

paytm

One 97 Communications Ltd

Creating a mobile payment ecosystem



Kyon ki bhaiya, sabse bada rupaiya.

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SUBSCRIBE at Upper Price Band of INR 2,150

Creating a mobile payment ecosystem

Paytm has emerged as India's leading payment and fintech super-apps offering a plethora of synergistic platforms for payments (wallet & UPI), merchant acquisition, financial services for mutual fund distribution, equity broking, insurance (life & non-life), credit (co-origination of loans, co-branded credit cards and BNPL) and a digital payments bank. Paytm is well entrenched in the hyper competitive fintech space and we believe that the next leg of growth will be driven by the financial services acceleration.

Valuations of 15X FY24 EV/Sales (post IPO) sans profitability may seem optically expensive when compared with its profitable global peers. However, we believe that the fintech revolution has only just started in India and presents a gargantuan opportunity. Paytm with its full-fledged fintech ecosystem, strong domain leadership team, demonstrated financial discipline and an intact growth and entrepreneurial culture is well placed to scale the business and grab market share in the battle of the super-apps. We initiate with a Subscribe for long-term investing with a 24 month price target of INR 2,569 (18X FY24 EV/Sales) representing a potential upside of 19.5% from the IPO price of 2,150 (upper band).

While Paytm turned contribution positive in FY21, achieving operating profitability is only possible in FY26 as per Ventura's valuation model. We expect the business to remain in investment mode and to sustain the cash burn, Paytm is looking to raise INR 8,300 cr through an IPO (along with an OFS of INR 10,000 cr).

Objects of the fresh issue

- INR 4,300 cr for growing and strengthening the Paytm ecosystem, including through acquisition and retention of customers & merchants, and providing them with greater access to technology and financial services.
- INR 2,000 cr towards investing in new business initiatives, acquisitions and strategic partnerships
- The rest INR 2,000 cr will be towards general corporate purposes.

The management indicated to deploy the net proceeds over the period of FY23-27.

Key Financial Data (INR Cr, unless specified)

	Revenue	EBITDA	Net Profit	EBITDA (%)	Net Profit (%)	Adj EPS (₹)	BVPS (₹)	RoE (%)	RoIC (%)	P/E (X)	EV/EBITDA (X)	EV/Sales (X)
FY20	3,280.8	(2,634.4)	(2,333.0)	(80.3)	(71.1)	(36.0)	125.0	(42.6)	(66.1)	(59.7)	(51.7)	41.5
FY21	2,802.4	(1,767.3)	(1,644.8)	(63.1)	(58.7)	(25.4)	100.8	(23.2)	(43.6)	(84.7)	(77.5)	48.9
FY22E	4,527.1	(1,427.0)	(1,181.4)	(31.5)	(26.1)	(18.2)	210.5	(11.8)	(38.6)	(118.0)	(91.2)	28.7
FY23E	6,637.7	(1,287.2)	(935.4)	(19.4)	(14.1)	(14.4)	196.1	(7.1)	(37.8)	(149.0)	(102.6)	19.9
FY24E	8,924.4	(926.0)	(905.7)	(10.4)	(10.1)	(14.0)	182.1	(7.4)	(30.6)	(153.9)	(144.2)	15.0

Industry	Fintech
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Issue Details

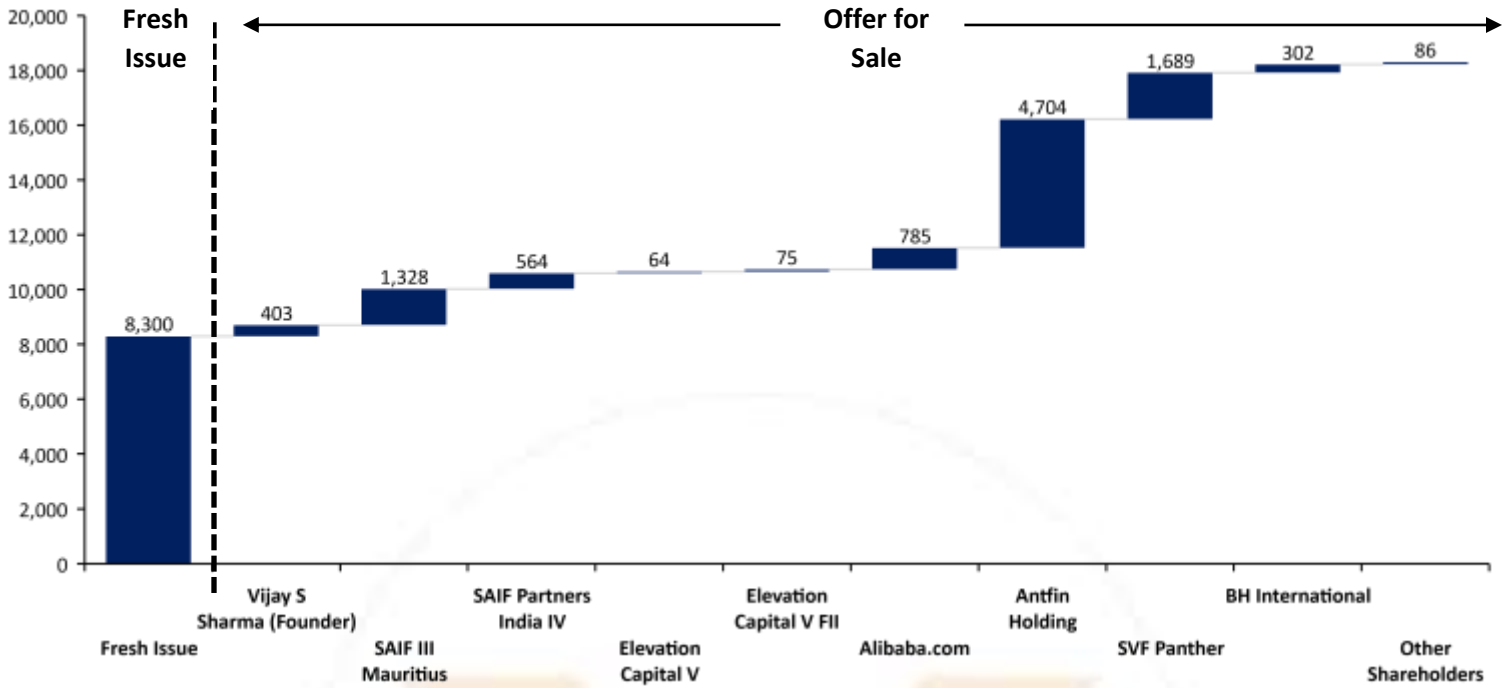
Listing	BSE & NSE
Open Date	8 th Nov 2021
Close Date	10 th Nov 2021
Price Band	INR 2,080-2,150
Face Value	INR 1
Market Lot	6 shares
Minimum Lot	1 Lot

Issue Structure

Offer for Sale	54.6%
Fresh Issue	45.4%
Issue Size (Amt)	INR 18,300 cr
Issue Size (Shares)	85,116,278
QIB Share (%)	≥ 75%
Non-Inst Share (%)	≤ 15%
Retail Share (%)	≤ 10%
Pre issue sh (nos)	609,669,008
Post issue sh (nos)	648,273,659
Post issue M Cap	INR 139,379 cr

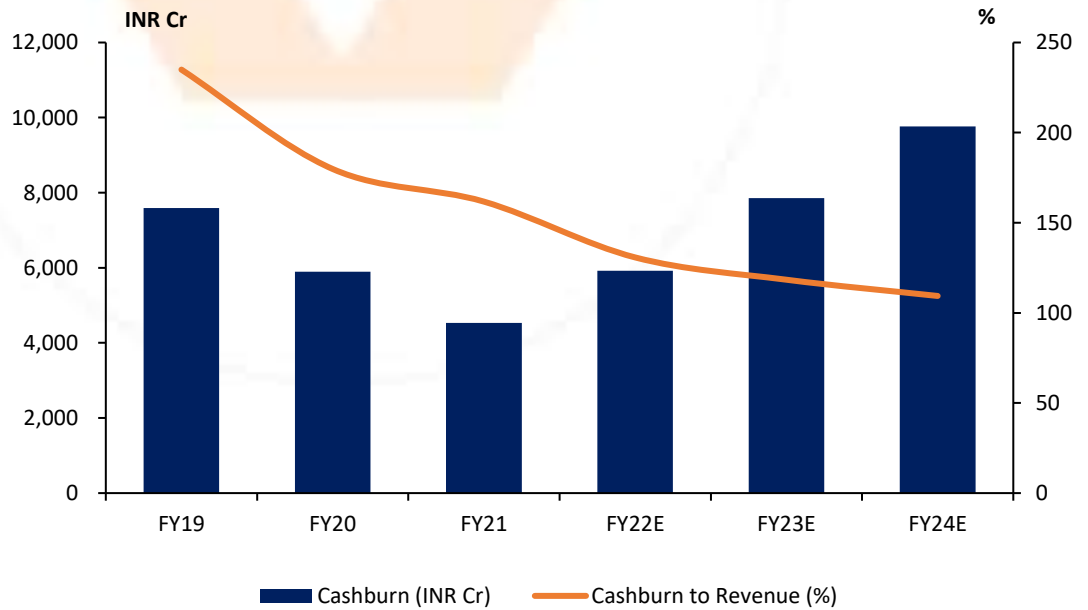
Shareholding (%)	Pre (%)	Post (%)
Promoter	0.0	0.0
Public	100.0	100.0
TOTAL	100	100

Paytm's IPO Offer Details



Source: Company Reports

Paytm's Operating Cashburn



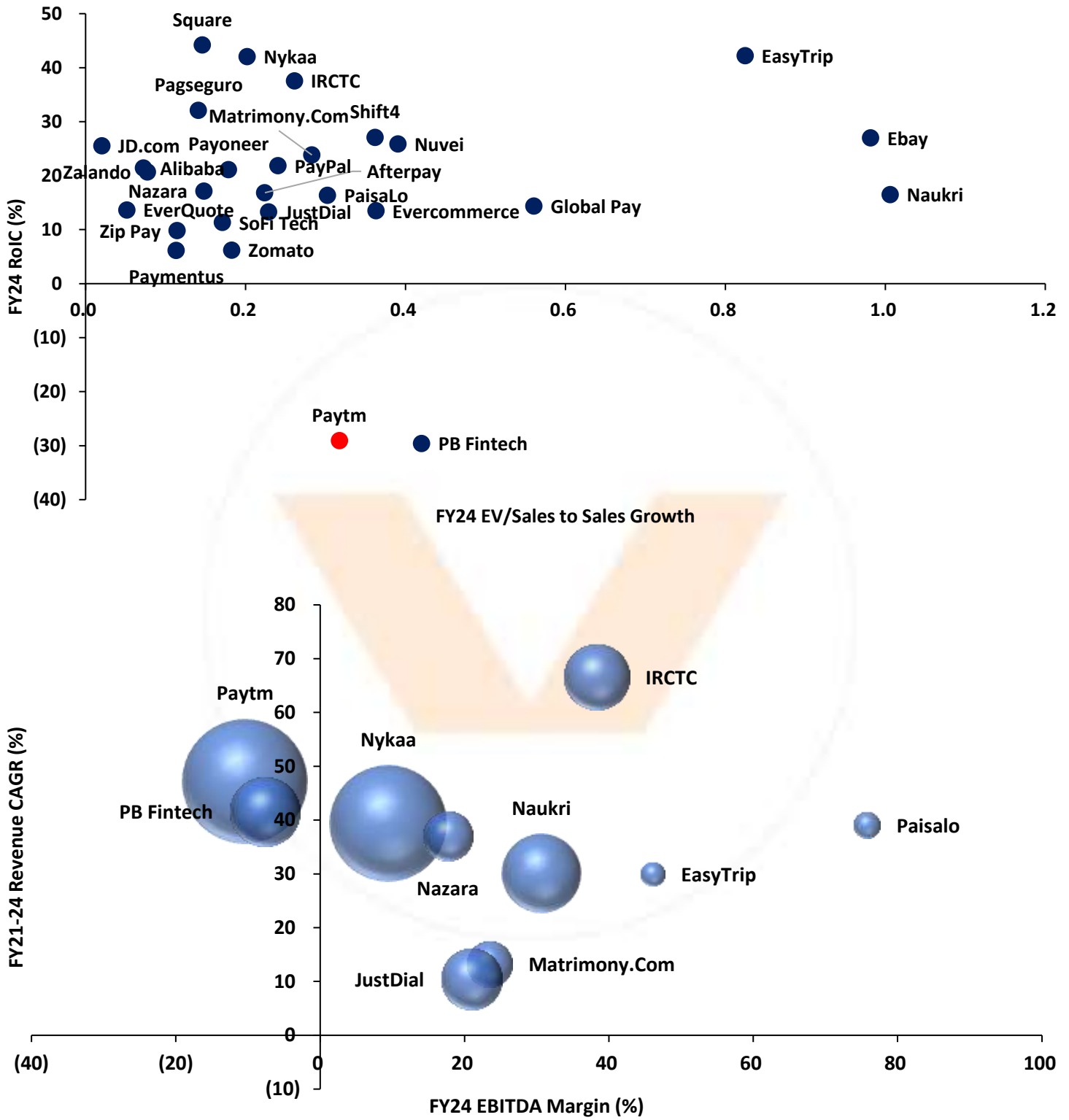
Source: Company Reports & Ventura Research

