

One 97 Communications | BUY

RBI grants in-principle approval for online payment aggregation

As per an [exchange filing](#) by the company, Reserve Bank of India (RBI) has granted in-principle approval to Paytm Payments Services Ltd. (PPSL), a wholly-owned subsidiary of Paytm, to operate as an online payment aggregator under the Payment and Settlement Systems Act, 2007. The approval marks a significant regulatory milestone for the company and also lifts the ban on on-boarding new merchants, which had been in place since Nov'22 when PPSL's earlier application was rejected. As highlighted in our earlier note on [regulatory triggers](#), we expected this to have c.5% benefit to Paytm's FY27E EBITDA. However, this could be a big sentimental trigger as the approval likely becomes a precursor to further regulatory clearances for Paytm. Reiterate BUY with Jun'26 TP of INR 1,320.

- **Reapplication and shareholding changes:** This regulatory clearance follows PPSL's reapplication in Sep'24 after addressing earlier compliance gaps, particularly around foreign direct investment norms, which were among the key reasons for the initial rejection. Importantly, the approval comes soon after [Ant Financial's complete exit](#) from Paytm in a clean-out trade, with the sale of its residual 5.84% stake, effectively removing Chinese shareholding from the company's ownership structure. The timing suggests that changes in shareholding and a cleaner compliance profile may have been instrumental in facilitating the RBI's decision.
- **Regulatory overhang clears; could result in a re-rating event:** Since the RBI disruption in Jan'24, parts of investor community have been apprehensive about investing in Paytm while anticipating further regulatory turbulence. With this approval coming through, it becomes a clear signal that RBI is likely satisfied with the actions taken by Paytm, in terms of compliance as well as shareholding. While there is no certainty, this does enhance the probability of Paytm getting regulatory approval to operate Paytm wallet with PPBL.
- **Benign valuations despite the recent strength, reiterate BUY:** Paytm has seen a sharp reversal since Jan'24 to report PAT profitability in Q1FY26. Furthermore, the improvement in contribution margin (mid-high fifties) along with a controlled rise in indirect expenses can potentially trigger a rapid rise in absolute profits for the company with focus reverting to sustainable growth. We value Paytm at 40x Jun'27 Adj. EBITDA of INR 18.5bn to reach Jun'26 TP of INR 1,320, implying 17.9% upside at CMP. Moreover, there still remains the optionality of further regulatory triggers such as UPI monetisation and Paytm wallet that could each result in c.25-30% rise in our EBITDA estimates.
- **Backdrop on PA/PG license regime:** Before PA/PG licensing requirement, payment gateway (PG) companies were working in partnership with banks and were not regulated. With digital payments growing rapidly, RBI decided to bring these entities handling large sums of customer money under its direct regulation. Besides this, with direct access to details on such transactions, RBI could oversee any suspicious activities. The regulator also wanted visibility of merchant KYC, particularly with regards to the risk of money laundering.

Financial Summary					(INR mn)
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	99,800	69,005	86,606	1,07,778	1,33,468
Sales Growth (%)	24.9	-30.9	25.5	24.4	23.8
EBITDA	-9,080	-15,072	5,243	14,199	25,746
EBITDA Margin (%)	-9.1	-21.8	6.1	13.2	19.3
Adjusted Net Profit	-11,522	-14,894	7,806	14,499	22,816
Diluted EPS (INR)	-18.2	-21.9	11.5	21.4	33.6
Diluted EPS Growth (%)	0.0	0.0	0.0	85.7	57.4
ROIC (%)	-61.2	-303.8	0.0	225.7	545.6
ROE (%)	-8.7	-10.5	5.0	8.6	12.1
P/E (x)	-61.7	-51.1	97.4	52.5	33.3
P/B (x)	5.3	4.7	4.5	4.0	3.6
EV/EBITDA (x)	-71.3	-40.1	115.0	41.3	21.9
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0

Source: Company data, JM Financial. Note: Valuations as of 12/Aug/2025



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Recommendation and Price Target

Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	1,320
Upside/(Downside)	17.9%
Previous Price Target	1,320
Change	0.0%

