



July 26, 2024

BSE Limited

Department of Corporate Services
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

National Stock Exchange of India Limited

The Listing Department
Exchange Plaza,
Bandra Kurla Complex,
Mumbai - 400 051

Scrip Code: 543396

Symbol: PAYTM

Sub.: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call conducted on July 19, 2024

Dear Sir / Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call, conducted on July 19, 2024, on financial results of the Company for the quarter ended June 30, 2024.

The transcript is also available on the website of the Company at <https://ir.paytm.com/financial-results>.

Kindly take the same on record.

Thanking you

Yours Sincerely,
For **One 97 Communications Limited**

Sunil Kumar Bansal
Company Secretary & Compliance Officer

Encl. as Above

Disclaimer:

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Moderator: Thank you for joining and welcome to Paytm's earnings call to discuss our financial results for the quarter ending June 30th, 2024. From Paytm's management, we have with us today Mr. Vijay Shekhar Sharma, Founder and CEO, Mr. Madhur Deora, President and Group CFO, Mr. Anuj Mittal, Senior Vice President, Investor Relations. A few standard announcements before we begin. The information to be presented and discussed here should not be recorded, reproduced, or distributed in any manner. Some statements made may be forward looking in nature. Actual events may materially differ from those anticipated in such forward looking statements. Finally, this earnings call is scheduled for 60 minutes. It will have opening remarks by the management, followed by Q&A. For Q&A, kindly utilize the raise Hand feature on your zoom dashboard. If you seek to ask a question, we will unmute your line in the respective sequence and within the scheduled time. Please ensure

your name is visible as first name, last name followed by the company name for us to be able to identify you. We also request you to limit your questions to two per participant. A replay of this earnings call and a transcript will be made available on the company website subsequently. With this, I would like to request Mr. Vijay Shekhar Sharma to kindly initiate the call. Thank you. And over to you, Vijay.

Mr. Vijay Shekhar Sharma: Hi, good evening everyone. Thank you so much for joining. I'm very happy to tell you that, this evening, we have all come together in our office and are joining from a single place. That's why you're not seeing us individually, if you're looking at the number of attendees in the call. As you might have seen, our quarter performance has been in line with what we had suggested and what our operating metrics are showing, the resilience and the capability of the Paytm product and sort of service, resilience out there. I believe that this is just the beginning of the end of, I would say, the tough times or the numbers that have sort of stayed at flat level from quarter to quarter. This quarter saw the full impact of the situation that we got in. And as a team and as a company, we all are committed completely to run it as a fully compliant business.

My team and us are also committed to make sure that we go back to profitable quarters very, very soon. We are hoping and working on making sure that we deliver at least one profitable quarter in this financial year as soon as we are able to see a lot more clarity coming our way. As a team, our focus is on going back to the payments and cross-selling of financial services as a core business. Our marketing services, where we help our merchants to expand and sell more to the consumers, is a great opportunity, and we believe that we are able to deliver on that also. You must have seen the segmented numbers and we're happy to take the calls. In fact, just so that we all can take more Q&A, we've decided to do away with the presentation that we give, because more or less, we have already written the summary in the release that you all would have gotten. So we'll right away start with the Q&A. So happy to take as many questions today that we are able to answer. Over to moderator for questions.

Moderator: Thank you, Vijay. We will now proceed to Q&A. A reminder to utilize the raise hand feature on your zoom dashboard. If you seek to ask a question, we will unmute your line and take questions in the respective sequence of raised hands. Our first question is from Vijit Jain from Citi. Vijit, you may please go ahead.

Mr. Vijit Jain: Great, thanks for the opportunity. Vijay, just alluding to your opening remarks, when you said, you are aiming to deliver one profitable quarter this fiscal year. Just wanted to understand if, you're referring to, operating break-even or PAT level break-even and, is the target to achieve that, inclusive of UPI incentives, just trying to get a sense on the roadmap from here, to break-even in this fiscal year. That's my first question.

Mr. Vijay Shekhar Sharma: Thanks Vijit. Like you said it very, very well. We are moving up. Obviously, I do believe that in the last quarter, there will be a lump sum UPI incentive, hopefully sizable again this year. We will definitely love that quarter should be profitable. But, there is no doubt about it. We are looking at it without that extraordinary one-time item. So you can expect us to talk about EBITDA break-even before ESOP cost and before adding UPI incentive.

Mr. Vijit Jain: Okay, great. Vijay, my next question is, in terms of the new user acquisitions for UPI, which you've not started and, obviously, when you are able to do that, that should help you start to grow and claw-back market share in UPI, more meaningfully, I'm just trying to understand if there are any specific targets or roadmaps that have been set for you and before you can resume that. From NPCI are there any defined steps, milestones to achieve, or is that more of you interacting with them and getting approval from them to go ahead with that? That's my second question. Thank you.

Mr. Vijay Shekhar Sharma: Vijit, we are in process of completing technology and consumer migration. As you are aware, we have done everything for the merchants, and for consumers, there is a little bit of multi-bank ecosystem, so all banks have to participate and then our primary partner, Yes Bank has to also expand on certain system technologies. So we are at the tail end of the migration. So once the migration is complete then, we would go back to NPCI to request to add new and incremental customers.

Mr. Vijit Jain: Correct, thanks. If I can just ask one last question. In the last earnings call, I think the April 2024 run-rate for consumer and merchant loans was something like Rs 20 billion a month. The full quarter number seems to suggest there's a moderation from April onto May and June. So can you talk about the most recent, you know, consumer and merchant loan trends that you're seeing in June 2024? And, any other thoughts on this?