Valuation and Comparable Metric of Domestic and Global Online Platforms

Company Name	Mkt Cap	Price	EV/Sales (X)			EV/EBITDA (X)			P/E (X)			RoE (%)			RoC (%)			Sales			EBITDA Margin (%)			Net Margin (%)		
			2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024	2022	2023	2024
Domestic Peers (fig in INR cr, unless specified)																										
One97 Communications Ltd	139,379	2,150.0	28.7	19.9	15.0	(91.2)	(102.6)	(144.2)	(117.5)	(149.0)	(153.9)	(8.7)	(7.4)	(7.7)	(37.6)	(34.2)	(29.1)	4,527	6,638	8,924	(31.5)	(19.4)	(10.4)	(26.2)	(14.1)	(10.1)
FSN E-Commerce Ventures Ltd	53,204	1,125.0	15.2	10.4	7.9	352.6	142.2	84.0	1,058.8	235.6	132.7	3.7	14.1	20.0	10.7	28.9	42.1	3,447	5,065	6,598	4.3	7.3	9.5	1.5	4.5	6.1
PB Fintech Ltd	44,051	980.0	35.5	24.8	17.5	(198.4)	(192.7)	(226.6)	(204.9)	(193.3)	(209.8)	(3.8)	(4.2)	(4.1)	(42.1)	(36.9)	(29.6)	1,239	1,778	2,518	(17.9)	(12.9)	(7.7)	(17.3)	(12.8)	(8.3)
Zomato Ltd	103,587	131.6	23.5	16.3	11.2	(98.3)	(121.3)	(687.6)	(129.1)	(262.0)	543.4	(5.0)	(2.6)	1.2	0.0	2.4	6.2	3,976	5,758	8,391	(23.9)	(13.4)	(1.6)	(20.2)	(6.9)	2.3
Info Edge (India) Ltd.	78,795	6,118.5	52.1	39.9	30.2	162.4	123.5	98.5	182.3	134.2	108.1	8.2	10.3	11.5	13.2	15.3	16.5	1,456	1,893	2,461	32.1	32.3	30.7	29.7	31.0	29.6
IRCTC Ltd	65,772	822.2	32.4	19.4	17.4	83.0	49.2	45.5	109.3	66.0	60.4	32.0	39.3	32.6	37.0	44.3	37.6	1,982	3,287	3,620	39.0	39.3	38.3	30.4	30.3	30.1
Nazara Technologies Ltd.	7,013	2,302.8	10.6	7.4	5.5	68.2	45.3	31.0	177.9	103.5	67.6	5.7	8.9	12.1	10.7	13.9	17.1	630	881	1,168	15.5	16.4	17.7	6.3	7.7	8.9
Easy Trip Planners Ltd.	6,048	556.7	41.8	32.2	24.7	97.9	72.5	53.7	73.4	54.4	40.3	37.3	37.2	37.2	42.3	42.2	42.2	139	181	235	42.7	44.3	46.1	59.2	61.5	63.8
Matrimony.Com Ltd.	2,289	1,000.2	4.8	4.3	3.8	22.6	17.2	16.1	40.5	29.1	28.0	18.2	21.5	18.8	23.2	26.5	23.8	428	484	549	21.3	24.8	23.4	13.2	16.3	14.9
Just Dial Ltd.	6,634	794.0	5.1	2.9	2.4	50.4	13.3	11.5	42.3	24.4	21.3	5.0	7.9	8.3	10.0	12.9	13.3	683	838	911	10.1	21.9	21.0	22.9	32.4	34.2
Paisalo Digital Ltd	4,143	979.6	17.3	13.6	11.8	23.4	18.2	15.6	51.8	38.7	33.1	9.0	10.8	11.4	14.0	15.8	16.4	240	304	350	73.8	75.0	75.7	33.3	35.2	35.7
Global Peers (fig in USD mn, unless specified)																										
Alibaba (China)	462,063	170.0	2.7	2.2	1.8	13.2	10.3	8.0	18.6	15.7	12.8	16.5	16.3	16.4	21.5	21.3	21.4	142,811	171,237	202,743	20.7	21.1	22.0	17.4	17.1	17.8
Ebay Inc (USA)	51,029	78.5	4.8	4.6	4.4	12.6	12.1	11.9	18.3	17.2	16.8	23.9	24.6	22.0	28.9	29.6	27.0	10,945	11,410	11,888	38.2	38.2	37.5	25.5	26.0	25.5
JD.com (China)	125,302	40.8	0.6	0.5	0.4	25.6	16.4	10.4	39.6	25.5	14.7	8.9	12.4	20.5	13.9	17.4	25.5	181,946	215,267	253,724	2.3	2.9	3.9	1.7	2.3	3.4
Zalando SE (Germany)	24,593	93.9	1.6	1.4	1.4	24.9	19.8	18.5	68.4	51.1	34.7	11.1	12.9	15.7	16.1	17.9	20.7	14,205	16,837	19,601	6.5	6.9	7.5	2.5	2.9	3.6
EverQuote Inc (USA)	391	13.4	1.0	0.9	0.8	19.3	13.4	8.7	(30.8)	919.5	35.9	(14.5)	0.4	8.6	(9.5)	5.4	13.6	454	539	645	5.2	6.8	9.5	(2.8)	0.1	1.7
Paymentus Holdings Inc (USA)	3,075	26.2	5.4	3.6	2.8	77.8	50.2	34.3	249.0	193.4	112.6	0.9	0.7	1.2	5.9	5.7	6.2	472	589	742	6.9	7.1	8.3	2.6	2.7	3.7
Paypal Holdings Inc (USA)	268,166	228.22	8.1	6.5	5.0	27.2	21.3	16.5	38.7	30.9	25.6	22.1	22.3	16.8	27.1	27.3	21.8	31,669	38,140	45,510	29.8	30.7	30.4	21.9	22.8	23.0
Payoneer Global Inc (USA)	2,636	7.79	4.8	3.8	3.5	471.2	59.5	54.1	(170.0)	(590.1)	263.6	(49.5)	(11.5)	16.1	(44.5)	(6.5)	21.1	549	690	759	1.0	6.4	6.4	(2.8)	(0.6)	1.3
Evercommerce Inc (USA)	3,934	20.14	7.4	6.1	5.5	34.8	26.4	24.0	85.7	53.2	48.3	5.3	8.5	8.5	10.3	13.5	13.5	559	658	723	21.1	23.0	23.0	8.2	11.3	11.3
Pagseguro Digital Ltd (Brazil)	11,345	34.46	4.7	3.9	3.3	13.9	10.8	7.7	27.2	18.5	14.1	18.7	22.6	27.1	23.7	27.6	32.1	2,296	2,755	3,327	34.0	36.1	43.3	18.1	22.2	24.2
Shift4 Payments Inc (USA)	5,025	60.62	8.2	6.6	6.2	21.7	17.3	15.8	55.5	38.0	30.4	16.2	19.4	22.1	21.2	24.4	27.1	648	778	829	37.8	38.3	39.5	14.0	17.0	20.0
Global Payments Inc (USA)	39,678	136.75	5.7	5.5	4.6	11.9	11.4	9.3	14.4	12.7	11.7	9.9	10.6	9.4	14.9	15.6	14.4	8,499	9,288	9,819	48.2	48.7	49.9	32.5	33.7	34.6
Afterpay Ltd (Australia)	25,235	86.93825	22.5	15.0	11.4	300.9	114.3	62.4	NA	467.6	143.0	(0.1)	4.7	11.8	4.9	9.7	16.8	1,141	1,758	2,362	7.5	13.1	18.2	(0.1)	3.1	7.5
Zip Co Ltd (Australia)	2,617	4.58738	8.1	6.3	5.2	(134.6)	138.1	47.6	(34.2)	(116.8)	98.8	(15.9)	(4.4)	4.8	(10.9)	0.6	9.8	493	688	905	(6.0)	4.6	10.8	(15.5)	(3.3)	2.9
SoFi Technologies Inc (USA)	17,936	22.57	13.7	10.0	7.4	88.8	42.9	27.4	(118.6)	145.6	58.6	(3.6)	2.8	6.3	1.4	7.8	11.3	1,446	2,075	2,805	15.5	23.2	26.9	(10.5)	5.9	10.9
Nuvei Corp (USA)	17,086	109.96	18.2	13.9	11.0	41.9	31.2	23.9	56.5	43.5	29.6	13.9	15.6	20.9	18.9	20.6	25.9	918	1,176	1,483	43.5	44.6	46.2	32.9	33.4	38.9
Square Inc (USA)	109,498	237.38	5.4	4.3	3.3	87.4	57.3	42.5	90.8	64.3	48.1	29.0	32.3	39.2	34.0	37.3	44.2	19,990	25,203	33,518	6.2	7.4	7.8	6.0	6.8	6.8

Source: Ventura Research & Bloomberg

Paytm is in investment mode and thus showing negative ROI

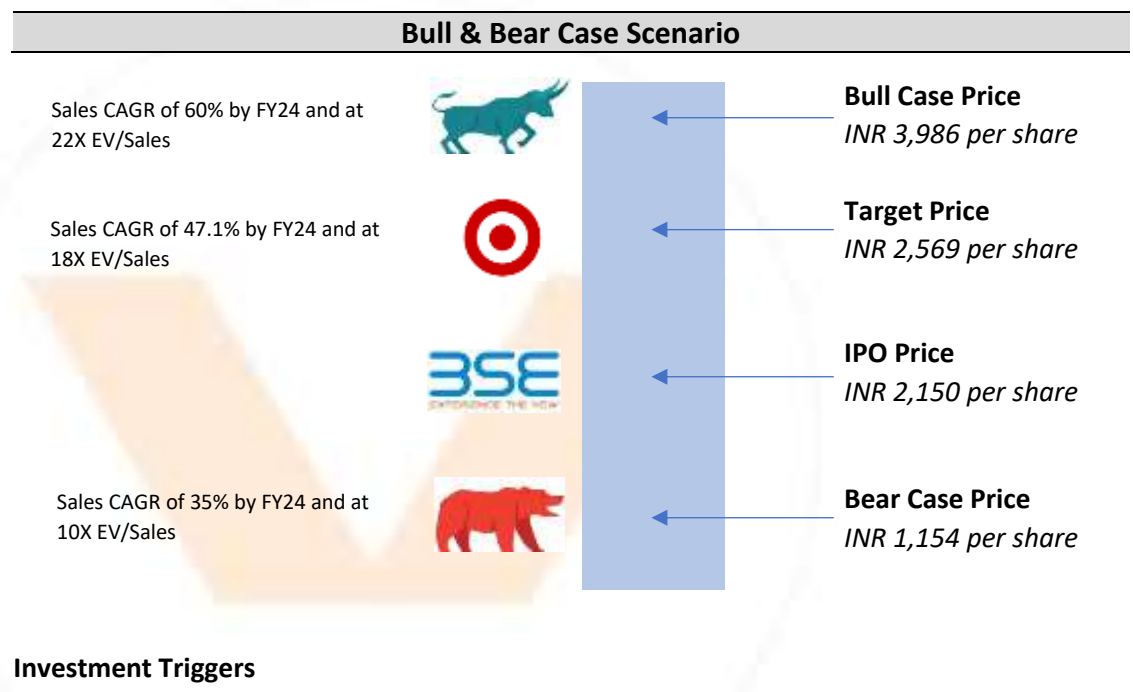


Source: Ventura Research, ACE Equity & Bloomberg

Our Bull and Bear Case Scenarios

We have prepared a Bull and Bear case scenario based on Paytm's FY24 Sales and EV to Sales valuation.

- **Bull Case:** We have assumed a 60% revenue CAGR to INR 11,479 cr by FY24 and an EV/Sales valuation of 22X, which will result in a Bull Case price target of INR 3,986 per share (an upside of 85.4% from the upper band IPO price of INR 2,150 per share).
- **Bear Case:** We have assumed a 35% revenue CAGR to INR 6,895 cr by FY24 and an EV/Sales valuation of 10X, which will result in a Bear Case price target of INR 1,154 per share (a downside of 46.3% from the upper band IPO price of INR 2,150 per share).



Investment Triggers

- Paytm has developed a payment led super app and evolved in to a comprehensive payment ecosystem, which includes in-store purchase, online bill payment, business solution for merchants, credit, insurance, wealth management, e-commerce, etc. Patym has created a one-stop shop, which is unique in the industry and helps it to cross sell its products.

Catalysts

- Increasing pace of digitization after demonetization and rise in contact less payment during pandemic is presenting a significant opportunity for multi-year growth.

