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**Moderator:** Thank you and welcome to Paytm's earnings call to discuss our financial results for the quarter ending December 31, 2025. 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 Mithal, 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 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. Over to you, Vijay.

**Mr. Vijay Shekhar Sharma:** Hi, good morning everyone. It is really lovely to see each of you logged in so early. It was a very tough decision for us to make a decision whether we want to do it so early, before market, yesterday night or tomorrow. And I think the elephant in the room, PIDE, we sort of were making sure that you get to read it much before the market opens. So we tried deciding it at an early hour. For the other side of the world, people who logged in, thank you for logging in the early hours of India.

It's been a year plus since we had decided that we'll head down and execute on our core business principle, core business, which is payment and financial services. And we continue to dominate the merchant ecosystem. And now we have started to build for consumers, and like I had promised earlier, we won't throw money on consumers, rather we will throw technology and products on consumers. I mean, for many reasons, our numbers are what numbers are, like not in the reference of the market share I'm quoting here. But at the same point of time, the capability of our product and technology team can be evidently seen, that we are outgrowing the competition or the market out there in the game. So this kind of attention will bring our consumer market share forward.

I'll take reference of Prime Minister's 'Make in India' initiative. It used to be thought that at one point in time that 'Make in India', manufacturing in India, how will it happen? And as we can see on the Prime Minister's initiative today, it is the pride of India that we see so much of manufacturing in India. That is exactly how I would look at UPI consumer business for us. It may be like, you're fighting somebody with such a large market share, but I think it's a great product that will win the market, not the dominance of certain regions that has happened. So with that attitude, we believe that the consumer is our market to win and the merchant is our market where we are winning.

And I look forward to answering the questions. And we also have started detailing lots of data, as you are aware. While we do see that revenue and profit momentum is growing, you have to remember that the business is still in the early phase, very early phase. Customer acquisition is still the game in the market. And then monetization is the primary game that long term becomes. So the commitment is to build a long term, free cash generating machine inside our payment and finance business and expanding that to the next step. Here we are. Good morning.

**Moderator:** Thank you Vijay. We will start our Q&A now. 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 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.

**Mr. Vijay Shekhar Sharma:** Yeah. And I think as you're seeing that we're doing a video call and anyone of you who wants to switch on video are welcome. I understand it's early, so we may have more audio this time. And we'll continue this time, but just in case.

**Moderator:** We will take the first question from Mr. Manish Adukia from Goldman Sachs, followed by Sachin Salgaonkar from Bank of America. Manish, you may go ahead.

**Mr. Manish Adukia:** Hi, sorry, I was just trying to join again. Vijay, Madhur, good morning. Great to see you. Thank you so much for doing the call. Just the first question is on what you mentioned in the opening remarks, the PIDF. So a couple of sub questions there.

One, in the shareholder letter, you talk about the fact that you should be able to meaningfully offset the impact over a period of time. But at the same time, you also talk about contribution margin going from 57 percent now to mid 50s as a result of the PIDF impact. I'm just trying to reconcile the two statements that if you're able to offset the impact, then why should there be a contribution margin impact at all?

And second, if you can just talk about the offsets and how long could it come or could it take for the offsets to come? That's my first question.

**Mr. Vijay Shekhar Sharma:** First and foremost, I would talk about what PIDF core was built. I mean, we all as an industry loved it when it was done because the extension of payment to the hinterland of India was tougher, especially when you were adding a subscription or a costly device to the element. And that is when the payment development fund was created and the sandbox was added to this element. Typically, it existed ever since; it had POS devices, the card devices. And I'm very happy to tell you this. We're talking about 2026 now.

Everywhere in the country, the use-case of mobile payment is evident and clear. Even if a shopkeeper is out there, that person will pay a subscription fee. The key word is that value prop has been acknowledged. Does the industry need PIDF? Well, as an industry, we are welcoming every initiative that the government or any other entities look to give us. But at the same time, our business model is not based on this. That's the key word. We are not sitting here to take grants as our profit and revenue. That's it.

Now, that means that we will offset. Yeah, it just gave us the opportunity to go into the line item of businesses, which was. So, well, without the PIDF initiative, our revenue comes from the merchants paying subscription and merchants who take credit. And PIDF, surprisingly, was not to credit-worthy merchants, if you will. So as you can see, we were deploying where we were ready to deploy and we were getting the revenue from a set of merchants that we were able to convert into credit worthy merchants.

We were not the top deployer while we were the top merchant player in the industry. And it was because we never looked at it as a revenue line item. We rather looked at it as extending the reach towards tier 3, tier 4, tier 5, tier 6 and the places where we would have not reached.

Our model is perfect now. I'm very happy to say, we are now ready to tell you that we will offset it from, number one, the subscription that we earn from them and number two, cross sell of financial services that we will do to them. And that's perfect. And that is why we believe that we will not require PIDF in our business model, at least not in our business model.

We are not in device deployment, rental device as a business model, capex as a revenue model. We are strictly about payment and financial services and that is sacrosanct. So now why are you talking about the mid 50s? Well, we have always been conservative on the numbers and we believe that it is rather better to say mid and then beat it.

**Mr. Madhur Deora:** I'll just answer a couple of other things, Manish. So my expectation is that obviously the work started immediately and we were ready to recalibrate what we have said, higher subscription revenues and more targeted sales efforts. Our expectation is at least 30 - 40 percent of this will be offset this quarter and more over time.

The work, like I said, is starting immediately. And the great thing about behind the scenes, what Vijay is saying, and we have talked about this a little bit previously, is that a huge amount of our sales planning now is AI based and it is extremely intelligent. So for us to recalibrate certain efforts and measure payback periods is much more advanced than it was maybe a year and a half or two years ago.

So these kinds of projects I think we can handle in a very disciplined manner. Why is CM down? We have put that out as the worst case situation.

There's also a bit of a reporting issue here, which is that if the impact is offset by higher subscription revenue, then the CM will be fine. It will be the same as before. If it is more because of more targeted sales efforts, then CM may go down, but people costs might go down as well.

So at the EBITDA level, we have said significantly offset. But at the present time, we don't know exactly how much of that offset would come from higher subscription revenue versus more targeted sales effort. And that may or may not have an impact on the CM.

**Mr. Manish Adukia:** Very clear. Thank you for that. My second set of questions was just on the launch of products. So one, I know in the shareholder letter you mentioned a line about strong traction of the 'Buy Now, Pay Later' product. But again, just where are you in your journey? I think last time around, it used to account for more than half of your disbursements before you had to pull that product back. So where are you on your journey to get there? And also, if you can maybe remind me where we are on wallet potential relaunch, if it's likely to happen sometime this year.

**Mr. Vijay Shekhar Sharma:** So, Manish, yesterday we were discussing, should we start disclosing credit disbursement numbers, the number of crores that you disburse in consumer or merchant? One thing is that, because you read it so nuancingly, you will notice that we have added 'Buy Now, Pay Later' as a part of our consumer credit plan. And that means that we believe this is a foundational plan.

