

Letter to Shareholders

Dear Shareholders,

India is at the cusp of the next stage of the smartphone-led revolution. Starting from internet connectivity led by smartphones, and that becoming the foundation of the digitally enabled life that is now reality.

Paytm pioneered mobile payments in India and led mass adoption with innovations like QR Codes and Soundbox.

In India, we can expect 500 million payment consumers and 100 million merchants not very far in future. This is made possible by Paytm leading from the front, our government's agenda to drive Digital India and the regulator's encouragement to build an open scalable payment system. We are not only beneficiaries but also the biggest champions of government and regulator driven Digital Public Infrastructure.

In my opinion, the success of current digital public infrastructure is giving way to new services clearly in financial services, and also in new areas like health and retail.

Paytm's philosophy is that payment is the truest acknowledgement of trust and transaction assurance between two parties. We have kept that as our core offering and built many technologies to enable confidence and trust, for e.g., for the small merchants to receive and make mobile payments.

We are expanding on our success with Paytm Soundbox and have invested heavily in IoT devices. We launched Pocket and Music Soundbox enabled by 4G technology. I am particularly proud that these are completely designed and made in India.

I believe India has an opportunity to become a net exporter of payment technology, software and hardware, and I expect Paytm to lead the way in this. Our R&D design and software capabilities are the best in the world, in which Paytm Labs is constantly building various AI and big data features that enhance payment trust, when consumers or merchants use Paytm.

The true dividend of the payment economy in India will be distribution of small credit at low cost leveraging payment relationships with customers. RBI's Digital Loan Service Provider system aptly captures it. Since June 2020, when RBI first came with digital loan disbursement guidelines, we have built our business on core principles guided in the circular and refined later on.

It is my belief that the true economic GDP growth benefit of reaching the last person in the financial system will be our success. We have set our mission to enable 500 million Indians to get benefits of mainstream economic growth. This begins by enabling them with mobile payments and helping extend various other financial services like loan, insurance etc. to them.

We have created a successful template in the last 2 years of distributing small digital loans using payment relationships with consumers and merchants. Our lending partners own the risk and leverage our ability to help them distribute and collect loans. In products where it is viable for them, they can of course collect the loans themselves.

By helping enable digital loan collection on app, we are now creating a small revolution for financial inclusion, where a loan of as small as a few hundred rupees can be disbursed and collected at very miniscule cost. In India's Digital revolution after mobile payments, Paytm's next contribution will be –small mobile credit with high credit quality and fully compliant with the regulators guidelines.

Expectedly this requires sophisticated capabilities in AI and other technologies. I am very proud of our Advanced AI capabilities in use and how we are expanding. We are building an India scale AI system which will help various financial institutes in capturing possible risks and frauds, while also protecting them from new kinds of risks due to advancement in AI.

Paytm is investing in AI with an eye on building Artificial General Intelligence software stack. We believe by building it in India we are not only making our country's tech capability, also creating something that could be leveraged outside India.

With a disciplined and result oriented approach in all our selected investment areas, we are sure we will be able to capitalize and build strong differentiators in the market and in turn a business that scales efficiently without linearly adding to costs.

Having PayPay Japan as a partner and customer adds to our advantage as the system costs are shared between two countries.

Beyond payment and credit disbursement business, I am very excited by possibilities of ONDC – Open Network of Digital Commerce, an initiative of Government India. We have seen very encouraging early results of the same.

In my opinion, in the next 3 years you will see some worthy numbers and results of hard work put in by the team. Your company's team remains committed to serve India and build a long term profitable business.

Thank you,

Vijay Shekhar Sharma