**Paytm | Q3FY24 Earnings Call |**

**Call Date : January 20, 2024 | Time: 10:00 AM Indian Standard Time**

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**Moderator:** Joining and a warm welcome to the earnings call to discuss Paytm's financial results for the quarter, which ended on 31st December 2023. Joining us today from Paytm's management team are Mr. Vijay Shekhar Sharma, our Founder and CEO; Mr. Madhur Deora, President and Group CFO; Mr. Bhavesh Gupta, President and COO; and Mr. Anuj Mittal, Senior Vice President, Investor Relations. A few standard announcements before we begin. This call is meant for shareholders of Paytm, potential investors and research analysts and not for any media representatives. The information presented and discussed here should not be recorded or distributed in any manner. Some statements made today may be forward-looking in their nature, which may differ from actual events. Finally, this earnings call is scheduled for 60 minutes. It will have a presentation by the management followed by Q&A. During Q&A, if you seek to ask a question, kindly utilize the raise hand feature on your Zoom dashboard. We will unmute your line and take questions in the respective sequence, and within the scheduled time. For us to be able to identify you. Please ensure your name is visible as your first name, last name, followed by your company name. Today's presentation, a replay of this call, and a transcript will be made available on the company website subsequently. With this, I would like to request Mr. Vijay Shekhar Sharma, to kindly initiate the earnings call.

**Vijay Shekhar Sharma:** Thank you. Good morning, and happy new year, everyone. I'm very excited to present all of us together for our quarterly earnings. You've already seen our numbers. My colleagues, Madhur and Bhavesh in this call, who will talk in detail. I wanted to tell you that in the last 2 quarters, the technology world has seen a dramatic revolution due to AI. The power of AI will dramatically shift capabilities who are able to leverage it versus those who are not. We've seen our company using AI in different, different business use cases to the technology and product. And I would rather use the word dramatic because it is dramatic to see the acceleration of deployment and abilities of computing that we are able to harness with these various co-pilots and our own LLM models that we are seeing. Our business in financial services and payments will leverage the power of AI more than probably anyone and any time before we imagined. Our capabilities and marketing services to the merchant will also be very, very much accelerated because of the capabilities that we've been able to develop. With this, I offer my colleague, Madhur, an opportunity to talk about the business and then all of us will come back for your Q&A. Thank you.

**Madhur Deora:** Good morning, everyone, and it's great to see everyone on a Saturday morning. I'm very pleased to report our earnings for the quarter. Our revenue for the quarter is up 38% year-on-year, which is fantastic. It has accelerated compared to the previous quarter. Part of this was because of the timing of the festive season, but overall normalized revenue remains very, very strong.

Our contribution profit grew 45% year-on-year. Contribution margin was at 51%, which has expanded 2% year-on-year. There was a slight dip sequentially. All of that was because of seasonal factors. During the festive season, we do have a little bit more cash back. We do have a little bit tighter payments margin. We also have our events business, which has a large amount of direct cost, is a profitable business, but it does see a big scale up in Q3 and Q4. And as a result of that, you can see a little bit of a sequential dip. We do expect the contribution margin to remain in the mid-50s going forward.

In terms of EBITDA, our EBITDA before ESOP has increased to INR 219 crores, as you can see from this chart. This has been a consistent improvement every quarter for the last 6 or 7 quarters that you can see since we turned breakeven and profitable. We expect, because of the very strong momentum that we have across several businesses that we'll talk about as well as operating leverage, that EBITDA will continue to improve and next quarter will be better than this quarter. We also just highlighted our profit after tax, which improved by INR 170 crores, still at a negative number, negative INR 222 crores. But the reason we highlight this is we are very focused on bringing ourselves to PAT positive in the very near future as well.

Can we go to the next page, please. This is our Payments Business profitability. As you know, net payment margin is the sum of payment processing margin and the subscription revenue that we make. This number has gone to INR 748 crores this quarter. It has grown by 63% year-on-year. So we continue to perform extremely well on this metric. And we'll just try to explain this a little bit more clearly, our payment processing margin without UPI incentive, and I should just highlight that there's no UPI incentive this quarter, that is usually expected in Q4. Even without UPI incentive, we were in the 7 to 9 basis points range. As you can see, our GMV growth was very strong, both on a year-on-year as well as sequential basis, and we for the first time crossed INR 5 lakh crores of merchant payments this quarter.

Our merchant subscriptions continue to show very strong growth and actually an acceleration. So some of you may remember that we were at about 10 lakhs net addition per quarter, for several quarters. And last quarter, we saw that accelerate to 13 lakhs. And this quarter, we have seen that accelerate to 14 lakhs. So we're seeing a new base for addition of merchant subscriptions. And as you may remember, we make about INR 100 per month per merchant for the subscription. As a result of all of this, there has been a 63% year-on-year growth in net payment margin even without UPI incentive.

Can we go to the next page, please. This is our Financial Services business, where we wanted to highlight a number of points. One is, our value of loans distributed through our platform is now at INR 15,500 crores. That is a 56% growth year-on-year. You will see that the yellow line, which is Paytm Postpaid, has seen a sequential decline. I'm sure a number of you were on the call that we had in early December where we talked about Paytm Postpaid potentially declining from the base that we had through a conscious decision that us and our lending partners have made, we have calibrated that. Next quarter, you'll see the full year impact of that. So that's the number that we had for this quarter.

Our personal loans and merchant loans continue to grow very, very well. Our portfolio quality, most importantly, continues to remain stable and healthy, well within the parameters that we have talked about. And we, obviously, on the top right, share every quarter what the collection performance and as a result, the portfolio performance is. Our merchant loans business, in particular, is showing very healthy trends. We've been very excited about this business. As you know, our number of subscriptions keeps growing. So we are now over 10 million or over 1 crore merchants who have taken a subscription from us and more and more of them are becoming eligible from our partners for a loan and more and more are showing interest in taking these loans. So that continues to be a huge growth driver going forward.

We talked a little bit about high ticket loans a month and a half ago, and we just wanted to elaborate on that. We have made significant progress in that business in the last 4 or 5 months and even since the last time we spoke. We now have 2 crore whitelist users from our lending partners, and it is showing early trends of scale. So Q3 distribution of this number, which is the first time we're disclosing this number separately was INR 490 crores. For a business which is very, very early and very recent, this is a tremendous number, and we're very excited about where this number goes going forward. And like we said on the previous call, we would like to reiterate that we'll continue to calibrate Paytm Postpaid or postpaid loans as we call them as per regulatory guidance and their expectations.So this is an ongoing exercise, and we'll continue to do that. Collections I've already talked about.

I did want to highlight two other businesses in financial services where we are seeing very good momentum and a very large opportunity. So insurance distribution, we're seeing great product market fit for some of our embedded insurance as well as for merchant insurance products. So this is a business that we'll talk about more going forward and also scale. You may recall that Vijay in an earnings call about a year ago, had said that insurance is about a year from now activity for us, and this is where we are. We are a year hence and we're seeing the efforts that we have put in here starting to give us great opportunity going forward. So we'll start to talk more about this.

