

July 19, 2024

**RESULT REPORT Q1 FY25** | Sector: Fintech

# One 97 Communications

Management aspires for operational profitability this financial year itself

**Our view – Resumption of customer addition, merchant payments and device traction and lending partner addition on the anvil**

**Profitability** – The company is aiming to deliver quarterly profitability within this financial year itself: This profitability is on EBITDA before ESOP basis and without considering UPI incentive. For the quarter, the overall contribution profit was down -42% YoY at Rs 7.55bn, translating to a contribution margin of 50.3%, down by -537bps YoY and -647bps QoQ. EBITDA before ESOP cost stood -Rs 5.45bn, which translated to an adjusted EBITDA margin of -36.3%, as against 3.5% in 1QFY24.

**Customer addition** – Resumption of customer addition is something investors can look forward to: The company is at the tail-end of migration to other banks. Once this is complete, it would be able to go to the NPCI to allow customer addition. This should happen in the current financial year.

**Revenue aspects** – Overall revenue was down -36% YoY to Rs 15.02bn for the quarter, the impact from RBI directives being felt: Revenue from Payments services to consumers was down -85% YoY to Rs 0.83bn. Revenue from Payments services to merchants was down -4.9% YoY to Rs 8.01bn. Revenue from Financial Services business was down -46% YoY to Rs 2.80bn. The revenue from Marketing Services (commerce and cloud business) in 1Q stood at Rs. 3.21bn, down by -20.7% YoY.

We maintain a recently-assigned (**Mar 2024**) 'BUY' rating on PAYTM with a revised price target of Rs 550: We value PAYTM at 3.3x FY26 P/S to arrive at our price target.

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

**Result Highlights (See “Our View” above for elaboration and insight)**

- **Revenue from operations:** Revenue at Rs 15,016mn was down -33.8%/-35.9% QoQ/YoY, sequentially dragged lower by all business segments.
- **Payment processing charges:** Payment proc. charges were down -27.7%/-32.5% QoQ/YoY and were 58.5% of Payments Serv. Revenue, up 1253bps/358bps QoQ/YoY.
- **Contribution profit:** Cont. profit at Rs 7,555mn was down -41.3%/-42.1% QoQ/YoY, with a Contr margin of 50.3%, down -647bps/-537bps QoQ/YoY.
- **Expenses (excl Payment proc. charges):** Total exp. were up/down 0.1%/-4.9% QoQ/YoY, YoY driven lower by Employee exp and Marketing exp.
- **Standard EBITDA (Calc.):** EBITDA loss was at -Rs 7,922mn, against -Rs. 2,235mn in 4QFY24 and -Rs. 2,927mn in 1QFY24, translating to an EBITDA margin of -52.8%, declined -4290bps QoQ.

## Exhibit 1: Result table

Particulars, Rs mn	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Revenue from Operations	15,016	22,671	-33.8	23,416	-35.9
Other Income	1,375	1,317	4.4	1,226	12.2
<b>Total Revenue</b>	<b>16,391</b>	<b>23,988</b>	<b>-31.7</b>	<b>24,642</b>	<b>-33.5</b>
Payment processing charges	5,171	7,148	-27.7	7,666	-32.5
<b>Gross Profit</b>	<b>9,845</b>	<b>15,523</b>	<b>-36.6</b>	<b>15,750</b>	<b>-37.5</b>
Total Expenses	17,767	17,758	0.1	18,677	-4.9
<b>EBITDA (Incl ESOP excl Oth. Inc.)</b>	<b>(7,922)</b>	<b>(2,235)</b>	<b>254.5</b>	<b>(2,927)</b>	<b>170.7</b>
Calculated EBITDA Margin	-52.8	-9.9	-4290bps	-12.5	-4026bps
<b>EBIT</b>	<b>(9,706)</b>	<b>(4,191)</b>	<b>131.6</b>	<b>(4,518)</b>	<b>114.8</b>
<b>PBT</b>	<b>(8,373)</b>	<b>(5,197)</b>	<b>61.1</b>	<b>(3,359)</b>	<b>149.3</b>
Tax	15	141	-89.4	44	-65.9
<b>PAT</b>	<b>(8,388)</b>	<b>(5,338)</b>	<b>57.1</b>	<b>(3,403)</b>	<b>146.5</b>
Share of Assoc./JVs	(13)	(167)	NA	(181)	NA
<b>Consolidated PAT</b>	<b>(8,401)</b>	<b>(5,505)</b>	<b>52.6</b>	<b>(3,584)</b>	<b>134.4</b>

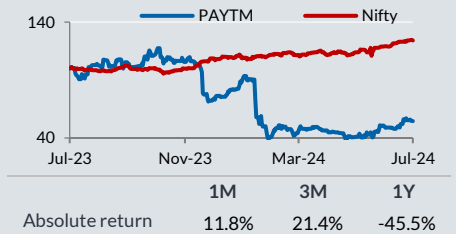
Source: Company, YES Sec-Research

Recommendation	: BUY
Current Price	: Rs 458
Target Price	: Rs 550
Potential Return	: 20%

