

January 20, 2025

RESULT REPORT Q3 FY25 | Sector: Fintech

One 97 Communications

Paytm's future path becomes clearer

Our view – Goal of EBITDA breakeven this year seems on track, giving the management confidence to target PAT breakeven

Revenue aspects – Financial Services takes the forefront in pushing revenue growth: Total Revenue at Rs 18,278mn was up/down 10.1%/-35.9% QoQ/YoY, sequentially driven higher by financial services and other operating revenues. Revenue from Payments services was up 6.0% QoQ to Rs 10.03bn. Revenue from Financial Services business was up 33.5% QoQ to Rs 5.02bn. The Financial Services business saw better take rates during the quarter driven largely due to higher trail-based revenue and higher collection efficiency.

Profitability – After closing in on EBITDA breakeven the company targets PAT breakeven: EBITDA before ESOP in 3Q has improved sequentially at -Rs.0.4bn as against -Rs.1.85 bn in 2Q. The company has reiterated its guidance to be EBITDA before ESOP breakeven in 4Q but further added would be able to achieve PAT breakeven in 2-3 quarters.

Business pivot – Loan disbursements driven by merchant loans: The personal loans segment distribution was down -11.7% QoQ whereas the merchant loans distribution grew by 16% QoQ. Around 80% of the merchant loan distributed were on DLG. The DLG given is mostly in the merchant loans and the share of the same is very small in personal loans.

We maintain an 'ADD' rating on PAYTM with a revised price target of Rs 1050: We value PAYTM at 6.6x FY26 P/S to arrive at our price target.

(See Comprehensive con call takeaways on page 2 for significant incremental colour.)

Other Highlights (See "Our View" above for elaboration and insight)

- **Payment processing charges:** Payment proc. charges was up/down 10.3%/-42.0% QoQ/YoY and were 56.9% of Payments Serv. Revenue, up/down 224/-163bps QoQ/YoY.
- **Contribution profit:** Cont. profit at Rs 9,590mn was up/down 7.3%/-36.9% QoQ/YoY, with a Contr. margin of 52.5%, down -139bps/-87bps QoQ/YoY.
- **Expenses (excl Payment proc. charges):** Total exp. were down -4.3%/-27.0% QoQ/YoY, YoY driven lower by Employee exp and Marketing exp.
- **EBITDA (Before ESOP):** EBITDA loss was at -Rs 0.41mn, against -Rs. 1,853mn in 2QFY25 and Rs. 2,185mn in 3QFY24, translating to an EBITDA margin of -2.2%, improving by 896bps QoQ.

Exhibit 1: Result table

Particulars, Rs mn	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Revenue from Operations	18,278	16,595	10.1	28,505	-35.9
Payment processing charges	5,704	5,168	10.4	9,822	-41.9
Gross Profit	12,574	11,427	10.0	18,683	-32.7
Total Expenses	14,798	15,460	-4.3	20,278	-27.0
EBITDA (Before Esop Exp.)	(404)	(1,853)	-78.2	2,185	-118.5
Cal. EBITDA Margin (Bef. ESOP)	-2.2	-11.2	896bps	7.7	-988bps
EBITDA	(2,224)	(4,033)	-44.9	(1,595)	39.4
EBIT	(3,877)	(5,819)	-33.4	(3,604)	7.6
Other Income	1,887	1,745	8.1	1,486	27.0
Exceptional items	0	13,454	NA	0	NA
PBT	(2,033)	9,346	-121.8	(2,172)	-6.4
Tax	50	89	-43.8	7	614.3
PAT	(2,083)	9,257	-122.5	(2,179)	-4.4
Share of Assoc./JVs	(2)	43	NA	(38)	NA
Consolidated PAT	(2,085)	9,300	-122.4	(2,217)	-6.0

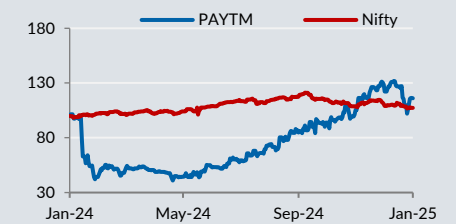
Source: Company, YES Sec-Research

Recommendation	: ADD
Current Price	: Rs 899
Target Price	: Rs 1050
Potential Return	: 17%

Stock data (as on January 20, 2025)

Nifty	23,345
52 Week h/l (Rs)	1063 / 310
Market cap (Rs/USD mn)	570590 / 6617
Outstanding Shares (mn)	638
6m Avg t/o (Rs mn):	5,970
Div yield (%):	-
Bloomberg code:	PAYTM IN
NSE code:	PAYTM

Stock performance



	1M	3M	1Y
Absolute return	-4.9%	23.9%	14.4%

Shareholding pattern (As of Dec'24 end)

Promoter	0.0%
FII+DII	68.1%
Others	31.9%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1050	1100

Financial Summary

(Rs mn)	FY25E	FY26E	FY27E
Total Revenue	80,593	107,439	127,551
YoY Growth, %	(23.4)	33.3	18.7
EBITDA Margin, %	(16.5)	(1.7)	3.6
PAT Ex JV/Assoc.	998	(2,125)	3,765
YoY Growth, %	(107.2)	(312.8)	(277.2)
Sales Per Share, Rs	115.9	157.8	188.9
EPS, Rs	1.6	(3.4)	6.0
BVPS, Rs	211.1	207.7	213.8
P/Sales, x	7.7	5.7	4.7
P/E, x	NA	NA	NA
P/BV, x	4.2	4.3	4.2
ROAE, %	0.8	(1.6)	2.9
ROAA, %	0.6	(1.2)	2.0

Δ in earnings estimates

Rs.	FY25E	FY26E	FY27E
EPS (New)	1.6	(3.4)	6.0
EPS (Old)	(12.6)	(16.4)	(5.5)
% change	112.7%	79.2%	210.4%

