February 02, 2024

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 conference call dated February 01, 2024

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 conference call, conducted on February 01, 2024, on update on RBI direction to PPBL, OCL's relationship with PPBL and the way forward.

The above information is also available on the website of the Company at https://ir.paytm.com/investor-events.

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: 2024.02.02 21:26:02 +05'30'

Sunil Kumar Bansal
Company Secretary & Compliance Officer

Encl. as Above

Paytm Conference Call on Update on RBI direction to PPBL, OCL's relationship with PPBL and the way forward

Call Date : February 1, 2024 | Time: 15:30 PM Indian Standard Time

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Moderator: Thank you for joining, and welcome to Paytm's conference call to answer questions from the filing on the action of PPBL from RBI. From Paytm's management, we have with us today Mr. Vijay Shekhar Sharma, Founder and CEO; Mr. Madhur Deora, President and Group CFO; Mr. Bhavesh Gupta, President and Chief Operating Officer; and Mr. Anuj Mittal, SVP, Investor Relations.

A few standard announcements before we begin, the information to be presented and discussed here should not be recorded, reproduced or distributed in any manner. Some of the statements made today may be forward-looking in nature. Actual events may differ materially from those anticipated in such forward-looking statements.

Finally, this call is scheduled for 45 minutes. It will have opening remarks by the management followed by Q&A. [Operator Instructions]. For us to be able to identify you, please ensure your name is visible as your first name, last name, followed by your company name. We request participants to restrict to 2 questions per participant to allow more participation. A replay of this call and a transcript will be made available on the company website subsequently. With this, I would request Mr. Vijay Shekhar Sharma to kindly initiate the call. Thank you, and over to you.

Vijay Shekhar Sharma - Thank you, everyone, for joining. Obviously, this is an important moment for all of us at Paytm and Paytm Payments Bank. We've seen the update from the RBI, which was publicly released. So I have one slide here to show the discussion that I can talk about.

So this is the slide that talks about impact of our relationship of OCL i.e. Paytm with Paytm Payments Bank Limited and what we've learned and what next has to be done. The important thing is that Paytm Payments Bank has received a regulatory directive from RBI, and we are taking immediate steps to comply with the directions. The users of the Paytm Payments Bank can use the savings account balance, the wallet balance and wallet balance which is used in FASTag and NCMC, et cetera, account until 29th February. And effectively, that means that they can continue to add money, et cetera. But after 29th February, they cannot add incremental money to the bank account or savings account and so on.

OCL is a payment aggregator for online-offline merchants and already works with various other banks and Paytm Payments Bank is one of the key banks in that. And from here on, we are very clear that we will work with only other banks and not PPBL. PPBL is just one of the various other banks. OCL has already been working with other banks for the last 2 years. And especially when the embargo had come to the payment bank, we had already started to work and accelerated the plan for movement to other banks and other banks have actually already started working with us.

So it is an important thing for me to tell you that we continue to decline and decrease the slant-wise dependency on Paytm Payments Bank, but there is still a significant enough dependency, I would rather say they are. And we now exit the plan and completely moved to other payment banks partners. And remember, these are payments-related relationships, which means all banks have necessary technology and capability already there.

And I'm very happy to tell you that we are generally overwhelmed by the support that we've received from the various banks, large banks of this country and our country and those who are already a partner and more additional large banks have reached out at very, very senior level to say that they will be very happy to help us and happy to execute relationships that we, in the past have been doing with Paytm Payments Bank. And we obviously, very clearly, we are going to take that as a step forward and work with current and many more incremental bank partners. Going forward, the key word is that we will not work with Paytm Payments Bank, and that means that other banks will come.

With regard to the direction on termination of the nodal account of OCL, that is One97 Communications PBSL by Feb 29. OCL, PBSL are already in process of moving the nodal account to other large commercial banks, and that will be done definitely before the due date. And OCL's Marketing and Financial Services businesses, where we market and sell other services to the consumers are not affected due to these directions. And these directions are over associate company Paytm Payments Bank Limited.

It is important for me to point out that there will be a requirement to have operational change for the merchant relationships that we have where the merchants have relationship with Paytm Payments Bank, and those relationships need to be operationally changed and there will be an operation change there.

Overall, I can say that it is -- on behalf of Paytm, I can say that it is more of a big speed bump, but it is something that we believe that with partnership of other banks and capabilities that we have already developed, we'll be able to see through in next few days or quarters as the case would be. So thank you so much. And with this, we'll take the question and answers.

Operator - First question is from Sachin Salgaonkar.

Sachin Salgaonkar - Vijay, I have 3 questions. First question, actually, can you help us and understand what exactly went wrong there? I mean, for some time, we were hearing from you guys that this should get resolved, this should get resolved. But when we look at some of the words being used of persistent non-compliant, need continued material supervisory concerns, can you help us explain what is something where RBI is not fully comfortable? And what further needs to be changed from that perspective?

Vijay Shekhar Sharma - In recipient of the same letter that was made public...

Madhur Deora - Sachin, just ask all 3 of your questions then we can answer all at once. Sorry, Vijay.

Vijay Shekhar Sharma - Okay. Yes, that's right. We want to take a lot of questions. So we will suggest that whenever you are asking a question, just put all 3 questions or 2 questions that you are asking.

Sachin Salgaonkar - Got it. Okay. So that was the first question. Second, Madhur, if you could help us understand how to quantify the INR 300 crore to INR 500 crore impact on annual EBITDA i.e., how much is coming from revenue, how much is from EBITDA? And I presume, this is for this year, right, you are looking for? And third, what Vijay mentioned in the opening remarks, the operational changes, which are needed from a merchant perspective. Just wanted to understand what kind of changes are these and how much time will it take?

Vijay Shekhar Sharma - Okay. So I'll take the first one, Sachin. As you saw the letter that is publicly sent there, there is another letter that the bank has received. But based on that, I cannot foresee what we did not see or not see. There are obviously RBI beliefs, and we totally are believing of the fact that there is something that RBI would have seen. Have they sent us details? Answer is no. They have not sent us any details. So something that is based on over the period, what different, different audits they would have done and their solutions based on that is the opinion that has come based on. So we don't know the exact nuances, what triggered or any one line item...

Sachin Salgaonkar - Sorry, so how does one get a comfort that RBI should get comfortable going ahead with these changes, right? Because if you are exactly not your -- Paytm is not exactly clear in terms of where was -- where RBI was not fully convinced, then, I mean, how do you look to fix those issues?

Vijay Shekhar Sharma - Actually, the key word here is that it is in discussion with Payment Bank and Payment Bank cannot share these facts with, let's say, the parent or shareholders out there. So that's also one of the reasons that we can't discuss this. This is an interaction between the bank and Payment Bank, central bank and payments bank.

