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**Moderator:** Thank you for joining all and welcome to Paytm's earnings call to discuss our financial results for the quarter ending September 2025. We'll start our call with a Q&A after the introduction of our Management. From Paytm management, we have with us Mr. Vijay Shekhar Sharma, Founder and CEO,

Mr. Madhur Deora, President and Group CFO, and Mr. Anuj Mittal, SVP, Investor Relations. This time, we have made a small modification to our call format. As you can see, our senior management is live on video. We hope it makes the conversation a bit more engaging and interactive. 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 made today 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. We will start our Q&A now. If you seek to ask a question, kindly utilize the raise hand feature on your Zoom dashboard.

**Mr. Vijay Shekhar Sharma:** Well, good morning, guys. And thank you so much for joining us. And me and Madhur are here in our office. And I thought that we aren't able to see many of you in different meetings. So my idea was that, how about we get to see each other and talk about it? So when we invite you to do the Q&A, you can switch on the video, or you don't need to switch on the video. It's just a choice. But as many of you would like to do it continuously forward, we will continue on this practice. The intention was that we get to at least meet and talk about it. So as you would have seen, our videos that played in the beginning of this call are all about AI. And that's what it is. You've seen the numbers. And they're very clearly focused on making sure that AI is part of the business model as much as possible.

Up till now, we've been putting it into the cost side, efficiency side. While there will be some optimization, but not material enough, what we are trying to do is that we are trying to build it on the product side and feature side. And then after that, there will be AI products, which are not possible beforehand. For example, playing on this address book that you spend analysis that you saw couldn't have been done earlier, because you can't write a script of a song for every individual. That can only be done when the Gen AI model is there. The good thing I want to tell you is that the voice model is made by us. So when you heard this song, which you heard the lyrics, this is made by us. It is a retrained model, open source model, retrained and created in-house by our team.

Now, going forward, what I'm seeing is there is a tremendous amount of AI stack that we're going to see. So foundationally inference and then use cases will show up. Obviously, the bottom line of AI's impact is that we are able to save costs and that is what we're seeing, continuously we'll see. But I'm super excited that what is in front of us we have in the form of AI, where we will be able to expand in the infrastructure and the use cases in a very dramatic different way. And this is my way of intending to tell what Paytm's future is headed towards. This will be the future that we will expand on. What we have built in financial services is showing that we can make it replicable globally. So product and technology that we have built in India, they can easily be replicated globally. We've written a note around it. I'm sure some of you have a question and Madhur and I are here to answer those questions. But at the same point of time, the intention is to tell us that our financial services business stack is getting clearer and clearer.

What we do, merchant payment, credit is a very strong stack. We're adding the, as you can see, money, stock brokerage and various elements around it. That will be our focus. And then in due course, hopefully, we are able to make insurance also as a part of this stack. So this stack now in next three years, we'll start to show, we'll try finding which countries can go in a different working model. So that will be the future investment of growth. So the point is that future growth of Paytm in revenue and bottom line is going to come from India's expansion of financial services, replication of this product

technology elsewhere and AI stack, right from infrastructure to the use-case. So it's phenomenal. I'm super excited. What is lying in front of us and what we have come back from, it is truly acknowledgement of a great team here. And I truly can't say thanks to every one of us internally in a team and every one of you who stayed and kept the support live. So here it is, question answers. We can start and let's go with it.

**Moderator:** 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. The first question is from Mr. Pranav Kshatriya from Emkay Global.

**Mr. Vijay Shekhar Sharma:** Hello Pranav.

**Moderator:** You may please ask your question.

**Mr. Pranav Kshatriya:** Morning. Thank you so much for the opportunity. The first question is on Postpaid. You know, that has come back. How do you think, you know, it is scaling up? Your release mentioned that, you know, you started with a select set of customers. I would like to know, you know, if you are, you know, looking to add more bank partners and, you know, how's the initial experience with it? And, you know, what is the roadmap for it? Because the more I read about, you know, roughly 5 crore unique credit card users in India, in a longer term, if you had to take that number to 15 crore, we will possibly need something like a Postpaid or a RuPay Credit Card. So what exactly are the thoughts on that? How should we see this going forward? That's my first question. So I'll take it one by one.

**Mr. Vijay Shekhar Sharma:** All right. Thank you. Thank you Pranav. And obviously, as you understand, our intention has always been democratizing financial services, democratizing credit cards equal to Postpaid because of the mobile UPI expansion that we see in the country. As you can see, we were able to partner with the bank. It is rather limited on various banks, technology and other business model limitations, not on our limitations. We are open and continuing to work with as many possible banks. That said, the current bank has a lot of runway of potential disbursement. So we will continue to, while we continue to find out and add more banks, we already have enough customers, scope and possibility of the current partner itself. So the numbers have been very encouraging. I just want to tell you that quickly we have reached, I would say, the average span, which probably took a year and a half. So it's very, very encouraging.

**Mr. Pranav Kshatriya:** Okay, interesting. Second question, there has been a good growth on net payment margin on a sequential basis. Can you give some color on what portion of the growth is coming from the subscription side versus the payment processing margin side? Because if I just assume the normal ARPU, then possibly your payment processing margins have jumped significantly this quarter. And what exactly is driving that?

**Mr. Vijay Shekhar Sharma:** Basically, we started to focus on credit instruments for the merchants and EMI, as you can guess, because the festive season was phenomenal. I mean, we're killing in EMI, disbursement at the counter. And we obviously have partnered with as many EMI issuers. So that is why that became an extra chunk, which may or may not come next quarter. But at the same time, I can tell you that more EMI products that we do is making us more net payment margin. Obviously, as you are aware, our soundbox and devices continue to grow. And I would rather say linearly or a little more ramp up than before. But I would point out to the EMI capability of our team that we're able to do. I mean,

we're nearly half of the big guy in the town. And literally, imagine, I mean, without even much noise or conversation.

**Mr. Madhur Deora:** I think just to address other parts of your question, but I think your analysis is right, that the slightly higher jump in terms of percentages come from improvement in payment processing margin. And as Vijay said, overall, the mix sort of improving from a margin standpoint, if you will, of credit instruments and so on helps. And also just general price discipline, both in the industry and also as we look at how we want to do business. So that discipline has also helped.

**Mr. Pranav Kshatriya:** So this discipline you're talking about is on the subscription side, right?

**Mr. Madhur Deora:** No, I meant on payment processing margin, pricing to merchants.

**Mr. Pranav Kshatriya:** Okay, interesting. My last question would be on the indirect cost. Good to see further cut in the indirect cost. How long do you think there is runway or we should expect some point soon this cost should trend up?

**Mr. Madhur Deora:** I think we have mentioned in the release that for the rest of the year, we expect this to be range bound. And maybe in the next quarter or the quarter after that, give a sense of what we expect for the following year. But we have seen very significant improvement in non-sales people, in marketing expenses, even though we are investing in consumer growth, as well as on the software expenses line. We do think that in that other indirect expenses line, there are some opportunities to reduce cost. So we may invest more on sales people while we save money on other indirect expenses. So that might be the trend over the next couple of quarters. And then we'll have a better sense of next year as we finish our planning for the following year.

**Mr. Pranav Kshatriya:** Okay, great. Thank you so much. I'll jump back in the queue and hand it over to the other Pranav. Thanks.

