

One 97 Communications | BUY

Significantly higher UPI incentive – big positive

As per the Union Budget 2026-2027, incentive scheme for promotion of Rupay debit cards and low-value P2M UPI transactions has seen a significant revision to INR 21.96bn for FY26 vs. INR 4.37bn in 2025 budget. Furthermore FY27 also sees a budgeted allocation of INR 20bn vs. expectations of a significantly lower number (even zero). This would likely result in Paytm receiving roughly INR 800mn/730mn in FY26/FY27, significantly higher than JMFe of INR 400mn/300mn. Furthermore, as the cost of operations is already in the PnL, this will be a direct pass-through to EBITDA. Hence, we are likely to see a 6.9%/3.3% upgrade to JMFe EBITDA in FY26/FY27. With the management already sharing that PIDF impact would be cushioned by 30-40% in Q4FY26 and improve further in FY27, we expect this trigger to largely nullify the downside resulting from a potential discontinuation of PIDF.

- **What is this incentive?:** With P2M UPI transactions still operating under a zero MDR regime, the union government allocates this incentive in the annual budget to compensate the relevant players for the cost of growing and maintaining UPI ecosystem. Notably, this incentive is only for Rupay debit cards and low-value (<INR 2k) payments to merchants. It is paid to acquirer banks that are expected to share it with issuer banks, payment service providers (PSPs) and third party app providers (TPAPs) basis a defined calculation metrics.
- **Likely impact on Paytm?:** In FY25, when the actual incentive was INR 1.9bn, Paytm received a subsidy of INR 700mn. If we assume a similar allocation in FY26 and FY27, Paytm is likely to receive roughly INR 800mn/730mn in FY26/FY27. This number could be even higher as the company has gained marginal market share across merchants and customers vis-a-vis FY25, when they were coming out of the disruption in Jan'24. Furthermore, this revenue benefit is likely to pass through to EBITDA as the costs of running these operations are already in the PnL. Therefore, as shown in [exhibit 1](#), the company could see an EBITDA upgrade of 6.9% / 3.3% in FY26/27.
- **PIDF impact largely nullified:** As per management, Paytm is expected to cushion 30-40% of EBITDA impact due to the potential discontinuation of PIDF in Q4FY26 itself. With offsetting measures kicking in, this cushioning could further be increased to 50-60% in FY27, implying INR 800-900mn EBITDA impact due to PIDF. As highlighted above, almost INR 730mn is likely to come directly from UPI incentive, where the broad assumption was zero (JMFe was INR 300mn though). Hence, the company could likely see a reversal to its earlier EBITDA trajectory in FY27.
- **Impact of STT rise in F&O transactions:** As per the budget, STT on futures and options transactions have been revised upwards to 5bps and 15bps, respectively. We expect nil to minimal impact on Paytm due to this as Paytm Money (broking app) accounts for sub-3% (as per JMFe) revenue in FY26 with F&O trading likely accounting for an even smaller proportion. Even in a worse-case scenario, FY26 EBITDA is unlikely to see an impact of over 40-50bps.
- **Attractive valuations; reiterate 'BUY' on Paytm:** Paytm remains one of the cheapest platform companies in India, basis FY28E EBITDA multiple. With strength sustaining in core business (20-25% revenue growth) along with significant operating leverage (55%+ contribution margin), we find the stock ideally positioned for a long-term bet on digitisation of payments and credit distribution – segments with multi-decadal tailwinds. We continue to value the company at 40x FY28E EBITDA, with Mar'27 TP of INR 1,660. Maintain BUY.



Sachin Dixit

sachin.dixit@jmfl.com | Tel: (91 22) 66303078

Swapnil Potdukhe

swapnil.potdukhe@jmfl.com | Tel: (91 22) 62241876

Atul Borse

atul.borse@jmfl.com | Tel: (91 22) 66303134

Avnish Sharma

avnish.sharma@jmfl.com | Tel: (91 22) 66303054

JM Financial Research is also available on:
Bloomberg - JMFR <GO>, FactSet, LSEG and
S&P Capital IQ.