Madhur Deora - Sorry. So if I can just clarify, the certain direction, as Vijay said earlier, there's a certain direction that they have given to Paytm Payments Bank with respect to their operations. If we are doing a service in partnership with Paytm Payments Bank, those services, and will come to your third question, we would go through some operational changes and so on. But like Vijay said, going forward, we would work only with third-party banks, who don't face such issues from the RBI and who also do provide these services to other consumer technology companies as you may -- I'm sure you're aware that, that is a pretty standard business model in the industry, where consumer technology companies, such as ours, who have a lot of app traffic, will work on payments products with various large banks, right? In our case, we were doing various things with other banks, but various things also with Paytm Payments Bank. And those services would be affected. So that's sort of the Paytm point of view on this about what we need to do going forward.

With respect to your second question, the INR 300 crore to INR 500 crore that we mentioned is the worst case annual EBITDA impact that does not take into account the expectation that we will be able to sort of continue all the businesses that we're dependent on Paytm Payments Bank for. There's primarily two lines of businesses that we do.

One is Paytm Payments Bank has a wallet. For that wallet, we provide two services. One is that we are the app on which a vast majority of customers come and add money to that wallet. On that, we make some revenue and some profitability. And the second is that we -- so we are a payment provider effectively. And the second is that we also offer as a part of our merchant services where we provide payment services to merchants. We -- both online and off-line. We also allow those merchants to accept Paytm wallet. In those cases, the merchants pay us a revenue and we pay interchange effectively to Paytm Payment Bank.

So overall, the worst case EBITDA margin impact of that is INR 300 crores to INR 500 crores. We have called that an annual EBITDA impact. I do expect that over time, we'll be able to offset this in a big way, but we have called that out as it will have an annual impact.

Bhavesh, did you want to take the third question of Sachin?

Bhavesh Gupta - Sure. So Sachin, the operationalization piece is -- means two things, basically. So when you are a merchant, you have -- and it's an offline and online merchant conversation. So I'll take both of them. But let's start with the offline merchant where you see a Paytm QR, which is powered by Paytm Payment Bank, right? And now that QR has a VPA, a Virtual Payment Admin of the Paytm Payment Bank. So now that QR will have to be changed, the VPA will have to be changed to any other sponsor bank, and we have multiple sponsor banks working with us. While we used to predominantly work in the offline space with Paytm Payment Bank, but in the large enterprise merchant space, in the online space, we have other operators in the UPI space, et cetera.

So when we say operationalizing difference, we basically now have to work in making sure that the VPA is changed to another bank. We have multiple options for the banks that we are currently in conversation with. We'll obviously conclude one bank, two banks or a large number of banks to make sure that we are able to do this exercise.

This will be a large exercise. So it will be split into two parts. One, there is a new acquisition, which is much easier, that the new acquisition can immediately start to happen on other bank VPAs, so we decide. So that decision will take in the next maybe a week or so because there'll be some commercial involvement, et cetera. And we have proposals to that regard already in the system, so we are evaluating them appropriately. And then there will be discussion on how do we move the existing merchants who are accepting UPI to any other bank or banks. So that discussion will involve discussions with the regulator, NPCI, et cetera, whether it can be a one time moment or a case-to-case movement. So we have had some discussions, but obviously, they are yet to be concluded formally, and it will take maybe a couple of days more when we have more direction on how we make the migration

Sachin Salgaonkar - Okay. Bhavesh, one small question. Will the terms of VPA with Paytm Payments Bank and other banks be materially different and hence expensive for Paytm?

Bhavesh Gupta - No, it will be largely similar because the fact is that today, purely from a P2M, there is a UPI incentive component. So we have a commercial on sharing of UPI Incentive with the other VPA banks that we have, which is largely in the similar range that we have with Paytm Payment Bank.

Operator - Next question is from Vijit Jain of Citibank.

Vijit Jain - So just a clarification. The first question is on the INR 3 billion to INR 5 billion impact that you're talking about, is that basically assuming the wallet ceases to operate, is that it? Or are you assuming some kind of a smaller size of the wallet business? And does it also include different commercials as you move some of these relationships, including the nodal account to other banks? And related to that, I would just request if you could break down your core net payment margins a little better. The 7 to 9 bps a little bit better, so we have a better handle on that post these developments. So that's my first question.

My second question would be, if you need to, let's say, shut down PPBL either because it doesn't take deposits, or has lower reasons to exist going forward. Could you take over the Paytm UPI and the Paytm wallet products back into OCL? Are there challenges with that? If you wanted to do something like that? That's my second question.

And any commentary on the financial services side from your partners post this development? Those are my 3 questions.

Bhavesh Gupta - So Vijit, let me take the questions in the reverse order. So we've been working with our various partners. So our equity broking and our insurance business obviously remains unaffected, because they do this business independently of any relationship that they may have with Paytm Payment Bank. So that business is 100% unaffected.

The lending business has no relationship of any kind with Paytm Payment Bank, other than the fact that there would be merchants, who may have taken a loan and have their repayments coming from a Paytm Payment Bank account, which is not a very large number, but I would give you a directional number, maybe about 10%, 15% odd merchants on a ballpark number who would have the repayment setup happening from the PPBL bank account, because there they were taking settlements there. There, we have to move their settlement accounts to any other bank account that they would like to take the settlements so the repayments can keep coming. And that process is already on.

It's not a very large process, because we have about 400,000 live merchant loans. Even if we take 15% of this, we're talking largely about 60,000 - 70,000 merchants. And we have a 30,000 sales force on the ground, which is already in the market to make sure that those repayments and the settlement account changes, et cetera, are done on or before 29th of February.

Same is on the personal loan side, there is a much lesser number than 15%, who have their e-Nache or Auto pay set up through the PPBL account. And hence, they have to be changed at a mandate. That work obviously is also on. It will not be physical work, but will be done digitally. So we are in the process of doing that piece. Earlier, the effort was to make sure that they are able to convert their Auto pay into other mandates or with other banks that they have. And that effort has now got amplified further just to make sure that exercising that completely before 29th of February.

Beyond that, there is no operational challenge for the continuation of the lending business. Obviously, the new lending business will not have an option for the user to have a PPBL bank account as the repayment bank account. And hence, the new business can continue as it is. Having said that, as expected, because it's a material development in one of our associate companies, each lender has their own set of areas of concern and clarification that they seek from us. We are in the process of discussing and engaging with them on clarifying a lot of nuance questions like you may have and others have. And so what's the impact on the portfolio, what's the impact on the overall business.

We've been able to answer all those questions and now they have to process those questions and come out with their further incremental questions or call to action. In that time, we have proactively worked with our partners to say till the time we are able to make these operational changes, let's pause the new origination of loans for that period of time. And once we are able to solve the operational things for existing and the new one, we restart. So there will be some disruption. And hence, this INR 300 crore to INR 500 crore number that Madhur was saying will have some impact coming in from lending that we will not be originating loans for maybe a couple of weeks before we solve for the operational challenges, and then we go back to normal.

