May 12, 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 May 06, 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 May 06, 2025, on financial results of the Company for the quarter and financial year ended March 31, 2025.

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

Kindly take the same on record.

Thanking you

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

SUNIL KUMAR BANSAL
Digitally signed by SUNIL KUMAR BANSAL
Date: 2025.05.12 19:10:45 +05'30'

Sunil Kumar Bansal
Company Secretary and Compliance Officer

Encl. as Above

Paytm | Q4FY25 Earnings Call |

Call Date: May 06, 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 and year ending on 31st of March, 2025. We will start our call with Q&A after introduction to the management. From Paytm 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. First question is from Mr. Sachin Salgaonkar. Sachin, you may ask your question.

Mr. Sachin Salgaonkar: Thanks, Pranav. Good day, management and congrats on adjusted EBITDA break-even. I have three sets of questions. The first question is largely on lending. We did see the personal loan value decline on a QoQ basis. And I do understand it's basically on the back of tightening what we are seeing in the industry. The question out here is, should we continue to see this kind of a trend, at least in the near term, before things start improving? And a related question is, if you could help us understand how many lending partners you have right now, and how should that number move going ahead?

Mr. Vijay Shekhar Sharma: Hi, thank you, Sachin. This is Vijay. Personal loan disbursements were not, did not grow quarter on quarter, merchant credit definitely grew. And personal loan wise, we are moving more and more towards a pure distribution model where lenders pick up their own collection obligations, so to say. We do make the same margins, surprisingly. And merchant wise, we've grown healthily, and we continue to see that. Personal credit, unless something bigger changes, we will not see much larger growth. While we have also started to work towards secure credit, secure based on various other items, and maybe that, if that grows, we will see some numbers going back.

Mr. Madhur Deora: And on the number of lending partners for each personal loan and merchant loan, we have between eight and ten lending partners. Obviously, there's some overlap, so I think the total number of lending partners is about fourteen. If I'm not wrong, give or take one. So yeah, so that continues to progress while in terms of getting more lending partners onboarded.

Mr. Sachin Salgaonkar: Thanks, Vijay and Madhur. Second question is on your expectation on MDR on UPI for larger merchants will be allowed in near and near future. Just wanted to understand if you could help us understand how one should think about the monetization opportunities as in how this happens from a Paytm perspective. And at some level, is it also linked to perhaps the UPI incentives decline, what we saw this year and any thoughts on how the government is looking about the UPI incentive going ahead as well?

Mr. Vijay Shekhar Sharma: Obviously, we do not know much, and we will not like to predict how the government is looking at it, but we definitely see talks of MDR coming on UPI. And we do believe that it should show up sooner rather than later. And we do believe that based on what we're seeing in the current financial year, it could show up at any point of time. And that would bring monetization of QR deployment, acquiring and the consumer app both. And I think the numbers, et cetera, and when and how is something that continues to remain to be discussed or to be seen. And that will bring so-called monetization to UPI. We do believe that.

Mr. Madhur Deora: And on your question on UPI incentive. I think at least the way we are running the business is that we expect UPI incentive to remain low going forward, especially as we just said, once the MDR comes in, then it would only be for very small merchants. And it was never a very significant part of our business. Going forward, we expect that to be the lower number as indicated in the last year.

Mr. Sachin Salgaonkar: Vijay, just a quick follow up out here. The finance minister did say that she wants 1 billion UPI transactions per day in the next two to three years. So at some level, perhaps we are seeing a monetization which might add a bit of friction to growth. And we have a higher target in terms of growth. And I do understand that consumers will not be charged on UPI, but the perception sometimes in the market always is, whenever an MDR comes, the consumers will be paying and hence there's a bit of a friction. So do we still see this coming in the near future despite this entire target of 1 billion UPI transactions?

Mr. Vijay Shekhar Sharma: I do believe that there is a tremendous upside left and is ahead of UPI in the country. The finance minister is perfectly guided towards the size that we are expecting. And I do believe that it is the perfect target to chase. Consumers are not going to be charged, like I say. And I think in many cases, consumers' misunderstanding does exist. But at the same time, I don't think consumers will be charged. At the same time, how MDR shows up, it is the work, I do believe that NPCI and other bodies are doing it.

Mr. Sachin Salgaonkar: Got it. And my last question, your thoughts in terms of how much AI could lead to cost reductions. I did see a statement in your press release saying that, this quarter, you did reduce some non-sales employee costs on the back of AI. So I just wanted to understand the potential for AI and what kind of savings we could see in the future.

Mr. Vijay Shekhar Sharma: I don't have a percentage, but I do want to tell you that more and more automation is coming in. Overall at large, more productivity per employee is showing up. We are not replacing the positions that get, let's say, emptied.