Financial Analysis and Projections

Payment Services

During FY19-21, Paytm demonstrated a robust GMV for payment services of 32.6% CAGR to INR 4,033 bn, driven by

- Expansion in monthly transacting users (MTUs) from 34.4 mn in FY19 to 45.1 mn in FY21 (CAGR growth of 14.5%). Paytm merchants also increased from 11.2 mn in FY19 to 21.1 mn in FY21 (CAGR growth of 37.3%).
- Growth in average transaction amount per MTU per month from INR 5,552 in FY19 to INR 7,452 in FY21

However, over the same period, Paytm's payment service revenues grew at a CAGR of 11.5% to INR 2,109 cr (75.3% revenue contribution), due to a decline in take rates (revenue to GMV ratio) from 0.74% in FY19 to 0.52% in FY21 on account of rising competition from Google Pay, PhonePe, BHIM UPI and other mobile payment apps. In Q1 & Q2 of FY22, Paytm reported significant improvement in MTUs to 50.4 mn (26.6% YoY growth) and 57.4 mn (33.2% YoY growth), while the average transaction value per MTU per month increased to INR 9,716 (66.4% YoY growth) and INR 11,359 (55.1% YoY growth) respectively, which resulted in segment's GMV of INR 1,469 bn in Q1FY22 (110.8% YoY growth) and INR 1,956 bn in Q2FY22 (106.5% YoY growth). Segment's revenue reported YoY growth of 60.4% to INR 689 cr in Q1FY22.

Cloud Services

Revenues from cloud services increased at a CAGR of 14.0% to INR 448 cr in FY21 (16.0% revenue contribution). While this business contribution is minuscule, it is a large addressable market. As Paytm taps into its captive merchant clientele this revenue should grow exponentially in the coming years. Cloud services revenue reported YoY growth of 57.9% to INR 150 cr in Q1FY22.

E-Commerce

GMV from e-commerce declined by 70.2% to INR 42 bn in FY21 (8.7% revenue contribution) from INR 142 bn in FY20. In line with the declining trend in GMV, revenues fell at a CAGR of 54.6% to INR 245 cr from INR 1,191 cr clocked in FY19. This decline was an outcome of increasing competition from Amazon, Flipkart, Nykaa and other e-commerce setups. In Q1FY22, e-commerce posted a GMV of INR 9.0 bn (89.4% YoY growth), while the revenues stood at INR 52 cr (94.4% YoY growth). Also, e-commerce is more of a cross-sell revenue-generating stream rather than payments, which is a core focus area.

Overall, the total operating revenues declined at a CAGR of 6.9% to INR 2,802 cr. Despite pressure on the top-line, Paytm managed to report a contribution profit of INR 363 cr in FY21, compared to the losses in FY19 (INR 1,998 cr) and FY20 (INR 238 cr) given the better control on costs on

- the decline in payment processing charges from 0.98% of payment services GMV in FY19 to 0.48% in FY21, and
- 71.0% CAGR decline in promotional expenses, cashback & incentives to INR 236 cr over the same period.

Paytm also managed to control its marketing expenses, which declined from INR 615 cr in FY19 to INR 297 cr in FY21. As a result, EBITDA loss significantly narrowed from INR 4,366 cr in FY19 to INR 1,767 cr in FY21, while net losses declined from INR 4,231 cr in FY19 to INR 1,701 cr in FY21.

The aggressive brand-building expenses incurred in the pre-pandemic period helped Paytm stand out as the go-to platform, which was the need for contactless mobile payments during the pandemic. As a result, Paytm was able to cut back on promotional expenses, cashback, incentives and marketing expenses significantly without impacting the exponential growth.

Paytm's Q1FY22 revenue stood at INR 891 cr, a YoY growth of 61.6%, while EBITDA and net loss increased to INR 371 cr (loss of INR 332 cr in Q1FY21) and 382 cr (loss of INR 284 cr in Q1FY21), respectively, during the quarter.

Financial Performance: FY21-24E

Over the forecast period of FY21-24E, we expect the payment services GMV to grow at a CAGR of 59.7% to INR 16,412 bn driven by

- Expected rise in MTUs from 45.1 mn in FY21 to 87.6 mn in FY24 (CAGR growth of 24.8%). We are expecting Paytm merchants to grow from 21.1 mn in FY21 to 32.8 mn in FY24 (CAGR growth of 15.9%)
- Estimated growth in average transaction amount per MTU per month from INR 7,452 in FY21 to INR 15,613 in FY24.

As a result, payment services revenues are expected to grow at a CAGR of 54.0% to INR 7,702 cr by FY24.

Revenue for cloud services to grow at a CAGR of 21.3% to INR 800 cr by FY24 citing better mining of incumbent merchants data.

We believe that the e-commerce declining trend should reverse given the increasing cross-sell opportunity from large traction in the payment services user base. Over the period FY21-24E, GMV from e-commerce is expected to grow at a CAGR of 15% to INR 74 bn, in turn leading to a 19.9% CAGR in e-commerce revenues to INR 422 cr by FY24.

Overall revenue is expected to grow at a CAGR of 47.1% to INR 8,924 cr by FY24, while EBITDA and net losses are expected to come down to INR 926 cr and INR 970 cr respectively.

Paytm's Financial Summary

Fig in INR Cr (unless specified)	FY19	FY20	FY21	FY22E	FY23E	FY24E	FY25E	FY26E	FY27E	FY28E	FY29E	FY30E
Payment Services GMV (INR Bn)	2,292.0	3,032.0	4,033.0	7,684.6	11,869.7	16,411.9	21,579.8	27,372.3	33,788.5	40,828.0	48,490.0	56,774.2
Revenue from Payment Services	1,695.5	1,906.8	2,109.2	3,606.4	5,570.5	7,702.1	10,127.4	12,845.8	15,856.9	19,160.5	22,756.3	26,644.1
<i>Payment Services Take Rate (%)</i>	<i>0.74</i>	<i>0.63</i>	<i>0.52</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>	<i>0.47</i>
Commerce GMV (INR Bn)		142.2	42.4	56.0	64.4	74.1	84.5	95.4	106.9	118.7	130.5	142.3
Revenue from Commerce Services	1,191.5	710.9	245.2	321.1	367.2	422.3	481.4	544.0	609.3	676.3	743.9	810.9
<i>Commerce Services Take Rate (%)</i>		<i>5.0</i>	<i>5.8</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>	<i>5.7</i>
Revenue from Cloud Services	345.0	407.9	448.0	599.7	700.0	800.0	900.0	1,000.0	1,100.0	1,200.0	1,300.0	1,400.0
Other Operating Revenue	0.0	255.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Operating Revenue	3,232.0	3,280.8	2,802.4	4,527.1	6,637.7	8,924.4	11,508.8	14,389.8	17,566.2	21,036.8	24,800.2	28,855.0
<i>YoY Growth (%)</i>		<i>1.5</i>	<i>(14.6)</i>	<i>61.5</i>	<i>46.6</i>	<i>34.5</i>	<i>29.0</i>	<i>25.0</i>	<i>22.1</i>	<i>19.8</i>	<i>17.9</i>	<i>16.3</i>
Payment Processing Charges	2,257.4	2,265.9	1,916.8	2,754.2	4,254.2	5,882.1	7,734.3	9,810.4	12,110.1	14,633.0	17,379.1	20,348.3
Promotional, Cashbacks & Incentives	2,793.7	959.2	235.7	277.9	331.9	401.6	460.4	503.6	527.0	525.9	496.0	432.8
Connectivity & Content Fees	107.1	156.1	181.9	221.1	317.5	418.0	527.5	645.1	770.0	901.1	1,037.5	1,178.2
Contest, Ticketing & Fastag Expenses	68.0	122.1	68.1	40.7	48.0	55.0	62.2	69.5	76.9	84.4	92.0	99.5
Logistics, Deployment & Collection Cost	3.8	15.3	37.4	34.1	66.4	89.2	115.1	143.9	175.7	210.4	248.0	288.5
Contribution Profit	(1,998.0)	(237.8)	362.5	1,199.2	1,619.7	2,078.4	2,609.4	3,217.2	3,906.6	4,682.0	5,547.6	6,507.6
<i>YoY Growth (%)</i>		<i>(88.1)</i>	<i>(252.4)</i>	<i>230.8</i>	<i>35.1</i>	<i>28.3</i>	<i>25.5</i>	<i>23.3</i>	<i>21.4</i>	<i>19.8</i>	<i>18.5</i>	<i>17.3</i>
<i>Contribution Margin (%)</i>	<i>(61.8)</i>	<i>(7.2)</i>	<i>12.9</i>	<i>26.5</i>	<i>24.4</i>	<i>23.3</i>	<i>22.7</i>	<i>22.4</i>	<i>22.2</i>	<i>22.3</i>	<i>22.4</i>	<i>22.6</i>
Marketing & Promotional Expenses	614.6	437.9	296.8	302.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0	300.0
Employee Benefit Expenses	856.2	1,119.3	1,184.9	1,460.3	1,659.4	1,683.9	1,743.8	1,821.4	1,909.3	2,003.5	2,101.8	2,202.8
Software, Cloud & Data Center Expenses	309.6	360.3	349.8	524.0	550.0	600.0	650.0	700.0	750.0	800.0	850.0	900.0
Subcontract Expenses	272.2	221.8	69.2	80.2	93.7	108.6	124.7	141.8	159.8	178.5	197.4	216.4
Other Expenses	315.5	257.3	229.1	259.6	303.8	312.0	320.3	328.6	337.1	345.6	354.2	362.9
EBITDA	(4,366.1)	(2,634.4)	(1,767.3)	(1,427.0)	(1,287.2)	(926.0)	(529.4)	(74.6)	450.4	1,054.5	1,744.2	2,525.6
<i>YoY Growth (%)</i>		<i>(39.7)</i>	<i>(32.9)</i>	<i>(19.3)</i>	<i>(9.8)</i>	<i>(28.1)</i>	<i>(42.8)</i>	<i>(85.9)</i>	<i>(703.5)</i>	<i>134.1</i>	<i>65.4</i>	<i>44.8</i>
<i>EBITDA Margin (%)</i>	<i>(135.1)</i>	<i>(80.3)</i>	<i>(63.1)</i>	<i>(31.5)</i>	<i>(19.4)</i>	<i>(10.4)</i>	<i>(4.6)</i>	<i>(0.5)</i>	<i>2.6</i>	<i>5.0</i>	<i>7.0</i>	<i>8.8</i>
Net Profit	(4,230.9)	(2,942.4)	(1,701.0)	(1,186.2)	(935.4)	(905.7)	(837.1)	(661.5)	(340.2)	99.8	629.8	1,350.0
<i>YoY Growth (%)</i>		<i>(30.5)</i>	<i>(42.2)</i>	<i>(30.3)</i>	<i>(21.1)</i>	<i>(3.2)</i>	<i>(7.6)</i>	<i>(21.0)</i>	<i>(48.6)</i>	<i>(129.3)</i>	<i>530.8</i>	<i>114.3</i>
<i>Net Margin (%)</i>	<i>(130.9)</i>	<i>(89.7)</i>	<i>(60.7)</i>	<i>(26.2)</i>	<i>(14.1)</i>	<i>(10.1)</i>	<i>(7.3)</i>	<i>(4.6)</i>	<i>(1.9)</i>	<i>0.5</i>	<i>2.5</i>	<i>4.7</i>
Adjusted EPS (INR)	(65.3)	(45.4)	(26.2)	(18.3)	(14.4)	(14.0)	(12.9)	(10.2)	(5.2)	1.5	9.7	20.8
<i>P/E (X)</i>	<i>(32.9)</i>	<i>(47.4)</i>	<i>(81.9)</i>	<i>(117.5)</i>	<i>(149.0)</i>	<i>(153.9)</i>	<i>(166.5)</i>	<i>(210.7)</i>	<i>(409.7)</i>	<i>1,395.9</i>	<i>221.3</i>	<i>103.2</i>
Adjusted BVPS (INR)	88.3	125.0	100.8	210.5	196.1	182.1	169.2	159.0	153.8	155.3	165.0	185.9
<i>P/BV (X)</i>	<i>24.3</i>	<i>17.2</i>	<i>21.3</i>	<i>10.2</i>	<i>11.0</i>	<i>11.8</i>	<i>12.7</i>	<i>13.5</i>	<i>14.0</i>	<i>13.8</i>	<i>13.0</i>	<i>11.6</i>
Enterprise Value	137,351.3	136,076.7	136,967.2	130,070.4	132,022.0	133,498.6	134,450.5	134,800.4	134,450.2	133,118.3	130,509.2	126,522.3
<i>EV/Sales (X)</i>	<i>42.5</i>	<i>41.5</i>	<i>48.9</i>	<i>28.7</i>	<i>19.9</i>	<i>15.0</i>	<i>11.7</i>	<i>9.4</i>	<i>7.7</i>	<i>6.3</i>	<i>5.3</i>	<i>4.4</i>
<i>EV/EBITDA (X)</i>	<i>(31.5)</i>	<i>(51.7)</i>	<i>(77.5)</i>	<i>(91.2)</i>	<i>(102.6)</i>	<i>(144.2)</i>	<i>(254.0)</i>	<i>(1,806.1)</i>	<i>298.5</i>	<i>126.2</i>	<i>74.8</i>	<i>50.1</i>
Net Worth	5,724.9	8,105.2	6,534.8	13,648.6	12,713.3	11,807.5	10,970.4	10,308.9	9,968.7	10,068.5	10,698.3	12,048.3
<i>Return on Equity (%)</i>	<i>(73.9)</i>	<i>(36.3)</i>	<i>(26.0)</i>	<i>(8.7)</i>	<i>(7.4)</i>	<i>(7.7)</i>	<i>(7.6)</i>	<i>(6.4)</i>	<i>(3.4)</i>	<i>1.0</i>	<i>5.9</i>	<i>11.2</i>
Capital Employed	6,656.6	8,532.7	7,146.8	13,709.5	12,767.5	11,854.8	11,010.4	10,341.1	9,992.7	10,083.9	10,704.6	12,049.9
<i>Return on Capital Employed (%)</i>	<i>(67.3)</i>	<i>(37.0)</i>	<i>(24.8)</i>	<i>(15.6)</i>	<i>(13.8)</i>	<i>(14.0)</i>	<i>(14.0)</i>	<i>(13.2)</i>	<i>(10.9)</i>	<i>(6.9)</i>	<i>(1.0)</i>	<i>5.9</i>
Invested Capital	3,697.4	4,803.1	4,123.2	4,340.2	5,356.4	5,927.3	6,042.1	5,730.5	5,040.1	3,807.9	1,828.7	(808.2)
<i>Return on Invested Capital (%)</i>	<i>(121.1)</i>	<i>(66.1)</i>	<i>(43.6)</i>	<i>(38.6)</i>	<i>(37.8)</i>	<i>(30.6)</i>	<i>(26.8)</i>	<i>(23.9)</i>	<i>(20.5)</i>	<i>(15.6)</i>	<i>(3.6)</i>	<i>130.5</i>
Cash Flow from Operations	(4,475.9)	(2,376.6)	(2,082.5)	(1,215.6)	(255.4)	220.2	745.7	1,348.3	2,071.0	2,856.8	3,634.8	4,513.6
Cash Flow from Investing	1,911.0	(1,996.3)	1,929.8	(428.3)	(2,191.3)	(2,144.7)	(2,140.6)	(2,141.1)	(2,166.4)	(1,975.4)	(1,482.7)	(991.2)
Cash Flow from Financing	2,110.5	5,159.9	(222.1)	7,728.6	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)	(5.9)
Net Cash Flow	(454.4)	787.0	(374.8)	6,084.7	(2,457.5)	(1,935.4)	(1,405.8)	(803.7)	(106.3)	870.5	2,141.2	3,516.5
Free Cash Flow	(4,650.8)	(2,563.2)	(2,269.6)	(1,415.6)	(1,955.4)	(1,479.8)	(954.3)	(351.7)	371.0	1,356.8	2,634.8	4,013.6
<i>FCF to Net Profit (%)</i>	<i>109.9</i>	<i>87.1</i>	<i>133.4</i>	<i>119.3</i>	<i>209.0</i>	<i>163.4</i>	<i>114.0</i>	<i>53.2</i>	<i>(109.0)</i>	<i>1,358.9</i>	<i>418.3</i>	<i>297.3</i>
<i>FCF to Net Worth (%)</i>	<i>(81.2)</i>	<i>(31.6)</i>	<i>(34.7)</i>	<i>(10.4)</i>	<i>(15.4)</i>	<i>(12.5)</i>	<i>(8.7)</i>	<i>(3.4)</i>	<i>3.7</i>	<i>13.5</i>	<i>24.6</i>	<i>33.3</i>
Total Debt	931.7	427.5	612.0	60.9	54.3	47.3	40.0	32.2	24.0	15.4	6.2	1.6
Net Debt	(2,027.5)	(3,302.1)	(2,411.6)	(9,308.4)	(7,356.8)	(5,880.2)	(4,928.4)	(4,578.4)	(4,928.6)	(6,260.6)	(8,869.6)	(12,856.5)
<i>Net Debt to Equity (X)</i>	<i>(0.4)</i>	<i>(0.4)</i>	<i>(0.4)</i>	<i>(0.7)</i>	<i>(0.6)</i>	<i>(0.5)</i>	<i>(0.4)</i>	<i>(0.4)</i>	<i>(0.5)</i>	<i>(0.6)</i>	<i>(0.8)</i>	<i>(1.1)</i>
<i>Net Debt to EBITDA (X)</i>	<i>0.5</i>	<i>1.3</i>	<i>1.4</i>	<i>6.5</i>	<i>5.7</i>	<i>6.4</i>	<i>9.3</i>	<i>61.3</i>	<i>(10.9)</i>	<i>(5.9)</i>	<i>(5.1)</i>	<i>(5.1)</i>

