July 28, 2025

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

Scrip Code: 543396

National Stock Exchange of India Limited
The Listing Department,
Exchange Plaza,
Bandra Kurla Complex,
Mumbai - 400 051

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 22, 2025

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 22, 2025, on unaudited standalone and consolidated financial results of the Company for the quarter ended June 30, 2025.

This disclosure will also be hosted on the Company's website viz. https://ir.paytm.com/.

Kindly take the same on record.

Thanking you

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

SUNIL KUMAR BANSAL
Digitally signed by SUNIL KUMAR BANSAL
Date: 2025.07.28 16:45:16 +05'30'

Sunil Kumar Bansal
Company Secretary and Compliance Officer

Encl.: As above

Paytm | Q1FY26 Earnings Call |

Call Date: July 22, 2025 | Time: 18:00 PM Indian Standard Time

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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 on 30th June, 2025. We will start our call with Q&A after introduction to the management. From Paytm's management, we have with us Mr. Vijay Shekhar Sharma, Founder and CEO, Mr. Madhur Deora, President and Group CFO and Mr. Anuj Mittal, SVP, 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 of the statements made today may be forward-looking in nature and actual events may differ materially from those anticipated in such forward-looking statements. Finally, this earnings call is scheduled for 60 minutes. A replay of this earnings call and transit will be made available on the company website subsequently. We will start our Q&A now. If you seek to ask a question, kindly utilize the raise hand feature on your Zoom dashboard. Please ensure that your name is visible as your name, last name, followed by your company name for us to be able to identify you. We will unmute your line and take questions in the respective sequence of the raised hands. The first question is from Mr. Sachin Salgaonkar. Sachin, you may ask your question.

Mr. Sachin Salgaonkar: Thank you for the opportunity. Congratulations on a good set of numbers. I have three questions. First question, clearly, Vijay and Madhur, we did see a good amount of cost control, be it marketing, other expenses and capex for sustainably in a number of quarters. So the question out here is, is there further room to cut without impacting, let's say, revenue growth? Because obviously, if you cut marketing, there is a bit of an impact on growth.

Mr. Vijay Shekhar Sharma: Hi, thank you, Sachin. I do think there is always a corner where we are able to find some cost, but they will not be material. So it is not the agenda. It is rather investing in a few more line items that we believe are long-term growth. So we are not actively pursuing cost cuts, while I'm definitely pursuing whatever is not necessarily drop it out of the window.

Mr. Sachin Salgaonkar: Okay, got it. Second question is, you know I wanted a bit more clarity in terms of your lending book. I know in the past, you guys used to give a good amount of disclosures, but any color in terms of how is the mix between, let's say, personal and merchant loans? I do think this quarter, the value of the loan disbursed is also not given. So I do want to understand where the numbers are. And a related question is, the mix between DLG and non-DLG, is it because of the lenders where the mix is now getting skewed more towards non-DLG, or could that change basically how the lenders get changed from a medium-term perspective?

Mr. Vijay Shekhar Sharma: So first thing first, it is the same lenders who have decided to forego DLG-based math because they see the book performing great for their references. It is not about adding new lenders who are not taking DLG. So it is strictly about current lenders that have existed previous quarter or previous to previous quarter, number one, which inherently inherits that the book has performed incredibly good for lenders to have their risk and comfort to be deciding because you know there were various clearances and clarifications that got issued.

And as far as the mix is concerned, I can say that we've linearly extended the previous quarters. The problem of not giving the numbers separately, as you are aware, we've been discussing it many more quarters before, it gets misconstrued that we are the lender or we are lending when we say we distributed so much of loans. We kept trying different, different words, but we do not want any ways whatsoever, anybody to misunderstand that we are not owning responsibility or book of these loans.

So we being the fee-based income, we started to say, let's just talk about the fee. I'm very happy to hear or learn, all of us are available, as to what KPIs should better help you understand these things that you are asking for. As of numbers, they've been very linear, traditional sequentially and the previous lenders who have been continuing with us ever since are the lenders who have decided that they don't need DLG. So, Madhur, more.

Mr. Madhur Deora: Yeah, and just indicatively, both personal loan and merchant loan grew last quarter, both in terms of revenue and disbursals and also the mix is roughly the same as it was last quarter. So, there has been no sort of qualitative thing to report and of course, going forward, if we do see qualitatively different trends, then we'll call that out. I think one of the things, just to echo what Vijay said, is that I think a lot of people on this call do understand that we are purely a distributor, but we did find that there were other stakeholders who are getting confused by this. We are happy to receive feedback on what might be helpful from a modeling standpoint without also causing confusion.

Mr. Sachin Salgaonkar: Thanks, Madhur and Vijay and I'll get back offline in terms of a modeling perspective. But just given the fact that the mix has not changed as compared to last quarter between personal and merchant loans, the question out here is we were expecting recovery in the personal loan. Are we seeing no recovery and hence the mix has not changed at all or are we still seeing recovery or perhaps the recovery is some point away in the personal loan?

Mr. Madhur Deora: No, not significant recovery. It is linear.

Mr. Sachin Salgaonkar: Got it. And last question is, again, now that you have turned positive on the EBITDA margin, any guidance or any medium term steady state adjusted EBITDA margin we should look at? And of course, the related question is contribution margin is significantly improved now at 60%. Is this a sustainable level ideally we could look at going ahead and perhaps a bit more room to improve from this super high level?

Mr. Madhur Deora: I think one by one on contribution margin, we are at 60%, as you noted. Last year, in the same quarter, we were at 50%, so significant improvement there. We have set high 50s, so we want to just leave some room for quarter on quarter aberrations. But we do think this is the right ballpark for us going forward. With respect to EBITDA, so we're not doing adjusted EBITDA anymore. We're not doing EBITDA before ESOP costs. So of course, this is straight up EBITDA reported GAAP EBITDA.