Stock data (as on July 19, 2024)

Nifty	24,531
52 Week h/l (Rs)	998 / 310
Market cap (Rs/USD mn)	292877 / 3499
Outstanding Shares (mn)	636
6m Avg t/o (Rs mn):	3,085
Div yield (%):	NA
Bloomberg code:	PAYTM IN
NSE code:	PAYTM

Stock performance



Shareholding pattern (As of Mar'24 end)

Promoter	0.0%
FII+DII	67.3%
Others	32.7%

Δ in stance

(1-Yr)	New	Old
Rating	BUY	BUY
Target Price	550	500

Financial Summary

(Rs mn)	FY24	FY25E	FY26E
Total Revenue	105,247	81,234	111,369
YoY Growth, %	25.3	(22.8)	37.1
EBITDA Margin, %	(8.6)	(30.1)	(12.1)
PAT Ex JV/Assoc.	(13,847)	(26,970)	(16,675)
YoY Growth, %	(21.5)	94.8	(38.2)
Sales Per Share, Rs	156.9	118.7	165.6
EPS, Rs	(22.4)	(43.3)	(26.7)
BVPS, Rs	209.5	166.3	139.5
P/Sales, x	2.9	3.8	2.7
P/E, x	NA	NA	NA
P/BV, x	2.2	2.7	3.2
ROAE, %	(10.8)	(23.0)	(17.5)
ROAA, %	(8.1)	(16.7)	(11.0)

Δ in earnings estimates

Rs.	FY24	FY25E	FY26E
EPS (New)	NA	(43.3)	(26.7)
EPS (Old)	NA	(40.5)	(32.7)
% change	NA	-6.8%	18.1%

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## COMPREHENSIVE CON-CALL TAKEAWAYS

### Profitability

- **Guidance on profitability**
  - The company is aiming to deliver quarterly profitability within this financial year itself.
  - This profitability is on EBITDA before ESOP basis and without considering UPI incentive.
  - **Medium-term guidance**
    - In about 3-4 years, the company would like to get to an EBITDA margin of 20%.
- **Contribution margin**
  - The overall contribution profit was down -42% YoY at Rs 7.55bn, translating to a contribution margin of 50.3%, down by -537bps YoY and -647bps QoQ.
- **EBITDA before ESOP cost**
  - EBITDA before ESOP cost stood -Rs 5.45bn, which translated to an adjusted EBITDA margin of -36.3%, as against 3.5% in 1QFY24.

### Key revenue items

- Overall revenue was down -36% YoY to Rs 15.02bn for the quarter.
- Revenue from Payments services to consumers was down -85% YoY to Rs 0.83bn.
- Revenue from Payments services to merchants was down -4.9% YoY to Rs 8.01bn.
- Revenue from Financial Services business was down -46% YoY to Rs 2.80bn.
- The revenue from Marketing Services (commerce and cloud business) in 1Q stood at Rs. 3.21bn, down by -20.7% YoY.

### Underlying metrics

- **Monthly transactions users (MTU)**
  - Average MTU was down -15.2% YoY to 78mn.
- **Merchant subscriptions**
  - Merchant subscription base have increased 38% YoY to 10.9mn.

### Lending business

- **Loan disbursement value**
  - The value of personal loans and merchant loans disbursed amounted to Rs 50.1bn, down -26% YoY on like-to-like basis.
- **Personal loans**
  - The value of Personal Loans distributed declined -38.5% YoY to Rs 25.0 bn.
  - The average ticket size was around Rs 135,000, almost flat YoY.
- **Merchant loans**
  - The value of Merchant Loans distributed declined by -8.6% YoY to Rs 25.08 bn
  - The average ticket size has increased to around Rs 225,000 from around Rs 196,000 a year ago.

(Con call takeaways continue on the next page)

- **Incremental colour on loan distribution**
  - **Merchant loans**
    - It was expected that merchant loans distribution would benefit due to pent up demand.
  - **General outlook**
    - At this point, the company is not pursuing aggressive credit disbursement.
  - **Personal loans**
    - The effort with regard to this segment is to add more lending partners and diversify the business.
    - **Ticket size**
      - The share of personal loans below Rs 50,000 used to 7-9% earlier but the company had been reducing its share, which had declined to 3-5% of disbursement by Oct-Nov 2023.
      - Due to the low share of small-ticket loans to begin with, the average ticket size has not really declined even after de-focusing small-ticket personal loans.
  - **Take rate**
    - The take rate for the loan distribution business would be in the 3-3.5% range.
    - Take rate would be an outcome of the mix of loans disbursed.
    - If the share of secured loans rises, then the take rate could change.
    - LAP, LAS and loan against gold are currently being piloted.

## Customer addition

- The company is at the tail-end of migration to other banks.
- Once this is complete, it would be able to go to the NPCI to allow customer addition.
- This should happen in the current financial year.
- **Re-activation of dormant customers**
  - The total addressable dormant customer base is about 183mn.

