

Stiffening competitive pressure; initiate with REDUCE

Internet ▶ Initiating Coverage ▶ November 20, 2025

CMP (Rs): 242 | TP (Rs): 210

We initiate coverage on Pine Labs with REDUCE and TP of Rs210. Pine Labs has a strong value proposition in the enterprise POS segment (supported by high customer stickiness driven by deep software integration) and dominant position in EMI aggregation (owing to its early-mover advantage). However, we expect competitive intensity to rise across both segments, as adjacent-market players are increasingly targeting these pools. In merchant acquisition, industry growth is being led by digitization of small merchants, for whom low-end devices and strong distribution capabilities are crucial success factors. While Pine Labs is ramping up shipments of low-end Mosambee devices, its distribution is still weaker than peers', limiting its right-to-win in this segment. Its India gift-card business is profitable albeit growth-constrained, while its international business is scaling up rapidly although it operates at low and volatile margins. We model 19% revenue CAGR for FY25-28E which translates into 53% EBITDA CAGR on a low base. On FY28 estimates, the stock trades at 28.1x EV/EBITDA and 56.4x P/E. Given the rising competition, we see an unfavorable risk-reward.

Leadership in enterprise POS business seeing increased competition

Pine Labs has been shifting its device mix toward low-cost, non-Android terminals, driving a decline in capex-to-sales, to 6.6% in FY25 from 35%/26% in FY22/FY23. While this supports higher free cash flow, we expect ARPU pressure to persist, with subscription revenue CAGR at only 9.9% over FY25-28E. We estimate a modest 18.8% revenue CAGR for the Digital Infrastructure and Transaction Processing (DITP) business over FY25-28E, on increasing competition in the enterprise POS (point-of-sale) segment and India's payment acceptance landscape migrating toward QR-based solutions.

Gift-card business monetization driven by interest income on consumer funds

The gift-card ecosystem comprises the brand, PPI issuer, distributor, end-consumer, and merchant (brand-owned stores or online platforms). Pine Labs primarily functions as the PPI issuer, enabling brands to design, distribute, and manage gift cards across multiple channels. Monetization is skewed toward interest income earned on customer float (67bps in FY25), which is higher than the commission income derived from brands (63bps in FY25). Growth in the gift card business is fueled by the international business (192% CAGR over FY22-9MFY25, annualized) with volatile margins (ranging from 0.5-56.3% during FY22-9MFY25) while India growth is muted (13.4% CAGR).

Outlook and Valuations – Premium valuations amid rising competition

We believe Pine Labs faces two structural headwinds: the accelerating shift toward a QR-based acceptance ecosystem and the rising competitive intensity in merchant acquisition. At current valuations, Pine Labs trades at 28.1x FY28E EV/EBITDA and 56.4x P/E. Given its weaker competitive position vs peers, the maturing nature of its core enterprise POS business and ongoing market-share losses across both POS and affordability, we view risk-reward as unfavorable. We initiate coverage on Pine Labs with REDUCE and DCF-based TP of Rs210, implying a FY28E EV/EBITDA multiple of 24.2x.

Target Price – 12M	Sep-26
Change in TP (%)	NA
Current Reco.	REDUCE
Previous Reco.	NA
Upside/(Downside) (%)	(13.2)

Stock Data	PINELABS IN
52-week High (Rs)	284
52-week Low (Rs)	234
Shares outstanding (mn)	1,148.3
Market-cap (Rs bn)	278
Market-cap (USD mn)	3,134
Net-debt, FY26E (Rs mn)	(21,358.5)
ADTV-3M (mn shares)	0
ADTV-3M (Rs mn)	0.0
ADTV-3M (USD mn)	0.0
Free float (%)	8.5
Nifty-50	26,052.7
INR/USD	88.6

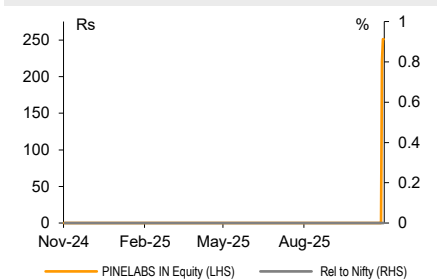
Shareholding, Nov-25

Promoters (%)	0.0
FPIs/MFs (%)	5.1/9.9

Price Performance

(%)	1M	3M	12M
Absolute	0.0	0.0	0.0
Rel. to Nifty	0.0	0.0	0.0

1-Year share price trend (Rs)



Pine Labs: Financial Snapshot (Consolidated)

Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	17,695	22,743	27,051	32,166	38,408
EBITDA	580	2,572	3,585	6,146	9,148
Adj. PAT	(2,589)	(701)	654	2,953	4,932
Adj. EPS (Rs)	(2.6)	(0.7)	0.6	2.6	4.3
EBITDA margin (%)	3.3	11.3	13.3	19.1	23.8
EBITDA growth (%)	51.3	343.4	39.4	71.4	48.8
Adj. EPS growth (%)	0	0	0	351.8	67.0
RoE (%)	(7.1)	(2.0)	1.4	5.1	8.0
RoIC (%)	(9.0)	(1.4)	3.0	9.2	15.2
P/E (x)	(69.8)	(166.3)	425.5	94.2	56.4
EV/EBITDA (x)	407.7	94.1	71.6	41.8	28.1
P/B (x)	6.7	6.9	4.9	4.7	4.3
FCFF yield (%)	(2.1)	(0.4)	1.2	1.4	1.7

Source: Company, Emkay Research

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This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Investment Thesis

Pine Labs boasts of an industry-leading presence with over 1.84mn DCPs (digital check-out points) deployed

Strong position in the enterprise POS layer

Pine Labs has established itself as the industry leader in the enterprise and large-merchant point-of-sale (POS) segment, a position built on its early-mover advantage and meaningful technological differentiation. The company was among the first to integrate POS terminals with enterprise-grade ERP and billing systems, enabling seamless in-store reconciliation, faster checkout, and superior operational visibility for large retailers. This integration capability created a high barrier to entry in a merchant cohort that values reliability, scale, and workflow alignment more than price, allowing Pine Labs to entrench itself deeply within high-value retail formats.

Its leadership was further reinforced by its early orchestration of affordability solutions. By connecting banks, brands, and merchants on a common platform, Pine Labs enabled interest-subvention-based EMI and cashback programs at the point of sale, materially improving conversion for merchants and enhancing purchase affordability for consumers. Its extensive network of bank and brand partners helped cement its device as the default acceptance infrastructure in large-format retail, where the breadth of affordability offerings is a key driver of sales.

The company's technology capabilities extend beyond POS integration. Through its fintech infrastructure platform—Setu, Pine Labs has demonstrated continued innovation by offering API-driven digital public infrastructure for the broader financial ecosystem. Setu enables bill payments, savings products, lending workflows, data aggregation, and utilities such as BBPS integration, positioning Pine Labs as an important enabler in India's digital financial architecture, and not merely a POS device provider.

Growth in Pine Labs's high-end POS devices has slowed

Pine Labs enters public markets at a time when the structural drivers of its core business are slowing. The company's high-end POS franchise—which historically anchored its growth and competitive positioning—now operates in a saturated enterprise merchant market. Industry data and Pine Labs's own DRHP disclosures show that growth in this segment has decelerated to sub-10% levels, with merchant count stagnating over FY24–9MFY25. As penetration among large and organized retailers has matured, incremental device additions have slowed, resulting in a more tempered growth outlook for Pine Labs's flagship POS business.

Exhibit 1: Pre-amalgamated consolidated entity KPIs

	FY22	FY23	FY24	9MFY25
Digital check-out points (DCPs; mn)	0.65	0.79	0.84	0.90
YoY growth		22%	6%	8%
Number of Merchants (000)	232	274	270	273
YoY growth		18%	-1%	1%

Source: Company, Emkay Research

At the same time, growth is increasingly concentrated in the low- and mid-tier merchant segments, where distribution intensity, last-mile execution, and large on-ground sales teams determine market share gains. Competitors have built significant distribution muscle in these categories, enabling rapid deployment of lower-cost devices such as soundboxes and QR codes. Pine Labs has solved the lack of distribution muscle by adopting a different business model altogether for its lower-end devices; it sells such lower-end POS devices to banks which further distribute it to mid/low segment merchants. Banks have been less aggressive in distribution than fintechs like Paytm, PhonePe, and BharatPe.

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"We're killing in EMI disbursement at the counter. And we obviously have partnered with as many EMI issuers...I mean, we're nearly half of the big guy in the town".

-Vijay Shekhar Sharma, Founder and CEO, Paytm, in Q2FY26 earnings call

Pine Labs's sophisticated customer base having direct access to banking facilities leads to limited cross-sell opportunities

Exhibit 2: Device additions for Pine Labs and Paytm

(mn)	FY25	Q1FY26
Pine Labs	0.39	0.06
Paytm	1.70	0.60

Source: Company, Emkay Research

The relative lack of such distribution capabilities for Pine Labs—combined with negligible switching costs for merchants—has resulted in slower device growth and increasing competitive pressure, even within parts of the enterprise tier.

Affordability space is seeing increase in competition

Competition is also intensifying in the affordability segment, where Pine Labs once held a distinct advantage through its large network of bank and brand partners. Over the past two years, multiple payment service providers have expanded their EMI and cashback offerings and have rapidly onboarded credit and brand partners, reducing Pine Labs's differentiation factor. As the offering becomes more commoditized, the company's ability to sustain share in affordability-linked GTV is diminishing, especially in categories where challengers have strengthened their merchant presence.

Exhibit 3: Bank and brand partners onboarded on the affordability platform

(no of)	Bank partners	Brand partners
Pine Labs	40+	350+
Paytm	21+	85+
Razorpay	40+	

Source: Company, Emkay Research

Given the highly Pareto-skewed nature of this market — where a small group of top banks and brands accounts for a disproportionate share of the affordability GTV — competitors' success in capturing this top cohort is eroding Pine Labs's advantage. Our channel checks clearly indicate that challengers are displacing the company's devices in this segment by offering the same EMI/cashback offers.

Limited cross-sell opportunity

Pine Labs's ability to drive cross-sell revenues is structurally constrained by the nature of its customer base and distribution model. The company primarily directly serves enterprise and large retailers—merchants that are already well banked and have little demand for unsecured working capital loans or other credit-led financial products. As a result, the scope for Pine Labs to layer lending, or other financial services onto its existing merchant relationships, is inherently limited.

In the mid- and low-tier merchant segments—where credit penetration is low and cross-sell potential is significantly higher, Pine Labs participates indirectly through partner banks. Its lower-end POS devices are sold to banks, which in turn distribute these to merchants. This bank-led distribution model means that the lending relationship rests with the bank and not Pine Labs, resulting in the economics of loan origination being captured by the bank partner. In contrast, fintech competitors that control last-mile merchant acquisition through large on-ground distribution teams and low-cost devices (soundboxes, QR codes) own the lending relationship and therefore capture the associated revenue pools. Pine Labs, having entered this segment later and without direct distribution ownership, has effectively ceded this opportunity.

On the consumer front, Pine Labs's absence of a consumer-facing app further restricts its cross-sell monetization potential. Without a direct user interface, the company cannot participate in high-frequency or high-margin consumer financial services such as bill payments, personal loans, insurance, credit cards, or ticketing—categories that have become meaningful revenue drivers for consumer-facing fintechs. While Pine Labs does participate in the digital financial services ecosystem through Setu, offering API-led infrastructure for financial institutions to integrate with platforms such as UPI, BBPS, and account aggregation,

this role carries limited pricing power. Infrastructure revenues from banks and regulated institutions typically lack the margins associated with end-consumer monetization.

All in all, Pine Labs faces a ceiling on cross-sell opportunities at both ends of its network: enterprise merchants—who require limited credit or ancillary services; and consumers—with whom Pine Labs has no direct engagement. This materially limits the company's ability to supplement core payments revenue with higher-margin financial services income—a strategic disadvantage in a market where cross-sell is becoming an increasingly important driver of fintech profitability.

Relevance of POS devices may reduce as the QR-based model scales up

A broader structural risk comes from the secular shift toward QR-based acceptance. In markets such as China, QR-based payments eventually eclipsed POS terminals as credit usage deepened and consumer adoption accelerated. India is on a similar trajectory, with rapid innovation on the UPI rails—including credit line on UPI and credit card-linked UPI—expected to drive greater consumer reliance on QR-based credit payments at the point of sale. As QR penetration expands, the relative relevance of high-end POS devices is likely to decline, and competitors with deeper participation in the QR + P2M UPI ecosystem (Paytm, PhonePe, BharatPe, Razorpay) are better positioned to benefit from such structural transition.

Expensive valuations; initiate with REDUCE

At current levels, Pine Labs is trading at 28x FY28E EV/EBITDA valuation as compared to 30x for Paytm. In our view, Paytm is structurally better positioned across key vectors of industry growth—distribution strength in the mid/low-tier merchant base, deeper participation in the UPI-QR ecosystem, stronger cross-sell monetization (particularly in merchant loans), and faster gains in affordability-linked GTV—factors we believe warrant a premium multiple for Paytm rather than equivalence. Given the relative competitive positioning, maturity of Pine Labs's core enterprise POS segment, and its ongoing share loss in both POS and affordability, we believe its trading at similar forward multiples to a structurally superior peer is unwarranted and leaves limited room for any upside.

We value the company using a DCF methodology to arrive at target price of Rs210 and initiate coverage on Pine Labs with REDUCE. Our TP implies target EV/EBITDA and P/E of 24.2x and 49.2x, respectively, on our FY28 estimates.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Business overview

Pine Labs enables merchants to accept digital payments, especially in-store payments, using point of sale (POS) devices (also called digital checkout point – DCP). Its affordability solutions connect merchants and major consumer brands, thereby helping merchants offer promotions and attractive payment terms to consumers, improving the affordability of their products. The company has forayed into the online payment gateway space and offers financial technology (FinTech) infrastructure solutions and software applications. It also powers the technology for businesses to issue and distribute gift cards.

The company operates in two segments: 1) Digital infrastructure and transaction platform (DITP) and 2) Issuing and acquiring platform. In simple terms, we refer to these as the payment business and the gift card business, respectively.

