Paytm | Q4 FY 2026 Earnings Call |

Call Date : May 07, 2026 | Time: 8:00 AM Indian Standard Time

---

Moderator: Good morning, everyone. Thank you for joining and welcome to Paytm's earnings call to discuss our financial results for the quarter and year ending March 31, 2026. We will start our call with Q&A after introduction to the management.

From Paytm's management, we have with us Mr. Vijay Shekhar Sharma, Founder and CEO, Mr. Madhur Deora, President and Group CFO, and Mr. Anuj Mittal, SVP, Investor Relations. A few standard announcements before we begin. The information to be presented and discussed here should not be recorded, reproduced, or distributed in any manner. Some statements may be forward-looking in nature. Actual events may differ materially from those anticipated in such forward-looking statements. Finally, this earnings call is scheduled for 45 minutes.

A replay of this earnings call and transcript will be made available on the company's website subsequently. If you seek to ask a question, kindly utilize the 'raise hand' feature on your Zoom dashboard. Please ensure that your name is visible as your name, last name, followed by your company name, for us to be able to identify you. We will unmute your line and take questions in the respective sequence of the raised hands. I would request if all folks can limit their questions to two. We will start our Q&A now. I'm just waiting for the queue to line up.

Mr. Vijay Shekhar Sharma: There is a queue. Hi, good morning. Thank you for joining us early in the morning. Like I'll say it all the time, you may not switch on the video because I understand this is early in the morning. That's very much fine. Keeping the tradition, we are in a switch-on video. At the same point of time, this time we changed the earnings release. We tried to make it crisper. We tried to make it simpler. We tried to bring about what is important and our communication style to tune a little more about how we believe that it should be done. I'm sure you will have feedback, love to get the feedback, and we will tune accordingly. I hope you like the one right now. With me is Madhur here, and we can start. Thank you.

Moderator: Thanks, Vijay. The first question will be from Mr. Manish Adukia from Goldman Sachs. Manish, you may unmute your line, and please ask your question.

Mr. Manish Adukia: Hi, good morning. Thank you. Sorry, it took me a while to get in the room. Morning Vijay, morning others. Good to see you, and thank you for taking my questions.

First one, maybe just on the guidance. A bit more colour on the revenue growth acceleration that you've talked about in Fiscal 27. Now I understand that, you know, F-26 you had a double digit decline in your marketing services, revenue growth. So how much of the guidance acceleration in F-27 is just a function of marketing services revenue growth recovering, versus you probably also seeing an acceleration in revenue growth across payments and financial services.

And maybe a related question also on the EBITDA margins. I know in the past you've talked about a medium term aspirational margin of 15 to 20% EBITDA and you have ended the year at about 6% with very strong expansion. Qualitatively, how far away are we from getting to that 15 to 20% EBITDA margin number? That's my first set of questions, please.

Mr. Vijay Shekhar Sharma: We should talk about marketing services. Marketing services and cloud and commerce, if you remember, all this combined, called marketing services because we help small merchants, large merchants, about making sure they get from checkout to check-in. I mean, we call these services that once the customer is checking out on the shop, counter or online, the customer comes back.

Thanks to AI agents, this is the area of focus for us in the next 12 months. And let's see how we do it. I do believe that it is an extraordinarily big opportunity, considering we've been able to take care of our core payment and financial services.

So it was rather about choosing what is your moat, head down, execute it, and then extend towards the next site. If you read the intent in our AI page, it is hinting towards that.

Mr. Madhur Deora: But just to add, I think the overall acceleration given payments is about 55% of the revenue, and financial services is about 30% of the revenue, growth is across the board. We are seeing strong tailwinds in payments, both in offline merchants as well as online merchants, which obviously has a full license now. And is adding new customers and so on. And we are also seeing very good growth in financial services. As we have mentioned before, merchant loans continue to be solid. And we are now seeing recovery in personal loans and market share growth in wealth.

So, in addition to what Vijay said about marketing services and sort of addressed your question, yes, we expect that to be a contributor going forward. It has been a bit of a drag last year, but we think the growth will be across the board. And EBITDA, we will maintain about two and a half to three years from now, that we should be able to get to those sorts of EBITDA margins.

Mr. Manish Adukia: Very clear. Thank you, Madhur and Vijay. Maybe the second question on financial services, which you touched upon in the earlier question. And I know you stopped giving out disbursal numbers, but from the Postpaid launch that you made earlier, if you can just talk about the traction this time versus the earlier Postpaid. Is the traction in terms of ramp-up of the product scale or disbursal tracking better or similar versus the last iteration? Any differences in consumer traction? That'd be great.

Mr. Vijay Shekhar Sharma: Yeah, Manish, better than last time. Classic internet dissemination or diffusion of services style. It took X number of time. This is taking X by a significantly large number of time. I mean, I'm really happy. We will not give disbursements. I think this mis-pushes us towards as if we are a credit issuing entity, which we are not. So we are a pure technology platform which helps different people disburse. This is the nearest most adjacent product to our payment. And I think it is doing phenomenally well. I'm not really going to say it is doing well. I'm going to use the word phenomenally well.

And I'm very happy about it because on the back of it, our personal loan disbursements in the last month; I mean, this will show up in the next quarter, have started showing up. I mean, we have started to go back to if you need a particular text of personal disbursement. It is not that we are any more measured about or limited about it. It is rather going to the next level.

Mr. Madhur Deora: And just to remind everyone, this is a classic compounding business because our sign-ups are very strong and repeat rates are very strong. So it just sort of compounds upwards as you sort of just go through time. So we are seeing that sort of compounding traction. And it is significantly faster, as you can imagine from the first time we started the Postpaid journey.