## Operating expenses

- **Employee expenses**
  - The company has guided that it is building a leaner organisation and, along those lines, the employee cost has declined 10% QoQ.
  - Management expects employee cost to go down further by 5-7% over the next few quarters.
  - However, it may noted that the sales team will be added to during the festive season.
- **Marketing spends**
  - Marketing spends were higher than normal this quarter since the company was focused on informing the customer base.
  - Going forward, the marketing spend will decline from the level seen in 1Q.
- **Other aspects of indirect cost**
  - In total, higher one off related to indirect cost amounted to Rs 0.8-1bn.
  - This included cost related to the migration to third party banks.
  - There was also higher cost related to tightening of provisions for receivables specifically for device merchants.

## Device business

- There were many devices which had become inactive, which can be deployed back without capex.

(Con call takeaways continue on the next page)

- 1mn per quarter of device addition would be healthy number from the company's perspective but one could touch 1.3mn during festive season push.

## Net payments margin

- **Decline in net payments margin**
  - The key reason for the net payments margin declining was the discontinuation of higher-margin products, particularly Wallet.
  - Earlier, the Net Payments Margin for non-UPI GMV was 15-18 bps.
- **Return of Wallet**
  - Hopefully, one day Wallet will come back, either in partnership or otherwise but, currently, there is nothing directional that can be mentioned.
- **Commercials with third-party banks**
  - Commercials with the new third-party banks are similar on overall basis.
- **Guidance**
  - Overall net payments margin, which used to be 7-9 bps, will now be 5-6 bps.

## Wealth management and Insurance distribution

- Insurance distribution and wealth management currently contribute 3-4% to overall revenue.
- Resources are currently being added and this can further add to topline and this could become the third leg of revenue.
- **Insurance**
  - The company will sell consumer insurance including health and credit-related.
- **Mutual fund distribution**
  - The company has started to work on fee-generating mutual fund distribution.

## Exhibit 2: Quarterly P&L Table

Particulars, Rs mn	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Revenue from Operations	15,016	22,671	-33.8	23,416	-35.9
Other Income	1,375	1,317	4.4	1,226	12.2
<b>Total Revenue</b>	<b>16,391</b>	<b>23,988</b>	<b>-31.7</b>	<b>24,642</b>	<b>-33.5</b>
<b>Less: Expenses</b>					
Payment processing charges	5,171	7,148	-27.7	7,666	-32.5
<b>Gross Profit*</b>	<b>9,845</b>	<b>15,523</b>	<b>-36.6</b>	<b>15,750</b>	<b>-37.5</b>
Marketing and promotional expenses	2,214	1,287	72.0	2,653	-16.5
Employee Benefit Expense	9,525	11,044	-13.8	11,061	-13.9
Software, cloud and data centre expenses	1,824	1,623	12.4	1,550	17.7
Other Expenses	4,204	3,804	10.5	3,413	23.2
<b>TOTAL EXPENSES (Excl. Payment proc.)</b>	<b>17,767</b>	<b>17,758</b>	<b>0.1</b>	<b>18,677</b>	<b>-4.9</b>
<b>EBITDA (Incl ESOP excl Oth. Inc.)**</b>	<b>(7,922)</b>	<b>(2,235)</b>	<b>254.5</b>	<b>(2,927)</b>	<b>170.7</b>
Depreciation and Amortization Expense	1,784	1,956	-8.8	1,591	12.1
<b>EBIT</b>	<b>(9,706)</b>	<b>(4,191)</b>	<b>131.6</b>	<b>(4,518)</b>	<b>114.8</b>
Finance Cost	42	52	-19.2	67	-37.3
Exceptional items	0	(2,271)	NA	0	NA
<b>PBT</b>	<b>(8,373)</b>	<b>(5,197)</b>	<b>61.1</b>	<b>(3,359)</b>	<b>149.3</b>
Tax	15	141	-89.4	44	-65.9
<b>PAT</b>	<b>(8,388)</b>	<b>(5,338)</b>	<b>57.1</b>	<b>(3,403)</b>	<b>146.5</b>
Share of result of Associates/JVs	(13)	(167)	NA	(181)	NA
<b>Consolidated PAT</b>	<b>(8,401)</b>	<b>(5,505)</b>	<b>52.6</b>	<b>(3,584)</b>	<b>134.4</b>

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	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Revenue from Operations	15,016	22,670	(33.8)	23,420	(35.9)
Payment processing charges	5,171	7,148	(27.7)	7,670	(32.6)
As % of GMV (%)	0.12	0.15	-3bps	0.19	-7bps
Promotional cashback & incentives	440	460	(4.3)	850	(48.2)
Other Expenses	1,850	2,190	(15.5)	1,860	(0.5)
<b>Total Direct Expenses</b>	<b>7,461</b>	<b>9,798</b>	<b>(23.9)</b>	<b>10,380</b>	<b>(28.1)</b>
<b>Contribution Profit</b>	<b>7,555</b>	<b>12,872</b>	<b>(41.3)</b>	<b>13,040</b>	<b>(42.1)</b>
<b>Contribution Margin (%)</b>	<b>50.3</b>	<b>56.8</b>	<b>-647bps</b>	<b>55.7</b>	<b>-537bps</b>

