One 97 Communications | BUY

UPI MDR: the rate is set; the split is not

Further to our 12th August note UPI monetisation in sight; not yet in hand, the NPCI has notified the framework we had anticipated. A 40bps MDR will apply on P2M UPI transactions above INR 2,000 from 15th Oct'26 with concessional rates for select categories and wide-ranging exemptions for small merchants. The notified rate is materially above the 25bps we had modelled in, but the carve-outs are also broader than assumed, forcing our hand to cut the eligible-GMV overlay to 20% (from 30% earlier). Retaining our 20% share assumption for Paytm, pass-through rises to ~8bps (from 5bps). We now reckon FY27E/28E incremental revenue would be INR 2.1bn/4.7bn and incremental adjusted EBITDA shall be INR 1.4bn/4.4bn (net of UPI incentive loss)—taking overall adjusted EBITDA 9.8%/19.0% above our no-MDR estimates (~1% above our previous estimate), with margin up 110bps/270bps to 14.6%/20.6% (~11bps/17bps above our previous estimate). The NPCI is yet to specify how the MDR pool shall be distributed across the value chain; accordingly, our 20% share in MDR assumption (~8bps flow through) remains a major risk factor in our estimates. Reiterate BUY with a revised TP of INR 2,150 (earlier INR 1,950) based on the abovementioned changes and a valuation rollover to 40x Sep'28E EV/EBITDA.

- **The headline number and its footnotes**: The headline rate of 0.4% applies to P2M transactions above INR 2,000, capped at a flat INR 300 for transactions of INR 75,000 and above—meaning the effective rate tapers off for high-ticket payments. Besides, several categories attract concessional treatment: railways, telecom, insurance, fuel and utility bill collections pay a flat INR 5 per transaction rather than an *ad valorem* rate, while capital market transactions (mutual funds, securities) are charged just 0.02%, capped at INR 300. Educational fee collections too benefit from flat or capped structures. The framework is comfortably below card economics—credit cards carry 1.5–2.5%.

- **What the MDR doesn't touch:** Transactions up to INR 2,000—over 95% of P2M volume—remain at zero MDR, as do all P2P transfers. Consumers face no charge under any circumstance, UPI apps are explicitly barred from levying platform fees and merchants cannot pass the MDR through to listed prices. Most significantly for the eligible base, small merchants under the P2PM classification (receiving up to INR 1 lakh per month via UPI QR) are exempt regardless of individual ticket size, transitioning to P2M only after three consecutive months above the threshold. UPI mandates/AutoPay and credit-linked UPI (RuPay credit cards, credit lines) also sit outside the framework.

- **The one number NPCI left out:** The NPCI has not specified the distribution of the MDR pool. Media reports point to issuing banks receiving ~40%, with the remainder split between the payment app, the acquiring bank and NPCI. We have adopted 20% (8bps) as our base case, consistent with the more conservative end of the range. Sensitivity remains wide: FY28E adjusted EBITDA uplift spans 2.5% (10% eligible GMV, 3bps) to 52.1% (30%, 14bps).

- **JMF view and valuation:** Our re-rating rationale is unchanged from our previous note: MDR converts a structurally zero-revenue GMV pool into 'monetisable' volume with nearly full flow-through to EBITDA, not to mention a clear resolution to the long-standing regulatory overhang on UPI monetisation. **Key risks:** adverse split allocation, a narrower eligible base and competitive pressure on take-rates as monetisation draws in new entrants. We value Paytm at 40x Sep'28E EV/EBITDA along with a roll-forward to Jun'28E, yielding a TP of INR 2,150 (earlier INR 1,950).

Recommendation and Price Target	
Current Reco.	BUY
Previous Reco.	BUY
Current Price Target (12M)	2,150
Upside/(Downside)	24.3%
Previous Price Target	1,950
Change	10.3%

Key Data – PAYTM IN	
Current Market Price	INR1,730
Market cap (bn)	INR1,110.0/US$11.6
Free Float (%)	59.2
Shares in issue (mn)	641.6
Diluted share (mn)	679
3-mon avg daily val (mn)	INR5,994.8/US$62.5
52-week range	INR1,840/931
Sensex/Nifty	74,004/23,119
INR/US$	96.0

Price Performance

%	1M	6M	12M
Absolute	7.9	77.2	40.9
Relative*	13.8	78.6	55.7

*To the NSE Nifty 50

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Financial Summary (INR mn)

Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	69,005	84,370	106,746	134,732	163,030
Sales Growth (%)	-30.9	22.3	26.5	26.2	21.0
EBITDA	-15,072	5,023	12,902	25,473	36,398
EBITDA Margin (%)	-21.8	6.0	12.1	18.9	22.3
Adjusted Net Profit	-14,869	7,379	13,957	24,903	32,623
Diluted EPS (INR)	-21.9	10.9	20.6	36.7	48.0
Diluted EPS Growth (%)	-	-	89.1	78.4	31.0
ROIC (%)	-386.1	-	-	-	-
ROE (%)	-10.5	4.8	8.3	13.1	14.7
P/E (x)	-	159.2	84.2	47.2	36.0
P/B (x)	7.8	7.3	6.6	5.8	4.9
EV/EBITDA (x)	-	186.1	71.4	35.1	23.7
Dividend Yield (x)	-	-	-	-	-

Source: Company data, JM Financial. Note: Valuations as of September 15, 2026

Exhibit 1: MDR pass-through rate assumptions and its impact on financial metrics

Metrics	No MDR (Prior projections)		6bps		8bps (base case)		12bps	
	FY27	FY28	FY27	FY28	FY27	FY28	FY27	FY28
GMV (INR bn) (only for H2 for FY27)	15,553	36,695	15,553	36,695	15,553	36,695	15,553	36,695
UPI share in GMV (%)	85.8%	80.6%	85.8%	80.6%	85.8%	80.6%	85.8%	80.6%
UPI GMV (INR bn) (only for H2 for FY27)	13,345	29,589	13,345	29,589	13,345	29,589	13,345	29,589
Eligible GMV overlay (%) — large merchant + >INR 2k ticket threshold	30%	30%	20%	20%	20%	20%	20%	20%
EBITDA flow through (%)	100%	100%	100%	100%	100%	100%	100%	100%
Tax rate (%)	12.5%	16.5%	12.5%	16.5%	12.5%	16.5%	12.5%	16.5%
Incremental MDR revenue (INR mn)			**1,601**	**3,551**	**2,135**	**4,734**	**3,203**	**7,101**
Loss of UPI Incentive (INR mn)			740	300	740	300	740	300
Total revenue (INR mn)	105,351	130,298	106,213	133,549	106,746	134,732	107,814	137,099
Revenue growth from base (%)			0.8%	2.5%	1.3%	3.4%	2.3%	5.2%
Incremental Adj. EBITDA (INR mn)			**861**	**3,251**	**1,395**	**4,434**	**2,463**	**6,801**
Total Adj. EBITDA (INR mn)	14,208	23,294	15,070	26,545	15,603	27,728	16,671	30,095
Adj. EBITDA growth (%)			6.1%	14.0%	9.8%	19.0%	17.3%	29.2%
Adj. EBITDA Margin (%)	13.5%	17.9%	14.2%	19.9%	14.6%	20.6%	15.5%	22.0%
Incremental PAT (INR mn)			**754**	**2,714**	**1,221**	**3,703**	**2,155**	**5,679**
Total PAT (INR mn)	12,737	21,169	13,491	23,884	13,958	24,872	14,892	26,849
PAT growth (%)			5.9%	12.8%	9.6%	17.5%	16.9%	26.8%
PAT Margin (%)	12.1%	16.2%	12.7%	17.9%	13.1%	18.5%	13.8%	19.6%

Source: Company, JM Financial

Exhibit 2: Sensitivity of FY27E adjusted EBITDA growth (%)

		UPI MDR flow through to Paytm						
	9.8%	3bps	4bps	6bps	8bps	10bps	12bps	14bps
Eligible UPI GMV	10%	-2.4%	-1.5%	0.4%	2.3%	4.2%	6.1%	7.9%
	15%	-1.0%	0.4%	3.2%	6.1%	8.9%	11.7%	14.5%
	20%	0.4%	2.3%	6.1%	9.8%	13.6%	17.3%	21.1%
	25%	1.8%	4.2%	8.9%	13.6%	18.3%	23.0%	27.7%
	30%	3.2%	6.1%	11.7%	17.3%	23.0%	28.6%	34.2%

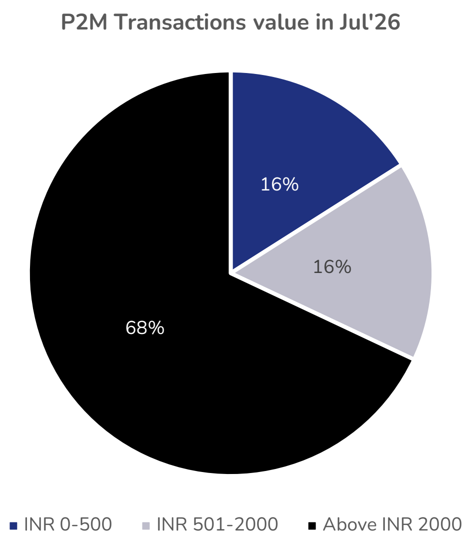
Source: Company, JM Financial

Exhibit 3: Sensitivity of FY28E adjusted EBITDA growth (%)

