

One 97 Communications

PAYTM sees improved renewal opportunity in loan distribution

Result Highlights (See "Our View" below for elaboration and insight)

- Revenue from operations:** Revenue at Rs 25,186mn was up 7.6%/31.6% QoQ/YoY, sequentially driven by Payment Serv. to Merchants and Financial Services.
- Payment processing charges:** Payment proc. charges were up 6.5%/9.5% QoQ/YoY and were 54.4% of Payments Serv. Revenue, down -47/-913bps QoQ/YoY
- Contribution profit:** Contribution profit at Rs 14,260mn was up 9.4%/69% QoQ/YoY, translating to a Contribution margin of 56.6%, up 93/1257bps QoQ/YoY
- Expenses (excl Payment proc. charges):** Total expenses were up 3.5%/13.3% QoQ/YoY. The YoY growth was driven by Employee exp. up by 26.2% YoY
- Standard EBITDA (Cal.):** EBITDA loss, at -Rs 2,310mn, lower -21%/-57% QoQ/YoY, translating to an EBITDA margin of -9.2%, improved 333bps QoQ

Our view - PAYTM sees improved renewal opportunity in loan distribution

Management calls a bottom, perhaps a tad surprisingly, for loan distribution growth: The key reason for the expectation of improved growth in personal loans is that the company now has a large PL user base, which has seen maturing customers. About Rs 3-4bn PL matures every month and is available for upsell and hence, the company is seeing improved renewal opportunity. Personal loans would remain muted for 2 more quarters and a 30-40% YoY growth can be expected. Merchant loans growth will be healthier and in excess of 50-60%. On a blended basis, total credit growth would be 40-50%.

While the consumer payments business is slow, the merchant payments business remains robust: Revenue for consumer payments grew 5.5% YoY to Rs 5.79bn for the quarter. In contrast, revenue from merchant payments ramped up 47.6% YoY to Rs 9.21bn.

Cloud revenue has slowed whereas Commerce revenue has been healthy: De-growth in VAS has dragged the overall cloud revenue growth to 3.6% YoY but one should regard this slowdown as an aberration. The commerce GMV is up 39% YoY driven by all-round growth in travel, entertainment, deals and gift vouchers.

We maintain a less-than-bullish 'ADD' rating on PAYTM with a revised price target of Rs 1100: We value PAYTM at 5.2x FY25 P/S to arrive at our price target of Rs 1100.

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

Exhibit 1: Result table

Particulars, Rs mn	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Revenue from Operations	25,186	23,416	7.6	19,140	31.6
Other Income	1,439	1,226	17.4	996	44.5
Total Revenue	26,625	24,642	8.0	20,136	32.2
Payment processing charges	8,167	7,666	6.5	7,458	9.5
Gross Profit	17,019	15,750	8.1	11,682	45.7
Total Expenses	19,329	18,677	3.5	17,060	13.3
EBITDA (Incl ESOP excl Oth. Inc.)	(2,310)	(2,927)	-21.1	(5,378)	-57.0
Calculated EBITDA Margin	-9.2	-12.5	333bps	-28.1	1893bps
EBIT	(4,111)	(4,518)	-9.0	(6,421)	-36.0
PBT	(2,799)	(3,359)	-16.7	(5,478)	-48.9
Tax	127	44	188.6	145	-12.4
PAT	(2,926)	(3,403)	-14.0	(5,623)	-48.0
Share of Assoc./JVs	9	(181)	-105.0	(92)	-109.8
Consolidated PAT	(2,917)	(3,584)	-18.6	(5,715)	-49.0

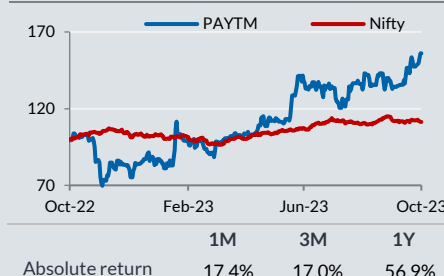
Source: Company, YES Sec-Research

Recommendation	: ADD
Current Price	: Rs 988
Target Price	: Rs 1100
Potential Return	: 11%

Stock data (as on October 20, 2023)

Nifty	19,543
52 Week h/l (Rs)	998 / 438
Market cap (Rs/USD mn)	614382 / 7391
Outstanding Shares (mn)	634
6m Avg t/o (Rs mn):	3,392
Div yield (%):	NA
Bloomberg code:	PAYTM IN
NSE code:	PAYTM

Stock performance



Shareholding pattern (As of Jun'23 end)

