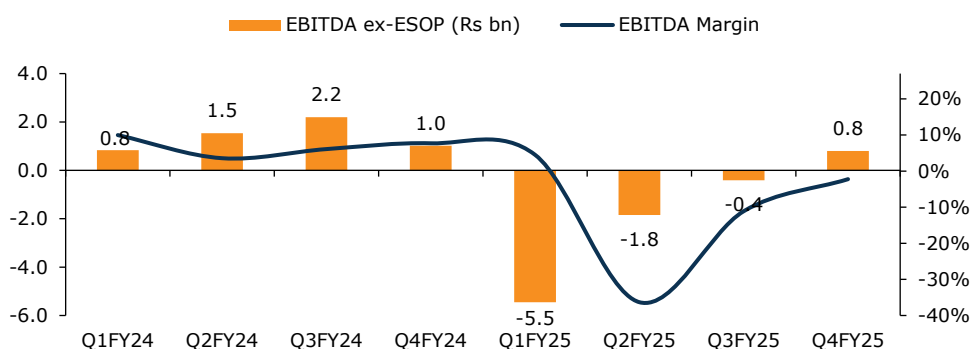
Source: Company, Emkay Research

Exhibit 7: Net payment margin improved owing to better payment mix and lower payment processing charges...

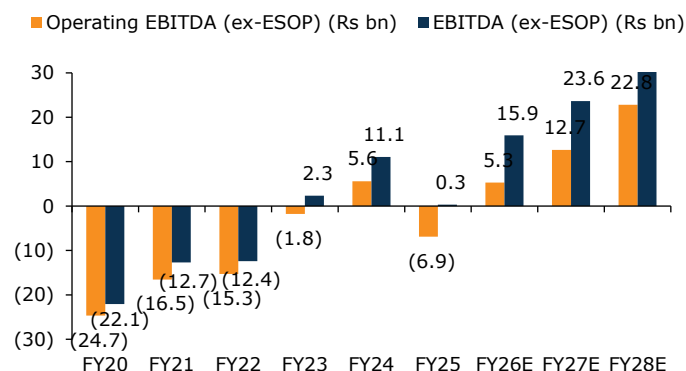
Source: Company, Emkay Research

Exhibit 8: ...leading to improvement in contribution margin

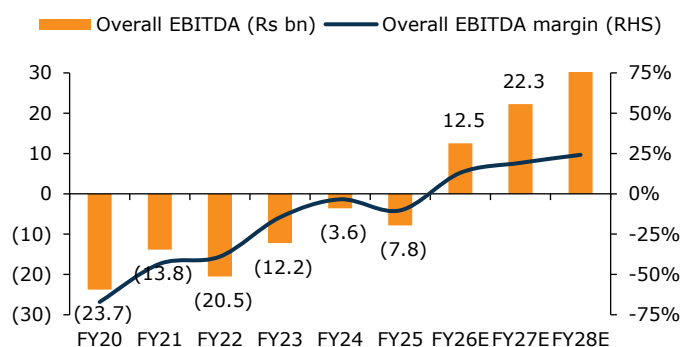
Source: Company, Emkay Research

Exhibit 9: EBITDA (ex-ESOP) returned to the positive territory

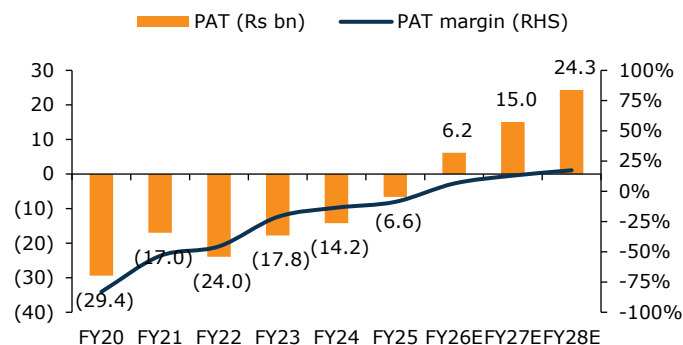
Source: Emkay Research

Exhibit 10: Improving lending revenue and cost optimization should help Paytm turn EBITDA (ex ESOP)-positive soon