Equity broking, as many of you know, we have Paytm Money, which is a mutual funds and equity broking platform. This is a huge market, very profitable, and we are seeing a huge scale of opportunities here for both F&O and equity trading customers.

Go to the next page, please. This is Marketing Services, which we previously used to call Commerce & Cloud. The reason we call it Marketing Services is this business has become primarily about providing marketing solutions to our merchants. So going forward, we will call it marketing services because that's really the core of what we are doing. And also cloud might be slightly confusing because we don't really do cloud computing services or data centers and so on. So just for clarity, we are going to call it Marketing Services. The core of this business is it drives enormous amount of high-margin monetization from our merchants. This business has grown 22% year-on-year to over INR 500 crores. So it's the first time this business has crossed INR 500 crores of revenue.

We sell discount deals, gift vouchers and other digital goods like tickets - travel tickets and entertainment tickets. We're pleased to report that our GMV grew 48% year-on-year. So that's a very strong performance from our various teams, and that is partly as a result of growing market share in travel. We have had a huge ramp-up in our new gift voucher business, which was relatively early a year ago. And we're also seeing some positive momentum in entertainment.

We offer brand marketing, advertising and loyalty services to brands and businesses, and that business is also growing very fast year-on-year. And finally, our credit card distribution business is also here. And we, for the first time, crossed 10 lakh Paytm consumers acquired for credit cards. So that is 125% growth year-on-year. So I would like to say that all of these businesses are effectively firing on all cylinders and contributing to the strong momentum that we have overall as a company.

Can we go to the next page, please. I'll just hand it over back to Vijay to talk about our key focus areas going forward, and then we'll take Q&A.

**Vijay Shekhar Sharma:** Thank you, Madhur. So as you would have seen here, we've been able to leverage AI in two key areas. One is that we've been able to see accelerated deployment and code generation, QA, et cetera, that is in the production technology, and we are working with various co-pilot technology companies, and this is showing already deployed and doing incredible. Secondly, it is also enabling us to create operating efficiencies because in many, many mundane tasks, we are able to now remove humans and have machines to take care, and that is able to scale. So these 2 things are our key AI-led initiatives.

We're talking about monthly transacting users and financial services approach here. If you notice, we also crossed our 100 million active customers in the last quarter. This is also a key milestone. As many of you would know, there are visitors, registered users, users that logged in, et cetera, et cetera. We always show the active transacting users. Registrations are upward of 600 million on our platform just in case, but that is not the number that is material, but the material number is monthly transacting users that crossed 100 million. And we have been able to do it very prudently and our focus is on acquiring strictly monetizable incremental user, which means that we've been able to do, as you noticed, acquisition very, very prudently. And there are products like UPI Credit, UPI AutoPay, which are actually going through the roof. And we believe that, that will generate even a higher quality of customers on our platform, and we will continue to acquire customers with that insight.

Our merchant payment side, which is very, very important. And I think as Paytm, we want to be known for the payment merchant network that we are creating, partnering with all payment networks. Here, our approach has been led by multiple devices. As you know, we created soundbox and card machines and various hybrids of those. And we have even a few more in the pipeline and in

-- continued in next year, you will see tons of our multiple device formats serving different, different, different needs of merchants and that remains a focus area for us.

In fact, I also want to share here that we've been able to do good work on sourcing and supplying and building homegrown capacities on this. That's a USP that we've been able to build on. You heard from Madhur on high-ticket loans, and Bhavesh is going to talk more about it when you ask more in detail. But overall, I can tell you that we've been able to drive high-ticket loans as you saw in -- literally for the last few weeks in the quarter and the numbers you saw were very, very encouraging. We will keep focused on that. And as far as insurance is concerned, it is sort of something that we are able to bundle in our core offerings, whether they are merchants, whether they are consumers where we are doing embedded insurance. And the results have been very, very encouraging, actually.

In fact, I can say that it is better than what we had imagined this to carry on. So that is why we are talking about insurance out there as one of the key KPI. In fact, equity trading is very simply - Paytm's customers need to be cross-sold and we will bring lots of offerings of Paytm, stock broking and mutual fund, et cetera, on the main consumer app. So you will see better cross-selling opportunities for our Paytm consumer base on financial services overall.

Marketing services is -- I'm going to say this is like a by-product of the traffic on the consumer app where we have consumer business. Obviously, merchants can offer deals, gift vouchers, discounts, coupons, et cetera, and they can sell those, even tickets. We've been able to also create lots of marketing, branding opportunities for brands like you're seeing here. We've been able to create customer acquisition and branding opportunities for businesses, brands and even credit card issuers, which are our partner credit card issuers. So we are very, very happy. And that is our focus area for the next four quarters.

In fact, I wanted to say this, I want to reinforce one extra thing when I was talking about forward-looking guidelines because of efficiency and so on. The important thing that Madhur said was that our next quarter seems even better than this quarter and - in the bottom line. And I think our attention to the fact is what is showing up in the results and it continues the momentum in next quarter also and next quarters. Thank you.

**Operator:** Thanks, Vijay. The first question of the session will be from Mr. Vijit Jain from Citi.

**Vijit Jain:** Thanks for the opportunity and Congratulations on a pretty decent set of numbers. I have two questions. One is can you talk a little bit more about what use cases have you eliminated on the merchant side in Postpaid, which is what you talk about in the earnings letter. And associated with that, if you can talk about the reduction in whitelisted customers by 15%, is that comfortable enough from an ongoing perspective? Or do you think you'll be tightening standards a little bit further here? That's my first question.

**Bhavesh Gupta:** Yes. Thank you, Vijay, for the question. Good morning, everyone. So, Vijit, the use-cases that we have taken out are predominantly where we could see that consumers were fundamentally spending a larger portion of their postpaid line in a single use-case. What I mean to say here is that what we basically double click is typically a postpaid user. They do between 5 to 7 transactions a month using postpaid. But we also used to find or were finding users who are kind of consuming either through one or two transactions the entire limit at certain categories of merchants could be online lifestyle, could be high ticket offline, et cetera. So we have calibrated that acquisition of postpaid to bring down the disbursements of postpaid, which could be argued was kind of on the edge of riskiness and was discomforting to us and obviously our lending partners.

When we say we eliminated, I think the way we used to do, and I've said this for the last many quarters, that we look at every month not just for Paytm Postpaid business, but even for all our credit business. We look at what's happening to various cohorts of users and cohort definition is fundamentally to do with what the user is doing in terms of vintage on the platform, geography, spends, delinquency trends, recovery collections, et cetera. And we used to kind of clean out maybe a couple of percentage points users every month. That number has got enhanced by us.