Promoter	0.0%
FII+DII	75.7%
Others	24.3%

Δ in stance

(1-Yr)	New	Old
Rating	ADD	ADD
Target Price	1100	1025

Financial Summary

(Rs mn)	FY24E	FY25E	FY26E
Total Revenue	117,765	142,557	168,706
YoY Growth, %	40.2	21.1	18.3
EBITDA Margin, %	(2.2)	6.2	10.5
PAT Ex JV/Assoc.	(4,382)	6,454	14,432
YoY Growth, %	75.2	247.3	(123.6)
Sales Per Share, Rs	179.0	207.9	246.9
EPS, Rs	(7.0)	9.9	22.2
BVPS, Rs	198.2	267.0	289.2
P/Sales, x	5.4	4.7	3.9
P/E, x	NA	NA	NA
P/BV, x	4.9	3.6	3.4
ROAE, %	(3.5)	4.3	8.0
ROAA, %	(2.5)	3.2	6.2

Δ in earnings estimates

Rs.	FY24E	FY25E	FY26E
EPS (New)	(7.0)	9.9	22.2
EPS (Old)	(6.6)	8.5	20.5
% change	-7.1%	16.2%	8.2%

SHIVAJI THAPLIYAL

Head of Research
& Lead Analyst

shivaji.thapliyal@ysil.in

+91 22 6885 0521



SIDDHARTH RAJPUROHIT, Analyst

COMPREHENSIVE CON-CALL TAKEAWAYS

Key revenue items

- Overall revenue was up 32% YoY to Rs 25.19bn for the quarter, driven by Payments services to merchants and Financial Services business.
- The overall revenue does not include the UPI incentive during the quarter.
- Revenue from Payments services to merchants was up 48% YoY to Rs 9.2bn.
- Revenue from Financial Services business was up 64% YoY to Rs 5.71bn.

Contribution margin

- The overall contribution profit has risen 69% YoY to Rs 14.3bn, translating to a contribution margin of 57%, up 13% points YoY.

EBITDA before ESOP cost

- EBITDA before ESOP cost stood at Rs 1.53bn, which translated to an adjusted EBITDA margin of 6%, up 15% points YoY.

Underlying metrics

- **Monthly transactions users (MTU)**
 - Average MTU was up 19% YoY to 95mn.
- **Merchant subscriptions**
 - Merchant subscriptions have increased 91% YoY to 9.2mn.
 - The company is seeing an increase in pace of adoption due to the existing network built and due to innovations in terms of pocket soundbox, card soundbox, music soundbox, etc.

More on Lending distribution business

- **Loan disbursement value**
 - The value of loan disbursed amounted to Rs 162.1bn, up 122% YoY.
- **Growth of lending distribution business**
 - The company has witnessed healthy growth in Postpaid and Merchants business but has slowed down Personal loans consciously.
 - The company sees a much better momentum in coming quarters for the overall loan business including personal loan business.
 - **Reason for improved growth guidance for personal loans**
 - The key reason for the expectation of improved growth in personal loans is that the company now has a large PL user base, which has seen maturing customers.
 - About Rs 3-4bn PL matures every month and is available for upsell and hence, the company is seeing improved renewal opportunity.
 - Secondly, there has been expansion of the lending partner base as well.
 - While personal loans will not go back to last year's growth rate, it will grow in the early double digits (this, presumably, sequential growth).
 - **Customer split for personal loans**
 - Earlier, 40% of the book came from customers upgraded from Postpaid, 25-30% from existing PL customers and the remaining were first-time PL customers.
 - Now, the renewal base has increased and the postpaid base has decreased by about 5%.

(Con call takeaways continue on the next page)

- **Loan growth guidance**
 - Personal loans would remain muted for 2 more quarters and a 30-40% YoY growth can be expected.
 - Merchant loans growth will be healthier and in excess of 50-60%.
 - On a blended basis, total credit growth would be 40-50%.
- **Lending partners**
 - The company has added Tata Capital, a AAA-rated NBFC, as a lending partner during the quarter after adding Shriram in the sequentially previous quarter.
 - With this, the total lending partner count moved up to 9.
 - Going forward, as per the current pipeline, there would be 3 more lending partners, of which 1 would be a bank.
- **MDR charges**
 - Of the 41mn merchant customer base, 20mn have signed up for Postpaid (BNPL).
 - Of those who have signed up, less than 1mn currently pay MDR.
 - All online merchants pay MDR but on the offline, it depends on whether Payment is bringing in material incremental value in terms of customer payment.
 - Where value is added, a cascaded MDR between 50 and 125 bps is charged.
- **Credit line on UPI**
 - This is first time that the bank account credit line is getting the acquiring side opportunity.
 - This is a bigger opportunity than credit cards and the company applauds the RBI and NPCI.
 - There is no requirement of holding plastic in one's hand and there is an MDR opportunity.
 - There will be a learning curve and taking a 3-4 year view, merchants will see value if it brings in more customers and higher value per transaction.
- **Asset quality**
 - **Postpaid loans**
 - The bounce rates for postpaid business were 9.5% to 10.75%, lower by 50bps over the last few quarters.
 - The ECL rates for postpaid business were in the range of 0.65% to 0.85%.
 - The management expects the ECL rates to drop in future.
 - **Personal loans**
 - The bounce rates for Personal loans were 10.25% to 11.25%.
 - The ECL rates for Personal loans were 4.5% to 5%.
 - **Merchant loans**
 - The ECL rates for Merchant loans were 4.75% to 5.25%.
- **Devices**
 - **Pricing of Devices**
 - Currently, competitive pressure is not a factor determining pricing.
 - Pricing is simply being determined by the type of product being sold.
 - Pocket and music soundbox fetch a higher price.
 - The company expects blended pricing to remain rangebound between Rs 95-105 per device.
 - The price of a upper-end Android card machine is Rs 500 but this is a very small proportion.
 - **Run rate**
 - The run rate for device addition would be 1.5mn devices per quarter for the next 15-18 months.
- **Blended take rate**
 - The company and the lending partners have a common objective of creating a sound portfolio.