**Moderator:** Thanks, Pranav.

**Mr. Vijay Shekhar Sharma:** Good morning, Pranav. Thank you, good to see you on the video. How does it feel like being on a video call instead of just an audio call? You're mute. If you can unmute, I hope we're allowed to unmute. Yeah.

**Mr. Madhur Deora:** Yeah. But we can't hear you. Still. Still can't hear you, Pranav. Sorry. Unmute again, please.

**Mr. Vijay Shekhar Sharma:** Can we get somebody else while Pranav can attempt to unmute? It may be sometime the audio can help. Yeah, now we can. Perfect.

**Mr. Pranav Gundlapalle:** Sorry about that. Yeah, it's good to see you in the video. I think it's a definite improvement over a pure voice call.

**Mr. Pranav Gundlapalle:** Yeah. Anyway, firstly, congrats on a good set of numbers. Two questions from me. First is on the marketing revenues. Can you just share what's the breakup looking like today? And if there's any particular line within that that's driving the slowdown? And where do you think is a floor for this line? That's one. The second is, again, on the BNPL, coming back to the BNPL question. One, what's

the unit economics looking like versus the fantastic product you had earlier? And also, do you have the same level of flexibility on pricing as what you had with the original product with this new avatar of BNPL?

**Mr. Vijay Shekhar Sharma:** Pranav, our flexibility or our role remained various service charges and fees, which were there. And the rest, everything else belongs to the bank or the book owner, any which way. And that flexibility stays with us. So there is no one less flexibility over another. Rather, because it is running on UPI over credit card, it starts to get acquired in more places, which gives us more revenue margin beyond just acquiring. So it is net positive because the fees and charges are the same or more possible variables. At the same time, we have more acquiring revenue beyond this.

**Mr. Madhur Deora:** And just to add to that, on overall unit economics, we expect this to be within 20 bps, give or take of what we had earlier. Obviously, part of the input there is credit quality. And that has been very, very, very early signs, but that is looking very good. So that's on BNPL, or we call it Paytm Postpaid. So we don't say later, we say pay next month. Marketing services revenue, the largest components are advertising and travel. And to your question of, on travel, there's been some industry headwind on at least on a QoQ basis. We are seeing market share growth there. Overall, we have put in writing that we think that we are at bottom or near bottom, and we should expect this to grow. We have also sort of given the context that we are putting less upsell properties on Paytm app. And if you had seen, I should call out that the app is getting great reviews. It is simplified to basically two folds, and it's getting great reviews for its simplicity, its focus on payments, and also being super thoughtful about where the upsell properties are. But I believe that the simplification journey is more or less done. So now we shouldn't have sort of less upsell properties going forward compared to where we are now.

**Mr. Pranav Gundlapalle:** Understood. So basically, if you get the MTUs up, the monetization is kind of, the rework of that is done. So it will translate into a direct revenue.

**Mr. Vijay Shekhar Sharma:** Exactly, MTUs up and targeting better, right? We don't want to show everything to everyone, clearly.

**Mr. Pranav Gundlapalle:** Understood. Just one follow-up on the pay later, pay for next month. Now, the flexibility I was talking about was in the Postpaid product, you had flexibility to charge 0, 1, 2, or 3% convenience fee to consumers, depending on your risk assessment. Does that still remain in the new product?

**Mr. Vijay Shekhar Sharma:** We basically do not have any option for paying later. It is a charge card equivalent. It is not that you have to extend it. So, incidentally, Pranav, there are two kinds of Buy Now Pay Later. One is where you have an obligation to pay at the month end. Another is where you have this classic Klarna model of three, six, 12 months, or any other number that you want. We do not rotate. Why we do not rotate is because we want to have it as a payment product, not as a credit product. The idea is that it leverages our payment capabilities and expands on that instead of trying to leverage it on a credit book ownership basis. It does have a credit charge. It does have a credit cost involved into it, but it is not an EMI product. So, it does not compete with the equivalent of EMI for iPhone. It rather is a consumption credit. So, what we target are people who need up to Rs 50,000 - Rs 60,000 rupees in a month to match the expenditure, and you are expected to pay at the month end. So, this rotates very small fee, a few bps, on a 12-time basis, making it a return, instead of trying to have a larger interest cost. So, it is a fee-based product, not an interest-based product. So, there is an element of NIM into it, but it is not loan. If somebody wants to take a loan, that's a separate product altogether, and EMI is a

separate product subsequent to this. If we want to build, we can build. This creates a product differentiation in the market, creates differentiation, as you know, on the counter there are too many people who are offering EMIs. It does not clutter and cloud that. It rather is an everyday where you cannot spend otherwise. So, credit cards ended up becoming an everyday spend plus EMI product. Can this become a plus EMI product? Voila, you know it.

**Mr. Pranav Gundlapalle:** Understood. Vijay, my question was more just on, I understand there's no interest here, there's no revolvers, but I believe there is a fee that's charged, convenience fee that's charged. Just wondering if you have, you can say a charge 0% for someone, 1% or 2% for someone. It is like that.

**Mr. Vijay Shekhar Sharma:** So, it is a convenience fee from the spend side, and people like you and me who have a high credit score, et cetera, may get 0%. So, people like us, who do not have a credit obligation to take, but see it as a convenience, and do not have normal number of transactions that go to the bank account, availability of bank account, et cetera, et cetera, systems, they can simply just use it, and we earn merchant side revenue, and that's it. So, it does have a component of zero fee to the consumer, and there is no subscription in any which ways.

**Mr. Pranav Gundlapalle:** Perfect. That was my question. Thanks, Vijay. Thanks, that's very helpful.

**Moderator:** Thank you. That was Mr. Pranav Gundlapalle from Bernstein. The next question is from Sachin Dixit from JM Financial. Sachin, you may unmute your line, and please ask your question.

**Mr. Sachin Dixit:** Hi, Vijay and Madhur. Thanks for the opportunity. My first question was on the working capital side. So, generally when we see in, let's say fiscal year 25 or in the previous half, there was roughly a Rs 120 Crs dip from operating capital, operating cash flow before working capital to after working capital. This quarter, that number has been almost Rs 550 crore. I understand there might be that Rs 190 crore of write-off also parked there, but still it has almost tripled. Can you explain what is driving the sharp dip in working capital conversion? Sorry, operating cash flow conversion.

**Mr. Vijay Shekhar Sharma:** On the specific number, I'll come back to you, but I think we should be a little bit careful at looking at our working capital on this basis, because our working capital closure for the quarter actually depends largely on whether it's a weekend or a weekday or any other kind of holiday, because we settle to our merchants every day. And in certain instruments, which is not the vast majority of our business, but in certain instruments, for example, credit cards, we get money on T plus one working day basis. So we do have fluctuations in working capital on a week by week basis, rather than quarter on quarter basis. The specific bridge that you mentioned, we can explain that to you offline, if you don't mind, Sachin.

**Mr. Sachin Dixit:** Sure, sure. Thank you for that. Secondly, on the payment processing margin improvement, Pranav obviously asked the question, how sustainable do you believe that improvement is? Because I understand there might be some EMI component in there, which might have been driven by the festive sales, which were preponed this quarter. So is it sustainable at these levels or we should see it fluctuate and remain in the three to four bps range?

