July 27, 2026

BSE Limited
Department of Corporate Services,
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort,
Mumbai - 400 001

Scrip Code: 543396

National Stock Exchange of India Limited
The Listing Department,
Exchange Plaza,
Bandra Kurla Complex,
Mumbai-400 051

Symbol: PAYTM

Sub: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call conducted on July 21, 2026

Dear Sir/ Ma'am,

Pursuant to Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed the transcript of the earnings conference call, conducted on July 21, 2026, on unaudited standalone and consolidated financial results of the Company for the quarter ended June 30, 2026.

The transcript is also available on the website of the Company at https://ir.paytm.com/financial-results.

Kindly take the same on record.

Thanking you

Yours Sincerely,
For **One 97 Communications Limited**

SUNIL KUMAR BANSAL

Digitally signed by SUNIL KUMAR BANSAL
Date: 2026.07.27 11:47:19 +05'30'

Sunil Kumar Bansal
Company Secretary & Compliance Officer
FCS: 4810

Encl:. as Above

Paytm | Q1 FY 2027 Earnings Call |

Call Date : July 21, 2026 | Time: 3:30 PM Indian Standard Time

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Moderator: A warm welcome everyone. Thank you for joining our earnings call for the quarter ended June 30, 2026. As always we are going to do this earnings call with management videos switched on.

We welcome attendees to ask a question with their videos on or off as they prefer. To ask a question you can raise your hand through your Zoom dashboard and we will promote you as a panelist to ask your question. Today 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 Mitral Senior Vice President Investor Relations. In today's call some statements made may be forward looking in nature. Actual events may differ materially from those anticipated in such forward looking statements. This earnings call is scheduled for 45 minutes. A replay of the call and transcript will be made available on the company's IR website subsequently.

I would now like to invite our Founder and CEO Mr. Vijay Shekhar Sharma to share his opening remarks. Over to you Vijay.

Mr. Vijay Shekhar Sharma: Thank you. Hello everyone. It was quite a quarter and I am very happy that as a team that we have been able to execute it so well. The consumer payment business is something that is very close to me and we have talked about how we are growing double the market growth of the UPI market which effectively means we are gaining market share. Even though the GMV market share is what is publicly talked about, the number of transaction market share we are actually going even further than that. So, more retail customers are using us on a higher frequency.

And I personally carry a benchmark in my mind and that benchmark that I carried is about the let's say January 2024 as a milestone where we sort of went through a special situation and I can happily tell you that we just crossed the January 2024 daily transacting user, daily active user or any other KPI that we could have kept. So, the past is behind us and now we are having cash in our hand and the aggression in our mind and body. So going forward special attention in an aggressive way I would put the word on consumer market acquisition or merchant acquisition very clearly there.

The best part is that we've learnt our art of building the business where you can say if I was to look at let's say how do you make a profitable and growing profit business and we've been able to pull that up very very well. Going forward, as you would have seen that we have had a profitability increase I would believe that I think we should be able to increase our profitability further in consequent quarters right away onwards and then obviously the revenue growth will mean larger profit and I'm saying it because we basically learnt that you should not recklessly spend money on acquiring consumers or acquiring merchants if they are not monetizable. So we've been able to grow the market share with the discipline that we want a selective customer. We just don't want market share for the heck of it. We want monetization and consumer monetization is something that we are very proud of.

We talked about it last time we are looking at monetization using wealth beyond our credit and other financial services that we talk about any which way so if you were to look at a year forward I think wealth will become or equity brokerage and mutual fund distribution, although we are not wealth wealth in a traditional industry calls wealth but we are talking about wealth as an overall internal bucket we put equity brokerage mutual fund this is one area, that is very bright spot. I'm putting a lot of my attention there payment sort of a product market fit consumer and merchant both together; more aggressive growth and credit, as you are aware we are doing pretty good, I think there is no aggressive instance required rather there because it is running perfectly well it will go towards wealth which is where the aggression is required.

Beyond that comes the most important and consequent technology of our time and this is AI. So I'm currently working on business and revenue line items that are non-payment, non-financial services. I fundamentally believe that moving ahead of the optimization journey, we will start to see our revenue monetization journey of AI. I'm very happy that some of our products have started showing up few lakhs of revenue but it is important to know that we are going to let's say couple of quarters later, I wish less than a year, I'm able to say this line item which will anyways go into commerce cloud the traditional erstwhile marketing cloud business that we used to have it in that line item and that is the personally these two line items that I'm personally focused on.

Thank you so much for all the support and guidance that you've always given us in these journeys and days.

I'm very happy to announce, and you saw this, that we are now joined by three more new independent board directors bringing new attention towards technology, business, finance and globalization. With this we can start with the questions.

Moderator: Thanks Vijay. We will start our Q&A now. The first question is from Mr. Manish Adukia from Goldman Sachs followed by Mr. Sachin Salgaonkar from Bank of America. Manish you may please go ahead.

Manish Adukia, Goldman Sachs: Thank you. Hi Vijay, Madhur it's good to see you and fantastic set of results congratulations on that. I wanted to delve a little bit deeper on the shareholder letter and some of the numbers and the results. Madhur may be the first question is to you. So on EBITDA margin when you say that now you have higher visibility on the 15-20% margin number in the next two to three years, one are you saying that you can get to that number sooner than what you had thought and two when you say higher margin in the long term, is there a theoretical number you have in mind and how should we think about what that higher margin in the long term may look like? That's my first question please.