(Con call takeaways continue on the next page)

- When the repo rate starts to come down, the company will address renegotiating the rates.
- One should model a blended take rate of 3.5-3.65% for the loan distribution business.

Commerce and cloud business

- The commerce and cloud business in 2Q stood at Rs. 4.23bn, up by 12% YoY.
- **Cloud business**
 - Majority of the cloud business is now co-branded credit card and advertising services.
 - **Credit cards**
 - The company has total of 0.87mn active credit cards as of September 2023 as against 0.3mn as of September 2022.
 - The co-brand credit card partners are HDFC Bank and SBI.
 - **Advertising**
 - The telecom VAS (value-added services) business (essentially, the advertising business) is down on YoY basis.
 - **Overall**
 - De-growth in VAS has dragged the overall cloud revenue growth to 3% YoY but one should regard this slowdown as an aberration.
- **Commerce business**
 - The commerce GMV is up 39% YoY driven by all-round growth in travel, entertainment, deals and gift vouchers.
 - The take for the business is in the 5-6% range.

Other financial services / wealth management

- The company will pursue opportunities in wealth management.
- There are essentially two opportunities in the form of broking and distribution.
- Paytm Money has 0.7mn customers mostly in equity cash and F&O broking.
- Equity broking is a high margin business depending on the customer acquisition cost.

On new Competition

- **Jio Financial**
 - The company is not aware of Jio Financial's plan but the fact that they have a balance sheet (lend on their own balance sheet) makes them a potential collaborator (and not necessarily a competitor).
- **Google**
 - The fact that Google is interested in the area of merchant loans is an endorsement of the company's business model and will only serve to expand the market.
- **Devices / Soundbox**
 - The company has a first mover advantage of a few years in the devices market.
 - Other players are not really innovating and getting devices manufactured in China and then just stamping it.
 - The company has an increment roadmap ready and will be leading on innovation.
 - The company is also focused on capturing untapped geographies through its distribution heft.

(Con call takeaways continue on the next page)

On RBI restrictions

- It needs to be understood that the restriction is on Paytm Payments Bank, which operates at an arm's length from the listed holding company.
- Paytm has the permission of adding UPI customers and has been doing a good job of the same.
- For the lending distribution to grow, Paytm does not really need to add more customers since the penetration level of the existing customer base is still low.
- Once the embargo is lifted, Paytm Payments Bank will be able to add wallet customers and bank accounts.
- It may be noted that Paytm Payments Bank does not share KYC information with lending partners in any case (and hence, KYCed customers being added at the Payments Bank is currently not critical).

More on Payments business

- **Payment Gateway business**
 - The company is able to offer cutting edge payment gateway technology.
 - Some of the offerings include real-time tracking, routing of transactions and other flexibility.
 - While there is no data on the market, the company believes it is a formidable player in the payment gateway market.
- **Net payments margin**
 - **Reasons for rise in net payments margin**
 - The increased adoption of UPI for both online and offline payments is not accretive for net payments margin.
 - The company has been working on the credit card side for the past 12 months, driving affordability, enabling brand EMI both online and offline, which has led to improvement in net payments margin.
 - **Guidance**
 - The net payments margin would remain rangebound between 7-9 bps.

Operating expenses

- **Staff expenses**
 - **ESOP cost**
 - The ESOP cost run rate will start to go down from August 2024.
- **Sales-related expenses**
 - Sales-related expenses will grow in line with device additions.
- **Non-sales-related expenses**
 - The growth of non-sales-related expenses will be subdued since significant tech-related investments including in AI have already been made.
- **Capex**
 - The uptick in capex is driven by devices cost but the company is working with vendors to reduce this cost.
 - The cost of a higher-end soundbox device is Rs 1200.
 - The card machine cost is Rs 5000-7000.
 - There are laptops and other items contributing to capex as well.