Source: Company, YES Sec – Research

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

Particulars, Rs mn	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Contribution Profit	7,555	12,880	(41.4)	13,040	(42.1)
Marketing	1,770	830	113.3	1,810	(2.2)
Employee cost (Excl ESOPs)	7,060	7,790	(9.4)	7,300	(3.3)
Software, cloud and data center	1,820	1,620	12.3	1,550	17.4
Other indirect expenses	2,360	1,620	45.7	1,550	52.3
<b>EBITDA (Before ESOP expense)*</b>	<b>(5,450)</b>	<b>1,030</b>	<b>(629.1)</b>	<b>830</b>	<b>(756.6)</b>
<b>EBITDA Margin (%)</b>	<b>(36.3)</b>	<b>4.5</b>	<b>-4084bps</b>	<b>3.5</b>	<b>-3984bps</b>

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

## Exhibit 5: Segmental Breakup of Revenue from Operations - Quarterly

Particulars, Rs mn	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Payments and financial services	11,640	18,590	-37.4	19,180	-39.3
Payments Services to Consumers	830	4,380	-81.1	5,540	-85.0
Payments Services to Merchants	8,010	11,170	-28.3	8,420	-4.9
Financial Services and Others	2,800	3,040	-7.9	5,220	-46.4
Marketing Services	3,210	3,950	-18.7	4,050	-20.7
Other Operating Revenue	160	140	14.3	190	-15.8
<b>Total Revenue from Operations</b>	<b>15,010</b>	<b>22,680</b>	<b>-33.8</b>	<b>23,420</b>	<b>-35.9</b>

Source: Company, YES Sec – Research

## Exhibit 6: Expenses as % of heads - Quarterly

%	1QFY25	4QFY24	QoQ, bps	1QFY24	YoY, bps
Payment processing charges as a % of Payment services revenue	58.5	46.0	1253bps	54.9	358bps
<b>Expense heads as a % of Total Revenue</b>					
Payment processing charges	31.5	29.8	175bps	31.1	44bps
Marketing and promotional expenses	13.5	5.4	814bps	10.8	274bps
Employee Benefit Expense	58.1	46.0	1207bps	44.9	1322bps
Software, cloud and data centre expenses	11.1	6.8	436bps	6.3	484bps
Other Expenses	25.6	15.9	979bps	13.9	1180bps
Depreciation and Amortization Expense	10.9	8.2	273bps	6.5	443bps
Finance Cost	0.3	0.2	4bps	0.3	-2bps

Source: Company, YES Sec – Research

## Exhibit 7: Key Operational Data - Quarterly

Particulars	1QFY25	4QFY24	QoQ, %	1QFY24	YoY, %
Monthly Transacting Users, mn	78.0	96.0	-18.8	92.0	-15.2
Monthly GMV per user, Rs	18,205	16,285	11.8	14,674	24.1
Devices merchant base, mn	10.9	10.7	1.9	7.9	38.0
Merchant Transactions, mn	9,000	9,620	-6.4	7,960	13.1
Total Transactions, mn	10,230	11,290	-9.4	9,630	6.2
Value of Personal and Merchant Loans distributed, Rs bn	50.1	50.8	-1.4	68.1	-26.4
Average number of sales employees	31,607	36,521	-13.5	28,479	11.0

Source: Company, YES Sec – Research

## Exhibit 8: Quarterly Actuals Vs Estimates

Q1FY25 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue from Operations	15,016	15,317	(2.0)
EBITDA (Ex-OI)	(7,922)	(9,248)	14.3
PAT (Ex-As./JV)	(8,388)	(10,127)	17.2