		UPI MDR flow through to Paytm						
	19.0%	3bps	4bps	6bps	8bps	10bps	12bps	14bps
Eligible UPI GMV	10%	2.5%	3.8%	6.3%	8.9%	11.4%	14.0%	16.5%
	15%	4.4%	6.3%	10.1%	14.0%	17.8%	21.6%	25.4%
	20%	6.3%	8.9%	14.0%	19.0%	24.1%	29.2%	34.3%
	25%	8.2%	11.4%	17.8%	24.1%	30.5%	36.8%	43.2%
	30%	10.1%	14.0%	21.6%	29.2%	36.8%	44.4%	52.1%

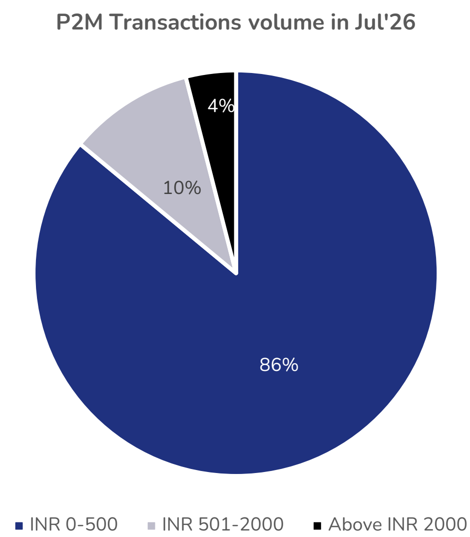
Source: Company, JM Financial

Exhibit 4: Industry P2M transactions >INR 2k account for 68% of value…



Source: JM Financial, NPCI

Exhibit 5: …but only 4% of volume



Source: JM Financial, NPCI

Exhibit 6: Paytm's UPI market share in value terms on the rise for a sixth straight quarter

Market share in value (%)	Q1FY26	Q2FY26	Q3FY26	Q4FY26	Q1FY27	Jul'26
Phone Pe	**50.5%**	**48.9%**	**48.9%**	**49.2%**	**49.4%**	**49.1%**
Google Pay	**35.4%**	**35.8%**	**34.9%**	**34.0%**	**33.7%**	**34.0%**
Paytm	**5.57%**	**5.84%**	**6.27%**	**6.53%**	**6.71%**	**6.96%**
Cred	2.16%	2.24%	2.24%	2.08%	1.98%	2.02%
Navi	0.86%	1.02%	1.22%	1.40%	1.49%	1.64%
Others	5.48%	6.17%	6.41%	6.69%	6.70%	6.25%

Source: Company, NPCI

Exhibit 7: Changes to our estimates

Particulars	Old			New			Change		
	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E	FY27E	FY28E	FY29E
Rating			BUY			BUY			
TP			1,950			2,150			*10.3%*
Consolidated revenue (INR mn)	106,613	134,436	162,667	106,746	134,732	163,030	*0.1%*	*0.2%*	*0.2%*
Revenue growth rate (YoY)	26.4%	26.1%	21.0%	26.5%	26.2%	21.0%	*16bps*	*12bps*	*0bps*
Contribution Margin	56.8%	58.3%	57.9%	56.8%	58.4%	58.0%	*5bps*	*9bps*	*9bps*
Adj. EBITDA (INR mn)	15,469	27,427	38,035	15,602	27,723	38,398	*0.9%*	*1.1%*	*1.0%*
Adj. EBITDA margin	14.5%	20.4%	23.4%	14.6%	20.6%	23.6%	*11bps*	*17bps*	*17bps*
PBT (INR mn)	15,808	29,537	41,218	15,950	29,824	41,558	*0.9%*	*1.0%*	*0.8%*
PBT margin	14.8%	22.0%	25.3%	14.9%	22.1%	25.5%	*12bps*	*16bps*	*15bps*
Adj. PAT (INR mn)	13,832	24,654	32,346	13,957	24,893	32,613	*0.9%*	*1.0%*	*0.8%*
Diluted EPS (INR)	20.37	36.32	47.65	20.55	36.68	48.05	*1%*	*1%*	*0.8%*

Source: Company, JM Financial

PAYTM - Financial Tables (Consolidated)