And happy to tell you that we are crossing hundreds of crores of monthly disbursement on this literally in the less than six months of launch. And we are talking about six digit customers who are using it. But I think I've learned only one thing, that incoming metrics are useful with very clear modeling that you can say. So the number of customers, if you notice, of financial services will increase and the average value per customer will increase, which is what you will continue to see over the period. And wallet wise, as a promise, I would rather say as a promise, we will bring the wallet back home.

**Mr. Madhur Deora:** We just want to clarify the numbers that Vijay mentioned. It's been three months since launch. We have crossed one lakh customers. And within six months of launch, we expect to cross hundred crores of disbursement. So that's the early trajectory. Of course, it's much faster than the first time we launched Postpaid. So we're quite pleased with that. And on the wallet, like Vijay said, we are going to bring the wallet back. We do think that just to manage expectations, because in conference meetings and so on, we get a lot of questions on this.

We had talked about wallet profitability being Rs 500 crores in January 2024. We don't think the product is that big in the industry going forward. So we want to bring it for consumer completeness because the consumer should have an option. We are big believers that consumers should have options, as many options as we can come up with. So Postpaid is an option, wallet is an option, but one shouldn't think of wallet as being as sticky, as relevant, as important today as it was three years ago.

**Mr. Vijay Shekhar Sharma:** Manish, just in case, Postpaid customers are payment customers, so they are not added in Financial Services customers.

**Mr. Manish Adukia:** Thank you for clarifying. Just the last question, maybe for Madhur. So I think early on when the RBI impact had come through and you just started recovering from that, at one point, you had called out what you believe is the likely growth scenario for the business, which I think you had said more than 30% revenue growth back then with 15-20% EBITDA margin over a period of time.

We are now four to six quarters past that. Now, if you were to just relook at the business today, from current levels in 2026, if you were to take a two to three year view, what do you think is a realistic revenue growth that the business can deliver, and where do you think the margins can get to over a two to three year period? That's my last question.

**Mr. Madhur Deora:** I think the outlook is more or less intact. I think we are as excited about the opportunity in India today as we were two or three years ago. The more we do, the more opportunities we find. So we think on device growth, with or without PIDE, that business is robust. There have been positive surprises, for example, beyond UPI, which has solidified our payments processing margin and made the payments business more viable for us, especially on the merchant side. Our merchant loan business does fantastic.

We have also mentioned that we did 25% growth on a like-for-like basis, which you can take it for what it's worth. Obviously, the reported number is 20%, but it was important for us to put that out there, especially as we're planning for next year. And this is a year in which certain businesses did not quite do as per our expectations. So the consumer credit cycle continued for a bit longer than we thought, which affected personal loans and credit cards. We have been quite transparent about the fact that the marketing services, it's been flattish over the last three, four quarters. There's more work to do.

So as we get some of those things going, Paytm Money is also showing good signs. As we get all of those things going, I'm very positive that we should be able to accelerate growth, and the EBITDA margin outlook is intact, and we are actually heading towards that quarter-on-quarter. As you can see, we have a ton of operating leverage.

**Mr. Vijay Shekhar Sharma:** I think I'll also add one last line that we are more sure than ever because of our focus on the core business model that we have had. Earlier, we were not sure of whether it is scalable, free cash generating business model or not. So that is why there were a few more line items, and those line items have improved. So I'm going to say that, well, this is the core of core.

**Mr. Manish Adukia:** Thanks a lot. Thank you for taking my questions. Have a great day.

**Moderator:** Thanks, Manish. We will take the next question from Sachin Salgaonkar, followed by Pranav Gundlapalle from Bernstein.

**Mr. Vijay Shekhar Sharma:** Thank you, Sachin, for switching on the videos, guys. I really appreciate it. And I'm not putting a pressure on others who don't or may not, but thank you.

**Mr. Sachin Salgaonkar:** Thanks, Vijay. Morning, all. I have three questions. First is just following up on the incremental levers for growth.

And one way to think about it is clearly there is a lot of confidence in the merchant lending, soundbox, UPI in terms of what you guys have achieved. Your shareholder letter did mention that you now have all three payment licenses. So on the back of it, should we expect an acceleration of merchant and consumer onboarding?

And, you know, as a follow up to one of the earlier questions, is Postpaid today at an inflection point where going ahead, we should continue to see that growth? And also on those lines, equity brokering, are we again at that point where we could see more disclosures from you guys as this business scales up?

**Mr. Vijay Shekhar Sharma:** Yeah, yeah. So the upside is very clear. Get more, more merchants.

And thanks to the focus that I've said, there is a huge amount of upside left in online merchants that I want to tell you that we've started doing it. You may have noticed that I've become the CEO of the PPSL company. So online business will start generating more upside in payments and financial services.

In fact, I want to put it on the table that online business has a margin because of platform fees and many other EMI and card initiatives that we do with merchants, leading to more monetization on payments. So, number one, I think we have literally added a new line of business, which will be materially sizable because that business since 2021 was paused practically. I mean, it's an important thing to note that the payment business will get boosted because of permission and the structure that we are doing. So we are recruiting in that. You will see more recruitment of sales executives for our enterprise sales. And because we are championing offline, we were championing online. Now we can acquire both in the same entity.

Number two is that, you know, that our device-led offline merchant businesses are phenomenally better than anybody else. Now that everybody's numbers are out in the market, I can flawlessly say that every replica of our business model is a proof of our business model and acknowledgement and we've done better than anybody else that is shown there.

So now we have double the confidence of dominating more merchants and more cross-sell of financial services to these merchants. So that remains the core business. Like you very well pointed out, there is an upside in 'Buy Now, Pay Later', Paytm Postpaid and inflection point. I think I'll wait for let's say six months. I want to make it sizable. And then we want to move towards the credit business, which is led by that. Because there is a nuance of led by payment and adding to the payment in this.

And we don't think that, ok, let's just do this business. For example, like we used to distribute credit cards and we just stopped that business. Because I was like, it does not add to anything. Just because you have traffic, you can try doing it, is not a business model. Let's say that is what we do, which grows your moat and protects and expands the moat instead of just because you are. And that is how the optimization of cost also has been happening. If you notice, I mean, an unstated statement is that every quarter cost optimization is continuing. And there was a question. I remember a couple of quarters back.

How long will it continue? I was like, this is a continuous thing. And further pruning, further pruning, optimizing for what is called core moat, expanding this, protecting it and monetizing it. So, yes, by now pay later is one moat.

And Paytm Money, let me say this. I mean, when we launched Paytm Money, it was the top SIP producer in the country. We got defocused. We went through an IPO. We went through many other processes. And we want to make Paytm Money a top five player in less than next three years. So it'll be material. Yes. You've seen the MTF. We started to play offense by putting MTF benchmark in the market. And this is because we have a book, we have capability. We can do it.

