

Issue Highlights

One97 Communications Limited (Paytm) – incorporated on December 22, 2000, is India's leading digital ecosystem for consumers and merchants. Paytm offers 'Payment Services', 'Commerce and Cloud Services', and 'Financial Services' to 33.3 Cr consumers and over 2.2 Cr merchants registered with it (as of Jun'21). The company's 2-sided (consumer and merchant) ecosystem enables commerce and provides access to financial services by leveraging technology that improves consumer lives, as well as help merchants grow their businesses.

Paytm is the only payments company in India that, together with its affiliates, owns each layer of the payment stack. It offer services such as Paytm Wallet, Paytm QR, Paytm Soundbox, Gold investments, Fixed Deposit, Paytm Postpaid, Merchant Cash Advance, and FASTag, among many others.

Key Highlights of the company

- Largest Payments Platform:** Paytm has the largest payments platform in India with a GMV of Rs 4,033 Bn in FY21. It also commands the market share of ~40% in overall mobile payments transactions (by volume) and 65-70% of the wallet payments transaction market in India as of FY21. The company launched Paytm in 2009, as a "mobile-first" digital payments platform to enable cashless payments for Indians, giving them the power to make payments from mobile phones. Starting with bill payments and mobile top-ups as the first use cases, and Paytm Wallet as the first Paytm Payment Instrument, it built the largest payments platform in India in terms of the number of consumers, merchants, transactions and revenue (as of March 31, 2021).
- India's most valuable brand:** The "Paytm" brand is India's most valuable payments brand with a brand value of US\$ 6.3 Bn, and Paytm remains the easiest way to transact across multiple methods. Paytm is available across the country with "Paytm karo" (i.e. "use Paytm") evolving into a verb for millions of Indian consumers, shopkeepers, merchants, and small businesses.
- Payment-led Super App:** The company has created a payments-led super-app, through which it offers innovative and intuitive digital products and services to consumers. The company offers its consumers a wide selection of payment options on the Paytm app such as Paytm Payment Instruments, which allow the use of digital wallets, sub-wallets, bank accounts, buy-now-pay-later, wealth management accounts as well as major third-party instruments such as Debit, Credit Cards, and Net Banking.

Valuation

There are no listed companies in India that engage in a business similar to that of Paytm. The addressable market opportunity is huge and execution would be the key. A key opportunity for Paytm is to monetize its large installed customer/merchant base for broader financial service offerings such as credit, wealth and insurance. Globally, payment companies trade at ~5x-10x 1yr forward revenue Market Cap/Sales with a median of ~9x. Many of these companies are already profitable. **At the upper end of the price band, Paytm trades at 44.4x Market Cap/Sales on TTM basis (Jun '21).**

Financial Summary

(Rs Cr)	FY19	FY20	FY21
Revenues	3,232.0	3,280.8	2,802.4
Contribution Profit	-1,998.0	-237.8	362.5
Contribution Margin (%)	-61.8	-7.2	12.9
EBIDTA	-4,018.4	-2,374.5	-1,382.9
PAT	-4,230.9	-2,942.4	-1,701.0
EPS	-28.0	-49.0	-75.0
Equity Capital	57.50	60.40	60.50
Reserves	5667.4	8044.8	6474.3
Net Worth	5811.1	8091.2	6516.2
Net Asset Value (Rs)	100.0	135.0	108.0

Source: Company, Axis Research

Issue highlights

Issue size: Rs18,300 Cr
Fresh Issue: Rs8,300Cr
Offer for Sale: Rs10,000Cr
MinLot: 6shares
Face Value: Rs1

Issue summary

Price band: Rs2,080 – Rs 2,150
Bid Lot: 6units and in multiples thereafter
Post Issue Mkt Cap: Rs1,35,111Cr – Rs1,39,379Cr
Issue opens: Nov08, 2021
Issue closes: Nov 10, 2021
Lead Managers: Axis Capital, Morgan Stanley, Goldman Sachs
Registrar: Link Intime India Pvt. Ltd.

Shareholding (%)

	Pre-Issue	Post-Issue
Promoter & Promoter Group	0.0	0.0
Public – Founder Selling S/h	9.8	8.9
Public – Investor Selling S/h	60.2	49.8
Public – Other Selling S/h	1.3	1.2
Public - Others	28.7	40.2
Total	100.0	100.0

	Pre issue	Post issue [#]
No. of shares (in Cr)	60.96	64.83

- Upper Price Band

Issue break-up

Category	Shares (in Cr)	% of issue	Rs (in Cr)
QIB	6.38	75%	13,725
Non-Institutional	1.28	15%	2,745
Retail	0.85	10%	1,830

*On Upper Band

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Objects of the Issue

Purpose	Amount (Rs Cr)
Growing and strengthening the Paytm ecosystem, including through acquisition and retention of consumers and merchants and providing them with greater access to technology and financial services	4,300
Investing in new business initiatives, acquisitions and strategic partnerships	2,000
General Corporate Purposes	[.]

Source: RHP, Axis Research

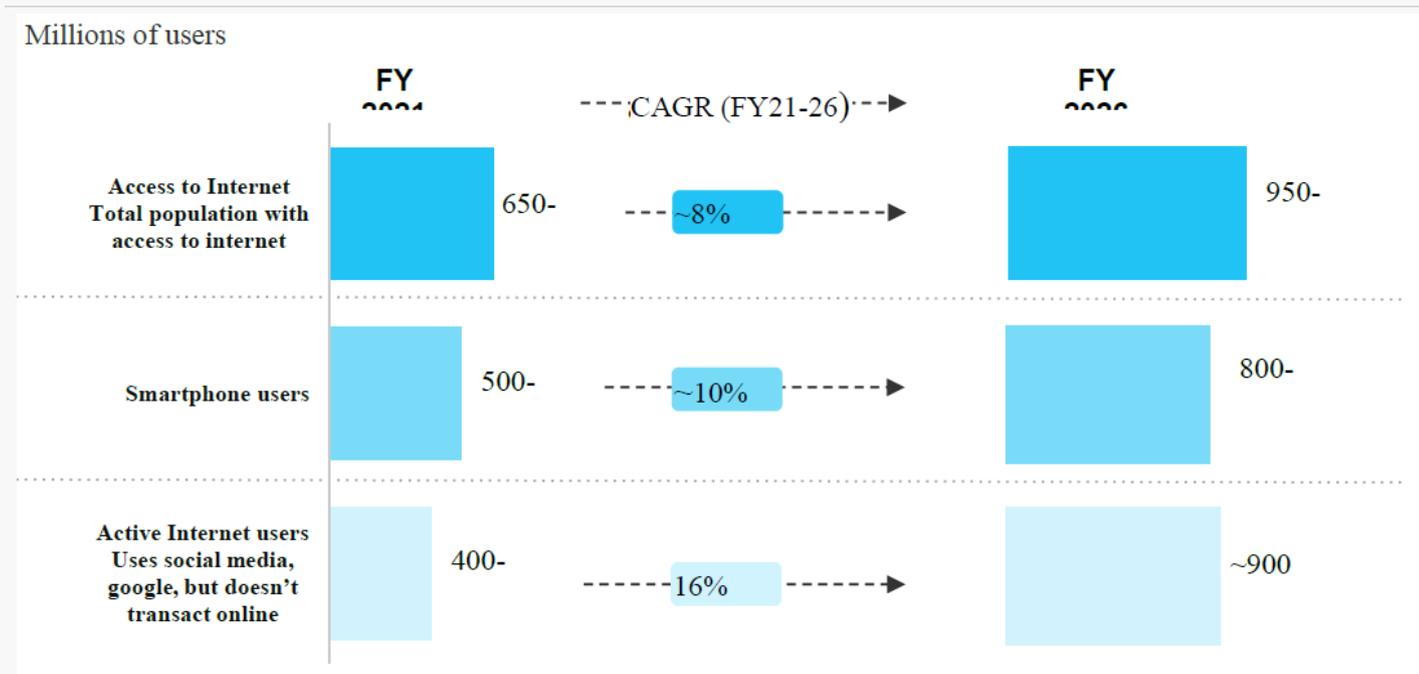
Industry Overview and Prospects

Evolving Digital landscape in India

Technology is playing an increasingly important role in business by increasing reach and accessibility for merchants and consumers. The evolution of mobile and cloud technology, combined with growing incomes and higher consumption rates in India is at a digital tipping point.

