



October 26, 2023

**BSE Limited**

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

**National Stock Exchange of India Limited**

The Listing Department  
Exchange Plaza,  
Bandra Kurla Complex,  
Mumbai - 400 051

Scrip Code: 543396

Symbol: PAYTM

**Sub.: Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 - Transcript of the earnings conference call**

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 October 21, 2023, on the financial results of the Company for the quarter ended September 30, 2023.

The above information 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**  
**Company Secretary & Compliance Officer**

*Encl. as Above*

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**Moderator:** Thank you for joining and welcome to Paytm's earnings call to discuss our financial results for the quarter which ended on September 30th, 2023. Before we start the presentation, we would like to play a small video about Paytm Soundbox Journey and Innovation. Thank you again. From Paytm 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, Senior Vice President, Investor Relations. A few standard announcements before

we begin. This call is for existing shareholders of Paytm, potential investors and research analysts. This call is not meant for the media. If any media representatives are on this call, request you to kindly drop off at this point. The information to be presented and discussed here should not be recorded, reproduced, or distributed in any manner. Some statements made today may be forward-looking in nature. Actual events may differ materially from those anticipated in such forward-looking statements. Finally, this earning call is scheduled for 60 minutes. It will have a presentation by the management followed by Q&A. For Q&A, kindly utilize the raise hand feature or Zoom dashboard if you seek to ask questions. We will unmute your line and take questions in the respective sequence and within schedule time. Please ensure your name is visible as your first name, last name followed by your company name for us to be able to identify you. The presentation, a replay of this earning and a transcript will be made available on the company website subsequently. With this, I would like to request Mr. Vijay Shekhar Sharma to kindly initiate the call.

**Vijay Shekhar Sharma:** Namaskar, good morning everyone. And in today's earning call, with me, are Madhur and Bhavesh. Happy Diwali to all of you. In the festive season, this time, you must have seen in our presentation that an animation is going on. This is an AI-generated animation in the beginning and this is going on because we believe that Paytm will have to become a completely AI company. I'm very happy to see the kind of innovation we've done in the last quarter. You must have seen the amount of attention we put to the merchant ecosystem in India and make every nook and corner of India digitally enabled and help us achieve incredible financial inclusion, that is the expectation of our government, regulators and everyone out there.

With focus on operational risk and compliance and innovations that are exemplary in the market, we've had great momentum in the last quarter. You've seen our results. We've had a festive season unlike last quarter -- last year, which was in this quarter is coming in the next quarter. So Q-o-Q, we would see those numbers looking more mappable in the next quarter. I'm very happy to see the kind of attention we are putting on growth and kind of innovations, led growth kind of revenue-led growth, platform scale. And I'm very happy to see that our teams have a great momentum out there.

With me today, Madhur will give you more insights and Bhavesh will talk about more businesses. And I want to hand it over to Madhur for a detailed conversation. We look forward to answering the questions as many more beyond 60 minutes, but as we know, we are here to answer, take questions and answers any which ways, 365 days out there. Thank you so much.

**Madhur Deora:** Thank you, Vijay. Good morning everyone. It's my honour to present the financials for the quarter ending September 2023. Our revenue this quarter was Rs.2,500 crores so annualizes to more than Rs.10,000 crores, is an important milestone for the company. We also continue to improve our EBITDA. This quarter, we did EBITDA of Rs.153 crores, which is about 6% of revenue. Just to remind everyone, this does not include any UPI incentive money that we would get for this quarter later in the year. And this is a significant improvement of Rs.319 crores YoY. So continued focus on profitability as we have talked about previously. Our revenue growth YoY was 32%. Like Vijay mentioned earlier, some of the festive season sales, particularly online sales this year will happen in Q3 or are happening in Q3 whereas some of this had happened in Q2 last year purely due to the shift in timing of Diwali this year versus last year. Our contribution margin has grown by 69% YoY. We're very proud of this improvement in unit economics that we keep delivering and we are now at Rs.1,426 crores.

We have talked about operating leverage in the past. If you would notice our indirect expenses this quarter other than increase in sales employees, have been very muted. So we have put up a lot of controls on all of our other indirect costs, such as people costs, marketing costs, tech and all the other things, which go into other indirect expenses. While we'll continue to invest in marketing, sales and select other areas, we believe that this discipline is really going to pay off in terms of growth in operating leverage and growth in EBITDA over time.

This is our performance in the payments business. Our average monthly transacting users has grown by 19% Y-o-Y to 9.5 crore monthly transacting users. So we're seeing an uptake in this number compared to last quarter. Our merchant subscription we're very proud of has gone up 91% Year-on-Year. If you'd notice in the last quarter we added more than 13 lakh merchants, which is higher than the run rate that we were enjoying previously. So we're seeing a definite increase in adoption, the pace of adoption of our devices. I think part of this has to do with the network that we have created and sort of just making this device standard for the merchants and also all the innovation that we are doing such as Pocket Soundbox, Card Soundbox and Music Soundbox that Vijay talked about and that you would have seen in our video.

Net payment margin is up 60% Year-on-Year. We continue to deliver more payments profitability. This quarter alone we did Rs.700 crores of net payment margin and this is at the high end of our guidance of 7 to 9 bps. This is despite the fact that as I mentioned earlier we don't have UPI incentives in this quarter and our subscription revenue continues to grow steadily as the scale of the device deployment grows. I turn over to Bhavesh to talk about lending.

**Bhavesh Gupta:** Hi, thank you Madhur. So lending business continues to see decent momentum. As we've been mentioning over the last three quarters we have muted in consultation with our lending partners' growth of a personal business because much earlier than what generally the market had started to see maybe the last quarter, we started to see a couple of quarters back that there were some early signs of the portfolio which could not be built in a manner that we would like to build with our partners, so that other than PL, our PostPaid Business and Merchant Loan Business continues to see very, very healthy growth and PL business we've obviously slowed down ourselves. In spite of that part, Q-on-Q we've still had a decent growth and Y-on-Y as you can see we've grown to 122%. We've ended the quarter at Rs.16,211 crores. This results in an annual run rate of more than 8 billion US dollars on a run rate basis and we still have H1 ahead of us and the festive season and we do see that in the next coming quarters we'll see a much better momentum of the loan business including the personal loan business.

I'm very happy to inform you that, true to our focus on how we would like to build the portfolio with our partners, we continue to see much better portfolio performance than the portfolio performance we saw, let's say last quarter and the quarter before that. The entry rates or the bounce rates as we call them for our post bid business have further come down and now in the range of 9.5 to 10.75, this is a reduction of almost 50 basis point over the last couple of quarters. Our ECL rates of this business continue to remain range bound between 0.65 and 0.85. I do believe that with the entry rates coming down, maybe in a longer arc we could see the ECL rates also drop below the 0.65 to 0.85 range bound.