**Mr. Madhur Deora:** As an overall trend, we think this is sustainable. The credit card mix and EMI mix on a quarter on quarter basis could vary, but as an overall trend that we're seeing adjusted for seasonality and those sorts of things, we are seeing improvement relatively consistently over the last few quarters.

So obviously what we look at is instrument-wise and merchant type-wise, are we seeing improvements and that is the case.

**Mr. Vijay Shekhar Sharma:** Sachin, another thing that we now have is the privilege of onboarding online merchants. Online merchants eventually are high MDR plus high net margin. So that will also start to add to the bottom line. There is a little bit of a number of customers whom we have started onboarding since last quarter. And I think this is not just sustainable. Internally, just like you saw on the cost side, we will see how we can continue better.

**Mr. Sachin Dixit:** Understood Vijay, so it is quite structural in that case. Just one last question Vijay, on the AI piece that you mentioned clearly shows that you are quite focused as a company on putting AI into multiple things. All your sort of business segment notes also mention AI in some form or the other. So I just wanted to understand, is AI going to be a cost driver for you? Like you will save on cost or you also see separate monetization? For example, this AI sandbox, are you charging more for it? So in that sense, whether it's just cost or also a big revenue driver for you going ahead?

**Mr. Vijay Shekhar Sharma:** Big revenue driver. I think a cost cut is anyways which we were doing and AI just added acceleration or a deeper opportunity to optimize. AI is a revenue line item. AI brings newer service, newer business, phenomenally more number of things that we can do. And the good thing I want to share here is that you will be able to see that we have a large number of merchants. Well, you look at small merchants, which is let's say a store, shop where we are putting a sandbox or a large merchant, let's say you can talk about large online e-commerce companies. Something or other, we will have for each of them to acquire.

So our merchant base will get re-cross-sell for AI-led infrastructure, product agents, et cetera, et cetera. And right now we are running some pilots, et cetera, on us as internal customers. And I'm very excited that we do believe that one year forward, they should be in a commerce cloud line item. The cloud element could be the AI element that will start to go back once again. So it is a revenue line item. I am personally completely about revenue line items and creating products and services which otherwise couldn't have been created. So whether it is a small shop, it is always challenging to do it for a small guy, as you know, whether they'll pay or not. And it is easier to do it for larger guys because they have an understanding of the system. And I think we have a product which stacks across small merchants, medium-sized merchants, and large-sized merchants.

**Mr. Madhur Deora:** So, and I should just maybe add something there. From a financial planning standpoint, translating what Vijay just mentioned, the starting point is that AI gives us better efficiencies and better insights, in addition to new revenue generating products, of course, that Vijay talked about. So now how do those additional high quality insights convert into better cost or better revenue? That's the question. So for example, if we are able to use better insights to reduce the credit costs for our partners, then that translates into higher collection revenue. And if we are able to get much more efficient, then of course, we'll do a lot more collection effort because the price of doing a collection effort has gone down. So it does translate. So the starting point is actually not whether it's gonna give me more revenue or give me more cost, but how do you use those insights and efficiencies to drive your businesses better. And then depending on the specific case, it will give you more revenue or less cost even in existing products.

**Mr. Sachin Dixit:** Fair enough. Thank you so much and all the best.

**Moderator:** Thanks, Sachin. The next question is from Mr. Rahul Jain from Dolat Capital. Rahul, you may please ask your question.

**Mr Rahul Jain:** Yeah, Hi. Hope I'm audible. Yes. Yeah, hi. Firstly, Vijay, congrats on achieving peak revenue per MTU that you used to do in CY23. And this has happened despite the consumer side of it not playing out. So basically the merchant side of LTV has improved meaningfully. The MTU count is down and that's why the revenue is not at its peak. So how you play on the consumer side of it now because the merchant side of it is kind of proven. We have an advantage and we've been consistently innovating on that side. On the consumer side, what I see as a new thing is probably the gold where I have seen a significant number of unique users. If I have to see penetration, it looks like a pretty high number to me. Even if I have to assume a lifetime customer that we might have, the number what I saw was up to 15 million on the app, I think. And then there is a MTF, there is a postpaid. So anything that could create a thought process on the consumer MTU increase and also consumer ARPU increase.

**Mr. Vijay Shekhar Sharma:** Thank you, Rahul. I think it is clear that when we got an opportunity to work only on merchant, we just did it and you were seeing the post-facto effect of it. And I still want to add that there is a huge amount of bottom line or revenue generation possibilities on the merchant. Like I quoted AI as one of the line items there. When it comes to consumers, I think consumer AI is only the features which can be commercially possible as an independent product versus adding the product in wealth or let's say credit disbursement, et cetera. Those kinds of elements will show up. We're clear about it that we don't have large MTU, very large MTU. We were lucky to have a large MTU. Over the period, the customers who stayed with us, I would say they are higher quality customers. They were able to see the resilience and appreciate and they have stayed on the platform longer term. So I would say monetizing those customers is a primary focus.

And the best love that we could give them was no annoyance of advertising, et cetera. So cleaning up the ad so that they feel much more comfortable and cared. We launched a loyalty program with gold coins, gold points rather, which can convert into gold, which can become gold coins or whatsoever. So the intention is to make the product so simple and so lovingly acknowledge the customers who've stayed with us that we want them to become the brand investor to attract more customers. You will see UPI market share when NPCI announces this month. We do believe that there should be an impact on it. Surprisingly, our marketing spends have not grown, but our UPI market share should have grown. Let's see what results come out.

Now, what I'm trying to say is that we rather want to make the most of the customers that we have and that is also the monetizable customers. I mean, I was talking to Deepinder also the same thing and he talked about the same thing. The number of customers that India will have are not so many, which will be monetizable, but the customers that we all are lucky to have because we started tens of years back are the customers who will drive the maximum monetization. So we have started to look at maximum monetization by removing the advertising, et cetera. And there is so much personalization that we are showing up there. Gold came out as the solution for people who are not maturing towards mutual funds or stock trading. So as you can very well understand the tonality, we've been talking since the last couple of quarters that a credit disbursement is one line item; wealth is nothing but a gold, mutual fund, stock trading, F&O, all these buckets. Now these buckets are the next line item for us. So it works out really good for us.

I do believe, I mean, I can't probably give the number of what we did on Diwali month because we've not quoted it. But at the same time, I can say the number is so phenomenal that we were like, oh wow, we

have a very big customer base who loves this property and product. And we are taking the feedback and continuously expanding on that. Let me give a hint. If we were talking about being the target of the March month, we not only crossed that, but many times over in the Diwali month. So that kind of good performance in the gold. The intention is that credit and wealth is a bucket where the gold, mutual fund distribution or stock trading and F&O, MTF, all this bucket comes. This is exactly the monetization plan that we will do, my friend.

**Mr. Madhur Deora:** Can I just add one thing, another framework to maybe suggest? So I always look at it on a CAC to LTV basis. So the trends are that our CAC is down. You can see that in marketing costs, you can see that in cashback. Retention is up, which is probably not a surprise given the product improvements that the team has made. And we're also getting some benefit from these high repeat use-cases, right? Like savings is a good high repeat use-case, especially if people are doing monthly, sorry, daily, weekly SIPs. So our retention is up overall, and especially for the users who adopt these use cases. So we are seeing the CAC to LTV improvement.