SHIVAJI THAPLIYAL

Head of Research (Overall)
& Lead Sector Research Analyst

📞 +91 22 6992 2932



SIDDHARTH RAJPUROHIT, Analyst

SURAJ SINGHANIA, Associate

COMPREHENSIVE CON-CALL TAKEAWAYS

Revenue Aspects

- Revenue from operations was down -36% YoY but up 10.1% QoQ to Rs 18.3bn for the quarter.
- **Financial Services Business**
 - Revenue from Financial Services business was up 33.5% QoQ to Rs 5.02bn.
 - The take rate during the quarter has gone up largely due to higher trail-based revenue and higher collection efficiency.
 - Share of Non-lending financial services revenue in financial services is around 10-20% over the last 8-9 quarters.
 - **Penetration**
 - In 3Q, around 0.6mn merchants have taken at least 1 financial product from the company which pegs penetration at just 1%.
 - The company sees significant opportunity in growing revenue with improved penetration
- Revenue from Payments services was up 6.0% QoQ to Rs 10.0bn.
- The revenue from Marketing Services (commerce and cloud business) in 3Q stood at Rs. 2.67bn, down by -48% YoY and -11.6% QoQ.

UPI business

- **UPI Business**
 - The merchant side of the business for the company has grown on YoY basis but the consumers side adjusted for discontinuation is flat or slightly lower.
- **UPI Incentive**
 - The GMV has grown by 15-20% in YTD FY25 and the company assumes a similar growth in UPI incentive for FY25 (UPI incentive received in FY24 was Rs. 2.88bn)
- **Rupay**
 - Rupay is currently very small proportion of the merchant transactions but is growing at a fast rate.
 - Credit cards running on QR give more revenue on the acquirer side than consumer side.

Lending business

- **Loan disbursement value**
 - The value of personal loans and merchant loans disbursed amounted to Rs 55.8bn, down -30.6% YoY but up 5.6% QoQ.
 - **Opportunity Landscape**
 - The current penetration is only 4-5% in the company's device subscription base.
 - The company plans to take it to upwards of 10% over the period of 2-3 years.
- **Default Loss Guarantee (DLG)**
 - From August 2024, Paytm started distributing merchant loans under the DLG model with SMFG India.
 - The outstanding AUM amount for this portfolio as on 31st December 2024 is Rs 42.4bn.
 - The company has increased its DLG limit to SMFG India from Rs. 2.25 bn to Rs. 3.50 bn.

(Con call takeaways continue on the next page)

- The DLG given is mostly in the merchant loans and the share of the same is very small in personal loans.
- Around 80% of the merchant loans disbursed in 3Q were on DLG model.
- **Key Aspects of DLG Model**
 - The sourcing fee, which is 3.5-4% of disbursement value of the loan, continues as is under this model.
 - On the blended basis the DLG given is lower than 5%
 - The company continues to account DLG upfront in the other direct expenses.
 - The DLG given in a quarter would be reversed over the tenure of loan if performance better than the DLG given.
- **Personal loans**
 - The value of Personal Loans distributed in 3Q was Rs 17.5bn, down -11.7% QoQ
 - The reduction is on account of tightening risk policies by lenders, which is consistent with industry-wide trends.
- **Merchant loans**
 - The value of Merchant Loans distributed in 3Q was Rs 38.3 bn, up 16% QoQ.
 - The disbursement per month is already higher than January 2024 level.
 - About 50% of loans distributed are to repeat borrowers.
 - Merchant loan ticket size over the last 3 years have gone up from Rs 0.11mn to around Rs 2.0mn now.
 - **Expected Credit Loss**
 - The company gets the understanding of ECL both from its collection trend and the partner's lending program.
 - The ECL % for merchant loans in 3Q was 4.5% to 5.0% as against 4.75% to 5.25% in 2Q
 - The ECL has improved due to better collections.
 - **Guidance**
 - The company expects continuous steady growth in its merchant loans.
- **Secured loans**
 - The company has tried few products but don't see it as a profitable option and have receded from the same.

Contribution margin

- The overall contribution profit was up 7.3% QoQ at Rs 9.59bn, translating to a contribution margin of 52.5%, down by -87bps YoY and -139bps QoQ.
- The lower contribution margin was due to higher DLG expense.
- **Guidance**
 - The contribution margin will be in the 50-55% range without UPI incentive and 55-60% range with UPI incentive.

Net payments margin

- The net payments margin excluding UPI incentive in 3Q was higher than 3bps.
- **Guidance**
 - Including the UPI incentive net payment margin to be in the range of 5-6bps for FY25.

Operating and Net Profit Aspects

- EBITDA before ESOP cost stood -Rs 0.41bn, which translated to an adjusted EBITDA margin of -2.2%, as against 7.7% in 3QFY24 and -11.2% in 2QFY25.

(Con call takeaways continue on the next page)

- **EBITDA breakeven guidance**
 - The company had earlier guided for EBITDA (before ESOP cost) profitability by the end of the financial year.
 - The company reiterates the guidance.
 - **General Guidance**
 - The goal of the company is to have double digit EBITDA margin soon and have substantial amount of PAT.
- **Net Profit Break-even guidance**
 - The company expects to be turning profitable on the Profit After Tax in 2-3 quarters due to steady fall in ESOP expense.

Capex and Depreciation

- Capex for Q3 FY25 was Rs 800mn, taking the 9M FY25 capex to Rs 1,760 mn as against Rs 6,800mn for 9M FY24.
- Lower capex is largely on account of reduction in cost of devices and focus on refurbishment of devices.
- The company will have the savings on capex due to refurbishment of devices for 2-3quarters more.
- The company depreciates the device cost in 2 years and hence with lower capex the depreciation cost to come down.

Excess Subsidiaries

- The company has many subsidiaries which are not operational currently.
- The subsidiaries pertains to One 97 communication's telecom business.
- The company will work towards reducing such subsidiaries in the coming 3-6months.