(Con call takeaways continue on the next page)

Comments on ONDC

- The relationship with ONDC will be a partnership with Paytm E-commerce Private Limited.
- There will be the advantage of disbursing on its platform.
- There is no intent of ONDC to cap charges.
- The company believes that, in a duopoly market, there is space for a new large player to emerge.

Exhibit 2: Quarterly P&L Table

Particulars, Rs mn	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Revenue from Operations	25,186	23,416	7.6	19,140	31.6
Other Income	1,439	1,226	17.4	996	44.5
Total Revenue	26,625	24,642	8.0	20,136	32.2
Less: Expenses					
Payment processing charges	8,167	7,666	6.5	7,458	9.5
Gross Profit*	17,019	15,750	8.1	11,682	45.7
Marketing and promotional expenses	2,528	2,653	-4.7	3,275	-22.8
Employee Benefit Expense	11,915	11,061	7.7	9,441	26.2
Software, cloud and data centre expenses	1,553	1,550	0.2	1,728	-10.1
Other Expenses	3,333	3,413	-2.3	2,616	27.4
TOTAL EXPENSES (Excl. Payment proc.)	19,329	18,677	3.5	17,060	13.3
EBITDA (Incl ESOP excl Oth. Inc.)**	(2,310)	(2,927)	-21.1	(5,378)	-57.0
Depreciation and Amortization Expense	1,801	1,591	13.2	1,043	72.7
EBIT	(4,111)	(4,518)	-9.0	(6,421)	-36.0
Finance Cost	70	67	4.5	53	32.1
Exceptional items	(57)	0	NA	0	NA
PBT	(2,799)	(3,359)	-16.7	(5,478)	-48.9
Tax	127	44	188.6	145	-12.4
PAT	(2,926)	(3,403)	-14.0	(5,623)	-48.0
Share of result of Associates/JVs	9	(181)	-105.0	(92)	-109.8
Consolidated PAT	(2,917)	(3,584)	-18.6	(5,715)	-49.0

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	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Revenue from Operations	25,190	23,420	7.6	19,140	31.6
Payment processing charges	8,170	7,670	6.5	7,460	9.5
As % of GMV (%)	0.18	0.19	-1bps	0.23	-5bps
Promotional cashback & incentives	730	850	(14.1)	1,910	(61.8)
Other Expenses	2,030	1,860	9.1	1,340	51.5
Total Direct Expenses	10,930	10,380	5.3	10,710	2.1
Contribution Profit	14,260	13,040	9.4	8,430	69.2
Contribution Margin (%)	56.6	55.7	93bps	44.0	1257bps

Source: Company, YES Sec – Research

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

Particulars, Rs mn	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Contribution Profit	14,260	13,040	9.4	8,430	69.2
Marketing	1,800	1,810	(0.6)	1,370	31.4
Employee cost (Excl ESOPs)	8,070	7,300	10.5	5,730	40.8
Software, cloud and data center	1,550	1,550	0.0	1,730	(10.4)
Other indirect expenses	1,300	1,550	(16.1)	1,270	2.4
EBITDA (Before ESOP expense)*	1,530	830	84.3	(1,660)	(192.2)
EBITDA Margin (%)	6.1	3.5	253bps	(8.7)	1475bps

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

Exhibit 5: Segmental Breakup of Revenue from Operations - Quarterly

Particulars, Rs mn	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Payments and financial services	20,710	19,180	8.0	15,220	36.1
Payments Services to Consumers	5,790	5,540	4.5	5,490	5.5
Payments Services to Merchants	9,210	8,420	9.4	6,240	47.6
Financial Services and Others	5,710	5,220	9.4	3,490	63.6
Commerce and cloud services	4,240	4,050	4.7	3,770	12.5
Commerce	1,630	1,560	4.5	1,250	30.4
Cloud	2,610	2,490	4.8	2,520	3.6
Other Operating Revenue	240	190	26.3	150	60.0
Total Revenue from Operations	25,190	23,420	7.6	19,140	31.6

Source: Company, YES Sec – Research

Exhibit 6: Expenses as % of heads - Quarterly

%	2QFY24	1QFY24	QoQ, bps	2QFY23	YoY, bps
Payment processing charges as a % of Payment services revenue	54.4	54.9	-47bps	63.6	-913bps
Expense heads as a % of Total Revenue					
Payment processing charges	30.7	31.1	-44bps	37.0	-636bps
Marketing and promotional expenses	9.5	10.8	-127bps	16.3	-677bps
Employee Benefit Expense	44.8	44.9	-14bps	46.9	-214bps
Software, cloud and data centre expenses	5.8	6.3	-46bps	8.6	-275bps
Other Expenses	12.5	13.9	-133bps	13.0	-47bps
Depreciation and Amortization Expense	6.8	6.5	31bps	5.2	158bps
Finance Cost	0.3	0.3	-1bps	0.3	0bps