We have certain other wealth products. They've done phenomenally well. And expanding this year, we will also expand more kinds of merchant credit because we are now getting online merchants, large types of merchants.

So, I mean, what previous question that was answering a few minutes back, that we are more sure than ever of higher growth and higher margin. And I think, like I've said it, we don't want to focus on any vanity metrics whatsoever. We've reduced them all to focus only on how our revenue growth and bottom line growth and free cash growth goes on. That's it.

**Mr. Madhur Deora:** Paytm Money, just to finish this session. As a legal entity, they do disclose financials and there's a whole bunch of industry information available on active transacting users and so on. I think my sense is that we'll start sharing more information as it becomes sort of a high single digits type of revenue for us overall. Currently, it's low to mid single digits. So just wait up maybe a few more quarters.

**Mr. Sachin Salgaonkar:** Thanks, guys. My second question is, we did see an increase in promotional expenses this quarter. The question out here is, should we continue to see spends increasing out here? And if so, will it be more towards a consumer retention or towards a market share gain?

**Mr. Vijay Shekhar Sharma:** Market share gain.

**Mr. Madhur Deora:** I should just add that I think consumer retention, market share gain, we see that as completely overlapping because the focus is on high quality users and building retention, which then gives us market share gain. So it is not about let's go in and double down. That is not the focus. The focus, because you could dilute quality on the platform dramatically and that affects your RoI and retention rates and so on. So, yes, like Vijay just said, it's market share gain, but it's driven by making sure we have high quality users, high quality of engagement and that being the path to market share gains.

**Mr. Sachin Salgaonkar:** And should we expect the 3Q numbers to be the new normal or there's room to further increase from these levels as well?

**Mr. Vijay Shekhar Sharma:** Increase what? Cost?

**Mr. Sachin Salgaonkar:** The promotional expense.

**Mr. Vijay Shekhar Sharma:** All right. All right. All right. No, no, no, no. I've said it. I'd rather build a product-led, technology-led product instead of marketing or marketing spend-led product. So we were bare minimum and we had told about it in a previous quarter, if you remember that, that we would do it calibrated. So I think this could be more or less the normal trend.

**Mr. Sachin Salgaonkar:** OK, the third question is on PIDF and thanks for clarifying the impact on contribution margin. But from a very near term point of view, I wanted to understand the impact on EBITDA also. In the sense of a slightly lower contribution margin, should it trickle down and have an impact on EBITDA or because you guys are controlling your indirect cost, there should not be too much of an impact on EBITDA even in the near term before any offsetting impact comes?

**Mr. Madhur Deora:** Let's just park the contribution margin as a walk from PIDF revenue to EBITDA. What we have said is we should be able to significantly offset this. And in response to Manish's question, I said this quarter alone, we should be able to offset at least 30-40% of it.

So last quarter, this number was some Rs 80 crores. We should be able to offset 30-40% of it, but the remaining impact, call it 60%, will be down to EBITDA. So yes, in the very short term, we will take an EBITDA impact in Q4. But over time, we'll be able to recover more, offset more of this.

**Mr. Vijay Shekhar Sharma:** Yeah, Sachin, these merchants actually, now that our cross-sell monetization machine is better than ever before, and we've been focused on monetizable merchants. So we here, also focus on those. So the monetization from these merchants will start trickling in. So it was more like a little bit of subventioning of capex, if you will. But now, if you're talking about this, monetization is absolutely the way ahead for us. We did not try acquiring every merchant for this. We rather acquired good quality merchants whom we thought we could extend credit distribution or any other product.

**Mr. Sachin Salgaonkar:** Got it. And last question, wanted a clarification or more details on that. Your shareholder letter mentioned you have adopted a more conservative revenue recognition policy in the past few quarters. Can you elaborate on that?

**Mr. Madhur Deora:** Yeah, so there's been a few different things. But I think the one example I can perhaps give is that a merchant who is taking a device from us, when they become inactive in a certain month, a large percentage of them do get reactivated. So we had a certain policy with respect to what percentage of it we would get, or for how long we would recognize revenue for an inactive merchant.

And of course, if they're inactive after a certain period of time, we would take that pace and stop recognizing revenue. We have tightened that. As a result of that policy, we would get some provision for doubtful debt. Because some of that revenue you're not able to collect. So what we did was we said, we're going to be much tighter about merchants if they've been inactive for more than 30 days, we'll stop recognizing revenue from them. Which, like you have seen, has a huge impact on PDD.

So at an EBITDA level, it is neutral. We think it's much cleaner reporting. It's much more transparent reporting. So that's the largest example of what we did.

**Mr. Sachin Salgaonkar:** Thank you and all the best.

**Moderator:** Thanks. Thanks, Sachin. We will take the next question from Pranav Gundlapalle, followed by Sachin Dixit from JM Financial.

**Mr. Madhur Deora:** And we just request people to limit themselves to two or three questions. Without too many sub-questions either, if you don't mind.

**Mr. Vijay Shekhar Sharma:** I think this quarter has some things which people want to know. And I think we are really making ourselves available. And we can also extend the call. I'm okay. We can extend the call. Thank you. Good morning, Pranav.

**Mr. Pranav Gundlapalle:** Good morning. Just a couple of questions. So one is, could you shed some light on, I know we talked about costs in the earlier questions. What are the moving parts there? We've seen almost a flat cost line for almost four or five quarters. So one, what's really happening in the background? And if it doesn't go up, when do we start getting worried about underinvestment? So that's the first question.

And the second one is more on the registered merchants. You do share that number. Would you be able to share some color on how many of them are active and how is that growth playing out? Because the registered merchants are growing at about 12%, whereas your devices obviously are growing a lot faster. So in between, when you have the active merchants, how is that number shaping up?

**Mr. Vijay Shekhar Sharma:** The first question on investment is, rather, we are sometimes, are you sure you want to overinvest like this? Because he wants to keep a disciplined eye on it, which is very good. And I can say that the lovely thing that you saw is that consumer investment, we started doing it.

I mean, this is because we believe that we have a monetization capability. I mean, the puzzle in the consumer is how will you monetize? Advertising is not monetization. You have traffic. Everybody got traffic. How can traffic be justified on anything else? So I'm happy to say that we have, once we learn how to monetize, we are expanding. And that is how our business is. And on the merchant side, you keep seeing. Actually, one of the discussions Madhur was doing in my monthly business review was that our sales people cost is like rocketing. I mean, if you see a year on year or anything, and I said, Madhur, let's just double down on that. I mean, why would we not?

And then we discussed that. How can we AI optimize that line item, by the way? I mean, this is, I want to tell you very flatteringly to the team that is doing this job. It is extraordinary confidence of per dollar incremental investment, how much of the bottom line we get. I mean, it is more than ever and it will become juicier than ever further ahead. So there is investment, surprisingly.

And the good thing is that I'm removing the deadwood continuously. That project will continue. So there you see relocation happening within the cost. It is not that we are not investing in the future. We are rather investing in the future and removing what we don't want to carry forward. That's what it is.