Mr. Vijay Shekhar Sharma: So Vijit, on merchant loan, we had suggested that there is a pent up demand, and we knew that this would mean that there is a little bit of surge as soon as we opened up. But in due course, if you look at it, there will be more users whom I believe will come. And our lending partners, thanks to the overall over-arching credit environment, will get interest. So I'd say that right now we are not looking at very aggressive growth in credit disbursement, thanks to our lenders continuing to pursue prudent policies according to how the regulator is suggesting. But at the same time, this also means the quality of credit etc. for them is coming out to be great as they're seeing the data on their side on the books.

So core philosophy, I'd say that, we remain very, very disciplined with our lender partners where we suggest to them that they should be taking the decision which they want to take, and this is where we are. So net net, we don't have much guidance to give, but in due course, once the systems and technologies are back, as you know that right now we are holding up in terms of new users or holding up in terms of incremental merchants, we have started adding that we've written. So, I'd say that you can expect that in this current quarter and the next quarter, the number should get better. But we are not going to say that it is going to be dramatically better, all because that it is rather a larger macro and attention to the disciplined disbursement by our lender, which is a good thing, not because of any other reason.

Mr. Vijit Jain: Got it, Thanks, Vijay. I'll jump back into the queue.

Moderator: Thank you, Next question is from Adarsh Parasrampuria.

Mr. Vijay Shekhar Sharma: Hi Adarsh.

Mr. Adarsh Parasrampuria: Hi, congrats. So the first question is on expenses. You all have called out that there has been some one-off expenses in the indirect costs. Except employees costs, everything is kind of up. So I just wanted to understand what the roadmap here would be. If you add all of that up, it's Rs 1300 odd crores, up from about Rs 1200 crores last quarter. So if you can talk about what were the one-offs and what's the likely outcomes as you, as you again ramp up, some of the other businesses.

Mr. Madhur Deora: Yeah, thanks Adarsh. So there are four main components of indirect expenses. The first one, the largest one is employee cost. And we had mentioned in the last quarter that there's going to be a tight focus on making the company a bit leaner. And as a part of that, our employee cost is down just about 10% quarter on quarter. We do expect it to go down over the next few quarters by another, 5 to 7%. So on employee cost, there are good trend lines.

The second cost is marketing expense. Again, we had mentioned in the last quarter that our marketing expenses last quarter were significantly lower than trend lines. This quarter, we have spent a little bit more than we would normally. And that was really we wanted to make sure we take this opportunity to inform all our customers and merchants that the services are working very smoothly without disruptions. And obviously, you may have seen some of our ads that talk about how we are now powered by 4 banks. So that was the big campaign that we did, along with some BAU things. Going forward, I expect marketing costs in the rest of the year to be at a lower trajectory, than what we did in this quarter on an average.

The third cost is technology, what we call software, cloud and data center. In that we had some migration related costs to third party banks. So there were some one-offs there. Also some of our contracts with our partners, with bank partners work in a way where we bear some of the infrastructure costs, but we do get a slightly higher share of UPI incentives. So that is something where the contract is just slightly different than the contracts that we had in the past.

And finally, on other indirect expenses, we had some one-off provisions, largely related to our device merchants. We took this opportunity to look at our provisioning policy, and we have taken a very conservative provisioning policy on any trade receivables, particularly from device merchants. And, any time you tighten provisions, you usually have a one off expense. And then you have that sort of tapered out.

I do expect the other indirect expenses to also come down very meaningfully starting next quarter. So that's where we are. So, yes, you're right that despite the decrease in employee expenses, our overall indirect expenses went up from Rs 1200 to Rs 1300 crores, but we expect that to come down. Overall, one-off numbers would have been to the tune of about Rs 80 to Rs 100 crores in this quarter.

Mr. Adarsh Parasrampur: The other question that I had was on the lending side. You did mention that we should see a gradual scale up. Just wanted to ask if you can break that up between, merchants and personal loans, what kind of, grading up should one expect in due course?

Mr. Madhur Deora: I think, both of them have very different trajectories in some ways. The merchant cash advance business we've been running for four years, and it has been absolutely rock solid throughout. In fact, from what Vijay mentioned, with respect to even further tightening and, sort of credit policy discipline and so on, we are seeing some very good signs in terms of early buckets. So this business has always been a fantastic business for our partners and fantastic business for us. And that continues. It's really just a question of, in this sort of, credit environment, it would be better to be safe than sorry sort of situation and we just remain conservative.

On personal loans, as you know from the last quarter discussions, we are focusing largely on distribution of personal loans and there efforts are underway to add more and more partners, both banks and non-banks. And as you have more partners, we should see more and more scale up. And I think the key focus there is to build as much, so one of the focuses is to build as much diversification.

So I mean, both of these businesses should grow like Vijay mentioned. But sort of for different reasons.

Mr. Adarsh Parasrampur: And, my last question, Vijay, is on the devices. Your commentary says you get back to adding a lot of devices that you used to in 2024, which was about 13 - 14 lakhs a quarter. So is that the run-rate that you're talking about once you get into the second half?

Mr. Vijay Shekhar Sharma: Well, I don't know whether it will be 13 - 14 lakhs per quarter or less or more, but I can tell you that what we are seeing is that as far as our understanding of the market is concerned, there were a lot of devices that had got inactive and we used to pick them, that is why we net them, and we are finding that we could pick those devices and deploy them back, that is why one of the big reasons that our capex will be lower, but we will be able to get more money also. So, when you say, 13 - 14 lakhs, I think, a healthy number would be more like a million a quarter instead of 13 - 14 lakhs. But who knows, we could just aggressively go there in a festive quarter.

Mr. Adarsh Parasrampuria: Got it. So yeah, not what I meant is you get back to like 8 - 10 lakhs, in due course. Perfect. Okay, this is good. Thank you.