Madhur Deora - Vijit, on the first question, on the INR 300 crores to INR 500 crores, that does assume that the wallet business would shrink dramatically. I don't know if the number is 0, but shrink dramatically, because if customers are not able to add money after February 29, then obviously, that will be depleting balance and very soon, that would be a very small number. So it does assume that. If you look at -- I don't want to get in a huge amount of detail on that payment margin. But if you look at our overall net payment margin, which was about 8 basis points last quarter. And we have roughly 70% UPI, 30% non-UPI. So that gives you a sense of what our non UPI net payment margin is. And I would say that wallet is in line with that.

Vijit Jain - Got it. And my last question was -- and this was related to the wallet business. I'm just trying to understand if the wallet business could also work with a third-party bank. Is that at all possible? And the broader question around, could you take Paytm UPI and Paytm wallet products back into OCL from PPBL?

Bhavesh Gupta - Let me answer those questions. So I don't want to get into a speculative zone because this question is a bit speculative, what happens to the bank, et cetera, because we currently are very focused on making sure that the management of the Paytm Payment Bank is fully in compliance with the directions of the Reserve Bank of India. And once they have executed directions, they then obviously seek the guidance for next steps from there on. So what will happen from there on, et cetera, a bit of a conjecture. So I would not like to go into that space.

But having said that, the idea here is that there are a set of products that Paytm app offers to its users. It includes UPI, wallets, FASTags, NCMC, etc. Some of the products like FASTag are already distributed by Paytm for other banks, right? So that continues to operate in that manner. And commercially, those operations are better than the commercials that the bank could offer just because those other banks are much larger. We will work under the guidance of the regulator, because some of those changes, if we have to now start acquiring or issuing handles for other banks, just like other consumer tech companies do, will need guidance from Reserve Bank of India, and the conversations have started as to how, what is the best way to make sure that the customers are least inconvenienced and the business can continue to proceed forward.

And currently, the conversations are in a positive direction, but they will take some time to get concluded. But we are committed to making sure that we are able to offer alternatives to the customers on the app. Those customers could be Paytm Payment Bank customers, or the customers who otherwise come to the app for the services and are getting acquired in the system.

You also had a question about nodal. I think the question on nodal is a fairly simple one. We maintain multiple nodal accounts for various businesses that Paytm and the group entities do with large commercial banks, not just Paytm Payment Bank. We have 3 more banks in which we have already API connects on nodal businesses. All the 3 banks are very interested to make sure that these nodal accounts, which have been instructed to be shut down in Paytm Payment Bank, could be moved to one of those 3 banks.

So we are currently in discussion both commercially and technologically because there are some obligations of the product, looking at the velocity of operations in those accounts, which bank can offer us the best experience and commercials. But both of those decisions will be taken very, very soon, and we'll be able to migrate that account on a commercial basis better than what we have today.

Operator - Next question is from Ankur Rudra of JPMorgan.

Ankur Rudra - Firstly a few questions from my side. First of all, Vijay or Madhur, if you could just maybe help us understand how we should or you are interpreting the directions from the regulator? Is this because of the -- I mean, the comments -- do you feel that because of the nature of the linkages between OCL and PPBL, which were untenable in their minds or because of the inability to comply with the recommendations over the last couple of years? I think that's number one.

Number two, given the direction that you've chosen that you're migrating to other banks, it seems like the way it will be -- Paytm will be structured in many of the services, and will be similar to your fintech competitors. If that is the case, then what do you think will be your competitive advantages compared to your peers going forward?

Number three, you mentioned you will be trying to transition customers on wallet and other prepaid instruments and merchants as well where PPBL was the acquiring bank. The question is do you have adequate time to operationalize this to the other banks, given it's a few weeks to go? And if you can elaborate a little bit in terms of the process on a per consumer or merchant basis, if you have clarity there? Thank you

Bhavesh Gupta - Ankur, let me take the third point first. I think I've briefly touched upon that there is the merchant side, the user side is a Paytm Payment Bank ownership. Merchant is a Paytm aggregation ownership online and offline. Paytm Payment Bank is the acquirer for UPI and wallet and there are other banks who have acquired debit cards, credit cards and netbanking. So the part of migration has three legs. One leg is that you should have a partner bank interested to own up even the UPI acquiring and wallet acquiring. We have enough and more partner banks, who are interested in integrating with Paytm. So that is sorted out.

The second part is, is the commercial in that transaction, similar, better or lower than what we kept today. I can assure you that the commercial is in the similar range that we get from PPBL in some cases better, in some cases a bit lower, but on an average, in a similar range.

Now is the third part. One is that you do account to account migration, which is a bit time consuming and you rightly pointed out that the time is short. Other is to do a one time migration. We have obviously started discussions with the relevant authorities, both in RBI and NPCI, et cetera, who are helping us extremely well to see to it that how this migration can happen. And there are precedents in the past wherein we have seen that there were disruptions in some other bank, in the past. And these handles were able to get changed or VPAs were able to get changed. But we don't know at this point in time what will be the migration journey. I think we'll have better clarity in a week from today. But we are pursuing both the approaches, and we are very positive to be able to meet the timelines of this migration with these disruptions.

Ankur Rudra - Before you move on, just maybe one quick clarification on that point. Will this entail any kind of reacquisition with fresh KYC or can the existing KYCs be transitioned, if that's required?

Bhavesh Gupta - Yes. So Ankur, that's the point I'm making. So those are nuances because we are talking about 40 million merchants out there on UPI acquiring, all those merchants also do other acquiring. So it's a large set of migration to happen. So it needs guidance from both the NPCI and RBI and the discussions have started. So what and how will the guide and appropriately guide us, we will see in maybe in some course of time next week. And whatever is the guidance that we get from them, we'll adhere to that guidance.

The idea from both the sites from our end and obviously, from the other side is to ensure that there's least disruption to merchants because it's a large infrastructure, wherein the people should not get inconvenienced. So we'll do whatever is the best and whatever is the right approach regulatory allowed for this matter.

Vijay Shekhar Sharma - Ankur, your first question was about what kind of reasons existed. Can you just reask because I think Bhavesh actually touched upon your first part also

Ankur Rudra - Sure. Sure, Vijay, the question was, do you think the reasons for the comments by the regulator was because of the nature of the business structure of the linkages between OCL and PPBL? Or was it a specific inability to comply with recommendations maybe over the last 22 months since this matter came to the light?

Vijay Shekhar Sharma - I think it is a bit of both. There's no doubt about it that the very nature of the payment business is significantly carried by parent Paytm, in this situation, as you just heard us talking about it. So the bank did have dependency on Paytm for some of the payments offerings like wallet, et cetera. And we were able to deliver a lot of comfort, but it seems like, which is the second part that you're asking, that they were not completely comfortable. So I would say a bit about...