Over the last decade, India added +500 Mn new smartphone users. With higher affordability, reduced smartphone costs (average smartphone cost being less than US\$ 150) and availability of a greater variety of value smartphones, the number of smartphone users is expected to reach 800-850 Mn by FY26, representing more than 55% of total population and 80% of internet users. In FY21, 650 - 700 Mn Indians had access to the internet and the number is expected to increase to over 950-1,000 Mn by FY26 representing more than 70% of the total population. This would be primarily driven by increasing smartphone penetration, reducing data cost, new technology innovations, and the government's push towards digitization.

Exhibit 1: India to have ~ 1 Bn internet users by FY26



Source: RHP, Axis Securities

Digitization Changing the Way People Transact in India

National Payments Corporation of India (NPCI) – an initiative of the RBI and Indian Banks Association (IBA) to create a robust payment and settlement infrastructure in India, was set up in 2008 as an umbrella organization for retail payments systems. NPCI has introduced various digital platforms and mode of payments over the last 10 years such as:

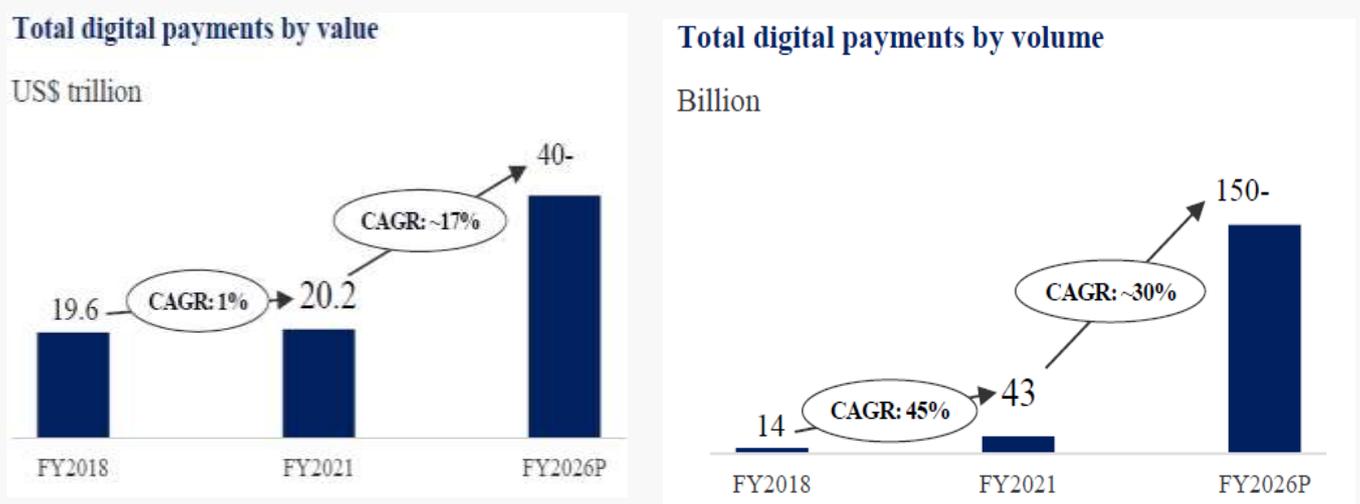
- **Unified Payments Interface (UPI):** Single mobile application for accessing different bank accounts, facilitating easy transactions using a simple authentication method.
- **RuPay:** Supports the issuance of debit, credit and prepaid cards by banks.
- **Aadhaar Enabled Payment System (AePS):** Bank-led model which allows online interoperable financial inclusion transaction at PoS through the business correspondent of any bank using the Aadhaar authentication.
- **National Electronic Toll Collection (NETC):** NPCI has also developed the NETC program to provide for a digital payment option at toll plazas across the country through a FASTag. All National highway toll plazas are mandated to have a FASTag lane.

The RBI has also taken several initiatives to promote financial inclusion and digitization of payments system such as

- Payments Bank:** To widen the spread of payment and financial services to the country's remote areas and small business, low-income households, and migrant labour workforce in a secured technology-driven environment. A Payments bank is like any other bank without involving any credit risk. It can carry out most banking operations but cannot provide advance loans or issue credit cards. It can accept demand deposits (up to Rs 200,000), offer remittance services, mobile payments/transfers/purchases and other banking services such as ATM/debit cards, net banking and third party fund transfers. In 2015, the RBI granted in-principle approval to 11 players and as of today, there are 6 functioning payment banks in the country.
- Interoperability of PPI-wallets through UPI:** In 2018, RBI issued guidelines to implement interoperability of PPI-wallets through UPI and PPI-card through authorised card networks. PPIs are payment instruments that enable the purchase of goods, services, and financial services against the amount stored on them. PPIs can be in the form of digital wallets or Cards. In May 2021, the RBI also mandated PPI interoperability and increased the limit to 200,000 for full KYC PPIs. This will facilitate faster adoption of digital payments and financial inclusion in the country.
- New Umbrella Entity (NUE) for retail payments:** The RBI has recently released a framework to authorize the setting up of New Umbrella Entity (NUE) for retail payments. As of now, NPCI is the sole organization with a variety of innovative payment systems. The new umbrella entities set up will be able to set up and manage new payment systems such as ATMs, white-label PoS, and remittance services. It will also help fulfil objectives of transparency, efficiency in payment systems, decongest NPCI, and foster innovation.

Several factors, including government initiatives and reforms, improving technology, increasing reach and awareness, digital payments are expected to more than double from US\$ 20 Tn in FY21 to US\$ 40-50 Tn by FY26.

Exhibit 2: Growth in digital payments by FY26E



Source: RHP, Axis Securities

This will be driven by growth in:

- Mobile payments, which includes mobile wallet and UPI. As unique mobile payment users increase from 252 Mn in FY 2021 to 650-700 Mn in FY26, mobile payments 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.