Mr. Manish Adukia: Sure. Just a quick clarification on that one. And I know you don't give disbursals, but I recall last time when you used to give disbursals, the peak of the disbursal for Postpaid was about 9000 crores a quarter. And given that you're saying that the ramp-up is actually faster, there's no reason why you should not get to the number at some point in time in the foreseeable future. I mean, would that be a fair statement?

Mr. Vijay Shekhar Sharma: No comments towards any guidance or hint of it.

Mr. Manish Adukia: All right. Great. I tried. Maybe just one last question before I just jump back in the queue. PPBL ban, I know it's an associate for you. You don't have any management control there, but in terms of just any early impact on your listed entity OCL, just because you share a common brand in terms of consumer or merchant acquisition or churn. And what does that mean now from your own wallet or prepaid instrument application to the RBI, and the outlook for that? That's my last question. Thank you.

Mr. Vijay Shekhar Sharma: I think, no impact. We did a press release on the system. And we remain committed.

Mr. Manish Adukia: Sure. And wallet license?

Mr. Vijay Shekhar Sharma: We remain committed.

Mr. Manish Adukia: Okay. Sure. Thank you, Vijay and Madhur. All the best. And thanks for taking my questions.

Moderator: Thanks, Manish. The next question we'll take from Mr. Sachin Salgaonkar from BofA followed by Pranav Kshatriya from Emkay. Sachin, you may please go ahead.

Mr. Sachin Salgaonkar: Thanks, Anandita. Good morning, management. First question, generally a follow-up, you know, when we look about growth accelerating in FY27, there are multiple other small businesses which are yet to scale up, wealth management, brokerage, insurance, even on the personal loan basis. Any colour in terms of, I mean, should we see a good amount of acceleration coming from these businesses scaling up, or is it the existing merchant loan business, Soundbox, as well as the core payments business, which will help accelerate the growth? In a very simplistic manner, I mean, should the core business show acceleration of growth or should we see a combination of both, actually?

Mr. Vijay Shekhar Sharma: So, first of all, the business model is straight and simple, that we acquire customers using payments and we cross-sell financial services. We've done good in credit. We definitely are right now focused on wealth or securities, brokerage, whatever the line item that we want to call, combined into one wealth item. It is critical for us to make it a third leg of growth. It is. It may not, and I've said it in our last earnings call that we want to see ourselves in the top five sooner than later. And that remains a focus area individually for me also.

In other words, I'm saying that payment has to scale because that is the TAM. So, there is no alternate to that. We will keep investing. If you notice, we have very clearly articulated the amount of investment in expansion, amount in creation. So, our cost optimization is rather about creation of the product and platform of payments because the cost is much lesser in that and continues to reduce. But the attention is more about expanding that platform to a dramatic large enough optimum TAM. A dramatic large from today, optimum because we don't want to acquire everyone. That is the word I'm using. So, it is an obligation, and right now we are so happy seeing the monetization cycle showing up, that is the primary opportunity of it. In fact, over the period, Paytm could be looked at as a payment platform that monetized in financial services so well.

Mr. Madhur Deora: Sachin, the message you should take away is it is more or less across the board. Our large established businesses, we see a huge opportunity ahead. We love our merchants, online and offline. Last year, online had a headwind that we did not have permission to onboard new customers for about half the year. That is lifted. We are seeing good traction there.

Offline, obviously, there is a huge market opportunity still ahead. I know this is a very popularly asked question, which is, hey, you have added X number of merchants. Do you still see growth ahead? Absolutely, we are seeing market expansion, and we are seeing market share growth. So, that is going really well. So, that is one bucket of large, established, overall profitable businesses.

The second bucket is businesses which had scaled but had some headwinds in the last couple of years. So, advertising, because of our MTU, went through a revamp, had a headwind. Personal loans had a headwind because of credit cycle. A lot of that is turning into tailwinds from a slightly lower base.

And then the third one, like Vijay said, is where is the third pillar? The third pillar, we think, is in wealth.

And there, I would characterize that as a slightly different business where we are younger and have low market share, but great opportunity to increase market share in these proven businesses. So, that is why retail broking, if you will, gets filtered to the top. So, those are the three legs of revenue growth, and we are quite excited about each one of those three buckets.

Mr. Sachin Salgaonkar: Great, thanks for the detailed answer. My next question is a statement you mentioned in your shareholders' letter that you're looking to keep some dry powder for selective inorganic action. Now, on a really big-picture basis, how could we think about this? Any specific areas in the current business you are looking to focus on? Is it more on international lines, or is it any kind of a new opportunity which is going to open, given the fact that AI could open up doors for new businesses as well?

Mr. Vijay Shekhar Sharma: Yeah, any new investment, only in AI.

Mr. Sachin Salgaonkar: Sorry?

Mr. Vijay Shekhar Sharma: Any new investment, only in AI.

Mr. Sachin Salgaonkar: Oh, only in AI, okay. Vijay, when we talk about AI, is it something which is going to help the existing businesses, or it could be a completely new line of business, actually?

Mr. Vijay Shekhar Sharma: No, it's primarily the same customer, same merchant, primarily making their life better. Like I told to last Manish's question, we believe there will be a significant amount of opportunity for us to create agents and so on.

Mr. Sachin Salgaonkar: Got it. And last, just a bit of a follow-up on this RBI thing, what kind of further permissions, licenses are we expecting from RBI? One is a wallet, which is largely known, but beyond wallet, is there anything which is pending, per se, from an RBI point of view, where you guys are applying?

Mr. Vijay Shekhar Sharma: No, nothing.

Mr. Sachin Salgaonkar: And Vijay, any timeline when we could expect the wallet license?

Mr. Vijay Shekhar Sharma: I'd rather put my head down and execute the journey. There is so much on the plate and table that I would say that ambiguity is behind us.

Mr. Sachin Salgaonkar: Okay, great. Thanks and all the best.