Moderator: Thank you so much, next question is from Lokesh Manik of Vallum Capital. You may please go ahead.

Mr. Lokesh Manik: Yeah, hi. Just a couple of questions. So the first question is on technology. Sometime back I heard that, you know, our up-time is quite high compared to the competitors. And I understand one of the reasons is that we have an in-house tech stack which was earlier sitting in Paytm Payments Bank. And now that the payment system is being powered by four different banks, do you see any difficulty in maintaining the uptime?

Mr. Vijay Shekhar Sharma: A short answer is that we are adding our technology to the partner banks. We are powering our partner banks with our technology.

Mr. Lokesh Manik: Understood, understood. And the second question was on the divestment of the entertainment business. Also should we expect a fall in your software and cloud and data center cost?

Mr. Vijay Shekhar Sharma: Oh, yes, I hear what you're saying. So let me tell you, the biggest cost in software and data centers is actually the order of magnitude from payment processing or payment type. I mean the total number of transactions. As you can guess, the computing is in reference to the number of queries that we'll send to the cloud. The total number of transactions for all of our various marketing services will still be less than 5% of total cloud cost, so it won't be at all material even if we look at one category of line item over another. Because the largest cost goes in the number of payment processing that we execute at the back-end.

Mr. Lokesh Manik: Understood, understood. That's it for my side. Thank you so much.

Moderator: Thank you, next question is from Pranav Gundapalle, from Bernstein. You may please go ahead.

Mr. Pranav Gundapalle: Hey, thanks for the presentation. Just a couple of quick questions. I think the first is on your payment margin, just the processing margin. There's obviously a sharp decline versus, say, the December quarter. What are the biggest drivers apart from the loss of certain products? Are there any other factors driving this decline?

Mr. Madhur Deora: So, primarily, I think we had given some details in the last quarter earnings as well. So I will just refer to that. But just to answer your question, most of this decline is due to the higher profitability that we had from the products that were discontinued, particularly wallet. So we had mentioned that, we expect the non-UPI, to be again, 15 to 18 basis points, as it was a couple of years ago, actually. So, that was one component.

The second is, in our deal with third party banks such as Yes Bank and HDFC Bank and Axis Bank and so on, our commercials are slightly different in the sense that we do bear a little bit more of payment costs. But we get a slightly higher share of UPI incentive. So on an overall basis, we do about the same. But, the running costs are a bit higher and we have given some mix numbers as well that we expect this to be 3 to 3.5 basis points a quarter excluding UPI incentive and including UPI incentive, we expect that to be 5 basis points plus.

Mr. Pranav Gundapalle: Understood, so in the fourth quarter, UPI incentive would be much higher now, and therefore the full year gap would be a lot lesser than the gap we are seeing in the individual quarters. Is that fair to say?

Mr. Madhur Deora: Yes, I think there is an off-set there. But again, we were earlier at between 7 to 9 basis points. And I think in the last quarter earnings, we did say that we would be closer to between 5 and 6 basis points going forward now.

Mr. Pranav Gundapalle: Understood. Thank you, That's all, Thank you.

Moderator: Thank you Pranav. Next question is from Rahul Jain of Dolat Capital. Rahul, You may please go ahead.

Mr. Rahul Jain: Yeah, I hope I'm audible.

Moderator: Yes you're audible.

Mr. Rahul Jain: Yeah, you know, since we have not shared any specific guidance for Q2. It would be great to understand some specific color in case. How are we trending in recent months versus let's say, quarterly average, maybe in terms of ARPU of devices or any other metrics you would like to share?

Mr. Vijay Shekhar Sharma: Rahul, as far as revenue per device, etc. are concerned, like we have told, you could see the revenue and that's there very much in line. We have indexed it, if you notice, from January, the GMV or the transaction volume, net of what product that we cannot carry! want to remind you that our wallet, rent payment and in the last month, credit card bill payments from BBPS, resetted that you cannot take that directly. So, quoting ARPU obviously, beyond these products, ARPUs are in the same range.

In fact, rather, what we are seeing and what we are able to do is that we are able to increase ARPU per customer, whether it is consumer or merchant side. We are able to do better cross-sell, so the internal company has been aligned in a cross-sell method mode where there should be an attention to cross-sell in a more attentive way. So expect ARPU of net of those products being stable, and then adding the various line items and the increase in ARPU in the next few quarters.

Mr. Rahul Jain: Right, and yes, sorry, shall I continue?

Moderator: Yeah, please.

Mr. Rahul Jain: Yeah. So the second question was, to understand, you know, what is the thought process behind trying to divest some part of the marketing services related to events. How do we see, improving better focus on payments and eventually how from a time perspective, given that some product has been constrained at this point, what are the broader thoughts? Is it more about doing sharper fewer things at this point and expansions much later on.

Mr. Vijay Shekhar Sharma: Rahul, one thing that I personally take care of, and I'm putting every line item of business under a review, is that if it takes attention and resources, and if it does not contribute towards the bottom line in a growing bottom line manner, then why are we doing it? That's a simple approach.

Mr. Madhur Deora: So I think I'll just add to that, we want to focus very sharply, on places where there are ecosystem benefits to us. Payments clearly being the core business of us and then there's financial services. And even if you look at what we call marketing services, those are areas where we basically have payments merchants who we can do more and more business with. So that is one filter that we use. The second filter that we use, like Vijay said, is sort of what is the contribution to our overall business and the third is, what are the avenues available for us for maximizing shareholder value. So basis all of these, you know, certain businesses are evaluated from time to time. And, this is an evaluation that we're doing right now.

Mr. Rahul Jain: Right and if you're..

Moderator: Rahul your network is not perfect. We are able to..