And I'm quite optimistic going forward because we are talking today when we still feel like we're at the bottom of the credit cycle, which has certainly impacted our personal loan and credit card distribution businesses. So those things, we have reasons to think that, hey, those things should be better in a more normalized situation. And we are seeing good growth in areas, for example, wealth. And we do acknowledge that in certain areas like advertising travel, we should be doing more. So the CAC to LTV journey is very clear. We have seen improvements in that metric, and we'll continue to see improvements in that.

**Mr Rahul Jain:** Yeah, just if I can ask one more. First of all, I should say that the gold coin was a very good hook and very timely, given the attraction point. Now coming to my question, Madhur, it's commendable the way the margin is improving. One of the aspects that you highlight was that there was an improvement in the payment processing margin. So is it more like we are able to charge more because we could be doing a VAS kind of a thing like EMI, which is driving better take rate or lower processing costs, whatever. And since Vijay also said that we are seeing a good traction in Diwali month, so is there also a near-term margin aspiration that we are aiming at? Because we have a medium-term outlook, but something which we could look at from a 12-month forward perspective.

**Mr. Madhur Deora:** We have significant improvements in how we think about pricing and merchant-level profitability. So that helps a bunch to make sure that we are doing this very closely. And that framework keeps improving. I think, generally speaking, we are flexible in terms of how we get the right margin from a merchant, right? So an enterprise merchant may wanna pay us a little bit higher margin on credit card, or may wanna give us more EMI volume, or may be okay to pay us a technology fee or something like that. So we're generally quite flexible and that's really for the team. And that's an advantage, that we are flexible like that.

Our teams can be very responsive to where the merchant preference is. At the end of the day, the teams and the camps and the sales folks figure out a way to make sure the merchant is profitable. And that's really the very healthy way of running the business. On payment processing margins, like I mentioned earlier, we saw sort of a bottoming out from a mix standpoint. You know, a few, about two, three years ago, we used to talk about, hey, UPI is growing faster than non-UPI, et cetera, et cetera. I think a lot of that is behind us. And now what we're seeing is slight improvements in mix and slight improvements in margin by instrument. And overall, that just keeps giving us some goodness on a quarter on quarter basis.

**Mr. Vijay Shekhar Sharma:** I also want to tell that, thanks to the online merchant onboarding, there is a lot of chatter about offline, on counter, EMI, but I'm sure you understand that smartphone and many other gadgets are now sold majority or significant, large number to online, and that is the percentage that is continuously growing. So we see that there will be even higher opportunities for us now that we have online merchant onboarding and additional products that we are launching in online. So you can call it VAS, you can call it more margin products that we are able to launch for online and offline both.

And now formally, we can do omni-channel. I mean, you can imagine that a single company will be able to see their single dashboard, et cetera, et cetera. So we are very happy about it. The regulator has also made both licenses and one license together. So it's phenomenally good for payments. I mean, there is no other company that plays omni-channel and has more features than us in the market. There are many individual people, somebody does QR, somebody does copy the soundbox and somebody does EDC and somebody does online.

**Mr Rahul Jain:** Very enough. Thank you. Thank you so much for all the answers.

**Moderator:** Thanks Rahul. The next question is from Mr. Piran Engineer from CLSA. You may please ask your question.

**Mr Piran Engineer:** Yeah, hi team. Congrats on the quarter. Sorry, I can't be on the video.

**Mr. Vijay Shekhar Sharma:** No problem. Good to see you. Good morning.

**Mr Piran Engineer:** Yeah, good morning.

**Mr. Vijay Shekhar Sharma:** I know it may surprise everybody by showing up, but I can't wait to answer.

**Mr Piran Engineer:** No, no. So I just had a couple of clarifications first on previous questions. Now in this post-paid, you said you make 20 bps come margin.

**Mr. Madhur Deora:** No, sorry, I did not say that. I said it would be within 20 bps give or take, which it could be lower or higher compared to what we made earlier. That is our early estimate. The question earlier was, will it be similar to what you used to make earlier? I said, I expect that to be within 20 bps or what we used to make earlier.

**Mr Piran Engineer:** Yeah, understood. So earlier you all used to make 70 - 80 bps, right? If I'm broadly correct.

**Mr. Vijay Shekhar Sharma:** Piran, net answer is that we will have more avenues of adding revenue line items now because it is a bank and it is on UPI. And we will have more opportunities to onboarding the new merchants. So it's a rather bigger revenue and profit time than before. That is what we expect.

**Mr Piran Engineer:** Okay, okay. And in this, how much MDR does the merchant pay?

**Mr. Vijay Shekhar Sharma:** It's a UPI MDR. UPI has a concept of interchange, which means that the issuer side will get something like 1.1 - 1.2%, depending on the category of merchants. Everything

around it comes out about merchants paying 1%. I mean, there is 1.3 - 1.4% category also, and 0.9% also because some categories have less or more. And this is decided by NPCI.

At the same point of time now, acquiring side companies can add any margin on top of it and sell it. So we can sell to the merchant ahead of this margin. So it is for an acquiring business, it is COGS and then you add a margin. So can we sell it for 1.5 or 1.9%, depending on who and what commercial is the choice of acquiring business, which is also approved into our acquiring side of business. Interchange, 1% that goes back is what the revenue of the issuing side is, along with the convenience fees, et cetera, that the issuer can charge.

**Mr Piran Engineer:** Got it. So it's like a credit card where the issuer is also earning that convenience fee of 1, 2, 3%.

**Mr. Madhur Deora:** It's called interchange.

**Mr. Vijay Shekhar Sharma:** Interchange plus various fees is issuer side.

**Mr. Madhur Deora:** That is correct.

**Mr Piran Engineer:** Okay, got it, got it. Okay, that's pretty clear. Secondly, on this EMI spends, I know a lot of people have asked about the payment margin. So when you say EMI spends, you mean like the subvention model that Bajaj Finance does, or do you just simply mean credit card swipes at your online merchants or post machines that are deployed offline?

**Mr. Vijay Shekhar Sharma:** So Piran, our goal is to aggregate financial institutions, which could be credit card issuers or NBFCs or banks issuing EMI. So these are the financial institutions. Then the second part is brands. You can call the classic brands, LG, Samsung, Apple, et cetera, these people, and then the merchant side. So this is a triangulated business ecosystem where these two players combined, we want to reach out to the reach of the market. And the reach of the market is unparalleled by Paytm.

Our ability to integrate with brands is incredible and our aggregation has already been successful. We are now like, we are cornering, actually. We are taking away the market share, chipping off the market share from the erstwhile existing players. And more or less that in online, it is even harder work, that easier work for us, and we will be able to capture it because this brand subventioning is the USP.

So three kinds of EMI work in the market. Straightforward, customer base. Number two, brand subventions. Number three, financial institutions also subventions. And in one product, like Apple, by the way, all three could be subventioning. So these three, all products exist with us and that is why we are saying that this is a phenomenal good product. We did it last quarter. I mean, we've been doing it and we started to focus on festivities once our online onboarding started. So we've been able to do good. In fact, we will be able to do even more further product enhancements on this is what we are learning.

**Mr Piran Engineer:** Okay, okay, understood. And just moving on to a couple of questions that may interest you on margin trade finance, this is done on your balance sheet or with a partner and how big is that book?