Payment business (DITP)

Pine Labs's payment business is built around POS devices, which enable merchants to accept card, UPI payments in stores. The company has also developed its payment gateway business, although it is on a much smaller scale currently. In the payments business, Pine Labs's USP is i) integration of payment devices into the billing software of enterprises which enables real-time payment reconciliation, and ii) enabling of EMI transactions, which significantly boost consumers' affordability of aspirational products, thereby driving sales.

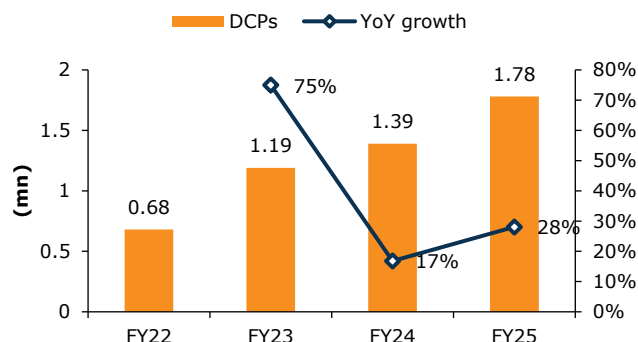
The company has three sub-segments in this business, which are:

1) In-store and online infrastructure

Pine Labs's in-store payment processing system uses POS devices to enable offline merchants to accept payments through a wide range of methods, including cards, UPI, payment by points, wallet, QR code, and loyalty points. Pine Labs's in-store payment processing system's capability includes transaction authorization and processing, fraud prevention and security, multi-payment method support, currency conversion and international payments, invoicing and payment links, chargeback and dispute management, and integration with other business platforms.

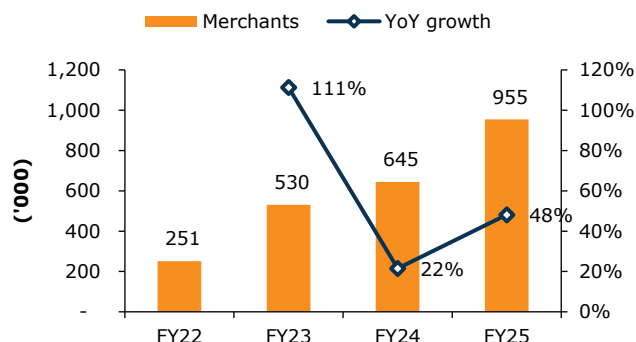
Pine Labs's in-store infrastructure is monetized largely via device subscription fee; apart from this, revenue also comes from sale of hardware, installation and deinstallation services, automation services, government subsidies, and other related services such as annual maintenance. Revenue per device per month stood at Rs380 during FY25. The company's digital checkout point (DCP)- or device-count as of Jun-25 is 1.84mn; also, it is a leading POS provider in the country. In this business, it competes with the likes of Paytm, Mswipe, and Razorpay, along with various banks.

Exhibit 4: Pine Labs's device (DCP) growth



Source: Company, Emkay Research

Exhibit 5: Pine Labs's merchant growth



Source: Company, Emkay Research

Pine Labs Online is a cloud-based payments platform designed to assist online-first and omnichannel merchants to accept online payments, thereby offering affordability solutions to consumers. The online payment gateway business is monetized basis transaction-linked fees (calculated on the value of the transactions processed by the platform). This is a relatively

Pine Labs connects consumers, merchants, and brands with credit partners for offline instant cashback and EMI payment options. Typically, brands bear the interest cost through subvention, while credit partners underwrite the risk

new business for Pine Labs; per our estimate, it is much smaller than peers like Razorpay, PayU, BillDesk, CCAvenue, Paytm, etc.

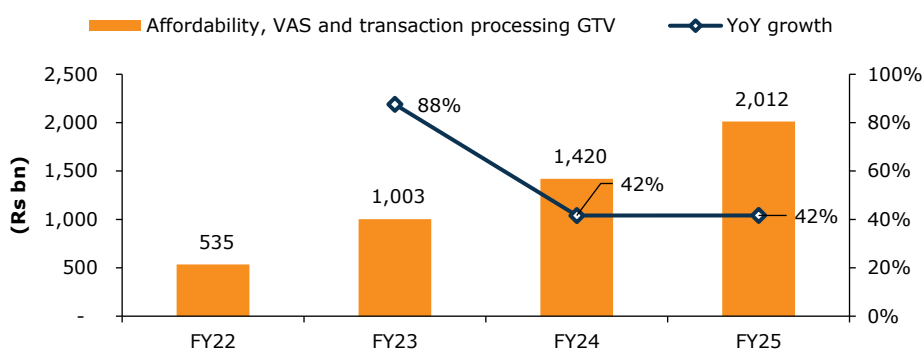
2) Affordability, value-added services, and transaction processing

Pine Labs enables merchants and consumer brands to offer instant cashback and flexible instalment payment options on its devices, to consumers on checkout, including conversion of an upfront purchase into equal monthly instalments (typically over 3, 6, or 12 months). It also facilitates the transfer of interest costs from the brand or enterprise to the financial institution, which takes on the consumer's credit risk. Instant cashback and flexible instalment payment options improve consumer affordability and drive additional sales for the brand or enterprise. The network of credit partners, brands, and enterprises is crucial for executing such transactions. As of Jun-25, the company has 40+ financial institution partners and 350+ brands and enterprise partnerships.

Along with affordability, Pine Labs also provides VAS and transaction processing, which include dynamic currency conversion and payment aggregation solutions for the merchants. All these services are integrated into in-store and online digital payment flows.

For such transactions, the company earns a fee mainly from merchants, consumer brands, enterprises, and financial institutions; the fee is primarily linked to GTV processed on the platform. In FY25, the company's affordability, VAS, and transaction processing GTV was Rs2.01trn; on this GTV, its average take rate was 38.5bps.

Exhibit 6: Affordability, VAS, and transaction processing GTV



Source: Company, Emkay Research

We believe the company derives the bulk of this segment's revenue from the affordability part of the business. While Pine Labs has the first-mover advantage in the affordability segment, competition is catching up, with Paytm and Razorpay having established themselves.

3) Fintech infrastructure

Through its API-enabled technology platform Setu, Pine Labs offers digital public infrastructure solutions across payments, data, and insights. Financial institutions use this technology to manage the lifecycle of a consumer, including onboarding, underwriting, collections, and engagement. Setu enables smooth onboarding of consumers via eKYC and online contract execution. The account aggregator solution offers insights into consumers' financial behaviour from various data sources for better underwriting and collections. Setu's secure UPI product suite allows financial institutions to conveniently accept UPI payments on their respective apps through payment links or QR codes. Further, financial institutions and billers integrate with this platform to enable collection of utility payments, loan payments, insurance payments, and recurring payments.

Pine Labs earns revenue through transaction-linked fees that are calculated based on the transaction volume processed on its platform. In FY25, it earned average revenue of Rs0.93 per transaction. Pine Labs processed 0.72bn fintech infrastructure transactions in FY25.

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Pine Labs enables issuance, processing, distribution, and management of gift cards, and connects the brand with the distributor of the gift card

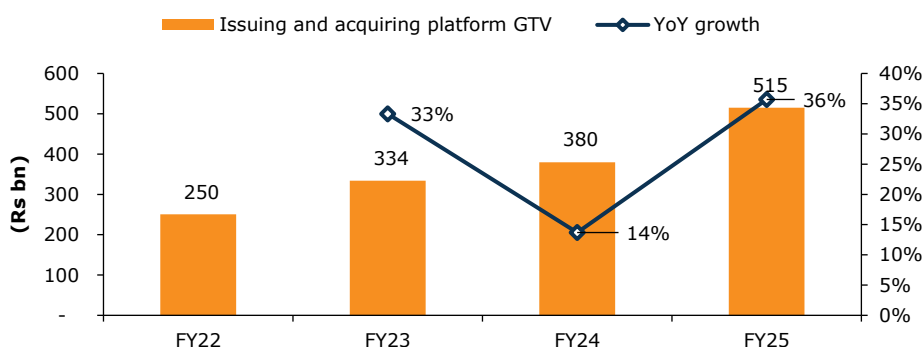
Gift card business (issuing and acquiring platform)

Pine Labs's issuing and acquiring platform enables online and offline merchants, consumer brands, and enterprises to create prepaid products (simply called as gift cards) that help drive sales. This platform enables issuance, processing, distribution, and management of digital and physical prepaid instruments, for storing and redeeming value for various use cases such as gifting, promotions, cashback, returns, rewards, and incentives. The key participants in the ecosystem are the brand, prepaid card issuer, distributor, end-consumer, and the merchant (the brand's own retail store or online outlet). Pine Labs typically plays the role of a PPI issuer, enabling brands to create, distribute, and manage gift cards through different channels.

Typical gift card issuance and distribution flow

- 1) Brands contact the issuer and the distributor to issue, manage, and sell gift cards to end-consumers.
- 2) PPI issuers issue gift cards and are responsible for lifecycle management and compliance.
- 3) Distributors make these gift cards available to end-consumers through various distribution channels (online platforms, corporate sales, etc).
- 4) End-consumers purchase the gift cards from these distribution channels.
- 5) Distributors keep their commission and pass on the remaining value to the gift card issuer.
- 6) The issuer deposits the funds in the escrow account and earns interest on these balances until redemption.
- 7) When the end-consumer redeems the card at the brand's store or website/app, the issuer debits funds from the escrow account and passes them on to the brand.
- 8) In some cases, when the gift card is not fully redeemed before the expiry date, the unredeemed balance (called 'breakage income') is either returned to the brand or kept with the issuer, according to the agreement.

Exhibit 7: The issuing and acquiring platform's GTV

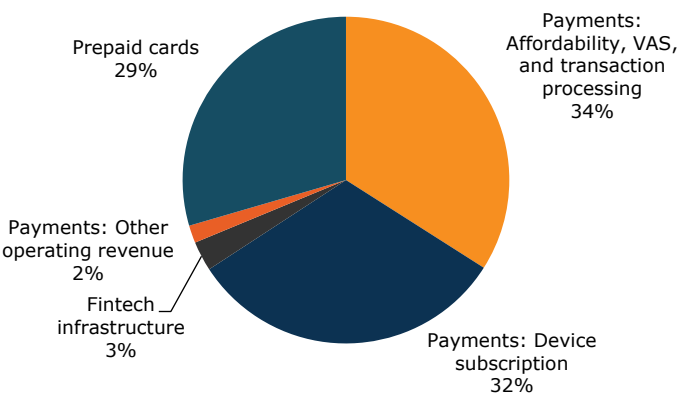


Source: Company, Emkay Research

According to RBI data, as of Sep-25, Pine Labs accounted for 66% of all outstanding prepaid cards in India and 46%/43% of the total transaction value/volume conducted via prepaid cards, underscoring its market leadership in prepaid cards issuance and processing. The company earns a fee based on GTV processed or distributed via its platform and by way of interest income on the funds held on behalf of customers. In FY25, the company clocked an average take rate of 130bps on GTV of Rs515bn.

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Exhibit 8: Pine Labs’s segment-wise revenue contribution in FY25



Source: Company, Emkay Research

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Industry overview: Merchant acquiring ecosystem propelling digital payments

As consumers have shifted from cash to digital payments, the merchant acquiring ecosystem has enabled digital payment collection on the merchant side. Digital payment channels can be divided into three buckets:

- 1) Payment aggregators/gateways: Various payment options on apps and websites;
- 2) POS devices: Primarily for in-store card payments and affordability solutions;
- 3) QR codes and soundboxes: UPI payments for small merchants.

Competitive dynamics, go-to-market, and monetization are different for each segment. To expand the TAM, players who are successful in one product attempt to expand into other products, although the difference in operation and monetization means that success in one product does not yield much advantage in other products.

Exhibit 9: Payment device matrix

Product	Type of merchant	License requirement	Monetization	Cross-sell potential	Player
Payment gateway	Online merchants – large to medium in scale, relatively high transaction value	RBI Payment Aggregator License	On the flow of the money; large merchants will have 2-3 options	Minimal	Razorpay, PayU, BillDesk, CC Avenue, Cashfree, Juspay, Paytm
POS Machines	Enterprise to medium businesses – typically large to medium value	NA	Device rentals as well as on the flow of the money	Low: EMI aggregation, VAS	Pine Labs, Paytm, Razorpay, Innoviti, Mswipe
Soundbox	Small businesses – typically low to medium value	NA	Largely through device rentals and cross-selling of financial services	High: Merchant loan	Paytm, PhonePe, BharatPe

Source: Emkay Research

Online payment aggregator/gateway

On the merchant side, acquiring banks ensure settlement of these payments into merchant accounts, but the task of onboarding large numbers of merchants at scale falls to payment aggregators. Aggregators remove the burden on acquiring banks of having to KYC, onboard, and manage compliance for every individual merchant. Payment gateways, in turn, provide the secure and reliable data pipelines that route transaction information between all parties. Typically, both functions are provided by a single entity, which supports a wide mix of payment methods (UPI, cards, net-banking, wallets, BNPL, etc). The RBI regulates this space and providers need to have a Payment Aggregator license for offering these services. The application process also involves a 'fit and proper' criterion for promoters, robust IT infrastructure, and adherence to security standards like PCI-DSS.

The payment gateway business model primarily relies on charging a Merchant Discount Rate (MDR), which includes a percentage and/or a fixed fee per transaction. Typically, large online platforms (such as e-commerce, quick commerce, food delivery, travel ticket booking, etc) are integrated with multiple payment gateways and would dynamically route their payments to one of the platforms, contingent on the success rate and pricing. This leads to competitive pricing, resulting in only a low-to-mid single digit take rate for larger platforms. On relatively smaller platforms, take rates can be as high as 20-30bps. However, smaller platforms would have lower throughput and require efforts toward integration and customer support, leading to opex being higher, relative to throughput.