So we are clear about it that we will be not recruiting incrementally if somebody, let's say, goes out. So practically, it may not look like a drop, but it will continue to, as the cost of people decline, I do believe, because more and more productivity is showing up. And it is shocking to know what level of productivity can show up. I'm right now in Bangalore. We had a board meeting. I was yesterday doing my team reviews. It was shocking that level of insights, level of skill from a senior product manager that we typically expect. And here we had a global expert product manager. So it would be a dramatic improvement in the ability and capabilities of the company. So I do believe that cost will continuously reduce, but there is no sharp one-off, et cetera, kind of thing that we are expecting.

Mr. Madhur Deora: I just want to add that what I'm really excited about is that we have really leaned into this and we are doing a pretty good job of using AI's current capabilities. Of course, we can always do more. And obviously, the bigger trend is that AI also continues to get better. So whatever opportunities exist today to become smarter, more efficient, leaner, those opportunities will be even more six months from now, a year from now. So we just fully leaned into this, and that, I think, is what really matters.

Mr. Sachin Salgaonkar: Thank you both, and all the best for the future.

Moderator: Thank you. Thank you so much. The next question is from Manish Adukia of Goldman Sachs. Manish, you may please ask your question.

Manish Adukia: Thank you, Pranav. Hi, good evening, team. Thank you for taking my questions. So three questions from me as well.

Firstly, when I look at, let's say, the business, the merchant side of the business seems to be doing really well, whether it's merchant acquisition, device installs, merchant lending, like you alluded to, Vijay. But on the consumer side, you touched upon the personal lending business, maybe somewhat subdued. But even, let's say, the user base, which has started recovering a little bit after the NPCI approval to onboard new users but still significantly below the number where we were, let's say, a year, year and a half ago.

One, I mean, is there a path to recovering the user base to where we were 12 to 18 months ago, and what will it take to get to that number? And then second, is that important at all? I mean, do you really need MTUs? I mean, even if MTUs remain where they are and don't grow, does that really impact your, let's say, revenue growth, your EBITDA, et cetera? I would love to get your thoughts on that. That would be my first question, please.

Mr Vijay Shekhar Sharma: Totally awesome way of looking at it, Manish. I really admire the way you looked at it. The truth of matter is our future forward earning and bottom lines are protected by the people who stayed on the platform, incremental.

Users don't matter, but merchants definitely do. And I do believe that if we don't do anything and simply keep focusing on the product, this improvement has come at a dramatically lower cost than we would have spent a year back. So it is purely product improvement that is bringing it back. And I'm very proud of the team that is working on our app, UPI and other backend and frontend technologies that they are just solving the bugs, solving the features.

There is a very incredible feature that many of you may not know. Let's say you made a payment and you want to, in passbook history, right swipe, you can hide it. That feature is growing like a wildfire for us. Now, these kinds of insightful features give us the capability to build more and more nuanced products that we will see over the period. And I'm very hopeful that even though as far as our future forward in the next two years, I have to write, let's say, revenue and profit for forwarding, we will definitely do it based on merchant growth and the current consumer base. But yes, the final question, it does matter to us. I do believe that in India, there are about 200 million consumers that matter. And we definitely will aim for 200 to 250 million customers on our platform.

I'm not talking about, let's say, GMV market share, transaction market share, but I'm talking about highly repeat usage of 250 million users, because that is what material number of users matter on our platform. And we are not, as you've seen, we have not said that we are going to overspend on marketing. I would rather overspend on technology or attention to the product.

Manish Adukia: Right. No, thank you, Vijay, for that response. Just trying to tie that response to, like you mentioned, disciplined marketing. I mean, can both things happen? Can you be disciplined on marketing and just with product intervention, grow the user base by a substantial number?

Mr Vijay Shekhar Sharma: Absolutely. And in fact, I want to tell you that the growth in user base did happen without, in fact, we cut the marketing in these quarters to show only and give the confidence to the team that your product matters. So as you are seeing the numbers, that is because of the good product and better product attention.

And I want to give you another surprise, Manish. It is lesser number of people, more attention to the product that has got this. So lower cost in people operating, lower cost in marketing, resulting in growth.

And I do believe without gangbuster marketing expenditure, we would be able to get it back. I do believe and I'm seeing it also.

Manish Adukia: No, thank you, Vijay, I appreciate it. My second question is on the comment in the shareholder letter on international markets. And there again, as an outsider, it feels like there have been like a few changes in strategies in the past. International maybe was a bit of a focus area at some point in time. Then, you know, you decided to focus largely on the India business over the years.

And now, again, let's say that you believe that some parts of your technology stack can be exported to international markets. So I just want to understand what would have changed versus the last time when you thought India was the bigger focus area. For now, you can again explore international markets and know what should be stacked. I would love to get your thoughts on that as well.