The personal loan while the ECLs have remained stable because we did a lot of proactive engagement and portfolio action with our partners, our entry rates, the cheque bounce rates have come down again come down by 50 bps to 10.25 to 11.25 range. What it suggests is that again in a long arc if we say a couple of quarters ahead we could see more positive development on how the ECLs will play out in the personal loans business.

The important part here is in spite of a very, very good scale up that we've done on the merchant loan business on the back of much higher deepening of our device's strategy in the merchants, our merchant loan portfolio has become even better. Our ECLs here have again dropped down by about 50 basis points and now we are operating in the range of 475 to 525. So on an overall basis the loan distribution and collections business for us continues to perform in a manner of expectation that we've had and I'm also happy to inform you that like we said in the past that we'll continue to add new lending partners. In this quarter we have added Tata Capital as another top notch named AAA NBFC as a lending partner. Last quarter as you know we made an announcement that we added

Shriram Finance so we now have two more incremental partners taking the overall partners to nine partners in our portfolio. I'll hand it over back to Madhur for the next part of the presentation.

**Madhur Deora:** Thank you Bhavesh. So this is about our commerce and cloud business. Now cloud business is more than majority or it is majority co-branded credit cards and advertising. As we've been talking about in the previous quarters, these are the two big growth areas in this business. Both those businesses continue to do well. Our credit card number now is 8.7 lakhs activated credit cards as of September 2023. The same number was actually three lakhs a year ago so we have added roughly six lakhs cards in the last year and we are seeing continued traction with our partners HDFC and SBI.

As we have mentioned before PAI Cloud Business had a strong quarter last year in this quarter and our telecom VAS offerings which is the marketing cloud businesses has seen decline Year-on-Year as a result of which our overall cloud revenues is only 3% Year-on-Year growth but we think that this is a bit of an aberration. We think this is a bit of an aberration given the points mentioned here and from here the business should continue to grow strongly.

On the commerce side we have seen strong growth. Our GMV is now Rs.2900 crores roughly which is up 39% Year-on-Year and our take rates have also remained in the guided range of 5% to 6%. As a result we have got 31% Year-on-Year revenue growth to report and in each of our businesses travel, entertainment and deals and gift voucher, we are seeing continued growth going forward.

And finally our key focus areas; as we have mentioned before and this should not come as no surprise, we are extremely bullish on the mobile payment acceptance in the country especially due to the new innovative products that we are offering which I mentioned on the right and they have a tremendous product market fit and each of them are solving a specific problem that merchants have either by growing TAM or growing stickiness or helping them with card acceptance.

Credit and financial services with all the work that we have done so far Rs.16,000 crores of disbursements, we still think that we are heavily under penetrated. Personal loan as you have seen is only about 1% of our customers. Merchant loan is about 6% of our merchant so there is a huge runway ahead for each of our products. Farming of online merchants, our online merchants team has done a tremendous job in Paytm Payment Services to do more and more with existing merchants. So this has got to do with having more payment instruments being accepted through us, better success rates for our merchants, which is really helping us deepen our partnerships and grow our share of volumes with merchants.

And finally going forward you will probably hear us talk more about enabling commerce given that now payments and lending businesses have become such contributors, we are very bullish on each of these businesses which is travel ticketing, entertainment, deals, gift vouchers, advertising and so on. So here we talk more about how this third piece of the business of Paytm is shaping up. With that I will hand it back to the moderator and we will take all the questions you have.

**Moderator:** Thank you we will now proceed with Q&A. A reminder to utilise the raise hand feature on your zoom dashboard if you seek to ask a question, we will unmute your line and take questions in the respective sequence of raised hands. First question is from the line of Sachin Salgaonkar.

**Sachin Salgaonkar:** Hi, thank you for the opportunity, I have 3 questions. First question, both to Madhur and Bhavesh. I wanted to understand, on the Personal loan bit. I mean you guys are consciously sort of going to reduce the growth in terms of portfolio because you're seeing the early signs out there. The question out there is what is now changing that you guys are getting comfortable that the growth should sort of pick up in the future?

**Bhavesh Gupta:** Thank you Sachin for the question. You rightly said, we saw some early trends about three quarters back when I think nobody in the market was kind of suggesting that we could see some bit of stress coming in the unsecured credit. We haven't seen any portfolio deterioration as you can see with the last three quarters. So we are pretty comfortable with regards to the portfolio that we have been able to originate with the partners. The comfort is largely coming from two levels, one part here is that we now have a very, very large user base who has taken Personal Loans over the last two and a half years and they have matured the portfolio in a fairly large quantity if I may use the word, we have more than Rs 300 - 400 crores of portfolio which gets matured every month which is available for further upsell through our partners. So that's one bucket which is growing Quarter-on-Quarter and in the next two quarters we will see the renewal opportunity available to fully matured loans will be much higher than what we have seen in the last two quarters.

The other part here is that we do see that overall expansion of our lending partner base also brings in more insights on how the lenders look at this business both in terms of risk and as well as the newer geographies and pin codes that they would like to open, so you will see some level of upside. We are not expecting personal loans to start growing the way they used to grow let's say a year back, but the muted approach to Personal Loans will no more be muted and you will see some growth start to happen, maybe in early double digits but not at the level that we've been seeing last year.

**Sachin Salgaonkar:** Noted, thank you Bhavesh, very clear. Second question is more on the partners. I just wanted to double confirm that the partnership with Shriram is up and running and we should see contribution coming from that, going ahead?

**Bhavesh Gupta:** Yeah so it's currently what we call it internally in the pilot phase. So early November is when we will start seeing contribution full scale coming in from merchant credit business that they will start to go live with.

**Sachin Salgaonkar:** Got it. In the last call you guys had mentioned that you were in talks with two to three new partners in around six months, we saw an announcement of one. I just wanted to check are we on track in terms of announcing more partners in the next coming months?

**Bhavesh Gupta:** Yeah so I just mentioned in the credit part we have just gone live with Tata Capital on a pilot basis and again we'll scale up with them from next month onwards so that's the second partner we've gone live with, after Shriram. And in the next two quarters, we at least expect to go live with three more partners. Minimum one or two being banks out of the three partners.

**Sachin Salgaonkar:** Got it and my last question, I just wanted to understand the competition outlook in the market, because at one level we are hearing new players are looking to enter into Soundbox. Google for example is also looking to come into merchant loans and more so, you know, how do you guys look at something like a Jio Financial Services? Is it more as a competition on the Soundbox for example or is there a room to potentially partner as a lending partner?

**Bhavesh Gupta:** So I think there are multiple aspects of your question, so let me take them one by one. Any new fintech who tries to get in, be it the names that you mentioned or anybody else in our opinion is good for making this entire business more robust and strong. As we saw in mobile payments, maybe about seven to eight years back when Paytm got into the mobile payment world, we were maybe arguably the one or two players in the market, but today it is the way to go as far as payment is concerned.

Our belief is in digital credit which we started off three years back. More and more people endorsing it will make this product and partnership with banks as mainstream, which will help the overall economy and the financial inclusion that I think all of us should be focused on and building India as a stronger economy. So it's a good sign both regulatory and otherwise and in my opinion this is not to be seen as competition, but expansion of the market.