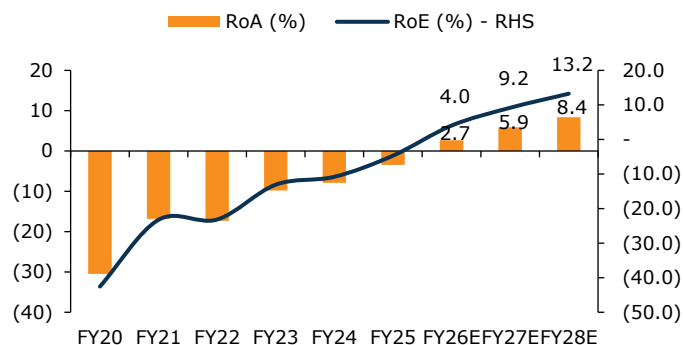
Source: Emkay Research

Exhibit 11: ...as also overall EBITDA-positive, as ESOP cost too is on a decline

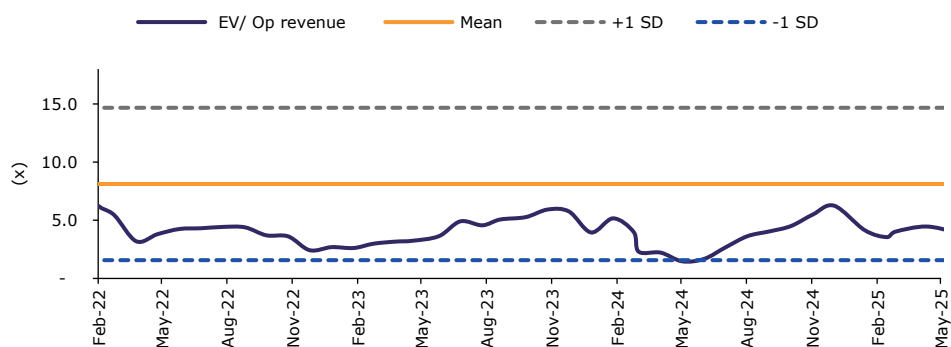
Source: Emkay Research

Exhibit 12: Higher EBITDA plus lower depreciation and higher treasury income to drive Paytm into the net profit zone by FY26E...

Source: Emkay Research

Exhibit 13: ...and thus improve overall return ratios

Source: Emkay Research

Exhibit 14: The stock trades at 4x 1Y forward EV/Operating revenue

Source: Bloomberg, Emkay Research

Exhibit 15: Actual vs estimates (Q4FY25)

(Rs mn)	Actuals	Estimates		Variation		Comments
		Emkay	Consensus	Emkay	Consensus	
Operating Revenue	19,115	20,182	18,684	-5%	2%	Lower UPI incentives led to a miss
Overall EBITDA	1,349	(3,826)	(4,636)	-135%	-129%	Reclassification of accelerated ESOP expense as exceptional item, led to positive overall EBITDA
PAT	(5,448)	(5,737)	(3,505)	-5%	55%	Overall cost optimization led to PAT beat

Source: Emkay Research

Exhibit 16: Quarterly Summary

(Rs mn)	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	YoY (%)	QoQ (%)	FY24	FY25A	YoY (%)
Payment & Financial Services Revenue	18,590	11,646	13,220	15,050	15,920	(14)	6	81,312	55,836	(31)
Marketing & Other Op Revenue	4,090	3,370	3,380	3,230	3,195	(22)	(1)	18,466	13,175	(29)
Operating Revenue	22,680	15,016	16,600	18,280	19,115	(16)	5	99,778	69,011	(31)
Operating Expenses	21,658	20,470	18,446	18,690	18,314	(15)	(2)	108,846	84,078	(23)
- Payment gateway Cost	7,148	5,171	5,168	5,704	5,204	(27)	(9)	32,804	21,247	(35)
Operating EBITDA	1,022	(5,454)	(1,846)	(410)	801	(22)	(295)	(9,068)	(15,067)	66
- Depreciation	1,960	1,784	1,786	1,653	1,503	(23)	(9)	7,357	6,726	(9)
Operating EBIT	(938)	(7,238)	(3,632)	(2,063)	(702)	(25)	(66)	(16,425)	(21,793)	33
- Non Operating Revenue	1,317	1,375	1,745	1,887	2,238	70	19	5,469	7,245	32
- Finance Cost	52	42	34	43	45	(13)	5	243	164	(33)
PBT	327	(5,905)	(1,921)	(219)	1,491	356	(781)	(11,199)	(14,712)	31
Net profit (ex ESOP + Extraordinary items)	19	(5,933)	(1,970)	(271)	1,462	7,595	(639)	2,762	(6,712)	(343)
Reported Net Profit	(5,512)	(8,401)	9,300	(2,091)	(5,448)	(1)	161	(14,224)	(6,640)	(53)