We do think that what we had said earlier about 15% to 20% EBITDA Margin over the next two, three years is still the number to drive towards. And that seems more achievable today than even a few quarters ago, because the contribution margin is very good, and we are seeing that keeping a tight leash on indirect expenses overall does still allow us to grow very well. But as I just said, we may do a little bit more of investments, but this will be more than offset by growth in contribution margin.

Mr. Vijay Shekhar Sharma: Sachin, EBITDA before ESOP happened last quarter. This is the first quarter where we are, if you read the earnings release, we have pruned out every word which included EBITDA before ESOP, PAT before ESOP, or anything before ESOP. Next quarter onward, we will stop giving the ESOP line, and it will be only the employee cost. So that we are maturing towards absolute complete employee cost, including EBITDA, or PAT, where the ESOP cost is the cost of the management. So there we go. No more adjusted anything.

Mr. Sachin Salgaonkar: All right, thank you, and all the best for the future.

Moderator: Thank you so much, Sachin. The next question is from Piran Engineer from CLSA. You may please ask your question.

Mr. Piran Engineer: Yeah, hi, thanks for taking my question. Congrats on the quarter. Just before the, you know technical questions, there was this BSE release right now. So Madhur, you're not getting reappointed on the board, or you're seeking not to get reappointed. Anything to read into that, or have you been at the board just for a short time or since inception?

Mr. Madhur Deora: Well, I've been on the board for about two and a half, three years, and there was never the intention that this should be a permanent thing. We wanted one executive director on the board, so I did a term, and now our General Counsel is being nominated for this. On a personal level, I've been very much looking forward over the last two or three years to drive some business priorities for the company, but quite frankly, simply didn't have the bandwidth with everything else that was going on.

So I'm really, really looking forward to going back and driving certain big business initiatives. So that's going to be the roadmap, and we just need to free up bandwidth for that. I would rather do that than sort of board-level governance.

Mr. Vijay Shekhar Sharma: The important thing is if you notice that we've gone focus, focus, focus. So Madhur's bandwidth, rather than being a board representative in an operating representative or operating action, is very much more valuable. As you notice, our future forward growth line items; they are all about revenue and profitability by the same businesses and a little bit of expansion into international markets.

So overall, there is a tremendous amount of work operatingly on the table, and I think there is the responsibility of the board why we got a GC so that more compliance, et cetera kind of updates can be taken care of by them.

Mr. Piran Engineer: Okay. Okay. That clarifies it. Just moving on to the quarter. In this quarter, ballpark, what percent of our disbursements would have been under FLDG?

Mr. Madhur Deora: I think we'd rather not give the exact percentage, but I mean, you can see from our direct expenses decrease quarter on quarter, and that will give you a sense. We also report partner portfolio, AUM, on a monthly basis as per RBI guidelines. But I can tell you that that number is down, even that AUM number is down over 40%. So you can imagine that the new disbursements are significantly lower under DLG than before DLG.

Mr. Piran Engineer: Correct. So then Madhur, the QoQ decline, which it's almost halved, that's pretty much attributable only to the change in DLG stance. There are no other products or services that have caused this decline.

Hello?

Mr. Madhur Deora: Oh, sorry. Just because, I apologize. So the other costs have actually gone up a little bit as they do sort of quarter on quarter as you're growing the business. So the DLG impact is even sharper, but you shouldn't assume that because that line has halved that the DLG has halved. Yeah. The DLG has gone down very, very significantly.

Mr. Vijay Shekhar Sharma: Yeah. Important thing. We actually had an incredible quarter for merchant disbursements and portfolio quality. DLG is not the needle moving single reason. Rather, there is a tremendous amount of growth in credit disbursement itself that we saw. If you see the revenue, that would help you understand. Because DLG was coming in the cost line item, we still are showcasing the revenue side of the financial services. And that is needle moving behavior there is from the merchant.

Mr. Piran Engineer: Got it. And if I compare it on a YoY basis, last year, first quarter, you all had not started DLG. This year, the first quarter, you all might have done a little bit here and there. It's still down. So I have to think of it as being down because of that business that was sold to Zomato, right?

Mr. Madhur Deora: Well, we actually have a little bit of commentary on that later on. So you're absolutely right, though. So in the first quarter of last year, we had no DLG. This quarter, we have a small amount, but less than the previous quarter. And the reason for reduction in expenses is some cost rationalization. Also, of all the business that we have done historically, our collection costs are down quite a lot, on a sequential basis and also on a year on year basis, because especially in personal loan, our partner AUM, which is under the collection model, is down quite a lot, right? Because a) the overall volumes are lower, and b) we have moved a large amount of volume to the distribution-only model. So our collection costs are down quite a bit as well. So when you look at it year on year, you have to adjust for that as well. And we have, of course, in the back of the earnings release, given some sort of qualitative factors for direct expenses, just so that you have a sense of the trend lines and direction.

Mr. Vijay Shekhar Sharma: So one of the important things you should know, if you read Financial Services Revenue Rs 561 Crores, it is overall, if you see quarter on quarter, and the number is, because of DLG not being there, this number is lesser. It could have been higher if we had the same amount of DLG issued as in the March quarter. Because of the loan closure, we are able to recover disbursements done under the DLG model as a revenue.

Mr. Piran Engineer: Correct. No, no, yeah, I get that. Just trying to work out some math. Okay, this answers my question. Just lastly, in terms of the POS business, I see you've given some, you know, qualitative commentary at the start. Are we rethinking how we do our POS business just as a distributor while the bank owns the POS machine? You mentioned this for the enterprise level merchants. And just broadly, out of your 1.3 crore devices, how much would be POS?

Mr. Vijay Shekhar Sharma: The important thing is that we do not do that business where the bank owns the customer, and we are just putting hardware on behalf of the bank and calling it...

Mr. Piran Engineer: No, other way Vijay.. The bank owns the machine, you own the customer

Mr. Vijay Shekhar Sharma: We don't do that. We don't do this business. We own the machine, we own the customer. We are in that business. And that is what we have tried to qualitatively talk about because it is important to know that there are two business models where, one, like you said, bank owns the customer or bank owns the POS versus our model where we effectively own the customer and the machine and we route the payment processing to a bank. And that is the business that we are in. That's why we call it full stack. We are not saying that the bank owns the device or owns the customer and we are being called POS providers. No, that's not the business we have.