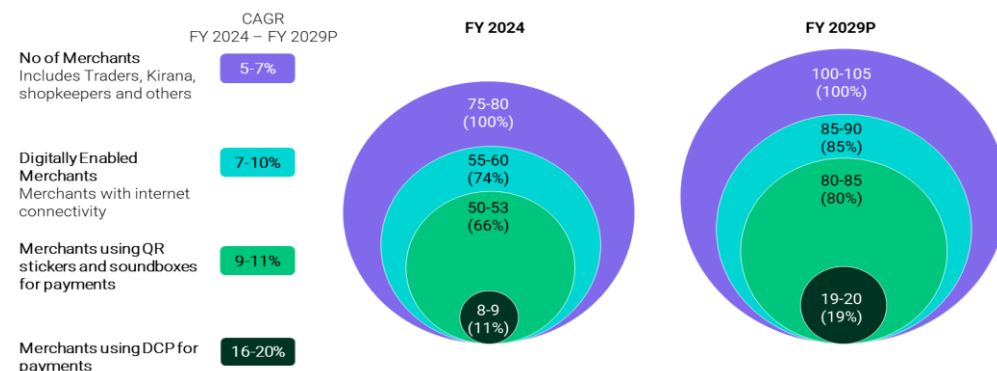
In India, Razorpay, PayU, Billdesk, CCAvenue, Paytm, etc are the key players, with competition coming from Pine Labs, PhonePe, Cashfree, JusPay, etc. Razorpay leads in this space with a strong presence among large merchants and mid-market merchants. This is a diversified and competitive ecosystem with limited pricing power. High transaction success rates, which are typically a function of quality IT infrastructure and bank integration, and breadth of payment methods are the key parameters for succeeding in this business. At early stages of app/website development, ease of API integration is a crucial factor in selection of a payment aggregator. However, once scaled, an app/website would onboard a few more payment aggregators to mitigate the concentration risk, maximize the success rate, and lower the cost.

Online payment gateways operate under the RBI's Payment Aggregator License; they help merchants accept online payments via various payment modes

Offline payments

Offline payments traditionally meant POS devices for card acceptance. However, the proliferation of UPI has resulted in a significant spurt in QR code-based acceptance, followed by soundbox devices. In India, small retailers typically do not deploy POS terminals due to prohibitive costs and low cards penetration. POS density is the highest for recognized brands and large retailers with higher average basket size, where customers routinely pay by cards and use EMIs. Smaller outlets are skewed toward cash and UPI.

Exhibit 10: Indian offline digital payment merchant funnel



Source: Company, Redseer Research and Analysis, Emkay Research

Exhibit 11: Offline payments device matrix

Payment product/service	Merchant size	Average ticket size	Volume of payments	Facilitated mode of payments	Devices in India (mn)
POS	Enterprise / Large	Big (Rs2,543)	Small to large	UPI, credit card, debit card, PPI cards	12
Soundbox	Medium/Small	Small	Large	UPI, NFC card payments	27

Source: RBI, PWC, Emkay Research

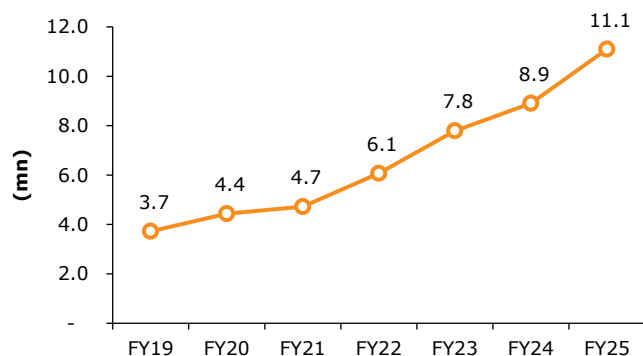
POS devices

POS devices have been prevalent in offline environments for accepting credit card payments for a long time. They read a customer's credit or debit card, communicate with the bank to authorize the transaction, and facilitate the transfer of funds to the merchant's account. POS machines cater to higher-ticket environments and customers' preference for payment choice (beyond UPI) to earn rewards, redeem gift cards/vouchers, access brand/bank EMI programs, or simply pay by credit/debit cards. POS is an all-in-one acceptance device, typically enabling UPI, credit cards, debit cards, gift cards/vouchers, and EMIs. While providers market add-ons (inventory, payroll, GST support, hyperlocal loyalty), channel checks suggest low adoption of these ancillary features; merchants primarily use POS to accept credit and debit card payments and to enable EMIs at checkout.

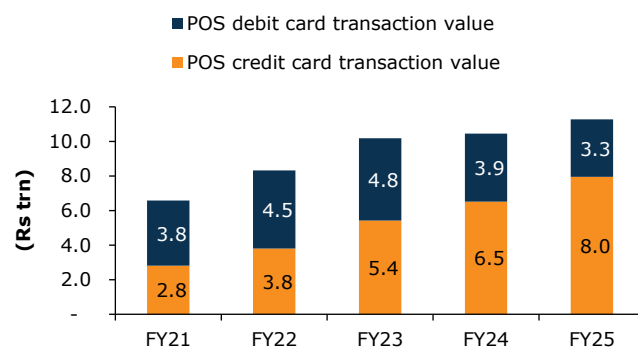
India has witnessed a rapid increase in the number of POS devices in recent years—from 4.4mn in FY20 to 12.1mn in Sep-25 (20% CAGR), driven by the adoption of digital payments and government push. This expansion has enabled more merchants to accept card and UPI-linked transactions, boosting financial inclusion.

There are various POS providers in the country, with most banks offering POS devices. Pine Labs leads in the POS space with ~1.8mn devices in operation, including units sourced via banks. Paytm is second at >1.0mn. Razorpay is third at ~0.5mn, after acquiring Ezetap to broaden its POS catalogue. Others include Mswipe, Innoviti, PhonePe, Verifone, and banks (often sourcing machines from aggregators). Some POS providers like Pine Labs also distribute devices through banks; in such a case, they receive device rentals from the bank, and the bank pockets MDR revenue, with no share of the MDR revenue going to the POS provider.

There is little hardware differentiation among providers, with multiple providers using terminals from PAX Technology (China), Ingenico, etc. A typical Android-based POS will cost Rs5,000-11,000, basis its features and configuration. While the hardware is standard, the differentiator for POS providers is the software and the commercial stack. Merchants typically judge the product basis success rates and MDR pricing plans, device rentals, and other device-related charges.

Exhibit 12: POS devices in India

Source: RBI, Emkay Research

Exhibit 13: Debit and credit card POS transaction processing value

Source: RBI, Emkay Research

The revenue model of POS devices is a combination of subscription fee for the hardware and software provided, as well as MDR charged to the merchant. For a high-end Android POS with printer, monthly rentals are ~Rs400-600. The smaller Android devices (without printer) see monthly rentals of Rs200-500. In some cases, POS providers also have lifetime plans – merchants pay an upfront one-time fee, with monthly rentals waived off. For lifetime plans, Razorpay has listed Android Smart POS at Rs7,799 and Android Smart Mini POS at Rs5,699 on its website.

Exhibit 14: Razorpay's payment products

Source: Company, Emkay Research

Exhibit 15: Razorpay's POS pricing plans

Machine charge (Rs)	Android Smart POS	Android Smart Mini POS	mPOS
Rental plan			
Installation charges	1,000	1,000	NA
Monthly rental	425	325	NA
Lifetime plan			
Set-up/installation fees	7,799	5,699	2,000
Monthly rental	0	0	0
CC MDR charge *ex-GST			
Grocery/supermarket	1.30%	1.30%	1.30%
Utility, government, education, fuel, insurance, transport	1.10%	1.10%	1.10%
Others	1.85%	1.85%	1.85%

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Exhibit 16: Paytm's POS pricing plans

	Merchant size	
	Small	Big
MDR charge		
UPI	0%	0%
UPI CC		
<Rs2,000	0%	1.99%
>Rs2,000	1.99%	1.99%
CL on UPI		
<Rs2,000	0%	1.99%
>Rs2,000	1.99%	1.99%
RuPay debit cards	0%	0%
Other debit cards		
<Rs2,000	0.40%	0.40%
>Rs2,000	0.40%	0.90%
Credit cards		
Grocery/supermarket	1.40%	1.40%
Utility, government, education, fuel, insurance, transport	1.20%	1.20%
Others	1.99%	1.99%
Amex		
Retail (except Electronics) category, Grocery, Food, Insurance, Travel Agents, Entertainment, Others	2.75%	2.75%
For Hotels, Lodging, Car Rentals category	3.99%	3.99%
For Education, Electronics, Utilities, Healthcare, and Pharmacy category	2.75%	2.75%
Corporate/Commercial card (credit card)	2.75%	2.75%
International card	3.50%	3.50%
Diners/JCB/Union Pay Card	2.99%	2.99%
Prepaid card	2.75%	2.75%
Corporate/Commercial card (debit card)	0.40%	0.90%
HDFC Flexipay (if applicable)	1.50%	1.50%
Instant cashback	1.75%	1.75%

Source: Company, Emkay Research

Innovation in the device form factor caters to different merchant segments and use cases. A typical Android POS, which can also print receipts, is deployed in organized retail and higher-AOV environments, which require card-present acceptance and EMI. There is also the Android POS which cannot print receipts, although it has a form factor similar to a smartphone's. With increasing penetration of credit cards, small merchants are looking at more affordable card acceptance solutions. There are devices that cost ~Rs1,500-2,000, which can link the smartphone and accept card payments. Such devices are used in low-frequency use cases, considering the higher set-up time (one has to manually connect the device to a smartphone and manage the payment).

This report is intended for Team White Marque Solutions (team.emkay@whitemarquessolutions)

Exhibit 17: Mswipe's Bluetooth POS



Source: Mswipe, Emkay Research

Exhibit 18: Razorpay's Bluetooth POS



Source: Razorpay, Emkay Research

With the emergence of tap-and-pay on credit cards, several companies have launched devices that allow tap-and-pay card payments on a soundbox. QR soundboxes can now enable long tail merchants to accept credit cards, thus prioritizing low cost, ease of use, and instant UPI acceptance. Such devices are cheaper (Rs1,500-2,000) compared to the all-in-one POS devices (Rs6,000-8,000), and also work like a soundbox for QR payments.

Exhibit 19: Various types of POS devices offered by Pine Labs



Source: Company; Emkay Research

The device has a small keypad, which merchants use to input the amount to be charged to the card, and a small screen where the amount is displayed. Once the amount is entered by the merchant, the customer can tap-and-pay using a credit card which will be followed by a voice confirmation on the soundbox after authentication. While such devices allow faster checkout and are cheaper, the customer has to necessarily pay using tap-and-pay, with the maximum amount capped at Rs5,000. The customer cannot make a payment by swiping the card.

Exhibit 20: Paytm's NFC card soundbox



Source: Paytm, Emkay Research

Exhibit 21: Razorpay's tap and scan soundbox



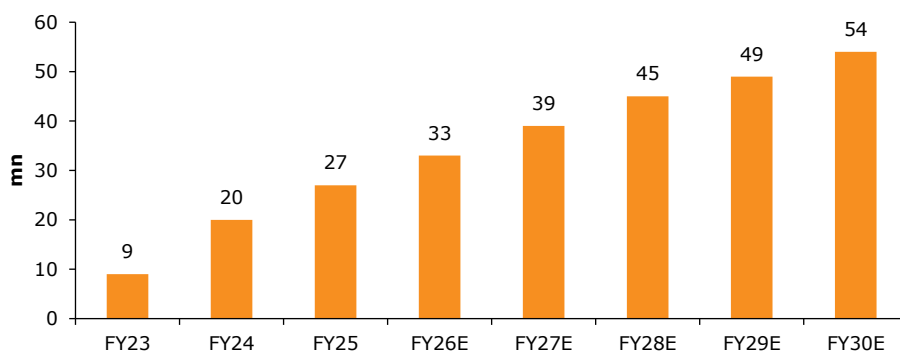
Source: Razorpay

Soundbox

The proliferation of Unified Payments Interface (UPI) has been a key driver of India's digital payments revolution; however, UPI's explosive growth created operational challenges for merchants. The reliance on manual payment verification via SMS or app notifications introduced friction and risk of fraud at the point of sale. In response, a novel hardware solution, the UPI soundbox, emerged as a crucial innovation. Pioneered by Paytm, the device provides instant audible confirmation of payments, addressing the fundamental need for trust and operational efficiency in a cash-dominant economy.

Soundbox has seen robust adoption, with nearly 27mn estimated to have been deployed in India as of Mar-25. While the penetration of soundbox in larger cities has deepened, there is a long runway for growth in tier2/3 cities. PWC estimates that soundbox deployment would reach 54mn by FY29 from 27mn in FY25.

Exhibit 22: Soundboxes deployed in India



Source: PWC, Emkay Research

Companies offer this device on a subscription basis, which helps them monetize the zero Merchant Discount Rate (MDR) model of UPI transactions. Further, the device serves as a funnel for cross-selling high-margin financial services, notably working capital loans that rely on the transaction data trail for credit underwriting. Paytm had demonstrated advertising on soundbox, although there is little evidence of it contributing materially to the topline. Currently, Paytm and PhonePe are the largest players in this market, with large sales teams. Distribution is one of the key challenges as the business requires a large sales team and

logistics network to succeed in this market. A number of other companies and banks are also attempting to enter this market, with different marketing channels.

Currently, soundbox providers charge ~Rs100 per month. However, for gaining market share and making inroads into the merchant ecosystem, several players offer discounts. The government also offers incentives in the form of the Payments Infrastructure Development Fund (PIDF) scheme as well as UPI incentives for transactions below Rs2,000 at small merchants.

While monetization so far has been largely limited to subscription fees and cross-selling of financial services, RuPay credit card on UPI and credit line on UPI can create a steady stream of revenue for soundbox and QR code providers. For transactions using a RuPay credit card and credit line on UPI QR code, the QR code provider generates revenue from the MDR. MDR collected from the merchant is then shared among the different stakeholders involved in the transaction, including the QR code provider and the issuing bank of the RuPay credit card or credit line on UPI. We believe that such products can replicate credit card and EMI product features on a QR-code-based checkout. With a low-cost device at the helm and digital underwriting, it can be done at a lower cost structure and can turn into a threat to the POS-based architecture.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

China bypassed the card ecosystem to move to a QR-based acceptance network

We see India's leapfrogging to the QR-based mobile payments ecosystem as a structural risk for the POS device business. While credit cards dominate digital payments in the West, China and a few other emerging countries have seen the emergence of QR-based payment systems, which offer all the features of the card network without the need for a POS device. Alipay/WeChat power the mobile payments in China at scale, leveraging QR technology on their proprietary network.