Please see Appendix I at the end of this report
for Important Disclosures and Disclaimers and
Research Analyst Certification.

Exhibit 1. Expect c.7% / 3% EBITDA improvement in FY26 / 27E on account of revised incentive structure outlayed in Budget for FY26-27

All numbers in INR mn	FY25A	FY26E -Revised	FY27E	Comments
UPI and RuPay debit cards incentives (A)	19,228	21,962	20,000	As per the Union Budget FY26-27
Incentive payout to Paytm - Actual (B)	700			
as % of total incentives [C = B / A]	3.6%	3.6%	3.6%	Assuming similar allocation as in FY25
Incentive payout to Paytm - Earlier forecast (D)		400	300	JMFe
Potential incentives after revision [E = A * C]		800	728	Calculated
Incremental incentives [F = E - D]		400	428	Potential for FY27 to be higher
EBITDA impact (G)		400	428	100% EBITDA pass-through
Earlier JMFe expectations				
Revenue (H)		84,103	102,619	JMFe
EBITDA (I)		5,765	12,819	JMFe
EBITDA margin % (i)		6.9%	12.5%	Calculated
Impact of new incentive structure				
Revenue [J = H + F]		84,503	103,047	Calculated
EBITDA [K = I + G]		6,165	13,247	Calculated
EBITDA margin % (ii)		7.3%	12.9%	Calculated
EBITDA improvement [L = (K / I) - 1]		6.9%	3.3%	
EBITDA margin improvement		44bps	36bps	

Source: Company, JM Financial estimates, Expenditure budget document 2026-2027.

APPENDIX I

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

Research Analyst(s) Certification

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 \geq 15% over the next twelve months.
ADD	Expected return \geq 5% and $<$ 15% over the next twelve months.
REDUCE	Expected return \geq -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)

Important Disclosures

This research report has been prepared by JM Financial Institutional Securities Limited (JM Financial Institutional Securities) to provide information about the company(ies) and sector(s), if any, covered in the report and may be distributed by it and/or its associates solely for the purpose of information of the select recipient of this report. This report and/or any part thereof, may not be duplicated in any form and/or reproduced or redistributed without the prior written consent of JM Financial Institutional Securities. This report has been prepared independent of the companies covered herein.

JM Financial Institutional Securities is registered with the Securities and Exchange Board of India (SEBI) as a Research Analyst and a Stock Broker having trading memberships of the BSE Ltd. (BSE) and National Stock Exchange of India Ltd. (NSE). No material disciplinary action has been taken by SEBI against JM Financial Institutional Securities in the past two financial years which may impact the investment decision making of the investor. Registration granted by SEBI and certification from the National Institute of Securities Market (NISM) in no way guarantee performance of JM Financial Institutional Securities or provide any assurance of returns to investors.

JM Financial Institutional Securities renders stock broking services primarily to institutional investors and provides the research services to its institutional clients/investors. JM Financial Institutional Securities and its associates are part of a multi-service, integrated investment banking, investment management, brokerage and financing group. JM Financial Institutional Securities and/or its associates might have provided or may provide services in respect of managing offerings of securities, corporate finance, investment banking, mergers & acquisitions, broking, financing or any other advisory services to the company(ies) covered herein. JM Financial Institutional Securities and/or its associates might have received during the past twelve months or may receive compensation from the company(ies) mentioned in this report for rendering any of the above services.

JM Financial Institutional Securities and/or its associates, their directors and employees may; (a) from time to time, have a long or short position in, and buy or sell the securities of the company(ies) mentioned herein or (b) be engaged in any other transaction involving such securities and earn brokerage or other compensation or act as a market maker in the financial instruments of the company(ies) covered under this report or (c) act as an advisor or lender/borrower to, or may have any financial interest in, such company(ies) or (d) considering the nature of business/activities that JM Financial Institutional Securities is engaged in, it may have potential conflict of interest at the time of publication of this report on the subject company(ies).