Mr. Vijay Shekhar Sharma: It is tough to understand the question, so maybe a little louder or clearer or something has to be done.

Mr. Rahul Jain: Yeah. Is it any better?

Mr. Vijay Shekhar Sharma: Yes, definitely.

Mr. Rahul Jain: Yeah, yeah. So, just last bit, in terms of understanding the growth metrics for us now, the challenges are behind us. Now we have the kind of runway that we need, the stable point. And from hereon we would evolve over time. So if there are ways you want to characterize that, given the current shape of the business and products that we have, what is the revenue growth band that you should chase for?

Mr. Vijay Shekhar Sharma: Rahul, if I understood. And I'm answering so that if there is something that doesn't get answered, please revert back. Overall, we have shown stability and like we are talking, our merchant base growth is expected because we are already onboarding merchants, while on the consumer side we are awaiting onboarding. So one is that there is a TAM i.e. total addressable market of cross-sell to be enhanced on a platform, which is the number of users or merchants, which is the total addressable customer base on the platform. Number one growth metric is this. And number two, because we have had and we are lucky to have such a resilient customer base or trusted customer base on our platform. That is more than enough for monetization, to be honest about it.

We believe that we need to cross-sell various financial services and help merchants get various marketing services better, and that is the key KPI that we need to look at. So more customers and more cross-sell per customer, as simple as that. And among the cross-sell, obviously one of them that we've done over the past and we still continue to do is credit. While insurance and wealth are pending at scale and in marketing services, we've shown what we can enable to the merchants, and we have few more line items that we are expanding and have seen those line items ongoing with merchants. So more merchants and consumers, basically more customers on our platform and more cross-sell per customer.

Mr. Rahul Jain: Thank you. That's quite helpful.

Moderator: Thank you Rahul, next question is from Bhavik Dave of Nippon Mutual Fund. Bhavik, you may please ask your question.

Mr. Bhavik Dave: Yeah, Hi. Thank you for the opportunity, sir. Two questions, one is when we look at our employee expenses, decline that we've seen quarter on quarter basis. It roughly looks like 50% of the fall has come from your 5,000 odd feet on the street that have gone off. And the remaining is from your other, other employees. Just wanted to understand, when you talk about 8 - 10 lakh odd merchants, that will add, like maybe from the festive quarter onwards when things normalize, will we require, will we be okay with the 30 - 31,000 odd people that we have? Or we'll have to maybe pull that back up. How are we thinking about it? Because, that's reasonably contributed to your employee expense going down. So I just wanted to get your sense on that.

Mr. Vijay Shekhar Sharma: Bhavik, we had, FASTag sales team, and we have optimized on that side. While our merchant sales team continues to be augmented, you will see an increase.

Mr. Bhavik Dave: Okay. So this number will be around this 31 to 35,000 people

Mr. Vijay Shekhar Sharma: Expect continuous growth. And that festive season all being good we will be bigger.

Mr. Bhavik Dave: Okay. And our second question is on the other indirect expenses, which Madhur sir, alluded to and there's a Rs 75 - 80 crores kind of increase, I didn't get the entirety of the answer in the sense what exactly is this? Rs 75 - 80 crores? And that seems to be the one-off for the quarter, right? Like in terms of increase in indirect expenses, if you could just throw a little more light on that.

Mr. Madhur Deora: The question was on overall indirect expenses. Not just on other indirect expenses. So what I was saying is that if you just had to look at one-offs, then there are some infrastructure expenses that we have incurred as a part of the transition. And the second is that we have tightened our provisioning for aged receivables, specifically for device merchants.

Mr. Bhavik Dave: Okay, okay. All right.

Mr. Madhur Deora: And the one-off nature of the second point is that anytime you tighten the provisions, there is a one-off number and then obviously there is an ongoing number.

Mr. Bhavik Dave: Understood, understood. That's useful here. Thank you so much. Thank you.

Moderator: Thank you Bhavik, next question is from Jayant Kharote of Jefferies. Jayant, you may please go ahead.

Mr. Jayant Kharote: Hello, yeah, thank you. And, congrats on a good set of numbers. Vijay, I have three questions. Firstly, I wanted to start with now that, you know, operations have stabilized, your lending pipelines are laid out and as you said, you're going to grow in tandem with how the market landscape moves. So now where do you see the new growth avenues or profitability avenues from a near-term let's say three, four, five quarters outlook, which are the products or segments which frankly are making you most excited? That's the first question.

Mr. Vijay Shekhar Sharma: Jayant, There is no doubt about it, that, in India, commerce is not a bottom line centric line item. And we've seen that, any kind of commerce, is not going to be

significantly bottom line accretive. So the other line items are advertising, and you can talk about financial services. So credit, insurance and wealth in this sequencing as a dollar value, total value basis is what my personal pick would be. And advertising is a by-product of traffic. And all these are the bottom line accretive.

Mr. Jayant Kharote: Great, that really helps. So credit, insurance and wealth. So just building on that, firstly credit, do you see stumbling blocks in credit cards on UPI? Why haven't we seen that volume? It did have an initial pickup last year, but where is that momentum not heading? I mean, what do you ascribe that to?

Mr. Vijay Shekhar Sharma: UPI requires RuPay credit card, RuPay credit card requires new credit cards to be issued. New credit card issuance requires the market to improve, market improvement requires rates to improve, so you can see the domino where it is headed and effectively as soon as you see more and more RuPay credit cards in the market. So that's why banks are now replacing, if you will, or issuing the same limit on RuPay credit cards instead of calling them incremental because, you know, you in a parallel world must be seeking credit card portfolios. So that increases what is now secular organic, not catapulting to a very extraordinary number is the reason that growth doesn't look so much. But at the same time, overall credit on credit cards on UPI is a great product, very visible. And, it is only for RuPay credit cards. That is why it is where it is.