Yu'e Bao is a Alipay product, which allows users to sweep their wallet balances into partner money-market funds (MMFs); hence, idle cash earns a yield. At merchant checkout, Alipay triggers an instant redemption from MMFs in the background, so payments proceed seamlessly. The product turns everyday wallet cash into an interest-earning balance without sacrificing consumers' ability to spend, combining near-zero friction, tiny minimums, and immediate access at the point of payment. This convenience feature drove massive retail uptake, with Yu'e Bao reaching about 765mn account holders and RMB793bn in AUM (Rs9.84trn) at end-H1CY25.

From a merchant's perspective, payment funded via Yu'e Bao is processed like a standard Alipay transaction; the merchant discount rate (MDR) is the same, and the checkout experience is unchanged. Investors receive the MMF's yield net of fees (management/administration, custody, and distribution), which accrues daily and flows through the NAV. For example, breakdown of costs has been cited at roughly 0.30% as administration, 0.08% as custody, and 0.25% as sales/distribution expenses, with distribution income shared between Alipay/Ant Fortune and the MMF managers. Beyond fee income, Yu'e Bao increases user engagement and helps retain spends within the Alipay ecosystem. WeChat Pay's counterpart—Lingqiantong (introduced in 2018)—offers a similar sweep-to-MMF functionality and has followed a comparable adoption trajectory among WeChat users.

China has also seen the emergence of a product that replicates the features of traditional credit cards. Alipay's Huabei (translated as 'just spend') is a BNPL service that functions like a virtual credit card; customers are given a credit line and can make purchases up to that limit. One can scan a merchant QR code or show the QR code linked to the Huabei account for making the payment. The full amount of monthly purchases is due on a specific date of the following month. Consumers can choose to pay the entire bill at once or opt for a repayment plan with a number of installments, which may incur interest, similar to credit cards.

Fenfu (meaning 'split payment') is a feature within WeChat Pay which is an e-wallet service built into the WeChat social media app. Fenfu is more focused on providing installment options for specific purchases. It allows users to pay for a purchase in installments. Interest is often calculated daily, and users can repay any amount at any time. At the beginning of the month, a portion of the outstanding amount, along with interest, is deducted from the user's digital wallet.

Alipay's Huabei and WeChat Pay's Fenfu are part of the dominant wallet ecosystem of their parents, enabling one-tap credit at checkout. Ant's consumer-loan platform (Huabei plus Jiebei) served roughly 500mn borrowers in 12 months ending Jun-20, with about RMB1.73trn in outstanding consumer loans; Fenfu follows a similar design as well, with undisclosed totals.

We note that the regulatory environment in China is quite disparate from India's. Chinese internet companies such as WeChat and Alipay command a disproportionately large share and practically control their entire ecosystem. In India, the regulator is wary of concentration risks and has created a UPI ecosystem that is interoperable. In China, a bank's role in payments has been marginalized, in favor of the wallets of internet giants. However, in India, banks are relevant in UPI transactions as origination and destination of the money is the bank.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquessolutions)

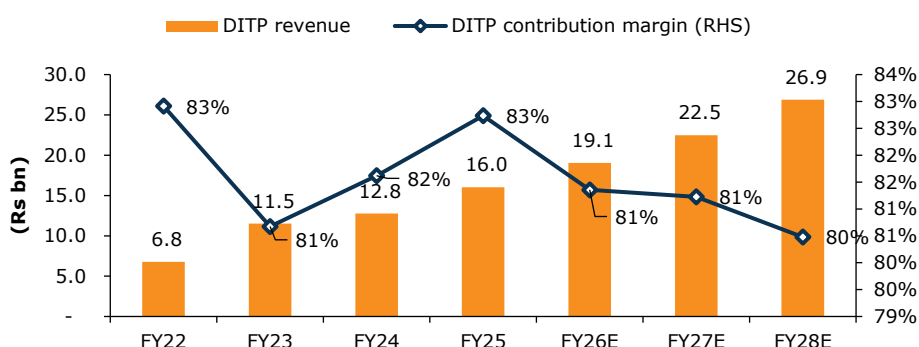
Financial analysis

Revenue growth drivers

Digital Infrastructure and Transaction Platform (DITP) revenue

DITP comprises in-store and online infrastructure, affordability, VAS and transaction processing for merchants, consumer brands and enterprises, and financial institutions and FinTech infrastructure solutions for financial institutions. Revenue from DITP consists of device subscription revenue, device sale revenue, affordability and transactions processing revenue, and fintech infrastructure revenue. DITP revenue has seen 24% CAGR over FY22-25, with contribution margin of ~82%. We build in 19% revenue CAGR over FY25-28E. With increasing competitive intensity, we expect contribution margin to decline by 225bps over FY25-28 to 80%.

Exhibit 23: DITP revenue and contribution margin

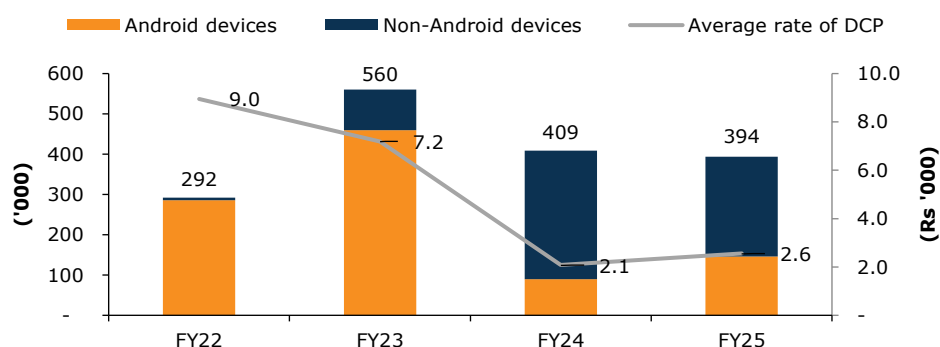


Source: Company, Emkay Research

Device subscription revenue

Pine Labs's subscription-based revenue primarily stems from rental income generated on its deployed base of digital checkout points (DCPs) or point-of-sale (POS) devices. Key drivers of this revenue stream are the total number of deployed devices and the average monthly rental per device. During FY24–Y25, the company strategically increased the mix of low-cost, non-Android devices in its deployment portfolio. This has resulted in average cost per DCP deployed decreasing to Rs2,557 in FY25 from Rs8,950 in FY25. Importantly, the share of Android POS has reduced to 37% in FY25 from 98% in FY22. In absolute terms, Pine Labs deployed 146k Android POS in FY25 versus 286k deployed in FY22.

Exhibit 24: Device additions during FY22-25



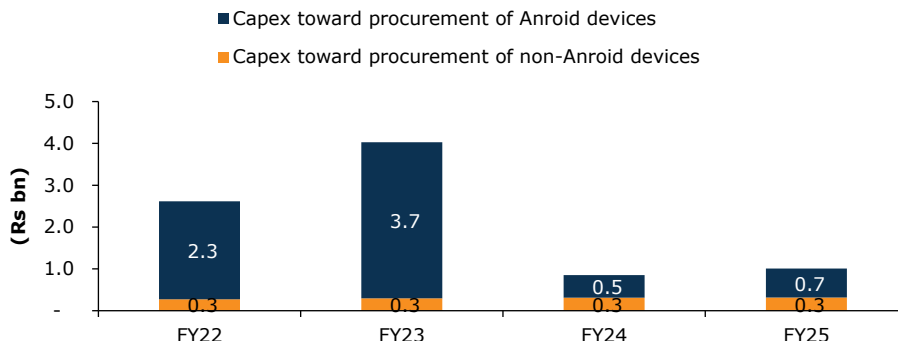
Source: Company, Emkay Research

We attribute this reduction in the high-end POS deployment for Pine Labs to the increasing competitive intensity in this space from new players like Paytm, Razorpay, PhonePe, etc. Such players are looking to make inroads to the POS business in India, while they scale in the QR and online payment gateway space. Ahead, we expect share of the Android device base to

increase, though most of these devices will be replacements for old devices; hence, the net active Android device base is unlikely to increase materially which will lead to reduction in the company's ARPU.

Deployment of low-end devices has resulted in lower capex for the company. DCP spends for Pine Labs declined to Rs1.0bn in FY25 from Rs4.0bn in FY23.

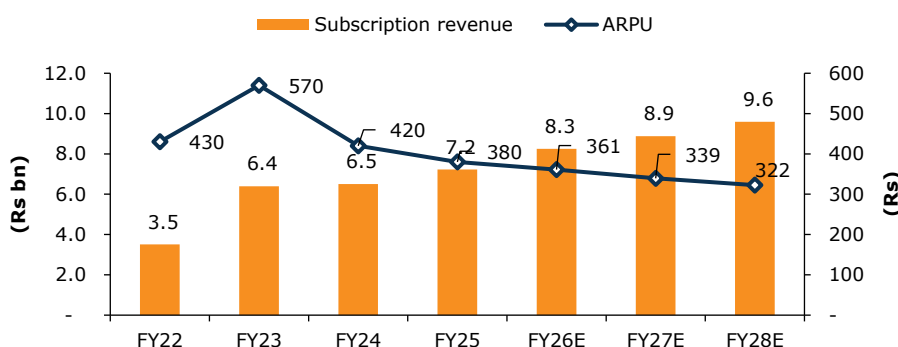
Exhibit 25: Capex toward procurement of DCPs during FY22-25



Source: Company, Emkay Research

We build in an ARPU decline of 5% CAGR over FY25-28E which will lead to ARPU coming down to Rs322 from Rs380 in FY25. We expect 0.85mn average device addition over FY25-28E, taking the total device base to 2.63mn. With this, we build in 10% revenue CAGR in device subscription revenue over FY25-28E.

Exhibit 26: Device subscription revenue and ARPU



Source: Company, Emkay Research; Note: Device subscription revenue for FY22-24 is estimated, as the company has not reported the historical ARPU

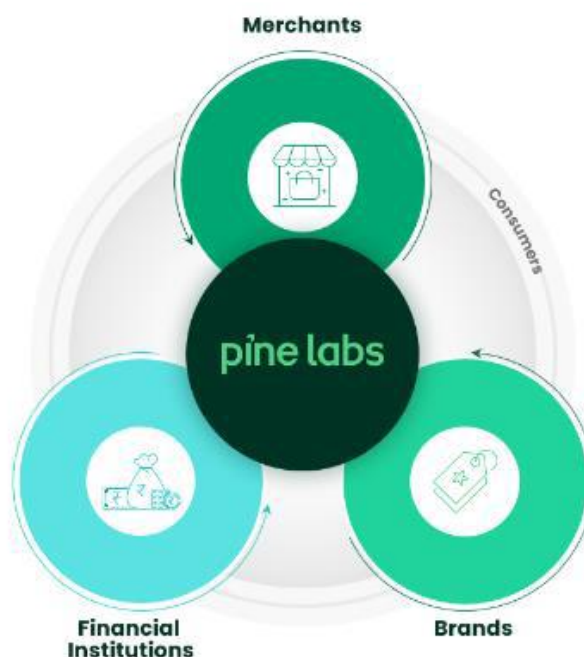
Affordability, VAS, and Transaction Processing revenue

Affordability solutions refer to the EMI and cashback schemes offered to consumers at the time of digital checkout. When a customer opts for such a scheme, the associated interest cost is typically borne by the brand in exchange for driving incremental product sales. The underlying credit product, however, is extended by the issuing bank. Pine Labs acts as the technology intermediary connecting all three parties—merchants, brands, and financial institutions—and earns a commission based on the total gross transaction value (GTV) processed. Along with affordability, Pine Labs also provides VAS and transaction processing, which include dynamic currency conversion and payment aggregation solutions for merchants. All such services are integrated into in-store and online digital payment flows.

Over the last few years, Pine Labs has seen a moderation in its affordability-linked transaction share as the mix of lower-end devices in its deployed base increased. Such devices generally do not support affordability programs resulting in the Affordability, VAS, and Transaction Processing GTV share of its DITP GTV declining, from 26% in FY22 to 18% in FY25. We expect this ratio to continue declining gradually and reaching 14.9% by FY28E from 18.4% in FY25.

Affordability solutions is an orchestration of a three-party network, of merchants, brands, and banks. The scale of the network is the real moat and drives attractiveness for each participant. Merchants prefer deploying those devices that host the widest range of affordability schemes, while brands and banks are inclined to integrate with payment service providers (PSPs) that have the largest presence in relevant retail categories. As of Jun-25, the company has >350 consumer brands and enterprises along with >40 credit partners, making it the largest such ecosystem. However, competition has intensified rapidly. Paytm has already partnered with over 85 brands and 21 credit partners, while Razorpay has built an affordability ecosystem with >40 credit providers. This increasingly crowded space is eroding Pine Labs's early lead.

Exhibit 27: The affordability platform is a triangulated subvention network orchestrated by Pine Labs



Source: Company, Emkay Research

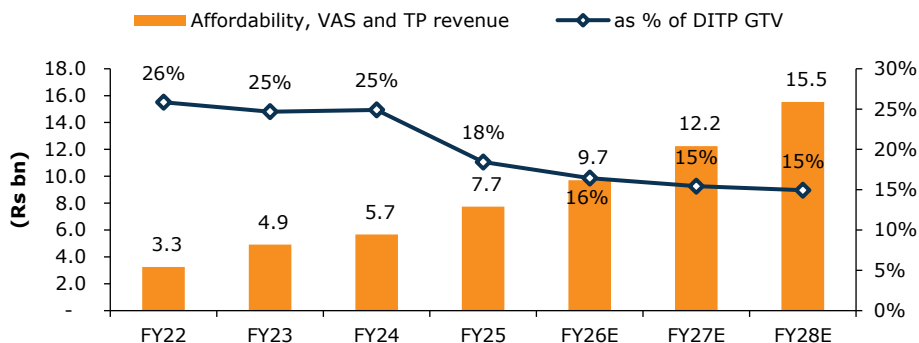
The market structure also exhibits a strong Pareto dynamic — a small set of large merchants (such as Vijay Sales, Croma, Reliance Digital, leading automobile dealerships, etc.) and a few major banks (such as HDFC Bank, SBI, ICICI Bank, and Axis Bank) account for the majority of volumes. Securing and maintaining such relationships is therefore crucial for any player seeking to scale up in this business. While Pine Labs initially benefitted from its first-mover advantage, competitors have been rapidly closing the gap with the company through expanded partnerships and growing affordability-linked GTV. Importantly, this segment remains margin-accretive, with minimal incremental setup costs beyond the existing device infrastructure.