Mr Vijay Shekhar Sharma: Manish, when we long back had come in public markets, we had called ourselves as a platform where we were saying payment, commerce and financial services. And as you know, over the period, we said payment and cross-selling of financial services. And that meant that there is an ability and capability in the company of manpower, technology, et cetera, that we created.

And as far as the technology product market fit is considered, we are very clear that what we have built in India, we saw it in PayPay Japan, we are seeing further products that we are developing and deploying with PayPay Japan and many other such similar partnerships that we are in conversation, that product technology can be monetized in other markets. I'd rather call it product technology monetization in other markets. And we are rather going to find somebody who's locally doing it and extend that.

So internationalization is not about launching consumer Paytm app in other markets. Internationalization is about, we are helping somebody local, market to build either the consumer side or merchant side systems. And that way then we have more further monetization of product and technology platform.

And it also came about the number of people that we had. So because we had enough engineering and product people, and I love the capability that we leverage using efficiency, using AI and skill using AI, that we are able to modularize much faster than earlier. So at one point of time we were like, oh, we would not rather spend anywhere else but pay attention to the domestic market, which is perfectly continuing.

But right now because of the assistant code generation and all sorts of things like Cursor, Replit, et cetera, we are able to modularize the code and extend it for another market. So incrementally very less technology product investment, which rather is not even further investment, rather re-utilizing or utilizing internal resources and getting a market extension, because you are able to partner with someone who's doing it in their local market. So international for us is not launching Paytm app in different markets. International for us is expanding partnership of product and technology with some people in that local market.

Mostly we are seeing merchant side relationships are far better for us because there is a nuance of what we have built in ability to see it in many markets being incoming instead of consumer side. So maybe we'll see it like that.

Manish Adukia: Thank you. Just my last question may be directed towards Madhur. I think again, please pardon my, like if I get the numbers wrong, but two or three quarters ago, I think Madhur you had called out medium term, the business can potentially grow at like, you know, 30 - 35% plus on top line and 15 -

20% was the EBITDA margin target from at least a near term perspective. Would you like to share any updates in terms of, you know, from the next two, three year perspective, what is the sustainable revenue growth that the business can look at and where can let the margin settle in the next two or three years? Any thoughts or color would be helpful.

Mr. Madhur Deora: Thank you. Yeah, I think the ranges that I mentioned earlier that you referred to Manish is what we are targeting for the next year as well as in terms of growth, as well as longer term. And yeah, the margin target for the next two to three years remains in that range. We do think that the business has that much earnings potential, especially like what you mentioned, our indirect expenses have come down because of all the AI that we have leveraged. So getting to higher EBITDA margins is a lot easier in some ways because of lower cost structure.

Manish Adukia: Thank you so much. Very helpful. All the best.

Moderator: Thank you, Manish. The next question is from Sachin Dixit of JM Financials. Sachin, you may ask your question.

Sachin Dixit: Thank you, Pranav, congrats team on a decent set of results across the board. My first couple of questions are with regards to MDR. So let's say MDR comes up anywhere, whatever 25 - 30 bps, whatever the number it comes up, how much do you expect Paytm is likely to benefit from it, right, in terms of your GMV, right? So if you think of let's say 25 basis points for MDR, can you get five, seven, eight basis points out of it?

Mr. Vijay Shekhar Sharma: Logically, yes. That's rather conservative, but yes.

Sachin Dixit: And this is largely in line to how UPI incentives were being distributed?

Mr. Vijay Shekhar Sharma: UPI Incentives also have a lot of restrictions on the kind of payment they factor in. For example, they don't factor in utility merchants, this merchant, that kind of merchant. So incentive distribution of transactions and bps per transaction will not be an indication of MDR in my opinion, because MDR is a wider payment piece.

Mr. Madhur Deora: One critical difference between UPI incentive and MDR is that incentive is only on transactions less than ₹2,000. So just keeping that in mind, and then obviously there will be detailing. And I think it's slightly premature for us to talk about exactly what the number will be, because there'll be detailing as a part of this finalization what the MDR framework looks like and basis that we'll be able to talk more. But yeah, Vijay has already given an indication.

Sachin Dixit: So sure. The second question would largely be on, let's say right now on surface level, it feels like because the cost of incurring this business is already there in the P&L, whatever MDR comes, it should directly fall all the way to EBITDA. Right. But when I'm also thinking of it, let's say monetization is allowed on UPI MDR, it might result in heightened competitive intensity and the number of people might try to gain that market share. So is it safe to assume that the margins will be significantly lower than 100% or it will be closer to 100%?

Mr. Madhur Deora: So when we think about what the likely scenarios are, and of course, like I said, it's a bit premature because we don't know exactly which segments we are talking about and so on. We do factor that for the larger merchants, there will be some competitive intensity and you may not be able to exactly charge the cap or whatever that is. And then Vijay gave an indication, keeping that in mind.