Moderator: Thanks, Sachin. We'll take the next question from Pranav Kshatriya from Emkay, followed by Vijit Jain from Citi. Pranav, please go ahead.

Mr. Pranav Kshatriya: My first question is regarding the higher proportional and cashback incentives. We've seen this expense going up quarter on quarter, but correspondingly, we've not really seen any jump in the marketing services. I understand this is a seasonally lean quarter for marketing services, but there is no increase in the MTU as well. So, how should we see this trending, and what is the timeline for it to give an outcome?

Mr. Vijay Shekhar Sharma: I think it is the marketing services where you sort of expect, let's say, our commerce line items to do a good job, but it is going in expansion and cleanup of our existing customers, trying towards other services beyond just marketing services. For example, there is digital gold on our platform. There is an element of discount, gift vouchers.

We believe that strengthening the moat of customers and locking in on our platform is the first priority, which is what the payments core job is. We do acquire customers. Pranav, it's a two-choice to put that we can continue to acquire an incremental lower cost customer who is not in the ecosystem. And the cost of that is that you will not have large users because the new incremental customer left in the ecosystem is a very low transacting or low value customer, if you will. So, we are trying to acquire high-quality, good-quality customers. So, the increase in spend will consistently go up, but it will not go up in the ratio of what you could just recklessly spend.

So, we have been measured, and we remain measured in spending. But at the same time, we are conscious about what kind of and quality of customers we are getting and what purpose the customer is coming for. So, these things go through quarter-on-quarter measurements and recalibrations. At the same time, I'm committing this once again that we will continue to spend it not more than what the ratios have been right now, like we have always said it. So, it is not an incremental extra spend at all, first of all, it is within the guidance we have given. At the same time, Pranav, the usage of this money will continue to calibrate towards which service is what we continue to do.

Mr. Madhur Deora: Just a couple of tactical things to contextualize. One is, you have to look at it sort of like marketing expenses and cashback together, because some of those are decisions that the teams make in terms of where they want to spend their marketing dollars.

The second is while the MTU number may not reflect all the impact of the spend, but if you look at our engagement that has gone up dramatically. So, the market share growth that you are seeing is far exceeding. If you will MTU growth to underline the point that Vijay mentioned about quality of customers and engagement of customers.

And, take a step back, if we were to break our business into consumer side and merchant side, we have had the best quarter from a profitability standpoint on the consumer side in the last eight quarters. So, it is flowing down to the bottom line, despite these additional spends.

Mr. Pranav Kshatriya: Okay, fantastic. My second question is regarding indirect cost. So, typically, Q1 will have higher employee costs on account of appraisals and salary hikes. So, how should it trend from here on? Should we expect that to remain in the current Rs 1,150 Cr thereabouts, or it can be significantly higher than that?

Mr. Madhur Deora: So, there are quarter-on-quarter changes, particularly including the impact of appraisals. But, if we look outwards towards the next year, we do think that like we have said, this will grow significantly lower than revenue and contribution profit growth and continued operating leverage as a result of that. And, the second point I would make is that we still see efficiencies in various parts of the organization due to the use of AI.

Mr. Pranav Kshatriya: Okay, excellent. This is from my side. I'll get back in the queue. Thank you so much.

Moderator: Thanks Pranav.

Mr. Madhur Deora: Thank you.

Moderator: The next question is from Vijit Jain from Citi, followed by Jayant Kharote from Axis Capital.

Mr. Vijit Jain: Hi, thank you, my first question is on net payment margins. Good to see, you know, nine basis points overall. You've said that it's remained above four basis points despite the PIDF subsidies going away. Looking ahead, you know, what would you call the major drivers for it continuing to go up?

I know you have various streams, merchant fees, instant settlement. I don't know if you're deploying working capital towards instant settlement, and then, of course, you have UPI credit and EMI. So, I just wanted to get your sense on all three or four different drivers where you still think there is decent upside, and how do you get those upsides? Are these going to be more push-driven or just organically will happen?

Mr. Madhur Deora: I think there's a whole bunch of smaller factors, but the two major factors, especially when we think about payment processing margin, which is what we have said is higher than four bps. The two major factors are our product improvements, giving us the luxury of having pricing discipline. So, we have talked about pricing discipline in the presentation, but the underlying piece is that our product keeps getting better and better, and as a result, customers, merchants in this case, are seeing more value in our product.

And the second is just a shift in the industry, which is credit instruments being on UPI rails and growing at a much faster pace than overall GMV. So, we talked about a credit card on UPI before. Obviously, Paytm postpaid is starting to be a contributor as well, and still relatively smaller compared to a couple of years ago, but becoming a contributor as well.

And if you can have even a small percentage of your GMV giving you 20, 30, 40 bps of margin, then obviously it does change the overall mix significantly.

Mr. Vijit Jain: Good. So, Madhur, safe to say, there are plenty of upside drivers to those core net payment margins, right, from 4 bps to right now, greater than 4 bps.

Mr. Madhur Deora: Absolutely.

Mr. Vijit Jain: Thank you. And then specifically on some of these, you know, a lot of your merchants are obviously in the long-tail mid-market side of things, and I would imagine things like I think settling the balances faster and so on and so forth is a potentially more useful thing to those kinds of merchants than to larger merchants.

Is that a product that has a lot of success and adoption from merchants? Just want to get a sense of, you know, whether you see more avenues for where you could deploy your capital, it gets you some fees, and is useful to your merchants as well.

Mr. Vijay Shekhar Sharma: Yeah, we do instant settlement as a product. It's a good product. It's an industry product. We do it.

Mr. Vijit Jain: Got it. The next question I had was on Paytm Money. So in general, you know, are there any product investments that you still need to do within Paytm Money to kind of, you know, make the proposition more compelling to heavy users, traders versus say, investors? Any, I'm just trying to get a sense of whether there are gaps there?