Mr. Jayant Kharote: Bhavesh had given this number two years out. He was looking at 5% of GMV, sort of, coming from this product. Do you think we are still on track to do something like that in the next, one or two years?

Mr. Vijay Shekhar Sharma: I think I'd add credit card on UPI, plus credit on UPI into this, because maybe the credit on UPI is what NPCI is very actively working upon. So that would bring effectively the app or acquiring side roles remain anything that bears MDR and MDR on both are very similar. So in other words, I would still be saying the same and I would just add credit card or credit on UPI because maybe people don't issue or the banks don't issue credit cards as much, they can issue the overdraft limits.

Mr. Jayant Kharote: Great and one last question on the insurance side, some of our peers have scaled up this two wheeler, motor, consumer products of insurance very successfully now, why are we focusing on the merchant side and not doing both ends - consumer and merchant? What's the thought process over there?

Mr. Vijay Shekhar Sharma: Merchant is more in-person sales that we are able to execute. That doesn't require social media or other marketing channels. So there actually, the merchant side number is bigger than on a revenue line item merchant number is bigger than the consumer actually.

Mr. Jayant Kharote: And in the near term there's no thought process of doing the consumer side from your end?

Mr. Vijay Shekhar Sharma: No, no, we'll do it. I mean health is something that we are trying and we are seeing good product build up. So we will and we are like I told you in sequencing, credit, insurance and wealth as a dollar value increase. While wealth is a maturer product for us so we would do more, wealth and insurance wise. Like I said it, we are now building towards a more consumer side and bringing that as an attention point.

Mr. Jayant Kharote: Great, Thank you very much. And congrats once again for a great set up.

Mr. Vijay Shekhar Sharma: Thank you so much Jayant, thank you.

Moderator: Thank you Jayant. Next question is from Grishma Shah of Envision Capital, Grishma you may please ask your question.

Ms. Grishma Shah: Yeah, excuse me. Good evening to the management team. And thanks for the opportunity. Just wanted to know your thoughts. Partly you addressed it, but, you know, if you look at the payment to consumer, line item Rs 84 crores of revenue this quarter, roughly. We don't have wallets. We don't have FASTag, postpaid loans may not come back in the future. So, while we understand that you want to cross sell, you're waiting for approvals to bring in more consumers here. Very tough to estimate when the wallet will come back. So if you could give some idea on that?

Mr. Vijay Shekhar Sharma: Ma'am, first of all, you very well have zoomed in, and these are the factors. I would rather add and correct a few more factors. So consumer payments, number one, wallet, number two, rent payments, and, number three, like you said, postpaid loans which were interchange revenue. Right. These three are the bigger consumer side of the products.

When can the wallet come back? We are very hopeful that it should someday, in partnership or otherwise, come back at the same point in time right now. We rather are focused on products before that, like stabilizing relationships with banks on UPI technology. Like in the earlier question I answered, and at the same time stabilizing and bringing the merchant back. So are we working on the wallet to be brought back, or are we working on other systems to be working, scaling? We are right now working on other systems for scaling. We hope and wish that it should come back, but we don't have a direction towards it.

Ms. Grishma Shah: Okay and the approval from the NPCI should come during this fiscal?

Mr. Vijay Shekhar Sharma: On consumer adding?

Ms. Grishma Shah: Yes, sir.

Mr. Vijay Shekhar Sharma: We definitely believe that it should definitely come, during the fiscal. Definitely, Unless something extraordinary happens.

Ms. Grishma Shah: Okay, thank you and good luck.

Moderator: Thank you Grishma. Next question is from Aashi Anand, Aashi you may go ahead with your question.

Mr. Aashi Anand: Yes, hi, I actually had a question about extension of Grishma. If we look at the consumer payments GMV, excluding discontinued products, this is down about 20%. From an index perspective. However, consumer payments revenues are down 80%. I just want to understand, can all of this be ascribed to higher profitability on the 2 or 3 products that have been discontinued, or are there any other factors at play?

Mr. Vijay Shekhar Sharma: You very well said it already that the products that got discontinued were very highly profitable.

Mr. Aashi Anand: Okay, excellent, thanks a lot.

Mr. Vijay Shekhar Sharma: Thank you.

Moderator: Thank you, we have a repeat question from Vijit Jain. Vijay, you may please go ahead.

Mr. Vijit Jain: Yeah, thanks. So just two questions. One, I just wanted to get a sense of, you've obviously telegraphed that you look to cut Rs 400 to Rs 500 crores in annualized employee expenses, and you have pretty much done that in this quarter. If I look at December versus June quarter. So is it fair to say that, most of the actions that you needed to do on the team side are now behind, and, you would look to grow the team, in line with how the product evolves from here.

Mr. Vijay Shekhar Sharma: Vijit, I would add one extra line item here that the total impact that can be visible in finances is actually, as you can understand, there are notice periods, etc., etc. so that is yet to come a little bit more.

Mr. Vijit Jain: Okay, great, got it, thanks Vijay. And Vijay my last question. You know, with the devices thing, you and Madhur mentioned about the aged receivables impact because of some devices which went inactive and then, you redeployed them. So I'm just trying to understand, during this whole last six months, you would have had some merchants drop off from devices. Were you able to recover most of these devices from merchants who dropped off and redeploy them? Or, you know, whether some devices that you would also have had to write-off.