Mr. Piran Engineer: Okay. And just the number of machines would be useful?

Mr. Vijay Shekhar Sharma: The number of subscriptions that you're seeing is the number of customers owned by us

Mr. Piran Engineer: No, no. Out of 1.3 crore, most will be soundboxes, right? How much would be POS machines?

Mr. Vijay Shekhar Sharma: Oh, I get it.

Mr. Madhur Deora: Roughly a million plus. You should also know, Piran, that as we see the entire gamut of the market, historically we have thought about soundboxes and EDCs as two different things. Now it's a spectrum. Yeah. Because now we also have a card soundbox. Now we have a card soundbox with a screen. So the only thing literally that it doesn't have, which an EDC has, is a printer, right. And we actually have a card soundbox with a screen with a chip and pin.

Mr. Vijay Shekhar Sharma: And these are being installed in enterprises.

Mr. Madhur Deora: So, now this is an entire spectrum. And you're right to say that four years ago, we were saying soundbox and EDC machines. But now a soundbox that can accept cards, tap and chip and pin, and has a screen, is effectively an EDC for a merchant who doesn't really need a printer.

Mr. Vijay Shekhar Sharma: Piran, being a hardware, software and services full stack owner, we were able to build hardware where what is needed is added and what is not needed is removed. And that is where the edge over anything else is. Other companies source hardware from China, do a capex deal on a rental,and that's the payment business. We don't call it a payment business. We design our own hardware. We own our own software. We deliver our own services.

And like you just learned, the idea of creating many more layers between the paper QR to, let's say, an enterprise, online, or you can call it, POS billing machine; there are so many devices. It's like a phone business, literally, that there will be so many layers and types of phones in between, size-wise.

Mr. Piran Engineer: Got it. Okay, that's it from me. Thank you and all the best.

Moderator: Thank you, Piran. The next question is from Mr. Sachin Dixit from JM Financial. Sachin, you may please ask your question.

Mr. Sachin Dixit: Hi Vijay and team, congrats on a great set of results. My first question is with regards to the shareholder letter mentioned that the payment services business operated at breakeven. One housekeeping question, what all revenue line items are you including there? Largely from a longer-term perspective, how do you see profitability in this particular payment services business going ahead?

Mr. Vijay Shekhar Sharma: So, the payment business includes subscriptions and any interchange MDR, all those kinds of incentives, etc. that we call it out. It does not include any financial services revenue whatsoever. And obviously, the marketing services revenue is separate. So, it is payment-related billing that we would have done to the merchant.

Mr. Sachin Dixit: Right, and on profitability piece?

Mr. Vijay Shekhar Sharma: I do believe payment is a profitable business. Like you're seeing, without UPI, MDR, we are talking profits. And I do believe the payment channel is profitable and has operating leverage. We continue to push operating leverage by creating more solutions and value-adds on top of as basic as processing, if you will. And that's where the differentiation in the payment business comes. I continue to believe that payment standalone will be a bottom-line driver and a large bottom-line driver once these MDRs also show up. In effect, today we are calling breakeven and tomorrow we are going to call large profit from payment. That's why I keep saying, focus on the core, we have a great business.

Mr. Sachin Dixit: Perfect, perfect. My second question is on the contribution margin side, right? Obviously, this quarter, we reported a 60% contribution margin, which looks quite good from a sequential or YoY basis. But there will obviously be some impact of FLDG-based trail revenue coming in from the last few quarters that we have issued, while there is no DLG expense on the like-to-like. So, I'm guessing there might be some one-time impact being there in that contribution profit.

Mr. Madhur Deora: I wouldn't… Sorry, please finish.

Mr. Sachin Dixit: So, I was just saying like, so can you break down maybe how many percentage points would be because of the trail revenue coming in this quarter versus there being no FLDG expense?

Mr. Madhur Deora: So, to be clear, this is not… I wouldn't quite call it a one-time impact. I think you're right in observing that this quarter, we rather suddenly don't have a significant amount of DLG cost. But the fact that we are doing a large amount of non-DLG business will mean that the trail revenue will be a bit lower compared to if we had done DLG business. So, yes, there will be some impact of not doing DLG on just future financial services revenue. We don't think that's very significant.

And like I mentioned when I think Sachin had asked… Sachin Salgaonkar had asked the question that that's part of the reason why we think our guidance should be high 50s rather than guiding to specifically 60 percent, which is what we have already achieved, although there are drivers in the rest of our business that can move this number upwards.

Mr. Vijay Shekhar Sharma: Sachin, to your question of if we had large trail revenue, the answer is that last year, in this quarter, because these are 12-14 months loans, was not very large.

Mr. Sachin Dixit: Understood. All right. Thank you. And those are my questions.

Moderator: Thank you, Sachin. The next question is from Mr. Pranav Gundlapalle from Bernstein.

Mr. Pranav Gundlapalle: Hey, good evening. I just had three questions. First is on your BNPL product. Is a resumption of BNPL contingent on you getting your wallet product back or are there other dependencies before you can get BNPL started?

Mr. Vijay Shekhar Sharma: No, it is not. Both are independent. It was rather the small credit issue that exists in the market, less than Rs 50,000 credit due to that, and that is the only single KPI that materially matters to the lenders. There is no other KPI related to wallet. We don't tag it on the wallet either anyway.

Mr. Pranav Gundlapalle: Okay. So, if there is a recovery in personal credit, both your PL and BNPL products could come back?

Mr. Vijay Shekhar Sharma: 100%. I mean, I personally love the product, and I'm personally a champion of it. And like you said, when the personal credit comes back, BNPL will come back. We totally believe that it will come back. Okay.

Mr. Pranav Gundlapalle: Second question is on your lending business. What percent of these persons will your largest partner account for? A rough number, I think.