Mr. Madhur Deora: Yeah I think at the core of it Manish the reason why we're saying what we're saying is that the revenue growth acceleration and the fact that indirect expenses are growing significantly slower than revenue growth, so that's what's giving us confidence to make both the statements that you pointed out. Which is that we should be able to get to we have higher confidence of getting to that number and perhaps getting to it sooner and we do think that AI structurally not only accelerates operating leverage, it also expands the opportunity for higher margins over time, because you're just able to do more with less and we have been able to deploy a huge number of applications and agents within our business which are helping us become very efficient and we have talked about that in one of the pages in the deck, so yes we are saying that both of those things are starting to come true.

Manish Adukia, Goldman Sachs: My question also was in the long term when you say higher margins, do you have a theoretical number and minus where you can get to?

Mr. Madhur Deora: We aren't giving a number for that right now because as you know it's a trade-off between just pursuing more growth and building an even larger business, which we absolutely think we have an opportunity to do in the areas that Vijay mentioned and that will require investments, so it is but yes structural margins for our business are significantly higher than the 15-20% which we have said we will achieve in the near term.

Mr. Vijay Shekhar Sharma: The thing is that we probably announced 8% of EBITDA margin this quarter. There is going to be a ramp up from here. It has to grow forward. I know you are seeking a terminal number and Madhur is saying that it is more than 15-16% EBITDA margin, so the direction is that we are talking about higher profitability and high profit both together.

Manish Adukia, Goldman Sachs: Very clear and maybe a follow-on on that one is when we think about growth which you are saying Madhur has been accelerating and it's visible in numbers as well with Postpaid ramping up now, you've started onboarding online merchants from late last year, consumer payments business is seeing market share gains. With all of these together, are there any hurdles or downside risk to revenue? For example, if you grew 28% YoY, are there any downward pressures on revenues at all in the foreseeable future?

I'm not asking for a number as to what you can grow to, but just trying to think about whether the accelerated revenue growth momentum will continue in the foreseeable future or are there any downside risks that we should be aware of?

Mr. Madhur Deora: I think the great thing about this growth that we're seeing is that it is in nearly every business. So, we're seeing that in our payments to small merchants, payments to large merchants, consumer payments that you mentioned, and in financial services; we're also seeing some of the smaller businesses growing very fast, you mentioned Postpaid which is a good example of that. So we're seeing that growth pretty much across the board and we think, having achieved this number, we should aim for even higher.

Manish Adukia, Goldman Sachs: Very clear. My other question was actually on Postpaid. Now you've qualitatively talked about the business doing well or ramping up and F28 being a year when it meaningfully adds to both revenue and EBITDA but when I look at let's say your earlier peak of Postpaid which was about Rs 9000 crores in 2023, we’re I'm guessing a lot lower than that number. Now again, directionally is there any reason why the company should not be able to get to that number at some time in the future? I'm not asking for a timeline but maybe 3 years, 4 years, 5 years. Are there any hurdles for you to not get to that number or directionally you are tracking to reach that number at some point in time? Your thoughts there would be helpful.

Mr. Madhur Deora: The market opportunity is massive. The customers love it and the product market fit for this product is excellent. It is really serving a need and there is no reason why this journey should be any different. The only thing I would add to that is that it took us about 4 and a half, 5 years last time to get to those numbers. Currently, we are tracking roughly twice as fast. I'm not saying that if it took us 5 years last year, it will take us 2 and a half years. I'm not saying that. Currently we are tracking twice as fast as you would expect that we are ramping up this product. This product is ramping up with all users, new users, everyone, just really, really well.

Manish Adukia, Goldman Sachs: Very clear. Last question before I jump in the queue. Cash on the books and thank you again for the color and the shareholder letter on cash in the books, very helpful. But is it to say that from a foreseeable future perspective there are no large uses of cash either in terms of M&A or inorganic opportunity that you may look to deploy and you're happy to have the cash build up in the books. Your thoughts on that?

Mr. Vijay Shekhar Sharma: 100%. Cash is the spine and strength. I wish that we have INR 40,000 crore cash.

Mr. Madhur Deora: I would just add one thing that compared to when this discussion started a year ago, not only do we have INR 13,500 crores of cash, we are now also adding a significant amount of cash. I love the fact that we are a free cash flow generating business.

Mr. Vijay Shekhar Sharma: Actually, me and Madhur were discussing some days back and we see a stress in fintech ecosystem because either you go public and then you learn the new reasons for feeling uncomfortable or you in private round, try to find out what is the reason for you to do what you want to do. I think people should get further stressed, stressed, further discounting and that time the cash and the equity will be valued. Cash is way more valuable.

Mr. Madhur Deora: So Manish, while we are adding cash to our balance sheet, we are also very actively looking for within the existing perimeter of what we do, what are good RoI ideas. So we have called out in the past that MTF has been a portion of our fund, a very small percentage of our funds so far which is giving us very good ROI. I love that because it is a good RoI use of our cash and it also furthers our mission as a company in terms of serving our customers better. We are continuously looking for more opportunities within the business, mostly organic, maybe a few inorganic if there is the right opportunity and right valuation.