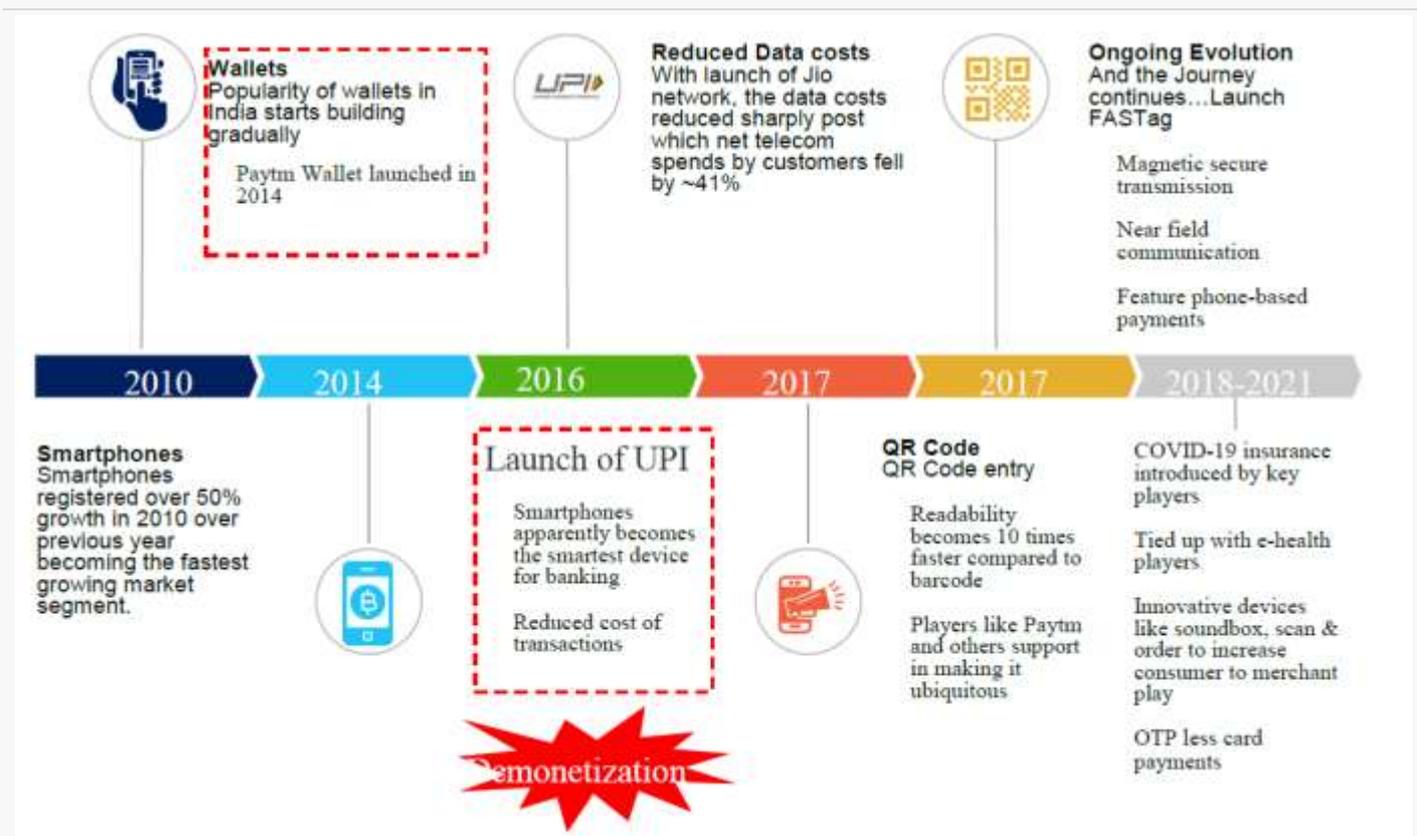
Mobile Payments

Mobile payments are a mode of payments using mobile phones which typically includes mobile wallets and UPI. There are various ways in which payment can be done using mobile. A few of them are:

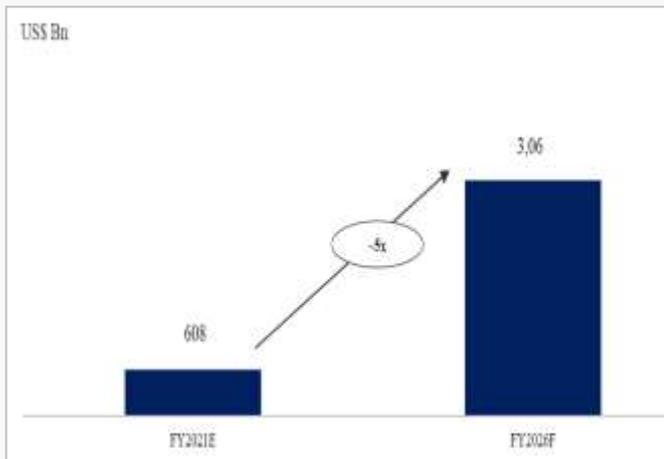
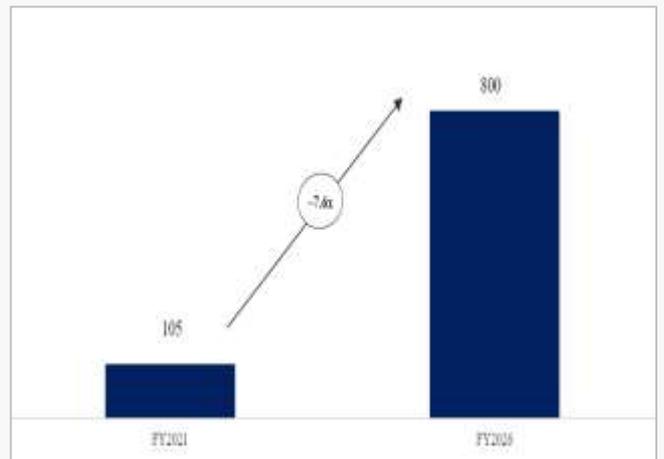
- **Mobile wallets:** Allows to carry cash in digital format. Customers can link credit card or debit card information to mobile wallet applications or transfer money online to mobile wallets and use that for their purchases. Mobile wallets provide consumers with greater convenience, better security, and control over expenses.
- **Unified Payments Interface (UPI):** Rolled out in August 2016, it provides a simple, easy to use digital interface. Powers multiple bank accounts into a single mobile application (of any participating bank), merging several banking features, seamless fund routing and merchant payments into one hood. It has single click 2-factor authentication which is aligned with the Regulatory guidelines, yet provides for a very strong feature of seamless single click payment.

Money transfer between consumers and merchants using wallets or UPI is becoming highly ubiquitous in India and has led to a surge in mobile payments over the last few years. Mobile payments increased ~ 16 times from 1.6 Bn in FY17 to 26 Bn in F21.

Exhibit 3 : Evolution of mobile payment landscape in India



Source: RHP, Axis Securities

Exhibit 4: Mobile payments by value FY26E

Exhibit 5: Mobile payments (consumer to merchant) by value


Source: RHP, Axis Securities

Digital Payment Adoption by Merchant

In India, there are ~65 Mn merchants of which 45 Mn have internet access. Merchants including medium and small enterprises are rapidly adopting new-age payment technology to offer a hassle-free shopping experience to their customers. Digital payment mode at merchants typically include QR code, Point of Sale (POS), machines, and payment gateway.

Exhibit 6: India Digital Payments Merchant Funnel



Source: RHP, Axis Securities

QR Code

Payment via QR code is a contactless payment method where payment is performed by scanning a QR code from a mobile app. QR code has been a revolutionary way to onboard merchants with the positives of lower acquisition cost and scalability. Currently, over 97 Mn QR codes are issued. In Oct'20, the RBI mandated proprietary QR players to implement QR code interoperability by Mar'22 to facilitate seamless payments for customers. According to RedSeer estimates, there have been 30-35 Mn unique merchants in FY21 using QR codes for digital payments in India and expected to increase to 55-60 Mn by FY26. Out of all the players driving QR adoption, Paytm has the highest QR code coverage amongst merchants. TPV of QR code is expected to increase from US\$ 40 Bn in FY21 to US\$ 300-550 Bn in FY26.

POS machines

Point of Sale terminal is hardware used for processing payments at retail locations. India's POS device base has been steadily expanding with a 13% CAGR over FY17-21. One of the biggest levers for strong POS deployment in the FY17-21 period was demonetization in Nov'16, which led to the adoption of alternate payment modes such as cards and drove rapid POS adoption across merchants. TPV of POS machines is expected to increase from US\$ 94 Bn in FY21 to US\$ 275 Bn in FY26.

Payment Gateways and Payment Aggregators

Payment Gateways and Payment Aggregators allow e-commerce businesses to process transactions on its website/app. The company allows payment acceptance through credit/debit cards, net-banking, e-wallets, and UPI. A payment aggregator facilitates only payments by connecting merchants with payment acquirers. In FY21, Paytm stood as the largest payment gateway aggregator in India based on total transactions. TPV of payment aggregator is expected to increase from \$170 Bn in FY21 to \$550 Bn in FY26.

Rapid Growth of Commerce Services

Most sectors in India will reach high digital maturity in GMV terms by FY26, accounting for a significant share of the overall consumption in that category, thereby making India a truly digitaleconomy. Furthermore, unique online transacting users, are expected to grow from 250-300 Mn in FY21 to 700-750 Mn by FY26. This will further fuel growth of digital products and solutions across sectors.

Exhibit 7: Opportunity across segments

Estimated market opportunity (US\$ billions)	FY 2021	FY 2026	CAGR
Online Gaming	2.8	12-13	34%-36%
Travel Ticketing ¹	36	60	~9%
Film Ticketing ^{1,2}	2.6	3.5	5%
E-tail	41	140-160	28%-31%
E-grocery	3.7	22-27	43-49%
Online Food Delivery	2.7-3	13-14	36%
India Advertising ³	9.3	20-25	20%

Source: RHP, Axis Securities

Business Overview

About the Company

One97 Communications Limited (Paytm) is India's leading digital ecosystem for consumers and merchants. The company offers payment services, commerce and cloud services, and financial services to 33.7 Cr consumers and over 2.18 Cr merchants registered with it (as of June 30, 2021). The company's 2-sided (consumer and merchant) ecosystem enables commerce and provides access to financial services through its financial institution partners by leveraging technology to improve the lives of its consumers and help merchants grow their businesses.