Mr. Madhur Deora: So, normally what we do is we have reactivation efforts, right? So obviously when a merchant becomes inactive, your first few months of effort is to reactivate them as opposed to picking up the devices. If only a merchant is inactive for longer, we would look to pick up the device and refurb it and redeploy it. And even that is worth doing. But obviously, from an ROI standpoint, it's much better to try to reactivate the merchant. Also because, this inactivity, the merchants that went inactive were due to an external factor. It's not like the merchant's behavior changed or something. It's just that maybe they saw some press news or whatever else and got confused and thought their device would stop working. And that's the reason they went inactive.

So our effort should be actually even more on reactivation in this case, because the merchant may not have sort of just voluntarily one day chosen not to use the device. So we will move towards a period of reactivation efforts. And only after that, think about picking up these devices. Unless the merchant has expressed a specific desire to not continue. On the other hand, from a financial standpoint, we want to be conservative, right? Which is why we have increased the provisioning because, in a situation where if I'm not able to, if I have some money due from a merchant and the merchant has stayed inactive, then I want to get that off the books here.

Mr. Vijit Jain: Got it, Thanks, Madhur.

Moderator: Thank you, next question is from Nimesh Shah of Emkay. You may please go ahead.

Mr. Nimesh Shah: Yeah, Thanks for the opportunity. So I had one question on the devices front. If you could just, call out what would be the subscription revenue per month per device, for us this quarter?

Mr. Madhur Deora: So, on a device basis, we get about ₹80 to ₹90 per month per device.

Mr. Nimesh Shah: Got it. And, what would be the Capex guidance, if you have any, for this year?

Mr. Madhur Deora: We are actually working through that for this year. The reason is tied back to the question that Vijit had asked. That if you have inactive devices, at some point, you would be picking

up a percentage of those and refurbishing them and redeploying them. But it's safe to say that our capex this year will be lower than our capex next year, quite meaningfully or last year. Sorry, sorry. Our Capex this year will be meaningfully lower than our Capex last year.

Mr. Nimesh Shah: Got it.

Mr. Madhur Deora: Yeah, Sorry. That's all I've to say.

Mr. Nimesh Shah: Yeah, Okay. Thank you.

Moderator: Thank you. Next question is from Manish Shukla of Axis Capital. Manish, you may please go ahead.

Mr. Manish Shukla: Yeah, good evening and thank you for the opportunity. On personal loans, just curious, why is the ticket size flat YoY if we had stopped doing the small ticket personal loans for the last six, nine months?

Mr. Vijay Shekhar Sharma: Why is the ticket size?

Mr. Manish Shukla: flat on a YoY basis? The personal loan average ticket size disbursement. I would have expected that would have trended higher, given that you've stopped doing small ticket personal loans for more than six months.

Mr Madhur Deora: Actually, the percentage of small ticket personal loans was very small, I think from what I remember in December, early December when we had spoken about this, it was 10 or 12% by volume and by value, I think it was closer to 5%. So it wouldn't really change the number very much, Manish, and the rest of it could be variants of the remaining 95%.

Mr. Manish Shukla: Okay, one of the notes to the account says that the FVTOCI is all PayPay. So what is the carrying value of PayPay investments as of the end of June?

Mr Madhur Deora: I can get that to you separately. I don't have that off hand. But yes, all of that is related to PayPay. And just to clarify, it is related to forex movements. So this quarter we have not had any change to the underlying value. It is basically forex movements between yen and rupee. And I think the yen has depreciated slightly against the rupee.

Mr. Manish Shukla: Yeah, But we don't have the balance sheet. So we don't know the number for 31st March as well, right, so..

Mr Madhur Deora: I'll get you that number for 31st March, we'll put that out there.

Mr. Manish Shukla: Sure, Thanks. Last question on personal loan disbursement. I joined the call late. And so my apologies if this has been answered. The monthly run-rate in March and April was Rs 1000 crore plus, but this quarter, on a full quarter basis, we've done about Rs 2500 crores. So what are the numbers that we are looking at going forward?

Mr. Vijay Shekhar Sharma: Personal loans are going through two of the buckets, as we discussed last time, that we are only going through disbursement of large ticket loans, which is only like we just learned 90-95% of them were earlier the large tickets only. But the intention is to define these loans as disbursement only, where our role and responsibility is not led by collection. So now these loans are susceptible or obligatorily linked to the wider credit situation or context of the market. So till the

time period, market or regulatory guidance is to the small credit or these are under, these still are counted as small credit even though not less than Rs 50,000, goes back up. This is not going to grow very dramatically.

Mr. Manish Shukla: Sure, Understood, Thank you, thank you.

Mr. Madhur Deora: So Manish, I just wanted to add to your previous question. In October and November of last year, we had disclosed previously that personal loans less than Rs50,000 was 3 - 5% of disbursement. So it was already a fairly small percentage. We had been reducing ticket size through 2023 as well. So at the beginning of 2023, that number is closer to 7 to 9%. So most of the change that you have seen was already more than a year ago.

Mr. Manish Shukla: Okay, Understood.

Mr. Madhur Deora: And the carrying value for PayPay is roughly for our stock acquisition right and PayPal's roughly Rs 2000 crores.

Mr. Manish Shukla: Sorry, 2000?

Mr. Madhur Deora: Rs 2000 Crores, Yes.

Mr. Manish Shukla: Okay, Thank you.

Moderator: Thank you, next question is from Sumeet Kariwala of Morgan Stanley. Sumeet, you may please go ahead.

Mr. Sumeet Kariwala: Yeah, hi, good evening everyone. Thanks for the opportunity. And, great to see the business stabilized. Now, as we do that, you know, I had a question from a medium term perspective. If you can highlight, what would be the sustainable growth rate from a three year perspective? Where would contribution margins and EBITDA margins kind of stabilize from a two year perspective? Nothing for fiscal 25-26, but if you take a two-three year outlook, how should we think about the business now? Post all the changes?