So instead of taking out, let's take about 3% to 4% every month that we used to take out from our base, we have taken out close to 15%. These were the cohorts that our lending partners suggested to us, were showing high leverage as far as bureau data was concerned with them and hence, they were not very comfortable. And we also felt that it is the right thing to do given the macro environment. So this is what two things have happened.

Going forward, I think the sense that we understand is two things that are happening. One is because we have calibrated use-cases and because we have calibrated the number of customers who are getting incrementally onboarded or are remaining on the platform, while remaining on the platform is still a very large number, but the use cases-have been calibrated. The user who was using postpaid, their frequency is coming down. So while there was an anticipated cut in GMV that we had expected, there has been more than anticipated cut of usage also that we are seeing, which means that this number that we've reached out in this last quarter, especially December, which is a drop from the peak of postpaid disbursement by about 50% - 60%, will continue to look downwards in Q4 and could stabilize maybe after Q4 end and/or maybe in early Q1 FY25. But it's too early for me to say. But at this point in time, we believe this would be a number which will slide down further.

**Vijit Jain:** Got it. And Bhavesh, my next question is - the loan performance indicators that you publish, I can see that there's a little bit of positive move on the bounce rate for personal loans there, but there's no change otherwise. So I'm just wondering how to reconcile that with all the events and commentaries leading up to the December 23 -- sorry, December thing where you tightened standards. Should it not have reflected in at least some of those numbers?

**Bhavesh Gupta:** Yes. So I think, Vijit, there is a lead and a lag indicator bouncing as you can see. So postpaid, there is no change in delinquency parameters for us. We did not reduce postpaid loans because we were seeing any delinquency trends. I want to repeat that number very, very clearly. Our portfolio, both of the GCL and the expected credit loss numbers on postpaid, remained range bound at the lower end of the range that we have given. So we are very comfortable and so are our partners. It was done predominantly because overall on the macro side, our partners were seeing higher stress on less than INR 50,000 loan and we were of the opinion it is better to be ultra conservative versus just looking at our portfolio.

So that decision of postpaid loan was taken in that light and we continue to go with the direction that less than INR 50,000 seems to be something which is not necessarily showing great signs in the overall macro and overall credit bureau trends that the overall industry is seeing, while our portfolio continues to be very, very strong. On the PL piece, yes, we've been cutting down on PL for the last four quarters. We've been conservative on personal loan growth while we have grown decently. But as you can see from our data, the last two quarters have been flat or negative on the personal loan business, especially the business we used to do, non-high ticket. And we believe that in the next two quarters also that line of business will remain flattish and the growth will come from high-ticket PL, which is showing tremendous momentum.

So, bounce rates coming down is a very good sign for us. While we understand in general, overall, the bounce rates have either remained flat or increased in the rest of the ecosystem, but for us it has started to show down. So on a lag basis, we believe, let's say two quarters forward, we could start seeing some impact to ECLs and GCLs coming down. But it's too early to say because we've just seen this quarter the bounce rates have come down. I would like to wait for another two quarters before I can give you a more forward-looking direction on GCL.

**Vijit Jain:** My last question, just on the payment margins. So I see in this quarter, if I take the payment revenues, remove the payment processing charges, it's about 14.7 bps, 100 bps down Q-o-Q. Now I know there is a seasonality associated with sales and everything. But there's also the increased PIDF benefit that you're not getting, right? Your other operating revenues is up from INR 24 crores odd to INR 50 crores odd. So just I'm wondering that when you talk about payment margins in the 7 to 9 bps band, excluding device rentals, does that include the PIDF benefits? And if -- or at least will increase the PIDF benefits? And if you remove that, will you still be in the 7 to 9 bps band in this quarter?

**Madhur Deora:** Maybe I'll answer that, and Bhavesh can add. No, the payment processing margin does not include any incentives or marketing or anything else that we get on devices. That is all included in the devices part, so merchant subscriptions you should effectively think of as money that is paid to us by merchants and the small contribution from any incentives or schemes that we might be a part of. So to answer your question, the PIDF piece or any other incentive goes in the subscription part rather than the payment processing margin part. And excluding UPI incentive and excluding these incentives, which I just clarified, that payment processing margin is still comfortably in that 7 to 9 bps range.

And if you recall, when we had -- in December '22, I think it was, when we had first talked about the split in payment processing margin, that 7 to 9 bps was actually including UPI incentive. So while we had guided that this trend may be downwards so far it has actually been strengthened. Bhavesh, I don't know if you have anything to add?

**Bhavesh Gupta:** Yes. No, I think Madhur, you've answered in detail. If there's an incremental question Vijit, I'm happy to answer.

**Vijit Jain:** No, no, that's it from my side. I'll jump back into the queue.

**Operator:** The next question will be from Mr. Pranav Dheeraj from Bernstein.

**Pranav Dheeraj Gundlapalle:** Hey morning, thanks for the call. Just a couple of questions. I think the first is on the merchant loans. What percent of your soundbox base would be of a size that you would be comfortable lending to? In other words, if you can give us a sense of what's the minimum payment flows that's required for a merchant loan, vis-a-vis that's typically required for a soundbox. That will help us understand what's the headroom on the penetration front.

**Bhavesh Gupta:** So I think we've said this earlier also, the math is the merchant loans eligibility is highest for devices merchant. And while they're paper QR merchants, but our focus is always on devices merchants because they tend to perform much, much better as a cohort. We today have close to 10 million devices in the market. We've been adding, as you know, close to less than an average 12 lakh, 13 lakh devices a quarter. So it takes about six months before our lending partners are comfortable to start looking at data.

We do not offer loans for merchants who have not been on our platform using devices consistently, at least for a period of six months because they demonstrate better credit quality. So fundamentally, to say, if you remove two quarters of sales of devices, that number comes down to, let's say, about 6 million in the system, of which half of them are signed off, whitelisted or have taken a loan. So that's a very, very large funnel for us. And that's the reason we remain excited that this business, while has grown Y-on-Y by almost 95%, will continue to demonstrate very healthy growth for us.

And there are various criteria, Pranav. I don't want to really get into the -- those criteria on this call. But I can say that it's not a unilateral criteria. It's a multidimensional criteria between users, GMV, type of device, type of merchant, geo locations, et cetera, which leads to the lenders whitelisting and then they have their own underwriting criteria to go ahead and offer. We don't have any role to play in that.

**Pranav Dheeraj Gundlapalle:** Understood. So if I understand right. So you're saying that the -- when you give out a sound box, if everything else holds up, those typically are customers who would become eligible for a loan, from a size perspective.

**Bhavesh Gupta:** Yes. So 50% of them, because the sound box is delivered in 500 locations, whereas credit -- merchant credit is given at about 175. And hence, about 70% of sound box sales is done in locations where lenders give credit, of which you can say about 70% get whitelisted after 6 months.

**Pranav Dheeraj Gundlapalle:** Understood. Very helpful. Just another question on the postpaid loans. So you mentioned that the BNPL portfolio for you has held up very well, whereas the lending partners are seeing stress maybe elsewhere in the system. In that context, would you rethink your decision not to have a balance sheet of your own? Or would you have done something differently given the numbers that you're seeing, if you had a balance sheet that you could lend off?