Mr. Madhur Deora: It would be somewhere between 30 and 40%. And there's a reason for it. While we have a huge amount of lending capacity available with other lenders, especially the lenders who have joined in the last six or nine months, who have done successful sort of scale up, up to a certain level, but have a lot more appetite, especially in merchant lending, majority of the business is repeat business. And in the case of repeat business, the partner who gave the first loan always has the RoFR, and the vast majority of repeat business, nearly 100%, gets done by the same partner.

So, as a result, even though we have a huge amount of capacity available from other lenders, the same partner actually effectively ends up getting all the repeat business, and the new business is distributed based on various logics, such as which is a better fit, who has better conversions, better commercials, etc. So, it does take time for the business to shift away. And the largest partner, I think you'll get some indication of that also from our FLDG disclosure, that there is one partner who's very substantial in terms of their AUM on our platform.

Mr. Vijay Shekhar Sharma: And Pranav, I want to tell you that we personally have been pursuing other lenders who do not necessarily have the appetite to do the, let's say, top up, to release this RoFR, so that we can allow another top-up loan to be given. And a couple of them even agreed. I'm personally very committed to continue to see even further deconcentration or hedging among multiple people.

But rather, this is more like that some champions have understood the product, and they want to do even more, versus many who have their own restrictions based on many, many their own self reasons, may issue a lesser amount. So, it's less about capital availability. I can also tell you, I personally look at capital availability. Right now, we're disbursing 30-40% of capital availability.

Mr. Pranav Gundlapalle: Understood.

Mr. Madhur Deora: Just to give you another sense, another way to answer that, because I don't want to give you the exact number, is that this partner is largely in merchant lending. Our book with other partners in merchant lending over the last nine months has grown significantly faster, obviously from a smaller base in each case, than with this partner. So, it is shifting, but it happens gradually because of the repeat and top-up business nature of this.

Mr. Pranav Gundlapalle: Understood, understood. Very Clear. The last question is, I think, circling back on the credit card acceptance. So, irrespective of whether you call it POS, EDC, or smarter soundbox, would our number of devices accepting credit cards have increased in the last one year, especially after the restrictions on PPPL? And also has the economics changed versus what it was with the PPPL arrangement?

Mr. Vijay Shekhar Sharma: Yes. Actually, you pointed out the correct thing. The net payment margin is going to grow because of credit card, EMI, and let's say, loyalty point or any other high-margin processing payment instrument. We came from the behind on EMI, and we nearly took the top spot of processing EMI volumes in India. Then credit card-wise, number of devices, yes, exactly. That is the reason that we continue to drive these acquiring instruments.

Surprisingly, all of our card-acquiring machines are card-acquiring. Along with that, our QRs are card-acquiring because of RuPay credit cards going on QR. So, it started to earn sizable revenue because RuPay credit card on UPI actually is MDR-bearing, even today.

Mr. Madhur Deora: I should also just clarify. I think you mentioned something about margin. The margin is nearly identical between whether PPPL was acquiring or the partner banks who we are acquiring with right now. So, the margins are not different at all.

Mr. Pranav Gundlapalle: Understood. Just to clarify, if you look at the RBI disclosures, PPPL had almost a 78% market share in what at least RBI calls as POS machines. Is it safe to assume that the market share has not declined since the last 12 to 18 months?

Mr. Vijay Shekhar Sharma: We increased that. So, yes, safe to assume that it did not decline. You have an eye, my friend. Thank you.

Mr. Pranav Gundlapalle: Thank you. Those were my questions.

Moderator: Thank you so much, Pranav. The next question is from Mr. Jayanth Kharote from Axis Capital. You may please ask your question.

Mr. Jayanth Kharote: Thanks for the opportunity. And congrats on delivering positive earnings to the whole team. The first one is on this quarter's payments revenue. So, if I look at the device addition, POS device addition has been pretty strong. And if the net payment margins are north of 3 bps, is there a decline in the yields for the devices, QoQ?

Mr. Vijay Shekhar Sharma: UPI volume is not accounted for, for any revenue till the time period final bonus is given or the grant is accepted. So, the yield looking less is not because of rental or any other thing or subscription fee that we charge from the merchant or any other thing. It is because growth of UPI effectively shows incrementally less bps payment processing because we only account for it in the quarter where we get the amount. And UPI is growing.

Mr. Madhur Deora: I'll just add a couple of things to that. We also get PIDF revenue, which is an incentive from the government. We also have certain incentives with our partner banks. So, there are a couple of smaller line items. But if you're looking literally quarter and quarter and getting to smaller margins of error, then there are a few other, much smaller variables that also play.

As a part of our overall subscription revenue per device, because we have become extremely efficient on capex and refurbishment, we are not looking to drive up subscription revenue per merchant necessarily. So, we have very much moved towards what is the lifetime value of this portfolio, which includes the subscription revenue, includes, for example, things like obviously these incentives, but also RuPay on UPI. And then also includes some attribution of the fact that some of these merchants can be upsold to merchant lending. So, we look at it in the holistic context rather than trying to drive up a single number.

Mr. Jayanth Kharote: Actually, that feeds into my second question. I was going to ask now that do you see the POS market share having stabilized between the few players, and does this now open up headroom for looking at price hikes on these products?

Mr. Vijay Shekhar Sharma: I like it. I personally want to tell you internally we did increase the price and it worked out and sort of it's a funny thing. I mean, funny because internally when my team pitched it, because they said that we can try it, I was like, are you sure you will not see churn in the merchant? Then we found out that there is a reverse elasticity. By paying large, because our products are far superior than competition in the market, everybody else is a Chinese copy; our hardware, software, stack, et cetera, work out incredibly better. And that gives our product a premium level in the market.

So, sometimes if you were charging Rs 100, we are charging Rs 129 now. And we are able to do it because the customer loves it. And the stability and robustness gives a premium to it. And in other words, I would not want to call that we are going to increase the price. I would rather say that we are continuing to expand and invest in the business. And I told the team, earn the business, revenue and profit and expand to newer places. And they were able to do it. So, no, not yet. And especially when there are seven more players coming in this market. But at the same point of time, we did the elasticity check, my friend. And it was so positive and surprising.