**Mr. Madhur Deora:** I should just maybe add a couple of things. In marketing and sales, our mindset is we should invest as much as possible that we can with high discipline. So you would see that our sales employee cost this quarter is actually all time high. So we're not under investing.

We do think in parallel, we're constantly working like Vijay is saying on productivity. So, for example, we reduced our marketing expenses somewhat because Vijay was not convinced that it is as productive as it can be. i.e. it's not as product led. So we took a pause there for a few quarters and said we'll fix the product first. And then we're going to spend more on marketing. On sales, we're doing it in parallel. So we're perfectly happy to invest more in sales even next quarter. But we're going to do it productively, subject to PIDF targeted sales efforts, etc.

On other things, which are not marketing, non-sales, AI has helped tremendously. There are certain places where we have had better commercial negotiations. Given that's an ongoing exercise. And, of course, that other indirect expenses we have called out is positively impacted due to PIDF. So we feel actually very happy with the cost structure we have. That we're not under investing.

We are doing it the right way and we're focusing on productivity. On registered merchants, just to clarify, Pranav, we have a number of registered merchants, which is disclosed in the back of the document, which is 4.8 crores. Ignore that completely. We never talk about that in the front of the document. That is a SEBI obligation that we carry. So that's there.

So I'm just telling you that that's not the number that we use for our operations. We do talk about subscription merchants. These are merchants that actually have a device from us. That is 1.44 crores. We see that as the proxy for our top of the funnel. I don't think we are going to start adding more KPIs on top of the funnel KPIs just because others are doing it and so on. Because our focus is, that's the deployed base. Let's focus on revenue and profitability. And not adjusted revenue and profitability, if I may add. Revenue and profitability. And we're just going to try that going forward.

**Mr. Pranav Gundlapalle:** Understood. Just one follow up there. What percent of your GMV would be coming through these device merchants of your entire stated GMV?

**Mr. Vijay Shekhar Sharma:** I think significantly more than the majority. I mean, the QR merchants are practically nearly negligible. I mean, my sales team does not even deploy QR merchants. Internal funnel for device deployment is, churn the other competition's device. It is not QR. We used to do it. And we used to deploy QR and upgrade them to Soundbox. Now we're like, okay, the bad device is out there. Let's churn them into us.

**Mr. Madhur Deora:** In the offline world, vast, vast majority. Obviously, there's an online GMV as well. There's Paytm App GMV as well. But in the offline world, vast, vast majority comes from Soundboxes.

**Mr. Pranav Gundlapalle:** Okay. Would it be fair to say like maybe 75, 80% of your offline GMV. From merchants who have devices installed.

**Mr. Vijay Shekhar Sharma:** Nearly all.

**Mr. Madhur Deora:** QR only merchants are negligible.

**Mr. Vijay Shekhar Sharma:** Negligible. Okay. So that's why we started to index only on the merchant whom we can charge the money. Look, Pranav, it's easy to give any KPI whatsoever. For example, I can deploy a device. And if it is for free, well, you can say whatever about it. I mean, a monetizable, capable merchant. And that's why we call it subscription revenue if you notice. We don't call it the device merchant, deployed device, blah, blah, blah, blah. It's the only material number that we showcase. And I'm sure you'll adjust to that.

**Mr. Pranav Gundlapalle:** That helps a lot. Thanks a lot. Thanks a lot, guys.

**Moderator:** Thanks, Pranav. We will take the next question from Sachin Dixit from JM Financial followed by Jayant from Axis Capital.

**Mr. Sachin Dixit:** Good morning, Vijay and Madhur. Thanks for the early earnings call. So quickly on the payment business, right? So you have highlighted in your letter that there was a four basis points plus payment processing margin this quarter. If we can probably break down some color on this and if there is any guidance on because this used to be three to four basis points earlier. If there is more trending upwards of this four basis points margin.

**Mr. Madhur Deora:** Exceeding that consistently. Some of the instrument mix is helping. Last quarter there was a lot of question whether this was EMI driven or festive driven. That's always a part of it, but it is not the major driver. We're not guiding to higher numbers right now. We want to see just market discipline continue and the trend of things like RuPay on UPI, et cetera, continue and positive mix. But we feel pretty confident that it will stay above four basis points for the next few quarters.

**Mr. Sachin Dixit:** Understood. On the marketing services side, obviously we have seen some bottom out happening. The numbers have improved on a QoQ basis slightly. We are also investing on our own marketing expense on consumer retention, trying to focus more on the app side. Do you have any visibility there? Right. If we can see a slightly improved growth trajectory going ahead or are you, the business still continues to be in a wait and watch mode.

**Mr. Madhur Deora:** I think we will continue to see growth in this business, but it is fair to say that the underlying, and this is four or five different things together, which are sort of exposed to market conditions. So we did have a very, very small business in advertising for real money gaming, which went away in Q2. It was about 1% of our total revenue. So much, much smaller than other numbers that you may have heard. So that was sort of a headwind. Obviously the travel business has had a few hiccups, you know, most of last year. So there are a few market conditions that do affect this business, but we did see bottoming out last quarter and we could see that it had bottomed out, which is why we called it out in the last quarter. And we do think that this business should continue to grow.

**Mr. Sachin Dixit:** One last question, if I can squeeze in. One of your listed peers talked about watching out for MDR on organized merchants in the budget. Do you have any views on that? If there is any UPI, MDR sort of potential appearing to you?

**Mr. Madhur Deora:** It's two days away. So let's just wait now. Sure. All right. Thank you and all the best.

**Mr. Sachin Dixit:** Thank you and all the best

**Mr. Madhur Deora:** Thank you so much

**Moderator:** Thanks, Sachin. We will take the next question from Jayant, followed by Piran Engineer from CLSA.

**Mr. Jayant Kharote:** Thanks, Anandita. Hi, Madhur. Hi, Vijay. Thanks for the opportunity. So the first one is on payments. So I presume the net payment margins are holding very strong at 4 plus for the next foreseeable future. So that is leading to an implied device yield of 60 rupees, if I'm not wrong, excluding PIDF. So now if, Madhur, you're saying we can recoup 30 - 40 percent, do we assume this 60 moves to 65 immediately in this quarter? Or you're talking about sales efforts plus cost efforts leading to that 30 percent offset?

**Mr. Madhur Deora:** Yeah. So, Jayant, it's hard to sort of boil it down to only subscription revenue because, like I said earlier, our AI-led model targets a better payback period. Now, the better payback can come because the subscription revenue is slightly higher or because the sales effort is slightly lower or because the merchant is transacting more, the merchant is more lending propensity merchant, et cetera.