Manish Adukia, Goldman Sachs: Thank you. As always, great chatting with both of you. Thanks and all the best.

Moderator: Thanks, Manish. We will take the next question from Sachin. Sachin, please go ahead.

Sachin Salgaonkar: Thanks Anandita. Congrats management for a great set of numbers. I have three questions, let me go one by one. First question, would love to get a bit more color in terms of you know how the loan book is moving, what is the mix between let's say a merchant loan and consumer loan and you know any data points you could share in terms of merchant partners and how the growth is happening.

And the second part of the same question is, Vijay you did mention about equity and wealth management scaling. So, any sense in terms of what is the mix today between lending and let's say wealth management and how that mix could change in future?

Mr. Vijay Shekhar Sharma: First of all, Sachin, I'd say most of our profit is made from merchant side and consumer side we are driving, we have by the way grown now, quarter on quarter, and I mean the numbers which were flat or a little bit of flat and declining are significantly ramped up and we have crossed year on year number like I told you, Jan-24 number for even consumer credit if you will. But the intent here is that we have done all of it mostly without requiring any FLDG so we sort of are distribution led on the consumer side. But at the same point of time the most percentage still 80-20 wise would be towards the merchant side.

Quality is good, that is why it is growing. In fact there is much more interest from a number of partners but we remain committed to remain a purely distribution company and we don't have interest to put a book on this business at all. We have queued small finance banks and I would say even the large banks are there now. So a couple of large banks have got activated. Partner wise we have more capital; I would say probably four to six times more capital than we are disbursing right now. So that is not a limiting factor.

Then comes the percentage between wealth and this. Oh my intention is that when I say this is my focus area I'm trying to say what I'm trying to rejuvenate to a sizable number and wealth is not a material number in these two numbers if you were to ask me and it is sizeable but not so sizeable that I think we would start showing up. The good thing is that it shows up as a subsidiary so people are able to see the P&L of that entity. It is there and I do believe that there is an upside. We just found a secret in MTF. We got money, we got equity, we got equity capital, we got customers, the market needs it. So there is a product market fit.

So Sachin, my intention when I say I'm focusing I probably am trying to discover the perfect product market fit among every other person and in wealth we seem to be reaching that milestone, and after that four more quarters and then you will see size.

Mr. Madhur Deora: I just wanted to add one quick thing. You asked about the number of lending partners. I want to take this opportunity to say that that has been one of the key achievements last year in both Merchant Loan and Personal Loan, we are now a double-digit number of partners and the new partners who have joined more recently are also ramping up very well. So, we have really good legs for the next several years.

Sachin Salgaonkar: Thanks. My second question is a follow-up on your earlier answer in terms of margins. Let's say the 8% margin goes to your 15 to 20% more like a medium-term target which you guys have mentioned. That itself is a sort of a sharp improvement in margins. What we saw let's say this quarter was roughly 9 percentage points improvement led by indirect cost on a YoY basis on margins. So the question out here is what are the primary drivers of margins going ahead? Is it continued reduction in indirect cost because of the scale benefits? Is it some AI led benefits and if so would you help us quantify on what the magnitude could be or is there a mixed change which is driving those margins?

Mr. Madhur Deora: I think all of those are similar points. At the core of it, we have a very fast-growing business with huge opportunities to expand, for example, penetration of financial services, not to mention improve the unit economics of the payments business. We have a fast-growing top line. Indirect costs, structurally there is operating leverage in the business and AI makes it even better. So what you see, Indirect expenses is a percentage of revenues going down and the underlying reason for that is indirect expenses are going at a very slow pace whereas revenue is growing at a fast pace. I should mention that we continue to invest in areas that matter.

Mr. Vijay Shekhar Sharma: The cost of people has increased especially the expansion of merchants and consumers business. Basically, AI is a distribution business. Let me use this as a metaphor of my learning of AI business. When you have your financial services business powered by AI, the differentiation will be how many customers you have and what you do with them. Customer, customer quality, monetization and monetization ability, these are the factors that multiply once you add the power of AI. The gating condition of harnessing the power of AI is what distribution you are sitting at. Because nearly everybody could build what you build up after some time, like always.

So here it is, that we will continuously and I use the word aggressively continue to invest in consumer expansion, merchant expansion and expansion of financial services. Powered by AI stands for that our costs are dramatically optimized. One slide that I created and we put it in the tweet also I think where I said that our merchant distribution, in a way the small business merchant acquisition is now governed by the agent where the person is identifying what our field sales executives must do. It is all made in-house and I have started to find out use-cases of this going to the third party customers also.

So now you're seeing that we are flat; practically if you do not look at the cost of I'd say sales people or marketing expense then the organization is now flat or reducing cost quarter on quarter. Like I always said it I mean I remember that I think a couple of quarters back it used to carry how much more saving you could see. I said this is always this continuous. There is no special quarter special that we are trying to do in this quarter and that you would have seen the trend is continuing.

What we are seeing is that there is a growth of revenue that is the magical part that we have started to show in the why Q1 of this financial year onward. So you want to see this revenue ramp up and that is why the margin growth is talking about.