Jayanth Kharote: Yeah, I mean, that explains that you've gone through a couple of events over the last two years. If the vintage has stuck around, that ability to price it up should be there. But I get your point, you want to wait for a couple more quarters..

Mr. Vijay Shekhar Sharma: Yeah, I mean, one more year, our time will come.

Mr. Jayanth Kharote: Okay. The second question is slightly longer term. And, you know, most of the businesses have stabilized now, Vijay, whether it's lending or payments. There is decent, healthy linear growth here. But if I were to, again, push you towards any non-linear variables there that can lift the revenues. So Credit card on UPI, we discussed four quarters back, you had guided 5% of GMV. But it doesn't seem that the pace is, you know, going at that rate, maybe the issuance side. So anything else that you can call out that can introduce non-linearity to the revenues?

Mr. Vijay Shekhar Sharma: Some of the consumer products, if you remember, we just talked about BNPL, we just talked about wallet. We just talked about many of those products. Those were non-linear.

I mean, those were getting incredible top-line, bottom-line both. Once they start showing up, I'm going to tell you that that linearity just changes the orbit to the next level and after that, we could think about newer products and technologies for our merchants. We have some of those being in the pilot stage as we speak. I'd rather speak about them once we see a sizable number. So, yeah, obviously, I mean, we are in it for long.

Mr. Jayanth Kharote: Is BNPL around the corner by any chance?

Mr. Vijay Shekhar Sharma: Sorry, it's not a question of BNPL around the corner. But my point was that there are line items that we have showcased in the past that have this dramatic peak. And like we just answered a few minutes back, it is rather the Rs 50,000 ticket loan kind of thing that is overhanging on it.

Mr. Madhur Deora: And I should just also mention that it's anybody's guess about the next six, twelve months. But we do feel that on, for example, the consumer credit side, there is a little bit of a drag on the business. Right.

That business has seen much better days. And I'm not saying exactly to do exactly those volumes six or twelve months from now. But it does feel like and including in our conversations with partners that we are towards the bottom of what our potential is on that platform. And maybe six or twelve months from now, we'll be getting a lot more monetization out of that.

The other thing that we have done is we have made this very much product driven, transacting user growth. So if you look at Paytm's products now versus a year ago, the app homepage, for example, is very, very much payments heavy. And a lot of the things which might have been distracting users or it might have been cross-sell, upsell have been sort of deprioritized.

So I think those things sort of and that is because of sort of where we were coming from a year, year and a half ago. And that is paying a lot of results. And I think we'll continue in that posture for a bit. But we are very disciplined about, if anything, it's okay to undermonetize the consumer side a little bit right now. But just make sure that the users are getting a fantastic payment experience.

Mr. Jayanth Kharote: Understood. Thanks and congrats once again.

Moderator: Thank you, Jayant. The next question is from Mr. Sameer Bhise from Dymon Asia. Sameer, you may please go ahead and ask your question.

Mr. Sameer Bhise: Yeah. Hi. Thanks for the opportunity. Congrats on a strong set of numbers. So just wanted to ask in terms of this efficiency improvement journey, would you say that some of the low hanging fruits have been taken? And it is probably more difficult in terms of, say, expansion of EBITDA margin. Would that be a fair statement or do you think some of the easy wins are still there on the table to take?

Mr. Madhur Deora: So I would say I just break up the question into two parts. So one is on the cost efficiency side. I would say like if you will, as you described the low hanging fruit, a lot of that we have done. So if you look at our indirect expenses, it's down very meaningfully from its peaks, about 30-35 percent lower. Having said that, every time we pay more attention to it, there are things that we find where we can be more efficient. So it's not about doing less. It is just about just getting more efficient so that we can do more. So there might be a few more areas and there most likely are a few more areas.

But I think the EBITDA margin expansion is going to come from the fact that this quarter, for example, we grew 31 percent on a like for like basis, 28 percent headline number. We do think in future quarters that number should be at least that much, if not higher. And we are a 60 percent contribution margin business. And there's no reason why indirect expenses should grow anywhere close to the revenue growth type of levels, not even perhaps half of that level.

So now that we have a 60 percent contribution margin, we have a positive EBITDA. I think the jaws really open up as long as we stay disciplined on indirect expenses and continue to drive high margin revenue.

Mr. Sameer Bhise: So just kind of putting some of this math together, would it be fair to say that you could probably hit early double digits before the end of the financial year?

Mr. Madhur Deora: I don't want to give specific guidance for the end of this financial year, because that is also what one does with quite a lot of sort of proactiveness when one is ready. But we do see significant improvements in EBITDA margin between now and the end of the year. We're currently at about 4 percent, but that is like 4 percent just in the first quarter that you have hit profitability. So you can imagine that there's a lot of upside there.

Mr. Sameer Bhise: Fair enough. That's all from my side. All the best. Thank you so much.

Moderator: Thank you, Sameer. In order to accommodate a few more questions, we will be extending this call by 15 minutes. The next question is from Mr. Rahul Jain of Dolat Capital. Rahul, you may please unmute your line and ask your question.

Mr. Rahul Jain: Hi, thanks for the opportunity and some very strong execution. Most of the questions have been answered, but let me make an effort. We give this unique user data on the financial services side. It seems slightly volatile. Is there a way to read the seasonality on this? Or you think there could be bigger stable pieces which could be identified in a different account? And there could be some smaller use cases where we see more volatility in the user base?

Mr. Madhur Deora: So I think you're referring to a number of customers who availed financial services. I think the historical trend is not seasonality as much as the fact that while we have seen growth in merchant loans we have also seen a slight decrease in personal loans. We also were doing very well in Paytm money on the equity broking side. But as you know, market volumes are down because of certain industry regulatory events that took place in the second half of last year. So I think the commentary on that is that our revenue has doubled despite this number remaining slightly flat. Which I think is sort of positive.