Channel checks suggest that the competitive intensity is further heightened by merchants' lack of exclusivity or strong preference for any single PSP. Most retail stores operate multiple POS devices from different providers, and brand head offices typically determine which devices are deployed across outlets. The merchant's choice at the counter is often driven by ease of use rather than pricing or provider loyalty, as MDR rates and billing are managed centrally by the brand. Once a brand partners with multiple PSPs, it tends to offer the same EMI and cashback options across all devices, further diluting differentiation. Only when MDR differences become significant do brand head offices instruct stores to prioritize one PSP's device over another.

In essence, Pine Labs's advantage in the affordability segment stems from its existing network, and that advantage is narrowing. Competitors are building comparable ecosystems at scale, backed by stronger distribution and sales capabilities. Paytm has claimed to be processing roughly half of Pine Labs's affordability-linked GTV. In this context, the competitive landscape in affordability solutions appears increasingly challenging for Pine Labs, with diminishing structural advantages and growing pressure from well-capitalized rivals.

Per our estimates, we have narrowed the Affordability, VAS, and Transaction Processing GTV share of the DITP GTV, from 18% in FY25 to 14% in FY30, owing to the mix tilt toward lower-end devices. We project the growth in the DITP platform GTV to taper, from 91% in FY25 to 28% in FY30, yielding a CAGR of 36% over FY25-FY20. The take rate (38.5bps in FY25) has been modelled to narrow to 35bps by FY28E, owing to the high competitive intensity in the affordability business.

Exhibit 28: Affordability, VAS, and transaction processing – GTV

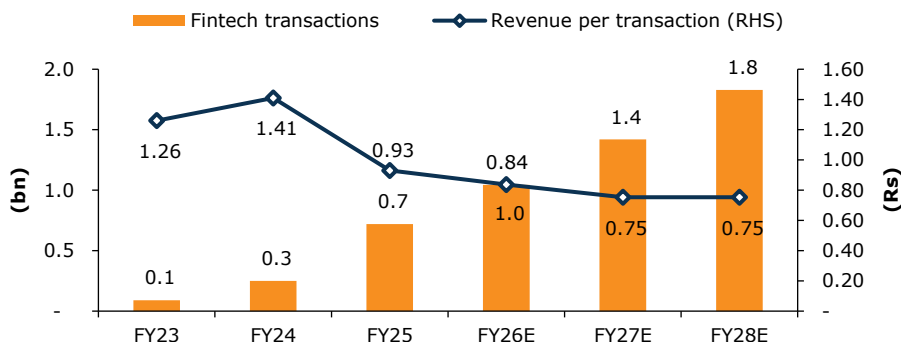


Source: Company, Emkay Research; Note: FY25 revenue numbers are reported. FY22-24 revenue numbers are our estimates. FY26-30 numbers are our projections

Fintech infrastructure platform

While the fintech infrastructure platform contributes only 3% of the total revenue, it is growing at breakneck speed. Key revenue drivers are the number of fintech transactions and revenue earned per transaction. The fintech platform has seen eightfold growth in transactions, from 90mn in FY23 to 720mn in FY25. With the high-growth phase behind, we build in 36% CAGR in the number of fintech transactions over FY25-28E, with revenue per transaction flattening at Rs0.75 from Rs0.93 in FY25.

Exhibit 29: Fintech infrastructure platform – KPIs



Source: Company, Emkay Research; Note: FY25 revenue per transaction is reported. FY22-24 revenue per transaction numbers are our estimates. FY22-25 number of fintech transactions are reported. FY26-28 numbers are our projections

Issuing and acquiring platform

Revenue drivers for the issuing and acquiring platform are GTV and take rate. GTV CAGR stands at of 27% over FY22-25. India business GTV CAGR has been a low 13% over FY22-25 (FY25 is 9MFY25 annualized; it has been assumed that the India business is part of the consolidated financials of the pre-amalgamated company from the DRHP, and international business is pro forma less consolidated financials). Lately, growth has been seen coming from the international expansion in USA, Australia, and Singapore. International GTV CAGR stands at 91% during FY22-25. GTV per card issued highlights the stark difference between the operational environment in the Indian and overseas geographies. GTV per card issued for the India business was Rs544 in 9MFY25, whereas that for the international business was Rs5,610.

Revenue is earned from both, processing/distribution commissions and interest income on funds held in escrow. Take rates from both these divisions contribute meaningfully. Going ahead, we model take rate for revenue from commissions and sale of PPIC at 61bps and take rate from interest income at 65bps, with transaction costs as 52bps on the base of GTV and GTV CAGR of 21% over FY25-28E.

Exhibit 30: Take rate on the GTV over FY22-25

Take rate on the base of GTV (bps)	FY22	FY23	FY24	FY25
Issuing and acquiring platform	136	133	130	130
Revenue from processing and distribution commissions as well as from sale of prepaid cards	71	63	48	63
Interest income from funds held in escrow	66	70	82	67
Transaction costs	-34	-28	-39	-52
Contribution margin	102	105	90	78

Source: Company, Emkay Research

The interest income is highly contingent on the length of time the funds remain in the escrow account of Pine Labs; this translates into the time gap between the consumer buying the gift card and redeeming the gift card. Increase in the time gap translates into more interest income for Pine Labs, and vice versa.

Exhibit 31: Interest income – Historical trend

(Rs mn)	FY22	FY23	FY24	FY25
Interest income	1,641	2,337	3,118	3,448
Interest take rate (bps)	65.5	70.0	82.1	66.9
Implied bank balance towards PPIC @7% interest rate	23,440	33,387	44,544	49,260
PPIC balance turns (no of)	11	10	9	10
Days before redemption (no of days)	34	36	43	35

Source: Company, Emkay Research

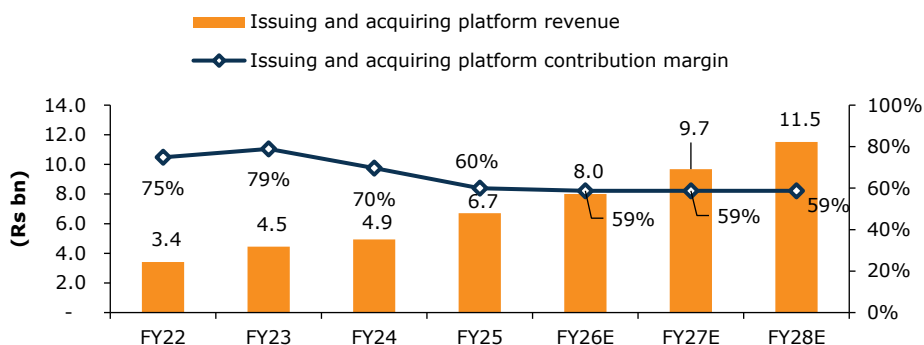
Exhibit 32 illustrates the sensitivity of interest income, assuming days before redemption, interest rate of 7%, and FY25 GTV of Rs515bn.

Exhibit 32: Sensitivity analysis of interest income with average days before PPIC redemption

(Rs mn)						
Days before redemption (no of)	10	20	30	40	50	60
PPIC balance turns (no of)	37	18	12	9	7	6
Implied bank balance (Rs bn)	14.1	28.2	42.3	56.5	70.6	84.7
Interest income (@7%)	988	1,976	2,964	3,952	4,940	5,928
Take rate (bps)	19	38	58	77	96	115

Source: Company, Emkay Research

With our above-mentioned estimates, we build in revenue CAGR of 20% from the issuing and acquiring platform, with contribution margin at 59% on account of international expansion during FY25-28E. The international prepaid card business has exhibited volatile contribution margins, with average contribution margin of 22%. On the other hand, the India business has demonstrated much higher profitability, with contribution margin of 76% over the same period.

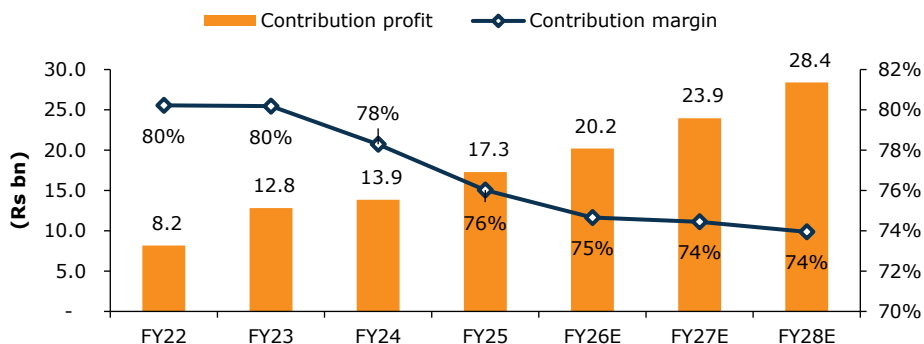
Exhibit 33: Issuing and acquiring platform – Revenue and contribution margin

Source: Company, Emkay Research

Margin drivers

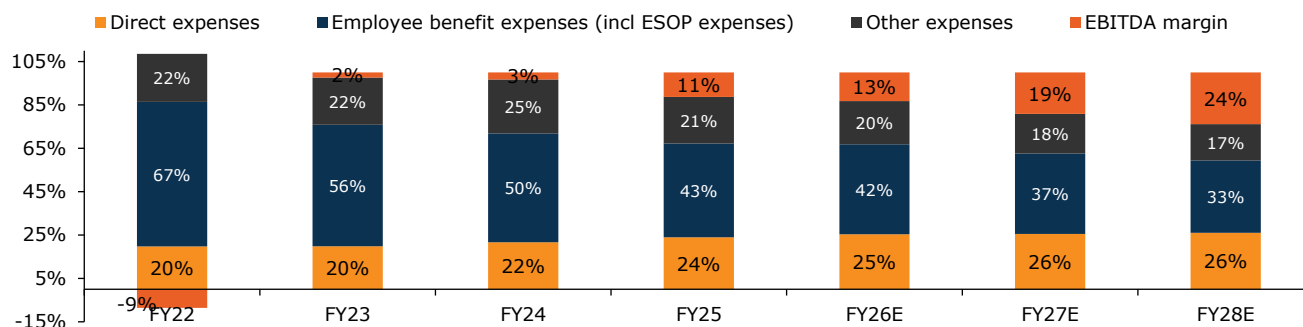
Operating leverage

Pine Labs's healthy contribution margin of 76% for FY25 is due to DITP margin of 83% and prepaid card business margin of 60%. Direct costs above the contribution margin line include transaction and related costs as well as purchase of stock in trade (including change in inventory). The contribution margin has contracted by 420bps over FY22-25, as ramp up in the international prepaid card business resulted in decline in prepaid card business margins by 14.9ppts. We estimate contribution margin to further decline by 210bps over FY25-28E, due to increasing revenue contribution seen from lower-end devices and the low-margin international prepaid cards business growing faster.

Exhibit 34: Contribution profit and margin – Historical trends and projections

Source: Company, Emkay Research

We expect the strong operating leverage for Pine Labs to play out, resulting in 53% EBITDA CAGR over FY25-28E. Indirect costs include employee benefit expenses and other expenses such as data center and cloud storage expenses, information technology expenses, third-party manpower costs, advertisement and business promotion expenses, and miscellaneous expenses. Some expenses like those related to data center and storage as well as IT are semi-variable, while others are less dependent on revenue growth. We estimate 9.4% indirect expenses CAGR over FY25-28E, way behind the 19.7% revenue CAGR over the same period. This difference in growth rates results in EBITDA margin expanding to 24% by FY28E from 11% in FY25.

Exhibit 35: Expenses above the EBITDA line, as a percentage of revenue from operations

Source: Company, Emkay Research

Balance sheet

Pine Labs's balance sheet size, at Rs107bn, is fairly large for a company with a business that has clocked Rs22.7bn revenue in FY25. However, Rs51bn worth of current assets and liabilities are toward the gift card business, wherein any gift card purchased on the platform will reflect on the asset side as bank balance earmarked toward prepaid cards, and on the liability side as a liability toward prepaid cards. Adjusted for the net working capital, the balance sheet size is Rs45.6bn as of FY25 – which is not too large on a relative basis. Pine Labs has Rs5.2bn non-current tangible assets, which primarily include POS devices. Pine Labs's non-current tangible assets continue to reduce as depreciation of the older POS devices is much higher than the capex for new devices.

Besides all this, the company has goodwill worth Rs11.6bn, which is the biggest non-current asset on its balance sheet pertaining to the multiple acquisitions over the years. Net working capital (current assets – current liabilities – cash) has dipped from Rs22.5bn at FY22 to Rs7.2bn in FY23. However, working capital has continued to grow since then, with business scale-up. Apart from the prepaid card business, working capital for Pine Labs also pertains to the Affordability business in which it has invested Rs10.7bn as of FY25. The company has non-current liabilities worth Rs2.6bn, which is on its books as of FY25, and primarily include borrowings and lease liabilities. The liability side of the balance sheet is mainly equity-driven, with equity levels at ~Rs35bn.