Neither JM Financial Institutional Securities nor its associates or the Research Analyst(s) named in this report or his/her relatives individually own one per cent or more securities of the company(ies) covered under this report, at the relevant date as specified in the SEBI (Research Analysts) Regulations, 2014.

The Research Analyst(s) principally responsible for the preparation of this research report and their immediate relatives are prohibited from buying or selling debt or equity securities, including but not limited to any option, right, warrant, future, long or short position issued by company(ies) covered under this report. The Research Analyst(s) principally responsible for the preparation of this research report or their immediate relatives (as defined under SEBI (Research Analysts) Regulations, 2014); (a) do not have any financial interest in the company(ies) covered under this report or (b) did not receive any compensation from the company(ies) covered under this report, or from any third party, in connection with this report or (c) do not have any other material conflict of interest at the time of publication of this report. Research Analyst(s) are not serving as an officer, director or employee of the company(ies) covered under this report.

While reasonable care has been taken in the preparation of this report, it does not purport to be a complete description of the securities, markets or developments referred to herein, and JM Financial Institutional Securities does not warrant its accuracy or completeness. JM Financial Institutional Securities may not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. This report is provided for information only and is not an investment advice and must not alone be taken as the basis for an investment decision.

This research report is based on the fundamental research/analysis conducted by the Research Analyst(s) named herein. Accordingly, this report has been prepared by studying/focusing on the fundamentals of the company(ies) covered in this report and other macro-economic factors. JM Financial Institutional Securities may have also issued or may issue, research reports and/or recommendations based on the technical/quantitative analysis of the company(ies) covered in this report by studying and using charts of the stock's price movement, trading volume and/or other volatility parameters. As a result, the views/recommendations expressed in such technical research reports could be inconsistent or even contrary to the views contained in this report.

The investment discussed or views expressed or recommendations/opinions given herein may not be suitable for all investors. The user assumes the entire risk of any use made of this information. The information contained herein may be changed without notice and JM Financial Institutional Securities reserves the right to make modifications and alterations to this statement as they may deem fit from time to time.

This report is neither an offer nor solicitation of an offer to buy and/or sell any securities mentioned herein and/or not an official confirmation of any transaction.

This report is not directed or intended for distribution to, or use by any person or entity who is a citizen or resident of or located in any locality, state, country or other jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject JM Financial Institutional Securities and/or its affiliated company(ies) to any registration or licensing requirement within such jurisdiction. The securities described herein may or may not be eligible for sale in all jurisdictions or to a certain category of investors. Persons in whose possession this report may come, are required to inform themselves of and to observe such restrictions. Please click [here](#) to access our detailed Terms and Conditions, including the Most Important Terms and Conditions.

Additional disclosure only for U.S. persons: JM Financial Institutional Securities has entered into an agreement with JM Financial Securities, Inc. ("JM Financial Securities"), a U.S. registered broker-dealer and member of the Financial Industry Regulatory Authority ("FINRA") in order to conduct certain business in the United States in reliance on the exemption from U.S. broker-dealer registration provided by Rule 15a-6, promulgated under the U.S. Securities Exchange Act of 1934 (the "Exchange Act"), as amended, and as interpreted by the staff of the U.S. Securities and Exchange Commission ("SEC") (together "Rule 15a-6").

This research report is distributed in the United States by JM Financial Securities in compliance with Rule 15a-6, and as a "third party research report" for purposes of FINRA Rule 2241. In compliance with Rule 15a-6(a)(3) this research report is distributed only to "major U.S. institutional investors" as defined in Rule 15a-6 and is not intended for use by any person or entity that is not a major U.S. institutional investor. If you have received a copy of this research report and are not a major U.S. institutional investor, you are instructed not to read, rely on, or reproduce the contents hereof, and to destroy this research or return it to JM Financial Institutional Securities or to JM Financial Securities.