Source: Company, YES Sec – Research

## ANNUAL FINANCIALS

### Exhibit 9: Income Statement

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue-Ops.	32,808	28,024	49,742	79,903	99,778	75,492	105,339	131,519	164,364	197,432	227,523	262,399
Other Income	2,599	3,844	2,901	4,097	5,469	5,742	6,030	6,331	6,648	6,980	7,329	7,695
<b>Total Revenue</b>	<b>35,408</b>	<b>31,868</b>	<b>52,643</b>	<b>84,000</b>	<b>105,247</b>	<b>81,234</b>	<b>111,369</b>	<b>137,850</b>	<b>171,012</b>	<b>204,412</b>	<b>234,852</b>	<b>270,095</b>
<b>Operating Expenses</b>												
Payment Proc.	22,659	19,168	27,538	29,577	32,804	25,099	36,310	44,919	55,586	66,029	75,158	85,579
Marketing exp.	13,971	5,325	8,554	10,764	9,220	9,958	11,451	13,169	14,486	15,934	17,528	19,281
Employee Cost	11,193	11,849	24,319	37,783	45,892	42,289	45,087	50,636	54,891	59,571	64,718	70,381
Software, etc.	3,603	3,498	4,999	6,939	6,430	6,944	7,986	9,184	10,102	11,113	12,224	13,446
Other Expenses	7,727	5,857	7,734	11,155	14,500	15,660	18,009	20,710	22,781	25,060	27,565	30,322
Total Expenses	36,493	26,529	45,606	66,641	76,042	74,851	82,534	93,700	102,260	111,677	122,036	133,430
<b>EBITDA (Ex-OI)</b>	<b>(26,344)</b>	<b>(17,673)</b>	<b>(23,402)</b>	<b>(16,315)</b>	<b>(9,068)</b>	<b>(24,458)</b>	<b>(13,504)</b>	<b>(7,100)</b>	<b>6,518</b>	<b>19,725</b>	<b>30,329</b>	<b>43,390</b>
Depr. and Amort.	1,745	1,785	2,473	4,853	7,357	7,946	8,899	9,789	10,572	11,418	12,331	13,318
<b>EBIT (Ex-OI)</b>	<b>(28,089)</b>	<b>(19,457)</b>	<b>(25,875)</b>	<b>(21,168)</b>	<b>(16,425)</b>	<b>(32,404)</b>	<b>(22,403)</b>	<b>(16,889)</b>	<b>(4,054)</b>	<b>8,308</b>	<b>17,998</b>	<b>30,073</b>
Finance Cost	485	348	394	233	243	255	268	281	295	310	326	342
Exceptional	(3,047)	(282)	(24)	0	(2,328)	0	0	0	0	0	0	0
<b>PBT</b>	<b>(29,021)</b>	<b>(16,243)</b>	<b>(23,392)</b>	<b>(17,304)</b>	<b>(13,527)</b>	<b>(26,916)</b>	<b>(16,641)</b>	<b>(10,839)</b>	<b>2,298</b>	<b>14,978</b>	<b>25,001</b>	<b>37,426</b>
Tax	(158)	27	113	336	320	54	33	22	115	2,247	5,000	9,357
<b>PAT (Ex-As./JV)</b>	<b>(28,864)</b>	<b>(16,270)</b>	<b>(23,505)</b>	<b>(17,640)</b>	<b>(13,847)</b>	<b>(26,970)</b>	<b>(16,675)</b>	<b>(10,861)</b>	<b>2,183</b>	<b>12,731</b>	<b>20,001</b>	<b>28,070</b>

Source: Company, YES Sec – Research, Consolidated Financials

## Exhibit 10: Cash flow statement

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Cash flow from Operations</b>												
PBT & Ext.	(29,582)	(16,983)	(23,851)	(17,429)	(13,904)	(27,456)	(16,975)	(11,056)	2,341	15,232	25,401	37,987
Adjustment For												
Depreciation	1,745	1,785	2,473	4,853	7,357	7,946	8,899	9,789	10,572	11,418	12,331	13,318
Interest expense	(456)	(2,108)	285	(197)	(1,757)	255	268	281	295	310	326	342
Other Income	4,724	1,512	(2,518)	(2,778)	(2,637)	(5,742)	(6,030)	(6,331)	(6,648)	(6,980)	(7,329)	(7,695)
Changes in WC	68	(6,902)	12,727	6,489	(1,490)	(1,823)	(2,129)	(2,485)	(2,897)	(3,375)	(3,929)	(4,571)
Direct Taxes Paid	(265)	1,871	(1,479)	(1,762)	(1,085)	(54)	(33)	(22)	(115)	(2,247)	(5,000)	(9,357)
Others	0	0	0	14,980	20,024	10,120	8,093	8,093	8,093	8,093	8,093	8,093
<b>Net Cash from Op.</b>	<b>(23,766)</b>	<b>(20,825)</b>	<b>(12,363)</b>	<b>4,156</b>	<b>6,508</b>	<b>(16,755)</b>	<b>(7,907)</b>	<b>(1,730)</b>	<b>11,643</b>	<b>22,452</b>	<b>29,893</b>	<b>38,118</b>
<b>Cash flow from Investing</b>												
Purchase of FA	(1,907)	(1,927)	(5,071)	(6,967)	(8,121)	(7,000)	(8,000)	(9,000)	(11,500)	(12,000)	(13,500)	(15,000)
Change in inv.	(14,427)	(21,534)	(96,322)	32,749	11,291	6,848	4,806	2,446	555	555	555	555
Others	(3,629)	42,759	46,507	473	10	(836)	(883)	(933)	(984)	(1,037)	(1,092)	(1,149)
<b>Net Cash from Inv.</b>	<b>(19,963)</b>	<b>19,298</b>	<b>(54,886)</b>	<b>26,255</b>	<b>3,180</b>	<b>(988)</b>	<b>(4,077)</b>	<b>(7,487)</b>	<b>(11,928)</b>	<b>(12,481)</b>	<b>(14,037)</b>	<b>(15,594)</b>
<b>Cash flow from Financing</b>												
Change in borr.	(606)	(735)	(435)	0	0	0	0	0	0	0	0	0
Change in Equity	50,540	107	83,067	(8,577)	13	0	0	0	0	0	0	0
Dividend Paid	0	0	0	0	0	0	0	0	0	0	(1,272)	(1,908)
Others	1,665	(1,593)	(2,097)	(2,546)	(234)	8,606	8,208	6,764	7,081	7,413	7,762	8,127
<b>Net Cash from Fin.</b>	<b>51,599</b>	<b>(2,221)</b>	<b>80,535</b>	<b>(11,123)</b>	<b>(221)</b>	<b>8,606</b>	<b>8,208</b>	<b>6,764</b>	<b>7,081</b>	<b>7,413</b>	<b>6,490</b>	<b>6,219</b>
<b>Net Chg in Cash</b>	<b>7,870</b>	<b>(3,748)</b>	<b>13,286</b>	<b>19,288</b>	<b>9,467</b>	<b>(9,136)</b>	<b>(3,776)</b>	<b>(2,452)</b>	<b>6,795</b>	<b>17,384</b>	<b>22,346</b>	<b>28,743</b>