**Bhavesh Gupta:** See, that's a very hypothetical question. I would not like to get into that question very honestly, Pranav, because we don't have a balance sheet. We don't intend to have a balance sheet. We are a technology company, which has consumers and merchants on our platform. And we would love to work with the lenders and the wisdom that they have of doing credit over so many years, multi-decade. We are a young company, so we would love to leverage the knowledge of the lending partners. If they feel comfortable doing more, we would do more. If they feel comfortable to do less, we will do less.

**Operator:** The next question will be from Rahul Jain from Dolat Capital.

**Rahul Jain:** Hope I am audible.

**Operator:** Yes, you are. Can go ahead, please.

**Rahul Jain:** Yes. Just two questions. Firstly, you mentioned that for high ticket, you have close to 2 core whitelisted users. So can we say that with induction of a low-cost lender like Axis Bank, conversion of whitelist to actual lending could be much higher as probability for such user also may get better match with the underwriting criteria versus what you see for the lower ticket loans where the data is lower, the profile of the borrower could also be lower. So there is a mismatch between the risk criteria versus for high ticket the mismatch may be much lesser.

**Bhavesh Gupta:** Yes. I think it's a very good question, Rahul. Early trends suggest to us that the funnels as we track on a whitelist, are holding or performing better than the low ticket funnels because the rejection rates in low tickets are fairly larger than the rejection rates in higher ticket. But it's an early trend. I think on a longer arch, when we take, let's say, a full of next year, this particular whitelist itself will grow from the current standards that we have of 2 crores to an upward of 3 - 3.5 crores. This is exactly what we see in our credit card business, where the profile is largely similar wherein our multiple banks are going and issuing credit cards to the platform, where the whitelist is almost closer to about 3.5 crores. So two things we clearly feel very confident. One is that the whitelist is going to increase further as more and more partners come on the system, and the funnels will perform better.

So mathematically, the high-ticket business will perform much, much better than the so-called lower ticket business. But the scale of this business is contingent on various factors. And what we are seeing as early trends are giving us very good comfort that quarter-on-quarter basis if those trends play out, this business should become a materially large business for us as we see next year.

**Rahul Jain:** Right. And on the postpaid side, since -- so the criteria may not improve, materially different from what we observed in December in a near future perspective. Is there a revised strategy in terms of getting a different set of partners for it or maybe increasing the size of this exposure, changing the cohort which needs to be target on that product because that product is pretty good and unique. But if we don't grow on that kind of a product, I mean, that's a serious differentiating offering and why not to leverage that?

**Bhavesh Gupta:** Yes. So I think, Rahul, there are two different elements of your question. I want to ask them differently. We -- at a macro level, when we see and hear that on an overall basis, there is a concern that banks and non-banks have on a lower ticket volume of business, I don't think as a strategy, we want to arbitrage and move to a partner who could technically say, "Hey, I'm happy to take this risk and let's do business with -- you can do business with me." Our belief here is that we would love to build a business which on an overall basis is aligned to the way the regulatory thinking and the lenders are thinking. So if there is a concern either regulatory or otherwise, we would like to play with that and make sure that unless and until the overall macro environment and regulatory environment is positive, we are not necessarily going ahead and building this business at a scale that we were building earlier.

Having said that, every product goes through calibration. While you -- while what you've said is correct, that postpaid is generally a differentiating factor. But I also want to mention that we have been doing multiple lines of business, including merchant credit, personal loans, now high-ticket personal loans, et cetera. We also have built strengths on those businesses, which today's environment allows us to scale those businesses over postpaid much faster.

So we'll continue to calibrate postpaid, if you ask me, honestly, at this point in time. And we'll see as to how the environment is changing positively in this area. And whether that means that we have to make some changes in the product; we'll do that in due course of time. But at this point in time, we don't propose to make any changes in the product to kind of navigate the environment, we would like to play the environment and be conservative.

**Rahul Jain:** Right, right. Understood. Just one bit, if I can. So since our profit improvement is quite consistent and our commitment on the cost management is also very obvious. All our monthly metrics are very healthy, be GMV, MTUs and so on and in one direction without any disturbance. Then just trying to understand what refrains us from giving a PAT guidance either for a short term or maybe more medium-term basis. Is there any reason for that?

**Madhur Deora:** I think we have seen -- so our analysts also have assumptions in their models about PAT guidance and so on. We do think our business is now relatively easy to model, right, which -- and we obviously have, I think, about 15 or 16 analysts, really high-quality analysts who cover us. So I think there's enough projections out there to -- for analysts and investors to be able to sort of get their head around what does the business look like 2 or 3 or 4 quarters from now. And how does that sort of translate from revenue to EBITDA before ESOP cost to EBITDA after ESOP cost and to Profit After Tax.

So I'm -- so I guess what I'm trying to say, Rahul, is that there might always be some incremental benefit of giving PAT guidance. But the way we see it is, this trajectory is pretty clear for people to see and model and see -- and the only thing I would say is that our conclusion from this is that we should be PAT positive in the relatively near future.

**Rahul Jain:** Right. Madhur, you're giving too much responsibility to our community. I think the more the input the better the precision on the thing. So you have a bit more idea than what any of us put together can. But I got the sense. Thank you.

**Operator:** The next question will be from Mr. Jayant Kharote from Jefferies.

**Jayant Kharote:** First, I wanted to touch upon the employee count. I think you've guided in the past that you want to maintain the device addition at 14 - 15 lakh number, so does this mean you have the ground force fully deployed now? Or do you need to add more? How should one sort of look at this? And then an add-on question is Vijay spoke about AI benefits on the non-sales piece as well. So if you could just help us understand how this plays out on the employee cost front.

**Bhavesh Gupta:** So Jayant, the on-ground field for us, largely in Q3 was stable. We were adding a lot of people till Q2 because we wanted to make sure that in the festive period, there is a decent expansion of the market, and we are able to attack that market with full force on the ground. I don't think that we will see the kind of expansion of sales force we've seen historically in Q4 and beyond even next year. So there will be a moderate expansion. I can't give any guidance to that, but we have a very moderate expansion. But nothing of the kind that you've seen in the past because I think now we have a fairly decent expansion and penetration in 500 plus cities where we don't necessarily need to add more people to grow.

The other important element I just want to say here is that the last quarter growth of at least a couple of lakh devices was an outcome of the festive. So the normal run rate for us on devices, I personally believe over the next 12 to 18 months, should be seen between 11 lakh to 12 lakh incremental devices and not 14 - 15 lakh devices. I just wanted to make that point clear because that's a bump up of the festive season. This is not necessarily a common trend line. 11-12 lakh devices also is a very, very decent number on the back of the 1.1 crore device that we have in our system. Vijay, you want to take the AI question?