This research report is a product of JM Financial Institutional Securities, which is the employer of the research analyst(s) solely responsible for its content. The research analyst(s) preparing this research report is/are resident outside the United States and are not associated persons or employees of any U.S. registered broker-dealer. Therefore, the analyst(s) are not subject to supervision by a U.S. broker-dealer, or otherwise required to satisfy the regulatory licensing requirements of FINRA and may not be subject to the Rule 2241 restrictions on communications with a subject company, public appearances and trading securities held by a research analyst account.

Any U.S. person who is recipient of this report that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, must contact, and deal directly through a U.S. registered representative affiliated with a broker-dealer registered with the SEC and a member of FINRA. In the U.S., JM Financial Institutional Securities has an affiliate, JM Financial Securities, Inc. located at 1177 Avenue of the Americas, 5th Floor, Offices 5045 and 5046, New York, New York 10036. Telephone +1 (332) 900 4956 which is registered with the SEC and is a member of FINRA and SIPC.

Additional disclosure only for U.K. persons: Neither JM Financial Institutional Securities nor any of its affiliates is authorised in the United Kingdom (U.K.) by the Financial Conduct Authority. As a result, this report is for distribution only to persons who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended, the "Financial Promotion Order"), (ii) are persons falling within Article 49(2)(a) to (d) ("high net worth companies, unincorporated associations etc.") of the Financial Promotion Order, (iii) are outside the United Kingdom, or (iv) are persons to whom an invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000) in connection with the matters to which this report relates may otherwise lawfully be communicated or caused to be communicated (all such persons together being referred to as "relevant persons"). This report is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this report relates is available only to relevant persons and will be engaged in only with relevant persons.

Additional disclosure only for Canadian persons: This report is not, and under no circumstances is to be construed as, an advertisement or a public offering of the securities described herein in Canada or any province or territory thereof. Under no circumstances is this report to be construed as an offer to sell securities or as a solicitation of an offer to buy securities in any jurisdiction of Canada. Any offer or sale of the securities described herein in Canada will be made only under an exemption from the requirements to file a prospectus with the relevant Canadian securities regulators and only by a dealer properly registered under applicable securities laws or, alternatively, pursuant to an exemption from the registration requirement in the relevant province or territory of Canada in which such offer or sale is made. This report is not, and under no circumstances is it to be construed as, a prospectus or an offering memorandum. No securities commission or similar regulatory authority in Canada has reviewed or in any way passed upon these materials, the information contained herein or the merits of the securities described herein and any representation to the contrary is an offence. If you are located in Canada, this report has been made available to you based on your representation that you are an "accredited investor" as such term is defined in National Instrument 45-106 Prospectus Exemptions and a "permitted client" as such term is defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Under no circumstances is the information contained herein to be construed as investment advice in any province or territory of Canada nor should it be construed as being tailored to the needs of the recipient. Canadian recipients are advised that JM Financial Securities, Inc., JM Financial Institutional Securities Limited, their affiliates and authorized agents are not responsible for, nor do they accept, any liability whatsoever for any direct or consequential loss arising from any use of this research report or the information contained herein.

JM Financial Institutional Securities Limited

Corporate Identity Number: U67100MH2017PLC296081

Member of BSE Ltd. and National Stock Exchange of India Ltd.

SEBI Registration Nos.: Stock Broker - INZ000163434, Research Analyst - INH000000610

Registered Office: 7th Floor, Cnergy, Appasaheb Marathe Marg, Prabhadevi, Mumbai 400 025, India.

Board: +91 22 6630 3030 | Fax: +91 22 6630 3488 | Email: jmfinancialresearch@jmfl.com | www.jmfl.com

Compliance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: ashley.johnson@jmfl.com

Grievance Officer: Ms. Ashley Johnson | Tel: +91 22 6224 1862 | Email: instcompliance@jmfl.com