Income Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Sales	69,005	84,370	106,746	134,732	163,030
Sales Growth (%)	-30.9	22.3	26.5	26.2	21.0
Other Operating Income	-	-	-	-	-
Total Revenue	**69,005**	**84,370**	**106,746**	**134,732**	**163,030**
Cost of Goods Sold/Op. Exp	32,224	35,762	46,069	56,112	68,459
Personnel Cost	32,884	27,652	30,789	33,147	35,833
Other Expenses	18,968	15,933	16,986	20,000	22,341
EBITDA	**-15,072**	**5,023**	**12,902**	**25,473**	**36,398**
EBITDA Margin (%)	-21.8	6.0	12.1	18.9	22.3
EBITDA Growth (%)	-	-	156.9	97.4	42.9
Depn. & Amort.	6,726	5,685	5,429	5,726	6,230
EBIT	-21,798	-662	7,474	19,747	30,168
Other Income	-	-	-	-	-
Finance Cost	164	180	209	234	272
PBT before Excep. & Forex	-14,714	7,696	15,950	29,814	41,548
Excep. & Forex Inc./Loss(-)	-	-	-	-	-
PBT	-14,714	7,696	15,950	29,814	41,548
Taxes	180	301	1,994	4,921	8,935
Extraordinary Inc./Loss(-)	-	-	-	-	-
Assoc. Profit/Min. Int.(-)	25	-16	-	10	10
Reported Net Profit	-14,869	7,379	13,957	24,903	32,623
Adjusted Net Profit	**-14,869**	**7,379**	**13,957**	**24,903**	**32,623**
Net Margin (%)	-21.5	8.7	13.1	18.5	20.0
Diluted Share Cap. (mn)	679	679	679	679	679
Diluted EPS (INR)	**-21.9**	**10.9**	**20.6**	**36.7**	**48.0**
Diluted EPS Growth (%)	-	-	89.1	78.4	31.0
Total Dividend + Tax	-	-	-	-	-
Dividend Per Share (INR)	-	-	-	-	-

Source: Company, JM Financial

Balance Sheet					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Shareholders Fund	149,971	160,280	176,937	204,090	238,713
Share Capital	638	640	640	640	640
Reserves & Surplus	149,629	159,620	176,277	203,430	238,053
Preference Share Capital	-	-	-	-	-
Minority Interest	-296	20	20	20	20
Total Loans	48	-	-	-	-
Def. Tax Liab. / Assets (-)	-6,237	-6,370	-7,793	-9,499	-11,086
Other non-current liabilities / Lease Liabilities	1,699	1,770	2,314	2,689	3,455
Total - Equity & Liab.	**151,718**	**162,050**	**179,251**	**206,778**	**242,168**
Net Fixed Assets	6,935	6,940	8,098	9,605	11,159
Gross Fixed Assets	26,630	29,830	35,857	42,469	49,571
Intangible Assets	438	420	420	420	420
Less: Depn. & Amort.	20,176	23,380	28,249	33,354	38,902
Capital WIP	43	70	70	70	70
Investments	136,524	142,410	142,410	142,410	142,410
Current Assets	62,664	81,200	109,472	152,240	202,564
Inventories	-	-	-	-	-
Sundry Debtors	12,969	11,860	15,561	19,456	23,319
Cash & Bank Balances	20,769	32,850	46,916	72,845	106,284
Loans & Advances	2,889	4,090	4,090	4,090	4,090
Other Current Assets	26,037	32,400	42,906	55,850	68,871
Current Liab. & Prov.	62,759	77,100	91,236	110,358	129,093
Current Liabilities	8,068	9,650	9,580	11,066	12,128
Provisions & Others	54,691	67,450	81,656	99,292	116,965
Net Current Assets	-754	3,340	17,497	40,938	72,668
Other Non Current Assets/ROU Assets	2,776	2,990	3,453	4,327	4,845
Total - Assets	**151,718**	**162,050**	**179,251**	**206,778**	**242,168**