Source: Company, YES Sec – Research, Consolidated Financials



## Exhibit 11: Ratio analysis

	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Growth Matrix (%)</b>												
Revenue from Ops.	1.5	(14.6)	77.5	60.6	24.9	(24.3)	39.5	24.9	25.0	20.1	15.2	15.3
Gross Profit	4.1	(12.7)	150.7	126.7	33.1	(24.8)	37.0	25.5	25.6	20.8	16.0	16.1
Operating Expense	(31.7)	(27.3)	71.9	46.1	14.1	(1.6)	10.3	13.5	9.1	9.2	9.3	9.3
EBITDA	(39.7)	(32.9)	32.4	(30.3)	(44.4)	169.7	(44.8)	(47.4)	(191.8)	202.7	53.8	43.1
EBIT	(37.3)	(30.7)	33.0	(18.2)	(22.4)	97.3	(30.9)	(24.6)	(76.0)	(304.9)	116.6	67.1
PBT	(31.7)	(44.0)	44.0	(26.0)	(21.8)	99.0	(38.2)	(34.9)	(121.2)	551.8	66.9	49.7
PAT	(31.9)	(43.6)	44.5	(25.0)	(21.5)	94.8	(38.2)	(34.9)	(120.1)	483.2	57.1	40.3
Net Worth	41.6	(19.4)	116.6	(8.0)	2.4	(20.6)	(16.1)	(12.5)	2.9	16.3	20.6	23.9
<b>Margin (%)</b>												
Gross Profit Margin	30.9	31.6	44.6	63.0	67.1	66.8	65.5	65.8	66.2	66.6	67.0	67.4
EBITDA Margin	(80.3)	(63.1)	(47.0)	(20.4)	(9.1)	(32.4)	(12.8)	(5.4)	4.0	10.0	13.3	16.5
EBIT Margin	(85.6)	(69.4)	(52.0)	(26.5)	(16.5)	(42.9)	(21.3)	(12.8)	(2.5)	4.2	7.9	11.5
PBT Margin	(88.5)	(58.0)	(47.0)	(21.7)	(13.6)	(35.7)	(15.8)	(8.2)	1.4	7.6	11.0	14.3
PAT Margin	(88.0)	(58.1)	(47.3)	(22.1)	(13.9)	(35.7)	(15.8)	(8.3)	1.3	6.4	8.8	10.7
<b>Return Ratios (%)</b>												
RoE	(36.3)	(26.0)	(16.9)	(13.6)	(10.7)	(26.0)	(19.2)	(14.3)	2.8	14.0	18.2	20.6
RoAE	(42.5)	(23.2)	(23.2)	(13.1)	(10.8)	(23.0)	(17.5)	(13.3)	2.8	15.0	19.9	22.8
RoCE	(33.8)	(27.5)	(18.3)	(16.3)	(12.3)	(30.6)	(25.2)	(21.7)	(5.1)	8.9	16.1	21.7
RoACE	(37.9)	(25.3)	(24.4)	(15.6)	(12.5)	(27.2)	(23.1)	(20.4)	(5.2)	9.6	17.6	24.0
RoA	(28.6)	(18.6)	(13.3)	(9.9)	(8.3)	(17.4)	(11.2)	(7.4)	1.4	7.0	9.5	11.4
RoAA	(30.9)	(17.5)	(17.7)	(9.9)	(8.1)	(16.7)	(11.0)	(7.3)	1.4	7.5	10.2	12.3
<b>Per Share (Rs)</b>												
EPS	(48.7)	(28.1)	(36.9)	(28.0)	(22.4)	(43.3)	(26.7)	(17.4)	3.5	20.4	32.1	45.0
BVPS	134.1	108.0	218.1	205.3	209.5	166.3	139.5	122.1	125.6	146.0	176.1	218.1
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2.0	3.0
Sales per share	54.3	46.3	76.6	126.0	156.9	118.7	165.6	206.8	258.4	310.4	357.7	412.6
EBITDA per share	(43.6)	(29.2)	(36.1)	(25.7)	(14.3)	(38.5)	(21.2)	(11.2)	10.2	31.0	47.7	68.2
FCFF per share	(41.4)	(37.1)	(10.8)	2.7	5.1	(36.5)	(24.5)	(16.5)	0.7	17.6	27.3	38.4
FCFE per share	(43.2)	(38.9)	(12.1)	2.3	4.7	(36.9)	(24.9)	(17.0)	0.2	17.2	26.9	38.0
CFO per share	(39.3)	(34.4)	(19.0)	6.6	10.2	(26.3)	(12.4)	(2.7)	18.3	35.3	47.0	59.9
EV per share	426.8	443.7	371.5	333.7	341.7	359.8	369.0	375.8	365.1	337.8	302.7	257.5
<b>Valuation (x)</b>												
P/E	NA	NA	NA	NA	NA	NA	NA	NA	129.0	22.1	14.1	10.0
P/B	3.4	4.2	2.1	2.2	2.2	2.7	3.2	3.7	3.6	3.1	2.6	2.1
P/S	8.3	9.7	5.9	3.6	2.9	3.8	2.7	2.2	1.7	1.5	1.3	1.1
EV/EBITDA	NA	NA	NA	NA	NA	NA	NA	NA	35.6	10.9	6.3	3.8
EV/FCFF	NA	NA	NA	NA	NA	NA	NA	NA	557.5	19.2	11.1	6.7
P/FCFE	NA	NA	NA	NA	NA	NA	NA	NA	2,113.5	26.3	16.8	11.9
EV/CFO	NA	NA	NA	NA	NA	NA	NA	NA	19.9	9.6	6.4	4.3
<b>Yield (%)</b>												
FCFF Yield	(9.2)	(8.2)	(2.4)	0.6	1.1	(8.1)	(5.4)	(3.7)	0.1	3.9	6.1	8.5
Dividend Yield	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.4	0.7