So yes, it does factor in that you're not able to charge. And it is similar to what we do today on credit cards and debit cards, right? So we are quite familiar with how that works, which is to say, on which merchants are you able to make a slightly higher net payment margin and which merchants you make slightly lower net payment margin. So yes, there's an understanding of competitive intensity and how it relates to net payment margin within the construct of an overall cap.

Sachin Dixit: Got it. My second question is with regards to your business as it stands, right? So when you look at your business and maybe the reason why, Vijay also alluded to that product is how you want to differentiate in terms of customer acquisition. But do you also target some sort of ARPU per customer, which is the driving metric behind how much you go about and try to invest behind acquiring a customer or are you generally going to take the tech-led approach and let the consumer sort of affinity shape up wherever it shapes up?

Mr. Vijay Shekhar Sharma: No, we do bother about it. That's why we are not randomly spending money in acquiring customers when we got the UPI customer acquisition permission. Like you heard me say, 200 million customers, that's a fairly small subset of the potential consumer base that UPI will have. But I'd rather have the material useful customer on the platform than to have a race of what do you do with this customer.

Sachin Dixit; Got it, all right. Thanks so much and all the best. Thank you.

Moderator: Thank you, Sachin. The next question is from Rahul Jain of Dolat Capital. Rahul, you may please ask your question.

Rahul Jain: Hi, hope my line is okay. So the question may sound a little repetitive, but just trying to understand from a growth point of view, what are some of the opportunities that could be the bigger driver for us going into next fiscal? Are they going to be the same set of segments which needs to do a bigger lifting in FY26? Or do you think some of the current segments which are not performing so well be it consumer side or personal loan side or any other thing that could pick up to add more traction, for instance?

Mr. Madhur Deora: Yeah, I think, Rahul, I'd probably break that up into two logical parts. On the merchant side of the business, we see the same trends really, right? If you look at the second half of last year, of course, in the first half, our deployments were lower. But if you look at the second half of last year, that's a pretty good indication of where the business is headed in terms of gross deployments, GMV growth, highly engaged merchants, and then merchant loans. And all of those are very powerful drivers. And I think most people tell us that that part of the business, they see structural advantages of Paytm and very good momentum, more or less uninterrupted.

On the consumer side of the business, I would say that last year was a cyclical low. So on the one hand, for about six or seven months, we were not adding new customers. On the other hand, the monetization levers were slightly lower, partly due to credit cycle and so on. So if you think about going forward, Vijay has talked about consumer growth and how that is going to come, product-led. And then eventually, maybe we make slightly higher investments, but initially product-led. And then on the monetization side, we see opportunities clearly on, if there was, for example, an easing of the credit cycle, that would have a positive impact on personal loan and credit card. If we see a continued growth in trading volumes in India, of course, in the last three or four months, there were some regulatory developments for the industry, which lowered the trading volumes, but now the business is growing again. So Paytm Money, which is our equity broking platform, we feel very interested in. And finally, advertising, where we think there's a lot of opportunities for us to make more advertising revenue.

So on the consumer side, we're starting the year with a lot of optimism, both on the base, which is the consumer, highly engaged consumers, a number of transactions and so on, as well as the monetization opportunities through those three or four areas of upsell that I talked about.

Rahul Jain: Right, and just one more question. Just to understand how usage of this DLG has led to increase in the take rates of what should be the, with the changing evolving mix of DLG, what should be the ideal take rate for this segment? And secondly, how is it changing the perception of the lender in terms of approving the whitelisted potential merchant loan client from our perspective? Has that increased the threshold for the lenders?

Mr. Madhur Deora: Yeah, on the second question, I don't think we necessarily ask our lenders to change their behavior just because they are DLG and we also hope that they don’t do that because we do want eventually to target a range bound and predictable expected credit loss. We think that that is a fundamental indicator that you are building a high quality franchise. So ultimately, as we said enough and more times, it is the lender’s decision to say yes or no on loan but we don’t see a change in behaviour nor do we encourage, request or expect a change in behaviour.

The expected credit losses on merchant lending has been quite positive since April, May last year, so we do not have concerns that FLDGs are making them less disciplined on credit losses and I think that is the good news. In terms of take rates, if you look at our historical take rates, it should be about 3-3.5% higher on the merchant loan side, which on a blended basis probably means about 2% higher for financial services, because obviously there's a percentage of it which is personal loans.

Rahul Jain: You're saying 200 bps more than the past or I could not follow that?

Mr. Madhur Deora: 200 bps more than the past, i.e. compared to the period when we were not doing DLGs.

Rahul Jain: And it ideally should go higher as the mix improves, right?

Mr. Madhur Deora: Well, higher or lower, it would depend a little bit on Personal Loan versus Merchant Loan mix and DLG versus non-DLG mix. Merchant loans do make us a slightly higher take rate anyway, compared to personal loans. So there would be various factors, but yeah.