Source: Company, YES Sec – Research

Exhibit 7: Key Operational Data - Quarterly

Particulars	2QFY24	1QFY24	QoQ, %	2QFY23	YoY, %
Monthly Transacting Users, mn	95.0	92.0	3.3	79.7	19.2
Monthly GMV per user, Rs	15,789	14,674	7.6	13,300	18.7
Devices merchant base, mn	9.2	7.9	16.5	4.8	91.7
Number of Loans Disbursed, mn	13.2	12.8	3.1	9.2	43.6
Value of Loans Disbursed, Rs bn	162.1	148.5	9.2	73.1	121.7
Loans Ticket Size, Rs	12,281	11,598	5.9	7,956	54.4

Source: Company, YES Sec – Research

Exhibit 8: Quarterly Actuals Vs Estimates

Q2FY24 (Rs. mn)	Actuals	Estimates	Diff, %
Revenue from Operations	25,186	26,811	(6.1)
EBITDA (Ex-OI)	(2,310)	(1,766)	(30.8)
PAT (Ex-As./JV)	(2,926)	(2,180)	(34.2)

Source: Company, YES Sec – Research

ANNUAL FINANCIALS

Exhibit 9: Income Statement

Rs mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Revenue-Ops.	32,808	28,024	49,742	79,903	113,463	138,040	163,963	194,843	224,435	258,764	298,621	344,933
Other Income	2,599	3,844	2,901	4,097	4,302	4,517	4,743	4,980	5,229	5,490	5,765	6,053
Total Revenue	35,408	31,868	52,643	84,000	117,765	142,557	168,706	199,823	229,664	264,254	304,386	350,986
Operating Expenses												
Payment Proc.	22,659	19,168	27,538	29,577	35,985	43,148	50,961	60,213	68,165	77,201	87,474	99,157
Marketing exp.	13,971	5,325	8,554	10,764	12,917	14,854	17,082	19,645	21,609	23,770	26,147	28,762
Employee Cost	11,193	11,849	24,319	37,783	45,455	46,189	49,573	55,795	60,565	65,812	71,584	77,933
Software, etc.	3,603	3,498	4,999	6,939	8,327	9,576	11,012	12,664	13,930	15,323	16,856	18,541
Other Expenses	7,727	5,857	7,734	11,155	13,386	15,394	17,703	20,358	22,394	24,634	27,097	29,807
Total Expenses	36,493	26,529	45,606	66,641	80,084	86,013	95,370	108,462	118,499	129,539	141,684	155,043
EBITDA (Ex-OI)	(26,344)	(17,673)	(23,402)	(16,315)	(2,606)	8,878	17,632	26,168	37,771	52,024	69,463	90,733
Depr. and Amort.	1,745	1,785	2,473	4,853	5,824	6,697	7,702	8,857	9,743	10,717	11,789	12,967
EBIT (Ex-OI)	(28,089)	(19,457)	(25,875)	(21,168)	(8,430)	2,181	9,930	17,311	28,029	41,307	57,675	77,766
Finance Cost	485	348	394	233	245	257	270	283	297	312	328	344
Exceptional	(3,047)	(282)	(24)	0	0	0	0	0	0	0	0	0
PBT	(29,021)	(16,243)	(23,392)	(17,304)	(4,373)	6,441	14,403	22,008	32,960	46,485	63,112	83,475
Tax	(158)	27	113	336	9	(13)	(29)	(44)	1,648	6,973	12,622	20,869
PAT (Ex-As./JV)	(28,864)	(16,270)	(23,505)	(17,640)	(4,382)	6,454	14,432	22,052	31,312	39,512	50,489	62,606