Key Data – PAYTM IN

Current Market Price	INR1,120
Market cap (bn)	INR714.9/US\$8.2
Free Float	100%
Shares in issue (mn)	679.0
Diluted share (mn)	679.0
3-mon avg daily val (mn)	INR7,146.5/US\$81.5
52-week range	1,136/499
Sensex/Nifty	80,236/24,487
INR/US\$	87.7

Price Performance

%	1M	6M	12M
Absolute	17.8	50.3	117.6
Relative*	21.1	42.6	114.2

* To the BSE Sensex

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- **Bull scenario analysis assuming all regulatory triggers fructify:** In case all the three triggers (Paytm Wallet, UPI monetisation and PA license) materialise, we highlight the potential upgrades to our FY27 estimates:
 - **GMV Impact:** PPBL GMV in FY24 was at INR 1,450bn and we believe wallet embargo clearance could again add INR 800bn to FY27 GMV. Additionally, PA/PG license would allow them to on-board new merchants for online payments and can add another INR 900bn, c.50% of our estimate of Paytm's PA TPV in FY25.
 - **Revenue Impact:** MDR allowance can add INR 8.4bn to Payments revenue, implying applicability on only 66% of Paytm's UPI GMV in FY27 with monetisation of 7.5bps. At 0.75% take-rate, PPBL GMV of INR 800bn can further add INR 6.0bn to revenue along with INR 270mn (at 0.03% of GMV) from payment aggregator (PA) revenue. Combined the three triggers can generate incremental revenue of INR 14.7bn.
 - **EBITDA Impact:** Assuming that monetisation on UPI transactions will also empower the company to attempt to gain further market share, we expect 60% incremental EBITDA margin on MDR Revenue. Similarly, PPBL revenue can generate 50% incremental EBITDA margin along with 40% margin on PA revenue. Combined, these three can potentially add INR 10bn to JMFe FY27 Adj. EBITDA of INR 14.7bn.

Exhibit 1. Bull case scenario analysis on FY27 estimates

All numbers in INR bn	FY27		
	Base case	Bull case	Remarks
Total GMV	28,607	30,307	5.9% upgrade
GMV from PPBL		800	c.60% of pre-disruption year
GMV from PA / PG		900	c.50% of FY25 TPV
Total revenue	107.8	122.5	13.6% upgrade
Revenue from MDR		8.4	7.5bps of UPI GMV of INR 2K+ txns
Revenue from PPBL		6.0	0.75% of GMV
Revenue from PA / PG		0.3	3bps of GMV
EBITDA	14.2	22.3	57.3%
EBITDA from MDR		5.0	60% of Incremental Revenue
EBITDA from PPBL		3.0	50% of Incremental Revenue
EBITDA from PA / PG		0.1	40% of Incremental Revenue

Source: Company, JM Financial estimates

- **RBI's Circular on PA license:** In Mar'20, RBI released a circular on [guidelines on regulation of PA and PG](#). Under this, RBI asked existing non-bank payment platforms to apply for authorisation on or before June 30th, 2021. These platforms were allowed to continue their operations till they receive further communication from RBI on their application. This is why, Paytm, despite not receiving approval, continues to operate as PA platform. However, the platforms were restricted from onboarding new customers in the interim.
- **Scope of approval and compliance conditions:** The scope of the approval is limited to online payment aggregator activities in line with RBI's PA/PG guidelines and explicitly excludes pay-out transactions routed through escrow accounts, which must remain outside the aggregator framework. As part of the conditions for the in-principle approval, PPSL is required to conduct a comprehensive system and cybersecurity audit. The audit report must be submitted within 6 months, failing which the approval could lapse. This underscores RBI's continued focus on operational resilience and security compliance for regulated payment entities.
- **Approval process:** 1) **In-principle approval:** This is a provisional nod from the RBI, indicating that the applicant meets initial requirements stated above. With in-principle approval, PA can start onboarding new merchants on its platform and build its digital payment infrastructure. However, it does not allow the company to start PA operations yet. 2) **Final approval:** Once the applicant receives in-principle approval, applicants must submit a System Audit Report (SAR) conducted by a CERT-In empaneled auditor to RBI before receiving final approval and commencing operations. It usually takes 6-12 months after the in-principle nod for a company to get the final approval from the regulator.