Mr. Madhur Deora: Sorry to just add my sort of favorite set of metrics to pull together for this conversation to what Vijay said is a marketing expenses up 27% year-on-year. Our sales and service cost investment is up 27% year-on-year and our EBITDA margin adjusted for PIDF went from 1% to 8%. So we got a 7 percentage points EBITDA margin improvement, in addition to the fact that we continue to make as much investment as we think makes sense.

Sachin Salgaonkar: And my last question is would love to actually understand your thoughts on UPI monetization. There are various media articles indicating that the government might look to reconsider this. Certain articles are mentioning about 5 to 7 bps kind of a take rate for larger merchants. If such a scenario arises what kind of an incremental opportunity we are thinking from a Paytm point of view and would be great if you could help us quantify or you know any directional data points and we could quantify the upside for Paytm.

Mr. Vijay Shekhar Sharma: I don't have any clue of actually the number that it could be or not and what kind of line item it will be paid for. So we were trying to model it in-house ourselves based on newspaper and various other whispers in the corridor but we just said there is no materiality to it as a discussion when you don't know what the formula is. So we'll wait and watch.

Sachin Salgaonkar: So, Vijay you know just to re-frame the question in slightly other words here, today if I'm not wrong you guys are looking to monetize some of the larger merchants on your platform. Would that materially change you know going ahead if this UPI monetization comes in other sense you know is the upside meaningful for you guys if this comes up?

Mr. Vijay Shekhar Sharma: We serve small merchants who are materially large and also large enterprises including online are our merchants. With relation to MDR on UPI, we only have one line to say - we want both MDR and non MDR paying merchants to benefit. Our life won't change materially. Whatever will come will come in the bottom line and whatever will come will be good. So that's it. There is no obligation in the business model. Neither PIDF's obligation nor UPI's incentive obligation nor MDR's interest nor MDR's need. Whatever will come will come in the bottom line. That's why we have to remove it.

Sachin Salgaonkar: Great. Thank you guys. Cheers.

Moderator: Thanks Sachin. We will take the next question from Vijit Jain from Citi followed by Pranav Kshatriya from Emkay Global. Vijit can you go ahead please? Vijit, please unmute.

Vijit Jain: Can you hear me now? So congratulations. Great set of numbers here. I have three questions. One each on the consumer merchant side and then on AI. So maybe on the merchant side first. So you know in general if you have merchants who've already upsold themselves into the financial services product or other products, that relationship is stickier right? There's a line in your letter which I interpreted as you know that in certain cases with merchants you are reducing your subscription rentals. So shouldn't it be the other way around? Merchants who are using more than one service are already sticky. Why would you reduce their subscription ARPU?

Mr. Vijay Shekhar Sharma: It's the other way around. If we are making a large amount of revenue in the form of financial services revenue, then we don't consider subscription rental revenue from merchants as material and say that it's discounted from our side. So that in merchant sign-ups, no one else is able to offer any value differentiation

Vijit Jain: Okay, the second question on this was, so, you know, in the letter you guys say that the net payment margins went from 8.8 bps last year to 8.4. This is excluding the PIDF incentives, right? Now, I mean, in general, I see you talking about tailwinds in online payments, then you have, you know, some of these other core payment margin tailwinds as well. So, I'm just trying to understand, you know, what would have, is it basically just these, you know, lower device rentals YoY that would have contributed to this 8.8 going to 8.4?

Mr. Madhur Deora: Yeah, so I think we explained it in one of the questions in the back and you're absolutely right. The payment processing margin, as we've discussed in the last few quarters, has been inching upwards gradually, but consistently every quarter. The impact that you're talking about is because of certain plans that we run for low merchants and highly engaged merchants. I should point out that we have mentioned elsewhere that we have tightened our revenue recognition policy on certain businesses a little bit. There was a slight impact of that, but most of it is the answer that we have given in the back of the document.

Vijit Jain: Correct. The second question I had was on the…

Mr. Vijay Shekhar Sharma: I'm saying something very important. As a business person, I want to say something about my CFO. Madhur has literally made it, if you don't get money by the month end, this is not a revenue recognized. Absolutely correct. Absolutely clear. Everything else is a future upside if you get it. So, there is conservatism in it.

Vijit Jain: Good to hear Vijay. Vijay, my next question is on consumer franchise. So, now you have postpaid that is scaling up. You have consumer loans which are looking up versus last year and MTF is doing well. You've applied for a wallet license and I'm guessing because you said that last time, wallet plus postpaid will kick up postpaid even further. So, in general, how would you say your consumer franchise in terms of monetization is looking like in F27?

You have a guide, I think, meaningfully better than 22% overall growth. I know merchant business, for example, is doing better than that. So, in terms of the consumer franchise, what are we looking at this year, given all of these tailwinds in general?

Mr. Vijay Shekhar Sharma: I think it will be very good. I mean, what should I say? We are putting effort in everything. Something or the other will work. There are so many missiles and rockets. Something will work.

Mr. Madhur Deora: I'll just add maybe one thing that there are certain consumer side financial services which were slightly challenged. Because as you know, equity trading volumes went down a year ago until about six months ago, we were seeing headwinds in the personal loan business. And of course, we didn't have much of Postpaid a couple of quarters ago.