International operations

- The company has created 3 subsidiaries for the international operations, 2 in Middle East and 1 in Southeast Asia.
- The company sees huge opportunity, particularly in Southeast Asia for its payments business.
- The company would leverage its technical capabilities in payments business for its international operations.
- The focus will be on B2B business, i.e. acquiring more merchant than consumers.
- The initial investment in a region is expected to be around Rs 200mn.
- The business operations will take some time to start actual operations.

Underlying metrics

- **Monthly transactions users (MTU)**
 - Average MTU was down -30% YoY and -1.4% QoQ to 70mn.
- **Merchant subscriptions**
 - Merchant subscription base have increased 10.4% YoY and 4.5% QoQ to 11.7mn.

(Con call takeaways continue on the next page)

Sale of Paypay Stock Option Acquisition Rights

- During the quarter, Paytm's subsidiary, One97 Communications Singapore Private Limited (OCL Singapore) completed the sale of all the Stock Acquisition Rights held by it in PayPay Corporation, Japan.
- The transaction was completed on December 13, 2024 and OCL Singapore received a consideration of USD 280mn (Rs 23.72bn).
- The gains were reported in the statement of Profit and Loss under the 'Other Comprehensive Income'.
- The cash received from the transaction is currently sitting overseas.
- The company currently plans to use the cash for overseas opportunities.
- The company is still working on tax implications on moving the cash to India.

Exhibit 2: Quarterly P&L Table

Particulars, Rs mn	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Revenue from Operations	18,278	16,595	10.1	28,505	-35.9
Less: Expenses					
Payment processing charges	5,704	5,168	10.4	9,822	-41.9
Gross Profit*	12,574	11,427	10.0	18,683	-32.7
Marketing and promotional expenses	1,409	1,544	-8.7	2,752	-48.8
Employee Expense (Excl. ESOP Exp.)	5,743	6,130	-6.3	8,092	-29.0
ESOP Expense	1,820	2,180	-16.5	3,780	-51.9
Software, cloud and data centre expenses	1,536	1,578	-2.7	1,704	-9.9
Other Expenses	4,290	4,028	6.5	3,950	8.6
TOTAL EXPENSES (Excl. Payment proc.)	14,798	15,460	-4.3	20,278	-27.0
EBITDA (Before ESOP Exp.)	(404)	(1,853)	-78.2	2,185	-118.5
EBITDA (Incl ESOP excl Oth. Inc.)**	(2,224)	(4,033)	-44.9	(1,595)	39.4
Depreciation and Amortization Expense	1,653	1,786	-7.4	2,009	-17.7
EBIT	(3,877)	(5,819)	-33.4	(3,604)	7.6
Other Income	1,887	1,745	8.1	1,486	27.0
Finance Cost	43	34	26.5	54	-20.4
Exceptional items	0	13,454	NA	0	NA
PBT	(2,033)	9,346	-121.8	(2,172)	-6.4
Tax	50	89	-43.8	7	614.3
PAT	(2,083)	9,257	-122.5	(2,179)	-4.4
Share of result of Associates/JVs	(2)	43	NA	(38)	NA
Consolidated PAT	(2,085)	9,300	-122.4	(2,217)	-6.0

Source: Company, YES Sec – Research; N.B. *Not the same as Contribution Profit reported by Paytm. **This is the standard EBITDA usually reported across companies

Exhibit 3: Contribution Profit – Calculation - Quarterly

Particulars, Rs mn	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Revenue from Operations	18,280	16,595	10.2	28,500	(35.9)
Payment processing charges	5,700	5,168	10.3	9,820	(42.0)
As % of GMV (%)	0.11	0.12	0bps	0.19	-8bps
Promotional cashback & incentives	370	290	27.6	1,060	(65.1)
Other Expenses	2,620	2,200	19.1	2,420	8.3
Total Direct Expenses	8,690	7,658	13.5	13,300	(34.7)
Contribution Profit	9,590	8,937	7.3	15,200	(36.9)
Contribution Margin (%)	52.5	53.9	-139bps	53.3	-87bps

Source: Company, YES Sec – Research

Exhibit 4: Adjusted EBITDA (before ESOP expense)* - Calculation - Quarterly

Particulars, Rs mn	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Contribution Profit	9,590	8,940	7.3	15,200	(36.9)
Marketing	1,040	1,800	(42.2)	1,690	(38.5)
Employee cost (Excl ESOPs)	5,750	6,130	(6.2)	8,090	(28.9)
Software, cloud and data center	1,540	1,580	(2.5)	1,700	(9.4)
Other indirect expenses	1,670	1,840	(9.2)	1,530	9.2
EBITDA (Before ESOP expense)*	(410)	(1,860)	(78.0)	2,190	(118.7)
EBITDA Margin (%)	(2.2)	(11.2)	897bps	7.7	-993bps

Source: Company, YES Sec – Research; *N.B. EBITDA used by company

Exhibit 5: Segmental Breakup of Revenue from Operations - Quarterly

Particulars, Rs mn	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Payments and financial services	15,050	13,220	13.8	22,860	-34.2
Payments Services	10,030	9,460	6.0	16,790	-40.3
Financial Services and Others	5,020	3,760	33.5	6,070	-17.3
Marketing Services	2,670	3,020	-11.6	5,140	-48.1
Other Operating Revenue	560	360	55.6	510	9.8
Total Revenue from Operations	18,280	16,600	10.1	28,510	-35.9

Source: Company, YES Sec – Research

Exhibit 6: Expenses as % of heads - Quarterly

%	3QFY25	2QFY25	QoQ, bps	3QFY24	YoY, bps
Payment processing charges as a % of Payment services revenue	56.9	54.6	224bps	58.5	-163bps
Expense heads as a % of Total Revenue					
Payment processing charges	28.3	28.2	11bps	32.7	-446bps
Marketing and promotional expenses	7.0	8.4	-143bps	9.2	-219bps
Employee Benefit Expense	28.5	33.4	-494bps	27.0	150bps
Software, cloud and data centre expenses	7.6	8.6	-99bps	5.7	194bps
Other Expenses	21.3	22.0	-69bps	13.2	810bps
Depreciation and Amortization Expense	8.2	9.7	-154bps	6.7	150bps
Finance Cost	0.2	0.2	3bps	0.2	3bps