- **Paytm's PA license journey so far:** Paytm Payments Services Limited (PPSL), a subsidiary of Paytm, first applied for PA license after RBI introduced new regulations in March 2020. However, in Nov'22, RBI returned Paytm's application and asked the company to reapply due to compliance issues related to foreign direct investment (FDI) rules. The primary issue was linked to Press Note 3, a government policy that requires companies with investments from countries sharing land borders with India to seek prior approval from the Ministry of Finance. Alibaba and Ant Group together held ~31% stake in Paytm as of Sep'22, potentially triggering the need for this additional clearance. To resolve this, Paytm sought the necessary approvals and received necessary FDI clearance from the Ministry of Finance in Aug'24. This allowed the company to reapply for the license in Sep'24. As of Mar'25, Paytm's application is still under review.
- **Grant of license can enable INR 900bn incremental GMV in FY27:** While Paytm continues to operate as a payment aggregator, the company has been unable to onboard new merchants since Nov'22 and hence has missed out the growth from some of the fast growing businesses in D2C and quick commerce space. Upon grant of final approval, we believe the company should be able to add c.50% to its FY25 TPV to add INR 900bn. At 3bps of GMV as take-rate, this GMV will result in INR 270mn in revenue and c. 110mn in incremental EBITDA.

Financial Tables (Consolidated)

Income Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Sales	99,800	69,005	86,606	1,07,778	1,33,468
Sales Growth	24.9%	-30.9%	25.5%	24.4%	23.8%
Other Operating Income	0	0	0	0	0
Total Revenue	99,800	69,005	86,606	1,07,778	1,33,468
Cost of Goods Sold/Op. Exp	44,410	32,224	35,293	44,554	54,645
Personnel Cost	45,920	32,884	28,022	28,883	30,637
Other Expenses	18,550	18,968	18,047	20,142	22,441
EBITDA	-9,080	-15,072	5,243	14,199	25,746
EBITDA Margin	-9.1%	-21.8%	6.1%	13.2%	19.3%
EBITDA Growth	0.0%	0.0%	0.0%	170.8%	81.3%
Depn. & Amort.	7,356	6,726	5,983	6,574	7,476
EBIT	-16,436	-21,798	-740	7,624	18,270
Other Income	5,477	7,248	9,119	9,645	10,493
Finance Cost	242	164	170	209	238
PBT before Excep. & Forex	-11,201	-14,714	8,209	17,061	28,525
Excep. & Forex Inc./Loss(-)	-60	8,233	-167	0	0
PBT	-11,261	-6,481	8,042	17,061	28,525
Taxes	321	180	403	2,562	5,709
Extraordinary Inc./Loss(-)	0	0	0	0	0
Assoc. Profit/Min. Int.(-)	-2,648	25	20	20	20
Reported Net Profit	-14,230	-6,636	7,659	14,519	22,836
Adjusted Net Profit	-11,522	-14,894	7,806	14,499	22,816
Net Margin	-11.5%	-21.6%	9.0%	13.5%	17.1%
Diluted Share Cap. (mn)	634.7	679.0	679.0	679.0	679.0
Diluted EPS (INR)	-18.2	-21.9	11.5	21.4	33.6
Diluted EPS Growth	0.0%	0.0%	0.0%	85.7%	57.4%
Total Dividend + Tax	0	0	0	0	0
Dividend Per Share (INR)	0.0	0.0	0.0	0.0	0.0