So, now that these things are starting to turn around, we are seeing significant upside on the consumer side. So, when we look at our LTV to CAC, that has improved meaningfully. And obviously, that is one of the reasons why we're making some investments on the consumer side over and above the product. We're also investing more in marketing.

Vijit Jain: Got it. One last question on AI. So, you know, I wanted to understand, how is AI helping you on merchant acquisition, onboarding, collection efficiencies? Is it making it measurably faster, and so you're seeing better retention trends? Anything you can, you know, any detail you can share on that? And second, also, I see your cloud costs have come off YoY here. And I'm wondering if, you know, you were able to release some compute costs, because, you know, you looked at use AI or whatever else you use to figure out where you had scope for efficiency. So, just a little bit of color on how you're using AI on the productivity side beyond employee costs would be helpful.

Mr. Vijay Shekhar Sharma: First of all, thank you. Somebody saw what I wish somebody would have seen and asked. I mean, you heard that people are saying token maxing means so much of cost. My whole year's worth of cost came within a quarter, those kinds of situations. We tune our own model, place on our own infrastructure, and then run it. You must have heard this popular, make this phone call for, let's say, collection or revisit or retention and so on.

Now, we took a 200 billion parameters model, optimized it to a 4 billion parameters model made for Indian languages, our own model. And then we place it on our own machine. And effectively, now you're talking about low latency, low cost of tokens, which is low interest cost running, run and operated by us.

And that makes our cost even lesser than the typical company would have cost for themselves. So we remove the cost of the call center. We remove the cost which otherwise would have been bought from outside. And we have optimized and added a skill to us. Now, this is magic. And once we've done it, we will sell it to outside people.

Why will we not sell it? So actually, I mean, I'm super excited about the kind of new non-payment, non-financial services. I'm using the word as a description that they are not related to payment. They're not related to financial services. And they're perfectly, completely AI, in AI out services for our businesses and merchant partners. We've decided not to do AI for consumers as an all in bet. But we definitely have decided that we will go to the merchants and the businesses, the solution services that we've created and we ourselves are the users of them. So these things will show up. And I'm glad that you looked at the compute cost.

And I mean, to the credit of Madhur, he would negotiate so hard that they will invite him as a CEO conclave elsewhere in the world. This is the most efficient CFO. Madhur literally has become Cursor's CFO Council's founding member, where the CFOs who bother about cost and productivity probably have four or five people in the world.

Vijit Jain: Good to hear. And congratulations for that, Madhur. Just one follow up on that. And then I'll go back into the queue. The non-payments, non-financial services, services you're talking about, these are AI services for smaller merchants.

Mr. Vijay Shekhar Sharma: Small people, smaller businesses will take a different kind of service. Larger ones will take a different kind of product.

Vijit Jain: OK, good to hear. Thank you so much and best of luck, you guys.

Moderator: Thanks, Vijit. We will take the next question from Pranav Kshatriya, followed by Rahul Jain from Dolat Capital. Pranav, you may please go ahead.

Pranav Kshatriya: Hi, thanks for the opportunity. My first question is, you know, on the accelerating GMV trend, it was like 23 odd percent in Q3, went to 27 percent in Q4, now 31 percent. Any cuts you can provide, what is driving it? Because the letter actually says that, offline is seeing strength, online is seeing strength. So, what is growing faster relative to each other? And secondly, in payment processing charges, are there any charges related to postpaid also sitting there? Because that's a reasonably sharp jump on a quarter on quarter basis, in this quarter.

Mr. Madhur Deora: Yeah. So on the first one, we are seeing acceleration in each of our payments businesses. So whether it is large merchants offline, small merchants offline or online, they historically were growing at different paces. As you know, online business was also under embargo. So that is obviously a headwind. Now, the increase in growth has come in all of those businesses, including the consumer side, as you mentioned.

Yes, there is an interchange that we have to pay in Paytm Postpaid, based on the network math that the credit line on UPI has. And some of that goes into payment processing costs. But as you can imagine, some of the growth that we are seeing in revenue on payments is also coming from, for example, a greater share of credit card processing, which also adds to payment processing costs.

Pranav Kshatriya: Cool. Can you talk a bit about how Rupay credit card on UPI is progressing? Because, we were seeing a very strong growth, but I don't really see any mention of that in the letter.

Mr. Madhur Deora: Yeah, I think maybe you don't see a mention just because we have said it enough times that the payment processing margin has been steadily going up because of mix. And one of the mix aspects is absolutely Rupay on UPI, which continues to see a good increase in adoption - small and large merchants both.

Pranav Kshatriya: OK, and if I look at, on the cost side, there has been a 6.5 percent decline in the employee cost, ex of sales cost. And this is despite the appraisals. So, it seems like a fairly sharp cut in the employee cost. So, I mean, how should we see this going forward? I mean, is this a baseline which is sustainable? Is there any ESOP cost timing, sort of impacting that or, any color would be helpful?

Mr. Vijay Shekhar Sharma: No, no, everyone got a good appraisal and everyone got ESOP, which is accounted for. It's not like we have to factor in the cost later. We don't apply any exotic approach. Direct charge, straightforward. And the appraisal was good. That's what I wanted to tell you. Rather, it's that Madhur has already made a cut.