On the other hand, I do understand that that is not as helpful a metric for modeling as we may have initially expected it to be. Because our revenue per financial services customer in a sense has doubled. So like Vijay said earlier, we'd love to get feedback on what could be useful other than loan disbursal volume which we have mentioned we discontinued two, three quarters ago for the reasons that we mentioned earlier.

Mr. Rahul Jain: Just to ask a question that was previously asked. What could be the top one or two or three priorities for the company right now? Is it basically the execution or is it basically the reviving the lost revenue streams? Or is it more about new offerings that we intend to venture into?

Mr. Madhur Deora: I think we've sort of called that out in terms of focus area. So merchant payments are disproportionately the focus. It's the core of the company. So merchant payments and across the span. So I know Paytm probably gets more headlines for smaller merchants and financial inclusion. But what we did want to call out this quarter also is that we cover the entire span, including enterprise merchants, both online and offline.

So merchant payments are the core. And there's a huge amount of growth possibilities there, a huge amount of innovation is possible. And we are going to drive that. So in a sense, that is a big focus area. Vijay has mentioned wallet and BNPL earlier. And that is something which is not like a one month or two month thing. But that is something that we are actively working on.

On the financial services side, as all of you probably appreciate by now, merchant lending has been fantastic with our partners and really been a star. And we run that business very conservatively. But it just has enormous tailwinds, which we benefit from now that we have got the business model right. And then on the personal loan and credit card side, we just kind of wait for the recovery. It's not that we are going to push; try to be ahead of the recovery. We'll just wait for the recovery. And we have a very good product and we think that should work well. So we've sort of listed out. And I think internally, we're just super focused on AI, which is something that we have called out in this meeting. Every customer product and every internal process should be AI first. And that's something which we're not seeing as sort of a thing that we're going to start to do.

That has been the posture of the company internally for the last one and a half years. And that's why we felt ready to start talking about it now.

Mr. Rahul Jain: Thanks. Thanks. I appreciate it.

Moderator: Thank you, Rahul. The next question is from Ms. Grishma Shah of Envision Capital. Grishma, you may unmute your line and please ask your question.

Ms. Grishma Shah: Yeah. Good evening to the management team. And, you know, thanks for taking my question. I want some color on the GMV growth for this quarter. And how do you see panning out for the year? You know, that's my first question.

Mr. Vijay Shekhar Sharma: Ma'am, I think, if you notice, the GMV growth is driven by UPI expansion and expanding the merchant base. And lately, we augmented our management team on online merchants because we already have had them onboarded for a long time. And by focusing on more farming, we hope to get even more growth. So all three buckets, adding more merchants, farming the current online large merchants, and expansion of UPI or say merchants growing more. So we continue to see that payment has 4-5x growth left in this country from today.

Ms. Grishma Shah: Okay. The other question was on the MDR for large merchants. Is there any clue or, you know, you could help us understand if it's some time away, it's still a long time away, what's the sense on this?

Mr. Vijay Shekhar Sharma: And we are as aware as you are. So no extra comment or input that we discover. So we will go by what happens and get informed. We are not basing our business on one hope of the future. We are rather committed to continue to drive profitable business even today.

Ms. Grishma Shah: Okay. Thank you and good luck.

Mr. Vijay Shekhar Sharma: Thank you, ma'am.

Moderator: Thank you, Grishma. The next question is from Mr. Vijit Jain of Citi. Vijit, you may please ask your question.

Mr. Vijit Jain: Hi, thanks for the question and congratulations on a great set of numbers here. My first question, just on the financial services side, you know, wanted to understand first, is the number of customers that you provided, is that a unique number? Or is that, you know, would that include, you know, a single customer availing more services?

Mr. Madhur Deora: It's a unique number.

Mr. Vijit Jain: Got it. And relatedly, Madhur, would it make sense to, you know, provide also the number of transactions that actually happen under the financial services bucket where you realize some revenue? And relatedly, you know, you have mutual funds, stocks and loan distribution under that bucket. And the revenue incidents on each of them would be fairly disparate. Would it make sense to disclose the number of transactions under those broad categories for this quarter?

Mr. Madhur Deora: So, just to clarify, mutual funds are not there. It's personal loan, merchant loan, equity broking and insurance. I think we separately would love to collate feedback on what would help, what would be the simplest way for analysts to model financial services better. So we'll take this on board and maybe engage with you to get some feedback on that and then we'll also talk to other analysts.

On how many products, so if you have 5.6 lakh customers who took financial services, the number of products would be a single digit percentage point higher, it will not be massively higher. Right? So it's not like we focus on, hey, now that the person has taken a personal loan, we should try to start them equity broking. Right? So it is not really that journey. We have three or, sorry, four separate high ARPU products for us. They're not necessarily one linked to the other. So the overlap would be relatively small.

Mr. Vijay Shekhar Sharma: Also, Vijit important thing to note, like Madhur said, it does not include mutual funds. So things like embedded insurance or mutual fund distribution, which are non-material for the revenue we generate, we have kept those numbers away from it. This number includes unique customers who have generated material revenue and bottom line for us.

Mr. Vijit Jain: Got it. Understood, Vijay. My second question, you know, on the EMI on devices bit, is this financial services distribution for you or will it be payment services? Okay, regardless of which instrument is used?

Mr. Vijay Shekhar Sharma: Payments. If it is an instrument used on a device and we are charging merchants for MDR and then passing an interchange, this is a payment revenue. It could include EMI, credit card, etc.

Mr. Vijit Jain: I see. Got it. And, you know, a related question on the enterprise POS side, right? So from a market landscape point of view, there, you know, I mean, when I look at the various banks and who their POS partners are in the current system, of course, there are a number of players. Some of them may still be on, you know, distributing old-school POS devices versus you guys who obviously have a software stack on top, a lot of instruments, a lot of capabilities, etc. So is that a big opportunity here?