Mr. Vijay Shekhar Sharma: Short answer, dramatic more. I mean, obviously, the AI is changing everything, my friend. I mean, the agents will show up, that will do trading. Agents will take care of your portfolio readjustment. Agents will show up and the trading strategy of yours will be reviewed. Agents will create option chains for you. Agents will create a scalper.

I mean, there is, I would rather say, I feel lucky that we did not dump a lot of money earlier, because in the AI world, everything resets. So we see it as an opportunity to bring products that are materially better from now to 2030. I mean, the point is what got created in 2020 is not going to work in 2030. That I can like it. So, anybody who is not investing is an opportunity for us, that person's customers.

Mr. Vijit Jain: Got it. And Vijay, so just sticking to that point a little bit more. So what you're talking about is the consumer-facing experience of how you trade. Is there anything on the back-end also that you need to invest in to be able to serve?

Mr. Vijay Shekhar Sharma: I mean, consumer-facing is rather going to get easier because you will not tap, so everything is a backend investment. I mean, everything is a core investment - machine. Anything that shows up in the front, it is only as good as it is in the back.

Mr. Vijit Jain: Understood. My last question, any comments on how Paytm Check-in has done since you've launched it? I think it's been a few quarters.

Mr. Vijay Shekhar Sharma: So, Vijit, this is our dip test on how Indian consumers are okay for an interface that is chat interface, agent interface, completely agentic. So it's our perfect experiment to look at it, and we picked up a different brand name so that people don't perceive that, okay, this is what popped out or something. It is a completely agentic approach towards consumer interfaces. I see the agentic interface as a rejuvenated new opportunity for Paytm to gain consumer share in a number of categories. And this is our experiment.

Mr. Vijit Jain: Good to hear. Thank you.

Mr. Vijay Shekhar Sharma: Vijit, one side note. You will be shocked, the funnel conversion on agentic when a customer starts, typically it is 2% or 3% in a funnel that starts where the commitment is the customer can be browsed but funnel converts meaning 100 people if they're searching, it goes to 3% in a good scenario, good product company will do that. It's 7 or 8 times more than that, my friend. 7 or 8 times more. It is 700% better funnel because of the agentic. I mean, boom.

Mr. Vijit Jain: So, people go closer to transactions.

Mr. Vijay Shekhar Sharma: 7 times more people complete the funnel in an agentic workflow than a tap workflow.

Mr. Vijit Jain: Okay, good to hear. Thank you so much. Best of luck for FY27.

Mr. Vijay Shekhar Sharma: Yeah. Thank you.

Moderator: Thank you. We will take the next question from Jayant from Axis Capital, followed by Kaushik Agarwal. Jayant, you can go ahead.

Mr. Jayant Kharote: Congratulations for great performance on financials, guys. The first question was on the payments piece. I see you have done very strong growth over there. If I see this quarter versus last year, fourth quarter, both your GMV up 27%, and the margins are moving from less than three to more than four basis points, that actually throws up a very high growth number on the payment processing margins, more like 50-60%. Is this a real number, or are we missing something? I mean that is quite high growth.

Mr. Madhur Deora: Just to be clear, guidance earlier was greater than three, which is not to say that you're exactly at three. But the math that you are doing adjusting for that number is correct. The payment processing margin has been very strong.

Mr. Jayant Kharote: Great. Unfortunately, what that implies is that subscription revenue is not growing at all YoY. And this is despite us adding 27 lakh devices, which is 22% growth on our base. Is that because a lot of these would have gone for PIDF linked devices? And then of course, how do we think about this without any price hike? It means the device addition is not fully translating to revenue growth.

Mr. Madhur Deora: It is the case that PIDF has an impact, and it is also the case that without adjusting for that, the device subscription per device overall is slightly lower, but we do see this as a very good funnel to merchant lending. What we look at internally is payback periods at a very very detailed cohort level, and those payback periods are improving significantly. Part of that is because we are getting more efficient at acquiring customers, at our capex per device, as well as retention of merchants.

Mr. Jayant Kharote: Does that mean because we have two strong pillars in the net payment revenues. Does that mean that essentially looking ahead, it's going to be largely the payment processing margin that's going to do the heavy lifting on this revenue line item?

Mr. Madhur Deora: It is the case that payment processing margin is growing faster, and partly because payment processing margin is growing faster, but combined with the fact that our lending penetration is going up, we are okay to make a little bit less money on device subscription per merchant.

Mr. Jayant Kharote: Great, and just one follow-up on that only, that the credit card on UPI growth, I mean, you've seen the whole industry credit card growth is just moderated right now due to single digit and generally what we've been observing is credit card on UPI moves 2x of that number roughly, so that has been like 30% when industry was at 15. Now that industry is down to 7 to 10, are you observing a similar moderation from that 30-odd to 20, 25, and then, of course, the worries about our GMV growth, then moves in sync with credit card on UPI, and then how does the margin expansion happen?

Mr. Madhur Deora: What you're saying logically should have some impact, but I don't think we're seeing anything noticeable there, and I would point out that Credit Card on UPI is a very small, very, very small percentage of overall credit card.

Mr. Vijay Shekhar Sharma: But one thing we can tell is that our credit card on UPI percentage is more than the standard bank account payment percentage. That tells us that we have high-quality customers on our app.

Mr. Jayant Kharote: No, definitely that has been giving a very good margin improvement.

Mr. Vijay Shekhar Sharma: Yeah, margin improvement is rather about because we have a high quality, I mean, Paytm has been ever since, and all these events have still made the customer retain means they are longer, old customers, and that means that they are high quality, which extends towards creditworthiness, which extends towards their credit card usage. Our credit card usage is more than the market share and order of magnitude.