Source: Company, JM Financial

Cash Flow Statement					(INR mn)
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Profit before Tax	-6,452	5,820	15,950	29,824	41,558
Depn. & Amort.	6,726	5,680	5,429	5,726	6,230
Net Interest Exp. / Inc. (-)	-5,298	-7,520	-8,477	-10,067	-11,380
Inc (-) / Dec in WCap.	-1,329	-18,770	-1,322	436	521
Others	4,960	7,690	2,700	2,250	2,000
Taxes Paid	180	-330	-1,994	-4,921	-8,935
Operating Cash Flow	**-1,213**	**-7,430**	**12,286**	**23,248**	**29,994**
Capex	-3,166	-4,680	-6,205	-6,789	-7,279
Free Cash Flow	-4,379	-12,110	6,082	16,458	22,715
Inc (-) / Dec in Investments	16,347	-2,920	-	-	-
Others	-33,610	24,790	8,685	10,301	11,652
Investing Cash Flow	**-20,429**	**17,190**	**2,481**	**3,512**	**4,373**
Inc / Dec (-) in Capital	16	20	-	-	-
Dividend + Tax thereon	-	-	-	-	-
Inc / Dec (-) in Loans	-	-	-	-	-
Others	-425	2,349	-701	-831	-927
Financing Cash Flow	**-409**	**2,369**	**-701**	**-831**	**-927**
Inc / Dec (-) in Cash	**-22,051**	**12,129**	**14,066**	**25,929**	**33,440**
Opening Cash Balance	42,820	20,721	32,850	46,916	72,845
Closing Cash Balance	20,769	32,850	46,916	72,845	106,284

Source: Company, JM Financial

Dupont Analysis					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
Net Margin (%)	-21.5	8.7	13.1	18.5	20.0
Asset Turnover (x)	0.5	0.5	0.6	0.7	0.7
Leverage Factor (x)	1.0	1.0	1.0	1.0	1.0
RoE (%)	-10.5	4.8	8.3	13.1	14.7

Source: Company, JM Financial

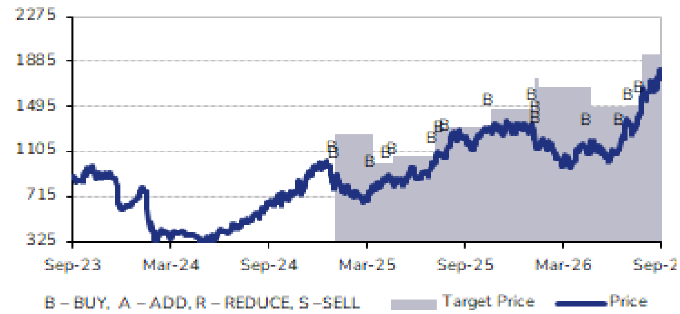
Key Ratios					
Y/E Mar	FY25A	FY26A	FY27E	FY28E	FY29E
BV/Share (INR)	221.3	236.0	260.6	300.5	351.5
ROIC (%)	-386.1	-	-	-	-
ROE (%)	-10.5	4.8	8.3	13.1	14.7
Net Debt/Equity (x)	-1.0	-1.1	-1.1	-1.1	-1.0
P/E (x)	-	159.2	84.2	47.2	36.0
P/B (x)	7.8	7.3	6.6	5.8	4.9
EV/EBITDA (x)	-	186.1	71.4	35.1	23.7
EV/Sales (x)	13.8	11.1	8.6	6.6	5.3
Debtor days	69	51	53	53	52
Inventory days	-	-	-	-	-
Creditor days	32	41	34	34	33

Source: Company, JM Financial

PAYTM – Recommendation history table

Date	Recommendation	Target Price	% Change
12-Aug-26	BUY	1,950	30.0
21-Jul-26	BUY	1,500	0.7
6-Jul-26	BUY	1,490	0.0
7-May-26	BUY	1,490	-10.2
1-Feb-26	BUY	1,660	0.0
30-Jan-26	BUY	1,660	-4.6
25-Jan-26	BUY	1,740	18.4
5-Nov-25	BUY	1,470	11.4
13-Aug-25	BUY	1,320	0.0
4-Aug-25	BUY	1,320	0.0
23-Jul-25	BUY	1,320	23.4
7-May-25	BUY	1,070	7.0
29-Apr-25	BUY	1,000	-1.0
28-Mar-25	BUY	1,010	-19.2
20-Jan-25	BUY	1,250	0.0
17-Jan-25	BUY	1,250	

PAYTM – Recommendation history chart



APPENDIX I

Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

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The Research Analyst(s), with respect to each issuer and its securities covered by them in this research report, certify that:

All of the views expressed in this research report accurately reflect his or her or their personal views about all of the issuers and their securities; and

No part of his or her or their compensation was, is, or will be directly or indirectly related to the specific recommendations or views expressed in this research report.

Rating System: Definition of ratings	
Rating	**Meaning**
BUY	Expected return >= 15% over the next twelve months.
ADD	Expected return >= 5% and < 15% over the next twelve months.
REDUCE	Expected return >= -10% and < 5% over the next twelve months.
SELL	Expected return < -10% over the next twelve months.

Note: For REITs (Real Estate Investment Trust) and InvIT (Infrastructure Investment Trust) total expected returns include dividends or DPU (distribution per unit)

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