The company launched Paytm in 2009, as a "mobile-first" digital payments platform to enable cashless payments for Indians; giving them the power to make payments from their mobile phones. The company have been able to leverage its core payments platform to build an ecosystem with innovative offerings in commerce, cloud, and financial services. Paytm is available across the country with "Paytm karo" (i.e. "use Paytm") evolving into a verb millions of Indian consumers, shopkeepers, merchants and small businesses. The "Paytm" brand is India's most valuable payments brand with a brand value of \$ 6.3 Bn, and remains the easiest way to transact across multiple methods.

The Paytm app is a payments-led super-app, through which it offer consumers innovative and intuitive digital products and services. The company offer a wide selection of payment options on the Paytm app including:

- Paytm Payment Instruments, which allow consumers to use digital wallets, sub-wallets, bank accounts, buy-now-pay-later, and wealth management accounts; and
- Major third-party instrumentssuch as debit and credit cards and net banking.

On its app, it enable its consumers to transact at in-store merchants, pay its bills, make mobile top-ups, transfer money digitally, create and manage its Paytm Payment Instruments, check linked account balances, service city challans and municipal payments, buy travel and entertainment tickets, play games online, access digital banking services, borrow money, buy insurance, make investments, and more.

The company help its merchants grow its business by giving them solutions to accept payments digitally, acquire and retain consumers, improve its business operations, and access financial services. Merchants can use in-store and online payment solutions to accept payments through Paytm Payment Instruments as well as major third-party payment methods. To help them acquire and retain customers, and create demand, Paytm offers services such as selling tickets, advertising, mini-app listings, channel, and loyalty solutions. In addition to helping merchant ecosystem achieve more commerce, it also provide software and cloud services that allow large, medium and small merchants to improve their business operations and access important financial tools such as banking, wealth, and credit facilities.

Exhibit 8: Business Overview



Source: RHP, Axis Securities

Trends Favouring Paytm

India is a country of hundreds of millions of young and aspiring consumers who are underserved in payments and financial services products. There are millions of small businesses in India that would benefit from having increased access to affordable software, technology and financial services. These consumers and small businesses can be served through technology-led, digital-first commerce.

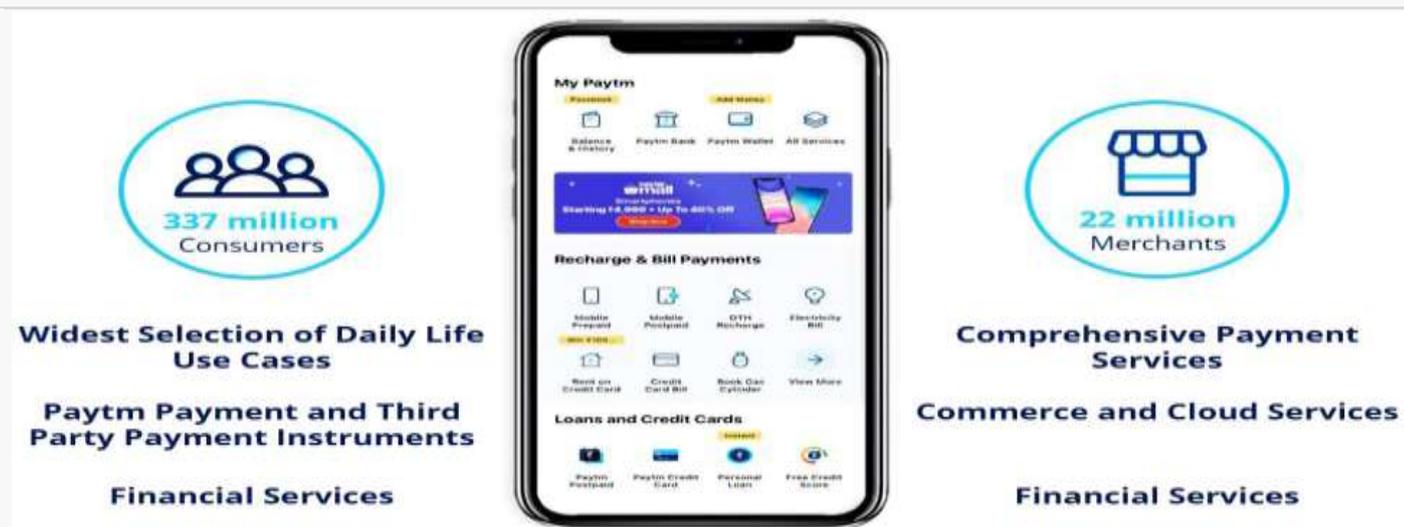
Paytm has a large addressable market in India. The market segments that it serve have large growth potential, due to significant under-penetration, and the ability of technology to grow the market.

Exhibit 9: Addressable market for Paytm



Source: RHP, Axis Securities

- I. **Strong macro tailwinds:** Despite the impact due to the COVID-19 pandemic on global economies, India continues to be the fastest-growing major economy globally and is expected to grow at a CAGR of 9% over the next 5 years to become a \$4.2 Tn economy by 2025.
- II. **Increasing pace of digitization:** With increasing smartphone penetration and internet usage, and the proliferation of digital products and services for consumers, India's digital ecosystem is at an inflexion point. Technology adoption across consumer internet sectors has been accelerating and has gained even more prominence in the post-COVID-19 pandemic world. Overall digital commerce in India is expected to grow over 3.3 times in the next 5 years to more than \$300 Bn by FY26 from ~ \$90 Bn in FY 2021.
- III. **Digital payments in India evolving rapidly:** India's payment landscape has transformed over the last decade driven by the emergence of mobile payments, the government's vision to transform India into a cashless society, the creation of innovative and robust payment infrastructure, high consumer and merchant acceptance and regulatory support. As a result of these factors, unique online transacting users, transacting for services are expected to grow from 25- 30 Cr in FY 2021 to 70-75 Cr by FY26.
- IV. **Under-penetration and rising digitization of financial services:** The Indian financial services market continues to be significantly underpenetrated. Across all these traditional financial services products, India has a growth opportunity aided by technology and rising digitization to increase access and reach.
- V. **Regulatory initiatives driving the digitization of payments and financial services:** The Gol and regulators such as the RBI, SEBI and IRDEAI have acted as enablers of "Digital India" through continual reforms and encouraging innovation in the marketplace. Additionally, RBI's introduction of payments bank licensing regime, wallet licensing regime, AADHAR universal identity and creation of UPI has contributed to digitization of payments.

Exhibit 10: PayTMs ecosystem


Source: RHP, Axis Securities

As of June 30, 2021 the company's ecosystem serves 33.7 Cr consumers and over 2.18 Cr merchants. The company's payments platform is at the core of its ecosystem. Making payments (bill payments, in-store or money transfer) is, in most cases, the first use case for a consumer on Paytm. Leveraging the large scale, reach, and deep and high frequency engagement by consumers and merchants on its payments platform, it has been able to add new payments offerings, as well as expand into commerce, cloud services, and financial services. Each of its offerings increases the scope of its ecosystem for consumers and merchants, enhancing the value of its ecosystem.

How consumers benefit from the ecosystem

- **Paytm Super-app to access a wide selection of daily life use cases:** The consumers can use the Paytm Super-app to conveniently manage multiple aspects of their daily lives.
- **Usage of Paytm Payment Instruments:** In collaboration with partners, Paytm offers Paytm Payment Instruments to its consumers, such as Paytm Wallet, Paytm Postpaid, Paytm Debit Card, Paytm Credit Card, and others. These instruments can be used on online and mobile platforms.
- **Access to financial services through its partners:** In partnership with financial institution partners, Paytm provides its consumer and merchants, including un-served or underserved Indians with access to digital, customized financial products, such as deposits, wealth, lending and insurance on the Paytm app. The company has also made its experience of buying and using financial services and products; instant, seamless, convenient and completely digital.