Source: Company Reports

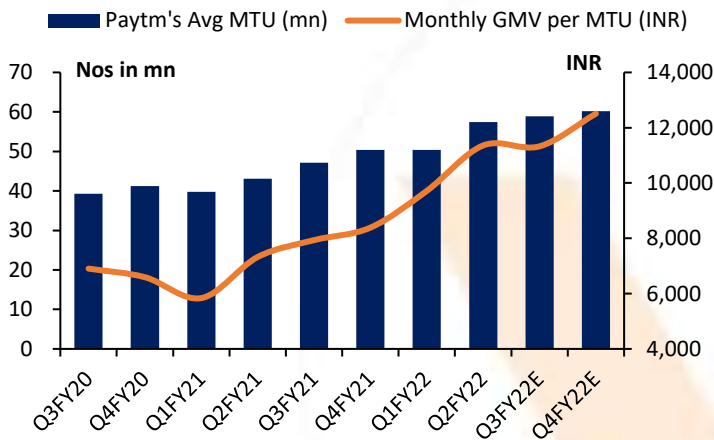
Paytm's GMV build-up

Payment Services	FY19	FY20	Q1	Q2	Q3	Q4	FY21	FY19-21 CAGR (%)	Q1	Q2	Q3E	Q4E	FY22E	FY23E	FY24E	FY21-24E CAGR (%)
MTU (nos mn)	34.4	39.7	39.8	43.1	47.1	50.4	45.1	14.5	50.4	57.4	58.9	60.2	56.7	73.3	87.6	24.8
YoY Growth (%)		15.4					13.6		26.6	33.2	25.1	19.4	25.8	29.2	19.6	
Value per MTU per month (INR)	5,552	6,364	5,838	7,324	7,933	8,386	7,452	15.9	9,716	11,359	11,326	12,509	11,290	13,502	15,613	28.0
YoY Growth (%)		14.6					17.1		66.4	55.1	42.8	49.2	51.5	19.6	15.6	
GMV (INR bn)	2,292	3,032	697	947	1,121	1,268	4,033	32.6	1,469	1,956	2,002	2,258	7,685	11,870	16,412	59.7
YoY Growth (%)		32.3					33.0		110.8	106.5	78.6	78.0	90.5	54.5	38.3	

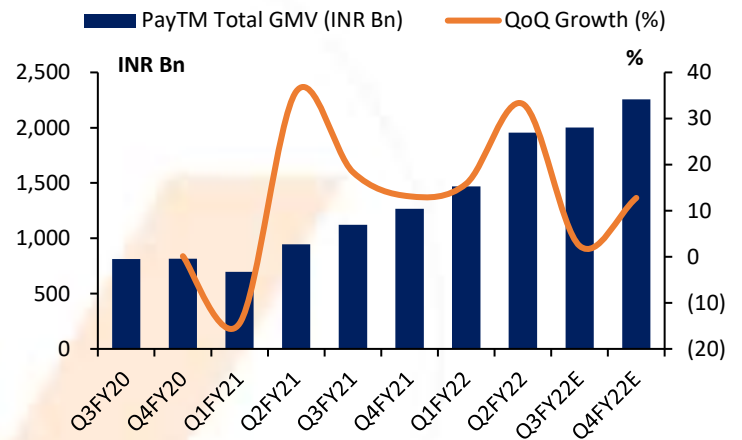
Source: Company Reports & Ventura Research

Paytm's Quarterly GMV Performance

Paytm's customer addition and their mobile transactions are on rise



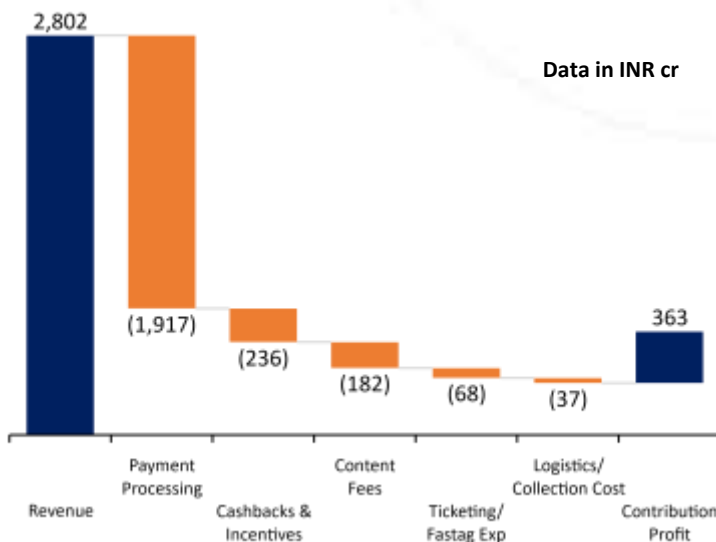
GMV to grow on double barrel growth of MTU and rise in spending



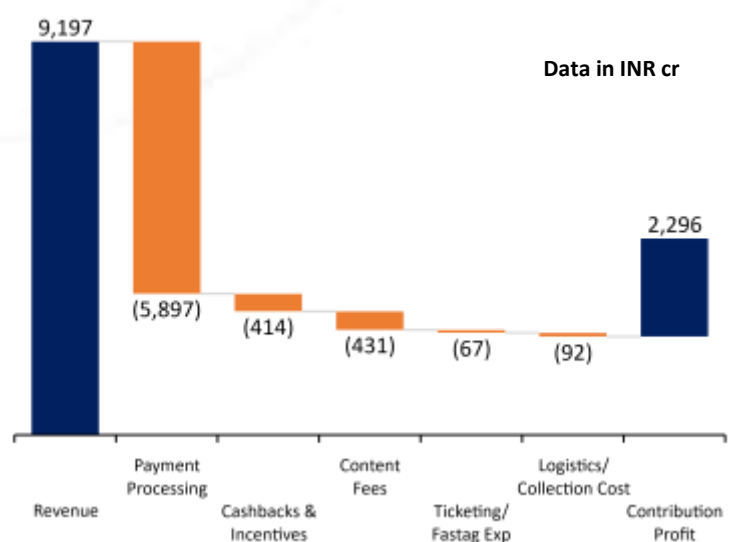
Source: Company Reports & Ventura Research

Paytm's Revenue and Contribution Profit Analysis

FY21 Revenue and Contribution



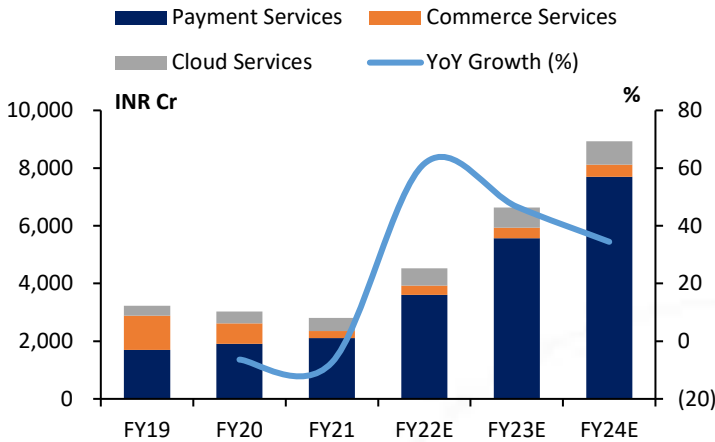
FY24E Revenue and Contribution



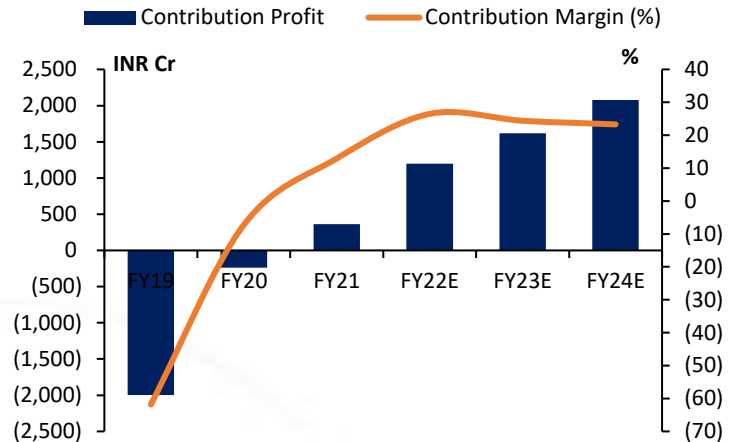
Source: Company Reports & Ventura Research