Once again, I mean, that is why our GMV growth has been higher because if you notice the same number of MTUs didn't grow, but usage grew because the product became better, product became better for the customers who are better quality customers. So we talk about product quality, customer quality, not just the volume.

Mr. Jayant Kharote: And lastly, on costs and margin, we are guiding for more than 22% growth, and if I'm correct now, contribution margins, we should expect between 55 to 60, but maybe more 55 to rather than 60, what was happening because of the PIDF impact. So that, I mean, and then indirect costs, I'm seeing after a great performance for eight quarters, is rightfully so your investing in growth is picking up. So does that mean that from here on, the journey is going to be incremental rather than what we saw last year? If you see Q4 versus Q3, registered EBITDA growth is a decent 30 crore, but does it mean we should look at something more linear now than the exponential numbers that we saw through last year?

Mr. Madhur Deora: We, I assume you're talking about EBITDA margins…

Mr. Jayant Kharote: Yes.

Mr. Madhur Deora: Like we said in writing, we do expect significant operating leverage going forward because, logically, the math that you were doing, if we have a revenue growth acceleration, which we are confident of, and indirect expenses going significantly lower, then the math is just embedded in that, that you would see significant operating leverage going forward.

Mr. Jayant Kharote: I was just talking about the journey, Madhur. Is it going to be upfronted, or should we now think of this to be slightly more back-ended?

Mr. Madhur Deora: I don't want to get into quarter-on-quarter, but if we are sitting here a year from now, we're confident that we would see, we'll look back and say there was significant operating leverage and EBITDA margin expansion as a result.

Mr. Jayant Kharote: Great, thanks, and congratulations once again for a great set of results.

Mr. Madhur Deora: Thank you, Jayant.

Moderator: Thanks, Jayant. We'll take the next question from Kaushik Agarwal, followed by Rahul Jain from Dolat Capital. Kaushik, go ahead, please. Kaushik, you are on mute. If you can unmute your line.

Mr. Vijay Shekhar Sharma: Rahul, you can. Rahul, go ahead, you can ask us the question.

Mr. Rahul Jain: Yeah, hi, thanks for the opportunity. Firstly, we have highlighted the investment we intend to do on the cashback side. Can you highlight some of the consumer use cases, and also from a run rate point of view, do we see a meaningful increase from the exit of 1 billion odd we invested in this quarter?

Mr. Madhur Deora: Can you just go to the first question again? I didn’t quite catch that.

Mr. Rahul Jain: Yeah, the cashback investment that we want to do, are there any specific areas where we are trying to, because we highlighted there are high-margin segments that we would like to invest?

Mr. Madhur Deora: Yeah, so Vijay, I think you sort of already touched upon this. Our digital gold is one of those categories, which is covered in financial services, just a housekeeping point, and there are several use cases on marketing services, particularly travel, where we see good ROI on investments, and then there's also always a chunk of investment that goes into ensuring that you're building more engagement and more retention of customers.

Mr. Rahul Jain: Surely, and on the sales side, do we see some more optimization to happen since the sunset on the PIDF scheme?

Mr. Madhur Deora: I think it's a combination of sales optimization, as well as subscription revenue per device optimization. We had said last quarter, at the end of January, that we'll be able to significantly offset it over the next few quarters, and our Q4, and I think it was in response to a question, was that we would be able to offset 30 to 40%. So I'm pleased to report that we did achieve that, and we're confident that over time we'll be able to significantly achieve a near full offset. And some of that will show up in sales cost impact.

Mr. Rahul Jain: Sure. And just lastly, of course, people have tried asking this on AI investments. Would this be also in line of creating a captive data center for more data inferencing, or this could be purely from an M&A point of view?

Mr. Vijay Shekhar Sharma: There's nothing like we don't have a capex plan yet. I mean, there is enough amount of capex that US big guys are doing, and we don't think that we have a game in that yet. We do believe there is an opportunity for us to invest in AI, equal to like, saying, let’s say, you are using agents for our customers.

We can rent somewhere the data center, we can rent let's say, NVIDIA’s and then run our own model on top of it, that kind of investment. Investment is attention and effort, not just capital. We don't have a material capital investment plan right now on the table or in plan.

Mr. Rahul Jain: Thank you. Those were my questions.

Mr. Madhur Deora: Thank you.

Moderator: Thank you. We will take the next question from Harshit from Premji, followed by Sachin Dixit from JM Financial. Harshit, you may please unmute your line and go ahead.

Mr. Harshit: Hi Vijay, hi Madhur. So the question was more to get some sense of our merchant ecosystem base. So Vijay, I think the point was that probably we are lending to a segment where they are okay to borrow at that 25-30% rough IRR for them now and probably obviously I know that you guys don't give the disbursement number but some sort of calculations etc whatever that number is, but that number is even if I take a 40-50,000 crore of annual run rate, we would be a large part of that market itself, the addressable market.

So, just want to get a sense that our payment service or financial distribution revenue growth from here on, will it be driven by the consumer loan product incrementally, and in case of merchants, do you envisage a situation that probably it's the lower yielding segment where we will have to move to expand to maintain this growth run rate. So broadly, some colour on the merchant profile and probably your market share within the, whatever you guys think as the addressable market share, market for this range of merchant lending.

Mr. Vijay Shekhar Sharma: The best part is that we don't own the book. So everybody who wants to serve this customer is our potential partner, including banks or anybody else, if you want to acknowledge that. So we don't have a market share problem because we own a certain book versus somebody else who owns a certain book. They go to the current lenders who are interested in the customer. We become the channel. Now, the most logical captive customer of the customer is the merchant where we are capturing everyday payment flow is 'us', most logical. Anybody else can also do it, but most logical is 'us'. On our customer base, we are penetrated less than 5% or 5.5% right now?

Mr. Madhur Deora: On merchant base, about 7% penetration.