Source: Company, JM Financial

Cash Flow Statement (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before Tax	-13,904	-6,452	8,062	17,081	28,545
Depn. & Amort.	7,357	6,726	5,983	6,574	7,476
Net Interest Exp. / Inc. (-)	-4,375	-5,298	-8,949	-9,437	-10,255
Inc (-) / Dec in WCap.	-149	-1,329	-6,720	2,130	2,481
Others	18,664	4,960	2,550	1,500	1,200
Taxes Paid	-1,085	180	-403	-2,562	-5,709
Operating Cash Flow	6,508	-1,213	523	15,287	23,738
Capex	-8,121	-3,166	-7,317	-7,579	-8,856
Free Cash Flow	-1,613	-4,379	-6,795	7,708	14,883
Inc (-) / Dec in Investments	-18,770	16,347	0	0	0
Others	30,071	-33,610	9,119	9,645	10,493
Investing Cash Flow	3,180	-20,429	1,801	2,066	1,637
Inc / Dec (-) in Capital	13	16	0	0	0
Dividend + Tax thereon	0	0	0	0	0
Inc / Dec (-) in Loans	0	0	0	0	0
Others	-29	-425	-587	-574	-878
Financing Cash Flow	-16	-409	-587	-574	-878
Inc / Dec (-) in Cash	9,672	-22,051	1,738	16,779	24,498
Opening Cash Balance	33,100	42,820	20,769	22,507	39,286
Closing Cash Balance	42,772	20,769	22,507	39,286	63,783

Source: Company, JM Financial

Balance Sheet (INR mn)					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Shareholders' Fund	1,33,266	1,50,267	1,60,476	1,76,495	2,00,531
Share Capital	636	638	638	638	638
Reserves & Surplus	1,33,266	1,50,267	1,60,476	1,76,495	2,00,531
Preference Share Capital	0	0	0	0	0
Minority Interest	-282	-296	-296	-296	-296
Total Loans	1,766	1,604	1,885	2,319	2,721
Def. Tax Liab. / Assets (-)	-6,704	-6,237	-6,312	-7,586	-9,061
Total - Equity & Liab.	1,28,046	1,45,338	1,55,753	1,70,932	1,93,896
Net Fixed Assets	12,609	9,052	11,085	12,889	15,311
Gross Fixed Assets	26,388	29,279	36,753	44,555	53,817
Intangible Assets	839	438	438	438	438
Less: Depn. & Amort.	14,718	20,708	26,149	32,147	38,988
Capital WIP	100	43	43	43	43
Investments	71,510	1,36,524	1,36,524	1,36,524	1,36,524
Current Assets	96,105	62,664	69,164	93,154	1,27,152
Inventories	0	0	0	0	0
Sundry Debtors	16,507	12,969	13,169	16,241	19,929
Cash & Bank Balances	42,772	20,769	22,507	39,286	63,783
Loans & Advances	1,731	2,889	2,889	2,889	2,889
Other Current Assets	35,095	26,037	30,600	34,739	40,551
Current Liab. & Prov.	52,178	62,902	61,020	71,635	85,091
Current Liabilities	7,048	7,552	7,453	8,296	9,231
Provisions & Others	45,130	55,350	53,567	63,339	75,860
Net Current Assets	43,927	-238	8,144	21,519	42,061
Total - Assets	1,28,046	1,45,338	1,55,753	1,70,932	1,93,896

Source: Company, JM Financial

Dupont Analysis					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
Net Margin	-11.5%	-21.6%	9.0%	13.5%	17.1%
Asset Turnover (x)	0.7	0.5	0.6	0.6	0.7
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE	-8.7%	-10.5%	5.0%	8.6%	12.1%

Key Ratios					
Y/E March	FY24A	FY25A	FY26E	FY27E	FY28E
BV/Share (INR)	210.0	235.9	251.6	276.7	314.4
ROIC	-61.2%	-303.8%	0.0%	225.7%	545.6%
ROE	-8.7%	-10.5%	5.0%	8.6%	12.1%
Net Debt/Equity (x)	-0.8	-1.0	-1.0	-1.0	-1.0
P/E (x)	-61.7	-51.1	97.4	52.5	33.3
P/B (x)	5.3	4.7	4.5	4.0	3.6
EV/EBITDA (x)	-71.3	-40.1	115.0	41.3	21.9
EV/Sales (x)	6.5	8.8	7.0	5.4	4.2
Debtor days	60	69	56	55	55
Inventory days	0	0	0	0	0
Creditor days	23	32	33	31	30

Source: Company, JM Financial

History of Recommendation and Target Price			
Date	Recommendation	Target Price	% Chg.
17-Jan-25	Buy	1,250	
20-Jan-25	Buy	1,250	0.0
28-Mar-25	Buy	1,010	-19.2
7-May-25	Buy	1,070	5.9
23-Jul-25	Buy	1,320	23.4



APPENDIX I

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