Exhibit 36: Condensed balance sheet

(Rs mn)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Non-current tangible assets	5,607	8,027	6,479	5,175	4,893	7,079	8,565
Non-current intangible assets	2,323	3,788	3,023	3,039	3,585	2,959	2,645
Non-current financial assets	3,517	3,563	4,073	4,894	4,944	5,244	5,494
Goodwill	5,077	11,911	11,914	11,637	11,637	11,637	11,637
Cash	3,289	10,263	8,821	9,515	25,998	28,115	31,217
Net working capital	22,471	7,283	8,825	11,392	10,984	10,094	10,615
Total assets	42,284	44,834	43,135	45,653	62,042	65,128	70,174
Borrowing and lease liabilities	2,839	4,382	6,542	9,704	4,639	4,772	4,886
Other non-current liabilities	1,833	3,062	1,174	888	888	888	888
Equity	37,612	37,390	35,419	35,062	56,515	59,468	64,400
Total liabilities and equity	42,284	44,834	43,135	45,653	62,042	65,128	70,174

Source: Company, Emkay Research

This report is intended for Team White Marquee Solutions (team.emkay@whitemarquesolutions)

Investments in POS have declined with shift to low-end devices

POS devices are the key contributors to plant and machinery gross block, which is 81% of the gross tangible block. Notably, while the number of devices deployed continues to rise, the gross block per incremental device has declined as the company has started shipping a significantly higher proportion of lower-end non-Android devices.

Exhibit 37: Plant and machinery particulars with per device calculations

(Rs mn)	FY23	FY24	FY25
Plant and machinery gross block	8,771	8,117	8,782
Total tangible gross block	10,230	9,868	10,783
Accumulated depreciation and impairment	5,304	5,663	7,315
Net block	4,926	4,205	3,468
CWiP	2,130	1,215	471
No of deployed devices (mn)	1.19	1.39	1.78
Gross block (ex CWiP) per deployed device (Rs)	8,596	7,099	6,058
P&M gross block per deployed device (Rs)	7,370	5,839	4,934
Net block per deployed device (Rs)	3,555	2,531	1,552
Incremental devices deployed (mn)	0.51	0.2	0.39
Average rate of devices added to gross block & CWiP (Rs)	7,191	2,080	2,557

Source: Company, Emkay Research

Notably, the company operates under two models: 1) It capitalizes DCPs that are deployed and charges rent for those devices, and 2) the company sells devices to banks with upfront revenue, and the cost of such devices flows through the P&L under the 'cost of goods sold'. Pine Labs operates under this model mainly for the low-end Mosambee devices.

Exhibit 38 illustrates the contrast between the types of devices deployed by the company in FY22/23 versus FY24/25. In FY22/23, the company deployed 852k devices with 87% share of Android devices to the total devices deployed. In FY24/25, total number of devices deployed came down marginally to 802k with share of Android devices falling to a meagre 29%. Due to this, the average price per DCP was Rs7,795 in FY22/23 which came down by 70% to Rs2,314 in FY24/25. This has resulted in expenditure toward DCP coming down by 72% in FY24/25 to Rs1.86bn from Rs6.64bn in FY22/23. We believe that going forward, the company will have to replace the old Android devices which will result in elevated capex.

The company also capitalizes its expenditure on development of technology, such as internally developed software and software enhancements for the Group technology platform. Such costs include external services and internal payroll costs, and are recorded as intangible assets. When development is complete and the asset is ready for use, these are amortized on a straight-line basis, generally over 3-5 years. Notably, this expenditure was 3% of the total revenue over FY22-25, and capitalization of the expenditure would result in higher EBITDA margin to that extent.

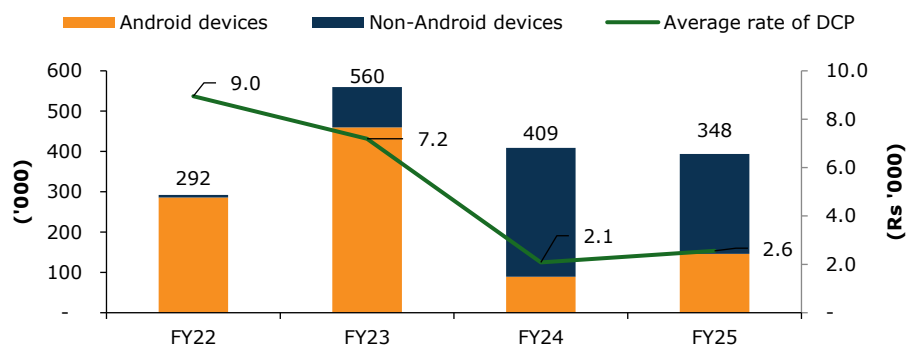
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Exhibit 38: Expenditure toward POS devices and technology development

(no of)	FY22	FY23	FY24	FY25
A) Total Devices				
Total DCPs added	292,224	559,894	408,763	393,848
Total DCP additions as % of existing portfolio		82%	34%	28%
Average rate per DCP (Rs)	8,950	7,191	2,080	2,557
Total expenditure toward DCPs (Rs mn)	2,616	4,026	850	1,007
% of DITP revenue	39%	35%	6.8%	6.4%
% of total revenue from operations	26%	25%	4.8%	4.4%
a) Android devices				
DCPs	285,724	459,829	89,202	145,958
Average rate per DCP (Rs)	8,196	8,108	6,031	4,745
Amount (Rs mn)	2,342	3,728	538	693
b) Non-Android devices				
DCPs	6,500	100,065	319,561	247,890
Average rate per DCP (Rs)	7,700	2,528	977	1,269
Amount (Rs mn)	274	298	312	314
B) Technology Development Expenditure				
Total expenditure toward technology development (Rs mn)	93	553	740	601
% of total revenue from operations	0.9%	3.5%	4.2%	2.6%
Total expenditure toward DCPs and technology (Rs mn)	2,708	4,579	1,590	1,608
% of total revenue from operations	26.6%	28.7%	9.0%	7.1%

Source: Company, Emkay Research

We attribute the lower deployment of high-end Android devices to increased competition in high-end POS devices where Pine Labs already had a fairly large market share. We believe the higher deployment of low-cost devices would continue to result in lower rental revenue.

Exhibit 39: POS devices added to gross block and CWiP

Source: Company, Emkay Research

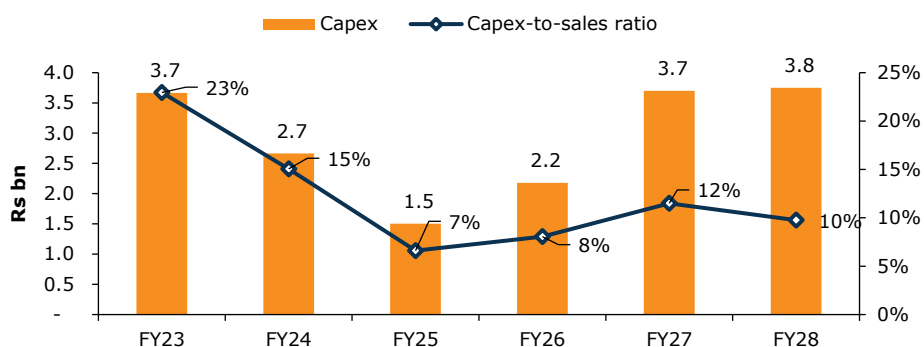
Pine Labs has capitalized technology development expenditure (4.8%/2.6% of proforma revenue in FY24/9MFY25, respectively)

Pine Labs's capex spends reduced significantly during FY24-25 (capex-to-sales: from 23% in FY23 to 7% in FY25). This is on account of Pine Labs adding lower-end POS devices to its portfolio. Pine Labs's DCP additions as a percentage of its existing DCP portfolio have continuously trended down, from 82% in FY23 to 28% in FY25. Slowing down POS capex and redirecting it toward lower-end POS devices has resulted in moderation of growth in DITP revenue (linked to these POS devices) from 70% in FY23 to 11%/26% in FY24/FY25. As the useful life of POS devices is ~2-3 years, we believe Pine Labs will invest in restocking the higher-end of its POS portfolio, given its muted spends toward Android POS recently. Pine Labs has, in its RHP, mentioned allocation of Rs4.3bn over 3 years toward POS procurement. This step-up in capex signals the return to adding Android POS after a break of 2-3 years.

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Pine Labs's capex-to-sales (restated consolidated financials) declined to 4% and 13% in 9MFY25 and FY24, from 32% and 21% in FY22 and FY23, respectively

Exhibit 40: Capex-to-sales trend



Source: Company, Emkay Research

Pine Labs depreciates its POS devices on a straight-line basis, using the useful life estimate of 1.5 to 5 years. The refurbishment costs are expensed in the income statement under maintenance expenses. There is no refurbishment impact on the balance sheet; the device once deployed continues to earn revenue with no corresponding depreciation costs attached to the refurbished device, further improving operating margins of the payments business.

From analyzing the gross block, we observed that Pine Labs has written off some portion of the gross block. Interestingly, it has written off depreciated and amortized assets. Along with this, it recognized total impairment cost of Rs425mn from the PPE block for the FY23-25 period (Rs284mn in FY24 alone).

Exhibit 41: Disposals taken in the gross block

Particulars (Rs mn)	Disposal amount	D&A disposal amount	Fiscal year of disposal
Technology	1,447	1,447	FY25
Customer relationship	1,033	1,033	FY25
Plant and machinery	1,847	1,834	FY24

Source: Company, Emkay Research

Working capital requirements of business segments

The cash flow and balance sheet entries of each individual segment show the segments' working capital requirements. The balance sheet entries linked with the affordability segment are 'Receivables for cashback schemes' on the asset side and 'Payables toward cashback and subvention schemes' on the liabilities side. Notably, receivables of this section have ballooned to Rs10.1bn in FY25 from Rs3.8bn in FY22 which has resulted in working capital for this segment increasing to Rs6.3bn in FY25 from Rs 0.3bn in FY22. This has led to cash infusion of Rs6.9bn toward working capital for this business over FY23-25. Given that the business does not require any additional capex on POS devices, such affordability schemes are enabled on devices already deployed with the enterprise/large segment merchants, entailing no additional explicit costs resulting in a highly margin-accretive business segment.

Exhibit 42: Balance sheet and cashflow items linked to the affordability business segment

(Rs mn)	FY22	FY23	FY24	FY25
Balance Sheet				
Receivables for cashback schemes	3,756	6,048	6,743	10,085
Payables toward cashback and subvention schemes	3,457	3,744	3,202	3,809
Working capital toward the affordability segment	299	1,437	4,566	6,276
Cash Flow				
Cash inflow (outflow) from				
Other financial assets and liabilities (Rs mn)		(1,090)	(3,077)	(2,768)

Source: Company, Emkay Research

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Balance sheet entries linked with the PPIC business segment are: 'Earmarked balances with banks' on the assets side and 'Liabilities toward prepaid cards' on the liabilities side. Although the earmarked balances with banks related to prepaid card schemes always rack up higher than the liabilities toward prepaid cards, the cash outflow related to such PPIC schemes are lower than those in the affordability segment (Rs607mn in FY24 and Rs644mn in FY25). There are some liquidity constraints that Pine Labs is mandated to abide by as part of the terms for holding a PPI issuing license. The balance is the reason behind the gap between earmarked balances and liabilities toward prepaid cards. Given that there are both inflows and outflows reported that are related to this segment, it is not a strictly working capital-intensive business segment like the affordability segment.

Exhibit 43: Balance sheet items linked to the PPIC business segment

(Rs mn)	FY22	FY23	FY24	FY25
Bank balances other than CCE	15,471	40,938	43,528	50,817
as a % of issuing and acquiring platform GTV	6.2%	12.3%	11.5%	9.9%
Liabilities towards prepaid cards	31,366	36,812	41,374	47,726
as a % of issuing and acquiring platform GTV	12.5%	11.0%	10.9%	9.3%
Cash inflow (outflow) from				
Bank balances and liabilities toward prepaid cards		39	(607)	(644)

Source: Company, Emkay Research

Contingent liabilities

As on 30-Jun-25, Pine Labs reported contingent liabilities of Rs3.31bn (14.22% of the net worth); of this, ~99.7% arises from indirect tax input-credit matters linked to the gift-card business (Rs2.18bn as principal amount plus Rs1.12bn worth of related interest). The remaining items (bonus, EPF, and minor civil matters totaling ~Rs8.7mn) are immaterial. The management, supported by the legal counsel, expects to prevail on appeal, so no provision has been made. Given the company's scale and balance sheet, the exposure is modest and not expected to be materially impactful, even in a downside scenario.

Exhibit 44: Contingent liabilities as on 30-Jun-25, based on restated consolidated financials

(Rs mn)	as on 30-Jun-25
Bonus payable for FY14-15	0.5
Employee provident fund liability, including interest	3.4
Indirect tax matters	2,178
Interest liability on Indirect tax matters stated above	1,124
Legal compliance of labor laws and other civil matters	4.8
Contingent liabilities (A)	3,310
Equity share capital	447
Other equity	34,628
Net Worth (B)	23,275
% of Contingent liabilities on Net Worth (C = A/B)	14.2%

Source: Company, Emkay Research

Cash flow

Over FY23-25, despite reporting negative PBT, Pine Labs has reported positive cash operating profits before working capital adjustments over FY23-25 due to high depreciation and amortization expenses as well as high share-based compensation. However, given the high working capital requirement largely toward affordability business, Pine Labs's working capital cash investments were over Rs3bn each year during FY23-25. Pine Labs reported negative net cash flow from operations over FY23-24. In FY25, Pine Labs reported Rs497mn net cash flow from operations, aided by Rs382mn tax refund.

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Exhibit 45: Cash position of Pine Labs

(Rs mn)	FY23	FY24	FY25	FY26	FY27	FY28
Profit before tax	(2,895)	(3,976)	(1,364)	872	3,938	6,576
Operating profit before WC adjustments	2,517	1,755	3,425	5,192	7,432	10,305
WC adjustments	(3,192)	(3,930)	(3,310)	408	891	(522)
Net cash flow from operations	(1,524)	(2,290)	497	5,382	7,338	8,139
Capex	(3,667)	(2,664)	(1,502)	(2,179)	(3,700)	(3,750)
FCFF	(5,190)	(4,954)	(1,005)	3,204	3,638	4,389
FCFE	(4,205)	(5,487)	(1,838)	(2,116)	3,638	4,389

Source: Company, Emkay Research

Pine Labs's capex spends are mainly channeled into expenditure toward POS devices and technology development. As Pine Labs's capex spends have sharply trended down, its operating free cashflow has improved significantly in the reported period (from -Rs4.2bn in FY22 to -Rs1.8bn in FY25).

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Benchmarking with Paytm

To benchmark Pine Labs with Paytm, we compare Paytm's and Pine Labs's FY25 and Q1FY26 numbers. Some of the figures in the table below reflect our estimates, where company disclosures are not available.