Madhur Deora - Ankur, maybe I can just add. I think -- this is sort of underpinning both your first and the second question, which is that by design, a bank has to make its decisions independently. And the relationships between Paytm and Paytm Payments Bank have to historically, whatever relationships we've had, have to go through a thorough arm’s length process.

So going to your second question then, yes, some of these partnerships may look very similar to the partnerships that consumer technology companies, technology apps like us have with bank partners, like I said at the beginning of the call, in some cases, we had those partnerships in other banks, in some cases, with Paytm Payments Bank. Those partnerships over time will be with third-party banks, like Vijay mentioned at the beginning of the call.

And the advantage that we have will -- is the advantage that we always have had, which is that we know how to build great technology for our consumers, and we know how to acquire and retain customers and get them to do many, many things on the Paytm app over time. And we have advantages in the merchant side in terms of our product innovation and our distribution and our service and so on. So those are the advantages that Paytm has carried for many years and developed and expanded on. For some of these, we need a bank partner. Like I said, Paytm Payments Bank historically has been a bank partner with some of these products. Going forward, that would be other banks.

Operator - Our next question is from Nitin Aggarwal of Motilal Oswal.

Nitin Kumar Aggarwal - So a couple of questions. One is that -- do you think that you will be able to retain most of the merchants that are there on PPBL and seamlessly migrate them to other banks? And the similar question on the consumer side. So is one month going to be sufficient for this migration you think?

Bhavesh Gupta - The idea here is that it is not necessarily something of a retention issue. It is an optionality to be given to the merchant, which currently is Paytm Payment Bank, and we have to switch that to another bank, right? So as I said in a previous question, we are continuously discussing with stakeholders, which is NPCI, Reserve Bank of India, et cetera that how we can manage the transition in the most seamless manner, right?

Once we have the direction from them that yes, you can manage it. Because there is a precedent and there is a process to be able to do that. Then this entire thing is going to happen very, very quickly. And I think we'll have more clarity about this in maybe a week from now. But we are very confident that we'll be able to retain these merchants and the users that we have on our platform.

Vijay Shekhar Sharma - Nitin, I wanted to add here that it has happened in the past in UPI's case that a certain bank had a concern, and then it was to be solved and the relevant stakeholders were able to take a quick decision to get this with continuity to another bank. Because the architecture is made in a way that it is not stuck and locked into that. If it is an inter-portable payment instrument, it is easy to migrate. It is about like you've heard from us, the wallet, where there is a customer, the wallet customer, that is where the discussion is ongoing and we need more clarity. As far as the UPI is concerned, there is a precedent.

Nitin Kumar Aggarwal - Okay. And how difficult is it to move QR codes to another bank?

Vijay Shekhar Sharma - Like I said, there is something that has happened in the past related to moving a significantly large UPI operators bank, and that got done. So there is a precedent for this.

Nitin Kumar Aggarwal - Okay. And the set of INR 300 crores to INR 500 crores that you have talked about, is it a one time or do you think that is going to be a permanent damage to the EBITDA?

Madhur Deora - We think that -- we have said annual EBITDA, Nitin, but we've also said that that's a worst-case situation. So over the next year, this should be INR 300 crore to INR 500 crore hit from where we were going to get to. But we think that in the near term and certainly in the medium term, there'll be a number of offsetting things that we can do to reduce this impact. We have also mentioned that we do expect over time, our profitability to keep improving, because many of the relationships that we have currently with Paytm Payment Bank, they're all solvable through third-party partnerships.

Nitin Kumar Aggarwal - UPI incentive, which we typically get in the fourth quarter. Now we will also get it because we have an underlying Paytm Payments Bank with us. We often hear that most other fintechs don't get that incentive passed on to them by their banks' partnerships. So do you think that UPI incentive we will lose fully or some part of it, as we migrate to other banks?

Bhavesh Gupta - So Nitin, as I mentioned earlier that we have commercial arrangements with other banks where we get a share of UPI incentive, similar, broadly similar as we use the word, to what Paytm Payment Bank was to offer to Paytm, right? So I don't think that we're going to lose anything which is material in this. Yes, there could be a 5% - 10% impact, but nothing more than that.

Operator - Next question will go to Suresh Ganapathy.

Suresh Ganapathy - So just wanted to check out of the total nodal accounts that OCL has in the system, what proportion would be with the Paytm Payments Bank and what would be with the other commercial banks as on date, roughly? Just to understand the scale.

Bhavesh Gupta - It's entity and product level. So because Paytm has various accounts for various of its businesses. Paytm Payment Bank has a nodal account for off-line payments and online payments. And there are other banks, who have nodal accounts for, let's say, commerce business or they will have a nodal account for some other lines of business, et cetera, et cetera. The important element here is that when you open any partnership of nodal account for international banking, there is an integration which is needed with that bank for them to be able to service the requirement.

So now for us to move this nodal account, as I said earlier, that we already have a proposal from not just one bank, but multiple banks. And we are now evaluating which is the proposal, which is best for us to move these accounts into that bank and get the operation back in the system. While we have time till the end of the month, but we'll do that much earlier.

Suresh Ganapathy - So in the meanwhile, I would say, I go to a store and make a Paytm QR code payment, can I do? Or it will take some time? It will be blocked for temporarily till the time the transition happens?

Bhavesh Gupta - I just want to give absolute clarity. The system is working, will continue to work as it was working in the past, and it will continue to work. Even when we migrate a nodal account, there is not a process migration. It will just be an API call, which will start to move from a settlement account in PPBL to a settlement account, let's say, with X bank or Y bank, and everything else will operate. There'll be no disruption even for a single hour.

Suresh Ganapathy - So you are confident that you can get this done before Feb 29, the deadline, right?

Vijay Shekhar Sharma - Yes, much, much before that.

Bhavesh Gupta - It's a call that we have to take, because we already have a relationship and proposals. And as Vijay has started in this conversation that we are very thankful to our other banking partners, who have been very, very helpful in making sure that the continuation of our businesses that we do with them and expand it to what we were doing in PPBL, can be migrated to more than one of our partner banks, and we would obviously try to do with as many partner banks as possible.

So this is purely, I would say, a paperwork process, which is not -- which is about a few day issue, not a month issue also, but we'll see whatever best has to be done before the end of the deadline.

Vijay Shekhar Sharma - And Suresh, I just want to tell you when Bhavesh is saying, you have to take a decision, it is rather our account, which bank we are opening kind of decision, not any other kind of decision.

Suresh Ganapathy - Okay. And just one last question that I have, in general, about the customer of Paytm itself, right? There were 33 crore wallet users who were housed, of course, in the Paytm Payments Bank, he could use the FASTag. A lot of things you could give it to him and therefore, he loved being with Paytm. Now the question was actually asked, but how will that guy being the overall Paytm ecosystem considering that abruptly things have gone off? So I'll just give you an example today, Vijay, what happened is that one of my colleagues went in a car and using his Paytm wallet tried to make a payment in the Uber. And that Uber driver said don't make payment through Paytm wallet as it may close. A lot of miscommunication is also going on. How do you address these complex situations that you are currently facing?