**Vijay Shekhar Sharma:** Yes. So there is clarity instead of expanding more business functions, we are clearly trying to add the capabilities of machines and systems. So the systems and capabilities will continue to grow on our platform, which will necessarily create not so much demand in a linear way of the number of people that we need. That's the answer.

**Jayant Kharote:** Second, on credit card on UPI, although, if you could also help us put this in perspective from a slightly longer or medium-term, how much of a GMV do you think can come from here? And what are the early trends or indicators? And tied to that, how meaningful is this for our payments processing margins?

**Madhur Deora:** Bhavesh do you want to take that?

**Bhavesh Gupta:** Yes. Let me put this as an early trend question first and then on net payment margins. I think early trends are fantastic, very clearly, both because we do credit card marketing for our partners, we are seeing a very, very high demand overall on RuPay issued cards versus other logo issues cards. So really the customer is appreciating the product very well, then you can use this card, link it on our app and start making payments on QR code.

So customer expectation and appreciation of the product is high, which basically means that incremental issuance in our country on cards, you will see a fairly large portion or majority of those cards will be coming with the RuPay cards. Now the merchant acceptance part is split into 2 elements. We have been pleasantly surprised that a smaller merchant who was not accepting cards in the past, either because they didn't have devices or was wary of MDRs, every month, we are seeing that more and more merchants are getting on boarded who are happy to pay MDR and allow their QR codes to be enabled with RuPay CC acceptance.

So I think these trends, while they're just about, 4 to 5 months back trends are very, very encouraging. And it will be very early for me to comment on what percentage of UPI GMV it could end up becoming. I personally believe that we should wait out for a couple of more quarters for this number to stabilize, both on the acquiring and issuing side by then we can say that this number will become what as a percentage. But today, it is not very significant. But it's still growing very, very rapidly, and we remain very positive on this business because we are dominating the acquiring side, and we are also doing fantastically well on the linkage of the card on our app.

On the net payment margin, again, today, it's not very consequential, but let's say, if you were to take a 12 to 18 month future view, just the fact that it has two-stage revenue. One is when you link the card on the app, the app gets paid depending upon different types of calculations, the app gets paid between 4 basis points to 8 basis points every time the card is used through the app, and you get the net payment margin from the merchant between 5 basis points to 20 basis points. This could end up becoming a decently profitable business. But I think we'll have to wait it out for the next 12 to 18 months of this business to be meaningful in our contribution.

**Jayant Kharote:** If I could just squeeze in one last question. You mentioned BNPL is stabilizing possibly in Q1 FY25. Do you see the stabilization process could extend even beyond the first quarter of next year?

**Bhavesh Gupta:** See, a bit hypothetical for me to give you beyond that because there are multiple factors. It is all contingent on how macro trends start to behave. At this point in time, we have visibility for next two quarters that it will continue to have a downward slope in terms of its contribution to our overall lending business. But beyond Q1 should it stabilize, I think I would wait out for another quarter to be able to give that answer.

I just want to remind, once again, while postpaid is a good product and has been a very material differentiator as far as low-ticket business is concerned, its contribution to the P&L has been very marginal. Because they take rate of this business, as you guys may remember, between MDR to the net margin we make, it was not necessarily very, very high, right, versus merchant loans and personal loans which are in excess of 3.5% to 4%. This business was very, very low.

Now its impact on P&L is very overestimated. Its impact on P&L is very marginal. And that is getting very easily compensated by high-ticket personal loans and other forms of businesses that we have been accelerating, be it insurance, wealth management and including payments.

So we are mindful that we want to align with how the overall macro trends are showing, but it does not have any impact or I would say it has a very, very marginal impact to the EBITDA guidance or the EBITDA contribution of our overall lending business, our overall Paytm’s business.

**Operator:** The next question in the queue is from Mr. Piran Engineer from CLSA.

**Piran Engineer:** Congrats on the quarter. Just a few questions out here. Firstly, on BNPL. So on BNPL, our lending strategy has been that we attached a customer to our lenders. It's not a marketplace. Now we've seen Aditya Birla Capital wanting to scale back. From a contractual point of view, can we move the customer to another lender? The same customer, just contractually I am asking, what are the legalities around it?

**Bhavesh Gupta:** Yes, we can 100% move the customer from one lender to another. But it's important to note that we, as an organization, very, very clearly do not necessarily play on contracts otherwise. We play on the thesis of our business and the partnerships that we carry. Every decision we take is in consultation with lending partners. When they believe they're comfortable doing something, we would love to do that part. So to your specific question, and I don't want to use a particular lender partner because we have at least three partners whom we currently do BNPL with. And all the three partners today believe that we need to be conservative in this business.

So movement from partner A to partner B is not something that we have to worry about. But yes, we can move the customer from partner A to partner B if that partner who has the original customer gives us the permission and is okay for us to move that particular customer.

**Piran Engineer:** Alright that lender has to be okay?

**Bhavesh Gupta:** Piran, it is not contractual. It is more, what can I say, it's in the spirit of partnership.

**Piran Engineer:** Got it. Okay. Okay. Fair enough. Secondly, on your 2 crore whitelisted high-ticket personal loan customers, just wanted to get a sense, how many of them already have a loan from the industry?

**Bhavesh Gupta:** Yes. So that data will not be readily available to us because we don't have the credit bureau information, etcetera. The important element here is that these are all credit tested customers right? So they would have had a loan or may have a loan currently, but they are all credit tested customers. That's the reason they're eligible by various banks and non-banks for being allowed to be given a higher ticket loan.

**Piran Engineer:** Okay. Credit tested by the system, right, not in Paytm?

**Bhavesh Gupta:** Yes, credit tested by the system. So the process is simple, that the lenders look at the kind of consumers, et cetera, they would like to underwrite. And their criteria is that they should be credit tested. Basically, they have an existing trade line or a historical trade line on the credit bureau, and that is the customer they would like to underwrite. And then they have their own underwriting criteria, what is the depth of the credit line, what is the core, et cetera, et cetera, on which in the real-time basis when they apply, they could get a loan or not get a loan.

**Piran Engineer:** Got it. Got it. I have a couple of more questions, just feel free to stop me when you need to. So firstly, on the news article, the 1,000 employees are being laid off, is that true? And is that what Vijay was saying the consequence of AI. Using AI for operational efficiency?

**Bhavesh Gupta:** See, I will let Vijay also answer this question in particular. But I don't want to comment on the news article because we have not gone and given any information to the press. The press obviously is free to put what they believe they are getting in the market, et cetera. There is a lot of focus that we have had since the last two quarters on operating efficiency. We had scaled our manpower looking at our business efficiencies going forward, and we realized those business efficiencies in Q2 and obviously in Q3.

Thanks to AI, in many of our functions, we've been able to demonstrate operational efficiency, as Vijay had said in his opening remarks. Let's say that we had a sales team and we had an operations team, et cetera, who were doing a lot of manual lifting and business processes, et cetera, et cetera. Today with technology, which is powered through AI, we are able to do, let's say, that work very much more efficiently with fewer people.