Mr. Vijay Shekhar Sharma: But overall, it doesn't make commercial difference in a different direction. It is not a higher net rate actually.

Mr. Madhur Deora: Just to be clear, merchant loan, when I say 2%, I mean, the reason I say 2% is because not all loans have FLDGs, right? So for loans, like for like, loans that don't have FLDG versus loans that have FLDG, if we are giving about, let's say, 3.5% FLDG, then we expect to make 3.5% more take rate. Maybe more, but 3.5% more take rate through the life of the loan, right? The 2% number I was giving you is because not all loans have FLDG. So when you're talking about take rate and literally taking revenue divided by loans, then you expect that to be, call it 2%, because, call it 50 - 60% of the loans might have FLDG.

Rahul Jain: Right. And just a clarification, so 3.5, that is the minimum number, right? And if the performance is better, it could be much higher than that.

Mr. Madhur Deora: But just 3.5%, I'm saying, assuming the same ECL, same partner, loan without FLDG, loan with FLDG of 3.5%, the revenue would be 3.5% higher. And of course, you would have a FLDG cost of 3.5%. So that's the point that I was making. Yes, depending on the performance of the loan, we do make a collection incentive anyway, which at the same ECL would be the same, whether it's a non-DLG loan or a DLG loan.

Rahul Jain: Okay. So, there's no extra incentive for doing a DLG for the same performance or outcome?

Mr. Madhur Deora: We don't do DLGs from the perspective that a DLG loan will make us more net take rate. We do it because our lenders, in some cases, lending partners, rather, in some cases have a preference for it. And as a result of that, the volumes tend to be higher. So a partner who may have done X, if there was no DLG, may do 30%, 50% more if there is DLG.

Rahul Jain: Right. So it's a volume advantage versus price. Thank you.

Moderator: Yep. Thank you. The next question is from Piran Engineer of CLSA. Piran, you may ask your question.

Piran Engineer: Yeah. Hi, team. Congrats on the quarter. Just firstly, on payment processing charges, we've seen a good decline in the past two, three quarters. Is it just a function of mix or are we able to negotiate better rates with our partners?

Mr. Madhur Deora: It is a bit of both. I think compared to last quarter, obviously, last quarter had a festive season versus not. So that Q3 to Q4 tends to work a certain way. And then there is an element of just continuously doing a better job on processing costs with our partners. And I think you saw that trend in 2022 and 2023 as well. So we just continue to work on that.

Piran Engineer: And is there scope that this goes down further, assuming the mix remains stable?

Mr. Madhur Deora: There's always that effort, but I would point back to the net payment margin and payment processing margin discussion, Piran, which sort of normalizes for this. So our effort is to continue to improve payment processing margin across instruments and across merchant types. And then payment processing costs sort of takes care of itself. And it is actually something that you have to work on constantly to make sure that you are able to be competitive and attractive to your partners while maintaining and improving our payment processing margins.

Piran Engineer: Okay, got it. And just secondly, you know, I don't mean to harp on this MDR thing, but if you could just give us some sense right now, what are the talks like with the government? Is there a particular pushback that they have, which is why it hasn't yet happened? Or is there sort of an in-principle approval right now, but, you know, the concerned parties such as y'all and others are discussing the nitty-gritty?

Mr Vijay Shekhar Sharma: We are the client of the network, not the network. We are the client of the network, network in NPCI, who decides and works with all these partners.

Mr. Madhur Deora: I don't want to discuss all those things, but clearly the powers that be are discussing this. And I'll go back to what we said a couple of months ago, which is that the industry is expecting this to be a thing, and we will hear back on this hopefully soon. And then we'll have a little bit more clarity to share in terms of how whatever that framework is has affected our business, and we'll share that quickly with our stakeholders.

Piran Engineer: Okay. Fair enough. And just on Paytm money, if you could just broadly highlight what is the revenue right now, if it is meaningful, and how do you think about this business over the next three years?

Mr. Vijay Shekhar Sharma: It's not very large, but we do believe it's a great upside. It has a customer lock-in also. So we have gone into mutual fund distribution. We are trying to find out MTF kind of margin trading, et cetera, kind of monetization. And those have come out positive. So it doesn't take investment anymore, but at the same time, it is a great opportunity. I can see that it is in so-called less trading quarters, if you will, in the last couple of quarters, thanks to both F&O and normal trading being reduced. It has been able to turn around well.

Piran Engineer: Okay, but like Vijay, could it be like, say, at least ₹200-300 crores annualized in terms of revenues?

Mr. Vijay Shekhar Sharma: Yes, you can assume. I mean, it's not too far away.

Mr. Madhur Deora: That's about the scale, and it has a very good mutual fund business, which helps us, like Vijay was saying, with customer lock-in, and it's a fantastic trading platform where we make most of our revenue. And then we also launched MTF in December of last year, which is scaling up nicely. And we're very positive that the customer retention is good, and we're very positive about scaling that business over the next two or three years.