So it targets a whole bunch of different efforts which give us the RoI. So having evolved to that state, we are not going to override it by just saying, hey, let's just charge more subscription to everyone. So it's hard to then boil it down to, hey, is it going to be 60 rupees going to 65 rupees of subscription. My sense is in certain places, we are going to see that years of investment have changed behavior to a point that merchants are actually okay to pay a little bit more, right? Whereas in other areas, we're going to find that a merchant is quite engaged, and as a result, there's more lending propensity in that area. So it's not a combination of these things. But I think it's fair to say the subscription revenue on a blended basis will offset some of the PIDF.

**Mr. Jayant Kharote:** And regulation-wise, you didn't have any prohibition on collecting subscription fee from PIDF merchants, right?

**Mr. Vijay Shekhar Sharma:** No. No, no, no. It was a capex subsidization

**Mr. Jayant Kharote:** Some of them may be actually already paying

**Mr. Vijay Shekhar Sharma:** You got it. You got it.

**Mr. Madhur Deora:** Some of them do pay, but they do pay lower than our model would suggest, okay, let's just charge them a bit lower than what another similar merchant might pay in another area.

**Mr. Jayant Kharote:** Great. And that gives you some confidence that at least some cohorts can be moved up and offset on the...

**Mr. Madhur Deora:** Exactly.

**Mr. Vijay Shekhar Sharma:** Yep, yep, yep.

**Mr. Jayant Kharote:** The second piece is on lending. I mean financial services. I believe the non-DLG mix is moving up, right? So that would have caused downward pressure on absolute revenue growth in that line. And still we're seeing very strong growth. So is it MTF or is it more disbursements? Which of the two is really driving up that strong growth?

**Mr. Vijay Shekhar Sharma:** MTF is not in our credit revenue, by the way. It's in financial services, but we don't treat it as a credit line. Yeah, exactly.

**Mr. Madhur Deora:** So the DLG mix has gone down year on year. DLG mix has been broadly stable quarter on quarter. So just to clarify that, we have seen that trend for the last three quarters. The vast majority of the revenue increase that you're seeing is because of growth in disbursements on the merchant lending side, because consumer loans continue to be challenged and secondly, very good efforts by our collections team, which is resulting in good outcomes for our lenders, which also gives us more revenue. So it's been a combination of those two. And that has probably been the trend for

merchant lending for seven, eight quarters in a row now. So we are quite happy with the way that business is compounding.

**Mr. Jayant Kharote:** And if I am correct, this comes in the base in the next quarter, the mix change. That means from next year onwards, optically the growth should start looking better on financial services?

**Mr. Madhur Deora:** Logically, yes. But I think on merchant lending, those trends will broadly continue. So it won't be like a jump sort of thing. But when you look at, you know, you can take a ball and sort of consumer loan cycle. So we are sort of subject to that cycle. And Postpaid being a larger contributor, and all the very good success that we are seeing in MTF, all of that puts us in a very positive and optimistic trajectory for next year.

**Mr. Jayant Kharote:** Great. If I could just squeeze in one last question on payments. So these four basis points, I can sense the change in the commentary tone from three to five to more than four comfortably. Is this also driven by RuPay credit card on UPI and the online business? And one of your peers has disclosed a very large market share on that product. Would you like, I know Vijay last time you mentioned, it's a multiple of your current market share. Would you like to call out that number now, or do you think it's still too early?

**Mr. Madhur Deora:** Sorry, on the first question, you got it exactly right. Which is, yes, there is a contribution from RuPay and UPI. Better credit card and EMI merchants, and just growth in our EMI market share overall. We're doing extremely well. And we're going to talk more about that, about how we're going to sort of take on that space in a much bigger way over the next year. Second question, I didn't quite understand.

**Mr. Vijay Shekhar Sharma:** You were talking about EMI, I am assuming?

**Mr. Jayant Kharote:** No, no, RuPay credit card on, sorry, RuPay credit card market share. In that space, one of your peers has given a very large number in the 40s. What would be yours? Would you like to call it out right now?

**Mr. Vijay Shekhar Sharma:** I mean, I'm sorry to say this. Market share is nothing but the revenue contributed and monetization.

**Mr. Madhur Deora:** So I haven't seen that comment on this, and we don't actually, we haven't sort of gone and said, hey, what is our RuPay UPI market share. You also, but I would imagine that one thing is very clear.

**Mr. Vijay Shekhar Sharma:** It's by the way, it's, I now get it. I think they're trying to, what's the new side UPI market share? I'm assuming you're talking about consumer side UPI market share. And there, the clarity on this is that we not only have the consumer side, we also have a merchant side revenue and acquiring side margin. UPI, unlike in other cases, has a different type of distribution ratio, which gives enough to the acquiring side business. So we get double the side of revenue, and we get a disproportionately large side of revenue on the merchant side.

And that is why we not only gain from the consumer side, which probably you were saying about the markets, but at the same point of time on the merchant side gets us the revenue, higher revenue. So we

continue to drive based on two line items. The MDR instrument; it is RuPay and EMI, both, which are large.

**Mr. Jayant Kharote:** Actually, I was asking on the merchant side only

**Mr. Madhur Deora:** I'm just confirming from this point, trying to get on my physical long queue. On merchants, we think we're doing very, very well on the acquiring side for RuPay on UPI. I don't have the exact market share number, and I don't have reference to the comments that you're quoting from another peer, nor do I want to just sort of tackle that head on anyway.

What I will say is that it's very clear from other people's disclosure that our merchant base is actually a superior merchant base in terms of quality. So they're quoting higher sort of top of the funnel numbers. So the number of merchants, et cetera, they've also said they have much higher PIDF money, which is also an indication that what we do is actually higher engagement and higher quality merchants, and we're very happy with that. And the reason I bring that up here is that that has an implication on a merchant who's more engaged is more likely to pay for RuPay on UPI, but we can see, we can check for these market share numbers offline and discuss with you.

**Mr. Jayant Kharote:** No, this is very clear, Madhur, the way you build out the funnel, it's very clear. Congratulations for a great set of numbers and all the best.

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

**Moderator:** Thanks, Jayant. We'll take the next question from Piran Engineer from CLSA, followed by Vijit Jain from Citi.

**Mr. Piran Engineer:** Yeah. Hi guys. Hi. Morning. Just a couple of follow-up questions, personally.

**Mr. Madhur Deora:** Sorry, quick housekeeping. We'll just limit to two sharp questions because I do see seven, eight other analysts who are in the queue and we will extend, we'll also extend the call to nine o'clock.

**Mr. Piran Engineer:** Perfect, perfect. One is just a data keeping question. The consumer UPI GMV that you mentioned of 5.1 trillion on page four, that includes P2P, right?

**Mr. Madhur Deora:** No.

**Mr. Vijay Shekhar Sharma:** No, it does.

**Mr. Madhur Deora:** Oh, sorry, it does.

**Mr. Vijay Shekhar Sharma:** It is what NPCI gives as a number, part of, it is the fraction of that number. That's what we're saying.