Source: Company, YES Sec – Research

Exhibit 7: Key Operational Data - Quarterly

Particulars	3QFY25	2QFY25	QoQ, %	3QFY24	YoY, %
Monthly Transacting Users, mn	70.0	71.0	-1.4	100.0	-30.0
Monthly GMV per user, Rs	24,000	20,986	14.4	17,000	41.2
Devices merchant base, mn	11.7	11.2	4.5	10.6	10.4
Merchant Transactions, mn	11,080	9,910	11.8	9,990	10.9
Total Transactions, mn	12,320	11,090	11.1	11,850	4.0
No. of Key Financial Services Customers, mn	0.59	0.60	-1.7	0.81	-27.2
Value of Personal and Merchant Loans distributed, Rs bn	55.8	52.8	5.6	80.4	-30.6
Average number of sales employees	32,019	30,104	6.4	40,028	-20.0

Source: Company, YES Sec – Research

Exhibit 8: Quarterly Actuals Vs Estimates

Q3FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue from Operations	18,278	18,424	(0.8)
EBITDA (Ex-OI)	(404)	(998)	59.5
PAT (Ex-As./JV)	(2,083)	19,714*	110.6

Source: Company, YES Sec – Research, we have assumed gain from sale of Paypay rights as exceptional item whereas company has accounted it as other comprehensive income, which is not accounted for within PAT. Excluding the exceptional gain our PAT assumption was -Rs.3.7bn.

ANNUAL FINANCIALS

Exhibit 9: Income Statement

Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue from Op.	49,742	79,903	99,778	73,743	100,375	120,133	144,327	170,779	198,426	230,715
Other Income	2,901	4,097	5,469	6,850	7,064	7,417	7,788	8,178	8,587	9,016
Total Revenue	52,643	84,000	105,247	80,593	107,439	127,551	152,116	178,957	207,013	239,731
Operating Expenses										
Payment processing charges	27,538	29,577	32,804	22,209	31,795	36,408	41,698	47,764	54,721	62,700
Market. and prom.	8,554	10,764	9,220	6,661	7,660	8,809	9,689	10,658	11,724	12,897
Emp. exp. (Excl. ESOP)	16,226	23,225	31,234	24,958	28,702	33,007	36,308	39,939	43,933	48,326
ESOP Expense	8,093	14,558	14,658	8,510	5,600	5,000	5,000	5,000	5,000	5,000
Software, cloud and data	4,999	6,939	6,430	6,551	7,861	9,040	9,944	10,939	12,032	13,236
Other Expenses	7,734	11,155	14,500	17,027	20,432	23,497	25,846	28,431	31,274	34,401
Total Expenses	45,606	66,641	76,042	63,706	70,254	79,352	86,788	94,966	103,963	113,859
EBITDA (Excl. ESOP Exp.)	(15,309)	(1,757)	5,590	(3,663)	3,926	9,373	20,842	33,049	44,742	59,155
EBITDA	(23,402)	(16,315)	(9,068)	(12,173)	(1,674)	4,373	15,842	28,049	39,742	54,155
Dep. and Amor.	2,473	4,853	7,357	6,876	7,357	7,872	8,423	9,013	9,644	10,319
EBIT (Ex-OI)	(25,875)	(21,168)	(16,425)	(19,049)	(9,032)	(3,500)	7,418	19,036	30,098	43,836
Finance Cost	394	233	243	146	153	161	169	177	186	195
Exceptional	(24)	0	(2,328)	13,454	0	0	0	0	0	0
PBT	(23,392)	(17,304)	(13,527)	1,109	(2,121)	3,757	15,038	27,037	38,499	52,657
Tax	113	336	320	111	4	(8)	752	4,055	7,700	13,164
PAT (Ex-As./JV)	(23,505)	(17,640)	(13,847)	998	(2,125)	3,765	14,286	22,981	30,799	39,493

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 10: Cash flow statement

Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Cash flow from Operations										
Profit before Tax & Extr.	(23,851)	(17,429)	(13,904)	1,129	(2,163)	3,833	15,324	27,496	39,115	53,447
Adjustment For										
Depreciation	2,473	4,853	7,357	6,876	7,357	7,872	8,423	9,013	9,644	10,319
Interest expense	285	(197)	(1,757)	146	153	161	169	177	186	195
Other Income	(2,518)	(2,778)	(2,637)	(6,850)	(7,064)	(7,417)	(7,788)	(8,178)	(8,587)	(9,016)
Changes in WC	12,727	6,489	(149)	(1,823)	(2,129)	(2,485)	(2,897)	(3,375)	(3,929)	(4,571)
Direct Taxes Paid	(1,479)	(1,762)	(1,085)	(111)	(4)	8	(752)	(4,055)	(7,700)	(13,164)
Others	0	14,980	18,683	8,510	5,600	5,000	5,000	5,000	5,000	5,000
Net Cash from Op.	(12,363)	4,156	6,508	7,877	1,750	6,971	17,479	26,078	33,730	42,210
Cash flow from Investing										
Purchase of FA	(5,071)	(6,967)	(8,121)	(7,000)	(8,000)	(9,000)	(11,500)	(12,000)	(13,500)	(15,000)
Change in invest.	(96,322)	29,669	6,564	6,848	4,806	2,446	555	555	555	555
Others	46,507	3,553	4,737	(836)	(883)	(933)	(984)	(1,037)	(1,092)	(1,149)
Net Cash from Invest.	(54,886)	26,255	3,180	(988)	(4,077)	(7,487)	(11,928)	(12,481)	(14,037)	(15,594)
Cash flow from Financing										
Change in borrowings	(435)	0	0	0	0	0	0	0	0	0
Change in Equity	83,067	(8,577)	13	0	0	0	0	0	0	0
Dividend Paid	0	0	0	0	0	0	0	0	(1,272)	(1,908)
Others	(2,097)	(2,546)	(234)	9,823	9,357	7,971	8,349	8,744	9,159	9,594
Net Cash from Fin.	80,535	(11,123)	(221)	9,823	9,357	7,971	8,349	8,744	7,887	7,686
Net Inc/(Dec) in Cash	13,286	19,288	9,467	16,712	7,030	7,456	13,899	22,341	27,580	34,303