So there is some efficiency, which is technology led, powered through AI, but there's also a lot of efficiency that we've been able to build into our business primarily by making sure that there is a focus on cost and there is focus on operating leverage. A combination of two has resulted in people's costs going down. And as I said, I don't want to comment on what the press is writing but we have seen our people costs come down, and we will remain much more focused and tighter on our people cost, especially on the ground sales team, which is a very large part of our overall people cost.

**Piran Engineer:** Got it. And just lastly, in stockbroking and mutual fund distribution, I just struggle to understand the sort of impact, like what differentiation would you all have, a- because mutual fund distribution is generally direct plans so you don't really earn anything and b- in stock broking, typically, the discount brokers make it on F&O trading so you will need to have a large market share to make any big impact. So if you could just spend maybe a couple of minutes talking about your thought process there? And what plans are there? That would be great.

**Bhavesh Gupta:** Yes. I think, Piran, thank you for asking that question. So there are two clarifications I want to give. Yes, Paytm historically has built a great business on direct mutual funds, and we continue to build and grow that business, right? The important element here is that in the last couple of months, we've also gone ahead and set up a separate line of business, independently of direct mutual funds by taking an ARN code on which we are focusing on building newer products on daily SIP, monthly SIP and general direct mutual fund on which we earn commission which is a decently good number.

But the AUM under that business is currently small, but it's growing rapidly, right? And given the size of MAUs that we have, you can imagine that any product that we are able to add value through the number of customers coming in the Paytm app, that number can multiply very, very decently. And we've seen early trends on a mutual fund distribution business on the back of SIP and otherwise, the one-time mutual fund investment on which we earn incentives growing at a decent size and pace. Early trends, but obviously, we feel very positive.

To your other question, I think this business is hinged on two levels. One is the platform's ability to attract users who either could be existing equity or F&O traders in the market and to attract users who could be the first hand equity traders. I think again the same answer, just like we've demonstrated in our credit business, we have demonstrated in our marketing services business, Paytm platform offers a wonderfully unique opportunity to be able to target this 10 crore MAU customers who are coming on the Paytm platform, who could very conveniently through the product that we have built called Paytm Money, able to open their Demat and a trading account and use the technology interface, which in our opinion is best-in class and be able to trade, right?

And yes, we are discount broker, but we still are able to do a wonderfully good job in giving the product differentiation versus many other platforms available in the system. Why we feel excited, Piran, is that we've been working on this product for the last two years. It's only in the last two quarters, we have seen that the scale of new customer acquisition has become very, very decent. And the depth of customers who are coming on our platform and trading either in F&O and equity trading is also becoming significantly large for us, for us to now further invest in this business and grow. So our right to win is our distribution franchise and the product innovation and the product convenience that we offer over other platforms.

And we believe that right to win will further accelerate this business into a zone where this could become meaningful in the next 12 to 18 months as a part of financial services revenue.

**Piran Engineer:** Got it. This is useful. Just one suggestion, if I may, a humble request. We've got a lot of companies reporting on Saturdays. If something could be done where your Board meeting is moved on a weekday and the call is moved on a weekday, it will be really helpful. It's just the bandwidth we give to each company, this is something I've asked Anuj a multiple times.

**Vijay Shekhar Sharma:** Piran, thank you so much, like Madhur said. Next time, we will definitely try to make it a weekday. Thank you, good input.

**Operator:** Given the current queue of questions and raised hands, we'll extend the call by 10 minutes. The next question in the queue will be from Jigar Valia from Ohm Group.

**Jigar Valia:** My question is basically, we had about a couple of lakhs extra devices because of the festive season. So does that also come along with slightly discounted subscription rates and as we instead of 13, 14, if we are doing 10, 12 lakh devices on a normal basis, the subscription rates also would be slightly better.

**Bhavesh Gupta:** Jigar, it's a bit of a tactical play on pricing. The honest answer would be, yes, we could have lost maybe Rs. 5 a device rental in the festive season just to make sure that we are capturing the market. Rental is important, but the GMV through the device, the opportunity for us to earn MDR on the device and then eventually get credit on to the merchant is a much bigger opportunity. So that's the way we see it.

So the short answer is, yes, we could have lost maybe Rs. 5 a device in that quarter. But on an ongoing basis, if we are putting out 12 lakh devices, 13 lakh devices or 10 lakh devices, I don't think there is any material change in our rental per device from an ongoing basis perspective. So that number will remain in that range of Rs.100 that we've reported in the past.

**Jigar Valia:** Got it. A quick second was that with regards to the mutual fund or the equity broking - Paytm Money client acquisition, so is it largely a function of product differentiation and convenience? Or does it entail any acquisition cost or any schemes, offers, et cetera?

**Bhavesh Gupta:** So it doesn't entail any kind of scheme offers. Anyway, it's very restrictive as you know. You can't offer many schemes on enticing or getting clients on board. I think it's a leverage of product and the fact that the Paytm Money is now an integral part of the consumer app of Paytm, the natural or organic traffic, as we call it, of 10 crore people coming and using the Paytm app every month, allows them to explore this product. And obviously, the journeys are built in a manner that the customers are able to activate their equity trading account and start trading through the Paytm platform.

So the product differentiation is an experience but the acquisition engine is the Paytm app, which is a massive differentiation versus anybody else because I don't think any other platform out there who's doing equity trading has 10 crores customers coming on the platform. So we feel very bullish that traffic could just give us a very accelerated pace of acquisition in this business.

**Jigar Valia:** Right. I have a few clarifications with regard to Slide 5, if I may. So one is INR 490 crores that we would have done would largely be a lot back-ended and probably like a monthly rather than a quarterly type of number. And 2 crore whitelist users is on what base , so if this has to expand, is this like the best of the entire 10 crore? Or is it 2 crore out of a certain set of things which is there? And if 2 goes to 3 or 4 or whatever based on the number of lenders increasing and the profiles improving, so would that be a part of a static base or it's a partial base which we have covered for the 2 crore whitelist?

**Bhavesh Gupta:** I think it's a good question, Jigar. So let me answer the latter question. So 2 crore is, I would say, a part. So 10 crore is obviously for many, many, many cities and pin codes and not every lender is available in every pincode. So the eligible base which broadly, I would say, high-ticket business will be done will be about 65% - 70% of our MTU because everybody will not be comfortable lending in every corner of the country digitally.So from within that, we are currently at 2 crores. So you could say at a shorthand answer from me that maybe about from 6.5 crores to 7 crore customers who are eligible for credit out of the 10 crores because this is where on pincodes where credit has been disbursed, currently whitelisting is 2 crores. Will this number go up? As I said, in a previous answer, yes, this number will go up as we add more lenders and people get comfortable.