Mr. Vijay Shekhar Sharma: Well, Sumeet first of all, thank you so much. We believe that it should be growing very comfortably now that the base would become smaller. If you notice we were able to do very healthy 35 plus percent growth, any which way on a larger base. So you can build it or we can at least expect to improve that number.

Mr. Madhur Deora: So Sumit so I'll just add. I think if you think about the payments business, the GMV growth is very strong and especially on the merchant side, our position is very strong. And before these events, we were actually growing market share quite meaningfully. So while we have had some reduction in market share from February to May, there's no reason why we should not be on an increasing market share trajectory as well. So I feel pretty good about obviously the overall payment volumes in India, growing 30, 40, 45% comfortably. And then our merchant side share is increasing as well. So that's, that's on the payment side.

On loan distribution, obviously one has to be very, very, very cautious through the cycles, as we have been. But, even if you have to sort of put aside any recovery related tailwinds, again, growing loan distribution business, given how low our penetration is by 30 to 40%, is the sort of thing that we should be aiming for. I think Vijay, in the document we have talked about, in our key focus areas, also insurance and wealth, which are not massive contributors to our business right now. I think together

they are probably about 3 to 4% of our overall revenue. But the reason why we're talking about those is these are places where we are allocating resources, not from an FY25 perspective, but really from a sort of future growth drivers perspective.

So we think that they can add percentages to our top line. In terms of margins, obviously, we are currently on a path back to recovery, to profitability, and Vijay talked about it at the beginning of the call. Medium term, we do want to get to sort of high double digits or close to 20% EBITDA margin. But I think the overall platform can do much better than that. But over the next, if you had to say over the next 3 or 4 years, that's what we should be aiming for.

Mr. Sumeet Kariwala: Yeah, and just one small follow up. Broadly, this 15-20% range should be a fiscal 27 kind of an event. I know there's, I'm asking a tough one, but just trying to think, whether it's fiscal 27, 28, 29 or in the sense because things are stabilizing now, Fiscal 26, and Fiscal 27, if they are good, Fiscal 27 could be that kind of a year or it's further out.

Mr. Madhur Deora: Yeah, Fiscal 27 and Fiscal 28. Those are the ranges which should be in. And I think longer term we can be higher.

Mr. Sumeet Kariwala: Perfect, thanks a lot.

Moderator: Thank you Sumeet, and the next question is from Aman Vij. Aman You may please go ahead.

Mr. Aman Vij: Yeah, yes. Good evening sir. My first question is, so basically on the merchants, the penetration of the devices. So this number used to be around 10%, which has now moved to around 25%. So could you talk about how much higher can this number grow to?

Mr. Vijay Shekhar Sharma: Over of overall merchant base penetration was 10%. Is that what you're saying?

Mr. Aman Vij: Yeah, it was 10% two years back. Now it is around 25%, right? We have one crore devices for four crore merchants.

Mr. Vijay Shekhar Sharma: Oh got it, got it. So obviously right now there is no doubt about it that we were redeploying or capturing the current merchant base, visiting them. And then when you revisit then you find out that they are a soundbox customer. So you're looking at it at the same time. There are both numbers increasing the overall TAM of the number of merchants, which are Paper QR, and then number of merchants that are sound boxes.

And I think that now there is a new trend in India that the new shop is happy to take a sound box day one, so in other words, we would be able to get, subscription paying merchant on the day one instead of earlier, where they used to have a QR code based transaction volume and then graduate to sound boxes.

Mr. Aman Vij: So, sir..

Mr. Vijay Shekhar Sharma: This percentage is not the funnel mathematics basically. I mean, I'm trying to say we basically could be deploying hundreds of thousands of merchants, which are first timers on Paytm platform directly on device.

Mr. Aman Vij: So the question is a little long term, say one to say one to two years down the line. Do you think this number, which is 25% now, can move to even 30 to 40% because like you are saying..

Mr. Vijay Shekhar Sharma: Rather should be 100%

Mr. Aman Vij: Yeah, the incremental will be 100%. But overall out of..

Mr. Vijay Shekhar Sharma: I mean, overall, like I said, any which ways the number of merchants that take payment using sound box become higher transacting merchants and so on. So we prefer to onboard merchants or transfer merchants to sound boxes. So I mean this penetration percentage, we don't look at it like that. And like I told you why, because we rather believe this merchant who is paying a subscription is a better merchant.

Mr. Aman Vij: Makes sense. Next question is on the sound box part only. So could you talk about, in terms of whatever is your estimate, what is our estimate in this product? Because we were the first in this product. But now, competitors are also catching up. So according to your estimate, what is our current market share in this sound box product?

Mr. Vijay Shekhar Sharma: I don't know, there is no number from the market. I mean, there is nobody who captures total sound box deployment.

Mr. Aman Vij: Sure and for our mix in terms of the POS machines and sound box, is it still more towards the sound box or has the shift moved towards the POS machines?

Mr. Vijay Shekhar Sharma: As you said, we are pioneers of the sound box. We will expand on the sound box and add cards to that. Instead of making EDC pick up a sound box. You know what I'm saying?

Mr. Aman Vij: Make sense sir. So just, I want to clarify. So the number which you mentioned is 7.8 crore monthly transaction users, does it include the merchants as well as the users?

Mr. Vijay Shekhar Sharma: No, we basically, I mean, total customer on the platform should be A plus B and minus of the dedupe.

Mr. Aman Vij: Sorry, I didn't get it.

Mr. Vijay Shekhar Sharma: Merchants plus consumers, plus certain people who are both that. Removing those, that's what I'm saying. The number does not include that.