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 11: Ratio analysis

Particulars	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Growth Matrix (%)										
Revenue from Ops.	77.5	60.6	24.9	(26.1)	36.1	19.7	20.1	18.3	16.2	16.3
Gross Profit	150.7	126.7	33.1	(23.1)	33.1	22.1	22.6	19.9	16.8	16.9
Operating Expense	71.9	46.1	14.1	(16.2)	10.3	13.0	9.4	9.4	9.5	9.5
EBITDA (Excl. ESOP Expense)	(7.5)	(88.5)	(418.2)	(165.5)	(207.2)	138.8	122.4	58.6	35.4	32.2
EBITDA*	32.4	(30.3)	(44.4)	34.2	(86.2)	(361.2)	262.3	77.1	41.7	36.3
EBIT	33.0	(18.2)	(22.4)	16.0	(52.6)	(61.3)	(312.0)	156.6	58.1	45.6
PBT	44.0	(26.0)	(21.8)	(108.2)	(291.1)	(277.2)	300.2	79.8	42.4	36.8
PAT	44.5	(25.0)	(21.5)	(107.2)	(312.8)	(277.2)	279.5	60.9	34.0	28.2
Net Worth	116.6	(8.0)	2.4	0.8	(1.6)	2.9	10.7	15.6	17.3	18.8
Margin (%)										
Gross Profit Margin	44.6	63.0	67.1	69.9	68.3	69.7	71.1	72.0	72.4	72.8
EBITDA (Excl. ESOP Exp.) Margin	(30.8)	(2.2)	5.6	(5.0)	3.9	7.8	14.4	19.4	22.5	25.6
EBITDA Margin	(47.0)	(20.4)	(9.1)	(16.5)	(1.7)	3.6	11.0	16.4	20.0	23.5
EBIT Margin	(52.0)	(26.5)	(16.5)	(25.8)	(9.0)	(2.9)	5.1	11.1	15.2	19.0
PBT Margin	(47.0)	(21.7)	(13.6)	1.5	(2.1)	3.1	10.4	15.8	19.4	22.8
PAT Margin	(47.3)	(22.1)	(13.9)	1.4	(2.1)	3.1	9.9	13.5	15.5	17.1
Return Ratios (%)										
RoE	(16.9)	(13.6)	(10.7)	0.8	(1.6)	2.8	9.7	13.5	15.4	16.6
RoAE	(23.2)	(13.1)	(10.8)	0.8	(1.6)	2.9	10.2	14.4	16.6	18.0
RoCE	(18.3)	(16.3)	(12.3)	(14.2)	(6.8)	(2.6)	4.9	10.9	14.7	18.1
RoACE	(24.4)	(15.6)	(12.5)	(14.3)	(6.8)	(2.6)	5.2	11.8	15.9	19.7
RoA	(13.3)	(9.9)	(8.3)	0.6	(1.1)	1.9	6.5	9.3	10.8	12.0
RoAA	(17.7)	(9.9)	(8.1)	0.6	(1.2)	2.0	6.9	9.9	11.6	12.9
Per Share (Rs)										
EPS	(36.9)	(28.0)	(22.4)	1.6	(3.4)	6.0	22.9	36.9	49.4	63.3
BVPS	218.1	205.3	209.5	211.1	207.7	213.8	236.7	273.5	320.9	381.3
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	3.0
Sales per share	76.6	126.0	156.9	115.9	157.8	188.9	226.9	268.5	312.0	362.8
EBITDA per share*	(23.6)	(2.8)	8.8	(5.8)	6.2	14.7	32.8	52.0	70.3	93.0
FCFF per share	(10.8)	2.7	7.2	(16.6)	(9.8)	(3.3)	9.6	23.3	33.5	45.0
FCFE per share	(12.1)	2.3	6.8	(16.8)	(10.0)	(3.6)	9.3	23.1	33.2	44.8
CFO per share	(19.0)	6.6	10.2	12.4	2.8	11.0	27.5	41.0	53.0	66.4
EV per share	812.1	784.7	791.3	768.7	761.0	752.2	730.4	695.2	651.9	597.9
Valuation (x)										
P/E	NA	NA	NA	NA	NA	NA	38.9	24.2	18.1	14.1
P/B	4.1	4.3	4.3	4.2	4.3	4.2	3.8	3.3	2.8	2.3
P/S	11.6	7.1	5.7	7.7	5.7	4.7	3.9	3.3	2.9	2.5
EV/EBITDA*	NA	NA	NA	NA	NA	NA	22.3	13.4	9.3	6.4
EV/CFO	NA	NA	NA	NA	NA	NA	26.6	17.0	12.3	9.0
Yield (%)										
FCFF Yield	(1.2)	0.3	0.8	(1.9)	(1.1)	(0.4)	1.1	2.6	3.8	5.0
Dividend Yield	NA	NA	NA	NA	NA	NA	NA	NA	0.2	0.3

Source: Company, YES Sec - Research, Consolidated Financials, *EBITDA Before ESOP Expense