Revenue model

Revenue based on flow of transactions: Pine Labs's DITP gross transaction value (in-store POS, affordability flows, and payment-aggregator processing) was Rs4.1trn in Q1FY26 vs Paytm's reported Rs5.4trn. Pine Labs does not monetize this entire throughput, as it does not earn MDR revenue; instead, it recognizes flow-based revenue primarily on affordability, value-added services (including dynamic currency conversion and payment aggregation), and transaction processing GTV, which was reported at Rs593bn for Q1FY26 (Rs2.01bn in FY25). Paytm earns MDR revenue on the entire reported GTV; however, we estimate only 15% of the entire GMV to generate MDR, with the rest coming from UPI. Applying take rate of 37bps implies revenue of ~Rs2.2bn (reported take rate of 38.5bps in FY25 results in revenue of Rs7.74bn). This stream contributed 36% of Pine Labs's total revenue. By contrast, Paytm's net revenue tied to Rs5.4trn payment flows was Rs2.2bn, implying a take rate of about 4.1bps. Paytm's gross payments revenue contributes roughly 42% of the total revenue.

Exhibit 46: Revenue on transaction flow

(Rs mn)	Pine Labs	Paytm	Pine Labs	Paytm
	FY25	FY25	Q1FY26	Q1FY26
MDR revenue		28,806		8,019
% of gross revenue		42%		42%
Gross transaction value/GMV (Rs bn)	11,425	18,870	4,056	5,390
Affordability GTV/non-UPI GMV (Rs bn)	2,012	2,831	593	809
Net payments revenue	7,737	7,566	2,193	2,209
% of total net revenue	34%	16%	36%	17%
Take rate - GTV/GMV(bps)	6.8	4.0	5.4	4.1
Take rate - Affordability GTV/non-UPI GMV(bps)	38.5	26.7	37.0	27.3

Source: Company, Emkay Research

Subscription revenue: In FY25, Pine Labs generated ~Rs7.2bn of device-rental revenue from an installed base of 1.78mn devices, implying an average monthly rental of ~Rs380 per device. Paytm generated rental revenue of Rs10.9bn from a much larger base of ~13mn devices, implying an average rental of ~Rs79. The ARPU (average revenue per device) gap reflects Pine Labs's POS-heavy mix, while Paytm's base is skewed toward ~12mn lower-yield soundboxes and about 1mn higher-yield POS terminals. Paytm has higher subscription revenue, though we estimate that the profitability of this revenue could be lower, considering the high cost of sales force, which is used for distribution of these devices.

Exhibit 47: Revenue on device subscription

(Rs mn)	Pine Labs	Paytm	Pine Labs	Paytm
	FY25	FY25	Q1FY26	Q1FY26
Devices (mn)	1.78	12.4	1.84	13.0
Subscription revenue	7,229	10,884	1,960	3,086
% of gross revenue	32%	16%	32%	16%
ARPU (Rs)	380	79	361	81
No of Merchants (mn)	0.95	44.4	0.99	45.0

Source: Company, Emkay Research

Issuing and acquiring (prepaid and gift cards) platform: Pine Labs's issuing and acquiring platform contributed Rs6.71bn or about 30% of revenue in FY25. The company earns revenue through both, issuing and processing commissions as well as interest on escrow balances (for the period between card purchase and redemption). According to RBI data, Pine Labs accounted for 66% of all outstanding prepaid cards in India and 46%/43% of

the total transaction value/volume conducted via prepaid cards as of Sep-25, thus underscoring its market leadership in prepaid cards issuing and processing.

Paytm's marketing segment includes distribution of gift cards, credit cards, ticket booking, advertising, and loyalty services contribute. This segment contributed ~17% to Paytm's total revenue in FY25. In the gift card business, Paytm mainly contributes as a distributor of gift cards rather than an issuer or processor. Along the value chain, from issuing to processing to distribution, commission rates are generally the highest for distribution.

While Pine Labs is seeing growth in issuing and acquiring platform revenue, Paytm is seeing decline in the marketing services revenue due to focus on cleaner UI showing simplified and targeted upsell offerings and slower growth in MTUs.

Exhibit 48: Revenue from the prepaid cards segment for Pine Labs and marketing services for Paytm

(Rs mn)	Pine Labs	Paytm	Pine Labs	Paytm
	FY25	FY25	Q1FY26	Q1FY26
Gift card revenue/marketing services revenue	6,710	11,580	1,815	2,470
% of gross revenue	30%	17%	29%	13%

Source: Company, Emkay Research

Financial services and Fintech infrastructure: Paytm operates a financial services segment, dominated by merchant loan distribution and complemented by personal loan, equity broking, insurance, and mutual-fund distribution. This segment contributed ~29% of Paytm's revenue in the Q1FY26 and is the key lever for monetization of the platform. Pine Labs is structurally different, with a focus on monetizing affordability solutions and device rentals. Considering Pine Labs is strongly positioned in the enterprise merchant space, where, typically, there are well entrenched banking relations, we see limited scope for the company to create a financial services revenue stream.

Pine Labs, in its Fintech infrastructure business offers API-first infrastructure to banks, NBFCs, fintechs, and billers to enable UPI, BBPS, account-aggregator, switching, and collection. Pricing is per transaction rather than as a percentage of GTV, with the unit revenue averaging at Rs0.93 per transaction in FY25. We estimate revenue from this line at Rs670/Rs200mn for FY25/Q1FY26. Paytm does not market a comparable third-party bank/fintech infrastructure product as a distinct revenue line; its own consumer and merchant experiences may rely on a mix of in-house and partner capabilities, although we do not ascribe external infrastructure revenue here.

Exhibit 49: Revenue from the financial services segment of Paytm

(Rs mn)	Pine Labs	Paytm	Pine Labs	Paytm
	Q3FY25	Q3FY25	Q1FY26	Q1FY26
Financial services revenue	NA	5,020	NA	5,605
% of gross revenue		25%		29%
Fintech infrastructure revenue	670	NA	200	NA
% of gross revenue	3%		3%	

Source: Company, Emkay Research

P&L benchmarking

Paytm's and Pine Labs's revenues are not directly comparable, as Paytm reports MDR revenue on a gross basis, while Pine Labs reports revenue on a net basis. Paytm's quarterly gross revenue for FY25 and Q1FY26 was Rs69bn and Rs19.2bn, while net revenue was Rs47.8bn and Rs13.4bn, respectively. On the other hand, Pine Labs's FY25 and Q1FY26 revenue stood at Rs22.7bn and Rs6.2bn, respectively.

On a net revenue basis, Paytm's contribution margins were 77% and 86% for FY25 and Q1FY26, compared to 76% and 78% for Pine Labs, respectively. Notably, Pine Labs's payment (DITP) business has a higher contribution margin (84%) compared to that of the Gift card business (60%). Paytm's margin expansion is attributable to the shift away from the FLDG model.

Exhibit 50: Financial performance comparison – Pine Labs vs Paytm

	Pine Labs	Paytm	Pine Labs	Paytm	Paytm vs Pine Labs	
(Rs mn)	FY25	FY25	Q1FY26	Q1FY26	FY25	Q1FY26
Gross revenue	22,743	69,000	6,159	19,180	3.0x	3.1x
Net revenue	22,743	47,760	6,159	13,370	2.1x	2.2x
Contribution profit	17,289	36,780	4,798	11,520	2.1x	2.4x
Contribution margin (as % of gross revenue)	76%	53%	78%	60%		
Contribution margin (as % of net revenue)	76%	77%	78%	86%		
Employee cost (ex ESOPs)	8,694	24,730	2,253	6,130	2.8x	2.7x
Marketing	670	5,080	141	620	7.6x	4.4x
Software, cloud, and data center	1,909	6,390	510	1,680	3.3x	3.3x
Indirect cost	13,568	43,690	3,551	10,500	3.2x	3.0x
Adjusted EBITDA	3,720	(6,910)	1,247	1,020		0.8x
Adjusted EBITDA margin	16.4%	-10.0%	20.3%	5.3%		
ESOP cost	1,148	8,150	660	300	7.1x	0.5x
EBITDA	2,572	(15,060)	587	720		1.2x
EBITDA margin	11.3%	-21.8%	9.5%	3.8%		
D&A expense	2,921	6,730	652	1,660	2.3x	2.5x
Average net block	8,858	10,609	8,094	9,052	1.2x	1.1x
Depreciation as a % of net block	33%	63%	8.1%	18.3%		
EBIT	(348)	(21,790)	(66)	(940)		
EBIT margin	-1.5%	-31.6%	-1.1%	-4.9%		
PAT	(1,455)	(6,630)	48	1,220		25.2x
PAT margin	-6.4%	-9.6%	0.8%	6.4%		

Source: Company, Emkay Research

Both companies incur indirect costs across data centre and cloud infrastructure, salesforce expenses, and marketing. Such costs are structurally higher for Paytm, which operates a population-scale consumer app requiring continuous user acquisition and engagement. In contrast, Pine Labs serves merchants, banks, and brands, and does not maintain a consumer-facing app.

This difference in go-to-market models creates a clear trade-off: Paytm benefits from a wide horizontal monetization surface—spanning loans, insurance, broking, and advertising—while Pine Labs remains a more focused merchant-platform business. Paytm's salesforce exceeds count of 44,000 people compared with ~1,300 at Pine Labs. Correspondingly, Pine Labs's software, cloud, data-centre, and marketing costs are significantly lower, reflecting its merchant-only orientation and the absence of consumer-scale distribution requirements. The difference in scale of indirect costs lends to the EBITDA margin uplift in comparison to Paytm.

Both Pine Labs and Paytm have reached EBITDA-level profitability; this positions them for strong operating leverage and meaningful margin expansion over the near-to-medium term. By FY28, we estimate Pine Labs would achieve EBITDA margin of 23.8% compared with 17.5% for Paytm. Adjusted for reporting on the net revenue basis, we expect Paytm to reach 25% EBITDA margin. Over FY25-28E, we forecast Pine Labs to deliver revenue CAGR of 19.1%, whereas Paytm is expected to see a higher CAGR, of 24%. The divergence in revenue trajectories is driven by several structural and competitive factors.

- Growth in India's enterprise and large-merchant POS segment—Pine Labs' core base—has slowed meaningfully. Pre-amalgamation consolidated disclosures in the DRHP show sub-10% growth in FY24 and 9MFY25, with merchant count declining from 274k in FY23 to 273k during 9MFY25. This indicates that the enterprise ecosystem is now well-penetrated, with limited incremental growth.
- Pine Labs's historical advantage in the enterprise segment was built on early-mover strength and a distribution model relying heavily on relationships and network depth. In contrast, the mid- and low-tier merchant segments require a fundamentally different distribution model, one anchored by large, feet-on-street sales teams deploying lower-cost POS devices, soundboxes, and QR codes. Paytm, PhonePe, BharatPe, Razorpay, and others built scale by winning this more competitive low-/mid-tier segment and, after establishing dominance there, are now moving aggressively into Pine Labs's enterprise stronghold. Such challengers are offering more attractive device pricing and MDR economics and, given the negligible switching costs, these providers are already seeing growing penetration in Pine Labs's core merchant segment.
- Pine Labs historically enjoyed a defensible position in affordability solutions by virtue of having the largest network of credit and brand partners — over 40 banks and more than 350 brands. Merchants preferred Pine Labs's devices because they enabled the widest selection of EMI and cashback offers, helping convert more sales. However, as Paytm has expanded its presence among large merchants, it has onboarded >20 banks and >85 brands onto its affordability platform. Given the highly Pareto-skewed nature of this market, where a small group of top banks and brands accounts for a disproportionate share of affordability GTV, Paytm's success in capturing this top cohort is eroding Pine Labs's advantage. Channel checks clearly indicate that challengers are already displacing Pine Labs's devices in this segment.
- Pine Labs's concentration in the enterprise merchant base limits its ability to build a loan distribution business. Enterprise merchants tend to be well-banked with mature credit profiles, reducing the need for unsecured working capital loans. In contrast, mid- and small-tier merchants exhibit low credit penetration, offering PSPs a large and attractive lending opportunity. Paytm has capitalized on this dynamic — disbursing Rs216bn loans at 7.9% take rate, generating revenue contribution comparable to its payments business. Pine Labs, by choosing not to compete aggressively in the low-/mid-tier segment and by selling lower-end devices to banks (which then distribute them to merchants), has ceded the loan distribution opportunity to banks. Paytm, meanwhile, directly controls last-mile merchant acquisition and therefore owns the lending relationship. This opportunity exists precisely because of the presence at the store level through low-cost devices such as soundboxes and QR codes — a segment Pine Labs did not prioritize early enough and now accesses indirectly through banks, forfeiting the economics of lending.
- India's payments landscape is being reshaped by NPCI-led innovation in UPI, including credit card-linked UPI and credit line-backed UPI. The biggest beneficiaries of these shifts will be the payment companies deeply embedded in the P2M UPI value chain. This profile aligns with Paytm and PhonePe, not Pine Labs. Paytm's presence across >40mn merchants strategically positions it to benefit from the rising credit penetration wave. India's credit card penetration (>5% of adults) remains low compared with that of China (~35%) and the United States (~80%), although India's credit card-to-debit card outstanding ratio (9.2x) is already lower than China's (12.2x), thus signalling significant credit penetration adjusted for the penetration of banking services in the respective countries. India's credit penetration is likely to accelerate through instruments such as credit line on UPI and credit-card-on-UPI. Paytm and PhonePe are structurally better positioned than Pine Labs, to capture this credit democratization trend.

- DRHP disclosures show that the issuing and acquiring platform (prepaid cards) GTV growth in India has been below 10% for FY23–9MFY25, indicating a maturing domestic prepaid market. The platform's historical GTV CAGR of 27% has been largely driven by international expansion, where take rates are comparatively lower and transaction-related costs are more volatile, resulting in fluctuating contribution margins (56%/0%/22% in FY22/23/24). Given such dynamics, we moderate our issuing and acquiring platform GTV growth estimates to 21% over FY25–28E.