Mr. Vijay Shekhar Sharma: About 7%, and that too based on the subscription merchant, denominator. Remember, the person who has a selection bias or paying a subscription, we are talking 7% penetration. Or obviously, there is a large number of merchant base, otherwise, beyond that.

Mr. Harshit: Got it. My point in competition was more from distribution itself. For example, many other players will also have access to that customer over time, if not today. And the engagement, everyone will try to increase their engagement. So competition as a distribution partner is what I was trying to understand, rather than from the lender's point of view.

Mr. Vijay Shekhar Sharma: All right, so the merchant who is our merchant, if that merchant deflects from us as a payment merchant, we don't think that we would be in a superior state of distributing; somebody who does not have that merchant will not have a superior state of distributing. So it's a counter-share kind of question, as you know, Harshit.

So there are two kinds of merchants, exclusive to us or non-exclusive to us, only that. In a non-exclusive case, if we are getting less data, we are not going to help him get a loan unless we have a large enough payment flow data that we are able to partner with our lender. Lender believes that, yes, this is good enough. I would like to extend the loan. We don't, I mean, we don't have much more to do but to retain a payment merchant and do a good job of distributing and collecting.

Mr. Madhur Deora: And if I may just expand the question a little bit, just to the building blocks of this. So one is we have the core product of merchant loan, which you described is to smaller merchants, smaller ticket size. We've been doing it for six years, really, really well.

And there, as Vijay said, we have about 7% penetration, so huge a room to expand that. The second is a TAM expansion story, which I think you touched about a little bit, Harshit, on the merchant loan product, that we do have types of merchants who may not find our current products or the products that we have in FY 2026 suitable. So those could be larger ticket size loans, for example, where, like Vijay said, because we partner with lenders, and if lenders want to distribute such loans to them, then we are a logical partner for that. So that's the merchant loan story.

And slightly more broadly, we expect things like wealth and personal loans to be a much bigger contributor next year than before. So what we're excited about in this financial services line is that there are multiple drivers of growth next year, which are quite visible.

Mr. Harshit: Got it, got it, fair point. Perfect. Done, thanks a lot.

Mr. Madhur Deora: Thanks, Harshit.

Mr. Vijay Shekhar Sharma: Thank you.

Moderator: Thanks. We will take the next question from Piran Engineer from CLSA followed by Sachin Dixit JM Financial, if that's okay. Piran, you can go ahead.

Mr. Piran Engineer: Yeah, hi. Hi, good morning, guys. Congrats on the quarter. Just firstly, on the retail broking thing, you touched upon using AI to sort of grow that business, but firstly, are we targeting customers who don't have a broking account or are we going after everyone? Because I'm assuming that out of your seven, eight core active customers, a lot would already be broking with one of the incumbent platforms, right? So how are we thinking about that?

Mr. Vijay Shekhar Sharma: We add on both sides. We add customers from both sides. We have net churn gainer from other platforms, and we get new customers. New are mostly towards mutual fund and SIP creations. And typically, it may be called churn from other platforms, or customers are okay to have multiple accounts.

Mr. Piran Engineer: But then what's our value proposition for the core F&O kind of traders versus, say, Zerodha or a Groww's platform? See, also, I get a sense, we analysts are not allowed to trade, but most traders want to be in charge of their trading, right? They probably don't want an AI agent to recommend, et cetera. So I'm not too sure how that strategy will help the core F&O traders.

Mr. Vijay Shekhar Sharma: When we launch the product, you'll get to see it. I mean, there's nothing more about it. I mean, it's nothing better to say than when it gets launched. I mean, there's no secret spice, I'm going to say. It's very visible to everybody. I'd say it as writing on the wall. I see it as everybody knows what impact of AI and the addition of AI will do to the product for any segment that you want. It's as normal as that.

Mr. Piran Engineer: And we will not indulge in price discounting, et cetera, right, to gain share there.

Mr. Vijay Shekhar Sharma: So always remember, Piran, payments is our customer acquisition. This is our monetization layer.

Mr. Piran Engineer: Which means that we are okay giving it slightly cheaper. Like if Zerodha is doing 20 bucks a trade.

Mr. Vijay Shekhar Sharma: I don't think this is a price question yet. I mean, you're going now, probably. So, the time when we are competing with anybody else for the price, you see our pricing. We don't think the price is a value. We believe product is a value. Pricing is like a commodity any which way for anybody to buy the product.

Mr. Piran Engineer: Okay, fair.

Mr. Vijay Shekhar Sharma: Those who discount their product, they feel that is a value of their product.

Mr. Piran Engineer: Fair, okay. Just secondly, a data keeping question. This quarter and last quarter, what is the proportion of DLG in our merchant loan disbursements?

Mr. Madhur Deora: Proportion of DLG is broadly flat, maybe slightly higher. The proportion of loans that come with DLG is probably slightly higher. The amount of DLG is flat, flattish.

Mr. Piran Engineer: Should I take it at 20 - 25%? Or a bit higher than that?

Mr. Madhur Deora: I don't think we've guided that before. And it's not a metric that honestly, we try to keep within certain guardrails or target a certain number. So I'd rather not get into that.

Mr. Piran Engineer: Got it, okay. And just lastly, can you give us some colour on online versus offline growth on the merchant processing side?

Mr. Vijay Shekhar Sharma: Online, I'd say, we've started to grow the GMV. We've started to farm the account better. And we obviously started to add new customers. So there is, I would rather say that online has a bigger opportunity now, considering there are D2C brands, there are offline people going online than we envisaged a year back, that I can say. So we will address, and are addressing it accordingly in that approach.

Mr. Piran Engineer: And Vijay, what proportion of our merchant GMV would it be now? I understand it's small, but like, single-digit small or?