Exhibit 11: GMV by Cohort

	Transaction Year				
	FY17	FY18	FY19	FY20	FY21
FY17	1.0x	2.8x	4.9x	6.8x	6.8x
FY18		1.0x	2.9x	3.7x	3.5x
FY19			1.0x	1.8x	1.9x
FY20				1.0x	1.9x
FY21					1.0x

GMV of users acquired in a particular financial year and transacting in three or more use cases in the same or subsequent financial years

Source: RHP, Axis Securities

- **How merchants benefit from its ecosystem:** Paytm strives to help its merchants grow its business by giving them access to technology, payment solutions. and financial services.
- **Comprehensive payments solutions:**The payments platform gives merchants the ability to accept payments online and on mobile platforms, in-store, from a wide selection of Paytm Payment Instruments and all major third-party instruments. The company's new-age in-store payment systems offer an opportunity for merchants to integrate customer loyalty, gift vouchers, and buy-now-pay-later solutions. The company also helps merchants with products for seamless business payments to vendors, employees, and customers.
- **Acquisition and retention of customers and demand creation:**Paytm helps merchants acquire and retain customers on and off the Paytm app, through its suite of products. These products allow merchants to leverage their large consumer base.
- **Access to digital financial services:** For un-served or underserved merchants, it offers them access to deposits, wealth, credit and insurance products to improve and grow its businesses, including through its associates and partner financial institutions.

COMPANY BUSINESS

Paytm offers products and services across

1. payment services,
2. commerce and cloud services, and
3. financial services.

A) Payment Services

Paytm has a full suite of payment services for both consumers and merchants which enables them to make and receive payments in a convenient, seamless and secure manner both online and in-store. The company is the largest payments platform in India with a GMV of Rs 4,033 Bn in FY21. The company has market share of ~ 40% in the overall payments transaction volume and wallet payments transaction market share of 65–70% in India as of FY21.

- The company launched a wallet product, Paytm Wallet in 2014, which saw wide-spread acceptance amongst Indians, many of whom were making digital and mobile payments for the first time.
- The company launched QR in 2015, which it upgraded to All-in-One QR in Jan'20, which is the only source QR code that gives merchants the power to seamlessly accept payments from Paytm Payment Instruments, third party, and all UPI instruments directly into its bank account.
- In 2020, it launched Paytm Soundbox, an IoT enabled payment acceptance device, providing real time audio confirmation for payment completion.

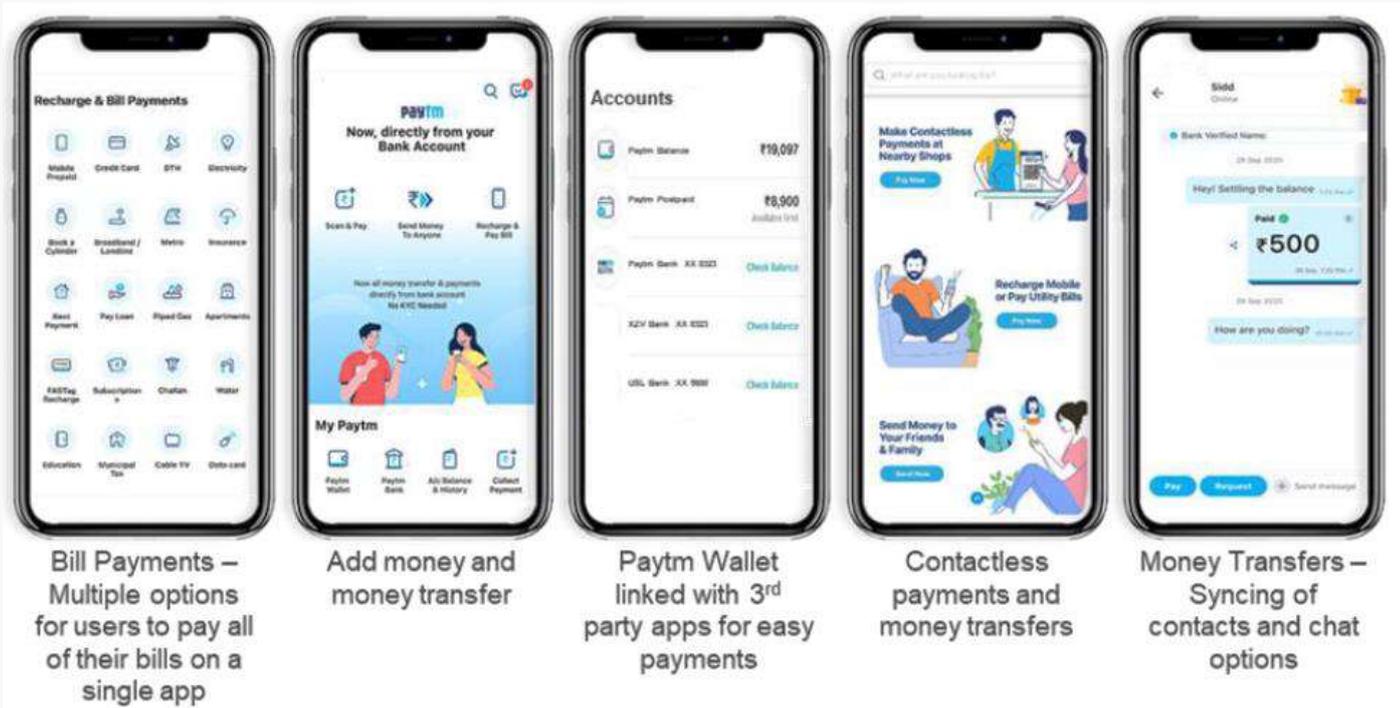
Exhibit 12: The payments products and services for consumers (Paytm Payment Instruments) and merchants (“Merchant Acquiring”).



Source: RHP, Axis Securities

Paytm offers a differentiated value proposition and experience for its consumers because of a wide selection of use cases, multiple payments instruments, and a large number of merchant end points.

Exhibit 13: The select payment offerings available to its consumers



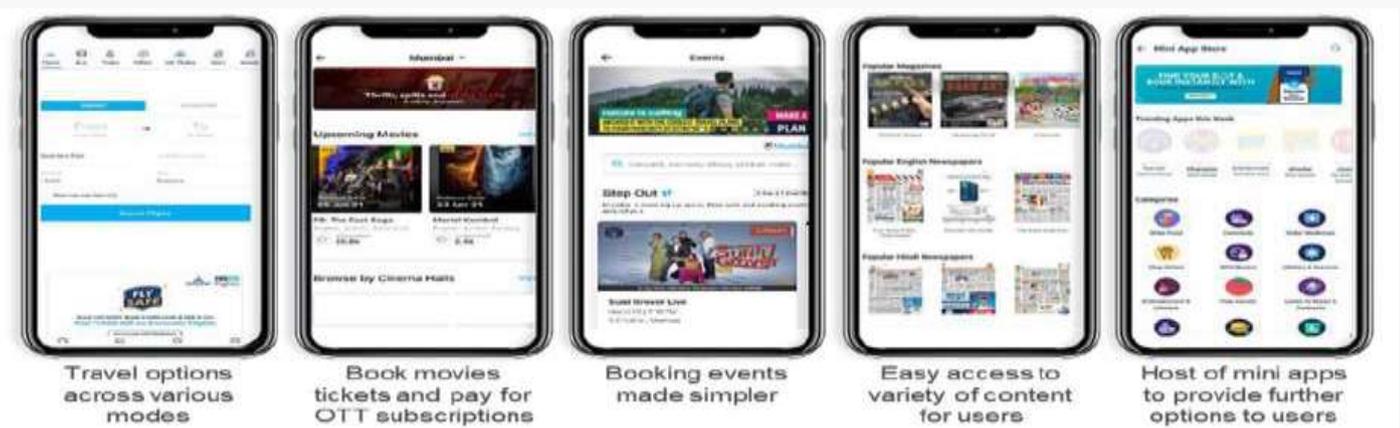
Source: RHP, Axis Securities

Merchants can access its full suite of payment products and services (i) in-store, using the Paytm QR code, Soundbox or POS devices; and (ii) online, using the Paytm all-in-one payment gateway infrastructure or through Paytm Wallet. The company also offer its merchants, Business Payments to help manage its cash flows and its payables including (i) vendor payments, such as rent payments, invoices, and utility bill payments, (ii) customer cashbacks, refunds, and channel partner incentives, and (iii) employee salaries, reimbursements and tax benefits.

B) Commerce & Cloud services

The company’s commerce and cloud services offerings provides a lifestyle destination for consumers to avail lifestyle commerce services such as ticketing, travel, entertainment, gaming, food delivery, ride hailing, and more. Easy access to such services within the Paytm App environment, through its native offerings or through its mini-apps partners, plays a critical role in user engagement and retention, and enhances its brand.