To your INR 490 crores answer, no, it is not back-ended, as I have said on the December call, we had started high ticket business sometime in mid of Q2. There were early trends that we saw with one partner. We grew that business at the end of Q2. And whole of Q3, we saw one more partner getting added into the system. So this number was not back-ended. But yes, we had more than INR 200 crores of disbursement in December, and that number continues to keep growing from here on.

**Jigar Valia:** That's great. And the matrices should keep improving as the high delinquency low-ticket loans are going off and the better quality, high ticket are improving, so overall ECL, et cetera. would also improve as a function of the mix changing, right?

**Bhavesh Gupta:** Yes. But currently, the portfolio that we show for merchant loans and personal loans, does not include a high ticket because we are not linking our incentives to the portfolio performance yet, but we will have a collection obligation in some form and factor. As the business matures, we'll start declaring those matrices accordingly.

**Jigar Valia:** Finally, would you have any penetration target for any of the segments, including the high ticket?

**Bhavesh Gupta:** No. I think our focus is not to drive volume. Our focus is to drive the portfolio and what is convenient to our lending partners. Paytm platform and the user base presents such a large opportunity to every partner that we don't have to worry about what's the penetration. I think we only have to worry about, are we able to offer the best product experience and the best quality of lending partners. So that's our focus, penetration will be low in our platform.

**Operator:** The next question in the queue is from Mr. Saurabh Kumar from JPMorgan.

**Saurabh Kumar:** Just two questions. So one, this bounce rate you have given includes the first week of the payments from what have taken in the postpaid portfolio, right?

**Bhavesh Gupta:** You mean the first week of January?

**Saurabh S. Kumar:** Yes. So if you've cut the lending in December, so this includes that?

**Bhavesh Gupta:** Yes, this for the quarter. I just want to mention Saurabh clearly, while we had a deep cut in the month of December, but we've been cutting since the month of August, so we are cutting less, but we had a deep cut in December. So our bounce rates have not materially changed. Even for the December -- after December also, our bounce rate has only gone up by about 0.5% to 0.6%, which is very, very marginal and that also has gone up, so as to clarify very clearly by that 0.5% to

0.6% for the December cohort in specific because then you have cut and taken out 15% of customers, they generally have some bit of delay in making payments because you block their lines.

So it takes a bit of time. And when we're looking at that number, let's say, today, most of those people have paid back. So the impact to GCL and NCL is not meaningful, maybe INR 1 crore here and there.

**Saurabh S. Kumar:** Okay. That's great. And Bhavesh, can you comment on what is the NPL in this whole postpaid portfolio, so you've given the bounce, but what is the NPL? I just want to compare it to the bureau data.

**Bhavesh Gupta:** Yes. So we don't track it the way lenders track it, Saurabh, as we have mentioned, on a 30-day basis, our ECL operates between 0.65% to 0.85%, and that has not changed. It's actually somewhere in the middle of these numbers. So that number remains the same.

**Saurabh S. Kumar:** So basically if I just kind of go through a disclosure, it should have been the 6% odd ballpark.

**Bhavesh Gupta:** If we multiply it with 12, Yes, so it could be in the range of 6% to 7%, if you will see on an ANR basis for a lender. Yes. But then, if you do that and just for a mathematical clarification, we should also multiply the take rate into 12. So obviously, from an RoA perspective, even with that kind of credit loss, it looks like the RoA is phenomenally large.

**Saurabh S. Kumar:** That I understand, Just one last thing, on this contribution margin, if you add the proforma UPI incentive, would you stabilize at this 56%, 57% odd level? Or how should we think about the contribution margins from here on?

**Bhavesh Gupta:** Yes. Madhur clarified that it will remain in the mid-50s. I don't think that number is going to change. There was an aberration on festive wherein we obviously offer better incentives to merchants to process payments through Paytm platform. That incentives go away in a normal case scenario, so we should be largely in that range.

**Madhur Deora:** So we have been largely reporting it without UPI incentives. So UPI incentives on our current revenue base could be another sort of number on top of this, but we have typically been reporting this without UPI incentives. And we have mentioned it in writing in the earnings release as well that we expect this to be in the mid-50s. So it's as official as it comes.

**Operator:** The next question we'll take is from Mr. Nitin Aggarwal from Motilal Oswal.

**Nitin Kumar Aggarwal:** Congrats on the good set of numbers. So two questions. First is on the whitelisted customers. So what is the success rate in terms of customers accepting the higher ticket pay loans that you're offering as some of them may already have some pre-approved offers from the banks. So how do you compare the success rate of these loans vis-a-vis the normal PL that you have been doing till now?

**Bhavesh Gupta:** Yes. So the approval rates, Nitin, are much higher than the less than INR 2 lakh loans that we were doing. So typically, there the approval rates were in the vicinity of 15% - 20%, between because we used double filtration, we would decline the majority and the lending partner declines at their end. Here, the approval rates are in excess of 40% as the early trends suggest, and I think they will only become better because the whitelist will keep getting refined by the lending partners and the credit quality is going to become better and better and better.

With regards to the overall conversion that these customers could be pre-approved by a bank, et cetera. Yes, at a fundamental level, your point is correct. But what we are seeing clearly here is that the customers are not necessarily always aware of what they have with their existing bank. So they are not that much used to using their bank's platform or lending partner platform that actively versus how they're used to using Paytm platform.

So when they come to the app and they're applying, we are seeing that they are getting a good offer irrespective that they may have a similar or a better offer from the existing lender just because the product efficiency is completely digital and very instant, they are happy to take credit through Paytm platform, even if they have had a whitelist sort of pre-approved from their bank. So I don't think that is becoming any kind of a challenger inertia in our system.

**Nitin Kumar Aggarwal:** Okay. So then the disbursements overall should pretty much be on track, but this quarter, we are seeing some moderation in the mix of financial revenues. And while you explained that this moderation will not have any significant impact on EBITDA, a revenue perspective, how do you look at the mix of financial revenues over the next 1 - 2 years?

**Bhavesh Gupta:** I'll refer the mix to Madhur. But I can give you a sense that postpaid contribution in a quarter for us used to be about INR 8,000 - 9,000 crore disbursements. That number, as we've said, has come down in December to about 60%, et cetera and will continue to slide down. So there, the that gross revenue will go away.

In Q4, there will be reasonable compensation through high-ticket personal loans, which have higher revenue than the postpaid revenue. Their revenue is much higher than the postpaid revenue and their EBITDA contribution is significantly higher than postpaid. So maybe two quarters forward, the loss of revenue of postpaid will get compensated. And in the next quarter itself, the loss of EBITDA of postpaid will get compensated. Madhur back to you.

**Madhur Deora:** Yes. So I think one of the lines that you can see is other direct expenses which have gone up over the last few quarters. and that has largely been because of the collection efforts that we do on postpaid, which is a very large number of loans, even though the value and like Bhavesh mentioned revenue and profitability is lower.