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 10: Cash flow statement

Rs mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Cash flow from Operations												
PBT & Ext.	(29,582)	(16,983)	(23,851)	(17,429)	(4,460)	6,570	14,692	22,449	33,586	47,275	64,121	84,727
Adjustment For												
Depreciation	1,745	1,785	2,473	4,853	5,824	6,697	7,702	8,857	9,743	10,717	11,789	12,967
Interest expense	(456)	(2,108)	285	(197)	245	257	270	283	297	312	328	344
Other Income	4,724	1,512	(2,518)	(2,778)	(4,302)	(4,517)	(4,743)	(4,980)	(5,229)	(5,490)	(5,765)	(6,053)
Changes in WC	68	(6,902)	12,727	6,489	(1,062)	(1,262)	(1,496)	(1,770)	(2,090)	(2,464)	(2,899)	(3,406)
Direct Taxes Paid	(265)	1,871	(1,479)	(1,762)	(9)	13	29	44	(1,648)	(6,973)	(12,622)	(20,869)
Others	0	0	0	14,980	0	0	0	0	0	0	0	0
Net Cash from Op.	(23,766)	(20,825)	(12,363)	4,156	(3,765)	7,758	16,453	24,883	34,659	43,377	54,952	67,710
Cash flow from Investing												
Purchase of FA	(1,907)	(1,927)	(5,071)	(6,967)	(3,000)	(3,500)	(4,000)	(4,500)	(4,500)	(4,500)	(4,500)	(4,500)
Change in inv.	(14,427)	(21,534)	(96,322)	32,749	(84)	(84)	(84)	(84)	(84)	(84)	(84)	(84)
Others	(3,629)	42,759	46,507	473	(2,063)	(1,698)	(1,775)	(1,856)	(1,939)	(2,026)	(2,116)	(2,210)
Net Cash from Inv.	(19,963)	19,298	(54,886)	26,255	(5,147)	(5,282)	(5,859)	(6,439)	(6,523)	(6,609)	(6,699)	(6,793)
Cash flow from Financing												
Change in borr.	(606)	(735)	(435)	0	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Change in Equity	50,540	107	83,067	(8,577)	0	45,030	0	0	0	0	0	0
Dividend Paid	0	0	0	0	0	0	0	0	0	0	(1,328)	(1,992)
Others	1,665	(1,593)	(2,097)	(2,546)	4,873	5,092	5,322	5,562	5,814	6,079	6,356	6,646
Net Cash from Fin.	51,599	(2,221)	80,535	(11,123)	4,872	50,121	5,321	5,561	5,814	6,078	5,027	4,653
Net Chg in Cash	7,870	(3,748)	13,286	19,288	(4,039)	52,598	15,915	24,005	33,950	42,846	53,279	65,570

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 11: Ratio analysis

	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Growth Matrix (%)												
Revenue from Ops.	1.5	(14.6)	77.5	60.6	42.0	21.7	18.8	18.8	15.2	15.3	15.4	15.5
Gross Profit	4.1	(12.7)	150.7	126.7	54.0	22.5	19.1	19.1	16.1	16.2	16.3	16.4
Operating Expense	(31.7)	(27.3)	71.9	46.1	20.2	7.4	10.9	13.7	9.3	9.3	9.4	9.4
EBITDA	39.7	32.9	(32.4)	30.3	84.0	440.6	(98.6)	(48.4)	(44.3)	(37.7)	(33.5)	(30.6)
EBIT	37.3	30.7	(33.0)	18.2	60.2	125.9	(355.2)	(74.3)	(61.9)	(47.4)	(39.6)	(34.8)
PBT	31.7	44.0	(44.0)	26.0	74.7	247.3	(123.6)	(52.8)	(49.8)	(41.0)	(35.8)	(32.3)
PAT	31.9	43.6	(44.5)	25.0	75.2	247.3	(123.6)	(52.8)	(42.0)	(26.2)	(27.8)	(24.0)
Net Worth	41.6	(19.4)	116.6	(8.0)	(3.4)	41.1	8.3	11.7	14.9	16.4	17.5	18.4
Margin (%)												
Gross Profit Margin	30.9	31.6	44.6	63.0	68.3	68.7	68.9	69.1	69.6	70.2	70.7	71.3
EBITDA Margin	(80.3)	(63.1)	(47.0)	(20.4)	(2.3)	6.4	10.8	13.4	16.8	20.1	23.3	26.3
EBIT Margin	(85.6)	(69.4)	(52.0)	(26.5)	(7.4)	1.6	6.1	8.9	12.5	16.0	19.3	22.5
PBT Margin	(88.5)	(58.0)	(47.0)	(21.7)	(3.9)	4.7	8.8	11.3	14.7	18.0	21.1	24.2
PAT Margin	(88.0)	(58.1)	(47.3)	(22.1)	(3.9)	4.7	8.8	11.3	14.0	15.3	16.9	18.2
Return Ratios (%)												
RoE	(36.3)	(26.0)	(16.9)	(13.6)	(3.6)	3.7	7.7	10.5	13.0	14.1	15.3	16.0
RoAE	(42.5)	(23.2)	(23.2)	(13.1)	(3.5)	4.3	8.0	11.1	13.9	15.1	16.5	17.4
RoCE	(33.8)	(27.5)	(18.3)	(16.3)	(6.7)	1.2	5.2	8.1	11.4	14.4	17.1	19.5
RoACE	(37.9)	(25.3)	(24.4)	(15.6)	(6.6)	1.4	5.4	8.5	12.2	15.5	18.5	21.2
RoA	(28.6)	(18.6)	(13.3)	(9.9)	(2.5)	2.9	6.0	8.3	10.5	11.6	12.9	13.7
RoAA	(30.9)	(17.5)	(17.7)	(9.9)	(2.5)	3.2	6.2	8.7	11.1	12.3	13.8	14.8
Per Share (Rs)												
EPS	(48.7)	(28.1)	(36.9)	(28.0)	(7.0)	9.9	22.2	33.9	48.1	60.7	77.6	96.2
BVPS	134.1	108.0	218.1	205.3	198.2	267.0	289.2	323.1	371.2	431.9	507.4	600.6
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	179.0	207.9	246.9	293.4	338.0	389.7	449.7	519.5
EBITDA per share	(43.6)	(29.2)	(36.1)	(25.7)	(4.1)	13.4	26.6	39.4	56.9	78.3	104.6	136.6
FCFF per share	(41.4)	(37.1)	(10.8)	2.7	11.7	21.4	30.5	42.2	57.0	70.7	88.3	107.6
FCFE per share	(43.2)	(38.9)	(12.1)	2.3	11.3	21.1	30.1	41.8	56.6	70.3	87.9	107.3
CFO per share	(39.3)	(34.4)	(19.0)	6.6	(5.9)	11.7	24.8	37.5	52.2	65.3	82.8	102.0
EV per share	983.9	1,000.4	890.3	864.7	870.3	751.1	726.4	689.6	637.7	572.5	491.5	392.1
Valuation (x)												
P/E	NA	NA	NA	NA	NA	NA	NA	NA	20.2	16.0	12.5	10.1
P/B	7.2	9.0	4.5	4.7	4.9	3.6	3.4	3.0	2.6	2.2	1.9	1.6
P/S	17.9	20.9	12.7	7.7	5.4	4.7	3.9	3.3	2.9	2.5	2.2	1.9
EV/EBITDA	NA	NA	NA	NA	NA	NA	NA	NA	11.2	7.3	4.7	2.9
EV/FCFF	NA	NA	NA	NA	NA	NA	NA	NA	11.2	8.1	5.6	3.6
P/FCFE	NA	NA	NA	NA	NA	NA	NA	NA	17.1	13.8	11.0	9.0
EV/CFO	NA	NA	NA	NA	NA	NA	NA	NA	12.2	8.8	5.9	3.8
Yield (%)												
FCFF Yield	(4.3)	(3.8)	(1.1)	0.3	1.2	2.2	3.1	4.3	5.9	7.3	9.1	11.1
Dividend Yield	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	0.2	0.3