**Mr. Madhur Deora:** My bad.

**Mr. Vijay Shekhar Sharma:** It is what NPCI gives the GMV value.

**Mr. Piran Engineer:** Correct. So that's both P2P and P2M, to be clear. Then just my main questions. One is just a follow-up on Jayant's thing. So your payment processing margin has gone up, but the payments revenue, the net revenue has not gone up in line or higher than GMV. And that's because sandbox revenue is lower. Is my understanding correct?

**Mr. Madhur Deora:** Sorry, you'll have to tell me what exactly you're referring to.

**Mr. Vijay Shekhar Sharma:** What we're saying is that your margin has gone up, but not the overall net payment margin or revenue has gone up. Is it?

**Mr. Madhur Deora:** Net payment margin as a percentage has not gone up. Is that what you're saying?

**Mr. Piran Engineer:** So the net payment margin that you're disclosing, which was above three last quarter and above four this quarter, whereas if we calculate a payment margin as revenues divided by GMV, it's actually gone down. The difference between what you all disclose as a net payment margin and the calculated one would be sandbox revenues, right? So that's really what I'm trying to get at. Because as analysts, when we calculate the take rates, it's actually declined.

**Mr. Madhur Deora:** I don't mind if we take that offline, but my understanding is GMV is up 24%, revenue is up 22%.

**Mr. Piran Engineer:** Sorry, Madhur, I was referring to QoQ.

**Mr. Madhur Deora:** Okay, so we'll take that offline if you don't mind.

**Mr. Piran Engineer:** Yeah, no problem. And just lastly on the rentals thing, for soundboxes now, merchants who've used it for the last two, three years because it's been more than three years since the product is out. Have you all been able to increase rents and if so, by what? I understand that you all are looking at multiple parameters such as ability to lend to that merchant, etc. But can you just talk a bit about how you were able to monetize just on the rental bit for stickier sandbox merchants?

**Mr. Madhur Deora:** There are two, three factors, without getting into a lot of secret sauce. There are two, three factors. One is a merchant who is highly engaged, is willing to pay more for the sandbox and it may even be a higher-end sandbox, right? So they might want to take a tap sandbox or they might want to take even a swipe sandbox, AI sandbox, etc. So they are willing to pay more. The second is our cost per sandbox has come down dramatically if you're talking about over a three-year period.

So the way our payback period math works is also quite different than it used to be three years ago. And the last point is that the payback does have weightage of lending propensity, right? If a merchant has been with me for three years, with or without the loan, they're quite likely to be a high whitelist merchant if they've been with us sticky for the last three years. And that also goes into pricing versus retention benefits, versus lending propensity benefits.

So we do factor all of those in. So it'd be a generalization to say, hey, we do increase prices for everyone who's been with us for one or two years because actually the model determines that and it's been giving us good results.

**Mr. Piran Engineer:** Got it. Okay, yeah, that's it from my end. Thanks. Will take that.

**Moderator:** Thanks Piran. We'll take the next question from Vijit Jain from Citi, followed by Pranav from Emkay

**Mr. Vijit Jain:** Hi Vijay, hi Madhur, good morning. And congratulations, good set of numbers here. Two questions from my side. One, is digital gold sales a decent contributor to revenue and margins for you? I know you highlight on the app more than five million customers purchase gold and you also sell gold daily. You have a couple of products there. So just a quick word on that one.

Secondly, I wanted to know, good to see your consumer UPI market share has started to go up. Where would you think you can get to in the near term on that front?

And last question from my side, I'll just ask all my questions together if that's okay. On the online business, are you going to focus mostly on expanding that in the D2C arena, in the new online ventures arena? Where do you think the best opportunity for you lies? Those are my questions, thank you.

**Mr. Vijay Shekhar Sharma:** So I'll start from the three, two, one. So online, our bet is lying that basically we could not onboard many merchants while we were serving the current merchants. So the current merchant that we were serving versus the gap that has existed is all D2C merchants and so on.

So I'm sure you can very easily comprehend that our offering is more consolidated, not just online for online players, but online plus offline because we built it like that from day one. And then we also have a consumer over these merchant players, those who very completely lack that play that you can do. So we are not looking at it as purely payment processing, which is a very thin margin business rather.

We are looking at it, how can we increase the business of this person? So it's a commerce led business plan that we have on online and that inherently inherits that only large enterprise processors are not useful because they have their own businesses of acquiring customers. So you can see the direction there. UPI share, market share? I want the world and I want it now. What kind of question is that?

I mean, we want to solve for the market share concentration risk by our organic technology plans. That's it. That's our ambition. That's our mission and we will keep at it. And I am very happy to tell you that we earned the right to be that once the regulator permitted us last October. So let's remember, we are less than one year old company, man. Every customer wants to be acquired and that is what somebody should see. So I'm happy to see that you noticed that. What is the ambition? Market share concentration problem solved. That's it. Nothing else.

And finally on the gold, it's an easy one. I mean, it works. People have their ways to acquire because we did the SIP and mutual fund sales and so on. And then we discovered that there is a, I'm sure you know, the digital gold as a category was built by Paytm and we just saw that customers are rather more comfortable with gold and you know that every day gold numbers are showing up and so on. So it just started to generate self-interest in the customer. We don't look at it as our winning bet or losing bet. We look at it as a very consistent customer retention bet.

I believe if a customer has a lock-in on us with this, he will stay longer term. So we don't look at it as a margin or classic revenue product, but we look at it as let's retain the customer by committing something on our platform.

**Mr. Vijit Jain:** Got it. Thank you. Just a quick follow up on that. So I mean, what I was trying to get at is, I'm assuming these would have some take rate for you as well, right? I mean, some take rate either as a processing the digital gold transactions, et cetera, and must be a good profit pool.

**Mr. Vijay Shekhar Sharma:** Yeah. So the answer is that I would take down the take rate of the industry with our volume. You've seen that we did it in many categories and we will do it. I would prefer to sell it on the least margin leftover so that we can take care of the payment processing. For a payment processor, this is too large number of numbers, It is rather easier for me to sell larger volumes. So among the take rate, absolute value of profit and the number of customers, number of customers.

**Mr. Vijit Jain:** All right. Thank you. And you've expanded internationally in quite a few geographies. Now I'm wondering, because I see some commentaries around this, you know, if you're interested in the Indian diaspora, consumer side business here, there are remittance side and opportunities there.

**Mr. Vijay Shekhar Sharma:** No, too exotic for us. We simply believe our merchant stack is very replicable, repeatable, and we will try that whenever we try. So, thank you.

**Mr. Madhur Deora:** So our focus remains, as we have seen before, which is the merchant side business. We haven't quite expanded yet in the sense that we have set up, there's a lot of foundational work that has been done. So we have created these entities in areas where we have concrete plans now. And over the next three to six months, there might be a couple of announcements with respect to what specifically we are doing and what partnerships we have entered into.

**Mr. Vijit Jain:** All right. Thank you, Madhur and best of luck to you guys. Thank you so much.

**Moderator:** Thanks, Vijit. We will take the next question from Pranav Kshatriya from Emkay followed by Rahul Jain from Dolat Capital.