Mr. Madhur Deora: There are minor fluctuations that will exist quarter on quarter, but nothing specific to call out. Nothing that is going to change our trend lines in any major way. Like we have said, we do expect to continue to improve EBITDA profitability. With respect to the overall guidance on indirect expenses is that despite investments in sales and marketing, it will grow a lot slower than revenue.

Pranav Kshatriya: Ok, one last follow up on the first part, actually. So GMV growth acceleration, is this sort of sustainable from your point of view currently, or you think on a high base, there can be some challenges?

Mr. Vijay Shekhar Sharma: No, no, everything is sustainable. There are two reasons for this. One is that the online business has not been factored in, so you feel that it is yet to grow. And offline, the digitization is increasing and the consumer base is increasing. So the three buckets that contribute to GMV, in all three, we have the right product market fit. And there is no such special trick.

Pranav Kshatriya: Thank you so much. Nice talking to you. All the best for your next quarter.

Moderator: Thanks Pranav. We will take the next question from Rahul Jain, followed by Jayant Kharote from Axis Capital. Rahul, you may go ahead, please.

Rahul Jain: Yeah, thanks for the opportunity. Firstly, if I look at the DLG data that we talked about, finally for the month of June, it is now coming on a YoY growth trajectory. So if you could tell us, you know, why this journey has been in such a manner where it's scaled up pretty fast, then it kind of, saw some moderation. It appears it came from just one specific participant or partner. And then it's scaling up across portfolios. So, any big picture thought process you could share on the DLG side?

Mr. Madhur Deora: So, you should look at year on year GMV. I don't have a comment on the specific month. I haven't frankly dug into that specific month data, but I think we have said in the notes that I think with the context of revenue, but this applies to GMV as well, that it is very broad-based. It is coming from every type of payment category where we are seeing faster growth now, than we saw a couple of quarters ago. So it is not concentrated towards a few merchants, or even one or two payments businesses.

Rahul Jain: And also this specific comment that we made upon that we could reach upwards of 20% margin on a long term basis. Is it that we see that the indirect expenses could grow by 10%, give or take on a long chart, and excluding payment business, we can grow 70-80% incremental revenue into profitability? We are seeing an acceleration of growth, so the next milestone, once we achieve the 15% mark, could be that we might guide a bigger band like 20 to 25% margin kind of a thing? What would make you come to that thought process right away?

Mr. Madhur Deora: I think away from specific numbers, what we are referring to there is that first the market opportunity remains massive. We still feel there is a huge amount to do, not just in financial services but actually in payments as well. So, the long-term TAM for us is massive and as a result I happen to think the terminal value of this business is fantastic.

And the second catalyst for saying that is because AI just makes you leaner as an organization. And finally, your point about marketing services and financial services, incremental revenue being very high on EBITDA margin, that is absolutely correct. So, thank you for that observation.

Rahul Jain: Fair enough. That's it from me folks. Thank you for the opportunity.

Moderator: Thanks, Rahul. We will take the next question from Jayant Kharote, followed by Suraj Das. In order to accommodate a few more questions, we will extend this call as well. Jayant, you may go ahead.

Jayant Kharote: Thanks Anandita. Hi Madhur. Hi Vijay. Congrats on a great set of numbers. The first question is actually around the industry and lending. So of course, merchant lending is a great product market fit with the device and collections. But one thing that's been concerning a little bit to me is in the last one or two quarters, the disbursement by digital lenders in the personal loan space has mushroomed to around INR 25,000 to 30,000 crore a month, which means we are going to build 3 to 6 lakh crore of high APR, 30-31% APR kind of a personal loan book at a systemic level in the next 12 months.

Now, one concern I had was obviously regulatory, right? If INR 5-6 lakh crore book is getting built up, there could be some sort of thought. And then the question is around merchant loans. If the APRs in this product are to be moderated down to the better-quality merchants over the next couple of years, does that affect the profitability of this product? Of course, the credit cost will also come down, right, so that may take care of some of that.

Mr. Vijay Shekhar Sharma: So second part, I can tell that we already have started and proactively done different lower APR products. And we basically now do EDC devices where the merchant has more choices or more options or the pricing is pretty competitive. So just in case, we do and internally we've gone all stack.

We look at merchants as our strategic customer base where we don't see only one kind of product, but multiple buckets of products. So the lower APR is not going to be a surprise. Rather, we will lead the market. If some competition walks into this space, we will just aggressively go and play lower APR business. And wherever the logic will be, just in case. And we are already doing it.

Mr. Madhur Deora: Yeah, sure. I think on your first point, I don't have a specific comment on the top-down math that you shared. I can just share with you what we hear from our lending partners. And like I mentioned, we have double-digit lending partners in personal loans. One is that they were very, very conservative for 8, 10, 12 quarters. And as a result, there is actually a desire to do more unsecured lending today. Because perhaps as a percentage of their AUM, this number has come down quite a lot. They are also seeing very healthy customer balance sheets when they're doing Bureau and other scrubs. So there is a desire to grow in this segment from various lenders.

And the second is what Vijay alluded to earlier, which is that our personal loan business is distribution only. We don't do collections here. We don't do FLDGs and so on. So it really is helping lending partners find customers on our platform and distribute loans on our platform. So we are seeing very healthy quarter-on-quarter growth now, after 8 or 10 challenging quarters.