Mr. Aman Vij: Okay, So no double counting, but it includes the number of merchants we have as a, transacting user.

Mr. Vijay Shekhar Sharma: No, it does not include those people as in this number. I'm rather saying the total number of platform users will be consumer plus merchant minus certain consumers who are both merchant and consumer. And the 80mn is only one side of the number, not the both side numbers. Aman the point I'm trying to put up is that we are not talking active merchants into our active consumer count. We call it consumer, not customer, while customer on the platform is consumer plus merchant.

Mr. Aman Vij: Okay, that makes sense. Final question I had, you had talked about how we have focused more on merchant loans, basically. So in terms of the, there's two parts payments and the

loan distribution side. Again, the question is on the market share, in your understanding, what would be our market share in this merchant loan payment system?

Mr. Madhur Deora: Sorry, Can you please repeat again?

Mr. Vijay Shekhar Sharma: Aman, we do not know who else does it or how much they do it, and banks directly do it and other NBFCs do it. So we can't say a market share of a merchant loan to a merchant. You know what I'm trying to say. There is no denominator which we know of to the numerator of our number.

Mr. Madhur Deora: So Aman, just to be clear on this, what we want to stick to sort of published information and some of the questions that you are asking, we don't really have published information on, and you know, like I said, when we are pioneers of this product and I can confirm this product, so we just continue to expand the market and there have been interesting learnings along the way. Like Vijay was saying that earlier, merchants were upgrading from QR to soundbox. Now the merchants want soundbox as their first payment product and so on. So that's the bottom up opportunity that we see and feedback that we execute on, we don't really have. There might be research out there, but we don't really have market share information to share.

Mr. Aman Vij: Sure, sir. Yeah, These were the questions. Thank you.

Moderator: Thank you. We will take the last two questions. I mean, two participants after this. We'll start with Deepak Mendiratta. Deepak, you may please ask your question.

Mr. Deepak Mendiratta: Hi, thank you for the opportunity. I have one very, very small doubt. I'm not sure if it has been covered. How do you see the sustainable take rate on the financial instrument, on the financial lending side? And apologies if it was covered earlier.

Mr. Madhur Deora: I think we've mentioned in the last earnings release that it's, 3 to 3.5% in this part, you talk about, I just to clarify, you're talking about take rates on loans, right?

Mr. Deepak Mendiratta: All right, Thank you, thank you.

Moderator: Thank you, next question is from Nitin Aggarwal of Motilal Oswal. Nitin, you may please ask your question.

Mr. Nitin Aggarwal: Yeah, Hi Good evening, everyone, and thanks for the opportunity. I have two questions. First, if you can talk about how has been the success rate in re-activation of dormant UPI customers because we have lost a fair bit of customers over these months. And so do you really see any room to increase MTUs until we are allowed to onboard new customers?

Mr. Vijay Shekhar Sharma: Rather, there is a little bit of month on month increase but not material enough. Yes. The short answer there is. And by the way, the total TAM of people whom we could bring back is about 183 million.

Mr. Nitin Aggarwal: Okay, And how has the success rate been so far, in your engagement with the customers of this 183 million therefore what is your sense?

Mr. Vijay Shekhar Sharma: I mean overall, if you remember last time I was saying that we were interested in materially valuable customers. So materially valuable customers are those who can be monetized and so on and so forth. And, we are also augmenting our product, as you are aware, right

now, the product back end is something that we are working with banks. So we have not gone aggressive basically, the short answer is that, because multi bank, partnership, workflows you know lots of things .

Mr. Nitin Aggarwal: Okay, sure. And, this is a take rate, in guidance that you've suggested, 3 - 3.5%. So, but at the same time, you're also looking to expand into the secured lending products. So any specific plans as to which all products you will want to initiate with the lenders and, what size you are looking at when you look at this take rate guidance over the coming years.

Mr. Vijay Shekhar Sharma: I think the take rate guidance on loan is, as you are very well understood, that it is dependent on the product mix. It is not like a disbursement mix. And if our disbursement of secure credit, namely LAP, loan against property or loan against gold or loan against securities, all those kinds of things happen, then the numbers will be different.

So have we seen those numbers yet coming in, so these are in the integration process. And we'll see as this comes and like you said it very well. The take rate is an outcome of the kind of mix of products that we're talking about. And right now the mix stays the same. So that is why we are talking about the same take rate. But like you said, if we end up growing secured credit dramatically bigger in ratio, it will show up in those kinds of numbers.

Mr. Nitin Aggarwal: And are we already doing any pilots here on secured lending?

Mr. Vijay Shekhar Sharma: Yes.

Mr. Nitin Aggarwal: Okay, yeah, sorry. And the last thing is like, how do you really look at the broking distribution and the other financial incomes? Like, how big can that be as a lever over the..

Mr. Vijay Shekhar Sharma: Mutual fund distribution can be really, really big because this is equivalent to building a book, because we have done, there are two kinds of business models in mutual fund distribution, as you are aware, which is direct or, where the platform charges the fee or earns income. So we have started to expand on the fees income kind of model. And the numbers are growing very, very well. So I do believe that mutual fund distribution and insurance distribution over the period will become the third leg like payment credit and mutual fund distribution or plus insurance distribution. And for insurance distribution, we've been able to find both side takers, consumer and merchant.

Mr. Nitin Aggarwal: Right, right, Sure. Thanks Vijay. Thanks so much, Thank you.

Mr. Vijay Shekhar Sharma: Thank you, Nitin.

Moderator: Thank you, that was the last question. A replay of this earnings call and the transcript will be made available on the company website subsequently, Thank you all for joining.

Mr. Vijay Shekhar Sharma: Thank you everyone. Thank you so much for joining, Thank you, Bye bye, Have a good day.