Exhibit 12: Balance Sheet - Assets

Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Assets										
Non-Current Assets										
Tangible As.	5616	8293	9309	9496	9346	9835	11939	13630	15879	18655
Intangible As.	3098	3394	2757	2694	3487	4125	5098	6394	8001	9905
Goodwill	443	443	443	443	443	443	443	443	443	443
Capital WIP	102	72	100	100	100	100	100	100	100	100
Investments	12295	15765	22943	18429	15723	15168	14612	14057	13502	12946
Oth. Non-curr.	50912	11800	14202	13872	13542	13212	12882	12553	12223	11893
Total Non-Cur.	72466	39767	49754	45034	42641	42883	45075	47176	50147	53943
Current Assets										
Investments	0	11206	23340	21006	18905	17015	17015	17015	17015	17015
Trade Rec.	7464	12528	16507	18983	21831	25105	28871	33201	38182	43909
Cash & Equiv.	52020	70395	52462	69174	76204	83660	97559	119900	147480	181783
Other Curr.	47966	45762	29328	30494	31707	32970	34283	35650	37072	38551
Total Current	107450	139891	121637	139657	148647	158750	177728	205766	239749	281258
Total Assets	179916	179658	171391	184691	191288	201633	222803	252943	289896	335201

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 13: Balance Sheet - Equity and Liabilities

Rs mn	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Equity and Liabilities										
Share capital	649	634	636	636	636	636	636	636	636	636
Other equity	140,867	129,522	132,630	133,648	131,481	135,321	149,893	173,334	203,477	241,851
Net Worth	141,516	130,156	133,266	134,284	132,117	135,957	150,529	173,970	204,113	242,487
Non-cont. int.	(221)	(227)	(282)	(282)	(282)	(282)	(282)	(282)	(282)	(282)
Total Equity	141,295	129,929	132,984	134,002	131,835	135,675	150,247	173,688	203,831	242,205
Non-Current Liabilities										
Lease liabilities	1,822	1,876	1,449	1,478	1,508	1,538	1,568	1,600	1,632	1,664
Oth. Non-Curr.	3,474	2,984	1,805	10,329	15,944	20,959	25,975	30,990	36,006	41,023
Total Non-Cur.	5,296	4,860	3,254	11,807	17,452	22,497	27,543	32,590	37,638	42,687
Current Liabilities										
Borrowings	1	20	0	0	0	0	0	0	0	0
Trade payables	7,514	8,589	6,842	7,495	8,213	9,003	9,872	10,828	11,880	13,036
Oth. Curr.	25,810	36,260	28,311	31,387	33,788	34,458	35,140	35,837	36,547	37,272
Total Cur.	33,325	44,869	35,153	38,881	42,001	43,461	45,013	46,665	48,427	50,308
Total Liabilities	179,916	179,658	171,391	184,691	191,288	201,633	222,803	252,943	289,896	335,201

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 14: Sum of the Parts (SOTP) - Associates and Joint Ventures

Subsidiary	Market Cap / Assigned value (Rs mn)	Valuation metric	Metric value (Rs mn)	Trailing multiple (Implied / Assigned)	Stake (%)	Stake value (Rs mn)	Per share (Rs)
Paytm First Games	7,465	Sales	1,493	5.0	55%	4,106	6.3
Value of Associates/JV						4,106	6.3

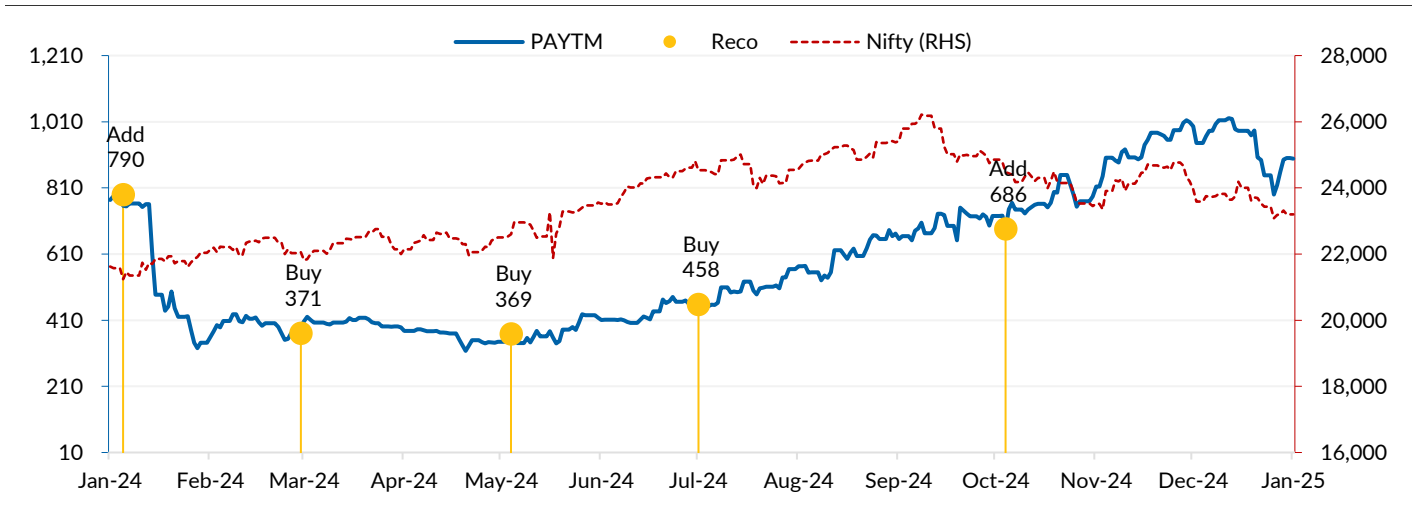
Source: Company, YES Sec – Research

Exhibit 15: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E	FY25E	FY26E	FY27E
Total Revenue	80,593	107,439	127,551	81,232	111,365	137,846	(0.8)	(3.5)	(7.5)
EBITDA (Ex-OI)	(3,663)	3,926	9,373	(8,717)	1,054	8,428	58.0	(272.6)	(11.2)
PAT (Ex-As./JV)	998	(2,125)	3,765	(7,857)	(10,197)	(3,411)	112.7	79.2	210.4

Source: Company, YES Sec – Research

Recommendation Tracker



STANDARD DISCLAIMER:

YES Securities (India) Limited, Registered Address: 2nd Floor, North Side, YES BANK House, Off Western Express Highway, Santacruz East, Mumbai - 400055. Maharashtra, India | **Correspondence Add:** 7th Floor, Urmi Estate Tower A, Ganpatrao Kadam Marg, Opp. Peninsula Business Park, Lower Parel (West), Mumbai - 400 013, Maharashtra, India. | Website: www.yesinvest.in | Email: customer.service@ysil.in

Registration Nos.: CIN: U74992MH2013PLC240971 | SEBI Registration No.: NSE, BSE, MCX & NCDEX : INZ000185632 | Member Code: BSE - 6538, NSE - 14914, MCX - 56355 & NCDEX - 1289 | CDSL & NSDL: IN-DP-653-2021 | RESEARCH ANALYST: INH000002376 | INVESTMENT ADVISER: INA000007331 | Sponsor and Investment Manager to YSL Alternates Alpha Plus Fund (Cat III AIF) and YES Wealth Maximiser AIF (Cat III AIF) SEBI Registration No.: IN/AIF3/20- 21/0818 | AMFI ARN Code - 94338

Details of Compliance Officer: Aditya Goenka | Email: compliance@ysil.in / Contact No.: 022-65078127 | **Grievances Redressal Cell:** customer.service@ysil.in / igc@ysil.in

Standard Disclaimer: Investment in securities market are subject to market risks; read all the related documents carefully before investing. Above representation provides an overview related to our past performance neither does it provide any guarantee of future performance, nor we are ensuring any guaranteed returns. Actual Client returns may vary depending upon time premium, volatility Index, intrinsic value of the script, open interest, other geopolitical conditions and choice of the customer to execute the recommendation in full or part. All recommendations are published under Research Analyst License of YES Securities (India) Limited (YSIL); execution of the recommendation is at complete discretion of customer without any intervention by the research publisher.

Contents which are exclusively for Non-Broking Products/Services e.g. Mutual Fund, Mutual Fund-SIP, Research reports, Insurance, etc. where the YSIL is just a distributor. These are not Exchange traded product and the YSIL is just acting as distributor. Kindly note that all disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

YSIL is a subsidiary of YES Bank Limited. Savings, Current, PIS and Demat Account are offered by YES Bank Limited. Please note Brokerage would not exceed the SEBI prescribed limit. YSIL also acts in the capacity of distributor for Products such as IPOs, Mutual Funds, Mutual Fund-SIPs, NCD/Bonds, etc., All disputes with respect to the distribution activity, would not have access to Exchange investor redressal forum or Arbitration mechanism.

Margin Trading Funding (MTF) is an exchange approved product offered to YSIL trading account holders, as per the regulation and guideline of SEBI Circular: CIR/MRD/DP/54/2017 dated June 13, 2017. For product specification, T&C, rights and obligations statement issued by the YSIL visit https://yesinvest.in/standard_documents_policies

DISCLAIMER

Investments in securities market are subject to market risks, read all the related documents carefully before investing.

The information and opinions in this report have been prepared by YSIL and are subject to change without any notice. The report and information contained herein are strictly confidential and meant solely for the intended recipient and may not be altered in any way, transmitted to, copied or redistributed, in part or in whole, to any other person or to the media or reproduced in any form, without prior written consent of YSIL.

The information and opinions contained in the research report have been compiled or arrived at from sources believed to be reliable and have not been independently verified and no guarantee, representation of warranty, express or implied, is made as to their accuracy, completeness, authenticity or validity. No information or opinions expressed constitute an offer, or an invitation to make an offer, to buy or sell any securities or any derivative instruments related to such securities. Investments in securities are subject to market risk. The value and return on investment may vary because of changes in interest rates, foreign exchange rates or any other reason. Investors should note that Price of each of the securities or value may rise or fall and, accordingly, investors may even receive amounts which are less than originally invested. The investor is advised to take into consideration all risk factors including their own financial condition, suitability to risk return profile and the like, and take independent professional and/or tax advice before investing. Opinions expressed are our current opinions as of the date appearing on this report. Investor should understand that statements regarding future prospects may not materialize and are of general nature which may not be specifically suitable to any particular investor. Past performance may not necessarily be an indicator of future performance. Actual results may differ materially from those set forth in projections. Registration granted by SEBI and certification from NISM in no way guarantee performance of the intermediary or provide any assurance of returns to investors. YES Securities (India) Limited conforms with the rules and regulations enumerated in the Securities and Exchange Board of India (Research Analysts) Regulations, 2014 as amended from time to time.

Technical analysis reports focus on studying the price movement and trading turnover charts of securities or its derivatives, as opposed to focussing on a company's fundamentals and opinions, as such, may not match with reports published on a company's fundamentals.

YSIL, its research analysts, directors, officers, employees and associates accept no liabilities for any loss or damage of any kind arising out of the use of this report. This report is not directed or intended for distribution to, or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject YSIL and associates to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to certain category of investors. Persons in whose possession this document may come are required to inform themselves of and to observe such restriction.

YES Securities (India) Limited distributes research and engages in other approved or allowable activities with respect to U.S. Institutional Investors through Rule 15a-6 under the Securities Exchange Act of 1934 (the "Exchange Act")^[1] and regulations under an exclusive chaperone arrangement with Brasil Plural Securities LLC. The views and sentiments expressed in this research report and any findings thereof accurately reflect YES Securities (India) Limited analyst's truthful views about the subject securities and or issuers discussed herein. YES Securities (India) Limited is not registered as a broker-dealer under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and is not a member of the Securities Investor Protection Corporation ("SIPC"). Brasil Plural Securities LLC is registered as a broker-dealer under the Exchange Act and is a member of SIPC. For questions or additional information, please contact Gil Aikins (gil.aikins@brasilplural.com) or call +1 212 388 5600.