Piran Engineer: Got it. Okay. This was it from my end. Thank you. I wish you all the best.

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

Vijit Jain: Yeah. Hi. Thank you. And congratulations for the break-even, even excluding the UPI incentives. So my first question is on the consumer business side, can you comment on the prospects of return of wallet? I know some of your peers have introduced wallets recently.

And I've also noticed the app has gone through a lot of product changes, seems a bit more simple, significantly more simple. So I just wanted to get your thoughts on what's driving that. Is that an objective to kind of make the app light, increase user base to make it speedier, lighter, and those kinds of things? So if you can broadly talk about that.

Mr Vijay Shekhar Sharma: Thank you. You're a user, I'm glad. And it was long due. We've been very crowded, cluttered for a long enough time. And among various things as housekeeping exercise, my personal interest was to make the app as simple as that we started this business with. So right now, I'm glad that you're calling it out light, because surprisingly, no traffic or no internal businesses have less traffic, if you will. In other words, that the lightness is rather not costing us any growth line item to cross sell other line items. So that's the approach.

My theory is if customers love you impeccably well, and keeping the payment-led super app concept is better than calling super app first, payment second. So payment first, super app roll second, versus super app and payment second. That is the approach that we took, and we are seeing good results, and you saw the uptick in the number of consumers that came back also.

And when you talk about wallet, I really wish we would have had it by now, as in terms of one way or another, but we may be near a breakthrough or some solution to the way forward. So we are just trying to keep it, think across and see. We have multiple options on the table, and we could decide not many months ahead in the future what is the call that we'll take. We had a board meeting today, we did discuss it, so we have something to discuss as management and come back on.

Vijit Jain: Correct. Thanks, Vijay. My next question is on, the shareholder letter also notes that you've applied again for the payment aggregator license to RBI. So do we have any additional inputs on that, and do you expect that to also come about in the near term? And yeah, I'll just follow up with a quick question on MDR after that. Thank you.

Mr. Vijay Shekhar Sharma: Yes, we do. And there were some next steps that RBI suggested us to do, we've been doing those.

Vijit Jain: Got it. Great, thanks. My last question is on the MDR incentives for the quarter, right? I know the government has obviously slashed the incentives that they gave. This is almost smooth now, given MDR is actually being expected. So the UPI incentive, sorry, is being slashed. And your share of UPI transactions obviously in FY25 also went lower, still ₹70 crores seemed a bit low. So what I wanted to understand is, did something change here? Or did your share of small merchant, small ticket transactions was lower this year? Is that what drove the ₹70 crores number?

And relatedly, because I see that the payment processing charges are also significantly down quarter on quarter. So I'm just wondering if I should just look at, you know, the net payment margins here and not look too much around that ₹70 crore number, because that just seemed low to me.

Mr Madhur Deora: Yeah, so most of this is the reduction in incentive overall. So what GMV is eligible, how much does the industry get paid? All of that has been reduced quite meaningfully. Like for like, we would have made a little bit more. But the two factors that have affected us is that while we're doing really, really well on the merchant payment side, right now, if you just take the average market share through the year last year versus the previous year, it would have been slightly lower.

Because in the first half of the previous financial year, we did have some market share dips and also we shared that very candidly. We talked about 8 lakh to 10 lakh devices, obviously it was a pattern from our GMV data as well. So if you just take the average GMV, it would have been lower and obviously we're talking about the entire year of UPI incentive.

And the second is that there were small changes to acquirer's share versus the rest of ecosystem share in the new framework, which is to say the acquirer's share was slightly lower. So that affected us marginally as well.

Vijit Jain: Got it. Thanks.

Mr. Madhur Deora: But this number wouldn't have been like, yes, compared to ₹288 crores, it looks like a low number, but it wouldn't have been like ₹150 crores or something, right? It would have been marginally higher if those two things had not happened.

Vijit Jain: Got it. Understood. Thank you.

Moderator: Thank you, Vijit. The next question is from Anand Dama of Emkay. Anand, you may please ask your question.

Anand Dama: Yeah, thank you for the opportunity. My first question is on the Personal Loan business that's still declining for us. Is it that the decline is attributed to, you know, most partners reducing their business with us? Or is it that few partners were lumpy in nature? And that's where basically we are seeing a decline. And by when do you expect the disbursement number to, you know, largely bottom out? I think you've talked about in the presentation that possibly later part of the year, we should see some pickup in that business, if you can just talk about that, number one.

Number two, your financial services customer base has declined quarter on quarter to 5.5 million. Is it more seasonal in nature or there is something more to read into that?