Vijay Shekhar Sharma - So I'm very happy to tell you, Suresh, that the kind of, let's say, if we were to monitor the wallet usage and the exit of money versus incoming of money, it's not something which is very aberration actually, which is very normal. So these kind of hearsay conjecture. These things, we will continue to focus on communication. And like you said it, a lot of things go end up becoming hearsay. And obviously, till the time we were not able to communicate, we ourselves have to take a decision on stock market communication and so on. So we would become even further aggressive on communication. So more or less, communications would solve for it. If it is a fact that it is a thing they are seeing, it is a thing they are seeing.

Madhur Deora - Suresh, since this morning, we've had and even last night, we've had aggressive communication out to merchants, out to consumers on the app, social and all of that. So yes, it is an issue because there's a lot of sort of things that fly around when something like this happens and then people have misinterpretations and so on. So we are working very aggressively to inform customers and merchants that there's no impact right now.

Suresh Ganapathy - And the ability of the management to retain the consumer in the ecosystem, considering that a lot of products are now temporarily taken away? I mean, will those be challenges.

Vijay Shekhar Sharma - There is no doubt about it that customers love the deep integrated product offering. At the same time, I'm rather going to say that other banks, it is just our partnership with other banks that should be able to bring a lot of it back. That is what I'm trying to say. I mean I'm not going to say whether it is easy or tough. But it is definitely not a very complex thing to execute. It is just the method and logical architecture thing.

Operator - Next question is from Manish Shukla of Axis.

Manish Shukla - So firstly, for the 9 months of this financial year, what part of your payment volume was routed through nodal accounts at PPBL?

Bhavesh Gupta - So that number would not be offhand available. But the nodal account, as we said, is for our offline payment business and our online payment business. So predominantly, our P2M GMV that we report gets routed to that nodal account. There could be certain deviations to that GMV, not getting into detail, but that will broadly now be transferred to some other bank in the system.

Manish B. Shukla - Okay. And of the payments of the overall GMV for this year, what proportion would have been from wallets?

Bhavesh Gupta - Very small. I think we've called this out very, very clearly that the wallet is a very important product. Customers love it because of this deep integration with FASTags and the fact that they love to use a product at the merchant level. But its pure-play impact to the GMV is very, very small because UPI dominates 75%, cards dominate 15% - 17%, et cetera. And then there are some loan instruments, as you know, and then there'll be wallet. So it's not a very high GMV-oriented product.But yes, it's a reasonably profitable product because we get MDR and we get add money to wallet charges. So there was a sharing of revenue, which will now get impacted until the time we are able to have an alternative available on the Paytm app for users to either open a new wallet with any other issuer or through the Paytm app and/or migrate these wallets if that is a possibility as per the regulator.

Manish B. Shukla - Last question, so the INR 3 billion to INR 5 billion potential impact that we are talking about, it will be in the merchant MDR line item. Is that the right assumption?

Madhur Deora - So there are two things that we do for wallet. Customers add money into wallet where Paytm provides a payment service through Paytm Payments Bank. And then when customers use this wallet on third-party merchants like large online merchants or off-line merchants or QR codes and so on, then Paytm earns MDR and it pays an interchange too. So the first part is our payments that happen on our app and the second part is payments that happen on the merchant website or an app. But all of this will be in payment services revenue that we disclosed, Manish.

Operator - Next question is from Rahul Jain of Dolat Capital.

Rahul Jain - Maybe it sounds slightly repetitive but just to add up to this thought of INR 3 billion to INR 5 billion kind of a reconciliation. Since we say that our commercials on the payments would be similar, also we ideally would be able to timely move to the alternative so the disruption would be lower on the payment side.

So is it purely coming from not being able to lend for some period of time and gradual impact of that? And also from the wallet perspective, since we may also find wallet partners. So where is the bulk of this maths adding up from?

Madhur Deora - Rahul, as we said earlier, this does assume the worst case of if we are not able to migrate the wallet users. And if effectively -- I think, Vijit asked this question earlier, which is that if the wallet volumes become really, really small and all the margin that you're making on wallet goes away, then, of course, there will be some corresponding marketing spend and so on, which would also go away offsetting some of the -- if you will, net payment margin loss.

But this is the worst case for if you're not able to do any of those things. And then on top of that, it does include some temporary impact potentially on our lending business.

Rahul Jain - Yes. And so when you say worst case, the worst case is INR 5 billion and INR 3 billion is -- INR 3 billion is practical? Or is it like both ends of it could -- the actual impact would be even lower than this range also?

Madhur Deora - We're keen to get out our range to investors. As you can imagine, I think we released this a few hours after. So it's hard to be very precise because there are certain linkages that if your wallet volumes goes down, then there's certain spends that you're doing on promoting certain payment instruments with merchants and so on, which could be savings down the road and so on, right? So it was hard to come up with a very precise number, which is why we said INR 300 crores to INR 500 crores.

And if we are able to work on offsetting the customer experience in a meaningful fashion, then, obviously, the worst case. You should expect, like Bhavesh said earlier, that there will be some initial sort of operational work that we have to do, which may cause some short-term disruption. But we do think that longer term, we should be able to offset a lot of these things and not be in this worst case range.

Rahul Jain - Yes. And the clarification to Bhavesh’s remark on the lending business impact. So if essentially, a new loan is given to any consumer or merchant, who may be having PPBL, but also another account, can lending distribution may continue to such prospects?

Bhavesh Gupta - Yes. Rahul, as I said, there are two parts to it. The first part is that we have to operationalize the fact that we have to make a few journey changes wherein the dismantling of the bank that you can link your PPBL account, et cetera, has to go out of the journey, right? So that work is already on. The other piece here is that the users and the merchants who come in, they set up their ENACH mandate or Auto pay mandate using the sponsored bank as Paytm Payments Bank because it's a UPI or a NPCI service. Now we have multiple integrations, but we have to integrate those integrations over Paytm Payments Bank in our journey.

So there are some operational changes, which will take us maybe a week or 2 to do before we can kick start the new business back again. And then the existing business is just about making sure that the people who had set up their mandates from PPBL bank account are able to switch to another bank account, which work has already started. So I think the disruption will be there for a couple of weeks. And to that extent, we will have an EBITDA impact in our lending business. I don't want to shy from saying that. But we are very hopeful that, let's say, by early March, we should be back to full normalcy, if not earlier.

Operator - Thank you so much. We will extend the call by 15 minutes. That is till 4:30. Next question is from Pranav Gundlapalle of Bernstein.

Pranav Gundlapalle - Just a couple of questions. The first is on your card acquiring the POS machines business. How does that change? Is it similar to what is going to happen with your QR merchants or would you be a bit more involved in terms of shifting their current accounts, et cetera? That's the first question.