Source: Company, Emkay Research

Exhibit 17: Revision in estimates

Y/E Mar (Rs mn)	FY26E			FY27E			FY28E		
	Earlier	Revised	Change	Earlier	Revised	Change	Earlier	Revised	Change
Operating Revenue	93,012	85,398	-8.2%	119,615	104,884	-12.3%	na	127,761	na
Overall EBITDA	9,624	12,526	30.1%	16,769	22,256	32.7%	na	33,816	na
PAT	2,386	6,184	159.1%	10,266	15,045	46.6%	na	24,331	na
EPS (Rs)	3.5	9.5	169.2%	15.8	23.3	47.2%	na	37.7	na
BVPS (Rs)	226.3	245.2	8.4%	242.8	268.8	10.7%	na	306.9	na

Source: Emkay Research

Exhibit 18: Key assumptions

(%)	FY25A	FY26E	FY27E	FY28E
Payments GMV growth	1	24	27	24
Disbursement growth	(59)	33	48	41
Net Payment take rate (% of GMV)	0.1	0.1	0.1	0.1
Gross lending take rate (% of disbursement)	6.2	6.7	6.2	5.9

Source: Emkay Research

One 97 Communications: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Payment (P2M + P2C)	62,351	40,406	48,499	58,940	70,081
Marketing revenue	17,387	11,570	12,483	13,328	14,634
Payment + Marketing Revenue	79,738	51,976	60,983	72,268	84,715
growth (%)	23.6	(34.8)	17.3	18.5	17.2
Fin Services & other op rev	20,040	17,035	24,416	32,615	43,045
Operating Revenue	99,778	69,011	85,398	104,884	127,761
Operating expenses	108,846	84,078	83,518	93,595	106,094
Payment gateway cost	32,804	21,247	24,137	28,234	32,029
Marketing & promotional expenses	9,220	6,594	6,783	7,391	8,017
Operating EBITDA	(9,068)	(15,067)	1,880	11,289	21,667
Depreciation	7,357	6,726	5,649	5,580	5,354
Operating EBIT	(16,425)	(21,793)	(3,769)	5,709	16,313
Non Operating Revenue	5,469	7,245	10,646	10,967	12,149
Finance Cost	243	164	172	181	190
PBT	(11,199)	(14,712)	6,704	16,495	28,272
Non-recurring items	(2,328)	8,230	0	0	0
Pre-tax profit (after non-recurring items)	-	-	-	-	-
Tax (current + deferred)	320	180	670	1,649	4,241
Tax rate (%)	(2.9)	(1.2)	10.0	10.0	15.0
Net profit	(13,847)	(6,662)	6,304	14,845	24,031
growth (%)	0	0	0	143.3	61.7
Share of JV/Associates	(377)	22	150	200	300
Net income	(14,224)	(6,640)	6,184	15,045	24,331
Contribution margin (%)	55.5	53.3	55.6	57.4	59.4
Op. EBITDA margin (%)	(9.1)	(21.8)	2.2	10.8	17.0
Op. EBIT margin (%)	(16.5)	(31.6)	(4.4)	5.4	12.8
Shares outstanding (mn)	636	638	638	638	638