Switching enterprises out of old-school devices, which already show up in that RBI number into more modern devices. And within that, how do you do that? Given these are bank relationships currently, from a go-to-market strategy?

Mr. Madhur Deora: Yeah, I think there's a very large opportunity on the card side still in the country. And obviously there'll be developments around, you know, UPI and RuPay cards on UPI and cards as a form factor. So there'll be industry level innovations as well. So I don't want to talk too far ahead, but let's say over the next two, three, four, five years, we do think that there's an opportunity for more card acceptance.

However, we think that a larger part of that opportunity is probably in taking these card machines a bit deeper. And for that, you need to have the payment gateway model that we have. We need to have a fleet on the street. And for us, it ends up being an entire spectrum, right? So all the way from, you know, we still do paper QR as well, although that is becoming smaller and smaller, but paper QR, Soundbox, you know, Card Soundbox, and then, you know, Android card machines, and then obviously online payment gateway and everything else.

So I think the larger opportunity is probably in terms of taking this deeper. I'm sure there are some large high value merchants that still use, you know, still want a hardware upgrade or something of that nature, which is part of the reason why we have also started as a very small part of our business, partnering with banks and brands on what we call this POS provider model. But that we don't think is as attractive as a model.

Mr. Vijay Shekhar Sharma: I like to give some range number for this POS provider, all because that our hardware, like you said, was liked. And in a month, we should do significantly less than 10,000, but a little more than 5,000.

Mr. Vijit Jain: Okay. Got it. Got it. Perfect. Thanks, Vijay. And my last question here, on the personal loan's distribution side right now, good to see that there was a decent, you know, 2 million month quarter-on-quarter improvement in the MTUs on the customer side. From a personal loan distribution recovery, you know, how dependent from here on is that going to be on whether MTUs go back to, you know, somewhere around the previous levels? Or, you know, do you think that business can grow even on this existing base?

Mr. Vijay Shekhar Sharma: I rather believe that it will grow only on the existing base, because it is better to have a vintage customer whose value that you accrue or have understanding on the platform, getting incremental customers and cross-selling them. And that too, UPI customers are very low value customers, etc. We've seen it in the past. So, we're talking about our current MTU being way more than enough for the number. I see.

Mr. Madhur Deora: And I think that's exactly right, which is that, I think the big change in personal loan, I think, is going to be actually cycle-dependent, right? And like I said, anyone's guess on when that would be, but our partners tell us it's maybe two, three, four quarters away, right? And ultimately, it's their decision when they want to lend more.

I think, in the medium term, the fact that we are getting, we're not just getting MTU increase, we're getting it partly because retention and engagement of customers is higher. So, our MTU increase is not just because we are adding more customers, that we are acquiring more customers. You can see our marketing cost is actually one of the lowest it has been in a long time. But what's driving the increase is retention higher, engagement higher. So, in the medium term, we do think we'll have more customers who are eligible. But yeah, next quarter, whether this number grows to 7.5 Cr or 7.8 Cr or 7.9 Cr, I don't think we'll have any immediate impact on personal business.

Mr. Vijit Jain: Got it. And just last question on, just switching to, sticking on the same thing. In general, you know, now that we've seen, and you guys have seen a cycle in the industry on the personal loan side, is there any key fundamental way you think personal loans disbursed online may change when it comes back into recovery? Any significant big changes in how it will be done for the industry in general that you would highlight?

Mr. Vijay Shekhar Sharma: Oh, I would be able to say about how it will impact us in the future, how will we behave, I don't know about industry-wise.

I don't actually know many other things about the overall online industry distributing loans. I can definitely say that I would personally pursue to do well in many other businesses which are not so cyclic, even though wealth is a cyclic business, a lot of trading, but there is an opportunity to do a few more things.

Mr. Vijit Jain: Okay, great. Thank you.

Mr. Vijay Shekhar Sharma: We are basically under-educated on financial services at large.

Mr. Vijit Jain: Best of luck Vijay and the team for the future. And thank you for taking my questions. Thank you.

Moderator: Thanks, Vijit. We will take the last two questions of the day. The next question is from Mr. Sumeet Kariwala from Morgan Stanley. Sumeet, you may please unmute your line and ask your question.

Mr. Sumeet Kariwala: Hi, good evening, everyone. Thanks a lot for this opportunity. I had a question with respect to the non-UPI GMV that has been obviously coming off in terms of contribution to overall GMV. Now, if the RuPay credit card business is picking up, there's some activity on the EMI business. Should we expect that to grow faster?

Mr. Vijay Shekhar Sharma: Faster is the wrong word because of the very reason that there is still a finite number of people who have RuPay Credit Card and that number is not very large, because the common people are using more and more UPI. So it will grow. Very good. But faster between the two still will not be the case.

Mr. Sumeet Kariwala: Thanks, Vijay. Just one more question on the EMI financing business. Can you just talk about the product? How do you differentiate as compared to competition? What would be your market share, key brands that you work with?

Mr. Vijay Shekhar Sharma: So, EMI is a product where the trick is that merchant and consumer needs many more parties for subvention. So one of the biggest differentiation in our product versus many others who were in the market when we entered, is that we have at least five parties that can subvention the cost of financing. And subvention means that in the moment of truth, the loan could be paid by, let's say, brand, number two, retailer, number three, the consumer, number four, any other entity like platform like us can subvention further or even the bank. So we are talking about how every party can pay the subvention cost as a first and foremost change that we were able to bring in the market.

Second is that because we work with so many banks, we are able to give that small shop in a small town an opportunity to give card offers. You know, typically you would see these card offers come on large retailers like Vijay Sales or Chroma or many other online merchant platforms. Small merchants do not get that. So we even added card offers, which was second differentiation and card offers and for card plus EMI, both offers I'm saying here.

And third is because we work with brands with advertising also involved for them. So we were able to incentivize brands that you can advertise on our platform, give us the incentive for our customer or our machines or our customer spends for our merchants that they are driving your product sales. So three big differentiation.