So those sorts of line items should moderate, given a lower scale of postpaid, and that is going to be the math to get to what we're saying, which is that the other products are higher margin. They are higher take rate, but more importantly, they have significantly higher contribution margin and EBITDA margin.

**Nitin Kumar Aggarwal:** Okay. And lastly, just one small clarification on the payment processing charges. In this quarter, we have seen an increase in the processing charge by almost 20% sequentially. So I was just curious to know why the spend mix across different payment instruments vary so much from one quarter to another so as to cause this variation?

**Madhur Deora:** That one is relatively simple, actually, which is that it was just a season where people use a lot of credit cards and we are very large on credit cards, all of payment processing both in the on and offline world. You'll also notice that year-on-year, that number has gone up meaningfully, and that is partly because the festive season last year was split between Q2 and Q3, the festive shopping was split between Q2 and Q3. Whereas this year, nearly all of it was in Q3.

So it's mostly to do with festive shopping behavior where there's a lot of credit cards, which has payment processing costs associated with it. Obviously, it is a profitable business for us. But if you're just looking at that line item, you will see a jump.

**Nitin Kumar Aggarwal:** Yes. So this then should likely come back in the fourth quarter?

**Madhur Deora:** Yes. So if you look at year-on-year trends, it should normalize. And quarter-on-quarter trends will obviously, like I said, Q3 was an anomaly. I shouldn't say anomaly, I should say it's seasonality.

**Operator:** We'll take two more questions. The next one being from Mr. Sachin Salgaonkar from Bank of America.

**Sachin Salgaonkar:** Congrats for a good set of numbers. My first question is on the sound box side. You see a few more players looking to come into the market. So the question out here is, how are you guys looking to differentiate on the sound box given the fact that it's turning into a commodity? And a related question here is, depreciation and amortization has consistently increased in sync with the number of sound boxes deployed. So any clarity, any guidance in terms of where it could move? Should it stabilize in a year or so? Or will it continue to increase?

**Vijay Shekhar Sharma:** I'll take up on the differentiation on Sound box, and then obviously, Bhavesh will add to the scale of deployment. So every smartphone is a commodity until it is not because the features and nuances start to become even detailedly differentiated that people stick with 1 or the brand name or feature or services. I was in Ahmedabad, I was on the road, and I was trying to learn what sound box they use and why?

The shopkeeper literally went on to say that, oh, I use it because this is what works better than other sound boxes. And I did say that what if the other guy gave you for free, would you still continue with it? So the guy said that this works better, my settlements come early, my product is superior, I mean the cost is not so much that I mean, Rs.100 fee is not even so much, that somebody offering free is material for him.

So here, I believe that the nuances of the product, including, for example, like I'll just tell you this, what I just now told you, we do settlements before 6 am. Our target is that before the day starts, the settlements should happen. And the guy very clearly himself told me that the other settlement comes around 8, 9, 10 a.m., and that is where the cash doesn't show up also on and, the notification speed, success, surety and then nuances like bluetooth, et cetera that we have added and we continue to add those features are actually a differentiator. So I'll still stand for the differentiator on the product, but Bhavesh, because he runs it on the street, so I would want him to add and expand more.

**Bhavesh Gupta:** Thanks, Vijay. I think Vijay has really well summarized. And what we see on the ground here is that one metric that we track, Sachin, is that I have 11 million devices on the ground, every month, how many are getting deactivated and what is the cohort of the deactivation. And then we go and meet the merchants to figure out if de-activations are an outcome of our bad service or a company replacing my box.

So we clearly see deactivation in the range of about 100,000 devices to 150,000 devices, right? But interestingly, not even 15,000 to 20,000 devices in a month on a base for Paytm of 11 million are deactivated because competition could replace my product, right? Yes. Do we like 15,000-20,000? We don't like 15,000 - 20,000, but that number is so small.

So it just tells us very clearly that our product and a significant enhancement in the product that we keep doing both in form factor, feature, pricing and the capability the product is able to demonstrate gives us the edge over competition, and there are 19 players today in the industry who are giving a product equivalent to Paytm sound box with a different name. So we feel very confident that our product innovation and control on the form factor and the technology inside it because we manufacture in India will always give us significant competitive differentiation in the market for us to keep growing and differentiating.

Will the market give us an opportunity to keep scaling at the level that we're scaling. I think putting out between 4 million to 5 million boxes incrementally, net additions, net of deactivations, net addition is a number we feel very confident over the next four to five quarters. I think I would like to calibrate that number after four to five quarters as to build for FY26, et cetera, hold, again, a similar number of incremental devices. But at this point in time, adding another 5-odd million devices, I don't see at all a challenge.

**Sachin Salgaonkar:** Thank you Vijay and Bhavesh. Second question is on the 2 crore whitelisted users, and I know there are multiple questions on that. My question is more on the fact that these are high-quality credit tested users, almost every credit card or a fintech is looking to target. So what is the differentiation or competitive advantage you guys bring out here? Is it what Bhavesh answered one of the earlier questions, is the ease of getting loans, is it the interest rates that you're giving are lower? Or is there some other kind of a differentiation where you guys feel confident that the growth out here will be strong?

**Bhavesh Gupta:** So I think Sachin, my answer may look very simple. But honestly, in the business of credit, what we have figured out historically also and obviously in Paytm, is there is a demand of credit, multiply that with availability of credit and obviously amplify that with ease of getting credit. So we're not changing demand. Demand is already there in the market. What we are changing is availability. 10 crore people are able to see the icon to get credit, right, in the system of Paytm which I don't think any other digital means other than Google and Facebook from advertising point of view, any other means is able to show 10 crore people availability of credit. So that is the first differentiation Paytm brings on the table.

Then is the amplification to ease a product journey, offering, simplicity, pricing, et cetera, et cetera, et cetera. And that is where our technology, our product, our nuances of understanding how the journey should be built is able to help us. So multiplying these two things gives us a significant right to win and which we've already demonstrated with two partners. And I think over the next couple of quarters, you will see these numbers start to reflect what I'm saying at this point in time. And we will also learn in the process and make our products even better.

**Sachin Salgaonkar:** Got it. And my last question is, I wanted to understand, you guys have two partners today right now on the personal loan unsecured 50k and above. How many more partners could we have in, let's say, a couple of quarters?

**Bhavesh Gupta:** I think we are already integrating with another two partners currently. And we have a lot of interest from various banks and non-banks to integrate not just for personal loans, but even for business loans, high-ticket loans. So as the time goes by, we will take maybe two partners a quarter and see at what point in time, we need to stabilize and then keep servicing the demand of each lender into our system. But we don't have a challenge of partner, we'll add at least two more in the near future.

**Vijay Shekhar Sharma:** And by the way, we don't have just two, the two is incremental.

**Operator:** Kind reminder to everyone that the presentation showed today, the recording of this call and a transcript of the call will be available on the company website. Thank you all for joining.

**Vijay Shekhar Sharma:** Thank you.

**Madhur Deora:** Thank you very much