To the other question about some of the other players, what would they do, including Jio, I think very less is known in our mind currently of what these players will do or not do. Our opinion is that we are a fairly decently large platform who can originate good quality credit for more and more partners. Any new partner who has a balance sheet, who comes into the market and they do believe that we can add value to building a good portfolio with them, we would obviously look to partner with them. But as I said that is too early for us to comment about it, but yes we see any new partner with a balance sheet coming in as a collaborator versus a competitor.

With regards to your third question around Google or anybody else who is getting in this space as I said that is good. Anybody who comes in just endorses the belief that what we started off as a business model is now being adopted by larger companies and that just expands the market and makes the business a lot more what I can say, robust and ledged, both regulatory and otherwise. So it's a welcome move.

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

**Moderator:** Thank you. Next question is from Vijit Jain of Citi.

**Vijit Jain:** Hi. Thank you. So my question is just staying on the devices a little bit. Clearly you are getting more aggressive in driving device sign ups and related to that your merchant loans are moving in the right direction. ECLs have gone down, loan growth is picking up. So I am just wondering on two things, one is the devices market much larger than you thought even a year back and how are you thinking about the devices market now versus maybe a year back and if you can help me with the sense of what your average device per merchant who actually uses the device is currently?

**Vijay Shekhar Sharma:** So Vijit, you must have seen this kind of innovation. We especially played out a video here today to explain how we have innovated on devices. I think our execution on not just innovation but distribution will be very, very scalable, in our favour. We've seen many players coming in the market not able to even create a dent on the merchants' trust and confidence on our devices. In fact we had net churn from those base to us and especially when they make it free etc it also makes it in our favour because this is not the cost that a merchant can't pay. He wants a more assured, immediate and superior product on the table. So it's not a price-sensitive product. It is a value and skill-sensitive product and there we have an edge in the number of years, including the stack of hardware, software and service all combined looked at by one company.

Mostly, people go to China, stamp it and then bring it as if they're building Soundbox or any other device in the country. We've not only innovated on the sound we have also innovated on card, meaning we've not only on QR, but also on card and we have further more devices and plans and roadmap further ahead. So in my opinion till the time period we're leading from the front, we're leading innovation and we're leading in distribution, I wonder if it is anybody's market. In fact everybody else coming in the market expands the market. They are able to serve to a new nuance very far away or a particular cohort of a customer whom we would have not reached.

Out here we are completely committed to dominate acquiring side business in this country. It means we will continue to increase our manpower on distribution. We will continue to innovate on execution of the devices. Here the software and hardware combination works in our favour and the monetization of what we are doing works dramatically in our favour, like you said credit and so on.

So once a merchant has an incredible product for payment and value added services like credit that we suggested he's got from our partners it becomes a lethal incredible combination of scale. Like I said, I'm going to repeat it, acquiring payments for India is what Paytm's mission when we started was, is and will always be and we'll dominate in that.

**Vijit Jain:** Great thanks Vijay. Vijay my second question is just if I look at since the RBI restrictions were imposed, right, you've added maybe 20 million monthly transacting users in the four or five quarters since. So once these restrictions lift, are you looking at you know trying to should we expect us a rise in the number of e-KYC customers that you would like to then have and is that restriction kind of impeding you from growing in the personal loan side for example because you can't e-KYC any new customers in the last four to five quarters?

**Vijay Shekhar Sharma:** One of the most important thing that you should know is Paytm Bank and Paytm which is OCL as we know are two very, very different companies not just at 'arms length', I call it 'farm's length' now and the approach here is of a completely clear understanding that whatever Paytm Bank does is for its good and for their business plans.

What Paytm does is what business that we are in which is acquiring consumers for various consumer payment products and then serving the merchant and value adds. Here we have permission as you know, UPI is the way to acquire the customer and we've been able to fundamentally do a good job of it. In credit when you are talking about, I also sit on a selection bias of customers where we believe that an old customer on our platform is better suited to get credit disbursed from our partner versus a new incremental consumer who would have a very small footprint on our platform.

And I bring it up in various conversations that imagine we are short of some million, for a 100 million. And for our calculation sake, let's say, if we have 100 million monthly users, you're talking about penetration percentage which is 1% today. I mean in a peak movement, if we ever would have crossed 20, 25, 30 let's say I mean think about it that what is that good tag rate of a product 10% 20% or whatever that you want to take it, there is a huge upside and that puts us also into a dramatic distribution of credits volumes as dollar value rupee value here. For our credit business to grow, we actually do not need incremental consumers on our platforms. It is better for us to penetrate the existing customer base instead of acquiring new consumers.

In fact, for the current customers, expected penetration, you know what different credit franchisees in banking and in the non banking sector that you see, this is incredible good opportunity for us to enable small credit to the customer base that we have. And that is the beauty that we are chasing.

In other words, I'm not only going to say that it is what does not matter, I'm actually going to say, as a strategy, we may not see a large number of consumers on our platform by definition.

**Madhur Deora:** Vijit if I may just add to that, when the RBI embargo came, we had said that we don't expect it to have any significant impact in the business. I think the reverse is also true, that once the embargo is lifted and if we're signing up more customers for wallet or bank account and so on which as Vijay said is sort of bank's own strategy and roadmap and investment and so on, we don't expect that to have sort of any direct impact on either Paytm MTUs or Paytm lending business because there is no such dependence per se. So for example you mentioned a specific point around KYC. So the bank doesn't share KYC with lending partners. When somebody takes a loan on the Paytm app, our lending partner does the KYC for the customer in that role.

**Vijit Jain:** Got it, got it, yeah, yeah sure. My last question here, just on the payment gateway business. When you do business with online merchants, merchants outside of the Paytm app, are you still gaining market share there and as you keep adding these new Paytm instruments like postpaid etc is that kind of helping you in getting greater market share on the payment gateway business? Is that how you look at it? Is that the proposition and how do you see market share evolving in that segment?

**Bhavesh Gupta:** So Vijit, the reality of the commerce business or the third party business as you call it is that while there are lots and lots and lots of companies who are in the online space, but the materially contributing GMV companies are maybe let's say about 1000 companies who genuinely



dominate 80-90% of current volume that are there. Now the idea here is, what the companies require and what Paytm offers. It's a technology play.

And that's the reason we win more often than not over anybody else. We're able to offer them the best payment gateway technology because this technology was built to handle the Paytm app traffic, like add money to wallet and managing a lot of commerce activities on the Paytm app that's where the technology got built and this technology is now available to our merchant partners etc who then consume the technology.

So I'll just give you certain examples which will give you some more clarity. Products like allowing the merchants to use real-time monitoring of transactions, success rates, which funding source is going through, what price is going through, giving them SDK for UPI, giving them routers which can allow them to route multiple transactions from multiple complicated gateways without taking the technology bandwidth and the latest one that we've done is an affordability stack that you can aggregate any kind of EMI of debit card, credit card, UPI linked credit limit etc, it just makes the entire proposition that is very dominant.