**Mr. Madhur Deora:** The margin trade finance facility is being done by Paytm Money, which is a regulated equity broker, 100% subsidiary of ours. And they do that on an equity broker balance sheet, which is to

say effectively on a consolidated basis, you can think of it as our balance sheet, but technically it's Paytm Money standalone balance sheet.

**Mr Piran Engineer:** Understood, and how big is that book today?

**Mr. Madhur Deora:** We haven't shared that number. We believe at this point it's commercially sensitive, but it is growing very nicely.

**Mr Piran Engineer:** Got it, got it. And just lastly on, you know, adding headcount to your distribution, your sales employees on the ground, sales employees. Now, typically we were adding maybe one or 2000 a quarter. This quarter it's been 5000. What's the sort of thought process behind, you know, hiring so many?

**Mr. Vijay Shekhar Sharma:** You want to dominate in the merchant ecosystem. I will acquire a large number of enterprise onboarding now offline or online. And we will be even more aggressive in offline small merchants. I mean, 5000, I wish we could have done like 2x of this. We are making money. We are investing that money back. I mean, we want to dominate the merchant ecosystem like nobody's business.

**Mr Piran Engineer:** But Vijay, we already have almost 5 crore merchants.

**Mr. Vijay Shekhar Sharma:** No, no, no. Online merchant enterprise wise, we have huge numbers, but there is a dramatically larger opportunity because maybe you know it or not, since 2022 we were not allowed to onboard any merchant whatsoever online. And then omni-channel, et cetera, products didn't show up in the market. I like now, right now our product market fit is phenomenal. I mean, I'm going to say that. And then cross-sell products that we have discovered is, I mean, where do you want to even think of anything else?

**Mr. Madhur Deora:** Okay, so I need to clarify that the merchant payment for the middle long tail segment and merchant lending distribution opportunity, as you can tell, you've tracked this closely for several years, that is working really, really well. So you obviously want to continue to invest in making sure that you continue with the largest merchant base, highly engaged, well-served, and then do lending on top of it.

**Mr Piran Engineer:** Okay, okay, fair enough. Yeah, that's it from my end. Thank you and wish you all the best.

**Mr. Madhur Deora:** Thank you, Piran.

**Moderator:** Thanks, Piran. In order to accommodate a few more questions, we will be extending this call by 15 minutes. The next question is from Mr. Sachin Salgaonkar from BoFA. You may please go ahead.

**Mr. Sachin Salgaonkar:** Thank you. I have two questions. First question, Vijay, would like to understand a little bit more on this entire AI opportunity. And I'm saying that because AI is more a generic word which is used by multiple companies who would love to understand Paytm strategy in terms of how you guys are looking to optimize AI, both from a revenue perspective, as well as a room for EBITDA margin to improve.

And the related question is what you mentioned in your opening remarks that if you're going into international countries in terms of the software, what you guys are offering from an AI perspective, should we consider this more on the lines of PayPay or PayPay was a unique example and this is something different. So we'd love to get a bit more clarity on that.

And the second question is more a generic question on the revenue opportunity. Clearly, you guys are now back into postpaid. You guys are doubling down on merchants. And I did see comments on equity brokerage that you have mentioned into your shareholder later. So when we add all of it, should we see the growth accelerating from the current 24 - 25% to around 30% and above in the medium term? Thank you.

**Mr. Vijay Shekhar Sharma:** Thank you. Thank you, Sachin. I like these. All three questions are very favorable for me. First of all, AI, what do you mean by AI here? Is it a buzzword or what is the revenue line item that we could do? So I'm gonna take two product line items as an example. One is where the small shop takes an agent which is served using our sound AI sound box or various other AI devices that we could launch. And these agents are made for small merchants. Typically, large companies get third party companies like Snowflake or let's say Accenture. I am sure there will be Infosys or Wipro also in that category that will implement AI for businesses where they will bring all enterprise data and make this interface available for large business.

Now we are going to do it for small businesses in the country and elsewhere over the period as I've said. The idea is that a small business can have a chief operating officer, chief finance officer, chief marketing officer practically there in the shop in an AI component that we are talking about. Obviously, I'm not gonna judge their devices, smartphones, whether they can run models, et cetera or not. So that is why we are building these devices which are specifically made and manufactured by ourselves. Now, these elements of AI effectively, practically for you, are agents for small business.

Paytm is selling agents for small business and charging subscription and inference fees once the subscription usage grows ahead of it. For example, as you know, you're going to talk about how do I grow my revenue? Where is my revenue compared to somebody else nearby? And where is my revenue showing up versus last month? And all these kinds of questions, we believe that there is a fair amount of usage that will show up in the subscription. And if you want to use even for the next set of things, for example, like give me an ad, give me a marketing plan, run my ad on social media, everything can be done on this. And all those kinds of elements will mean that you're using more inference, we will price inference.

So right now, we want to see what kind of different use-cases people have. One interesting thing, Sachin, I want to tell you when we showed the demo and we learned was translation. So you have a shop where you speak, let's say Hindi. I speak in Hindi. And the buyer is in, let's say, English, or let's say, Spanish, or Mexican, whatever language. I'm not saying that we will only get English speaking tourists in India. Now the shopkeeper said in Hindi, this is for Rs 45,000, it's absolutely the best, but this is our last price I can do, and the soundbox was able to translate it. Now, you have an assistant who can speak the language of your customer. I mean, you know how phenomenal it is? I'm so elated that the use-cases and features that we are seeing are way ahead of just speaking a soundbox. I've been saying it, soundbox will sound like a feature phone some days later. I mean, this will be like a smartphone app as well. So there it is, this is an agent revenue, and there's an upside of revenue.

Now you go to the larger shops, like larger businesses, let's say, mid-sized retailers, or even let's say, the Metals, Swiggy, or Flipkart, or online merchants. There are certain products, I'm not talking about them right now, or offerings that are meant for them. So we are piloting internally for us as a large company, and I'm trying to figure out how to price them and structure them for those guys. So those other products will also show up. It could be an infrastructure layer, it could be very well in a big layer, and that is what we will talk about after some quarters. So AI is a revenue item, I hope that clarifies.

And secondly, you asked about international, I'm gonna project something so that it is readable. This is in our earnings release, as you can see this. We have two plans. Paytm has built a payment acceptance and hardware, software, and services stack, and we will give it to a partner who will run in that country. This is like PayPay, which is exactly what you were saying. I mean, although in PayPay case, we did not provide hardware yet, but we will in turn continue to look at more and more things, software, hardware, service. The full stack is available to a partner who locally in a revenue share model, or we can get some strategic shareholding, sweat equity, et cetera, and sometimes we can chip in some money also if needed, but not large capital is being allotted to this business, but rather it is simply about that we have a technology we want to monetize. This is part of the model.

Some countries, some profit pool, especially where we believe there is a large global profit pool. For example, like some place, the MDR interchange gap is so large, or some place where our product market fit is so perfectly comfortable that we could take our own self-operated or Paytm-operated business. So mostly we will be partner-operated, but for the complete disclosure and understanding of the model, we have two models. One model is partner-operated, the second model is Paytm-operated, and we believe that this will help with further monetization.

The bucket between three to five years will be starting to build from some of these. Our initial experiments, which will be very low cost, will show up. And I remember when we did a \$1 million investment, it was like, what are you doing and why? The intention was to learn, can we do it in such a dramatically different geography? And our results have been phenomenal. No, we're not going down so far, by the way. Our approach will be only three, four, three hours, five hours, eight hours, that kind of flying distance between the places. Let's see how it will show up.