Second is, once you have the disconnect between Paytm app and PPBL, would there be any loss in the type of insights that you used to get from customers based on the spending, et cetera? And therefore, down the line, does it impact the underwriting or filtering ability of customers?

And the third question is on the switch over to other banking partners. While the economics could be similar, is there a big difference in the level of integration that you could get with PPBL because it was a related company? And would that lead to any sort of deterioration in experience or any other changes or risk that you see from that shift? Those are the three questions.

Vijay Shekhar Sharma - Pranav, I actually want to take the last question where you were talking about whether we had a special relationship with Paytm Bank or not. That's exactly what we solved in the last two years, and we believe that we not only became arm’s length, we became farm’s length, meaning we'd rather have a much stronger gap of no data sharing, no data knowledge, et cetera with Paytm Bank actually. So I would say that we don't see that it will be less in any manner whatsoever. That is the word that I want to use, less in any manner whatsoever. So everything else on Paytm works on various other nuances which are there and logically on our platform.

Bhavesh Gupta - And Pranav, for rest of the two questions, there was no data that Paytm was taking and getting from Paytm Payments Bank in the past or in the present. I just want to explicitly clarify that. For any moment in time, a customer who is a customer using wallet or UPI handle of Paytm Payments Bank, the data resides with Paytm Payments Bank, and there were absolutely no information which is available. All the models, be for growth for our insurance business or our lending distribution business or any other thing that we used to do on the Paytm app was were built on insights that are available on the Paytm app or data, which regulatorily and legally Paytm is able to consume and have it in the system, right?

So that's point number one. So there is no impact on that piece at all and it has not ever been. To your question on POS machines, I think the migration is absolutely the easiest there because POS machines -- so let me split this for more clarity. So we do online payment gateway business. Online payment gateway business, Paytm Payments Bank only powers for merchants, the UPI handle. But corporate card, debit card, net banking, it is anyway is being done with various other banks, large commercial banks in the system. Paytm Payments Bank has no business or no relationship because they are not in that business.

What we have to do for online payment gateway is, which we have already integrated, now start to offer to all merchants, some other bank handle, and that's a very, very quick switch. That's a one day, two days work. Instead of acquiring @Paytm, now you start acquiring @xyz, right, in the system. So that is the number one piece on the online gateway. So there is absolutely no disruption happening on the online payment gateway business. It continues to operate in the same manner it was operating earlier.

Now there is a second part, which is the POS machine, as you rightly said. POS machine, again, we acquire POS businesses on behalf of various banks, including Paytm Payments Bank. But each POS machine as a payment aggregator, we do multi-bank acquiring, right? So we have an ability that when you swipe your credit card or debit card, we can acquire that instrument funding source depending upon the right commercial with any bank. So we are a multi-bank acquired by at least 5 or 6 banks on the POS. Paytm Payments Bank is one such acquirer and which anyway is hardly acquired any credit card and does not acquire any debit card, largely acquired wallet and UPI, which again we have to just switch the wallet VPA, which is not very, very complicated.

As I said, the operationalization of POS migration and online migration is the easiest and simplest. The operationalization for pureplay QR merchants is where we are seeking guidance from NPCI, RBI, et cetera, as to what is the most convenient and non intrusive or obstructive way to be able to do so.

Operator - Next question is from Bhavik Dave of Nippon Mutual Fund.

Bhavik Dave - Perfect. So two, three questions. One is the discussions that we spoke about with various banks that we are in. I'm assuming that you mean are now onwards after the event has taken place, right?

Vijay Shekhar Sharma - Bhavik, this is what I was trying to say in the beginning that we already since last 2 years had started to do this and the dependencies were of certain products that were single bank equal to only Paytm Bank, but most of the payment business actually have become multi-bank and the traffic allocation, et cetera, were different, different. So it's not because that it happened yesterday, we are starting today. It actually has been going on. And that is why I was also saying that our current and potential bank partners proactively reached out to say that you can just continue to do more.

Bhavesh Gupta - And Bhavik, to that extension, I just want to give one explicit example. So that is very, very clear that for the last maybe about 18 months, we have been issuing a very large private bank FASTags through the Paytm app in fairly large quantities, along with Paytm Payments Bank FASTags. And now we have switched to ensure that our customers who are coming to ask for FASTags are only getting that bank's FASTag and we'll add a lot more banks into that capability fairly soon.

Similarly, other products, which Paytm Payments Bank was offering, we have to now start to integrate those products with other banks because they were always an interest, both operationally and commercially from other banks, but we were not very, very keen because it was working fine -- the way it was working. Now with this guidance, we will now start to engage with them and to start to integrate with them.

So it's not, as Vijay said, we will start today. It's been there. We have agreements. We have commercial discussions on most of the businesses. Yes, it will take operational integration and migration time. That will be a minor disruption that we have to go through the process. And hopefully, we can work through the process and make sure the disruption is the least.

Bhavik Dave - Sure. And the second question is on the governance and the compliance bit. Wherein when you look at the Paytm Payments Bank, right, it was a payment bank, not much in terms of business that needed to be done. It was a deposit-taking entity, and there were no loans given out. And it was a very simple business model, yet RBI had to take stern action in terms of compliance. What gives us the comfort or what are we doing to get one step ahead and make ourselves at OCL a little more compliant or highly governed in some sense, so that we don't face any challenge here because that's a regulated entity. So the RBI had direct control. OCL, which is not. But how do we keep ourselves in the thick of things in the sense, how do we keep the governance standard up there so that there's no other disruption that comes in because last week, we saw one more article about the FASTags bid and now this comes through. So how do we keep things crystal clear when it comes to governance and compliance at OCL as well? I would love to hear your thoughts on that.

Vijay Shekhar Sharma - Yes. So Bhavik, one of the most important things that probably happened in 2019 as a Board and I, when we were having a discussion decided that we would augment the compliance and risk capability of the organization dramatically. If you know, we now have a Group Compliance Officer position, which is filled by a very able, capable teammate. And then earlier, it used to be that independent teams used to have their own compliance methods and sort of their own business leader reporting, but now we have an oversight on the group compliance.

In fact, I'm very happy to tell you about the amount of work that we've done in Payment Bank, although it has not achieved the fruitful result like you and I are seeing today. But again, we are telling you that there is a dramatic improvement where in one of the internal -- one of the audits from the regulator, it actually was said that we have seen material improvements. And that it was very humbling for me to hear, and there were many nice and positive words in different, different conversations. I do want to tell you that also.

So we did look at compliance as a core business model approach instead of in layering as an addition. The important thing for us to remember is that if we do not make compliance and risk as a core part of the business, then it does not become the bigger business that we ambition-wise carry. And that is why whether you look at risk management also, credit risk or fraud risk or every other thing, we've built lots of technology and capabilities, and that is why you saw even though those personal loans and payment traffic growing and our fraud ratio dramatically reduced, our operational risk systems and capability dramatically improved.