Jayant Kharote: Great. And I appreciate what Vijay said. That we should be taking the lead in this rather than wait for the industry to do that. That's great to hear. The second question is kind of a repetition of last quarter. Madhur, sorry to bring it up again. But when that GMV growth of 31% is not translating to net payment revenue growth, which is at 25%, when margins are expanding, again points out to the same thing, is the subscription income lagging. I do see a comment that you've called out. How should we think? Because at some point, this will start playing into the net payment revenue growth. Because, I mean, the margin expansion is there. I want to know, maybe from a 12 to 24-month perspective, at what point does the subscription rental start picking?

Mr. Madhur Deora: I think you've got it right that net payment margin is payment processing margin plus subscription. On subscription, we have mentioned that in a few cases, in a few percentage of cases, we do these waivers for our merchants and also the tighter revenue recognition policy. We do think overall, when we look at our merchant payments business plus the merchant loans, those payback periods are actually improving.

And overall, that business is getting significantly more profitable as we move forward. So, I don't have a specific concern about how do we monetize our merchants. In fact, our monetization over any period or cycle is very healthy. And this is despite PIDF going away. So, we feel very good about our payback periods.

Jayant Kharote: And the pace of deployment is not going to slow down anytime soon?

Mr. Madhur Deora: No. So we have said broadly 25 to 30 lakhs additions a year. We're very much within that band and maybe additional investments could make that go even higher. Like I said, the TAM is massive and we have very high conviction on providing payment services to our merchants, especially small merchants, which is what we're talking about here. So that pace should continue.

Jayant Kharote: Great, great. Congrats once again for a great set of numbers.

Moderator: Thank you. Thanks, Jayant. We will take the next question from Suraj Das, followed by the last question for the day from Pranav Gundlapalle from Bernstein. Suraj, you may go ahead.

Suraj Das: Yeah. Hi. Thanks for the opportunity. I have two questions. First one, if I look at the transaction breakup between merchant and non-merchant, the non-merchant piece is growing phenomenally well. I think almost 100 percent YoY. Versus if I look at your MTU growth, that is high single digit steady and robust, which means that the consumer on the P2P side in terms of, you know, transaction frequency that is increasing, right? Can you highlight what are the underlying drivers here? Is it because of only the traction in the Postpaid or is it because of bill payments or maybe campaigns like gold coins or something like that, which I am assuming that reflects here?

And second part to this question is hypothetically, let us say if your P2P growth is higher within the payment business versus P2M, over a period of time, the net payment margin should have ideally negative bias, right? Because the P2P is a lower net payment margin business. So, that is my question.

Mr. Vijay Shekhar Sharma: So, I will start. P2P is not a lower payment margin. Actually, P2M is a lower payment margin. Because in P2M, the government gives the incentive at the year end, and last year's incentive has not even come. While in P2P, you earn from the originating bank and the bank link and so on, so forth. So, P2P actually is a revenue line item. So, there is no wrong about this that P2P makes less money. For merchants, obviously, P2M is the only revenue line item. So, P2P is less revenue making is not a correct statement.

When you look at, and you nicely looked at it, that we focus on retention. In consumer business or internet business, retention is winning new customers. One good customer brings another new customer. So, we've all focused on, instead of spending money in marketing, but rather making the customer who's with us, feel delighted and become a more active user of Paytm.

The usage is not by Postpaid. Postpaid is like not even thousand crore in a month, let's just say that. So, we're talking about what number every day. So, here it is. It is not led by Postpaid. It is actually led by, we've simplified the app if you are a user. If you're not, then please use the Paytm app. I mean, I use it. If you're not using it, please start using it. Also, everyone attending this call, if you're not using Paytm, then next time we'll provide a QR code. You'll receive the Zoom meeting details by scanning the QR code through the Paytm app.

Well, the intent here is that, in my opinion, the ease and features that we sort of have nuanced brought out is giving us this growth. And obviously, new customers in terms of Gen-Z are coming and we sort of have the fancy of Gen-Z customers as a customer base now. So, there it is.

Suraj Das: Sure, got it. The last question is, in the financial services business, if I look at, you are adding, let us say, 1-2 lakh customers on a YoY basis. And if I look at the overall financial services segment revenue per customer, that is also growing. Do you think this is sustainable and can be only one-way direction? Or there are so many moving parts, maybe in terms of product mix, unit economics, and hence, commenting on the sustainability of one way, you know, going up is a difficult task.

Mr. Vijay Shekhar Sharma: It's a very, very small number, just a few lakhs, not even one million. Compared to a population of 100 million, it's still a very large gap. I would rather say that there is a huge upside, order of magnitude is in multiples, not percentage. It's rather the attention that we've started giving to it, whether you look at mutual fund distribution, which we don't count in this because that does not make material revenue. But then that percentage goes to equity brokerage, very useful. Then similarly, credit, Postpaid, and then take in consumer loan, then insurance.

So, I would rather say that we are, I don't know how to say this, the very fact that internally, we are so excited and ready to say that we will grow profit margin and profit itself is because the customer base and the product market fit and the business model has got scalable, and then head down, execute only that, you're all good.