**Mr. Pranav Kshatriya:** Hi, thanks for the opportunity. My first question is on financial services. You know, good to see a growth, double digit quarter on quarter growth on that product. Can you give some color on, you know, what exactly is driving that? Because there's a personal loan, there is Postpaid and there is equity and merchant loan, you know, a lot is happening. So some color on that. And secondly, bookkeeping question, other direct expenses have gone up by 16% quarter on quarter. So, you know, what is driving that? So these are two questions.

**Mr. Vijay Shekhar Sharma:** Yeah. So, the simple thing is that like you might have heard in the early part that I've said that in the consumer side credit, we are adding BNPL as a foundational way to expand on it. So a little bit of growth on that. Then secondly, which also means that we are less interested in distributing just a personal loan, which we believe everybody who has an app can do. So we don't think that is a very differentiated moat. So we rather are doing it like this, that will take over the distribution led business.

So it may look flat, but internally very important to build a mode of payment led credit instead of just distribution of credit, which is traffic led. Okay. Now, this being the personal loan. Merchant loans are consistently growing. There is a great understanding by the industry - creditors or merchants, both sides that you do good. You get good credit. And these are very good quality merchants and very good effort that Paytm puts in. So that is anyways, the core reason, but at the same point, personal has gone into this. And yeah, Paytm money started to show green shoots.

**Mr. Pranav Kshatriya:** So, I mean, equity broking share on a sequential basis would have sort of gone up, gone down, because I did see a little bit of marketing around, you know, margin trading funding.

**Mr. Vijay Shekhar Sharma:** A little bit gone up, huge expectations internally from the team.

**Mr. Madhur Deora:** So market share went up a bit and monetization went up a bit more than that because of MTF products and so on. On your second question, Pranav, we have other direct expenses, a combination of FLDG, which, which goes there as our merchant loan business is scaling and also a little bit higher collection costs. Those are the primary drivers.

**Mr. Pranav Kshatriya:** Okay, cool. Thank you. That's it from my side.

**Moderator:** Thanks Pranav. We will take the next question from Rahul from Dolat Capital, followed by Suresh Ganpathy from Macquarie

**Mr. Vijay Shekhar Sharma:** Morning Rahul.

**Mr. Rahul Jain:** Yeah. Hi, morning. Basically, I have two questions. Firstly, if you could, have you, since you have mentioned about the consumer monetization side, if you could highlight some of the largest use-cases you think could drive the momentum and some early metrics on the Paytm check-in app, if you want to share that.

**Mr. Vijay Shekhar Sharma:** Single metrics on Paytm check-in, I want to tell you Rahul is, we have a funnel that converts 30 plus percent. I mean, it is shocking that you talk to AI and say that I want to book the cheapest ticket between Delhi, Bombay next week. And it has seven days and it has any hour of the day.

And people find something so phenomenally good that they're converting 30 percent. One third conversion of an AI query. I mean, that is phenomenal for me because these are minuscule, less than 1% on a very large scale of OTA. And 1% is considered very good. So check-in is, I mean, I'm loving the product differentiation, technology differentiation. It is one of the AI-first products that we talked about, by the way, just in case. So that you're doing something where the AI takes the lead instead of a traditional way of doing it. So very, very happy with it. Your first question, I missed it.

**Mr. Rahul Jain:** Yeah, I was saying, what are the bigger use-cases on consumer monetization? You have mentioned five, six names, but value wise, if you think you can highlight one.

**Mr. Vijay Shekhar Sharma:** Yeah, absolutely. I think credit, wealth, and commerce equivalent, which are called travel or deals, et cetera.

**Mr. Rahul Jain:** And just lastly, any device penetration, or you can say penetration on lending on the device merchant. Do we track this number and what you think is the right potential out here? Because I think this is the biggest moat we have.

**Mr. Madhur Deora:** Yeah. So it's currently about 7% on our, so roughly just, just under like a million loans a year, which is also similar to a million loans outstanding at any given point of time. On the device merchant base only roughly 7% of that. And it has been sort of going up, give or take 1% year on year.

Just to remind everyone. So the three main drivers of our merchant loan business, in a sense, are a number of devices, which is growing at about 27 lakhs year on year, percentage penetration, which is broadly going at about 1% a year, give or take, and then average ticket size, which has been growing, if you look at last four or five years, compounded about 15% a year and slightly higher than that.

And the last one has been driven by the fact that the repeat behavior on the platform is very, very strong. I remember five years ago, people had questions. People want to take higher ticket sizes. Will they really come? So in our model five years ago, we had actually not assumed an increase in ticket size. And in fact, that has ended up being one of the major drivers for the growth of the business, which is very positive because you obviously know a lot more about somebody who's a repeat. And it's much more predictable. So it has been those three drivers for the business, penetration rate being one of the three.

**Mr. Rahul Jain:** Yep. Just one subset of that question was, is there a number that we have identified that, okay, this is the, in terms of the transacting data or any other way you identify your filter, what is the right potential market? So seven is the current thing, but what is an ideal number that you could reach eventually?

**Mr. Madhur Deora:** This number could get as high as 20%. Our whitelist base is 40 to 50%, typically.

**Mr. Rahul Jain:** Yeah. Right.

**Mr. Madhur Deora:** So, and I'm assuming that the whitelist based on everyone will need a loan, even once a year. But just to be clear, when we think about the business, we don't think about primarily, can we drive penetration higher? We think about product market fit. We think about repeat behavior. Obviously we think about asset quality for partners. And then on the merchant payment side, we think about, hey, are we getting relevant merchants on the platform? Are we getting high engagement from those merchants, which makes our life much easier and penetration rates sort of ends up being the output.

**Mr. Rahul Jain:** Yeah. Thank you. That's all from the side.

**Moderator:** Thanks Rahul. It seems that Suresh has dropped off. So we will take the next question from Param Subramanian from Investec followed by Jigar Valia from Ohm Group.

**Mr. Param Subramanian:** Hi. Thanks. Good morning Vijay and Madhur. Hi. So my first question is on the payment processing margin guidance. So we are currently trending comfortably above our, you know, long-term guidance. So are we going to revisit this now? Because some of this seems to be a mega trend, right? On credit penetration picking up.

**Mr. Madhur Deora:** I think I said that earlier. We'll probably look at that in the next two quarters. But currently we are seeing quite a solid. Actually. Positive trajectory.

**Mr. Vijay Shekhar Sharma:** Yeah, actually it'll materially change when the MDR chatter settles. If there is no MDR chatter this year, then it stays in the same sequence. And we continue to see, you know, merchants that we are adding, but normalizing here. At the same time, MDR will dramatically change it because there's an acquiring side. There is a huge amount of upside on MDR may not be on the consumer app. Actually, I just want to be reminded that all the money goes to the bank.

How much a big app can negotiate money off the bank is banks losing money. It is a bank losing money. Here in acquiring. You have a responsibility on the consumer side. You are just a layer, like a leech on top of the bank.

