

# Fintech's Reaching Inflection Point

Specific Case study - Paytm

# About Presenters

## Jeevan GK

### **Profession:**

Head of Business Finance, - Novoensis (Full time Job)

Co-Founder of Tender Fresh Meat

Partner in G1 Ventures ( A Family Real Estate Leasing Firm)

### **Investment Experience :**

Fundamental Investor since 17 Years

***Disclosure :*** Invested in Paytm

## Pradeep Kumar

### **Profession:**

Product Manager - Walmart (Full time Job)

### **Investment Experience :**

Fundamental Investor since 4 Years

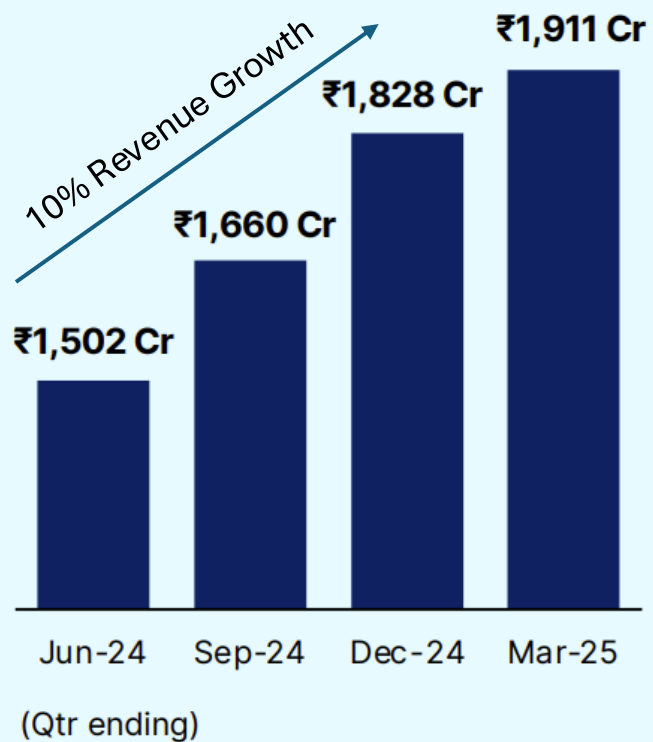
***Disclosure :*** Not Invested in Paytm

# Content to Cover

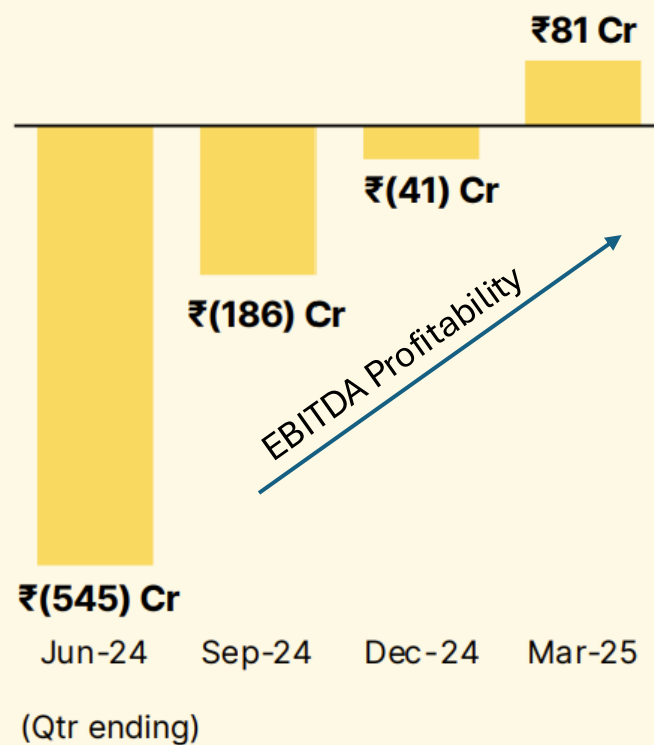
1. Last 4 Quarterly Revenue, EBIDTA & PAT Trend
2. Business Model
  - Payment Services - Consistent Cash Cow
  - Financial Services - Loans & FLDG Concept
  - Marketing Services
3. Inflection Point
4. Financials
  1. Operating Expenses Trend – Last 4 Qtrs
  2. EBIDTA Projections – 6 Years
  3. Valuations
5. Competition
6. Risks and Opportunities

# Q4 FY25 seem to have hit the inflection Point

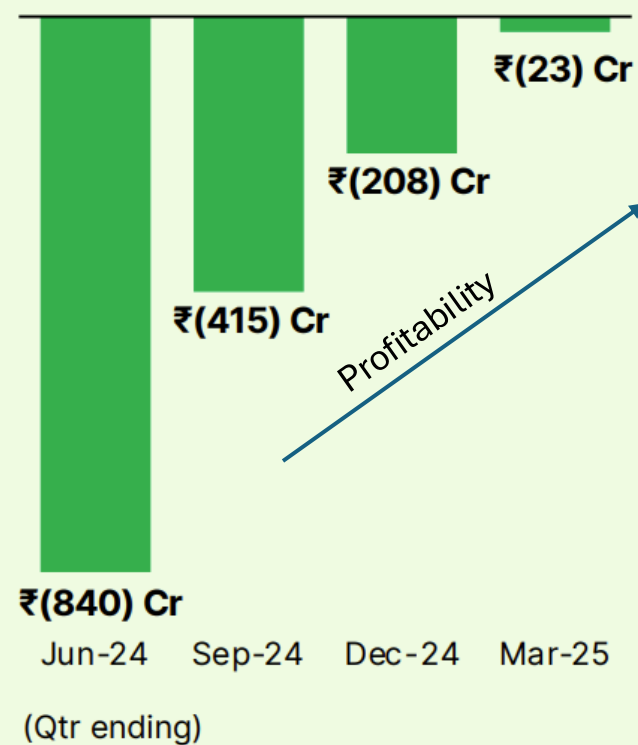
Revenue growth momentum continues



Achieved EBITDA Before ESOP profitability



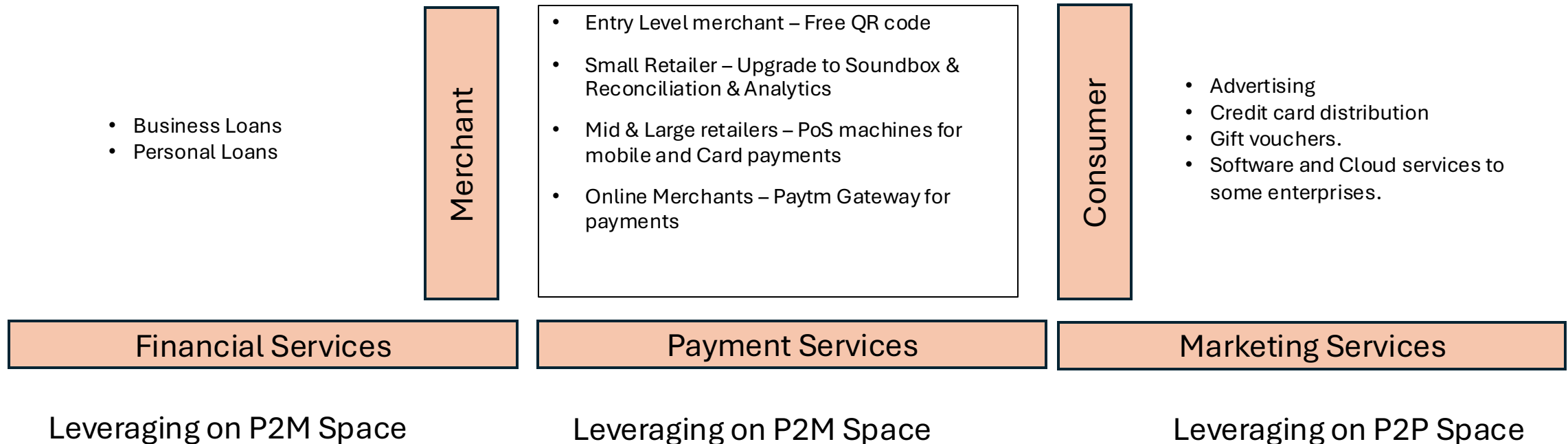
PAT\* close to breakeven



# Business Model

- New age tech company building payment & related services ecosystem for Consumer & Merchants

Other Services – Health, Auto Insurance, Mutual fund distribution, Equity Brokerage, Wealth tech



# Payment Services – Consistent Cash Cow

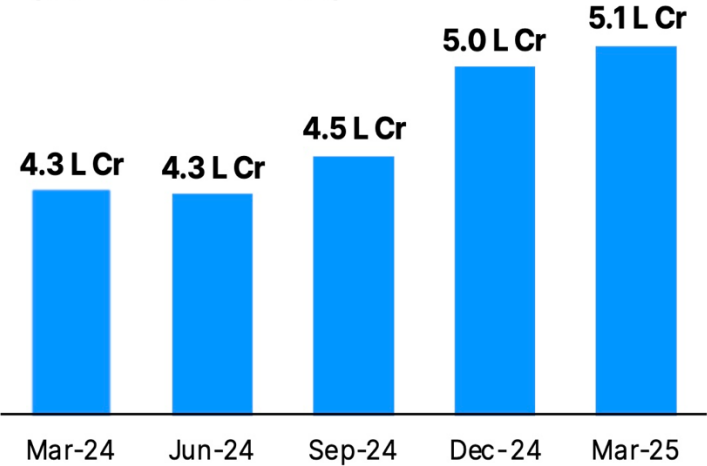
## Market size for Payment in P2M space

UPI NCPI data	21-22	22-23	23-24	24-25	P2M Share	Total P2M Market
By Value - Lac Cr	84.18	139.21	199.95	260.57	60%	~156 lacs cr



UPI Ecosystem Market Share ~ 13%

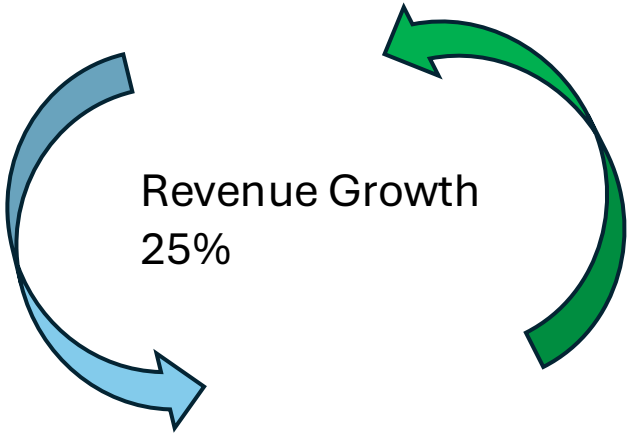
Gross Merchandise Value  
(Continued business)



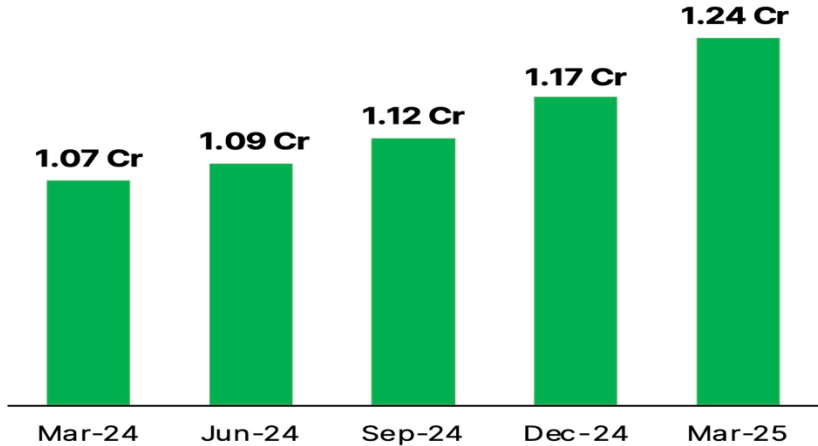
Payment Processing Revenue 5 – 6 Bps

Payment Processing Margin 3 – 4 Bps

UPI Incentive is 2-3 bps



Merchant Subscriptions  
(including Devices)



Market size of P2M - 27 Cr Merchants

Paytm Share – 4.5 Cr ( ~ 16% share)

Target to Capture 40% Share

# Financial Services – AUM Growth Levers

What is FLDG ( First Loan Default Guarantee) Loan Model ? An Example of revenue and cost is incurred

	Non DLG	DLG
1. DLG cost	0.0%	3.5%
2. Soucing Net Margin	2%	2%
3. Collection Net Margin - collected over loan tenure	3%	3%
4. Gross Intake Revenue - (1+2+3)	5.0%	8.5%
5. If no Default loss - Paytm Net Margin. This is Max Margin (4)	5.0%	8.5%
6. If loss is 3.5% of Portfolio ( 4-1)	5.0%	5.0%
7. Max Loss - Paytm will bear DLG cost and as well collection Margin . (4-1-3)	2.0%	2.0%

**RBI Guideline :**

DLG can be upto 5% of Loan value

DLG Provision is Expensed Upfront

## Why Lenders should push for DLG Model



- An Incentive for Fintech's to underwrite high quality loans
- Confidence for Lenders to push for higher volume

## How Paytm can grow through this model



- Increase in Loan Ticket size ( 1.4 L to 2.1L)
- Repeat borrowing nature of Merchant segment (More than 50%)
- Only 8% of Paytm Merchant base penetrated so far

# Business Segment - Marketing

## Zomato completes acquisition of Paytm's entertainment, ticketing business

*Food delivery company Zomato has completed the acquisition of Paytm subsidiaries WEPL and OTPL for the entertainment ticketing business, the company said in its filing with the exchanges.*

ANI

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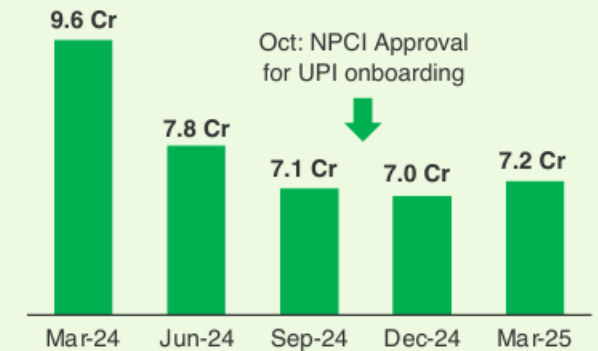
ANI

~ 1350 Cr Cash added to  
Balance sheet

### Customer acquisition

Expanding UPI customer base through innovative product and prudent investments in marketing campaigns

#### Monthly Transacting Users (For the month)



- Target to Capture 25 Cr P2P Users
- Credit card business is slow – 13 Lakh Cc's activated vs 10 lakh YoY



# Inflection point – Short Term News Triggers

## NPCI Asks Govt To Impose MDR On UPI Transactions, RuPay Debit Cards



6



**Rohit Kulkarni**

Mar 31, 2025

The Payments Council of India (PCI), representing digital payments companies, has urged Prime Minister Narendra Modi to introduce a merchant discount rate (MDR) on UPI transactions and RuPay debit cards. PCI has proposed a 0.3% MDR on UPI transactions

## NPCI extends deadline for GPay, PhonePe to cut UPI market share by 2 years

The apex payments body also lifted the onboarding limit, capping the maximum number of users at 10 crore for WhatsApp with regard to UPI

**The Federal**

1 Jan 2025 12:49 PM

The National Payments Corporation of India (NPCI) has extended the deadline by two years for Google Pay and PhonePe to reduce their market share in the Unified Payments Interface (UPI). The original deadline was December 31, 2024.

## Vijay Shekhar Sharma Hints To Reapply For Payment Aggregator License

BW Online Bureau • Sep 13, 2024

BW Online Bureau • Sep 13, 2024

# Indirect Expenses – May not grow a lot from here on

## Indirect Expenses (excluding ESOP cost)

(Qtr ending)

(in ₹ Cr)	Mar-24	Jun-24	Sep-24	Dec-24	Mar-25	YoY (%)
Cost of expanding platform:	340	401	353	331	345	1%
Marketing	83	177	125	104	102	23%
Sales employees	257	224	228	227	243	(5)%
Non-sales employee costs	522	482	385	348	336	(36)%
Software & Cloud expenses	162	182	158	154	146	(10)%
Other indirect expenses	162	236	184	167	165	2%
<b>Total Indirect Expenses</b>	<b>1,185</b>	<b>1,301</b>	<b>1,080</b>	<b>1,000</b>	<b>991</b>	<b>(16)%</b>

# Financial Projections – Operating Leverage Kicking in

	GMV (Gross Merchandise Value)	19,00,000	22,42,000	26,45,560	31,21,761	36,83,678	43,46,740	18%
	Premium Merchants	1.2	1.5	1.7	2.0	2.4	2.8	18%
	Loans AUM	18,000	36,000	60,000	75,000	90,000	1,00,000	41%
	<b>Revenue</b>	<b>2025</b>	<b>2026</b>	<b>2027</b>	<b>2028</b>	<b>2029</b>	<b>2030</b>	<b>CAGR</b>
Revenue Channels	Payment Services	3,879	4,849	6,061	7,576	9,470	11,838	25%
	Financial Services	1,703	2,384	3,338	4,673	6,542	9,159	40%
	Marketing Services	1,158	1,274	1,401	1,541	1,695	1,865	10%
	Other Operating Revenue	160	176	194	213	234	258	10%
	<b>Total Revenue</b>	<b>6,900</b>	<b>8,683</b>	<b>10,994</b>	<b>14,003</b>	<b>17,942</b>	<b>23,120</b>	<b>27%</b>
	<b>Contribution Margin Status Quo</b>	3,678	4,628	5,860	7,464	9,563	12,323	27%
		53%	53%	53%	53%	53%	53%	
Gross Margin Growth Drivers	Merchant Disc Rate - Large Cust (8 Bps)		336	794	937	1,105	1,304	40%
	Higher Subscription Revenue Per Device		146	181	214	252	298	19%
	Higher FLDG Loan Proportion (+2% Take Rate)		126	294	399	504	574	46%
	<b>Final Gross Margin</b>	<b>3,679</b>	<b>5,237</b>	<b>7,129</b>	<b>9,014</b>	<b>11,425</b>	<b>14,499</b>	<b>32%</b>
		53%	60%	65%	64%	64%	63%	
	Indirect Expenses without ESOPS	4,369	4,587	5,138	5,395	6,042	6,344	8%
	ESOPS	816	500	400	300	300	300	-18%
	<b>EBIDTA</b>	<b>(1,506)</b>	<b>150</b>	<b>1,591</b>	<b>3,319</b>	<b>5,083</b>	<b>7,855</b>	<b>169%</b>

Best in class Gross Margin Profile.

~ 7000 to 9000 cr Ebidta Range

# Valuations

Current Valuation

~ **43,000 Crores** (Excluding 13,000 Cr cash on books)

By EBIDTA Multiple ( Assuming growth normalizes to 10% to 15% Growth)

15 to 20X EBIDTA (2030) is ~ **1 lakh to 1.5 lakh crore**

Relative Valuation by Revenue Multiple

20 X Revenue (2026) is ~ **1.7 lakh crores** (Phone pe as relative reference)

# Competition

	Paytm	Phone pe	Cred	Google Pay
<b>Monthly P2P Consumer Txn Vol</b>	1.2 Bn	8.3 bn	0.13 Bn	6.4 Bn
<b>Active Merchant Base – P2M</b>	~4.5 cr	~4 cr	Operates Cred Merchant Portal	Operates Google Pay for Business
<b>Shareholding</b>	VijayShekhar – 9% Large Free Float in Market	Walmart – 71% Due for IPO	Kunalshah – 12% (as on 2022)	Subsidiary of Alphabet Inc
<b>Valuations</b>	~ 5 Bn \$ (adjusted for Cash)	~ 15 Bn \$ (Expected in upcoming IPO)	~ 4 Bn ( 35% Valuation dip in latest Round)	NA
<b>Future Strategic Focus Areas</b>	1. Leverage Leadership in P2M 2. Expand Fin Services & Marketing Services 3. Expand P2P Base 4. Revive PPBL,	1. Leverage leadership in p2P, P2 M 2. Expand Fin services & Marketing Services 3. Penetrate into Ecommerce ( Pincode)	1. Brand Building 2. Focus on Big ticket Fin Services and Marketing Services	1. To have Best in Class International Tech products in Payments space 2. International Presence

Legend

Well Placed

Moderately Placed

Poorly Placed

# Risks and Opportunities

Risks	Opportunities
Shifting Management Focus away from Payments and Fin Services	Selling the technology Stack Internationally – Additional Monetization
Higher than Expected Credit losses in Fin Services	Opportunities to grow Paytm money as an extended platform to users
Unexpected RBI Regulations & inability to revive PPBL	PPBL with Wallet getting Reinstated
Stagnating P2P Consumer base due to competition as Monetization kicks in	Use Cash Power for Marketing and Increasing P2P Consumer Base

Thank You