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT	(11,199)	(14,712)	6,704	16,495	28,272
Others (non-cash items)	7,742	(64)	11,926	20,952	33,507
Taxes paid	1,085	(180)	670	1,649	4,241
Change in NWC	(149)	(1,329)	3,260	1,527	2,025
Operating cash flow	6,508	(1,213)	14,515	20,829	31,291
Investing Cash Flow	3,180	(20,429)	(8,959)	(16,790)	(32,152)
Financing Cash Flow	(220)	(527)	372	(181)	(190)
Net Change in Cash	9,468	(22,169)	5,928	3,858	(1,051)

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Cash & Cash Equivalents	78,323	134,253	152,292	176,232	209,360
Non-current investments	22,943	25,813	24,522	23,296	20,967
Loans	1,731	2,889	3,467	4,160	4,992
Fixed assets (Net block)	12,609	9,052	11,245	13,753	16,486
Other assets	55,785	42,470	45,415	48,590	55,694
Total assets	171,391	214,477	236,942	266,301	307,499
Trade Payables & other ST liabilities	29,335	57,384	65,885	72,899	80,679
Borrowings	0	48	0	0	0
Other liabilities and provisions	8,790	7,074	14,606	21,635	30,993
Share capital	636	638	638	638	638
Reserves & surplus	132,630	149,629	155,813	170,858	195,189
Shareholders' funds	133,266	150,267	156,451	171,496	195,827
Total equity & liabilities	171,391	214,477	236,942	266,301	307,409
Payment GMV (Rs bn)	18,864	19,086	23,721	30,052	37,127
Payment GMV growth (%)	39.0	1.2	24.3	26.7	23.5
Loans disbursement (Rs bn)	523.9	216.0	286.6	423.3	595.7
Disbursement growth (%)	48.1	(58.8)	32.7	47.7	40.7

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
EPS (Rs)	(21.8)	(10.4)	9.5	23.3	37.7
BVPS (Rs)	209.9	235.4	245.2	268.8	306.9
EBITDA per share (Rs)	(5.7)	(12.3)	19.6	34.9	53.0
Op Revenue per share (Rs)	156.9	108.2	133.9	164.4	200.3
PER (x)	(37.4)	(78.1)	86.2	35.0	21.6
Price/Book (x)	3.9	3.5	3.3	3.0	2.7
P/EBITDA (x)	(144.0)	(66.5)	41.5	23.4	15.4
P/Op Revenue (x)	5.2	7.5	6.1	5.0	4.1
EV/EBITDA (x)	(115.9)	(46.0)	27.4	14.4	8.6
EV/Op Revenue (x)	4.2	5.2	4.0	3.1	2.3
EV/Networth (x)	3.1	2.4	2.2	1.9	1.5

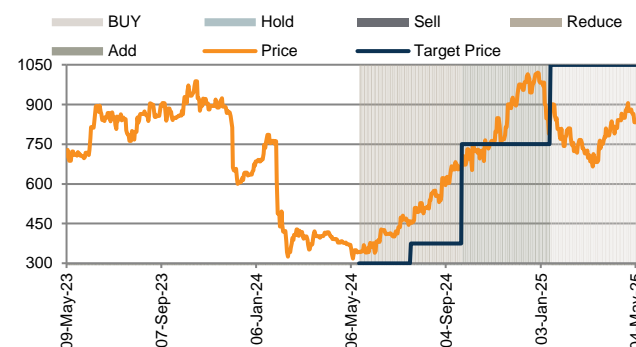
Source: Company, Emkay Research

RECOMMENDATION HISTORY – DETAILS

Date	Closing Price (INR)	TP (INR)	Rating	Analyst
09-Apr-25	811	1,050	Buy	Anand Dama
21-Jan-25	854	1,050	Buy	Anand Dama
15-Jan-25	859	1,050	Buy	Anand Dama
23-Oct-24	745	750	Add	Anand Dama
07-Oct-24	652	750	Add	Anand Dama
24-Sep-24	681	750	Add	Anand Dama
22-Aug-24	554	375	Reduce	Anand Dama
21-Jul-24	459	375	Reduce	Anand Dama
18-Jun-24	417	300	Reduce	Anand Dama
23-May-24	356	300	Reduce	Anand Dama
16-May-24	343	300	Reduce	Anand Dama

Source: Company, Emkay Research

RECOMMENDATION HISTORY - TREND



Source: Company, Bloomberg, Emkay Research

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