**Mr. Sachin Salgaonkar:** And this is mainly emerging markets, like for example, it's Middle East, Southeast Asia.

**Mr. Vijay Shekhar Sharma:** Emerging, oh well, emerging, okay, let me say, frontier emerging developed, that's a good way to say it. Yeah, maybe some of the markets are emerging because the whole Southeast Asia is called emerging. So sorry, yes, that is true. I'm going to say that we will definitely go to the developed markets also. For example, we went to Japan, we made money, we made products. And my personal ambition is an editorial choice award that you have a product that can work in a developed economy. I never want to be identified as cheap third-world country technology. We are the first-world in the technology world. And as an Indian, I want to prove it in my lifetime that an Indian company can make this and it will go places. And so that is why developed countries. But between us as shareholders and management, we will earn our credits. We will earn our stripes by attempting to showcase that we can do it and then we do it further. So short answer, it will be more or less India like market, but it will definitely go further ahead later in the developed markets.

**Mr. Madhur Deora:** It's not a filter that we put because we think our product is globally relevant. The filter that we put is what we have shared in the release, which is, where should we partner operated business and where should we be Paytm operated business.

**Mr. Vijay Shekhar Sharma:** Yeah, and third question was?

**Mr. Sachin Salgaonkar:** Revenue, revenue growth, basically. Acceleration of that.

**Mr. Vijay Shekhar Sharma:** Revenue growth is a festive reason, so it can be seen a little more, but our clear understanding is that it is focused on monetization, you can see. Acceleration on line items, which are bottom line generating. I mean, up till now, we are bottom line generating focused. We have started to become revenue generating focused, so you can start seeing it.

**Mr. Sachin Salgaonkar:** Good. One small follow up, Vijay. Clearly, when we make investments into AI, there is an extra incremental cost associated with compute cost. Is that something that should be materially high, where we should not be worried in grand scale of things like that?

**Mr. Vijay Shekhar Sharma:** Sachin, I can tell you very candidly, one thing I've learned, and I think I should give prudence to many of listed founder peers and many of their board member shareholders who have told me, whenever we are going to do any capital investment, capital investment is an investment that goes beyond \$20 - \$50 million onwards, we will be very much sizing it up, we will be very much proactively announcing it in advance, et cetera. So right now, what you are hearing, there is no material investment plan here.

**Mr. Sachin Salgaonkar:** Got it. Okay, thank you and all the best. Thank you.

**Moderator:** Thank you, Sachin. The next question is from Mr. Ankur Rudra from JP Morgan. Ankur, you may please ask the question.

**Mr. Ankur Rudra:** Hey, thank you, good quarter. On the AI side, you give us a lot of examples on services and agents that you'll be using through AI. But at this point, Vijay, do you have the confidence that this will be a unique monetization opportunity as opposed to a feature which perhaps becomes more of a moat for your existing products?

**Mr. Vijay Shekhar Sharma:** Yeah, distribution is key. The product technology that we can make, our distribution is going to be us. It's a proprietary distribution.

**Mr. Ankur Rudra:** So you will be sort of upselling more products as opposed to trying to differentiate?

**Mr. Vijay Shekhar Sharma:** Oh, differentiation is because we have this offering and in this offering we are upselling, which is a new one. So I did not get how these two conflict, that you will be upselling instead of differentiating. I did not get it.

**Mr. Ankur Rudra:** So what I meant is that, what I meant is you'll change your price points for these products. They'll be priced slightly higher than what you currently have.

**Mr. Vijay Shekhar Sharma:** These are all options. I mean, you see it. You get a top-up option, top-up option, top-up option. So these are differentiated features and the price incrementally different. So both

things happen. We cross-sell, we earn extra. And the opportunity to cross-sell means that only a few companies can do it, actually. It requires compounding work, incidentally.

**Mr. Ankur Rudra:** Got it.

**Mr. Vijay Shekhar Sharma:** Just maybe, I mean, there was a question asked that, would you like to patent this or what not? When I launched, I was trying to do this. And my answer was, why? I mean, I want more people to walk into this so that the more customers, the market gets created, people understand and so on. So we would, I mean, copy everything that we've done anyways, somebody else does after some time. So that's not a problem. It's a race towards continuously expanding. And lately you've seen, you have started to bother about monetization. Earlier we were focused on innovation, which was good. Right now we are focused on monetization and innovation equally. So right now this is a proprietary distribution.

**Mr. Ankur Rudra:** I'm guessing it's early days. We'll probably take a couple of years to see the results of this come through.

**Mr. Madhur Deora:** Definitely. Sorry, go ahead.

**Mr. Ankur Rudra:** I have a different question, but why don't you go on?

**Mr. Vijay Shekhar Sharma:** No, go ahead, go ahead. I mean, a couple of years is a very large timeline. I mean, I'm not going to say timeline.

**Mr. Ankur Rudra:** My question was in financial services. You know, we did see a nice acceleration this time. Could you maybe elaborate? I know you've stopped sharing the loan disbursal amounts explicitly, but from a color, incremental qualitative color perspective, could you highlight how much of that came from maybe the launch of, relaunch of postpaid versus perhaps acceleration of ML? Or if from the consumer side, you saw any kind of acceleration?

**Mr. Vijay Shekhar Sharma:** Yeah, postpaid was launched in September. So the numbers, financial numbers currently are insignificant. That was not a driver. Merchant loan continues with a nice trajectory of quarter on quarter growth on volume terms. In revenue terms, we are seeing better collection performance, which is increasing take rate.

Personal loan, we have given commentary that due to headwinds, we're not seeing growth there, but we are seeing slightly better, slightly better take rates on economics, but again, not a major driver. And we are seeing this growth in other financial services like Paytm money or Wealth and gold, as Vijay mentioned. And so there are a number of positive signs in other, non-lending financial services also.

**Mr. Ankur Rudra:** Got it. Got it. That's it from my side. Thank you.

**Mr. Madhur Deora:** Thank you. Just a quick housekeeping thing. We're sort of almost out of time, but we do want to make sure we take all the questions we can. So if we could have Jayant, then Vijit, then Prateek, and to the extent possible, if you could limit yourself to one or two questions, please. We just want to get through as many questions as we can.

**Mr. Jayant Kharote:** Can you look at this locator? Can I go ahead? Congratulations, Vijay and Madhur, great set of results again. So I have only one question. Clearly the GMV mix seems to be working in our favor and the margins are showing. This is more from a GMV growth perspective. We do see UPI P2M growth is now down to the 20s. Cards in general, I think system level growth is in that 15 handle plus minus. So from here, while we are adding new merchants, I see on the Soundbox and overall, the UPI, these would be largely UPI right now. So if your UPI system itself is growing at 20, do we see a scenario where we now start thinking about our GMB growth coming to the early 20s handle over the next, forget a quarter or two, but maybe that's next two years, three years. Of course, this means better margins, but from a growth perspective, is that a fair assumption?

**Mr. Vijay Shekhar Sharma:** Then our UPI growth will come from, our payment growth will come from which element? The 20% component, which is a non-UPI component. Is that what you say?