Paytm's Financial Performance

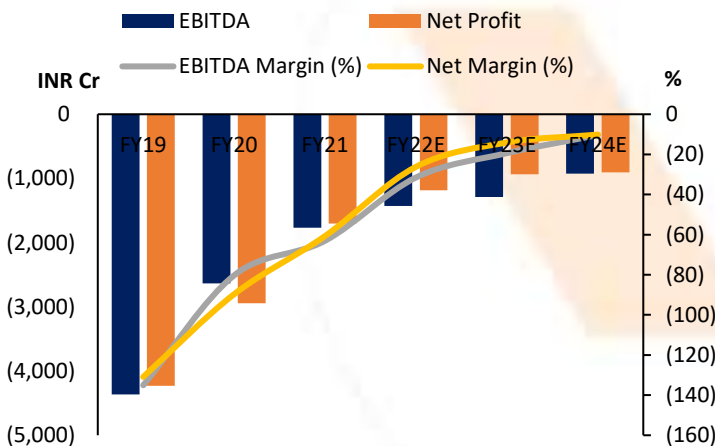
Addition of MTU and their mobile spend habits to drive 'Payment Services' revenue



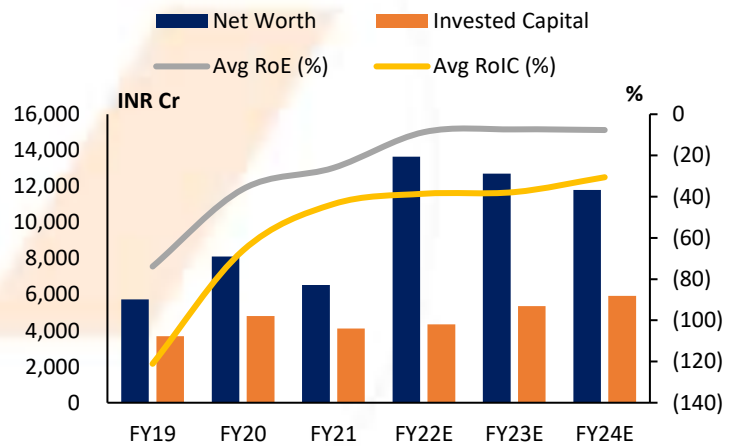
Paytm to sustain positive contribution in the coming years



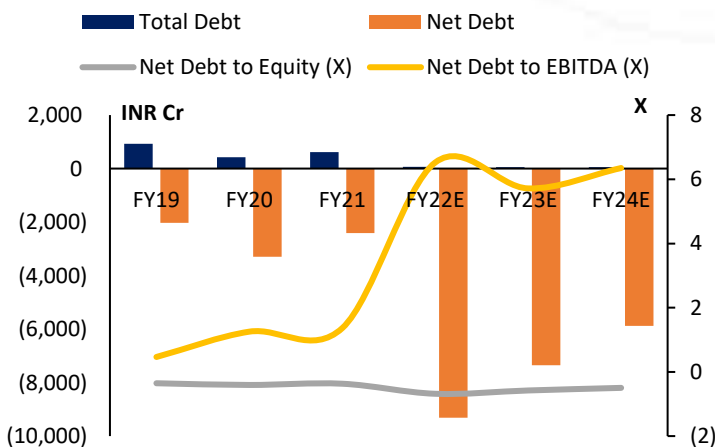
Paytm is in investment mode, EBITDA to accrue profit after FY25



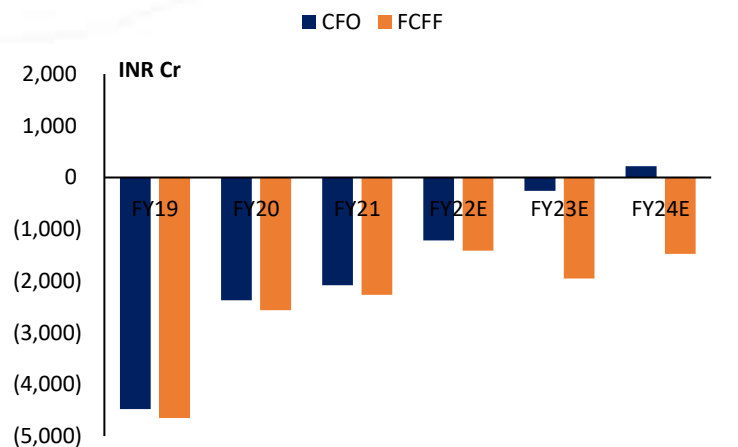
Return ratios to improve with reduction in operating losses



Balance sheet to remain debt free, net debt to improve significantly with IPO proceeds



Operating cash flow to improve with higher contribution profit



Source: Company Reports & Ventura Research

Paytm Subsidiaries and Associate Companies

Paytm Subsidiaries/Associates	Paytm's stake	Key Stakeholders	Business
One97 Communications Singapore	100	Wholly owned subsidiary	providing value added services to the telecom operators through installation of telecom servers and undertaking all such activities as are necessary for such business.
One97 Communications Nigeria	100	Wholly owned subsidiary	Providing value added added services using voice and messaging platform to telecommunication operators and enterprise customers.
One97 Communications FZ-LLC	100	Wholly owned subsidiary	Providing value added services to the telecom operators through installation of telecom servers and undertaking all such activities as are necessary for such business.
One97 USA Inc.	100	Wholly owned subsidiary	Development and operations of platforms for online games
One97 Communications India	100	Wholly owned subsidiary	Voice and messaging platform and other ancillary business services
Paytm Entertainment	100	Wholly owned subsidiary	Provides technical application support services and solutions, along with the business of developing, enhancing, and operating an online platform
Paytm Money	100	Wholly owned subsidiary	Provides cloud-based mobile first wealth management services
Paytm Insurance Broking	100	Wholly owned subsidiary	IRDAI registered insurance broker
Mobiquest Mobile Technologies	65.71	Vineet Narang - 15.7	A mobile enterprise platform company
		Sabina Kamal - 9.14	
		Chandra Shekhar - 2.81	
		Anoop Srivastava - 2.81	
Wasteland Entertainment	100	Irfan Furniturewala - 1.24	Online ticketing services to event organizers and movies
		Wholly owned subsidiary	
Urja Money	67.47	Admirable Software - 32.53	Development of software/applications and carry on the business of providing financial, investment and lending advisory
Little Internet	62.53	Nearbuy Pte Ltd - 37.47	Currently not engaged in any active business
Orbgen Technologie	100	Wholly owned subsidiary	Business of system study, design and development of system software, application software, manpower support services for online entertainment ticketing business
Paytm Services	100	Wholly owned subsidiary	Offers manpower hiring and placement services
Paytm Payments Bank	49	Vijay Shekhar Sharma - 51	Operating as a payment bank in India
Paytm First Games	55	Agtech Media Holdings - 45	Offers mobile and online gaming
Infinity Transoft Solution	26.57	Infinity Infoway - 36.72	Engaged in the business of providing travel solution to bus operators
		Leezaben Rajivkumar Dharmsoniya - 30.11	
		Rajivkumar Dharmsoniya - 6.61	
		Sabre Partners Trust - 10.29	
		Srihari Kumar - 8.44	
		Sandipan Mitra - 7.36	
		Uttam Kumar - 7.36	
Eatgood Technologies	22.2	SAMA Family Trust - 7.04	Engaged in the business of providing technology solutions to corporates in handling cafeteria operations by supplying food through the contracted vendor partners on its digital platform.
		KGMG Family Trust - 5.9	
		Pratithi Investment Trust - 4.99	
		Shinhan Neoplux Energy Newbiz Fund - 4.44	
		CRM Holdings - 3.98	
		M/s 2015 Grover family trust - 1.1	
		MNI Ventures - 1.71	
		Samar Singla - 44.28	
		Click Labs - 6.1	
		Rajesh Chaudhary - 3.36	
Socomo Technologies	21.44	Rohit Gupta - 3.06	Engaged in the business of IT and software development
		Snow Leopard - 10.66	
		Mohit Gupta - 3.06	

Source: Company Reports

Understanding the business model of Paytm

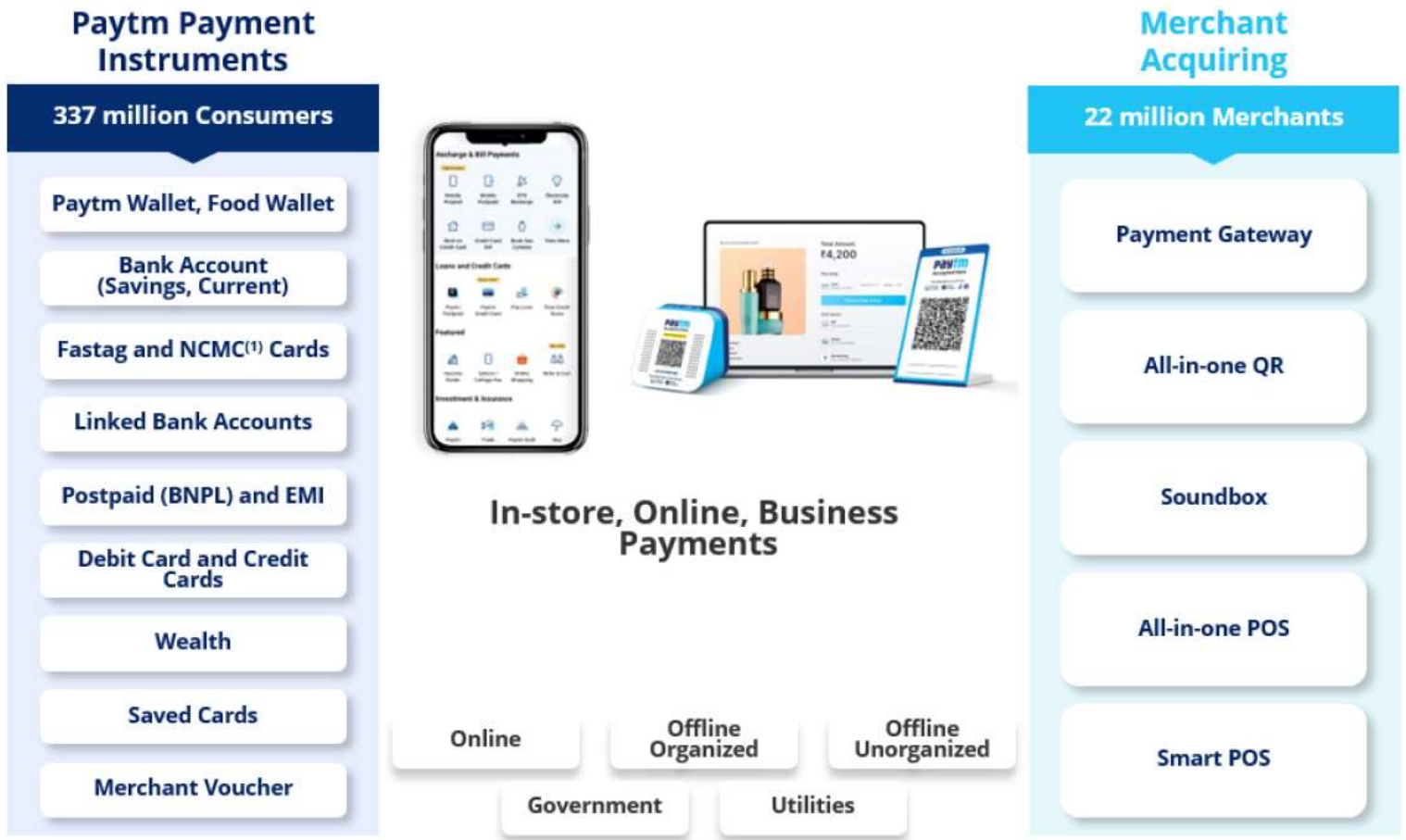
The Paytm app offers a plethora of payment, e-commerce and financial services applications to both individual users and merchants. Consumers make online payments, money transfers and pay in-store merchants using the Paytm app. Paytm provides QR codes, soundbox and POS services to merchants. It also offers subscription-based business solutions and cloud services which helps them to manage their business operations. Further, the app offers a broad range of financial and e-commerce services as outlined in the chart below.