Exhibit 14: Wide suite of services under Commerce & Cloud services



Source: RHP, Axis Securities

Through its wide suite of commerce and cloud service offerings, merchants can connect with consumers to increase demand for its products and services such as ticketing (for entertainment and travel), deals, loyalty services, mini apps and advertising; and improve its business operations. The company's feature-rich Paytm for Business app provides merchants a comprehensive set of business management tools, including real-time bank settlement and analytics, reconciliation services, banking services, access to financial services, and business growth insight tools to measure its business performance. The company also provides software and cloud services to enterprises, telecom companies, and digital and fin-tech platforms to track and enhance customer engagement, build payment systems, and unlock customer insights.

In FY20, the company processed a total Commerce GMV of Rs 142 Bn, and in aggregate generated over Rs 11 Bn of revenues (in FY21 and in the first quarter of FY22, it processed a total Commerce GMV of Rs 42.4 Bn and Rs 9 Bn, and in aggregate generated over Rs 7Bn and Rs 2 Bn of revenue. It also processed a total Commerce GMV of Rs 42.4 Bn and generated over Rs 6.9 Bn of revenue in FY21).

C) Financial services

- **Mobile Banking Services:** It provides mobile banking services through Paytm Payments Bank, in which it own 49% equity interest. It offers a comprehensive suite of digital banking products and debit cards. As of June 30, 2021, Paytm Payments Banks had 6.54 Cr savings accounts. For the quarter ended March 31, 2021, Paytm Payments Bank was the largest UPI beneficiary bank with a market share of 17.1%.
- **Lending:** Paytm operates a technology platform with capabilities across the entire loan cycle to provide seamless credit access to its consumers and merchants through its financial institution partners. The company work with financial institution partners and aim to drive the increase of credit in India. By leveraging Paytm platform's digital reach, democratizing credit is a significant opportunity for Paytm, to service the underserved and un-served. Paytm has launched Paytm Postpaid, its buy-now-pay later product and merchant cash advance, through its financial institution partners. The company's financial institution partners have disbursed 1.4 Mn loans in the 4th quarter of FY21 and 1.4 Mn loans in the first quarter of FY 2022.
- **Insurance and Attachment Products:** In collaboration with the insurance partners, Paytm offers, (i) attachment products such as movie and travel ticket cancellation protections based on user engagement on its platform and as a part of the payments flow, and (ii) its subsidiary, Paytm Insurance Broking Pvt Ltd offers an insurance marketplace with products across auto, life and health insurance.
- **Wealth Management:** Paytm provides wealth management services to its consumers through the Paytm app and the Paytm Money App. Paytm Payments Bank launched fixed deposits on the Paytm app. The company launched Paytm Gold, in collaboration with a partner. Paytm Money offers mutual funds, equity and futures and options trading.

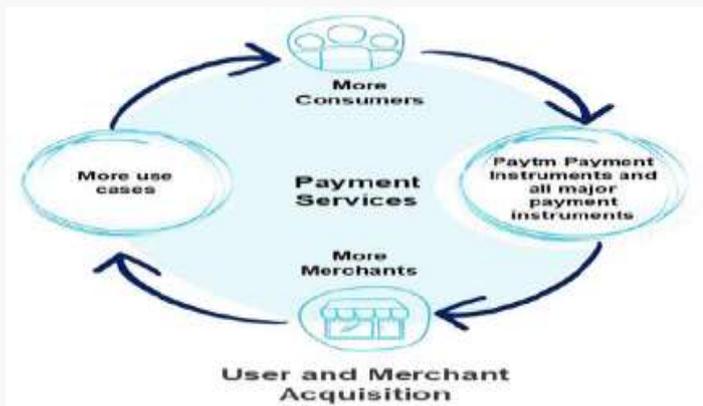
COMPANY'S FLYWHEELS

Company's brand, distribution, insights, technology skills, and the scope of its ecosystem gives them an advantage to grow its business through, (i) cost-effective acquisition of consumers and merchants; (ii) reinforce its platform by building higher engagement and stickiness with consumers and merchants; and (iii) build high monetisation products at low cost of acquisition. The company refers to these attributes of its business model as "its flywheels". The company's ecosystem has multiple, self-reinforcing flywheels, which drive consumer and merchant engagement and growth on its ecosystem.

For consumers, certain payment categories such as money transfer, in-store payments and bill payments are highly relevant high frequency use cases that are efficient and pre-dominant means of consumer acquisition for them. Products such as Paytm Wallet, Paytm Postpaid, savings account and FASTag help to build consumer engagement and stickiness and help them retain consumers. Products such as personal loans, credit cards, which its financial institution partners offer on its app, and insurance allow them to monetize users, at little or no incremental cost of acquisition, and at attractive economics.

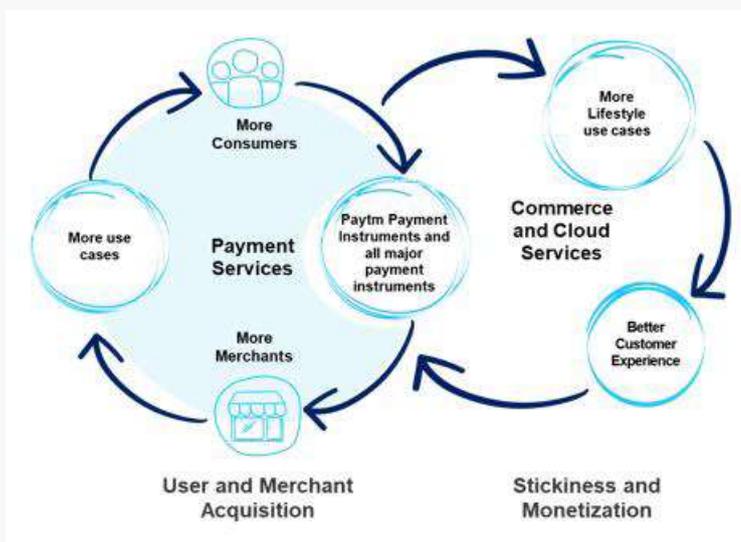
Similarly, for merchants, certain payments offerings, such as QR (for in-store) and Payment Gateway (for online) are its primary means to on-board new merchants. Products such as Soundbox and POS devices and Paytm Business Payments increases its engagement and retention on its ecosystem with attractive monetisation characteristics in many cases. Products such as merchant lending, which its financial institution partners offer on its app, advertising and cloud, offered through its ecosystem, allow them to monetize its merchants.

Payment services



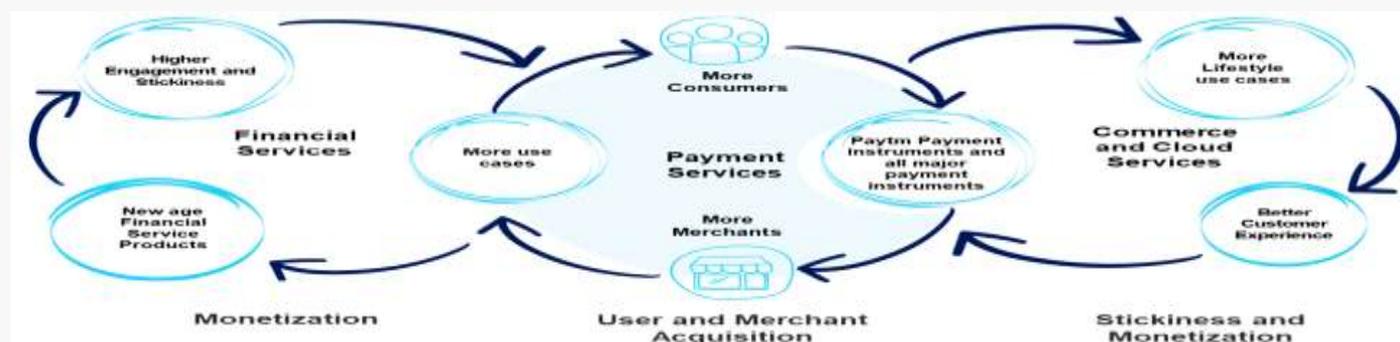
The payment services have attractive characteristics for consumer acquisition and retention, given the low cost of acquisition especially for certain categories and high engagement due to payments behaviour being high infrequency and repeat usage. In addition, its ability to offer more payment use cases and Paytm Payment Instruments attracts more consumers to Paytm. In addition to this flywheel, merchants start using Paytm for non-Paytm Payment Instruments such as third-party credit cards, debit cards, net-banking, creating additional monetisation opportunities for Paytm.