Mr. Vijay Shekhar Sharma: Oh, Anand, the personal loan business, we are technically moving from distribution plus collection business to pure distribution business. And there are partners, growth, integrations and in due course, disbursements have been continuously growing. And I can say that we believe that there is demand and supply in the market based on the credit cycle. The part where we also do collection as an obligation is something that we will bring back on the table once the market or credit cycle turns around.

So in a way, we right now are doing the business, which is pure distribution, like a marketplace distribution. We have added a few more line items like loans against mutual funds, etc. And those will and have started to pick back. So that's the reason for personal loans, not the same as QoQ. At the same point of time, we are not going aggressively in the personal loan distribution business, where we do believe that there is a large amount of stress in the overall market, which is getting eased out.

And instead of being aggressive, we let it be that whatever the lenders need and whatever the policy and pricing lenders are doing, the market is behaving like that. So there is not much difference from our side that we are doing less or more.

Mr. Madhur Deora: On the number of users, Anand, it was partly because of personal loans that Vijay just talked about, and the volume disbursed number that you have seen, and it was partly in terms of active users in the equity broking industry, which Paytm Money is a part of. As you might be aware, call it from December to February, largely, there were some regulatory adjustments because they wanted slightly less trading, if you will. So they increased, they reduced the number of settlement cycles and so on in the industry. So overall, there's been a lot of press coverage that industry volumes are down about 30 - 40%. So the number of Paytm Money monthly active users would have declined along with the industry. So those are the factors that make us very positive that this should start growing going forward.

Anand Dama: So the second question is on the DLG cost. So is it possible for you to share how much the DLG cost in the current quarter? There is some trail income also that I've talked about on the DLG front. What is that? Any new partners where you've gone for DLG in the current quarter? And one more question is on the ESOP cost. So earlier, you used to provide the ESOP cost schedule. I think you just provided for the first quarter how much it is going to be. Is it possible to provide it for the next two to three years?

Mr. Madhur Deora: On ESOP cost, because we are sort of still finalizing certain grants right now, we didn't want to share quite a number. The ₹75 - 100 crores that we have talked about is for the next few quarters. So we expect that to be in the range. When we do the next quarterly filing, which will be two odd months from now in July, we will share the updated ESOP cost schedule. So that is a feature that we have this quarter. We didn't have it, and we put this range because it was sort of work in progress.

With respect to DLG costs, it's a slightly commercially sensitive information, so we don't share that. But we have indicated on previous calls that blended, it's about 3% to 4% DLG that we give, and that is not on all lending. It's largely on merchant lending, and it's not all lending partners, but it is a very substantial majority of that. So based on that you could probably get some estimate of what that number is, but we don't want to share exactly what that number is.

Anand Dama: Any new partners you have tied up with on a DLG front?

Mr. Madhur Deora: We currently have three partners on DLG. There'll be a DLG disclosure that will go up on our website, which is already on our website. Sorry, I've been told. It is already on our website, which talks about, it's a regulatory required disclosure, which talks about how much AUM you have under DLG, under different, they call it portfolios. Each portfolio indicates for us a type of loan with a type of partner. So portfolio one would be partner A, call it merchant loans. Portfolio B might be partner B, merchant loans, and so on. So that is already on our website.

Anand Dama: Thanks. Thanks a lot.

Moderator: Thank you, Anand. Vijay will take one question from the chat window.

Mr. Vijay Shekhar Sharma: Yeah. I just saw this question from Ravi, who is from Bangalore.

I'm a long-term investor in Paytm. As an investor, I'm more interested in Paytm showing profit as early as possible, as you're not able to show profit this quarter because of an exceptional expense of ₹522 crores related to ESOPs. Did you consider splitting this expense to multiple quarters so that it could have resulted in profit this quarter? Is there any compelling reason why you booked this full expense this quarter?

Ravi, this is all an audit matter. The auditor decides, we follow, and the way the auditor suggested, we did it. And as you can see, this exceptional charge is something which everybody logically should see as a one-off, one-time and exceptional in nature. We are at the verge of PAT profitability, if you were to see every other expenditure and thing. I'm very sure that in the next quarter onwards, if everything goes as we are seeing, it could very well be a PAT profitable quarter.

Moderator: Thank you. The next question will be the last question. This is from Prateek Poddar of Bandhan Mutual Fund. Prateek, you may please ask your question.

Prateek Poddar: Yeah. Just a couple of questions. One is, when I look at your key financial services customers, on a sequential basis, there's a decline, whereas the financial services revenue income has gone up. So, I just wanted to check what has happened over there.

Mr. Madhur Deora: So our financials, I think I just mentioned this a little while earlier, the financial services customers have decreased largely in two segments. One is personal loans, where obviously there's disbursal data to also look at, which we have shared. And the second is in Paytm money, on a quarter-on-quarter basis, these numbers have reduced because from December to February, there's some regulatory adjustments from the capital markets regulator, which affected the F&O industry overall. There's enough and more news stories about how much trading volumes have gone down and so on. We do expect that to recover, and we're already seeing recovery in that. So it definitely looks like it's bottomed out.