First of all, products, like I said, more opportunities to get subvention or credit from. Second, more offers for the retailer from banks and financial institutions. And third, that brand has an advantage because we have a consumer app where we are able to cross sell or give incentive to the brand to say, I'll give you this advertising in lieu if you give my merchant something more. So very, very differentiated. Nobody can match because these are sitting around on the differentiation of we have a consumer, we have a technology and we have a bank relationship anyways.

Mr. Sumeet Kariwala: Thanks, Vijay. This is super helpful.

Moderator: Thank you, Sumeet. The next question is from Mr. Prateek Poddar. Prateek, you may please unmute your line and ask your question.

Mr. Prateek Poddar: Yeah, thanks. Just two questions. One is when I see revenue from marketing services, on a sequential basis, they are down, but your MTUs are up. How should I think about this? Given that you talked about engagement, retention, etc., right?

Mr. Madhur Deora: Sorry, sorry to interrupt. Just to be clear, first of all, quarter on quarter, you always see some shifts. In this line of business, there is some seasonality. I'm not saying this quarter was specifically because of that. But I also refer to the comments I made earlier, which is that on app experience, over the last two quarters, we have made payments far more prominent and non-payments upsell for a large set of customers far less prominent because payments retention on the consumer side is something that we're driving as a priority. And that's starting to show in MTUs.

So, the monetization of customers, especially new or light or medium engaged customers, is going to come later. Of course, if a customer is a very heavy user and doesn't mind seeing a few ads or a few upsell offers, then they will see that.

So we're being far more selective and so that's why we're saying payments retention gives us long-term upsell opportunities whereas it's not about what this quarter of marketing services are.

Mr Vijay Shekhar Sharma: And one last line on this, consumers are monetized when some advertiser, some marketeer, somebody who wants to reach out to them. So these two things will lead to a lag anyway.

Mr. Prateek Poddar: And maybe just when I again sequentially when I see the merchant subscriptions and the new devices which are being deployed, the number is lower versus what we did last quarter despite higher cost of sales in terms of the sales network etc on a sequential basis again. I don't know whether that's the right way to look at it but just..

Mr. Madhur Deora: I see where the question is coming from. Again quarter and quarter will have some aberrations but we also, for example, did more device pickups than we had done in the previous quarter because that says it's a dramatic amount of capex. So the opex is significantly lower than the capex of the new device.

Mr. Vijay Shekhar Sharma: And you get to see a net number. So we may have deployed higher devices at a gross level, minus the devices picked up. So while the absolute deployments are larger, we are reporting only the net.

Mr. Madhur Deora: And just to clarify that's a double whammy on the number that you're looking at because there's employees going and picking up a device. So a) I'm paying the cost for it and b) I'm actually getting a negative device count.

Mr. Vijay Shekhar Sharma: But we'll continue to do it because we want more active merchants who are driving credit worthy growth.

Mr. Prateek Poddar: Yeah I get it and last question Vijay is there a way to not or to optimize this refurbishment cost or redeployment cost. You talked about so many AI platforms etc. Is there something in the pipeline which can significantly give you far better efficiency?

Mr. Vijay Shekhar Sharma: Actually, if you notice we specially shown the capex chart so that we are telling capex as rental or capex as payment revenue. That's an important line item that we definitely continuously want to say. And there I know, I mean we are becoming far more conservative in identifying it as a how many number of years we are going to see it active.

So if you know we charge the soundbox in two years and the EDC in three years. Now we wrote off a lot of these devices which were more than 12 months old and we didn't see transactions. So the answer is that we are becoming far more conservative on accounting and additionally here we are thinking of creating even a longer term because longer term meaning far more features are incrementally coming.

Right now we're going through that smartphone early age. Do you remember that there was always a new soundbox, a new smartphone that was coming. I do see personally that there will be a time when the replacement requirement or the change requirement will get far lesser than current.

Mr. Madhur Deora: So I think you just add a couple of things. So one thing that we have talked about in the past and we're doing is increase some of the features on the soundbox so that you are using the soundbox not just for payments but for other things as well. So and this will be a journey right about just to take Vijay's analogy, the first smartphone versus today's smartphone, you do many more types of things with that smartphone right. So I'm not saying it'd be exactly as powerful but I think that's the direction. So that increases retention and that reduces all sorts of downstream costs.

The second is that without giving away competitive secrets we do dramatically more refurbishments than anybody else even adjusted for relative scale because we manufactured these devices in India, refurbishment hubs are in India and so on right. Because we wanted to be extremely capital efficient here because that eventually goes back in the payback period math for the merchant right.

So we can price at a certain level but if we have all of this working really well, then we can be more profitable at the same subscription revenue than our competitors. So we do want to drive down the cost of it, drive up the margin of it by being super efficient but of course there's more one can do when you're running a business at this kind of scale then there's always operating efficiencies that you can drive and we do quite a lot of that.

Mr. Prateek Poddar: Okay and just one last clarification. Look if you had done DLG based disbursements the contribution margins would have reduced but the absolute contribution margin wouldn't have changed a lot. That's a fair understanding?

Mr. Madhur Deora: If we had done DLG, if let's say a largest partner had done all DLG versus not, then our revenue would be slightly higher but our direct cost would be meaningfully higher. So I'll again point to the direct cost last quarter as a kind of ballpark number.

And the reason for that is if you go back to what we had said in the September quarter then when you give DLG you get all the DLG cost up front but then you have higher trail revenue. So when you flip it around and you're not giving DLG, then you don't have the cost that quarter but for the disbursement that you did in this quarter you have slightly less revenue over the next five six quarters.

So you get the cost impact in this quarter whereas the revenue impact is distributed over time.

Mr. Prateek Poddar: Fantastic. Thanks for this. Thank you.

Moderator - Thank you Pratik. With that we come to an end of this call. A replay of this earnings call and the transcript will be made available on the company's website subsequently. Thank you all for joining. You may now disconnect your lines.

Mr. Vijay Shekhar Sharma: Thank you so much everyone. Have a good day.