Mr. Madhur Deora: We are a very significant player in online merchants, despite the fact that until last year, we were not really adding new customers for more than three years, right? So we're a very significant player there. It is a very meaningful double digits GMV. So it's not single digits and also I would dispel that. We don't really look at it as a percent of total because they have independent growth drivers.

There's huge hunting opportunities as well as farming opportunities in online merchants while maintaining pricing discipline. And in the offline merchant base, we have a very large enterprise business, as we have talked about before, which is independently profitable.

And then we have the SMB business, as we call it, which has investments because that is very sales team heavy, but then it also is the target market primarily for our merchant loan business.

So these three things have sort of independent growth drivers and are run by very, very strong management teams in each case, and they march ahead. There is a common issue that there are certain merchants who benefit from omnichannel solutions. So that sort of overrides, and that's a collaboration between the teams, but they're largely sort of independent operations.

Mr. Piran Engineer: Got it, got it. Okay, yeah, that's it from my end. Thanks and all the best.

Mr. Madhur Deora: Thank you.

Moderator: Thank you. We'll take the next question from Sachin Dixit from JM Financial, followed by the last question of the day from Alok Shrivastava from UBS. Sachin, you may go ahead.

Mr. Sachin Dixit: Thanks, Anandita. Hi Vijay, and on the question side, my first question was on basically monetization of some of the AI products. I do understand it's still early days, but can you talk about anything that we are seeing on the, especially on the soundbox with AI capabilities part or any other products where you are actually seeing some monetization benefits also creeping up already?

Mr. Vijay Shekhar Sharma: Yeah, so classically marketing, which we used to give them tools. Now we are asking them to do it through agents. So we believe that merchants will be able to do it easier because agents will do the necessary job of taking care of workflow versus, let's say we, giving them certain marketing products.

So that is the kind of approach that we are taking. So the product line items still will remain the same, and it will lead to better penetration and usage because we are using AI or allowing merchants, customers to use AI.

Mr. Sachin Dixit: So sorry, Vijay, if I understand it right, monetization is usage-linked, is it?

Mr. Vijay Shekhar Sharma: Monetization is, let's say, I'm saying the customer that you can use this for acquiring or retaining customers. So, the person may be, we will charge subscription plus usage, or only the usage, so that the person does more usage. So the approach will be somebody wants to reach out, make an outreach to their customers.

We can give it on a, let's say, you can run an ad on Paytm app. You can run communications through different communication channels to the customers. And then you can get the customer activation sorted out through our platforms.

So these platforms, monetizations, eventually, what you're doing, it is a tool to achieve more customers acquired, more customer retained, and repeating or stopping the churn. Now our customers can pay for certain bulk consumer basis, platform subscription basis, per usage basis. We are in the midst of these kinds of discussions, which of these line items work for us or work for our customers.

Mr. Sachin Dixit: Understood, understood. Thanks for that. On the second question side, sort of a top-up on Harshit's question as well. Is it possible for you to break down the growth drivers of merchant lending, right? I do understand it's growing almost like high 30s, if not 40s. Going ahead, can you break it down between that maybe the soundbox devices go at this rate, penetration goes up by this rate and ticket size or any such things. Just to make it more sort of apparent for people like us.

Mr. Vijay Shekhar Sharma: It's a good modeling question, I think.

Mr. Madhur Deora:I have the data so I can share it. So historically, what we have seen is three primary drivers of growth. One is the expansion of the base. The second is the penetration rate. And the third is the increase in ticket size. And each one of these has been broadly similar. So roughly call it 15% give or take on each one of these drivers. And we can dig into this if you would like to.

Now going forward, for our core business, we think this will probably remain the same. But at an overall level, because as you go for TAM expansion, you may see that ticket sizes might, on a blended basis, be slightly higher, especially if you are more successful in the slightly higher ticket size loans and so on. So if you look at that separately, then the core business remains intact with those drivers. But there's an opportunity to sort of expand TAM beyond that.

Mr. Sachin Dixit: And where do we see the penetration that is reaching, like the seven-ish percent that you mentioned in terms of merchant lending as a percentage of subscription devices?

Mr. Madhur Deora: Yeah, I mean, it has broadly been going up at 1% a year. So if you think about a year ago, we were probably at 6%. Now we are closer to 7%. And that's about a 15% increase that I was talking about earlier.

Mr. Vijay Shekhar Sharma: And the core is about the higher the time has been spent by merchants on the platform, the better the lending partners have a trust and confidence that this person's ability to repay back.

Mr. Madhur Deora: And just to add to that, and this is sort of a logical follow-up to this, is that our engagement with merchants is going up very meaningfully. And that shows up in our GMV data, et cetera, as you would see. And that could mean that the penetration rates start to look a little bit better, the ticket sizes start to look a little bit better, and sort of break out a bit.

So those things do happen, and businesses obviously evolve as a result. But it is very interesting. I think about three-quarters ago, we had sort of called out, and we can share that earnings release with you separately, exactly what we have seen over the last four years.

Mr. Sachin Dixit: I understood. I mean, basically, the math that I was trying to do, that we effectively can be talking about almost a 40% growth, if you look at these three drivers, is how I'm seeing it. Understood.

Just one final question, and more like a quick response. There has obviously been chatter, post that Paytm Payments Bank license thing is happening, that Paytm might go for a new license, maybe an NBFC license as well. Any comments, any thoughts on that? That's my last question. Thank you.

Mr. Madhur Deora: We do have a comment on that, and it is in our Q&A at the back of the earnings release. But just to summarize for this audience, one is, there are two broad thoughts on that. The short answer is we're not super excited about going for an NBFC license.

And the rationale for that is broadly two things. One is we really like our model, where we stick to what we are uniquely good at, which is distribution, building great technology, so that merchants can convert better, insights on these merchants, as well as collection abilities. And our partners, then they are very blue-chip partners, are very good at managing capital, managing risk, managing cyclicality, and so on.