So I'm very proud to say that today, the technology stack that we have for operational risk and compliance is actually the world class, except like what we have seen today is what is very sad and bad that we have this kind of outcome, which we still facing, but as far as group is concerned, as well the entity is concerned, we look at now compliance first, technology second approach.

Bhavik Dave - Sure. And last question is with seeing that almost 80% in the sense, the payment business now gets impacted, which was not earlier, and we had already seen lending business getting slower considering the macro environment, how do we look at costs, right? And that's one lever which can maybe control the loss of EBITDA or profitability that we are seeing for FY 25, FY26.

How do we think about cost in the entire scheme of things? Do we think about cost more now because of this event as well because there are too many things that are going around and revenues are challenged in a material way? Do we continue to spend the way we were and invest in the business to create maybe new channels of growth? How are you going to balance this eventually over the next couple of years, is what I want to understand?

Vijay Shekhar Sharma - The best part is, Bhavik, that we don't have new incremental channels to be discovered or, let's say, risky marketing or sales dollars to be pushed on those. So we are sort of clear about what our sales and marketing spends are. Those are actually very capped and so on. So overall, when we reduce the number of things that we do, we see dramatic improvement in the cost. And that is the first approach that we have taken since the listing, and we continue to prune the number of things that we do.

So what it brings is actually, like in a derivative way, what we said is going to happen, that there will be a better cost advantage. We always had more people to do fewer things forward-looking also, but now we will do it with partners. So much less cost.

Madhur Deora - Bhavesh, you may have seen this sort of duality from us over the last two or three quarters and very, very specifically in the last quarter that we think that there's massive EBITDA expansion opportunity for us out of operating leverage because the indirect costs, in particular, while we have attention on direct costs as well, of course. But indirect costs, in particular, the growth of that should slow down very dramatically. And we have talked about various factors. Vijay just mentioned one. We have talked about the role of AI, where we have to say we are very early adopters of this in the Indian context and maybe even global context.

And we are seeing just a huge amount of efficiency and productivity improvements across the board. And in addition to that, just a very sharp focus and discipline on costs because the scale at which we do things now, improving our processes, improving our efficiency can have a very meaningful impact. So that is an area of a huge amount of attention even before this. And if this has revenue pressure, then we would also obviously, will relook at the cost once again.

Operator - Next question is from Preethi RS of UTI Mutual Fund.

Preethi RS - So my question is basically on the solution that you're offering with the migration to other banks, will that resolve the problem from regulators point of view. Without addressing the issue at PPBL. So the response to the compliance lapses I think are not satisfactory. That's the root of the problem. Is it on data storage, KYC or tech dependency? It is an associate company, and it's -- and if the MD could be on this call, if they could address what exactly is the issue because RBI possibly view OCL and PPBL together as one entity and they could, of course, send out a dispatch on PPBL since it's RBI. So could you please elaborate on that either on this call or if there's another platform? I think we definitely need an answer from them.

Bhavesh Gupta - No, I think it was addressed to you. But Preethi, I can take a stab at this question that you asked from the bank point of view. So the difference, we today work with other large financial institutions, be it mutual funds, insurance companies, lending banks, lending NBFCs, et cetera, in a very, very compliant and robust manner. And I just want to say that we've been very cautious, both as a DNA that we've built over the last couple of years and for the learnings of the associate engagement that we have of Paytm Payments Bank or what is the approach regulators expects from a company of our size and scale as so how should we be managing the regulatory products.

So in that spirit, when we engage with other banks, we feel very, very confident that part of solutioning of how we want to operate to other banks, products that we currently are taking on Paytm Payments Bank. And I'll just give you an example of Paytm FASTags or we do credit cards or we do loans, et cetera, et cetera, is very well established.

The challenge of what we understand thus far is very clearly articulated for that the bank in its conduct on variety of elements, being a young bank at the beginning and then obviously growing in very large size and scale, wasn't able to satisfy the size it has to the regulator of the controls, be it on technology or in compliance, to as much satisfaction that the regulator may be seeking. That's our understanding of that. And obviously, there are a lot more details available with the bank.

And as and when we can get reviewed to those details, we'll be more than happy to have a discussion with you. But we have always maintained at OCL that we would like to operate with a regulated partners on the way they want to regulate and operate the business, not the way we operate the business. And hence, our all other partnerships that we do with other banks and NBFCs or broking companies, et cetera, have been very, very successful, and we'll feel confident that will continue to happen. And we will learn from this.

I don't want to say that there is zero learning from this process. We learn from this. We are continuously engaging with the regulator and other well wishers and other stakeholders in the system of how these things could have been done better and it should be done better. And in that entire process, making our entire company far stronger and far more compliant so that we do not have any situation ever in the future.

Vijay Shekhar Sharma - Preethi, I've always learnt from these interactions and notices of regulator that there is a lot better that we could do. And definitely, the growth of the bank was one of the factors with respect to the various risk and control compliance methods that it had put in place. That is the beginning of the conversation was. And I'm happy to tell you that based on that very factor, we changed the management, not just in the bank, but also in the Paytm and various other relationships that we have with our financial institutions also are based on these kind of insights that we were actually able to handle.

I definitely want to tell you there is a learning and lesson in this and all other interactions that we've had. And we will not let it go without getting that learning and lesson imbibed completely into it. This is an opportunity for us to come stronger, better, abler and capable for regulator size, and we believe that we are going to make sure that everything else apart, this is the game that we get out of it. And you can be very sure that when we look at ourselves in the future and look at this event, we will see it as the event that made us superior and better than anyone else in the industry.

Madhur Deora - I just want to address one point, Preethi. I think there is -- there may be this impression that Paytm and Paytm Payments Bank is one. But by design and by structure, it is not and it cannot be. First of all, it's an associate company and second is not an associate company in the sense that it's a bank. And first and foremost for a bank is that it has to follow the governance that a bank is supposed to follow, which is to say that it has to have its independent management team, which reports to the Board as the matters that have to go to the committees of the Board where it can only the independent directors.

It has to also have independent compliance and risk teams and so on. So yes, there might be that impression. I'm not saying that, that may not happen. But by design and structure and by reality, it just does not function like that and cannot function like that. If one did try to make it function like that, I think you are really in a bigger problem because you are breaching the spirit of governance of how a bank should be governed.

So hopefully, there's acknowledgment of that. It is a tricky situation in that sense because an associate of yours has to make independent decisions. But if those decisions and those actions then are found to be incomplete or wanting from the regulator, and obviously, it has reputational risk on all of us.

Preethi RS - So that was the only question I had, but we would definitely want to hear from your associate company on this matter because overnight has become so material to the company, right?

Operator - Next question is from Jayant Kharote of Jefferies.

Jayant Kharote - First question is on the nodal account for merchant payments moving to other banks. So does this affect the product or user experience for the merchants in any manner? Like, I know we are perhaps the best on fund settlement time early morning, 8 a.m. So more qualitatively, would you be able to replicate the same product experience for the merchants? That's the first question.