Commerce & Cloud services



For merchants, Paytm provides consumer-facing offerings. These services on the Paytm app allow customers to use the app to access a wider range of lifestyle use cases, which reinforce its payments business.

Financial services



For consumers, Paytm offers various financial services products. Consumers can use Paytm Postpaid, which is a buy-now-pay-later product offered in collaboration with its financial partners and equity broking through its wealth management offerings. Users can also use fixed deposit on the Paytm app if they don't have enough funds in its Paytm Payments Bank, at the time of check-out. Similarly, for merchants, due to its payment services relationships with them, it can use the Paytm forBusiness App and its insights of the merchants' payment flow to offer them ability seamlessly take a loan from its financial institution partners.

Key operating and financial metrics

	Q1FY22	Q1FY21	FY21
GMV (Rs Cr)	1,46,900	69,700	4,03,300
GMV growth (%)	110.6	3.4	33
Number of loans disbursed ('in 000)	1,433	23	2,635
Revenues	891	551	2,802
Payment and financial services	689	430	2,109
Commerce and cloud services	201	121	693
Other operating revenues	-	-	-
Contribution profit (Rs Cr)	245	82	363
Contribution profit margin	27.4	14.9	12.9
Adjusted EBIDTA (Rs Cr)	-332	-321	-1,655
Adjusted EBIDTA Margin (%)	-37.3	-58.3	-59.0

Source: RHP, Axis Securities

COVID-19

Paytm has set up the Paytm Foundation exclusively for philanthropic purposes. The company has also led a large-scale relief effort for the nation, by launching an OxygenforLife crowd-funding initiative for sourcing oxygen concentrators for donating to government hospitals, foundations and non-governmental organizations. As a part of long-term relief measures, it is installing oxygen plants, which will help produce medical oxygen from ambient air while simultaneously supplying the gas to multiple beds. Under the Feed My City initiative, it is providing food to daily wage earners in Noida, Mumbai, Bengaluru, Hyderabad and Chennai. The company introduced a dedicated section on its app, with a COVID-19 self-assessment scanning tool, which utilizes contact tracing to identify if one is potentially at risk of suffering from the virus.

COMPANY PRODUCTS AND SERVICES

After launching Paytm Wallet, the Paytm App with mobile top-ups and bill payments, and payment gateway for merchants, in 2015 and 2016, it launched additional services on its app such as the QR code for in-store payments, and entertainment and flight ticketing. Over the past five years it has launched additional products such as Paytm FASTag and Paytm Postpaid, and launching financial services offerings such as wealth, lending and insurance for consumers and merchants, in partnership with financial institutions.

Exhibit 15: The Paytm Super App



Source: RHP, Axis Securities

Payments offering to Consumers

Bill Payment	As of June 30, 2021, Paytm provided consumers with the ability to conveniently make bill payments across 26 use cases including electricity, cooking gas, water, mobile and broadband, credit card, rent, educational fees and various other such recurring payments.
Money Transfer	On the Paytm App, consumers can do money transfers from UPI and Paytm Wallet, which are supported by Paytm Payments Bank
In-store Payments	Consumers can use Scan and Pay on the Paytm app, to scan a QR code and make a payment, either through the All-in-One QR, issued by Paytm Payments Bank or through a UPI QR issued by a third-party

Payments offering to Merchants

Payment Gateway Services	The payment gateway service started in 2012 by processing Paytm Payment Instruments, such as Paytm Wallet, and by leveraging the large merchant penetration of Paytm Payment Instruments, has expanded into processing other third-party instruments. As of June 30, 2021 it had partnered with 15 major banks in India to enable merchants to provide cashback offers and no-cost EMI-deals.
All-in-One QR Code	QR codes allow small shopkeepers to accept digital payments at zero upfront cost, and at zero MDR, without needing access to the internet or paying for a POS machine.
All-in-One POS Devices	Paytm offers portable devices for basic payments to advanced payments, depending on the use-case, as well as transaction confirmations and reconciliation – for sound, visual and print-based merchant solutions.
Paytm Soundbox and Soundbox 2.0	Paytm Soundbox is a battery-operated IoT-based device providing voice-based confirmation of QR code payments to merchants.
Paytm Business Payments	Launched in FY20, Paytm Business Payments is a single platform solution to help merchants make payments for all business use cases, including to vendors, employees and customers. This helps companies better manage its cash flows and its payables.
Paytm for Business App	Paytm for Business is an intuitive, user friendly, easy to use the app, with about five Mn monthly visitors as of June 30, 2021. It enables merchants to make bill payments, transfer payments to their bank accounts, select its settlement frequency, link or change its destination bank account, view all its transactions in one place, open a Paytm Payments Bank account and order Paytm QR-supported merchandise.

Paytm Payment Instruments	Paytm offers Paytm Payment Instruments, which allow consumers to use wallets, sub-wallets, bank accounts, and buy-now-pay-later, at a wide range of merchants across the country.
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Paytm Wallet	Paytm Payments Bank provides a secure digital wallet that allows consumers to make payments at over 87,000 online merchants and 21.1 Mn in-store merchants.
Paytm Postpaid	Paytm provides consumers with the flexibility to use the buy-now-pay-later option across its merchant base.

Paytm UPI	Users use these for money transfers, on the Paytm app, to add money to the Paytm wallet and at third party merchants, and make payments by scanning any UPI QR code.
Paytm FASTags	A key differentiator of Paytm FASTag is that it does not require a separate prepaid account or login credentials, and is linked seamlessly to the Paytm Wallet.
Fixed Deposits	Paytm offers fixed deposits that come with a “super liquid” feature allowing real-time, 24*7 management, instant redemption with no penalty, as well as earning interest on the balance.
Paytm Payments Bank Debit Card	The free digital debit card can be used to make in-store and online payments
Paytm Credit Card	Paytm offers card management services on the Paytm App, including real-time transaction history, spend analytics, and the ability to change credit limits, among others.
Other Paytm Payments Bank instruments	As of March 31, 2021, Paytm Payments Bank had 64 Mn bank accounts. Each account holder can use Paytm Payments Bank Debit Card and Paytm Net Banking to access its bank accounts and make payments to merchants.

Competitive Strengths

The ecosystem allows addressing large market opportunities

Paytm has a wide addressable market in India across payment services, commerce&cloud services, and financialservices. The market segments that it serves have a massive scale and growth, are significantly underpenetrated, and have potential of technology to grow the industry. The company's ecosystem allows it to address these multiple large market opportunities at scale and gives multiple growth vectors.

The trusted brand, scale, and reach

Paytm brand stands for Trust, Convenience, and Transparency. Paytm is available across the country with "Paytm Karo" evolving into a verb for hundreds of millions of Indian consumers, shopkeepers, merchants and small businesses. The "Paytm" brand is India's most valuable payments brand with a brand value of \$6.3 Bn, and Paytm remains the easiest way to transact across multiple methods. The company had 33.7 Cr consumers and over 2.18 Cr merchants as of June 30, 2021.

Deep insights on Indian consumers and merchants

Paytm has developed unparalleled insights into the way Indian consumers spend and save, and the way merchants operate its businesses. Each transaction on its ecosystem provides insights that help it improve personalization for its consumers and merchants, which in turn, improves consumer and merchant experience and the quality of its engagement on the ecosystem

The product and technology DNA

Paytm has an average engineering and technology team of 2,550 members and 2,471 members in FY21 and Q2FY22 end. The company's technology stack is built ground up and integrated across all aspects of its ecosystem which enables it to launch products and services quickly, build various features, offer integrated and synergistic products, ensure system stability, handle large scale, and provide highest success rates. This significantly improves the experience of its consumers and merchants on its ecosystem. Paytm is the only payments company in India that, together with its affiliates, owns each layer of the payment stack. Paytm offer services such as Paytm Wallet, Paytm QR, Paytm Soundbox, Gold investments and Fixed Deposit, Paytm Postpaid, Merchant Cash Advance and FASTag.