**Mr. Jayant Kharote:** UPI P2M, yeah. So that is growing sharply and is in 20s, right? I mean, I think it has grown so strong in the last few years. So if you take the total digital merchant payments, that is itself now growing in 20s. What used to be, let's say 30, 40 led by UPI P2M. We are gaining market share. So we are growing at 25, 26. And then our growth, I'm presuming, is coming from adding new merchants.

**Mr. Madhur Deora:** I think maybe just to simplify the variables, what we are seeing is we are seeing market share growth with improving economics, both on the merchant side and consumer side. And that's what we want to drive. I think it is a little bit hard to sort of predict what UPI GMV growth will be. Of course, we are a driver of that, especially on the merchant side with how much investment we make and are making in expanding the merchant acceptance network. So we are a driver of that.

But in a sense, I don't know if we're best placed to agree and guess what exactly UPI growth numbers would be. I think our focus is to gain market share sensibly and keep improving unit economics. And of course, on the merchant side in particular, we have done a fantastic job of upsell, of distribution of financial services to that very low penetration rate. So continue to drive that. So that's simply the business model. We do think that if UPI is growing at 20%, our GMV growth should be higher than that. And that's what we'll continue to drive.

**Mr. Jayant Kharote:** Yeah, if I could squeeze one more, credit card on UPI is clearly helping on the margins as well, right? So is there any metric that you're tracking on our market share in that particular product? And how are we faring compared to our overall market share? And is there any investments you can do to improve that?

**Mr. Vijay Shekhar Sharma:** I like it, I like that. We probably have more than some X than UPI market share. So our credit card, UPI credit card market share is better for us than our generic UPI market share. Generic UPI market share is actually skewed towards P2P transactions because they're always larger in volume, per ticket is very large. So the UPI market share is a game of P2P. And it does have some money because banks pay each other and then TPAP apps get some money out of it. So there is no secret about it, that is a critical line item. But we've been able to capture more than our market share of UPI market share and order of magnitude more than that.

**Mr. Jayant Kharote:** And on the merchant acceptance side of that, are we?

**Mr. Vijay Shekhar Sharma:** We, anyways, I mean, internally the good thing I can tell you is that we do foresee and that's a statement I'm making. We do foresee that, that month is not very far when our subscription revenues get toppled by our MDR revenues.

**Mr. Jayant Kharote:** Great, that's great to hear Vijay and Madhur and congrats once again. Thank you.

**Moderator:** Thanks, Jayant. The next question is from Vijit Jain from Citi.

**Mr. Vijit Jain:** Yeah, thanks for giving me the opportunity. My first question, you know, with this, now that you've combined the offline and the online payment aggregation business, I think you alluded to this, Vijay, when you talked about now you can go omni-channel which you couldn't do for the last three years. Is that what this merger sort of allows you to do or is there anything else that you could do post that? And relatedly, I think I'm just wondering, is EMI the other opportunity you're referring to here? Is EMI equally an opportunity on online payments as well? Yeah, that's my first question.

**Mr. Vijay Shekhar Sharma:** Okay, so first of all, you're right. Omni is a basic understanding of the companies that have online and offline. So, Flipkart also has an offline business because customers go, receive goods in person and at that point of time, it is actually an omni company. Rather than Flipkart is a more omni company than people may think about it because of cash on delivery being large numbers. And that means that payment is a critical player. So all these businesses, we couldn't have onboarded and just because there's an offline entity was a different company, a legal entity could have not onboarded. You know what I'm trying to say. So we were lucky that we kept working on online business for so long and finally, I mean, we were able to start this.

Yes, not just this element, but there are other VAS elements like spend analytics, like settlement, like payout. All those things start to show up as new value-add items. So per payment, we make more bps or more money than we will make standalone and offline or standalone and online. Actually standalone online offline business will disappear. It's like saying laptops and devices will disappear. People will start to move towards assuming that everything is the same. It's a cloud kind of concept. So yes, that is there. And the EMI is just an intention that I'm trying to say that the success that we want to show is that we literally worked upon this kind of combination in a category called EMI and then voila, we just captured a large market.

Now online EMI is, by the way, a bigger market in categories like phones, as you know, more phones are online versus offline. So there are even more kinds of products and solutions that we are able to build. So answer, yes, not just one thing called EMI but many other things will show up and we've been able to do a good job of adding product or service features for payment and our merchants love this. And some things are unique to us and probably the market will come up to them in a couple of quarters or years.

**Mr. Vijit Jain:** Good to hear Vijay. My second question and this is my last question. On the devices front right now, I mean, solid growth again, QoQ and I see your Capex and your D&A expenses have been trending down as you've guided earlier as well. So I think the question I'm trying to ask is, the D&A schedule aside, are these devices remaining active for longer and much longer and what is the real timeline on which you take these devices out of circulation actually because they are either obsolete or they just died?

**Mr. Vijay Shekhar Sharma:** Yeah, so good question and as you would have remembered that we've continued telling last quarters that our new gross additions are bigger than the net additions because if

we pick up the device, the merchant is no more active if that is the reason and so on. So now I'm happy to say that that job is nearing completion. Next couple of months, we will be sorted out on that which effectively means the device in the market is active and being used and those devices active in the market being used mean more revenue and more Net Payment Margin.

So what happens to the device? Well, there is always some component. I mean, we try to recycle as much more so that's an advantage. The only devices we do not recycle if at all will be the cost of logistics is more than that. So we've created hubs in different cities now. Earlier it was based in our headquarter and near that, Noida, the factory, et cetera but we have now created hubs to refurbish in multiple other cities.

**Mr. Madhur Deora:** And just to clarify, vast majority of devices that we pick up are refurbishable. So it is not a device that we are picking up obsolete devices, we are picking up devices from merchants who went inactive and reactivation efforts kind of journey was done and then at the end of that, there are different sort of frameworks that we use. At the end of that, we've decided that it's better to pick up the device rather than to continue to try to reactivate that merchant. And so generally speaking, you're getting a device which is in reasonably good order. It will require some work, maybe a battery replacement or something slightly more than that and then it's as good as new.

**Mr. Vijit Jain:** Got it. So Madhur then, because you've been in the devices business for I think more than four years now. I think what I was also trying to understand is are those the devices that are getting refurbished for battery issues? Meaning, I'm just trying to wonder if these devices just with refurbishment, their life is much longer. Is that how I should think about it?

**Mr. Madhur Deora:** Refurbishment definitely increases the life of the device. It saves us, I mean, the average cost of refurbishment including reverse pickup costs will be somewhere to the order of 25 to 30% of the cost of a new device. So it reduces Capex meaningfully.

We also think that at the moment, we can continue with or even scale up a little bit the pace at which we pick up and refurbish. So both the pickup capacity as well as the refurb capacity, we see a long runway there because of the scale of device deployment, which is 13 million. And the great thing is our business leaders are super sensitive to how positively this impacts their P&L. So they have made the investments required to make sure that we can both pick up and refurbish at scale.

**Mr. Vijit Jain:** Got it. Thank you so much and congratulations on a pretty solid set of results this time around as well. Thank you.

**Moderator:** Thanks, Vijit. The next question is from Mr. Prateek Poddar from Bandhan Mutual Fund.

**Mr. Prateek Poddar:** Yeah, hi. Thanks for the opportunity. So could you just talk a bit about the scalability of postpaid products in terms of whitelisting of consumers, penetration over there, and adding new partners on the supply side so that this can be scaled even faster? And in your view, the timeline for this product could be the previous peaks or which we reached, let's say, when we had this earlier avatar of Paytm postpaid?