And second question is, if I understood correctly, most of the immediate operational transitions can be solved digitally or are B2B in nature. And there is some physical effort needed like the when you called out on the 60,000-odd merchant loans. So I mean, we do have a capable 30,000 employee force. Do you want to call out any other areas in the next 1 month where you think you'll need sort of a slightly intense physical effort? These are the two questions.

Bhavesh Gupta - Yes. So Jayant, the nodal account decision, as I said, is exactly hinging on the point that you raised out and thanks to you for bringing the detailed nuance understanding of the product. That's today the ability of the current nodal technology backed by Paytm Payments Bank has a lot of flexibility, et cetera, et cetera. It's not to say that, that is very unique to it.

It needs to be assessed appropriately by us technically and the teams are on it with 2 or 3 large banks to just to test it out that it works in a manner we want it to work. And that's the reason we're seeking, it may take a week or 10 days for us before we announce the decision to move to which bank, et cetera, because that's a technical feasibility going on. But it is not something which is very complex. We know what product is available, and we will, I would say, 99% get the similar product because banks are very, very keen to develop something further on top of what they have just to accommodate this massive opportunity that they could get because of a huge float in that account.

To your other piece on physical force, so yes, I gave you one nuance of the lending business. But wherever there are merchants who have PPBL as their settlement bank account, they have a DIY flow on the app who are being nudged that you can now go and make a change of the segment bank account from PPBL to some other bank that you have because we know that they have multiple bank accounts.

And only the ones who don't do it, let's say, through digital effort, even after multiple reminders, will need a physical interaction for which we have a large sales force, which we'll anyways do it so that the merchant keeps getting the settlement in the bank account that they like. But it is more at the merchant end that they would not want a settlement to get stopped after 29th February. So they will need to have an active bank account available to them, and we are making sure that we're able to do it digitally, some bit of physicality will get involved, but it's not a complex task. We'll be able to do that in maybe about 10 days.

Jayant Kharote - And this is only for the 6 lakh odd merchants that are there on PPBL of our total 4 crore base?

Bhavesh Gupta - No. So it is on a 4 crore base. Obviously, the active rates of this 4 crores is less than 4 crores. And off that base, I can give you a broad sense, maybe about 12%, 13%, maybe 15% of them have a settlement account as PPBL, which will have to now change to any other bank account the merchant carries. So yes, it is a math which is not materially large, but it is large, but not materially large. Most of it is being done DIY because merchants do change their bank accounts naturally also, and they can do it on the app with a simple log-in process.

But if they fail to do so in the time that we are stipulating which is around 15th or 20th of this month, then we obviously will have a physical nudge to make that happen.

Operator - Next question is from Sumeet Kariwala of Morgan Stanley.

Sumeet Kariwala - I had two questions. The first question is on the wallet business as you try to restart and you try to tie up with some other bank to offer wallet-related services. How will that work? Will you need a PPI license because I understand the current PPI license is with Paytm Payments Bank? And can you run that business without a PPI license as a distributor of a wallet product for a particular bank?

And if you can do that, how will the economics change and so on? So just trying to get some clarity, as you try to restart this business, can you -- and if you restart this day, for example, 1 year down the line, can this entire INR 300 crore EBITDA impact be pulled back?

Bhavesh Gupta - So Sumeet, let me clarify. Yes, you're right. PPI license is of Paytm Payments Bank and then there is a wallet on top of it, right? Now there are two parts to the answer. One part here is, anyways Paytm Payments Bank was barred from issuing new wallet for the last 2 years. So even on the Paytm app, we had not switched on an option for users to come in, sign up on a new wallet of any other third party PPI issuer or a bank, right?

So now the intention here is that we will now start issuing other PPI wallets of any other issuer through the app as a new wallet, right? And the commercial will largely be similar because it's an interchange defined by the NPCI and there is an add money charge defined by the payment aggregator. So there is no commercial change per se in that part. But obviously, it will be a new acquisition.

On the existing wallets that the bank has, the bank will have to find out a way as to how that process of ring-fencing those users can be. And that conversations bank will do by itself hopefully with the regulator as the time goes by so as to ensure that the least disruption to people who've been using the wallet of Paytm Payments Bank can they be given an option to switch over to any other bank with least disruption, right?

And if there is a facilitation Paytm can provide, we'll obviously participate. But our current focus is to ensure that we are able to switch on new acquisition of wallets like we have done for FASTags and new acquisition of handles, et cetera, et cetera, while the migration of existing will need direction from RBI and the work the bank will have to do with them and whatever facilitation Paytm can provide, we would obviously participate in that journey.

Sumeet Kariwala - Very clear. And some data-related clarification. So you've given the impact on EBITDA in estimated number, worst-case number. If I were to try and back calculate this at the revenue level, I was making some assumptions. Will it be fine to assume that 15% to 20% of the payment-related revenues are getting impacted over here?

Madhur Deora - No, it would be lower than that, Sumeet. So like we mentioned that if you think about this number and if you think about -- and these are all sort of somewhat preliminary, although we feel confident of the range, but just to talk about how we get to that math, if you talk about this number and then you say, okay, the net payment margin impact should be slightly higher than this because whatever the net payment margin impact is will be offset by some other savings in marketing and cash back and so on. So the net payment margin impact will be somewhat higher than this. And like I mentioned earlier, our net payment margin for non-UPI is in the 25 to 30 bps ZIP code and wallet it is also in that ZIP code. So that's how you sort of get to the revenue number, sorry, the GMV number.

Sumeet Kariwala - Very helpful and one last more question. Any potential thoughts on how the MTU might get impacted like 3, 4 months down the line, or you don't think there'll be a dramatic change to that number because UPI is driving a lot of stuff over there?

Bhavesh Gupta - No, Sumeet, the MTU number is based on both the fact that customers can come on the Paytm app and do UPI transaction. Wallet was a very, very small subset of MTU, as you know. 97%, 98% of the transactions people will do preliminary will be UPI-led. So as we find a solution to migrate @Paytm, which is powered to Paytm Payments Bank to any other issuer of that handle, we don't see that there is going to be any material impact on the MTU. And more importantly is that we then start to grow from there on because of the embargo, the bank could not offer certain products.

And because of our partnership expansion with other banks who could offer all the products, maybe in a 6-month period from today, we will be in a position to not only regain what we may end up losing for the next maybe couple of months but start to grow furthermore because of new acquisition opportunities that will emerge, which was not there for the last 2 years because we were working on some products with PPBL.

Madhur Deora - Just to give you one illustration, for example, on FASTags. After the embargo, we did start partnership with one other bank, and that has been very successful. Of course, it is a win-win partnership. It is beneficial for Paytm and it's beneficial for our bank partner. So those sorts of things can also be done for other products.

Operator - That was our last question for today. Thank you, participants for joining the call. You may now disconnect the line. Thank you so much.