Financial services revenue has grown because the highest margin and the highest ARPU product, if you will, which is merchant loan, continues to do very well. Yeah. So you already got it.

Prateek Poddar: And so, last question. When I look at software, cloud, and data center cost on a sequential basis, that has declined by 10%. I just wanted to check if there's any correlation with the total number of transactions, because that seems to have gone up. So has there been some efficiency gains over the year, or what has led to this 10%?

Mr. Vijay Shekhar Sharma: Yeah. Actually, that is what I've been continuously putting up. This is classic AI. When you give AI an opportunity to review things, it goes beyond human logic that you typically use. So you very well pointed out, and it is a very sharp eye, I must congratulate you. And this is attributable simply to putting AI in every process and cost line item that, what do you think we should be doing? What kind of practices we are doing, are following, what else we could do? Then, you know, I'll just give you a clue about it.

Things like, let's say, you have a cloud where the machines are dedicated so that any spike, you are able to take care of the minimum sort of permission. And then AI was able to say, based on your pattern, I suggest that from this hour, typically in the night hour, you could just reduce them to dramatically low volume. And then it's like, you know, day-end closing balance, float revenue kind of thing in the compute industry also, where if you're not using compute for those hours, you can do it. Similarly, internally, we are picking up AI inferencing in a way that we start to use the downtime of our peak systems or the time when the peak traffic is not coming to do the inferencing.

So there are tons of insights. I mean, I'm glad that you pointed it out. And I'm going to point back that, yes, it is efficiency by the team's effort on finding cost efficiency.

Mr. Madhur Deora:I just want to make two other quick points. One is that when we did the migrations in the first half of last year, obviously, the most important thing was to do the migrations, right? And since then, using AI, the team has been working hard on finding places where, because it was a time-bound activity, finding places where we could have done things more efficiently if we had more time. So they're solving those things.

Second is, while we're very pleased with the improvement, I would just slightly discourage us from looking at quarter-on-quarter trends too much, because there is sometimes a little bit of volatility here and there. But we are quite pleased that our tech teams and our DevOps team is very cost-sensitive. And that is a good place to be as an organization.

Prateek Poddar: Got it. Fantastic. And best wishes for the future.

Mr. Vijay Shekhar Sharma: I'll take a few more questions from the chat window.

Lakshay Tavtari has said that, in the past, companies' core business faced significant challenges. Despite these disruptions, companies have demonstrated remarkable resilience. Currently, there seems to be a renewed focus on strengthening the core business. Given the unpredictable nature of the market, do you believe it's strategically sound to double down on core, or with a diversified approach, exploring adjacents or alternate business segments, offer a safety net for long-term stability and growth?

Very, very good question, Laksh. And my answer would be that, in India, we have an obligation to focus on the core, because that is what the business model has become: scalable, profitable, identified, learned, and so on and so forth. And the best part I can tell you is that we are able to see that result, as you are seeing. And as far as adjacency and alternate is concerned, we have tried to find out software, services, software that we can expand to other fintech banks or other people, which we also found out in neighboring geographies also. So that is our alternate additional market or incremental revenue that we found out. It's very simple, no incremental, much cost, and you got more revenue on the bottom line side. So, Lakshay, that is where it is.

And I can see Srinath asking, share your three-year vision on innovation on this platform of payment and financial services. What new product can we expect?

Srinath, I'm going to say that when we look at three years, the best thing is the products that we are talking about. I mean, in other words, it's like saying you can continue to expect payment and cross-selling of financial services continuously going much deeper in the last three years. The cost and the innovations of the quality of product will be very, very different. As you are aware, we started to build new products and services. App you saw, consumer side, and devices you saw. So tons of machines and AI-based capability will be in all workflows. I'm especially, I mean, not going to say the particular feature right now in this call right now, because this is a more earning call.

But you can expect us to build continued innovations in consumer and merchant sites as we have done in the past. And what we are building, I'm very, very proud of and very, very excited about those things.

Would you probably be a 100 billion business by 2035? Thank you. I mean, this is an earning call.

When will ESOP reduce, will the shareholder get a dividend or share appreciation? I think ESOP cost, as you are aware, we had one time charge and overall ESOP costs have reduced quarter on quarter. Next quarter onwards, that will be much lesser, all because of this one time charge that we have incurred in this quarter.

Mr. Madhur Deora: And because Vijay gave up his ESOPs. So instead of ₹169 crores last quarter of ESOP charge going forward, we have currently given an indication of no more than ₹75 - 100 crores. And we'll update that guidance in the next couple of quarters. So it's going to be a significantly lower ESOP charge going forward.

Moderator: 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 website subsequently. Thank you all for joining. You may now disconnect your lines. Thank you.