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 12: Balance Sheet - Assets

Rs mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Assets												
Non-Current Assets												
Tangible As.	2,616	2,992	5,616	8,293	6,216	4,028	1,137	(2,063)	(5,882)	(10,384)	(15,636)	(21,714)
Intangible As.	2,868	1,481	3,098	3,394	2,647	1,638	827	(330)	(1,753)	(3,468)	(5,504)	(7,895)
Goodwill	467	467	443	443	443	443	443	443	443	443	443	443
Capital WIP	131	208	102	72	72	72	72	72	72	72	72	72
Investments	5,507	2,658	12,295	15,765	15,380	14,996	14,611	14,227	13,842	13,458	13,073	12,689
Oth. Non-curr.	27,087	9,708	50,912	11,800	11,584	11,367	11,151	10,934	10,718	10,501	10,285	10,068
Total Non-Cur.	38,675	17,515	72,466	39,767	36,342	32,544	28,242	23,284	17,440	10,622	2,732	(6,336)
Current Assets												
Investments	31,895	1,472	0	11,206	11,674	12,142	12,610	13,078	13,546	14,014	14,482	14,950
Trade Rec.	3,010	3,393	7,464	12,528	14,407	16,568	19,054	21,912	25,198	28,978	33,325	38,323
Cash & Equiv.	5,401	28,764	52,020	70,395	66,356	118,953	134,868	158,874	192,824	235,670	288,949	354,519
Other Curr.	24,051	40,370	47,966	45,762	48,042	49,956	51,948	54,020	56,175	58,418	60,750	63,176
Total Current	64,357	73,999	107,450	139,891	140,478	197,620	218,480	247,883	287,744	337,080	397,506	470,969
Total Assets	103,031	91,513	179,916	179,658	176,821	230,164	246,721	271,167	305,184	347,702	400,238	464,633