The network effect creates sustainable advantages for the company

Paytm benefits from self-reinforcing network effects, which leads to low acquisition costs, higher monetization, and lifetime value of consumers and merchants, and better economics across its offerings.

The leadership and its distinctive culture

The company's mission and focus on solving big problems, and the expanse of its ecosystem makes it an attractive place for best-in-class leaders who bring a combination of domain expertise and a hunger to redefine the way Indians access payments, commerce, cloud and financial services products. The company's culture of innovation allows it to solve big problems using technology by developing pioneering products.

Key Business Strategies

Grow consumer and merchant base

Paytm will continue to grow its consumer and merchant base, adhering to its mission of bringing half a billion Indians into the mainstream economy. There is continued scope for expansion given the under-penetration of the various products and services Paytm offers. The company endeavours to continue to increase the engagement and retention of its consumers and merchants on its ecosystem by offering them better products.

Expand and enhance Paytm App's offerings for the consumers

Paytm will continue to focus on bringing together various pieces of its ecosystem to build innovative products for its consumers, which may take the form of increasing seamlessness between (i) Consumers and merchants, (ii) Various use-cases and, (iii) Various payment instruments

Deepen merchants' partnerships and drive adoption of technology among the merchant base

Paytm plans to continue to expand its merchant network, which is integral to its ecosystem, across cities and towns in India while also deepening its partnerships with existing merchants. The company will continue to expand its payment services' offerings for merchants and innovate to offer wider selection of commerce and cloud services.

Rapidly scale-up financial services and expand its access through deep tech-led solutions

A key strategic focus for Paytm is to scale up its consumer and merchant lending businesses, including Paytm Postpaid, in collaboration with its financial partners. It also intends to scale up its wealth management offerings. The company plans to continue leveraging its partnership with Paytm Payments Bank to expand the suite of banking solutions for consumers and merchants.

Expand into international markets

There is a large opportunity for Paytm to leverage its technology infrastructure and expand to international markets. In 2017, it piloted its bill payment services in Canada and in 2018 it partnered with Softbank Corp. and Yahoo Japan Corporation to launch PayPay, a leading digital payments and financial services company in Japan. The company continues to explore international opportunities, especially in the developed markets, where it can either launch its merchant services, or collaborate with partners to launch consumer facing platforms.

Key Management Personnel

Exhibit 14: Key Management personnel

Name	Designation	Description
Mr. Vijay Shekhar Sharma	Founder, MD & CEO	Mr. Sharma Vijay Shekhar Sharma is the Founder, Managing Director and Chief Executive Officer of the company and the Chairman of the Board. He oversees the company's key strategic efforts including engineering, design and marketing.
Mr. Madhur Deora	President & Group Chief Financial Officer	Mr. Deora Madhur Deora is the President and Group Chief Financial Officer of the company. He has been associated with the company since October 3, 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 Private Limited.
Mr. Manmeet Singh Dhody	Chief Operating Officer, Payments	Mr. Dhody has been associated with the company since April 1, 2020. He holds a bachelor's degree in engineering (computer) from the University of Delhi and a master's degree in business administration from Panjab University. He was previously associated with Amazon Development Centre India Private Limited and Microsoft India (R&D) Private Limited.
Mr. Vikas Garg	Chief Financial Officer	Mr. Garg holds a bachelor's degree in commerce from Maharshi Dayanand University, Rohtak. Further, he has been certified as a chartered accountant by the Institute of Chartered Accountants of India. He was previously associated with ICICI Bank Limited and ibibo Web Private Limited.
Mr. Deepankar Sanwalka	President - Compliances and Operations	Mr. Sanwalka has been associated with the company since May 3, 2021. He holds a bachelor's degree in commerce from University of Delhi. He is a member of the Institute of Chartered Accountants of India.

Source: RHP, Axis Securities

Key Risks and Concerns

History of net losses

Because the company's products, platforms, services and overall market are evolving, it is difficult to predict future results of operations or the limits of the market opportunity. The company expects operating expenses to increase with personnel hiring, increasing marketing and promotional activities, expanding operations and infrastructure, both domestically and internationally, enhancing platforms and brand, and expanding capabilities, products and services. This may result in an increase in net losses and decrease in Adjusted EBITDA.

Adverse effect on business and operations from Covid-19

Pandemic-imposed lockdowns impacted operations, in particular the commerce and cloud business. Revenue from its commerce and cloud services decreased by 38.0% to Rs 6.9 Bn in FY21 from Rs 11.2 Bn in FY20. Commerce GMV declined in FY21, primarily due to disruptions to its partners in travel, entertainment, and e-commerce industries. The pandemic has adversely impacted and is likely to continue impacting the company's operations as well as the operations of its merchants and business partners.

Increase in payment processing charges

Paytm is required to pay payment processing charges to financial institutions and card networks for processing transactions on its platform. These costs depend on the category of merchant and payment instrument used by the consumer. Other factors sometimes may include (i) Size and number of transactions processed on the platforms, and (ii) The network through which the transaction is routed. From time to time, financial institutions have increased and may in the future increase charges levied for processing transactions on the platform. An increase in payment processing charges to financial institutions or card networks may materially impact profitability as payment processing charges form ~40% of the total operating expenses.

Inability to increase volumes

The company's growth substantially depends on its ability to maintain and grow relationships with existing merchants and increase the volume of transactions processed on its platforms. The company relies on the continuing growth of its merchant relationships and its distribution channels in order to expand its GMV and its operations. The company derives revenue primarily from the fees earned from merchants for the payments, commerce and cloud, and financial services it provides through its platforms.

Financials

Profit & Loss

(Rs Cr)

Y/E March	FY19	FY20	FY21
Payment and financial services	1,696	1,907	2,109
Commerce & Cloud services	1,537	1,119	693
Revenue from Core Operations	3,232	3,026	2,802
Other Operating Revenues	0	255	0
Recovery of marketing expenses	0	255	0
Total Revenue from Operations	3,232	3,281	2,802
Other Income	348	260	384
Total Income	3,580	3,541	3,187
Total Operating Expenses	7,598	5,915	4,570
EBIDTA	-4,018	-2,375	-1,383
Contribution Profit	-1,998	-238	363
Depriciation&Amortisation Expenses	112	175	179
Finance Costs	34	49	35
Profit before tax from continuing operations	-4,164	-2,598	-1,596
Profit after tax from continuing operations	-4,226	-2,942	-1,701
Profit after tax from discontinued operations	-53	0	0
Profit after tax	-4,231	-2,942	-1,701

Source: RHP, Axis Securities

Contribution Profit

Y/E March	FY19	FY20	FY21
Revenue from operations	3,232	3,281	2,802
Less:			
Payment Processing charges	2,257	2,266	1,917
Promotional cashbacks and incentives	2,794	959	236
Connectivity and content fees	107	156	182
Contest, ticketing and FASTag expenses	68	122	68
Logistic, deployment and collection cost	4	15	37
Contribution Profit	-1,998	-238	363
Contribution Margin (%)	-62	-7	13

Source: RHP, Axis Securities

Balance Sheet

(Rs Cr)

Y/E March	FY19	FY20	FY21
LIABILITIES			
Share Capital	57.5	60.4	60.5
Reserves and Surplus	5,667.4	8,044.8	6,474.3
Non Controlling Interest	86.2	-14.0	-18.6
Net Worth	5,811.1	8,091.2	6,516.2
Borrowings	695.6	208.1	544.9
Lease Liabilities	236.1	219.4	67.1
Contract Liabilities	352.9	660.4	570.0
Provisions	52.0	76.1	67.7
Trade payables	736.0	611.6	605.2
Other liabilities	883.1	436.3	780.2
Total Liabilities	8,766.8	10,303.1	9,151.3
ASSETS			
Loans	416.2	225.7	382.2
Investments in JV/Associates	246.2	323.0	231.7
Other Investments	2,603.0	3,417.0	181.3
Current assets	464.8	493.7	301.6
Trade receivables	258.4	301.0	339.3
Cash and Cash equivalents	461.3	540.2	2,876.4
Fixed Assets	896.7	608.2	514.9
Other Assets	3,420.2	4,394.3	4,323.9
Total Assets	8,766.8	10,303.1	9,151.3

Source: RHP, Axis Securities

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