**Mr. Vijay Shekhar Sharma:** Interesting. Numbers are very early, tens of thousands. So the opportunity is way more forward. I mean, the good thing I can say is that we experienced that this country, we had signed up around 10 - 12 million customers. And surprisingly, most of those customers are on our

platform. So we can try talking about a large, I mean, can we target a couple of million? The answer is yes. Spend per customer is already high because the product is mature and understanding of the product exists. Then the understanding of multiple banks and technology is becoming better because there is an anchor issuer now as a partner with us and we have an anchor issuer, so more expected.

So I do believe that it is going to become pretty sizable hopefully. It obviously depends on banks because it is a purely bank product. And we continue to help banks, pursue them to expand the technology. And we are happy that banks have, partners have expanded the technology. So you expect us to grow both consumer and bank partners.

**Mr. Prateek Poddar:** And the timelines for this would be, let's say in the next 12 months, and I'm not asking for answers, but we will see multiple suppliers or bank partners over here.

**Mr. Vijay Shekhar Sharma:** I mean, there is no need. To be honest, in one year, there is no need. We do not need more partners than one in one year. The number of customers and the book of opportunity, because it is a, if you notice it is a very high throughput churn. So it does not have a residual book, which is the advantage.

**Mr. Prateek Poddar:** But supply will get their own demand, right? That's what happened in ML also.

**Mr. Vijay Shekhar Sharma:** Yeah, yeah, you got it. So because of high rotation not requiring a large residual book makes it even more advantageous versus people with a large book. So the good advantage there is, cost of capital should be lower, not the amount of capital should be higher.

**Mr. Prateek Poddar:** Understood. And in that case, a pure bank will have a lower cost of capital than SFB, right? Today, we have tied up with an SFB.

**Mr. Vijay Shekhar Sharma:** No, I won't say anything, that we got more or less. I will say that we have a very good partner. The one you heard from Madhur, give or take 20 bps. Madhur's hint here is to say that, don't bother about margins. They are not suppressed or oppressed.

**Mr. Prateek Poddar:** Let me ask you the other way. The capital commitment provided by the partner, is it large enough for you to reach the old peaks or get towards there? That's not a constraint?

**Mr. Vijay Shekhar Sharma:** That is the question. Perfectly said, yes.

**Mr. Prateek Poddar:** Fantastic. The second and the last question is on the DLG disclosures. And when I see the outstanding book, excluding the lender one, which has moved away from DLG to a non-DLG, I see a substantial rise on a quarter-on-quarter basis. It's like 80% plus. Just wanted to check how I should think about this and the growth from those partners looks, I mean, that ramp up is phenomenal, right?

**Mr. Madhur Deora:** Yeah, I think the one thing to point out and you already know this Prateek, but just to contextualize the question, that number is an AUM number. So even if you continue to the same amount in the early days, that number will go up very meaningfully. But it is the case that, excluding partner one, which is our largest partner overall in the loan distribution and is also, and continues to be the largest partner, right? And continues to be a partner that is growing AUM with us, but without DLGs. So the reason that partner's AUM under DLG has come down is not because the AUM has gone down, but because the DLG has gone away. So the new book is getting booked effectively without DLG. And on

other partners, we are seeing very, very good growth, both in merchant side and personal loan side, personal loan obviously in the context of the headwinds, but we're seeing very good growth in non-lender one, if you will, both on ML and PL.

So, and I would say particularly in ML, where, I mean, just to give you a sense, lender one has more than doubled in the last 12 months. So it's a fantastic job by the team that while lender one is growing, they have also been able to grow, like I said, more than double lender one. And that's a mix, obviously, as you might imagine, of other lenders growing very fast and also new lenders coming in. So it is overall this much higher percentage of lender one today than it used to be.

**Mr. Prateek Poddar:** Okay, I'm sorry, I'm just going back to the postpaid product. Look, capital is not a constraint. We have the consumers. What does it take? And when do you feel confident to get to that J curve? Right, today it's early days, but when does this get to? Is it months? Is it years? How should I think about it? Because the capital is not a constraint, right? If capital was a constraint, I wouldn't have asked you the question. You just said capital is not a constraint.

**Mr. Vijay Shekhar Sharma:** That's what I learned in the last 18 months is when steady wins the race, when you race it too fast, you may just get out of the race.

**Mr. Prateek Poddar:** Fair.

**Mr. Madhur Deora:** And I think we can give you a little bit more next quarter, because like I mentioned, we launched in September. We have October numbers, obviously the operating metrics, which is beyond the period that we're talking about on this call. By the time I think we have the call sometime in January for December results, I think we'll be able to point to specific data points and then you'll get a better sense of where this is heading.

**Mr. Prateek Poddar:** Oh, fantastic. Thank you so much.

**Mr. Madhur Deora:** But to be clear, the idea that you're saying is not, can we reach the previous number in six months?

**Mr. Prateek Poddar:** Yeah.

**Mr. Madhur Deora:** Well, we're trying to do it as sensibly as we can. Of course, there are a ton of learnings from before, all the things that work really well. And some of the things which may, maybe we don't want to do it identically as before. So we have all of that learning, all of that understanding of consumer and merchant behavior for this product. So we're using all of that. So logically, our ramp up should be faster than before, but we're not trying to say, hey, why can't we get to the same number as soon as possible?

**Mr. Vijay Shekhar Sharma:** No, we're not going to do anything fast. We're not going to do anything slow or steady.

**Mr. Madhur Deora:** I've seen the compounding benefit of running a business really sensibly, particularly in merchant loans, where we have always talked about, we could do a lot more in the next six months if we started to get a bit aggressive. But the idea is, listen, let's keep the penetration low. Let's reap all the

benefits that come with the fact that the partner is seeing fantastic credit quality and existing and new partners want to do more business with us. And that just builds a really strong business long-term.

**Mr. Prateek Poddar:** No, thank you so much for this. This was really helpful. Thank you, Pratik.

**Moderator:** Thank you, Prateek. 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.

**Mr. Madhur Deora:** And if I may just add, we ran out of time. There might be other questions. Please feel free to reach out to us at [ir@paytm.com](mailto:ir@paytm.com). And we will be delighted to give any clarifications.

**Mr. Vijay Shekhar Sharma:** And I really want the feedback of the video call. Did you guys like it? Prefer it over audio or do you like the old way or traditional way of doing it? We thought that we don't get to see you one-on-one so many times or in different kinds of conversations, opportunities, so this is the way. And I was asking Madhur that how much of a-

**Mr. Madhur Deora:** I liked it if you were looking for my feedback. I quite liked it.

**Mr. Vijay Shekhar Sharma:** I also loved it actually that we are able to see and thank you for earlier Pranav and Pranav, Pranav Square, if I may call them, that you switched on the video. So we will encourage more people to come on the video. We would love to make it a more interactive conversation. And I mean, this gives us an opportunity to showcase something, present something. So now that I'm in it, I'll ask you more Pranav. Thank you. Thank you.

**Moderator:** Thank you all for joining.

**Mr. Madhur Deora:** Have a good day.

**Moderator:** You may now disconnect your lines.