**Mr. Madhur Deora:** And also sort of in a very indirect sort of way, it also depends on whether there is market enforced discipline on our peers. So if our peers are doing adjusted metrics and we're doing real metrics, then, you know, a resource allocation can work a certain way. I have to say the market discipline has been okay. I don't particularly feel like the last one or two years have been a land grab, but it's good that that will continue.

**Mr. Param Subramanian:** Fair enough. Thank you. On the subscription revenue piece, right? So you said currently roughly we're trending at, you know, 60 rupees a month sort of rental. Where was this a quarter or so ago? Because I think, you know, coming back to a question that was asked earlier, basically quarter on quarter, your net payment margin, that number is lagging the quarter on quarter GMV growth. So it seems to be led by the subscription revenue. So where would your say rentals be versus say a quarter ago?

**Mr. Vijay Shekhar Sharma:** So if a merchant gets a loan, our loan subsidizes and removes the subscription. So now you may think that the subscription has got reduced while the merchant has become of higher value. So the business model to be looked at is actually merchant subscriptions, merchant MDR and credit. That's the stack. It's like saying that voice revenue has gone away because data subscription has been availed; no, the full stack ARPU has increased. So that is what the approach is.

So a quarter back, I don't know the number, but at the same point of time, I'm not so less or more concerned about this number, because I think acquiring more number of merchants and capturing more TAM of the merchant whom we can cross sell upsell and monetize is the approach that I personally carry

**Mr. Madhur Deora:** And the number was slightly higher. You should also know that we do factor that like for like subscription per device, even besides the subvention that Vijay mentioned should go down some low to mid single digits every year. And our efficiency on capex and opex should be higher than that.

**Mr. Vijay Shekhar Sharma:** Yeah. Right.

**Mr. Madhur Deora:** So we are very conscious that there should not be a lack of efficiency on our side that we are asking the merchant to subsidize, right? We need to get more and more efficient so that merchants are getting the device for as, as efficiently and as cheaply as possible. So that goes to sales productivity, that goes to capex, that goes to opex efficiency and so on.

**Mr. Param Subramanian:** Fair enough. Thanks. One last question. If I made this a quarter and quarter decline and other indirect expenses, is it almost entirely the PDD?

**Mr. Madhur Deora:** The big decline is because of PDD. There are things that we continue to do on making sure overall we are efficient. So a big decline is because of PDD. And also we are doing a pretty good job of collecting receivables, including provision receivables in the past. So our provisioning policy is also pretty tight.

**Mr. Param Subramanian:** Fair enough. Thank you. Thank you. And all the best. Thank you.

**Moderator:** Thanks Param. We will take the last question of the day from Jigar Valia from Ohm group. Jigar you may go ahead please.

**Mr. Jigar Valia:** Good morning and thanks so much for this opportunity. My question pertains to Vijay sir, you mentioned that we are still very early days and customer acquisition is the, is the game still. And so if you have to look at it from three to five years now, can the growth rates kind of really sustain? I mean, the kind of what we're trending and targeting.

**Mr. Vijay Shekhar Sharma:** I think, as you've noticed, we've always said the customer that matters. We're not saying consumer market share, merchant market share. We are saying customers that matters, consumer or merchant. So in the customers that matter and consumers in India based on the next three, four years of growth and worthwhile, monetizable, useful, I'm going to say about 250 million customers is a good number for us to aim for. I mean, what percentage of the market would it be? That's for the market to discover. But at the same point of time, I fundamentally believe we today's monetization machinery have the ability to monetize 250 million customers. And now what market share, market to decide.

**Mr. Jigar Valia:** Got it. And while the land grab game still stays on, should we see a meaningful uptake in depreciation going ahead? I mean, we've really benefited quite a bit.

**Mr. Madhur Deora:** I think because our capex was quite low last year and much higher the year before, and we have probably a two to three year depreciation policy. So next year you should not see an impact, but as we increase capex for deployment, then yes, the year after that there might be an increase.

**Mr. Jigar Valia:** Helpful. And lastly, congrats on the Paytm Check-in and the AI thing. It seems interesting but from a spend perspective or this thing would, and no, that really comes after wealth. So I'm hoping.

**Mr. Vijay Shekhar Sharma:** All our businesses are wise enough, self-sustaining enough. In other words, we are not dumping money, throwing money on those things. They are self-learning. We have customer traffic. We have insight. We have built it on the past. But these are all rather monetization stages instead of investment sales. But at the same time, we will continue to invest in this business because I think there is an extraordinary opportunity. There is a curve in consumer behavior. It is a curve in technology. And that is where the opportunity.

**Mr. Jigar Valia:** Got my answer. So thank you so much and best wishes.

**Mr. Vijay Shekhar Sharma:** Thank you so much. Thank you. I really appreciate everybody who joined us because I think this was the last question.

**Mr. Madhur Deora:** I think we have nearly a hundred percent video on.

**Mr. Vijay Shekhar Sharma:** A hundred percent video on. Thank you so much.

One thing I just missed was the AI question. And I had some data guys and I'm not going to answer those numbers right now, but to the team that is doing AI and to the team that when we internally are like

building agents, agents that outrun and out execute LLMs, LLMs have a limitation of pretending that they are the answer to the world problem. But when it comes to a real world problem, they are not able to solve it.

That is why the gap between the quick deployment of AI, considering everybody uses software and how everything could have not become AI just in case. And that offers an extraordinary opportunity. I'm very proud of the team that is building these capabilities in our company. And I'm going to show you some index. And this is our index.

**Mr. Madhur Deora:** Oh, best for the last type of thing!

**Mr. Vijay Shekhar Sharma:** This is evaluating the language model of real world enterprise.

**Mr. Madhur Deora:** This is a special treat for people who've decided to stay well beyond 9am.

**Mr. Vijay Shekhar Sharma:** Yeah. So the keyword is this real world enterprise statement. So businesses have to use real world use-cases. And for that, this benchmark shows up, and your favorite company tops this on two days back number. I mean, I'm very proud to say we are much ahead of ByteDance, Alibaba, and even AT&T, Snowflake, everybody.

And it is not just number one for one use-case. We are also on the number six on use-case that we are showing up here. Guys, you are underestimating the power of ability of companies that will not only leverage AI by asking their vendor to deploy, but they will create the use-cases and they will create the use-cases for optimizing cost or expanding the business line items. And I'm phenomenally very happy to say this. This goes especially to the team that did it.

And with that intention that we will keep not just playing along, but we will lead the race of AI in the country. I mean, the attention to the artificial intelligence and capability of agents is extraordinary. And that is what will be the special attention in my life personally. And that's numbers. You're seeing it. So thank you so much for joining. It was great to see you all in the early morning.

**Moderator:** Thanks for 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 us at 8 a.m. You may now disconnect your lines.

**Mr. Vijay Shekhar Sharma:** Thank you very much. Bye.