So we do think this is a win-win partnership, and Paytm does try to be a win-win partner for whoever we partner with, across the board, and here, obviously, we're talking about lending.

The second point is, to your earlier question, we see the opportunity as absolutely massive. We have a very large payments market, that market is growing, our market share is growing. And that, combined with low penetration, means that the opportunity in the short to medium term already is very, very large. We do think that, logically, that loan book should sit on multiple balance sheets, not a single balance sheet, neither ours nor a single partner's. So aggregating many, many more balance sheets, we think, helps us achieve our medium-term goals a lot better than trying to anchor it on one balance sheet.

Mr. Sachin Dixit: Yeah, thanks. Thanks for that, Madhur, and all the best.

Mr. Vijay Shekhar Sharma: Yeah, I have Kaushik Agarwal asking a question in the chat window, and I'm answering, till the time period, who are you getting?

Moderator: So we have the last question from Alok.

Mr. Vijay Shekhar Sharma: Alok, you could unmute yourself and so on, but I'm just answering what is written here, that can you give colour around asset quality and lending distribution business and so on? Sir, we are absolutely not in the asset quality business because we do not own the risk or the credit that is disbursed on any book. If ever our commitment is towards FLDG, it is completely the decision and ownership of the book that sits with lenders.

So this question does not sit with us. This is our role, it's like saying, can you tell us what is inside Parle-G biscuit? And I'll say that we are a retailer, sir. You buy it, see what it is, and you'll get it. So we are the retailers, not the manufacturers, if you will, of this. And then the second question you were asking, sir, is what a non-MDR linked payment instrument? It's very easy. RBI has different kinds of data. Our mix of MDR-bearing instruments is growing. That is why the net payment margin is growing.

Mr. Madhur Deora: On question number three, it is the case that we have capex, but next year we expect EBITDA to be significantly higher than capex So your observation about last year is correct. 500 crores of EBITDA, but we have capex. Should I take Sanidhya's question as well?

Mr. Vijay Shekhar Sharma: Yeah, that's what I was saying.

Mr. Madhur Deora: Sanidhya, on the merchant side, we have three or four drivers of monetization. One, like you mentioned, is a subscription. The second is MDR on MDR-bearing instruments. So if they're accepting credit cards or credit cards on UPI or Paytm Postpaid, all of those are MDR-bearing instruments. And the third, as you pointed out, is merchant loans. So those are the three big drivers of monetization.

It is the case that not every merchant may be paying us at least one of the three, but the vast, vast majority of merchants do. And at a cohort level, the payback period is always within acceptable bounds.

Mr. Vijay Shekhar Sharma: Yeah. Thank you for asking these questions in the open chat. As you know, we can take those also. And then we have Alok here.

Moderator: Thank you. Alok, you may unmute your line, please, go ahead.

Mr. Alok Srivastava: Sure. Yeah, hi, morning, Vijay, morning, Madhur. I just have one question. If you could provide some colour on affordability. So, in your earnings release, you have mentioned that it has supported margin. So just in terms of whatever you are comfortable sharing, in terms of, let's say, GMV, what percent of our machines have affordability enabled, what is the outlook here, value proposition, and so on. Thank you.

Mr. Vijay Shekhar Sharma: I think the one thing I can say is more than half of our machines are enabled for disbursing EMIs. I don't think that we have GMV numbers by the instrument, but you can be very sure this is in the enterprise segment, in the long tail segment, both alike. It is liked because they want to make affordability, a feature for the customers in the shop. And we continue to aggregate everybody. And aggregation, as you know, is our primary role here. So we continue to aggregate from as many people.

Mr. Madhur Deora: And we have very, very strong partnerships with both brands and banks. So there's merchants, and there's banks and brands, and then there's obviously the consumer. And roughly greater than half the number that Vijay gave for enablement on card machines. That is very significant because not 100% of merchants need EMI necessarily, right? So it is limited to certain categories of merchants, generally those who have higher ticket size transactions. And we're making huge progress in this. We are gaining share because of our focus on this business. And obviously, we have talked about the impact on processing margins.

Mr. Alok Srivastava: And fair to say, Madhur, that this will be largely in electronics, the machine, in terms of..

Mr. Madhur Deora: Electronics is an anchor category, but there are many other categories. Healthcare is a category.

Mr. Vijay Shekhar Sharma: CDIT, normally on everything else, beyond electronics..

Mr. Madhur Deora: Furniture, fashion, even beauty products.

Mr. Vijay Shekhar Sharma: It is everywhere. A Rs 5,000+ ticket size helps us anywhere.

Mr. Madhur Deora: Even in something like quick commerce, which you may not expect, does actually have some percentage EMI-based transactions. So I'm giving you the sort of contrasting example, which might not be super obvious. It wasn't to me, until I saw the data of where our EMI volume is coming from.

Mr. Alok Srivastava: Okay, got it. Thanks a lot.

Mr. Vijay Shekhar Sharma: Thank you. Thank you. I'll take a question from Arjun Juneja, who asked that do we have any interest in building a paid loyalty program on the consumer and merchant side for driving lock-in. We have a gold coin-based product, my friend, and it is not paid. It is for everybody who uses Paytm, to get more gold coins. Use Paytm for every P2P and P2M payment or any other thing. And then Mr Singh says, congratulations on a good set of numbers. Eagerly waiting for AI-led agent capabilities tools on Paytm. Thank you sir. Same here.

Moderator: Thank you. With that, we come to an end of this call. A replay of this earnings call and the transcript will be made available on the company website subsequently. Thank you all for joining. You may now disconnect your lines.

Mr. Vijay Shekhar Sharma: Thank you.

Mr. Madhur Deora: Thank you. See you, bye.