Overview of the services offered on the Paytm app

Offerings on Paytm App	Services Offered	Revenue Model
Payment Services		
Recharge & Bill Payments	One97, through supply from own merchant network and PPBL (through BBPS)	Merchant - Payments processing fees and rentals for devices deployed
Send Money (Money Transfer)	PPBL (associate)	
Pay (In-Store Payments)	One97 Payment instruments from 3rd parties (cards), associates (e.g. PPBL) and partners	Consumer - Convenience fees in certain select cases
Commerce & Cloud		
Travel Ticketing	One97, through supply from own merchant network	Merchant - Payments processing fees, marketing fees and advertising fees (including for Mini-apps) and other fees
Entertainment Ticketing	One97, through supply from own merchant network and Westland Entertainment Pvt Ltd (Paytm Insider), a wholly owned subsidiary of One97	
Mini App Store	Developer partners (on-boarded by One97) Includes Paytm E-Commerce Pvt Ltd (PEPL or Paytm Mall)'s mini app for online shopping (One97 has no equity stake in PEPL)	Consumer - Convenience fees in certain select cases
Games	Paytm First Game Pvt Ltd (subsidiary), not consolidated in One97	Merchant - Hosting commission
		Consumer - Platform fees
Paytm First Subscription	One97, in collaboration with partners	Merchant - Distribution fees (select)
		Consumer - Recurring subscription
Financial Services		
Digital Banking (including Paytm Wallet & FASTag)	PPBL (associate), pursuant to a business cooperation agreement with One97 Fixed deposit is offered by PPBL in collaboration with a partner bank	Payment gateway charges and convenience fees
Lending	One97 in collaboration with financial partners	Banks/NBFCs - Sourcing and collection fees
Wealth Management	Paytm Money Ltd (wholly owned subsidiary) Digital gold offered by One97 in collaboration with a partner	Consumer - Brokerage & fees
Insurance	Attachment products: by One97 in collaboration with partners Market place: by Paytm Insurance Broking Pvt Ltd (subsidiary)	Insurance Companies - Brokerage

Source: Company Reports

Plethora of payment services in the ecosystem for individual users and merchants



Source: Company Reports

How does Paytm generate revenue?

Fees and commissions from merchants and online services providers

Paytm earns transaction-based fees and commissions from merchants, telecom/DTH operators and online services providers

- Commission on 'Recharge Services'
 - a. Recharge is available on the Paytm platform for all telecom service providers.
 - b. Paytm charges a commission of 2-3% on each recharge.
- Bill & Fee Payment
 - a. Paytm allows the customers to pay their bills such as water, rent, electricity, phone bills, etc. It has also partnered with educational and financial institutions and receives payments on their behalf.
 - b. Paytm charges a commission from these service providers.
- Payment Solutions to Online Services
 - a. Paytm offers payment solutions to online businesses. It allows them to receive payment through Paytm.

- b. Paytm charges a commission on the transaction amount.
- Travel booking through Online Travel Agency (OTA) model
 - a. Paytm has OTA, where it lets the customers' book train, air, or bus tickets and hotels.
 - b. Paytm charges a certain percentage of commission on the total bookings. The rate of the commission depends on the type of bookings.
- Fees from merchants for the transaction on in-store purchases
 - a. Paytm has 21.8 mn registered merchants using Paytm QR codes, however, not all of them are paying fees to Paytm currently. Paytm starts billing these registered merchants beyond a certain turnover threshold (undisclosed).
 - b. For small shopkeepers, the service is provided free of cost. This is part of the strategy to create an ecosystem, where incumbents maintain their balance in the Paytm Wallet. Paytm in turn earns interest income on the collective float.
 - c. The company provides a device – Paytm Soundbox – which it sells to the merchants. The Paytm Soundbox is a battery-operated IoT based device providing voice-based confirmation of QR code payments to merchants.

Paytm Mall – Based on the grounds of Amazon and Flipkart

Paytm was the first company in India to launch mobile-only shopping. It allows the sellers to list and sell their products on the Paytm portal. For this, it charges a commission from the sellers (which varies as per the product categories).

Paytm Credit

Paytm offers a range of credit products to its consumers and merchants, in collaboration with its financial institution partners

- **Paytm Postpaid (BNPL)**
Paytm provides consumers with the flexibility to use the BNPL option across its merchant base. Consumers can make transactions up to their credit limit every month and repay their balance next month by UPI, Paytm Wallet, debit card, and net banking, using the Paytm App.
- **Co-branded credit card**
Paytm offer co-branded credit cards (SBI and HDFC Bank) and card management services on the Paytm App, including real-time transaction history, spend analytics, and the ability to change credit limits.
- **Personal loans through co-origination**
Paytm disburse fully digital personal loans to individuals (especially 1st-time borrowers). It can be instantly availed at any time for instant fund requirements and discretionary spending, with a loan size range of INR 10,000 to INR 200,000.
- **Merchant Lending**
Merchants can avail of unsecured business loans credit, based on the credit score and transaction history of the merchant.

Paytm Insurance Broking

Paytm Insurance Broking is a registered insurance broker with IRDAI that offers an insurance marketplace with products across auto, life and health insurance, where it also provides policy management and claim services for its customers.

Paytm entered the general insurance market with the acquisition of Mumbai based Raheja QBE for INR 588 cr (the acquisition is subject to regulatory approval). Private equity firm Swiss RE will be injecting INR 920 cr in Paytm's general insurance venture.

Paytm Money

Paytm provides wealth management services to its consumers through its subsidiary Paytm Money, in collaboration with financial partners.

- **Paytm Mutual Fund Distribution**
Paytm Money offers zero commission direct mutual funds to its consumers. Users can compare the features of mutual funds, and also switch between mutual funds and manage their investments.
- **Paytm Money Equity Trading Platform**
Paytm offers options to trade and invest in cash equities, futures and options, initial public offerings and exchange-traded funds, among others through the Paytm Money app.
- **Paytm Digital Gold – An alternative to Gold ETF**
Paytm has partnered with gold refiner MMTC-PAMP to launch 'Digital Gold' that allows its users to buy, sell, and store gold digitally without any additional cost. Users can also get the gold delivered to their house.

Software and Cloud Services for merchants

Paytm offer a wide range of software and cloud services to its merchant partners:

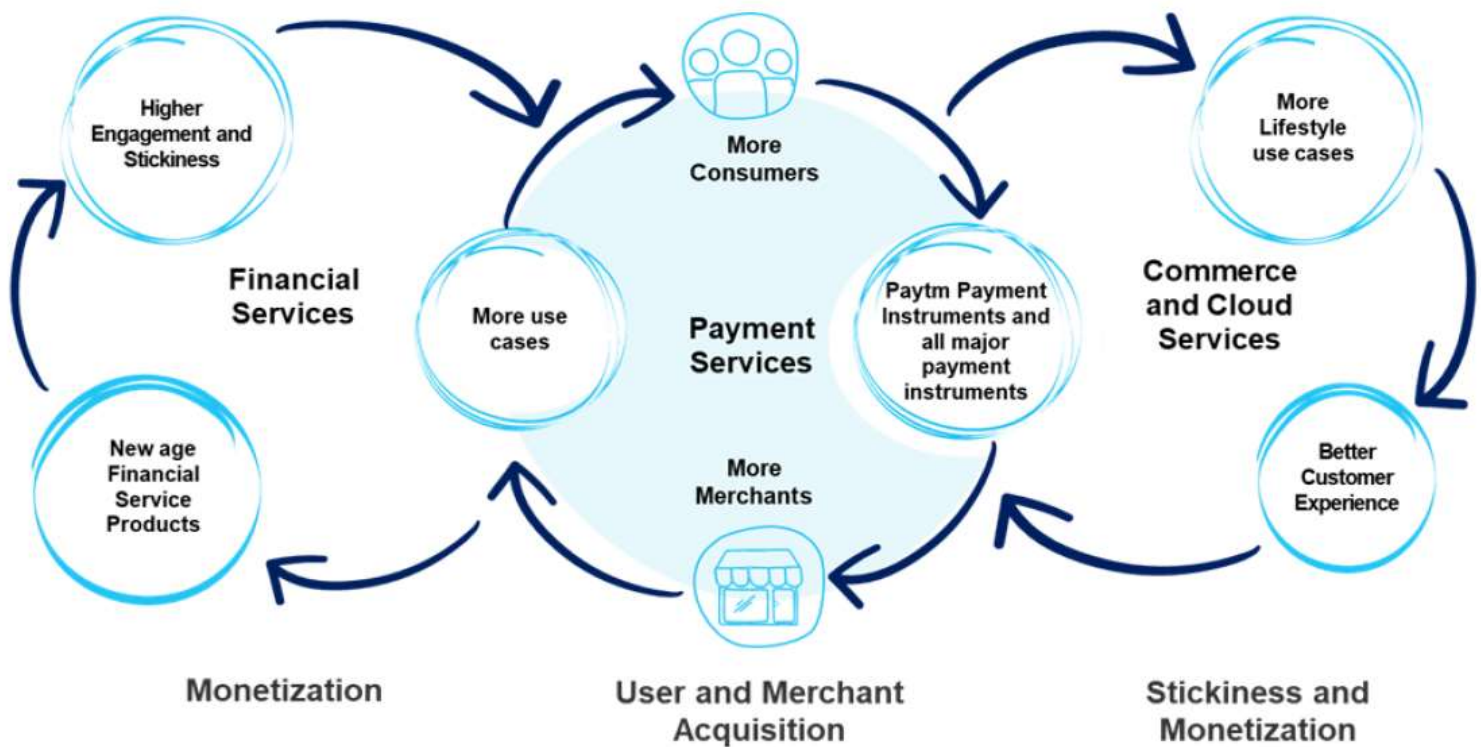
- SME Cloud help merchants improve customer engagement and streamline operations, which includes
 - Loyalty enables merchants to issue cashback, vouchers and other such deals to their customers as loyalty rewards. Users can redeem these rewards on the Paytm App
 - The channel allows merchants to open an online storefront where they can directly communicate with their customers, and
 - Billing and Ledger Services (Business Khata) is an e-ledger service. Business Khata also provides additional services to merchants including the ability to
 - Save customer details
 - Record sales and payments
 - Track customer balance instantly
 - Send direct payment links to customers

- Paytm offers a wide range of products and services in this segment to mobile consumers in over 24 countries and over 208 brands across the globe. These services include platforms and solutions to manage customer lifecycle, digital services to engage consumers, and entertainment content to upsell customers.
- Paytm AI Cloud is a proprietary suite of SaaS applications created in-house to address requirements of digital and fintech platforms ranging from building payments systems, preventing fraud, managing multi-channel customer engagement, and unlocking customer insights.

Cross-selling of products to generate profitable business

Paytm has partnered with other financial institutions and banks to sell their products and services like insurance, investments, loans etc. It earns money in the form of commissions as per the contract between the parties. Cross-selling opportunities will help improve the wallet share of the 333 mn user base.

One-stop super app of Paytm helps it to cross sell products to respective customers



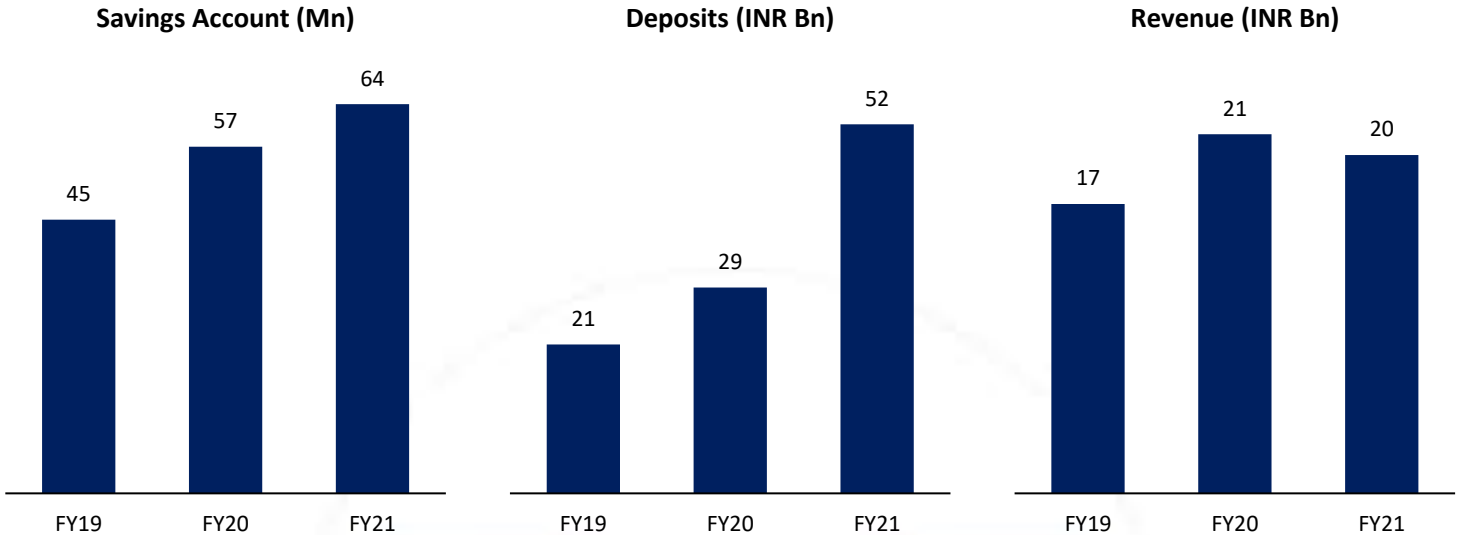
Source: Company Reports

Paytm Payment Bank – A strategic unit and an associate company

Paytm Payment Bank lets you open zero deposit digital current and savings bank accounts. They offer a 2.5% p.a. interest on saving bank accounts and overdraft facility on the current bank accounts. There are no restrictions related to any type of transaction but any balance deposits over INR 1.0 lakh is moved to a fixed deposit with a partner bank (which provides an

annual interest of 5%). The company also charges INR 10 per quarter for SMS alerts and an annual account subscription fee of INR 150.