And I'm very glad to inform you, on a year-on-year basis, down the line business has grown very, very handsomely and healthy. And our net payment margin online business has grown, just letting this notion but this is a very competitive space actually get defeated that we are actually moving in the right direction and gaining more market share. There is no data available on market share. But in our opinion, we continue to be a very formidable player in this area, and we are getting in more and more in-roads into merchants where we may have had a lesser share of the e-commerce flows.

**Vijit Jain:** Great thank you Bhavesh. Those were my questions. Thank you.

**Moderator:** Thank you, the next question is from Puneet Bahlani from Macquarie.

**Suresh Ganapathy:** This is Suresh Ganpathi here so just quickly a couple of questions. One is on ESOP cost, I'm looking at it, the number actually is higher. I mean that for the first two quarters, you have reported 7.6 billion and if I look at the full year last year the number was 14.5. So this number was supposed to go down in FY24, but if I look at the first two quarters, it looks like we will end up ending FY24 at a number higher than FY23. What is happening here in comparative numbers?

**Madhur Deora:** So we had actually said that starting August'24, this number starts to go down. If you look at our December presentation that we had done in person, which we have been posted on the website in the next year, there is a slide on a static basis, how does the ESOP cost evolve. But then we had also added commentary that this is subject to change, basis lapses of ESOPs, which we don't control because that is usually linked to employees leaving And new ESOP grants that we do usually at the time of appraisals on new joiners.

So the actual numbers we had called out would be slightly different than that, most likely slightly higher than that, but that was supposed to be a directional number. For the year, we expect these ESOP costs to be similar to last year. And then there's a directional schedule which for now you can use the December presentation from last year. And next quarter, we are going to share an updated ESOP schedule based on all ESOPs granted until now.

**Suresh Ganapathy:** Okay fine and on this personal loans, I know there is a lot of debate, I just wanted to know how we could think about growth here because this is the lowest growth Q-o-Q both in value as well as volume perspective. Now the base is also getting tougher and bigger. You have reported for the first half closer to 130-140% Y-o-Y growth in this business, in value terms. With each passing quarter or year, this number will trend down, even if you add more partners.

How should we look at the growth? Because on one hand, you are talking about the fact that the penetration level in the MTU is very low, right, 1% or whatever Soundbox merchant loans. So are you confident about not asking for a specific number, but doubling for the foreseeable future?

**Bhavesh Gupta:** I think Suresh, this is a great question. The answer will be broken in two parts. I don't want to give direction for the number, as you rightly said. Personal loans for the future, let's say at least for the next couple of quarters, will remain muted. So if you were seeing let's say 100% growth, a 150% growth in the previous years we would not see that kind of growth. My sense is anything about 30-40% Y-o-Y growth even on our base, is a decent growth that we can expect in personal loans.

Merchant loans will be growing much higher because we do see that as we are penetrating a lot more on the Soundbox in the market, the eligible base of merchants who have a Soundbox, and has the GMV which is meeting the risk criteria of our lending partners, that base continuously keeps growing on a lag of 6 months. So we are more bullish that we will see merchant loan growth in excess of 50-60%. So if I give a stable case situation I think anything between 40-50% on a blended credit basis over the next 2-3 years should be a growth that we should start seeing from hereon on the base that we sit on today.

**Suresh Ganapathy:** Just one last point, stressing on this Bhavesh because, when you say your ECL losses are, of course I can see for the last four quarters, the personal loans have remained stagnant, what makes you take this decision? Are you looking at your customer profile and seeing overleveraging kicking in or you are worried about the bureau data not giving you good feelers, because somewhere down the line you have to experience to take this call, right?

**Bhavesh Gupta:** Yeah so I think Suresh, we took this call as I said, three quarters back in our commentary if you go back into archives, you will see that three quarters back when nobody in the market was talking about this, we saw three data trends. Very clearly people who were taking personal loans for the first time, we were seeing they getting into early delinquency much faster in the system which at least in my experience of managing this business for many cycles is always an early sign.

The second thing we started to see was that early tenures, 3 and 6 months in your credit we're seeing much higher leverage. So these people, we could see much higher entry rates and much lesser collection efficiency than what we were seeing earlier. So we first removed that bucket completely, we will not do anything which is 6 months and below. We'll only do 9 months to 30 months of credit. That's the reason why our number of loans also went down.

And the third trend that we started to see was that in certain aspects of the segment, which was coming in metro people who had multiple credit cards, we could see, again, the leverage becoming much higher, and they were taking more credit on EMI, et cetera on themselves and this was very visible in our exercise that we were doing with lending partners.

So accumulation of this, we could see that this may become a bit of an issue, especially with repo being high, the overall environment or macro being what it is, it is better to be conservative. And that's the reason we cut down much earlier and hence, you're seeing a stable portfolio with a lesser growth versus maybe we could have continued to grow, and we're going to see maybe 0.5% to 1% higher ECL, which we were not wanting to. So that was a good call in hindsight, and we'll continue to maintain such calls in the future for the rest of the portfolio.

**Suresh Ganapathy:** Thanks, thanks Bhavesh for your insight.

**Bhavesh Gupta:** Thank you Suresh.

**Moderator:** Thank you. Next question is from Pranav Gundlapalle of Bernstein.

**Pranav Gundlapalle:** Thanks for the presentation, just a couple of questions. One on the postpaid product particularly. It would be helpful to understand what is the number of merchants that currently accept postpaid and what percentage of that would actually be paying an MDR for that so that's the first question.

**Bhavesh Gupta:** Yeah so Pranav I think we report this number annually. Out of the 41 million merchants that we carry online and offline, more than 20 million merchants have signed up to accept postpaid. Not all of them obviously pay MDR. The number of merchants who are paying MDR is less than about a million.

But what's important here is that we as a part of our approach, we do not necessarily even mandate in offline world, in online every merchant pays MDR, but in offline world we do not mandate MDR charging up till postpaid as a percentage of what they do in a month on Paytm acceptance crossing at least a double-digit number. So if you're operating and let's say you're doing a GMV of 10,000 rupees and the total postpaid GMV is let's say 1000 rupees or maybe 800 rupees, most likely you will not be even charged as an offer in the system.

Only when we believe we're able to add material value in bringing in customers with a credit product like postpaid loan into your shop and we believe the merchant will appreciate value we start to have a cascade of MDR being charged starting from 50 basis point going up to 1.25%.

**Pranav Gundlapalle:** Understood, very clear. The second question was on your employee base. I think you mentioned I mean you do disclose the number of sales employees that you have. If at some stage in the distant future you will start seeing a plateauing of the device numbers, what percentage of the current employee base would you require to service that base of installed devices? In other words, of the 35,000 people what would be the rough distribution between sales and servicing?

**Bhavesh Gupta:** I think it's a good question. We have not disclosed the number, but I can give you a range bound number because this number is something that we track very closely. Close to about 15 to 20% of our sales force currently is involved dedicatedly in what we call servicing but servicing is not just going and servicing the device. It's also to do with merchandising, branding, managing what is called 'on the shop queries' and then obviously managing device servicing etc.

I think the other question that you asked initially was if we see the device numbers plateauing, fortunately we do not see plateauing for the next 3 years in this business and there are multiple reasons that Vijay also mentioned. Innovation that we've been able to make in products is just expanding the market. So as an example, if you look at pocket Soundbox, now pocket Soundbox is a completely new area of merchant onboarding. Now we're seeing this product available at railway stations, at bus stations, people who are kind of vending out in buses or railway stations love to have a pocket Soundbox. We're seeing auto rickshaw drivers, taxi drivers, door-step delivery guys managing pocket Soundbox.

Now this market did not exist, in the physical Soundbox or the product that we had earlier. So I think we remain very confident that at least for the foreseeable future, minimum of 2 to 3 years, incremental device deployment and hence the consumption of sales force that we have today and expansion of it will both continue hand in hand whereas the service infrastructure will also keep increasing but at any given point in time it will remain to about 20-25% of total people that we have on the ground.

**Pranav Gundlapalle:** Understood, very clear. Last question if I may, I mean may be related to the first one. There's this whole talk about credit lines on UPI and how that could take off, one of the

questions there is how willing would merchants be to pay an MDR on these kind of products. Would it be fair to say even for a credit line on UPI, the penetration of merchants or the ratio of merchants paying MDR would be similar to what you're seeing on postpaid, maybe a million out of 28 or 30 million?

**Bhavesh Gupta:** I think the answer has to be split again. We cannot or should not broad base this answer. So when you talk about credit on UPI (a) let me first articulate it's a fantastic opportunity for India to see bank account credit lines getting an acquiring side opportunity of disbursement which has never happened. It's much, much, much larger as an opportunity versus credit card. For let's say almost 40 years in this country the only credit payment product available was the credit card before Paytm got in the Paytm postpaid which is mobile credit. So this is a fantastic innovation and one we applaud NPCI and RBI to have been able to create this product for the Indian consumers and I think it will revolutionize the way the entire credit disbursement business happens through mobile phones.

Now having said that, there is a decently large business where consumption of such credit will happen in the online space and enterprise space. So the way to see this piece is that not everybody carries a debit card in their pocket and not everybody has a credit card, but you definitely have a phone. So if you're walking into an offline store or online store you will be able to access UPI credit line or credit line in a bank account through UPI without any friction of a plastic card in your hand. So it just opens up a very, very large opportunity in the market and that is an MDR bearing opportunity.

Now when you come down to a pure play semi organized or small business, yeah it could take some time. Will they pay MDR or not pay MDR - and it will take some time for them to start to appreciate what level of incremental consumers the merchant is seeing this product is bringing to the shop and then MDR will follow. So there will be a bit of a learning curve. I don't want to say will the merchants who pay MDR currently on credit cards or on postpaid or any other product will this be a similar number, my sense is on a longer arc you take a three to four year view, you will have a very, very large number of people who will appreciate accepting a product like a UPI credit line at their shops if they were to bring in incremental customers or if they were to bring in higher average sales price because of affordability through credit coming to their shops. If they see value, they will pay MDR.

**Pranav Gundlapalle:** Understood, thanks a lot.

**Moderator:** Thank you Pranav. Request to all the participants to restrict their questions to two part participants. If time permits, we will allow more questions. Next question is from Pranav Tendulkar from RARE Enterprises.

**Pranav Tendolkar:** Hi, thanks a lot. So I just had to ask two questions, one is that in the strategic presentation that you did in December 2022 you already had focused on the business of brokerage so any development there that you can share and also second is that I always feel that the main reason why people use Paytm is that there is no friction and that's why I always feel that there is a huge opportunity where there is a non-discretionary product like say ETF or any non-discretionary product where people are just worried about the friction in the payment, there is a huge opportunity that Paytm can capture as compared to say other distributors etc. So any thoughts on those lines and just the third question that, if Paytm UPI cards, like UPI credit cards work then will it result in our payment amount going up and also MDR going up? That's it, thanks a lot

**Vijay Shekhar Sharma:** Thank you. Definitely, you just correctly pointed out two opportunities in the wealth business. We definitely are putting our energy and resources in those directions and we do believe that there is an opportunity to serve simple wealth products to a large audience and that is the direction that we continue to work and like I've said this is one of our future long term bets so we are there.

And you said it correctly when credit cards, RuPay credit cards comes on QR code, UPIs the GMV of the credit cards grows and the single thing that is important to be noted here is that merchant has to accept that I will take MDR bearing instrument on UPI which is why you would see at many places this is not enabled versus enabled and so on so it will generate large GMV of credit card potential revenue on UPI.

**Pranav Tendolkar:** Anything on UPI remittances that we are doing, that's it thanks a lot?

**Bhavesh Gupta:** Oh that's in the pilot stage. I think it will take some time for cross-border on UPI to scale up, but we remain very bullish on that opportunity of innovation that NPCI has been promoting and we are very positive participants in the ecosystem to promote such products.

**Pranav Tendolkar:** Thanks, thanks a lot.

**Moderator:** Thank you, the next question is from Jayant Kharote of Jefferies.

**Jayant Kharote:** Thank you for the opportunity and congrats on a great set of numbers. First question would be on the Personal Loans thing so if the smaller tenure PL just sort of moving out how has that affected the mix between say BNPL, new to PL and repeat PL customers in this quarter versus last quarter and how should we think about it going ahead? That's the first thing and I will do a follow up afterwards.

**Bhavesh Gupta:** Yeah thank you Jayant. So it has not impacted materially. It's just that if let's say we were distributing 100 loans of personal loan the mix generally was that about 40% of them were getting upgraded who had an earlier postpaid loan line available through our partners. Another about 25% to let's say 30% were existing personal loans who had paid off their personal loan and they were eligible for the next loan and the remaining were people who were coming and taking first time personal loans through the Paytm app.

The only difference here is that the renewal base is increased and the postpaid upsell base has decreased by 5% so that's how the counterbalances happen and it is decreased because we took a proactive call with our lending partners three quarters back that we don't want to distribute credit of up to six month tenure because we found some early trends which are not very comforting to us and our partners and hence that's the slowdown that we did in that business, but in the future if we do find that it gets to stability stage we will relook at that thing but no other material change.

**Jayant Kharote:** Great the follow up was actually the same thing which you sort of answered in a way, but then if the BNPL to PL customer migration let's say a one month Rs.6000 ticket size customer moving to a three or six month product and calibrating the ticket size upwards with different products if that is sort of getting impacted because of the credit behaviour of certain core how does this play into our new product line up? We would have some products lined up in the next say six to twelve months or one to two years and then how does this play into that because then you are having a large wide space between your entry level product and then what starts after say one lakhs onwards?

**Bhavesh Gupta:** I think in the credit business Jayant as you will also appreciate we have to calibrate how we look at growth versus how we look at portfolio in the macro. We are very conscious of that. We are currently indexed on ensuring that we build a great portfolio with calibrated growth especially on the unsecured Personal Loans business as we mentioned and we are indexed on growing merchant credit, BNPL etc, etc much, much, much more aggressively.

So from an overall mix perspective it may change a bit more towards merchant credit versus personal loans, but from productivity and everything else there is no material change and I don't think there is any strategic new development of new lending line which gets impacted because of this because any

new strategic business line that we intend to open while we have not currently decided which is the line that we want to open is contingent on how the overall portfolio plays out.

Actually if the portfolio and the macro is not playing out and is not conducive then obviously we calibrated appropriately, but at this point in time we are not seeing anything. There is a very small part of the business of PL couple of hundred crores that we have pruned down and still the growth has been decent and will continue to remain decent in the future.

**Jayant Kharote:** Thank you and congrats again for the very good numbers.

**Moderator:** Thank you. Next question is from Nitin Aggarwal of Motilal Oswal.

**Nitin Aggarwal:** Hi congrats on a good quarter and thanks for the opportunity. So few questions like one are on the net payment margin. We have seen an increase this quarter which has been suggested due to the rising mix of non-UPI instruments. So how sustainable is this and can we see therefore higher net payment margin in the steady state versus the guidance that we have?

**Bhavesh Gupta:** Yeah I think this you may not see higher. The reason for that here is that the adoption of UPI both at the online and offline merchant as a share to total GMV we are seeing the growth in penetration in that area and that obviously is not net payment margin bearing in our system. The work that we've been doing over the last 12 months especially on credit card side driving affordability, enabling brand EMI's on online and offline, has resulted in the net payment margin going up for us. That is a bit of a seasonal business as you can imagine because the business last year was very negligible and last quarter has become arguably very, very large compared to what is the opportunity in the market. We could see one odd quarter further wherein you could see some tailwind in net payment margin, but it will still remain range bound between 7 to 9 basis points.

**Madhur Deora:** And just to add Nitin, so we're not changing the long term what we have said 5 to 7 years, but I think it's fair to say that when we gave that roughly a year ago we had not expected a lot of these tailwinds that we have seen as well as the disciplined execution from the team especially on non-UPI instrument so we are certainly ahead of where we thought we would be a year out.

**Vijay Shekhar Sharma:** I'll take an opportunity to say more things. So what I'm seeing is that when we meet regulators, NPCI, government, different people, there is a continuous chatter around MDR on UPI. So different cohorts could be opened like we have RuPay card and plus 2000 rupees there is an MDR. Prepaid there will be an MDR. So there are these nuances where there is an attempt of driving transaction based MDR based payments on UPI. While we are not factoring in the 5 to 6 bps guidance I do believe that there is this attention that our team has been able to bring on credit-bearing products and international card prepaid etc. and obviously the festivities and the next quarter even more festivities I can tell you this that means that EMI obviously is a phenomena in this country in these days, these days meaning these quarters of the year and that's why we are conservative and we are saying 5 to 6 bps but there are like these positive green shoots out there in longer term I am talking arc of 2-3 years where this could grow further ahead.

**Nitin Aggarwal:** Right, thanks and the other question is on the fee per device while we have been installing devices at a very aggressive rate now but at the same time the mix is going to change and you are talking about the Pocket Soundbox also. So how do you see that blended there for fee per device trending over the next 1 to 2 years because that is going to be a very sizable number to the overall P&L? Any competitive intensity that can drive down the fee or how do you see this overall?

**Bhavesh Gupta:** So currently competition intensity is not driving the pricing of the product. The pricing product is driven by what kind of product we intend to sell in the market. You are right pocket Soundbox brings in a lesser fee, card Soundbox brings in higher fee and our music Soundbox again gets in higher fee, but on a blended basis it remains range bound between Rs. 95 to Rs. 105. That is

the range that we are operating even now and I don't see that range changing material unless and until some disruption in the market happens. When that happens we will respond to that at that point in time, but at this point in time we remain very confident of maintaining Rs. 100 on an average on a device basis for a longer future.

**Madhur Deora:** I just add the way we think about this is sort of payback periods versus life of device and so on and this area is very dynamic because of all the innovation that we have done so as a shorthand I think we will continue to use the framework that we had discussed last December which is what Bhavesh referred to. Over the long period I think maybe there are tweaks to the framework that will be required to sort of better understand our model and the unit dynamics of various types of Soundboxes.

**Nitin Aggarwal:** Right and last is on the take rate in the financial business while we have indicated that we are expecting them to increase. Any colour you can provide in terms of where do we really see that moving in the next 1-2 years and how are the partners taking it up too because in general there has been some bit of caution on the unsecured loans so how comfortable they are with you in that?

**Bhavesh Gupta:** Yeah so I think one good thing that we can say for Paytm and obviously the partner we work with is that both of us are joined on a common objective and that common objective is not to build a large business. The common objective is to build a great portfolio which can result in making a business larger and longer arc of a credit business because you can always build a good large business in a short-term but it may blow up in the future. So from that perspective our lending partners continue to remain very committed to the business that we build with them and we continue to add top notch AAA NBFCs and very early in next quarter we should be able to announce a couple of banks also.

So I think the take rate story we had mentioned this is a link to what market can offer and the repo rates that are there in the market so we believe that a stable case financial services take rate is in the vicinity of 3.5% to 3.65% so you will see some upside on take rates over the next couple of quarters and if we see as in when we see the repo comes down is there any opportunity for us to recalibrate or renegotiate with our partners and the consumers that may give us some further upside but I think the best way to model would be about 3.5% to 3.65%.

**Nitin Aggarwal:** Right, okay thanks so much.

**Moderator:** Thank you Nitin. We will extend this call by another 15 minutes to accommodate more questions. We have Rahul Jain from Dolat Capital. Rahul you may please go ahead with your question.

**Rahul Jain:** Yeah hi. Thanks for the opportunity. Just two questions, firstly we added this 0.5 million devices each in August and September month, possibly boosted by manpower addition and also from the introduction of new innovative devices. So do we now plan to accelerate our pace of device addition from one million quarterly run rate to a higher run rate now?

**Bhavesh Gupta:** Yeah hi Rahul. So we added new people because we could see massive demand on the back of new devices and generally the product acceptance that the market is seeing for our business. I think it will not be a very, very large growth from where we've been able to demonstrate because it takes some time for the sales force to get mature to be able to add value. So our sense is looking at about 1.5 million a quarter kind of a stable rate case could be something that we aspire for over the next 12 to 18 months as far as Soundbox and card machines are concerned.

**Rahul Jain:** Sorry you said 1.5 million quarterly is what you would expect?

**Bhavesh Gupta:** Yeah, yeah.

**Rahul Jain:** Okay thanks. Secondly in the Paytm Money business we saw significant improvement in profitability in FY23 so do we see this level sustaining and what we are doing to grow this business?

**Madhur Deora:** Yeah so Paytm Money has been growing very steadily Rahul so our business model as you know is we get customers for payments and then we upsell them to other products lending being the largest and other financial services such as Paytm Money. So the outcome of that is we see steady growth in these businesses so Paytm Money has about 7 lakh annual active customers which is the data which the stock exchanges share and that has been and a lot of them are equity broking customers, FNOs and so on. It's a fantastic business, very high margin and if you can run it at a very low cost of customer acquisition then it's a very good business. So we see a huge opportunity in Paytm Money to continue to grow trading and investing in the country and yes it is financially becoming much sounder than it was 2 or 3 years ago.

**Vijay Shekhar Sharma:** And Rahul I also want to add to what Madhur has already said that it is a great value added and extra product from our side. In a longer arc of time let's say a couple of years forward we look at it as a customer retaining product. We prefer customers creating more portfolios picking up SIPS on our platform versus purely a trading revenue line item which is exactly the product that we built and focused on. In other words, the idea here is that this is not a revenue monetization line item for us, it will continue to bring healthy revenues and we'll continue to invest in technology and product. And I believe a large number of customers on our platform who have a portfolio of one of the products on our platform is what the true north this business should go towards.

**Rahul Jain:** That's helpful. One book keeping, sorry if I can chip in, is if you could explain which JV helped us increase profit in the quarter and what kind of customer saw this write off in the quarter?

**Madhur Deora:** Sorry so both Paytm Payments Bank, Paytm Payments Bank is not JV and Associate obviously so the line that I think you're referring to is JV and Associate so Paytm Payment Bank had good profitability last quarter and our gaming JV which is first games which we own 55% of that also had improved profitability last quarter. So both of those businesses did well. With respect to the customer it is related to an airline customer which suspended operations last quarter.

**Rahul Jain:** Understood, thanks a lot.

**Moderator :** Thank you Raul. Next question is from Manish Shukla of Axis.

**Manish Shukla:** Good afternoon and thank you for the opportunity. Bhavesh if you look at the Y-o-Y growth trends for volume and ticket size and here I'm referring to Postpaid and PL, ticket sizes have been going up despite the increase in volume. Now one obvious explanation is repeat customers getting higher lines but do you see lenders willing to give higher lines to even first time borrowers on Postpaid and PL today versus six months or a year back?

**Bhavesh Gupta:** Yeah, I think it's a good observation. We've now disbursed about 11 million credit customers in the last three years with various partners and we continue to add about 400,000 to 500,000 new customers who are taking credit of any kind through the Paytm platform with different partners of ours every month. So the renewal rates and existing customers taking new loan rates are only becoming healthier and as they become healthier there is a much better comfort with lenders to give them a higher credit line. We haven't seen a reduction or increase in people who come to apply for the first time a Postpaid or a Personal Loan known or a merchant known from a lending partner so that number line has remained kind of stable. That's not kind of dropped or increased if that was a question. Renewal lines have obviously increased.



**Manish Shukla:** And for the last couple of quarters for postpaid ticket size contributed more to growth than volume this quarter that is the case with PL. Going forward should we expect that for at least these two product lines ticket sizes will be a bigger contributor to growth than volume?

**Bhavesh Gupta:** May not be true for Postpaid, but could be true for PL.

**Manish Shukla:** Okay, understood, thank you. Those were my questions.

**Moderator:** Thank you, next question is from Jigar Valia of OHM Group.

**Jigar Valia:** Hi, congrats and thanks for the opportunity. My question pertains to the employee cost ex-ESOP, the sequential increase, should we look at it more like a sequential increase or still it is like a once a year addition then it should kind of sustain or should we look at sequential increase to continue?

**Madhur Deora:** Yeah, so Jigar that's a good question so we have historically sort of broken that up into sales employees and non-sales employees and over the last five or six quarters actually both of those costs were increasing because on the sales side we're obviously making investments to increase our device space and so on and on the non-sales side we were adding in financial services in particular in technology and so on.

So going forward you should expect and obviously there's the appraisal impact in the first quarter of the year for annual appraisals which we have been talking about for the last three or four quarters so on the sales side you should expect this to continue to grow in line with the device net adds that Bhavesh mentioned because we are seeing huge market opportunity at least for the next two or three years. I think Pranav from Bernstein had also asked some questions around that. So there in the near term you should expect for us to continue to invest.

On the non-tech, sorry on the non-sales employee side I think we expect the growth to be very subdued going forward if at all because we have done a huge amount of investment when we see a lot of opportunity including because of AI that Vijay mentioned earlier which should show improvements not just in tech but even non-tech because AI can help us improve a lot of our internal processes as well.

**Jigar Valia:** Got it. Can you give some perspective about the subscription charges for the upgraded devices? I mean you mentioned about going up to Rs. 500 so these would all be for Soundboxes, right?

**Madhur Deora:** Just to be clear, sorry to interrupt but just to be clear, the Rs. 500 is for the upper end android device so this is what we had said last December as well when we are trying to clarify our business model in simple terms. So Rs. 500 is a very small percentage of devices. This is for the high end android card machine which would be, you can check it out on our website and so on so that's not a Soundbox. That is an android based card machine but it's a small percentage, Vast majority of Soundboxes are in the roughly RS. 100 range net of GST.

**Jigar Valia:** And last question is if you can give some perspective about the nature of business with the various lending partners, I mean if you can help us understand and differentiate like Shriram Cap versus Tata Capital in terms of the profile of customers they are targeting and maybe slight differentiation? Of course the traction is good as you have guided in terms of adding the lending partners so congrats on that.

**Bhavesh Gupta:** Yeah thank you Jigar. I think the different partners join the Paytm opportunity of working together on loan distribution with different objectives. Shriram as I said has started with merchant credit. Tata Capital has started with personal loans and they will over a longer arc of 12 to

18 months migrate to other products in the system. Purely if your question is more from a risk perspective I think that's not very different. It could be very, very range bound let's say between partner A to partner B and the material reason for that here is that from a Paytm perspective itself as we maintain the past that we ourselves are very conservative and strict as to which kind of users or merchants can get access to credit. That filter remains common irrespective of new partner or old partner and once the merchant or user passes that filter then the filter of the lender comes into play where they are looking at underwriting etc, etc.

So I think there is no risk arbitration, if I may use the word, that we look at in a business model. Only arbitration that we look at in a business model is which partner is able to service the needs of the user or the merchant better both in terms of pricing, loan amount and geography penetration, but not on the risk side.

**Jigar Valia:** Thank you, thank you.

**Moderator:** Thank you, the next question is from Rahul Bhangria of Lucky Securities. Rahul you may please go ahead.

**Rahul Bhangria:** Hi thank you for taking my question and congratulations on a great set of numbers. Just if you could, in the material uptake in Capex number for the first half you could just give us a sense of what all has gone into that?

**Madhur Deora:** Yeah vast majority of the Capex is devices and if you are comparing first half to first half of last year the deployed devices has also gone up very meaningfully. We do think that there are opportunities in the near term given our scale to reduce some of these costs because technology gets cheaper over time and we are working with vendor partners to reduce the cost of devices, but the increase in Capex is almost entirely driven by the number of devices that we are deploying.

**Rahul Bhangria:** Would Rs.1200 per box still be the benchmark here?

**Madhur Deora:** No, it is lower. So I think of the Soundbox portfolio that we have, Rs.1200 would be roughly the cost of some of the higher end Soundbox devices, whereas for the other Soundbox devices it would be lower and it has been trending down.

**Rahul Bhangria:** Okay so the question actually came from let's say roughly about 24.5 million the boxes that you put up in the first half and the Capex has been about Rs.480 crores so that's the slight kind of disconnect there?

**Madhur Deora:** Oh yeah but there is a small percentage in terms of volume of devices which does skew the blend upwards because of the card machines. So the card machines, while they are a small percentage, cost about Rs.5000 to Rs.7000 so that would be significantly more. Only about 80% of this, about 80 to 85% of the Capex is devices, the rest of it is things like laptops and servers and so on.

**Rahul Bhangria:** Should we expect this run rate to continue, Rs.480 Cr, maybe Rs.500 Cr first half, Rs. 1000 Cr per annum guidance?

**Male Speaker:** In the absolute terms there are no aberrations in that number so you should expect that to continue, but like I said we should be able to do more devices for the same amount of Capex.

**Rahul Bhangria:** Yeah, yeah that's fine. So roughly that's the number. Okay thank you.

**Moderator:** Thank you, the next question is from Pallavi Deshpande of Sameeksha Capital. Pallavi you may please go ahead.

**Pallavi Deshpande:** Thank you. Just wanted to understand on the ONDC platform, what do we charge the sellers? There were reports of high charging. Second, do you see the government coming in to limit what you can charge as fees and finally what is the opportunity size that we are seeing?

**Vijay Shekhar Sharma:** Thank you. Thank you for asking the question Pallavi ma'am. The biggest thing that I want to share here about ONDC is that ONDC is done in partnership with us just a concern Paytm E-Commerce Private Limited where they hit the ONDC chain and hook to the network and we as OCL get advantage of dispersing on our platform. Second thing is the charging is in that sense created in a way that we are all doing invitation charging there. There is no regulation by the way. There is no intent of ONDC to even regulate that this amount will be kept. It is the classic nature of the network concept here. Many players will be there who can serve the same merchant so they will try to bring more value add per percentage point they charge.

We don't have a very, I mean there is an invitation pricing is a very much intended statement that we don't have a very fixed percentage to all merchants. We have different, different cohorts and category of merchants to do it. Our focus will be just like we have learned in the MDR model that instead of doing MDR you could do a subscription kind model. We are tilted towards that when we look at it long term.

**Pallavi Deshpande:** Right and what would be like in terms of GMV what can it add for one year ahead. I know it's early days, but what can it add to your GMV guidance which you have?

**Vijay Shekhar Sharma:** Ma'am I don't have one-year guidance. I don't have exactly that, but I have a long arc guidance. In the duopoly markets of commerce there is an obligation of a third player which would come with the power of ONDC, of the size of the duopoly of the one of the players in the market. One time it will be the combined category of all ONDC consumer players and over the period big players will come and I see it happening that way.

**Pallavi Deshpande:** Lastly would be back to the loan business; if we would be looking at tier, going into the smaller towns away from the metros, expanding our geographic footprint?

**Bhavesh Gupta:** This is, we already are in smaller towns in the sense we currently service more than 250 towns for personal loans and merchant credit and more than that for Paytm postpaid. So there is no there is no smaller town restriction if I may use the word and it's a function of opportunity, demand and as well as the partners' risk appetite and collection capability in those towns. So as and when we believe all the three matches happen we keep adding more towns. So this year we would be adding another 50 to 60 towns in consultation with our partners across these businesses.

**Pallavi Deshpande:** And the 500 locations you have that's for the payment business, right, right now?

**Bhavesh Gupta:** That's for the payments business yeah. We don't offer credit in all the 500 locations. We offer credit you can say give or take in about 250 of them.

**Pallavi Deshpande:** And what's the growth in the 500 number we look at for this year?

**Bhavesh Gupta:** This year we would not be growing 500, but next year, every year we typically add between 50 to 100 towns. It's a function a lot of data that we ingest, smartphone penetration, connectivity, what kind of merchants kind of moving in those markets etc so whatever the data suggests to us we have a long list of towns that we want to enter and some of the satellite towns start becoming main towns where we will have our permanent employees kind of serving those towns etc, etc. But you can take about 50 to 100 towns we'll keep adding every year.

**Pallavi Deshpande:** Right and just back to that ONDC what is the...

**Male Speaker:** Sorry ma'am I think we... I apologize. I don't mean to interrupt, maybe we can connect offline because we have run out of time and there's one more person in the queue. So maybe if you can write to [ir@paytm.com](mailto:ir@paytm.com) then we can take all the other questions. Thank you ma'am.

**Pallavi Deshpande:** Thank you.

**Moderator:** Thank you, the next question is from Deepak Mehendiratta of HSBC. Deepak you may please go ahead.

**Deepak Mehendiratta:** Hi thanks for the opportunity. I just have a couple of questions, one on the cash and other on the lending margins. If I see the cash balance on the earning release and financial results can you correlate or provide more clarity on the disclosure of cash balance on both of the reports as they seem to be different and secondly could you provide a directional thing, I know we have had a discussion on the margins but if you could provide a directional on the lending margin do we see a little bit on the upside movement or a downside movement going forward at least for the 3-4 quarters.

**Madhur Deora:** So Deepak I think on the second question I think Bhavesh already answered that in relation to someone's question earlier. So maybe I'll just refer to that and obviously there'll be a transcript of the call just in the interest of time. On the first question, we have shared the cash balances in our earnings release. It is about Rs.8,750 crores. It's a growth of about Rs.300 crores Q-o-Q and there's also a common tree on where that is from. Obviously there's EBITDA. There's interest income and we continue to make improvements in trade working capital as well as settlement working capital with our merchants. So those have been the drivers. Of course there's been Capex as well both in this quarter and last quarter so that's the main use of funds if you will. So I refer to that. I think if you had some specific observation between two numbers matching or not matching then you could perhaps share that with us on email and we'll be happy to connect with you offline.

**Deepak Mehendiratta:** Sure I'll reach out, thank you.

**Madhur Deora:** Thank you Deepak.

**Moderator:** Thank you. With that we come to an end of this call. A replay of this earnings call and the transcript will be made available on the company website subsequently. If you have more questions, please reach out to us on [ir@paytm.com](mailto:ir@paytm.com). Thank you all for joining.

**Vijay Shekhar Sharma:** And everybody, thank you and Happy Diwali from all of us.