This research report is the product of YES Securities (India) Limited. YES Securities (India) Limited is the employer of the research analyst(s), the authors of this research report. YES Securities (India) Limited is the concerned representatives (employees) of YES Securities (India) Limited, are responsible for the content of this research report including but not limited to any material conflict of interest of YES Securities (India) Limited in relation to the issuer(s) or securities as listed in this research report. This YES Securities (India) Limited research report is distributed in the United States through Brasil Plural Securities LLC (BPS). The research analyst(s) preparing the research report is/are resident outside the United States (U.S.) and is/ are not associated persons of any U.S. regulated broker-dealer and therefore the analyst(s) is/are not subject to supervision by a U.S. broker-dealer, and is/are not required to satisfy the regulatory licensing requirements of FINRA or required to otherwise comply with U.S. rules or regulations regarding, among other things, communications with a subject company, public appearances and trading securities held by a research analyst account. As per SEC Rule 15a-6, the U.S. broker-dealer must accompany any third party research report it distributes with, or provide a web address that directs a recipient to, disclosure of any material conflict of interest that can reasonably be expected to have influenced the choice of a third-party research report provider or the subject company of a third-party research.

FINRA Rules 2241 and 2242, which govern the conduct of research analysts and the content of equity and debt research reports, respectively, apply to all research distributed by a FINRA member firm, including research prepared by a foreign broker-dealer under Rule 15a-6.

- Research reports prepared by a foreign broker-dealer and distributed by a U.S. broker-dealer are deemed to be third party research reports, as reports produced by a person other than a FINRA member.
- Prior to distributing any third party research, a U.S. broker-dealer must assure that such report contains the required disclosures under FINRA Rule 2241(h) or 2242(g)(3), as applicable.

This report is intended for distribution by YES Securities (India) Limited only to "Major Institutional Investors" as defined by Rule 15a-6(b)(4) of the U.S. Securities and Exchange Act, 1934 (the Exchange Act) and interpretations thereof by U.S. Securities and Exchange Commission (SEC) in reliance on Rule 15a-6(a)(2). As per Rule 15a-6(b)(4) of the Exchange Act, 1934, "Major U.S. institutional investor" means a U.S. institutional investor with assets, or assets under management, in excess of US\$100 million, or a registered investment adviser with assets under management in excess of US\$100 million. If the recipient of this report is not a Major Institutional Investor as specified above, then it should not act upon this report and return the same to the sender. Further, this report may not be copied, duplicated and/or transmitted onward to any U.S. person or entity. Transactions in securities discussed in this research report should be effected through Brasil Plural Securities LLC (BPS) or another U.S. registered broker dealer/Entity as informed by YES Securities (India) Limited from time to time.

^[1] Rule 15a-6 under the Securities Exchange Act of 1934 provides conditional exemptions from broker-dealer registration for foreign broker-dealers that engage in certain specified activities involving U.S. investors. These activities include:

- (a) Effecting unsolicited securities transactions;
- (b) Providing research reports to major U.S. institutional investors, and effecting transactions in the subject securities with or for those investors;
- (c) Soliciting and effecting transactions with or for U.S. institutional investors or major U.S. institutional investors through a "chaperone broker-dealer"; and
- (d) Soliciting and effecting transactions with or for registered broker-dealers, banks³ acting in a broker or dealer capacity, certain international organizations, foreign persons temporarily present in the U.S., U.S. citizens resident abroad, and foreign branches and agencies of U.S. persons.

In adopting Rule 15a-6, the SEC sought "to facilitate access to foreign markets by U.S. institutional investors through foreign broker-dealers and the research that they provide, consistent with maintaining the safeguards afforded by broker-dealer registration." [Rule 15a-6 Adopting Release at 54 FR 30013; see also Registration Requirements for Foreign Broker-Dealers, Exchange Act Release No. 25801 (June 14, 1988), 53 FR 23645 (June 23, 1988)].

DISCLOSURE OF INTEREST

Name of the Research Analyst : Shivaji Thapliyal, Siddharth Rajpurohit, Suraj Singhania

The analyst hereby certifies that opinion expressed in this research report accurately reflect his or her personal opinion about the subject securities and no part of his or her compensation was, is or will be directly or indirectly related to the specific recommendation and opinion expressed in this research report.

Sr. No.	Particulars	Yes/No
1	Research Analyst or his/her relative's or YSIL's financial interest in the subject company(ies)	No
2	Research Analyst or his/her relative or YSIL's actual/beneficial ownership of 1% or more securities of the subject company(ies) at the end of the month immediately preceding the date of publication of the research report	No
3	Research Analyst or his/her relative or YSIL has any other material conflict of interest at the time of publication of the research report	No
4	Research Analyst has served as an officer, director or employee of the subject company(ies)	No
5	YSIL has received any compensation from the subject company in the past twelve months	No
6	YSIL has received any compensation for investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
7	YSIL has received any compensation for products or services other than investment banking or merchant banking or brokerage services from the subject company in the past twelve months	No
8	YSIL has received any compensation or other benefits from the subject company or third party in connection with the research report	No
9	YSIL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSIL has been engaged in market making activity for the subject company(ies)	No

Since YSIL and its associates are engaged in various businesses in the financial services industry, they may have financial interest or may have received compensation for investment banking or merchant banking or brokerage services or for any other product or services of whatsoever nature from the subject company(ies) in the past twelve months or associates of YSIL may have managed or co-managed public offering of securities in the past twelve months of the subject company(ies) whose securities are discussed herein.

Associates of YSIL may have actual/beneficial ownership of 1% or more and/or other material conflict of interest in the securities discussed herein.

RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

BUY: Upside greater than 20% over 12 months

ADD: Upside between 10% to 20% over 12 months

NEUTRAL: Upside between 0% to 10% over 12 months

REDUCE: Downside between 0% to -10% over 12 months

SELL: Downside greater than -10% over 12 months

NOT RATED / UNDER REVIEW

Lead Analyst signature

Analyst signature

Associate signature

ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSIL") is a subsidiary of YES BANK LIMITED. YSIL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSIL is also a SEBI-registered Investment Adviser and Research Analyst. YSIL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL.