

Retail Equity Research



One 97 Communications Limited

HOLD

Sector: Industrials

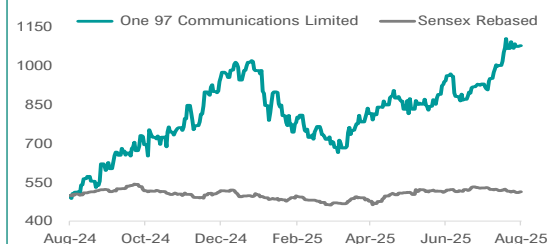
06th August, 2025

Key Changes	Target	Rating	Earnings	Target	Rs. 1,154
Stock Type	Bloomberg Code	Sensex	NSE Code	BSE Code	Time Frame
Mid Cap	PAYTM:IN	80,710	PAYTM	543396	12 Months
				CMP	Rs. 1,053
				Return	+10%

Data as of: 05-August-2025, 18:00hrs

Company Data			
Market Cap (Rs.cr)	67,978		
52 Week High — Low (Rs.)	1,128 - 483		
Enterprise Value (Rs. cr)	56,581		
Outstanding Shares (cr)	63.8		
Free Float (%)	50.4		
Dividend Yield (%)	0.0		
6m average volume (cr)	0.6		
Beta	0.3		
Face value (Rs.)	1.0		
Shareholding (%)	Q3FY25	Q4FY25	Q1FY26
Promoters	0.0	0.0	0.0
FII's	56.2	55.4	54.9
MFs/Institutions	11.9	14.0	15.8
Public	15.2	14.2	13.4
Others	16.7	16.4	15.9
Total	100.0	100.0	100.0
Promoter Pledge	Nil	Nil	Nil
Price Performance	3 Month	6 Month	1 Year
Absolute Return	24%	39%	116%
Absolute Sensex	0%	5%	3%
Relative Return	24%	34%	113%

*over or under performance to benchmark index



Y.E March (cr)	FY25A	FY26E	FY27E
Sales	6,900	8,424	9,958
Growth (%)	-30.8	22.1	18.2
EBITDA	-1,507	396	846
EBITDA Margin (%)	-21.8	4.7	8.5
PAT Adjusted	-1,482	556	1,125
Growth (%)	25.1	n.m.	102.2
Adjusted EPS	-23.2	8.7	17.6
Growth (%)	24.7	n.m.	102.2
P/E	n.m.	122.6	60.6
P/B	3.3	4.4	4.1
EV/EBITDA	n.m.	165.8	76.1
ROE (%)	-4.4	3.5	6.7
D/E	0.0	0.0	0.0

Cost optimisation drives profitability....

One 97 Communications provides payment solutions, hotel bookings, mobile phone top-ups, gaming and mobile content, and bill payment services, as well as data processing services globally.

- In Q1FY26, its consolidated revenue grew 27.7% YoY to Rs. 1,918cr, on strong rise in subscription merchants, gross merchandise value (GMV) and financial services.
- Revenue of the payment services, Paytm, grew 23.0% YoY to Rs. 1,110cr, supported by higher merchant transaction volumes and optimisation of processing fees.
- Net payment revenue rose 38.0% YoY to Rs. 529cr, as more merchants subscribed to the payments processing device and margins improved from card payments.
- GMV rose 26.8% YoY (+5.9% QoQ) to Rs. 5.39lakh cr. on strong expansion of the merchant base, and higher transaction frequency and adoption of digital payments.
- Adjusted EBITDA improved Rs. 565cr YoY to Rs. 102cr (Rs. -463cr in Q1FY25) and margins were 5.3% vs -29.2% in Q1FY25, supported by AI-led efficiency gains and cost-control measures.

Outlook & Valuation

Despite exhibiting strong year-over-year growth fueled by a low base and expanding merchant network, the company's sequential growth across all segments remained muted. The impending shift to a non-DLG lending model is expected to impact near-term revenue. However, robust cost optimization efforts, improving monetization of other products, and a dominant position in merchant payments offer strong long-term business visibility. Given the recent surge in price and the stock's rich valuation, **we reiterate our HOLD rating on the stock, with a revised target price of Rs. 1,154, based on 7.5x FY27E P/S ratio.**

Quarterly Finance Consol.

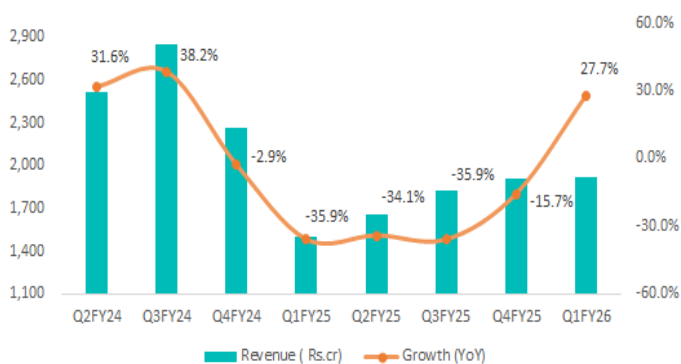
Rs.cr	Q1FY26	Q1FY25	YoY Growth (%)	Q4FY25	QoQ Growth (%)
Sales	1,918	1,502	27.7	1,912	0.3
EBITDA	72	-792	109.0	-89	180.7
Margin (%)	3.7	-52.8	n.m.	-4.6	n.m.
EBIT	-95	-971	90.3	-239	60.4
PBT	127	-839	n.m.	-542	n.m.
Rep. PAT	123	-840	n.m.	-545	n.m.
Adj PAT	139	-839	n.m.	-18	n.m.
Adj. EPS (Rs)	2.2	-13.2	n.m.	-0.3	n.m.



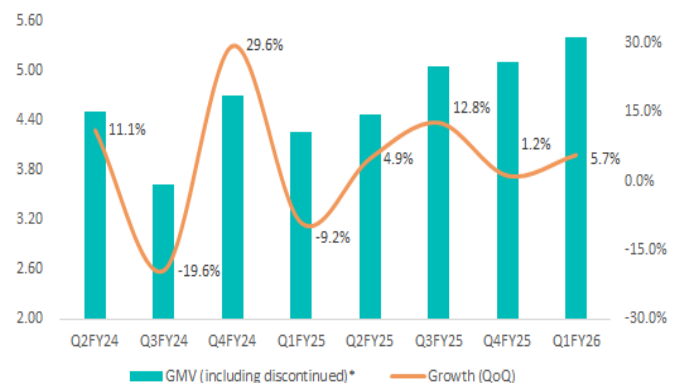
Key concall highlights

- Subscription merchants rose to 1.3cr in Q1FY26 from 1.09cr in Q1FY25, i.e. 20% YoY rise, driven by device upgrades, superior services and expansion into tier-II and -III cities.
- Paytm aims to grow the subscription merchant base beyond 1.30cr, targeting 40-50% of the 10.0cr merchants over time, aided by device upgrades and the strengthening of the service network.
- Monthly transaction users were 7.4cr in Q1FY26, down 6.0% YoY from 7.8cr in Q1FY25. The decline was due to product churn and strategic shift towards retaining high-quality users instead of maximising low-value volume.
- Capital expenditure was Rs. 79cr in Q1FY26, reflecting the company's focus on lowering device costs despite significant increase in the number of devices across the merchant network, and enhancing the sales team productivity.
- The management expects ESOP costs to stay low in FY26, guiding Rs. 250-275cr, due to the CEO surrendering his stake and rationalisation of grants.
- Paytm expects EBITDA margin to steadily expand to 15-20% in 2-3 years, driven by disciplined indirect expenses, strong contribution margins and profitable growth across business verticals.
- Paytm's largest lending partner shifted to non-DLG from DLG, signaling strong book quality. Consequently, the management anticipates higher disbursements and lower DLG costs.

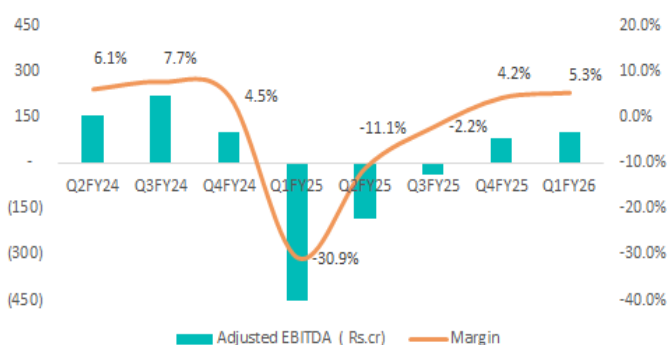
Revenue



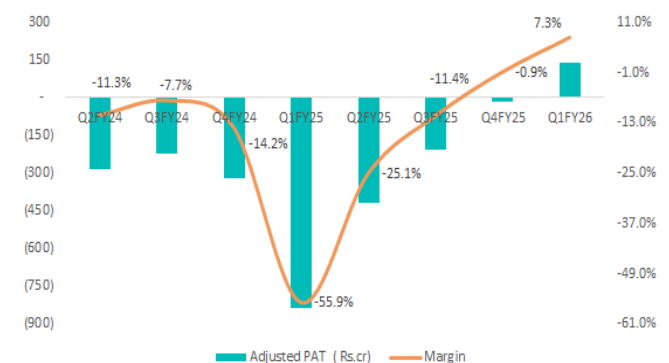
GMV



Adjusted EBITDA



Adjusted PAT



Change in Estimates

	Old estimates		New estimates		Change (%)	
Year / Rs cr	FY26E	FY27E	FY26E	FY27E	FY26E	FY27E
Revenue	9,457	11,683	8,424	9,958	-10.9	-14.8
EBITDA	-246	876	396	846	261.0	-3.4
Margins (%)	-2.6	7.5	4.7	8.5	730bps	100bps
Adj. PAT	-199	884	556	1,125	379.3	27.2
EPS	-3.1	13.9	8.7	17.6	379.0	27.0



Consolidated Financials

Profit & Loss

Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Sales	7,990	9,978	6,900	8,424	9,958
% change	60.6	24.9	-30.8	22.1	18.2
EBITDA	-1,632	-907	-1,507	396	846
% change	-30.3	-44.4	66.1	n.m.	113.8
Depreciation	485	736	673	679	703
EBIT	-2,117	-1,643	-2,179	-283	143
Interest	23	24	16	16	18
Other Income	397	276	1,550	868	1,046
PBT	-1,743	-1,390	-645	569	1,171
% change	-26.9	-20.2	-53.6	n.m.	105.8
Tax	34	32	18	24	50
Tax Rate (%)	-1.9	-2.3	-2.8	4.3	4.3
Reported PAT	-1,777	-1,422	-663	545	1,121
PAT att. to common shareholder	-1,776	-1,417	-659	539	1,125
Adj.*	-	233	-823	17	-
Adj. PAT	-1,776	-1,184	-1,482	556	1,125
% change	-25.7	-33.3	25.1	n.m.	102.2
No. of shares (cr)	63.4	63.5	63.8	63.8	63.8
Adj EPS (Rs.)	-28.0	-18.6	-23.2	8.7	17.6
% change	-24.0	-33.5	24.7	n.m.	102.2
DPS (Rs.)	-	-	-	-	-

Cashflow

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Net inc. + Depn.	-1,291	-681	14	1,218	1,828
Non-cash adj.	2,151	2,022	-208	-91	26
Other adjustments	-	-	-	-	-
Changes in W.C	-445	-690	73	-262	-162
C.F. Operation	416	651	-121	866	1,691
Capital exp.	-697	-812	-317	-463	-458
Change in inv.	2,967	569	-6,831	-	-
Other invest.CF	355	561	5,104	-	-
C.F - Investment	2,626	318	-2,043	-463	-458
Issue of equity	-1,055	1	2	-	-
Issue/repay debt	-	-	-	-	1
Dividends paid	-	-	-	-	-
Other finance.CF	-57	-23	-54	12	13
C.F - Finance	-1,112	-22	-53	13	14
Chg. in cash	1,929	947	-2,217	415	1,247
Closing Cash	3,312	4,277	2,077	2,492	3,739

Balance Sheet

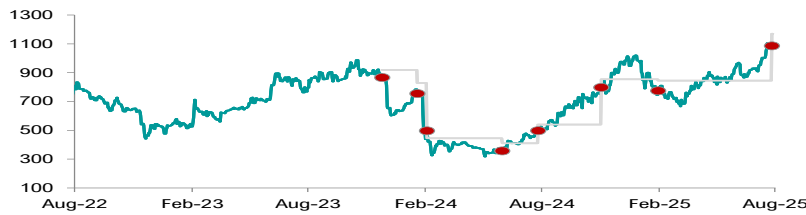
Y.E March (Rs. cr)	FY23A	FY24A	FY25A	FY26E	FY27E
Cash	3,312	4,277	2,077	2,492	3,739
Accts. Receivable	1,238	1,651	1,297	1,564	1,824
Inventories	-	-	-	-	-
Other Cur. Assets	9,437	7,790	13,711	14,053	14,088
Investments	1,577	2,294	2,581	2,632	2,736
Gross Fixed Assets	17,775	24,027	24,344	24,807	25,265
Net Fixed Assets	1,118	1,167	857	641	395
CWIP	7	10	4	5	5
Intangible Assets	95	84	44	44	44
Def. Tax -Net	9	12	11	12	12
Other Assets	1,174	1,408	866	841	819
Total Assets	17,966	18,693	21,448	22,284	23,662
Current Liabilities	4,485	5,069	6,182	6,456	6,694
Provisions	62	108	91	95	100
Debt Funds	2	-	5	5	6
Other Liabilities	424	217	173	185	199
Equity Capital	63	64	64	64	64
Res. & Surplus	12,952	13,263	14,963	15,502	16,627
Shareholder Funds	13,016	13,327	15,027	15,566	16,691
Minority Interest	-23	-28	-30	-24	-28
Total Liabilities	17,966	18,693	21,448	22,284	23,662
BVPS	205	210	236	244	262

Ratio

Y.E March	FY23A	FY24A	FY25A	FY26E	FY27E
Profitab. & Return					
EBITDA margin (%)	-20.4	-9.1	-21.8	4.7	8.5
EBIT margin (%)	-26.5	-16.5	-31.6	-3.4	1.4
Net profit mgn.(%)	-22.2	-14.2	-9.5	6.4	11.3
ROE (%)	-13.6	-10.7	-4.4	3.5	6.7
ROCE (%)	-16.3	-12.4	-14.5	-1.8	0.9
W.C & Liquidity					
Receivables (days)	56.5	60.4	68.6	67.8	66.9
Inventory (days)	-	-	-	-	-
Payables (days)	85.9	63.7	97.8	98.0	98.2
Current ratio (x)	3.1	3.5	2.8	2.8	2.9
Quick ratio (x)	1.3	2.4	0.8	0.8	1.0
Turnover & Leverage					
Gross asset T.O (x)	0.5	0.5	0.3	0.3	0.4
Total asset T.O (x)	0.4	0.6	0.4	0.4	0.4
Int. covge. ratio (x)	-90.8	-67.6	-132.9	-17.6	8.1
Adj. debt/equity (x)	0.0	-	0.0	0.0	0.0
Valuation					
EV/Sales (x)	4.6	2.1	6.9	7.8	6.5
EV/EBITDA (x)	n.m.	n.m.	n.m.	165.8	76.1
P/E (x)	n.m.	n.m.	n.m.	122.6	60.6
P/BV (x)	3.1	1.9	3.3	4.4	4.1



Recommendation Summary - last 3 years



Dates	Rating	Target
29-Nov-23	HOLD	919
23-Jan-24	HOLD	828
07-Feb-24	REDUCE	445
04-Jun-24	HOLD	410
30-Jul-24	HOLD	540
06-Nov-24	ACCUMULATE	854
03-Feb-25	HOLD	845
06-Aug-25	HOLD	1,154

Investment Rating Criteria

Ratings	Large caps	Midcaps	Small Caps
Buy	Upside is above 10%	Upside is above 15%	Upside is above 20%
Accumulate	-	Upside is between 10%-15%	Upside is between 10%-20%
Hold	Upside is between 0% - 10%	Upside is between 0%-10%	Upside is between 0%-10%
Reduce/sell	Downside is more than 0%	Downside is more than 0%	Downside is more than 0%

Not rated/Neutral

Definition:

Buy: Acquire at Current Market Price (CMP), with the target mentioned in the research note; **Accumulate:** Partial buying or to accumulate as CMP dips in the future; **Hold:** Hold the stock with the expected target mentioned in the note.; **Reduce:** Reduce your exposure to the stock due to limited upside.; **Sell:** Exit from the stock; **Not rated/Neutral:** The analyst has no investment opinion on the stock.

Symbols definition:

▲ Upgrade

● No Change

▼ Downgrade

To satisfy regulatory requirements, we attribute 'Accumulate' as Buy and 'Reduce' as Sell.

The recommendations are based on 12 month horizon, unless otherwise specified. The investment ratings are on absolute positive/negative return basis. It is possible that due to volatile price fluctuation in the near to medium term, there could be a temporary mismatch to rating. For reasons of valuations/ return/lack of clarity/event we may revisit rating at appropriate time. Please note that the stock always carries the risk of being upgraded to BUY or downgraded to HOLD, REDUCE or SELL.

Not rated/Neutral- The analyst has no investment opinion on the stock under review.

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