Source: Company, YES Sec – Research, Consolidated Financials

## Exhibit 12: Balance Sheet - Assets

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Assets</b>												
<b>Non-Current Assets</b>												
Tangible As.	2616	2992	5616	8293	9309	8747	7518	6666	7265	7273	7641	8318
Intangible As.	2868	1481	3098	3394	2757	2373	2704	2767	3095	3670	4471	5475
Goodwill	467	467	443	443	443	443	443	443	443	443	443	443
Capital WIP	131	208	102	72	100	100	100	100	100	100	100	100
Investments	5507	2658	12295	15765	22943	18429	15723	15168	14612	14057	13502	12946
Oth. Non-curr.	27087	9708	50912	11800	14202	13872	13542	13212	12882	12553	12223	11893
<b>Total Non-Cur.</b>	<b>38675</b>	<b>17515</b>	<b>72466</b>	<b>39767</b>	<b>49754</b>	<b>43964</b>	<b>40030</b>	<b>38356</b>	<b>38398</b>	<b>38095</b>	<b>38379</b>	<b>39176</b>
<b>Current Assets</b>												
Investments	31895	1472	0	11206	23340	21006	18905	17015	17015	17015	17015	17015
Trade Rec.	3010	3393	7464	12528	16507	18983	21831	25105	28871	33201	38182	43909
Cash & Equiv.	5401	28764	52020	70395	52462	43326	39549	37097	43892	61276	83622	112365
Other Curr.	24051	40370	47966	45762	29328	30494	31707	32970	34283	35650	37072	38551
<b>Total Current</b>	<b>64357</b>	<b>73999</b>	<b>107450</b>	<b>139891</b>	<b>121637</b>	<b>113809</b>	<b>111993</b>	<b>112187</b>	<b>124061</b>	<b>147142</b>	<b>175891</b>	<b>211840</b>
<b>Total Assets</b>	<b>103031</b>	<b>91513</b>	<b>179916</b>	<b>179658</b>	<b>171391</b>	<b>157773</b>	<b>152022</b>	<b>150542</b>	<b>162460</b>	<b>185238</b>	<b>214270</b>	<b>251016</b>