Paytm Payment Bank 3 years performance



Source: Company Reports

Paytm Payment Bank manages Paytm Wallet for Paytm’s transacting users and Paytm-for-Business for corporate clients.

- **Paytm Wallet: Free for consumers, but earns interest income for Paytm**

Paytm Wallet is used to transfer money, pay bills, FASTag and shopping. However, as per the RBI guidelines, the money deposited by users in the Paytm wallet is deposited by Paytm in a bank account with a partner bank. This account deposit fetches Paytm certain interest which is decided as per the contract between the bank and Paytm.

However, operating a prepaid wallet with regular transactions comes with an expense. Banks and payment gateways charge a fee for the money deposited for using their services. This fee can’t be charged to the customers as it will make them choose alternatives like UPI, IMPS, etc. However, the interest generated through the current account deposits is usually more than the expenses incurred which results in profits to the company.

- **Paytm-for-Business app: A commercial version of Paytm Wallet**

Paytm-for-Business app is a commercial version of Paytm Wallet. It enables merchants to make bill payments, transfer payments to their bank accounts, select their settlement frequency, link or change their destination bank account, view all their transactions in one place.

Merchants can also avail multiple business services (such as promoting their business on Paytm App and managing loyalty solutions and other cloud services) and financial solutions (such as working capital loans and insurance products, through its financial institution partners). Paytm keeps the balance in a bank account with a partner bank and earns interest income on it.

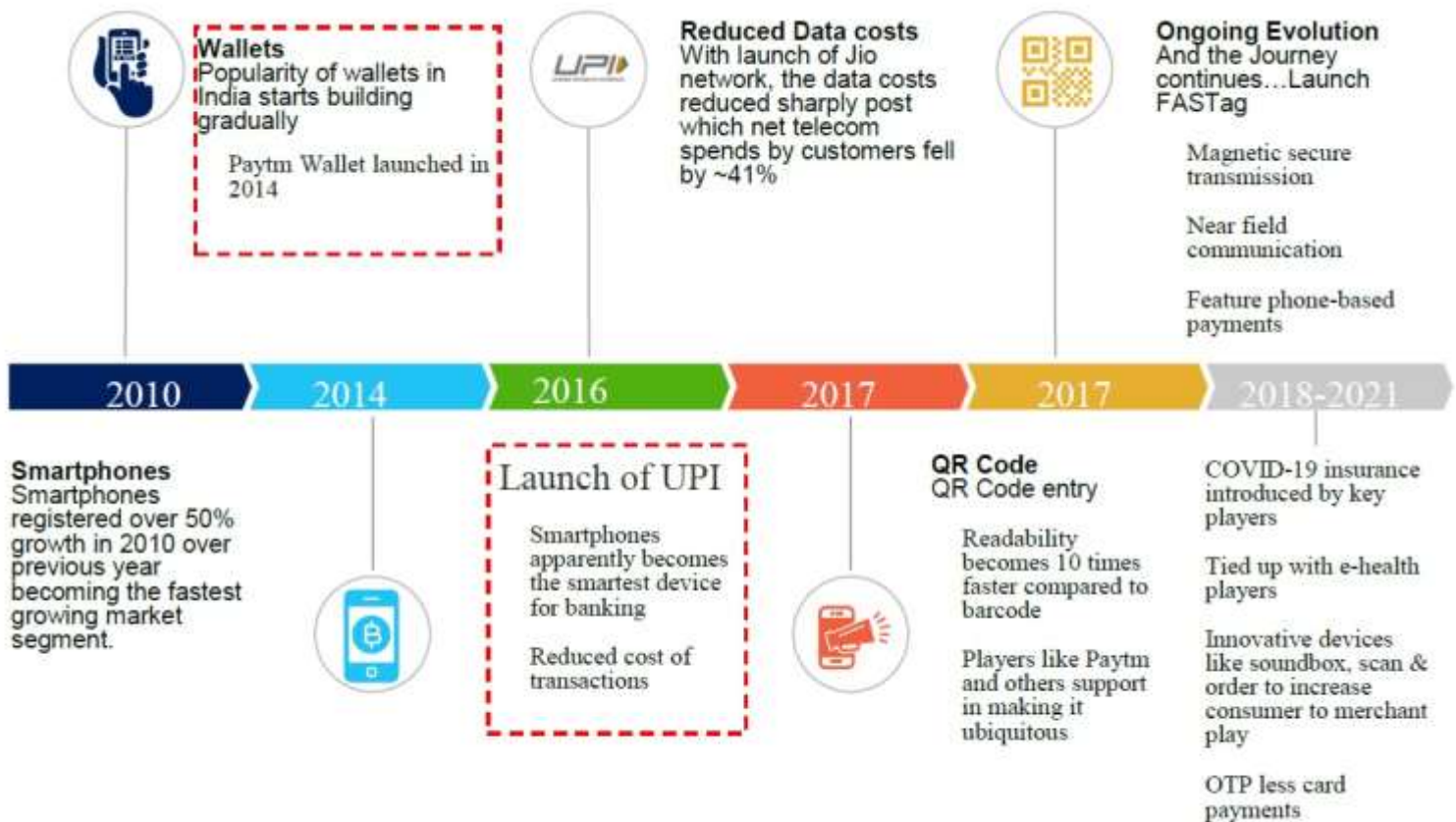
- **Interest Arbitrage**

Paytm Payment Bank makes money by depositing the money with some other bank and/or government deposits which provides interest rates greater than that is provided by it.

Humongous opportunity for mobile payment business in India

Digital payments have been growing steadily over time, however, India continues to be a cash-driven economy. However, post demonetization in Nov 2016 and the recent COVID-19 pandemic, consumers are rapidly switching to digital payments as it provides simple, safe and convenient ways to transact. Similarly, for merchants, acceptance of payments in digital form has increased significantly.

Evolution of mobile payment landscape in India

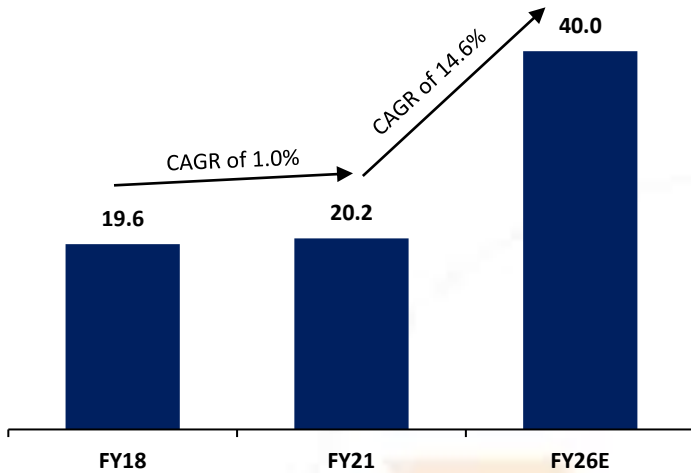


Source: Company Reports

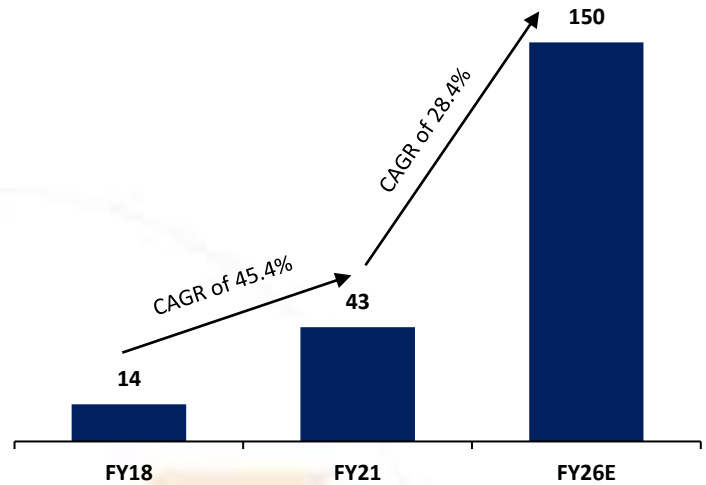
Several factors, including government initiatives and reforms, improving technology, increasing reach and awareness, digital payments are expected to more than double from USD 20 tn in FY 2021 to USD 40-50 tn by FY26.

Digital payment growth in India

Digital Payments by Value (USD tn)



Digital Payments by Volume (bn)



Source: Company Reports

This significant growth is expected to be driven by a rise in:

- Mobile payments, which includes mobile wallet and UPI. As unique mobile payment users increase from 252 mn in FY21 to 650-700 mn in FY26, mobile payments are expected to increase by 5x crossing 100 bn payments in volume.
- Increasing digital payment adoption by merchants through POS machines, QR codes and payment gateway
- Digital payments are being accepted by non-traditional merchants – e.g. vendors, each delivery person having a QR code etc.
- Increasing penetration of digital banking products

Although Paytm has well established its name in the Indian digital payment space, however, competitive intensity and a significant surge in payments banks have impacted its profitable growth prospects.

Paytm is sustaining market share in an ultracompetitive market

Value (INR bn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Volume (mn)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
PhonePe	2,578	3,800	5,257	6,129	7,307	8,967	PhonePe	1,319	1,843	2,610	3,144	3,632	4,768
Google Pay	2,832	4,124	5,033	5,534	5,845	7,257	Google Pay	1,580	2,090	2,672	2,638	2,759	3,657
Paytm	465	643	878	1,196	1,302	1,694	Paytm	392	537	766	1,075	1,100	1,496
Cred	23	43	98	139	177	268	Cred	3	5	10	13	17	22
BHIM	171	214	231	215	210	230	BHIM	49	62	73	68	66	75
ICICI Bank Apps	45	63	83	83	134	181	ICICI Bank Apps	27	28	37	34	43	60
Amazon Pay	58	104	109	123	139	158	Amazon Pay	133	254	124	143	159	186
Yes Bank Apps	14	27	58	114	148	155	Yes Bank Apps	16	31	56	73	69	73
Airtel Payments Bank	16	14	12	11	144	90	Airtel Payments Bank	9	11	11	11	25	28
State Bank of India	50	63	68	72	64	57	State Bank of India	9	11	12	13	11	11
Other UPI Channels	62	83	106	121	139	178	Other UPI Channels	32	44	144	264	274	293
Industry	6,314	9,179	11,933	13,737	15,610	19,235	Industry	3,571	4,916	6,516	7,476	8,155	10,672
<i>MoM Growth (%)</i>		<i>45.4</i>	<i>30.0</i>	<i>15.1</i>	<i>13.6</i>	<i>23.2</i>	<i>QoQ Growth (%)</i>		<i>37.7</i>	<i>32.5</i>	<i>14.7</i>	<i>9.1</i>	<i>30.9</i>

Value Mkt Share (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22	Vol Mkt Share (%)	Q1FY21	Q2FY21	Q3FY21	Q4FY21	Q1FY22	Q2FY22
PhonePe	40.8	41.4	44.1	44.6	46.8	46.6	PhonePe	36.9	37.5	40.1	42.1	44.5	44.7
Google Pay	44.8	44.9	42.2	40.3	37.4	37.7	Google Pay	44.3	42.5	41.0	35.3	33.8	34.3
Paytm	7.4	7.0	7.4	8.7	8.3	8.8	Paytm	11.0	10.9	11.8	14.4	13.5	14.0
Cred	0.4	0.5	0.8	1.0	1.1	1.4	Cred	0.1	0.1	0.1	0.2	0.2	0.2
BHIM	2.7	2.3	1.9	1.6	1.3	1.2	BHIM	1.4	1.3	1.1	0.9	0.8	0.7
ICICI Bank Apps	0.7	0.7	0.7	0.6	0.9	0.9	ICICI Bank Apps	0.8	0.6	0.6	0.5	0.5	0.6
Amazon Pay	0.9	1.1	0.9	0.9	0.9	0.8	Amazon Pay	3.7	5.2	1.9	1.9	1.9	1.7
Yes Bank Apps	0.2	0.3	0.5	0.8	1.0	0.8	Yes Bank Apps	0.4	0.6	0.9	1.0	0.8	0.7
Airtel Payments Bank	0.2	0.2	0.1	0.1	0.9	0.5	Airtel Payments Bank	0.3	0.2	0.2	0.1	0.3	0.3
State Bank of India	0.8	0.7	0.6	0.5	0.4	0.3	State Bank of India	0.3	0.2	0.2	0.2	0.1	0.1
Other UPI Channels	1.0	0.9	0.9	0.9	0.9	0.9	Other UPI Channels	0.9	0.9	2.2	3.5	3.4	2.7

Source: NCPI UPI

We believe that Paytm will manage to grow its GMV at a CAGR of 55-60% in the next 3-4 years, however, growing competition from PhonePe, Google Pay and other incumbents could restrict the take rates at current levels, which is expected to reduce the possibility of faster growth in profits.

Management Team

Key Person	Designation	Details
Mr Vijay Shekhar Sharma	MD & CEO	He holds a bachelor's degree in electronics and communications from the Delhi College of Engineering. He is the founder of Paytm and oversees the company's key strategic efforts including engineering, design and marketing.
Mr Madhur Deora	President & Group CFO	He has been associated with Paytm since Oct 2016. He holds a bachelor's degree of science in economics from the Wharton School of the University of Pennsylvania. He was previously associated with Citigroup Global Markets India.
Mr Vikas Garg	CFO	He has been associated with Paytm since May 2014. He holds a bachelor's degree in commerce from Maharshi Dayanand University, Rohtak. Further, he has been certified as a CA by the ICAI. He was previously associated with ICICI Bank and ibibo Web.
Mr Manmeet Singh Dhody	CTO	He has been associated with Paytm since Apr 2020. He holds bachelor's degree in engineering (computer) from the University of Delhi and a MBA degree from Punjab University. He was previously associated with Amazon Development Centre India and Microsoft India (R&D).
Mr Sudhanshu Gupta	COO - Paytm First Games	He has been associated with Paytm First Games since Jun 2018. He holds a bachelor's degree in science from the University of Delhi and a post-graduate diploma in business management from Management Development Institute, Gurugram.
Mr Bhavesh Gupta	CEO - Lending Business	He has been associated with Paytm since Aug 2020. He holds a MBA degree from the Institute of Management Studies, Devi Ahilya Vishwavidyalaya, Indore. He was previously associated with Clix Capital Services, ICICI Bank and IDFC Bank.
Ms Renu Satti	COO - Offline Payments	She has been associated with Paytm since Oct 2006. She holds a bachelor's degree in commerce from the University of Delhi. She was previously associated with Manpower Services India.
Mr Praveen Kumar Sharma	MD & CEO - Paytm Payments Services	He has been associated with Paytm since Sept 2019. He holds a bachelor's degree in technology (mechanical engineering) from Maharshi Dayanand University, Rohtak and a post-graduate diploma in communications from Mudra Institute of Communications, Ahmedabad. He was previously associated with Google Asia Pacific.
Mr Harinderpal Singh Takhar	CEO - Paytm Labs Inc	He has been associated with Paytm Labs Inc since Jun 2013. He holds a bachelor's degree in engineering (computer) from the University of Delhi and a master's degree in business administration from INSEAD. He was previously associated with Paytm Mobile Solutions, Research In Motion and Nokia Corporation.

Source: Company Reports

Key Risks & Concerns

- Paytm generates its revenue from the online channel, which doesn't require any major capex on fixed assets and distribution networks. In terms of consumption growth, India is next to China and US, and the country could attract global companies to set up the base. With deep pockets, they can sustain over the long term and play price wars with Paytm.
- Paytm's business depends on its ability to maintain and scale its technology, which could handle rising numbers of users on its app and web platforms. Any interruptions or delays in service on mobile applications or websites or any undetected errors or design faults could result in a limited capacity, reduced demand, processing delays, and loss of consumers, suppliers or sellers.
- Paytm's online platform manages and stores the personal information of its customers, such as phone number, e-mail ID, address, etc. Such platforms are susceptible to security breaches and cyber-attacks.
- Paytm has sacrificed its operating profitability to achieve faster growth and market share. To cover these losses, the management raised capital several times and diluted its equity. However, these efforts do not guarantee future revenue growth and profitability.

Issue Structure and Offer Details

The proposed issue size of Paytm's IPO is INR 18,300 cr, out of which INR 8,300 cr is a fresh issue and the rest INR 10,000 cr is an offer for sale. The price band for the issue is in the range of INR 2,050-2,150 and the bid lot is 6 shares and multiples thereof.

Issue Structure		
Category	No of Share Offered	Allocation
QIB	At least 63,837,209	At least 75% of public issue
Non Institutional Bidders	Not more than 12,767,441	Not more than 15% of public issue
Retail	Not more than 8,511,627	Not more than 10% of public issue

Number of shares based on higher price band of INR 2150

Source: Company Reports

Shareholding Pattern		
Category	Pre Issue Holding (%)	Post Issue Holding (%)
Promoters & Promoter Group	0.0	0.0
Public	100.0	100.0
Total	100.0	100.0

Source: Company Reports

Financial Analysis & Projections

Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E	Fig in INR Cr (unless specified)	FY20	FY21	FY22E	FY23E	FY24E
Income Statement						Per share data & Yields					
Revenue	3,280.8	2,802.4	4,527.1	6,637.7	8,924.4	Adjusted EPS (INR)	(36.0)	(25.4)	(18.2)	(14.4)	(14.0)
YoY Growth (%)	1.5	(14.6)	61.5	46.6	34.5	Adjusted Cash EPS (INR)	(33.3)	(22.6)	(15.1)	(6.0)	(1.6)
COGS	3,518.6	2,439.9	3,328.0	5,018.0	6,845.9	Adjusted BVPS (INR)	125.0	100.8	210.5	196.1	182.1
RM Cost to Sales (%)	107.2	87.1	73.5	75.6	76.7	Adjusted CFO per share (INR)	(36.7)	(32.1)	(18.8)	(3.9)	3.4
Employee Cost	1,119.3	1,184.9	1,460.3	1,659.4	1,683.9	CFO Yield (%)	(1.7)	(1.5)	(0.9)	(0.2)	0.2
Employee Cost to Sales (%)	34.1	42.3	32.3	25.0	18.9	Adjusted FCF per share (INR)	(39.5)	(35.0)	(21.8)	(30.2)	(22.8)
Other Expenses	1,277.3	944.9	1,165.8	1,247.5	1,320.6	FCF Yield (%)	(1.8)	(1.6)	(1.0)	(1.4)	(1.1)
Other Exp to Sales (%)	38.9	33.7	25.8	18.8	14.8	Solvency Ratio (X)					
EBITDA	(2,634.4)	(1,767.3)	(1,427.0)	(1,287.2)	(926.0)	Total Debt to Equity	0.1	0.1	0.0	0.0	0.0
Margin (%)	(80.3)	(63.1)	(31.5)	(19.4)	(10.4)	Net Debt to Equity	(0.4)	(0.4)	(0.7)	(0.6)	(0.5)
YoY Growth (%)	(39.7)	(32.9)	(19.3)	(9.8)	(28.1)	Net Debt to EBITDA	1.3	1.4	6.5	5.7	6.4
Depreciation & Amortization	174.5	178.5	205.0	545.0	799.0	Interest Coverage Ratio	(57.9)	(55.9)	(80.4)	(424.9)	(437.5)
EBIT	(2,808.9)	(1,945.8)	(1,631.9)	(1,832.2)	(1,725.0)	Return Ratios (%)					
Margin (%)	(85.6)	(69.4)	(36.0)	(27.6)	(19.3)	Return on Equity	(42.6)	(23.2)	(11.8)	(7.1)	(7.4)
YoY Growth (%)	(37.3)	(30.7)	(16.1)	12.3	(5.9)	Return on Capital Employed	(37.0)	(24.8)	(15.6)	(13.8)	(14.0)
Other Income	259.9	384.4	480.6	901.1	823.2	Return on Invested Capital	(66.1)	(43.6)	(38.6)	(37.8)	(30.6)
Finance Cost	48.5	34.8	20.3	4.3	3.9	Working Capital Ratios					
Exceptional Item	304.7	28.1	2.4	0.0	0.0	Payable Days (Nos)	63	91	90	90	90
PBT	(2,292.8)	(1,568.1)	(1,169.3)	(935.4)	(905.7)	Inventory Days (Nos)	0	0	0	0	0
Margin (%)	(69.9)	(56.0)	(25.8)	(14.1)	(10.1)	Receivable Days (Nos)	33	44	45	45	45
YoY Growth (%)	(43.8)	(31.6)	(25.4)	(20.0)	(3.2)	Net Working Capital Days (Nos)	(30)	(46)	(45)	(45)	(45)
Tax Expense	(15.8)	2.7	0.0	0.0	0.0	Net Working Capital to Sales (%)	(9.5)	(9.5)	(5.8)	(6.3)	(6.6)
Tax Rate (%)	0.7	(0.2)	0.0	0.0	0.0	Valuation (X)					
PAT	(2,277.0)	(1,570.8)	(1,169.3)	(935.4)	(905.7)	P/E	(59.7)	(84.7)	(118.0)	(149.0)	(153.9)
Margin (%)	(69.4)	(56.1)	(25.8)	(14.1)	(10.1)	P/BV	17.2	21.3	10.2	11.0	11.8
YoY Growth (%)	(44.1)	(31.0)	(25.6)	(20.0)	(3.2)	EV/EBITDA	(51.7)	(77.5)	(91.2)	(102.6)	(144.2)
Min Int/Sh of Assoc	(56.0)	(74.0)	(12.1)	0.0	0.0	EV/Sales	41.5	48.9	28.7	19.9	15.0
Net Profit	(2,333.0)	(1,644.8)	(1,181.4)	(935.4)	(905.7)	EV/GMV	42.9	33.6	16.8	11.1	8.1
Margin (%)	(71.1)	(58.7)	(26.1)	(14.1)	(10.1)	Cash Flow Statement					
YoY Growth (%)	(42.6)	(29.5)	(28.2)	(20.8)	(3.2)	PBT	(2,292.8)	(1,568.1)	(1,169.3)	(935.4)	(905.7)
Balance Sheet						Adjustments	67.4	(467.0)	(42.8)	523.5	957.2
Share Capital	60.4	60.5	64.8	64.8	64.8	Change in Working Capital	(167.0)	(44.7)	(3.4)	156.5	168.8
Total Reserves	8,044.8	6,474.3	13,583.8	12,648.4	11,742.7	Less: Tax Paid	15.8	(2.7)	0.0	0.0	0.0
Shareholders Fund	8,105.2	6,534.8	13,648.6	12,713.3	11,807.5	Cash Flow from Operations	(2,376.6)	(2,082.5)	(1,215.6)	(255.4)	220.2
Non Controlling Interest	(14.0)	(18.6)	(18.6)	(18.6)	(18.6)	Net Capital Expenditure	(186.6)	(187.1)	(200.0)	(1,700.0)	(1,700.0)
Long Term Lease Liabilities	182.2	42.7	38.7	34.5	30.1	Change in Investments	(1,809.7)	2,116.9	(228.3)	(491.3)	(444.7)
Long Term Contract Liabilities	342.3	411.9	665.4	975.6	1,311.7	Cash Flow from Investing	(1,996.3)	1,929.8	(428.3)	(2,191.3)	(2,144.7)
Long Term Provisions	20.3	24.7	30.4	34.6	35.1	Change in Borrowings	40.0	(191.9)	(544.9)	0.0	0.0
Total Liabilities	8,636.0	6,995.5	14,364.6	13,739.4	13,165.9	Less: Finance Cost	(48.5)	(34.8)	(20.3)	(4.3)	(3.9)
Net Block	261.6	299.2	319.2	1,499.3	2,425.3	Proceeds from Equity	5,032.0	4.6	8,300.0	0.0	0.0
Right of use assets	267.4	128.3	103.3	78.3	53.3	Payment of Lease Liabilities	136.4	0.0	(6.2)	(6.6)	(7.0)
Capital WIP	13.1	20.8	0.0	0.0	0.0	Dividend Paid	0.0	0.0	0.0	0.0	0.0
Goodwill	46.7	46.7	46.7	46.7	46.7	Cash flow from Financing	5,159.9	(222.1)	7,728.6	(10.9)	(10.9)
Other Intangible Assets	17.8	17.1	17.1	17.1	17.1	Net Cash Flow	787.0	(374.8)	6,084.7	(2,457.5)	(1,935.4)
Investments in JV & Associates	323.0	231.7	245.6	260.3	276.0	Forex Effect	(0.7)	4.0	0.0	0.0	0.0
Non Current Investments	227.6	34.1	36.1	38.3	40.6	Opening Balance of Cash	(370.1)	416.2	45.4	6,130.1	3,672.6
Long Term Loans & Advances	155.5	125.8	151.6	175.2	195.3	Closing Balance of Cash	416.2	45.4	6,130.1	3,672.6	1,737.2
Non Current Tax Assets	496.9	305.1	305.1	305.1	305.1						
Other Non Current Assets	2,056.2	539.9	757.9	1,006.8	1,264.6						
Net Current Assets	4,770.2	5,246.8	12,381.9	10,312.3	8,541.9						
Total Assets	8,636.0	6,995.5	14,364.6	13,739.4	13,165.9						

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