Source: Company, YES Sec – Research, Consolidated Financials

Exhibit 13: Balance Sheet - Equity and Liabilities

Rs mn	FY20	FY21	FY22	FY23	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E	FY31E
Equity and Liabilities												
Share capital	604	605	649	634	634	664	664	664	664	664	664	664
Other equity	80,448	64,743	140,867	129,522	125,053	176,636	191,357	213,850	245,788	286,091	336,262	398,128
Net Worth	81,053	65,348	141,516	130,156	125,687	177,300	192,021	214,514	246,452	286,755	336,926	398,792
Non-cont. int.	(140)	(186)	(221)	(227)	(227)	(227)	(227)	(227)	(227)	(227)	(227)	(227)
Total Equity	80,912	65,162	141,295	129,929	125,460	177,073	191,794	214,287	246,225	286,528	336,699	398,565
Non-Current Liabilities												
Lease liabilities	1,822	427	1,822	1,876	1,914	1,952	1,991	2,031	2,071	2,113	2,155	2,198
Oth. Non-Curr.	3,637	4,372	3,474	2,984	3,044	3,105	3,167	3,230	3,295	3,360	3,428	3,496
Total Non-Cur.	5,459	4,799	5,296	4,860	4,957	5,056	5,157	5,261	5,366	5,473	5,583	5,694
Current Liabilities												
Borrowings	2,081	5,449	1	20	19	18	17	16	15	15	14	13
Trade payables	6,116	6,052	7,514	8,589	9,406	10,305	11,294	12,382	13,578	14,894	16,342	17,934
Oth. Curr.	8,462	10,051	25,810	36,260	36,978	37,711	38,459	39,221	39,999	40,792	41,601	42,427
Total Cur.	16,660	21,553	33,325	44,869	46,404	48,034	49,770	51,619	53,592	55,701	57,957	60,374
Total Liabilities	103,031	91,513	179,916	179,658	176,821	230,164	246,721	271,167	305,184	347,702	400,238	464,633

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 Payments Bank	14,435	BV	4,812	3.0	49%	7,073	10.9
Paytm First Games	7,465	Sales	1,493	5.0	55%	4,106	6.3
Value of Associates/JV						11,179	17.2

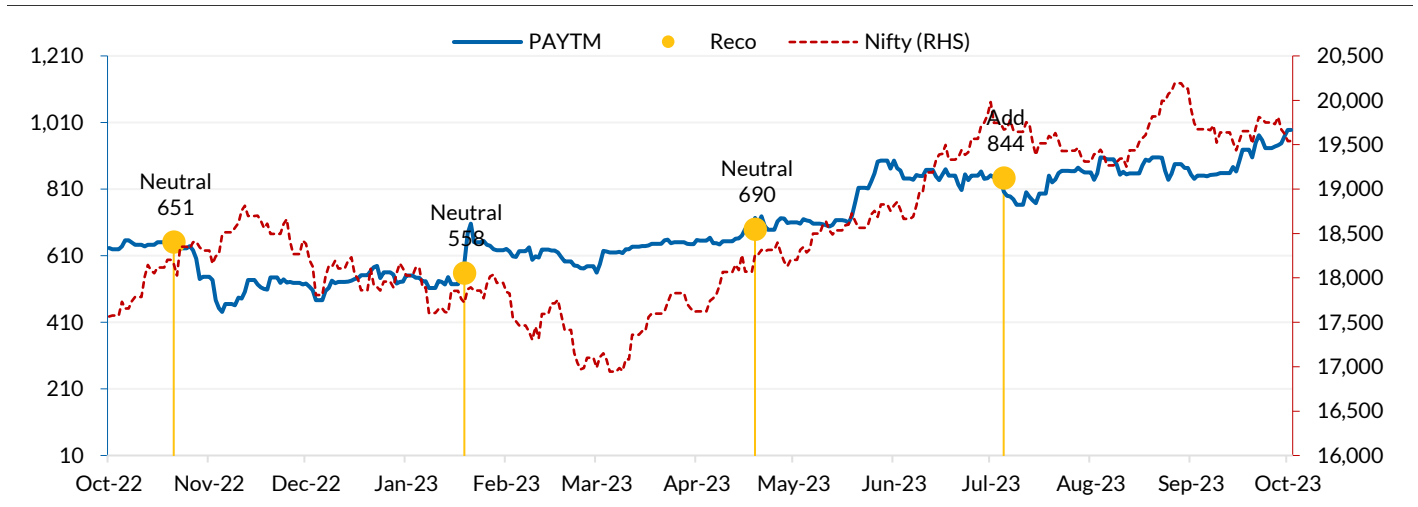
Source: Company, YES Sec – Research

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	117,765	142,557	168,706	117,456	140,224	165,846	0.3	1.7	1.7
EBITDA (Ex-OI)	(2,606)	8,878	17,632	(2,318)	7,981	16,543	(12.4)	11.2	6.6
PAT (Ex-As./JV)	(4,382)	6,454	14,432	(4,093)	5,555	13,341	(7.1)	16.2	8.2

Source: Company, YES Sec – Research

Recommendation Tracker



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YES Securities (India) Limited

Registered Address: 2nd Floor, North Side, YES BANK House,
Off Western Express Highway, Santacruz East,
Mumbai - 400 055, Maharashtra, India.

Correspondence Address: 4th Floor, AFL House,
Lok Bharti Complex, Marol Maroshi Road, Andheri East,
Mumbai - 400059, Maharashtra, India.

☎ +91 22 68850521 | ✉ research@ysil.in
Website: www.yesinvest.in

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Details of Compliance Officer: Name: Aditya Goenka,
Email id: compliance@ysil.in, **Contact No:** 022- 65078127 (Extn: 718127)

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