Mr. Madhur Deora: So, just to clarify, the 7.6 lakh number, we think that, barring any quarterly aberrations, this number should just linearly grow up. As we talk about revenue per financial services customer, if you look at the average revenue that we make today, obviously, there's some products which are higher than that and some products which are lower than that. So, yes, there's a mix effect point, which may affect us a couple of quarters here and there. But we are confident, overall financial services revenue will grow.

We're thinking about what metrics we should put out there for financial services customers and financial services revenue. 'Key Financial Services Customers' was one of them, and as close a proxy to saying, hey, there's a number of customers who are taking a product and the amount of money you're making per customer. But yes, within that, there will be some mix effect components.

Suraj Das: Sure, perfect. Thanks, Vijay. Thanks, Madhur.

Moderator: Thank you, Suraj. We will take the last question from Pranav. Pranav, you may please go ahead.

Pranav Gundlapalle: Thanks for taking the question. It's a couple of questions. I'll go back to the payment margin. If I just look at your payments income as a percent of GMV and also the payment processing costs, almost the entire drop in NPM seems to be explained by just the increase in payment processing charges from almost 10.6 basis points to 11.2. So what's driving this sharp increase? That's the first question.

And the second one is more on the consumer business. The cloud and commerce or the marketing revenues almost flat year on year. Could you give some color on that? Or at least if you take the broader consumer lens, how much is the revenue from consumers, be it FS or non-FS, really growing at? Those will be two questions. Thank you.

Mr. Madhur Deora: Right. So on the first one, I wouldn't quite look at payment processing costs as a percentage because there's a huge amount of very good non-bank linked UPI business to be done. And by very good, I only have one definition. Does it make money? But if you end up increasing your credit card market share, for example, credit card processing market share, this number will go up. But so will revenue. So that's why we point to payment processing margin and giving the exact number is slightly commercially sensitive. So we give you kind of where we are directionally. So I wouldn't quite look at it that way.

It is the case that the number has gone up. Somebody asked whether it was because of Postpaid marginally, but actually because we are doing quite well on non-UPI business overall. So that will not really give you the type of conclusion you're trying to get.

On marketing services, we are seeing good momentum, partly because we have more MTU. We have very good retention metrics that you mentioned. DAU was higher than it was in Jan'24 and so on.

So we're getting not only more customers, we're getting more engagement. Another indicator is our MTU was up about 8%, but our consumer side GTV was up 45%. That's another indication for how much we have worked on engagement of customers. All of that does translate with a slight lag into marketing services revenue, as well as other consumer financial services revenue. This quarter, we're slightly behind on one specific line item, which is travel, where there were headwinds.

Mr. Vijay Shekhar Sharma: I think it was not headwind, it was 'headfire'.

Mr. Madhur Deora: So when ticket prices go up, then obviously airlines, overall business gets affected. Within that leisure gets affected, which is a vast majority of what our customers do on Paytm travel. So that business was slightly behind our expectations, but for external factors. But we are quite positive about marketing services overall going forward.

Pranav Gundlapalle: Marketing services I understand is the travel headwind, or headfire, but if you look at the broader consumer revenue, how is that growing? Is it like single digit, double digit growth? What are we talking about here? Where are we in the monetization of that?

Mr. Vijay Shekhar Sharma: And you are accounting for every monetization, not just payment line item, but credit disbursement, etc.

Pranav Gundlapalle: Correct

Mr. Vijay Shekhar Sharma: Oh, then it should be definitely.

Mr. Madhur Deora: Yeah, it is not far behind the merchant side. So, it is not night and day. Because we have talked elsewhere, just to pull together a few things that we have said in the document, which is that we are seeing tailwinds in the personal loan business. So you can imagine that is now going well. Paytm Postpaid is contributing. Vijay talked about wealth earlier, and Vijay also talked about consumer P2P, which makes revenue. So there are various bits and pieces of this on the consumer side, which are giving us better LTV already.

Pranav Gundlapalle: Okay, so it would be fair to say if you have an overall revenue growth of 20-30%, it is not completely skewed in favor of merchants, it is somewhat comparable growth across both merchants and consumers.

Mr. Vijay Shekhar Sharma: I like the question because I want to tell you one thing, my personal role is to prune everything that drags down my company's growth. Either you give me growth or bottom line, everything else is thank you so much.

Mr. Madhur Deora: And I think we may have anticipated this question because the first thing that we said on page one was broad-based accelerated growth and payments and financial services for merchant and consumer business.

Mr. Vijay Shekhar Sharma: Obviously, the nuance of the keywords that we specified have to be specified.

Mr. Madhur Deora: Which is great. I am glad you are asking us to clarify.

Pranav Gundlapalle: Thank you. Those are my questions.

Mr. Vijay Shekhar Sharma: And for everyone, I have a very interesting news that this time, we picked up '.md file'. And as you can expect, this is not a 'Madhur Deora' file, this is a 'markdown' (.md) file as we call it in the AI world. This will allow you to just download and give it to your favorite chatbot, which is allowed in your business and company.

And this is for everything, earning release, presentation, call transcript, obviously, we will update that after this and financial results. So, you basically have even all the information in a single .md file and you can talk to our agent that will be powering this soon. So right now, do it yourself, download .md and play with this. Till we meet again next time, here is a thank you to everyone for joining us and the last song.

Moderator: Thank you all for joining. We have come to an end of this call.