Source: Company, YES Sec – Research, Consolidated Financials

## Exhibit 13: Balance Sheet - Equity and Liabilities

Rs mn	FY20	FY21	FY22	FY23	FY24	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
<b>Equity and Liabilities</b>												
Share capital	604	605	649	634	636	636	636	636	636	636	636	636
Other equity	80,448	64,743	140,867	129,522	132,630	105,120	88,112	77,034	79,261	92,247	111,376	138,099
<b>Net Worth</b>	<b>81,053</b>	<b>65,348</b>	<b>141,516</b>	<b>130,156</b>	<b>133,266</b>	<b>105,756</b>	<b>88,748</b>	<b>77,670</b>	<b>79,897</b>	<b>92,883</b>	<b>112,012</b>	<b>138,735</b>
Non-cont. int.	(140)	(186)	(221)	(227)	(282)	(282)	(282)	(282)	(282)	(282)	(282)	(282)
<b>Total Equity</b>	<b>80,912</b>	<b>65,162</b>	<b>141,295</b>	<b>129,929</b>	<b>132,984</b>	<b>105,474</b>	<b>88,466</b>	<b>77,388</b>	<b>79,615</b>	<b>92,601</b>	<b>111,730</b>	<b>138,453</b>
<b>Non-Current Liabilities</b>												
Lease liabilities	1,822	427	1,822	1,876	1,449	1,478	1,508	1,538	1,568	1,600	1,632	1,664
Oth. Non-Curr.	3,637	4,372	3,474	2,984	1,805	11,939	20,047	28,155	36,264	44,372	52,481	60,591
<b>Total Non-Cur.</b>	<b>5,459</b>	<b>4,799</b>	<b>5,296</b>	<b>4,860</b>	<b>3,254</b>	<b>13,417</b>	<b>21,555</b>	<b>29,693</b>	<b>37,832</b>	<b>45,972</b>	<b>54,113</b>	<b>62,255</b>
<b>Current Liabilities</b>												
Borrowings	2,081	5,449	1	20	0	0	0	0	0	0	0	0
Trade payables	6,116	6,052	7,514	8,589	6,842	7,495	8,213	9,003	9,872	10,828	11,880	13,036
Oth. Curr.	8,462	10,051	25,810	36,260	28,311	31,387	33,788	34,458	35,140	35,837	36,547	37,272
<b>Total Cur.</b>	<b>16,660</b>	<b>21,553</b>	<b>33,325</b>	<b>44,869</b>	<b>35,153</b>	<b>38,881</b>	<b>42,001</b>	<b>43,461</b>	<b>45,013</b>	<b>46,665</b>	<b>48,427</b>	<b>50,308</b>
<b>Total Liabilities</b>	<b>103,031</b>	<b>91,513</b>	<b>179,916</b>	<b>179,658</b>	<b>171,391</b>	<b>157,773</b>	<b>152,022</b>	<b>150,542</b>	<b>162,460</b>	<b>185,238</b>	<b>214,270</b>	<b>251,016</b>

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
<b>Value of Associates/JV</b>						<b>4,106</b>	<b>6.3</b>

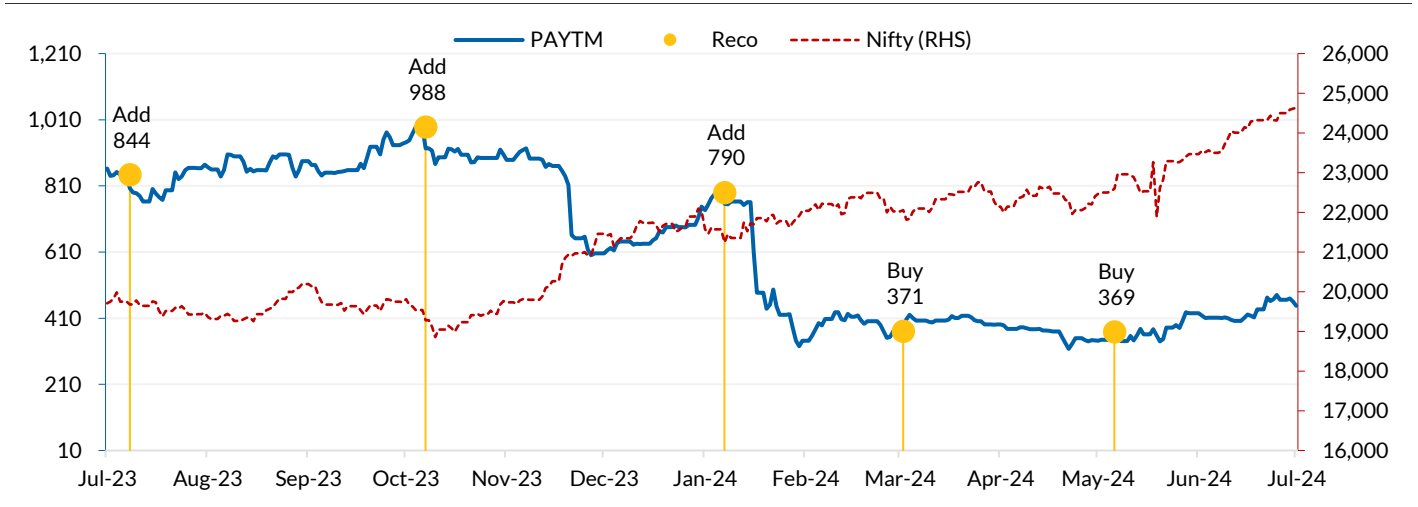
Source: Company, YES Sec – Research

## Exhibit 15: Change in annual estimates

Y/e 31 Mar (Rs mn)	Revised Estimate			Earlier Estimate			% Revision		
	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E	FY24E	FY25E	FY26E
Total Revenue	NA	81,234	111,369	NA	86,760	106,916	NA	(6.4)	4.2
EBITDA (Ex-OI)	NA	(24,458)	(13,504)	NA	(22,603)	(17,018)	NA	(8.2)	20.6
PAT (Ex-As./JV)	NA	(26,970)	(16,675)	NA	(25,259)	(20,361)	NA	(6.8)	18.1

Source: Company, YES Sec – Research

## Recommendation Tracker



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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.

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9	YSL has managed or co-managed public offering of securities for the subject company in the past twelve months	No
10	Research Analyst or YSL has been engaged in market making activity for the subject company(ies)	No

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

Analyst Signature	Analyst Signature	Associate Signature
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## 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**

## ABOUT YES SECURITIES (INDIA) LIMITED

YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL 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). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL 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. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.