This report is intended for Team White Marque Solutions (team.emkay@whitemarquesolutions)

Expensive valuations; initiate with REDUCE

We initiate coverage on Pine Labs with REDUCE and DCF-based target price of Rs210. The target price implies 24.2x FY28E EV/EBITDA and 5.8x FY28 EV/sales. We build in 19.1% revenue CAGR over FY25-28E which will drive 53% EBITDA CAGR, due to high operating leverage. With this, we expect Pine Labs's FY28E PAT to reach Rs4.9bn from Rs(701)mn in FY25. We expect Pine Labs to trade at a discount to Paytm on EBITDA multiple due to relatively higher capex for the company and increasing competition in its core business. Key risks to our recommendation are strong growth in devices deployed and sustainably lower capex spends of the company.

Pine Labs's valuation comparison with Paytm's

Pine Labs is trading at 6.7x FY28E EV/sales multiple compared to 5.3x FY28E EV/sales for Paytm. The lower multiple for Paytm is due to gross revenue reporting for Paytm in its payment business compared to the net revenue reporting for Pine Labs's business. Adjusting for payment processing costs, Paytm is trading at 7.6x FY28E EV/net sales. We expect Paytm to grow faster than Pine Labs, with 19.1% FY25-28E revenue CAGR for Pine Labs compared to 24% for Paytm.

Compared to Pine Labs, Paytm trades at a higher forward EV/EBITDA multiple albeit a lower P/E multiple on account of the sizable revenue contribution (10%, projected to reduce to 8.6% in FY30E) from interest income (that it earns on its large cash and cash equivalents) comes below the EBITDA line on the income statement. We believe that Paytm deserves a higher multiple on account of its stronger position compared to Pine Labs (refer to the aforementioned Paytm benchmarking section).

Pine Labs is trading at 28.1x FY28E EV/EBITDA multiple compared to 30.2x FY28E for Paytm. Notably, Pine Labs's EBITDA is overstated due to capitalization of technology development costs. Also, Pine Labs has relatively higher capex-to-sales vs Paytm. Hence, on EV/EBIT basis, Pine Labs trades at 41.6x FY28E vs 41.0x FY28E for Paytm. On P/E basis, Pine Labs trades at 56.4x FY28E vs 32.1x for Paytm.

Exhibit 51: Valuation comparison sheet

Company	Mcap (Rs bn)	EV/sales (x)			EV/EBITDA (x)			EV/EBIT (x)			P/E (x)		
		FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY27E	FY28E	FY26E	FY28E	FY28E
Pine Labs	278.4	9.5	8.0	6.7	71.7	41.8	28.1	219.6	71.3	41.6	425.8	94.3	56.4
Paytm	828.2	8.1	6.5	5.3	105.8	49.2	30.2	637.3	83.1	41.0	111.2	50.4	32.1

Source: Emkay Research

Internet peer comparison

Within the listed Indian internet space, Pine Labs's revenue CAGR sits at the lower end of the spectrum. The company's growth outlook is constrained by structural challenges, including weaker distribution capabilities in the mid- and low-tier merchant segments and continued market-share loss in both, POS and affordability, driven by a narrowing competitive moat. Despite this, Pine Labs trades at valuation multiples broadly comparable to the wider internet peer pack.

A large part of the internet universe is currently transitioning through the EBITDA breakeven phase, which results in elevated EBITDA CAGR off a low base. Fintech companies in particular exhibit strong operating leverage – once EBITDA turns positive, incremental revenue growth typically translates into disproportionately higher expansion in profitability metrics. With most listed internet players entering this inflection point now, Pine Labs appears relatively less attractive given its slower revenue trajectory, constrained cross-sell potential, and intensifying competition in core segments.

Exhibit 52 illustrates the comparison of revenue growth, profitability scaling, and valuation multiples across key internet peers in India.

Exhibit 52: Internet peer comparison

Company	CAGR		EV/sales (x)			EV/EBITDA (x)			P/E (x)		
	Revenue	EBITDA	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
Pine Labs	19.1%	52.6%	9.5	8.0	6.7	71.7	41.8	28.1	425.8	94.3	56.4
Paytm	23.7%		8.5	6.8	5.5	131.6	56.9	33.4	131.9	63.5	39.7
PB Fintech	31.4%	183.8%	12.4	9.6	7.3	142.3	69.1	38.5	128.1	74.6	49.6
Zaggle	34.6%	91.5%	2.7	2.0	1.5	11.3	8.1	6.1	36.7	27.0	20.5
Mobikwik	21.8%		1.3	0.9	0.7		27.0	14.2		50.5	25.7
Eternal	86.0%	118.6%	6.0	3.2	2.3	280.0	83.0	44.7	502.5	124.0	65.7
Swiggy	34.3%		4.2	3.2	2.6			93.3			
Info Edge	14.6%	17.0%	27.9	24.4	21.3	70.6	58.7	49.6	84.7	62.1	57.4
Nykaa	24.9%	46.0%	7.8	6.2	5.1	107.5	73.0	53.0	361.8	173.6	109.2
Median	24.9%	72.0%	7.8	6.2	5.1	107.5	57.8	38.5	131.9	69.1	53.5

Source: Bloomberg, Emkay Research

We value the company based on DCF methodology, applying a beta of 1.25 to arrive at a WACC of 14% (revenue growth and margin assumptions as detailed in the Financial Analysis section above). Capex estimates are aligned with the management guidance in the Objects of the Offer section of the RHP, and we apply conservative working-capital assumptions. Our valuation framework is a three-stage DCF model, comprising: a detailed forecast period through to 2030, a 10-year mid-stage period assuming 20% growth, and a terminal stage with a 5% perpetual growth rate. Terminal value contributes 53% to the total value of the company.

Exhibit 53: Key assumptions of the DCF-based valuation

(Rs mn)	FY26E	FY27E	FY28E	FY29E	FY30E	FY31-40E
Revenue	27,051	32,166	38,408	45,026	51,851	
Operating Profit	3,585	6,146	9,148	12,326	15,507	
NOPAT	878	2,704	4,628	6,748	9,335	
Capex	2,179	3,700	3,750	2,300	2,300	
Change in working capital	-408	-891	522	28	-424	
FCF	1,522	2,435	3,334	7,749	10,519	3,27,663
PV of FCF	1,522	2,136	2,565	5,231	6,228	83,495

Source: Emkay Research

Based on this approach, we arrive at target price of Rs210 and initiate coverage on Pine Labs with REDUCE. At current levels, we believe the valuations remain rich, given the emerging growth headwinds and the company's ongoing market-share loss in both—POS and affordability solutions.

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Key risks

Customer concentration risk

Pine Labs's top-10 customers accounted for 31% of its revenue from operations in FY25. Pine Labs's key customer accounted for 24% and 15% of DITP segment's FY24 and FY25 revenue, respectively. Revenue from the key customer has reduced to 10.6% of the total revenue in FY25 from 17.1% in FY24; this shows that revenue from customers can be volatile and exhibit low lock-in due to low switching costs. Any decision of these customers, on reducing or terminating their business with Pine Labs, could significantly impact the business, its financial condition, and operational results.

Exhibit 54: Revenue from key customers

(Rs mn)	FY22	FY23	FY24	FY25
#1 (A)	1,145	3,076	3,020	2,415
% of revenue from operations (B = A/G)	11.2	19.3	17.1	10.6
Top-5 (C)	2,479	4,957	4,924	5,072
% of revenue from operations (D = C/G)	24.3	31.0	27.8	22.3
Top-10 (E)	3,330	6,178	6,223	7,039
% of revenue from operations (F = E/G)	32.7	38.7	35.2	31.0
Revenue from operations (G)	10,187	15,977	17,695	22,743

Source: Company, Emkay Research

Extensive regulatory oversight (RBI/ReBIT) and compliance risk

As a licensed PA/PPI operator, the company is subject to the PSS Act and the RBI's PA/PG and PPI frameworks, including stringent capital, technology/security, outsourcing, merchant due diligence, data localization, and dispute/refund norms. The RBI and ReBIT conduct periodic on-site/off-site inspections and seek clarifications; adverse observations or delays in remediation can trigger penalties, operating restrictions, or even revocation of authorization. The regime also imposes a cooling-off period if a PA/PPI certificate of authorization is revoked or surrendered, and a prior RBI approval is required for any change of control (both these can delay or derail M&A and strategic actions). A formal penalty framework allows substantial fines and for repeated or serious breaches, a further enforcement. Qwiksilver paid a Rs10mn penalty (CY20) for PPI-related non-compliance, which was subsequently resolved. In addition, AML/CFT (PMLA) and sanctions/KYC obligations apply across prepaid and online acquiring, elevating ongoing compliance cost, operational complexity, and reputational risk.

Intense competition and product-substitution risk

Pine Labs operates in a crowded, fast-evolving market, where large incumbents, UPI apps/TPAPs, payment aggregators/gateways, and specialist issuers compete on price, incentives, and breadth. While a few rivals offer a fully integrated suite, many operate at scale in specific modules (in-store/online acceptance, affordability, issuing) and can cross-subsidize with larger merchant/consumer bases and deeper capital. Emerging constructs—RuPay credit cards on UPI and pre-sanctioned credit lines on UPI—can substitute card rails at POS and reduce demand for card-acceptance hardware, pressuring take rates and device monetization. Aggressive pricing (including free DCPs/soundboxes), consolidation among competitors, and rapid deployment of AI/ML-driven routing, risk, and merchant software could lift CAC, compress margins, and elevate churn, if the company does not match its pace on product, economics, and partner coverage.

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Global peers

Block (Square)

Block, Inc offers a dual-sided ecosystem comprising Square for merchants and Cash App for consumers. The value proposition is centered on providing unified, integrated software, and financial services, thus enabling small and medium businesses (SMBs) to scale operations efficiently (eg through integrated POS systems, lending, and verticalized software solutions like Square Register). Concurrently, Cash App rapidly expands monetization density by embedding a full suite of consumer financial products, including P2P transfers, stock investing, and consumer credit (Borrow and Afterpay BNPL), for its high-volume user base. This deliberate integration, especially the acquisition of Afterpay, acts as an engagement flywheel, connecting merchants and consumers while simultaneously capturing value from higher-margin services—a critical strategy for maintaining profitability against broader competition.

Notably, Block has significantly higher exposure to the consumer side, with ~60% of the gross profits coming from the Cash App. In Q3CY25, total gross payment volume (GPV) for Block reached USD69.28bn, up 10.9% YoY. The Square segment contributed USD67.15bn, with 12.2% YoY growth. The US is growing in a high single digit coupled with strong growth in international geographies. We believe Square has successfully moved beyond being a simple Point-of-Sale (POS) terminal provider to offering unified, verticalized commerce solutions tailored for distinct business types. The platform integrates software, hardware, and essential financial services, positioning Square as the operating system for its merchant base. This includes not only payments processing but also small business lending, marketing tools, and sophisticated retail solutions.

The company generates revenue from merchants through payment-processing fees, hardware sales/leasing, software subscriptions and value-added services (financing, analytics). From consumers, the revenue stems from card-transaction fees (merchant-paid), interchange, peer-to-peer fees, crypto trading (in Cash App), instalment services (Afterpay) and interest/financing income.

Exhibit 55: Block – KPI, P&L, and valuation metrics

(USD mn)	2022	2023	2024	2025E	2026E	2027E
TPV	203,536	227,699	240,812	260,761	287,852	317,976
- Growth	21.4%	11.9%	5.8%	8.3%	10.4%	10.5%
Cash App MAU (mn)	51	56	57	58.02	58.83	60.83
- Growth	15.9%	9.8%	1.8%	1.8%	1.4%	3.4%
Revenue	17,532	21,916	24,121	24,422	26,769	29,073
- Growth	-0.7%	25.0%	10.1%	1.2%	9.6%	8.6%
Gross profit	5,992	7,505	8,889	10,232	11,797	13,556
- Margin	34.2%	34.2%	36.9%	41.9%	44.1%	46.6%
EBITDA	(1)	375	1,400	3,451	4,052	4,739
- Margin	0.0%	1.7%	5.8%	14.1%	15.1%	16.3%
PAT	(409)	187	1,011	1,541	1,826	2,422
- Margin	-2.3%	0.9%	4.2%	6.3%	6.8%	8.3%
P/E (x)				24.8	17.8	13.7
EV/revenue (x)				1.5	1.3	1.2
EV/EBITDA (x)				10.2	8.7	7.5

Source: Bloomberg, Emkay Research

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Toast

Toast is a vertically integrated, cloud-based restaurant technology platform serving small, mid-size, and enterprise food-service operators in the United States. Its core offering is an end-to-end, point-of-sale system built specifically for restaurants, integrating ordering, payments, kitchen-display systems, menu management, payroll, delivery integrations, and customer-engagement tools. Toast's value proposition lies in simplifying restaurant operations—reducing front- and back-of-house friction, enabling faster table turns, improving order accuracy, and providing deep analytics on sales, labor, and menu performance. The platform is hardware-enabled albeit software- and payments-monetized, creating strong stickiness and high switching costs within restaurants.

Financially, Toast operates a usage-driven model where payments processing (GPV-linked revenue) and software subscriptions drive majority of its monetization. The company has grown rapidly, processing USD186bn TTM gross payment volume and serving 156k restaurant locations across the US as of Sep-25. Its growth strategy focuses on expanding ARPU through value-added modules—such as online ordering, loyalty, marketing, payroll, and capital—alongside penetrating larger restaurant chains. While the company has historically invested heavily ahead of profitability, recent periods have shown consistent gross-profit growth and improving operating leverage.

Exhibit 56: Toast – KPIs, P&L, and valuation metrics

(USD mn)	2022	2023	2024	2025E	2026E	2027E
TPV	91,700	126,100	159,100	194,533	233,041	274,619
- Growth	60.9%	37.5%	26.2%	22.3%	19.8%	17.8%
No of locations	79,000	106,000	134,000	162,658	192,788	223,140
- Growth	38.6%	34.2%	26.4%	21.4%	18.5%	15.7%
Revenue	2,731	3,865	4,960	6,142	7,400	8,770
- Growth	60.2%	41.5%	28.3%	23.8%	20.5%	18.5%
Gross profit	511	834	1,190	1,684	2,093	2,563
- Margin	18.7%	21.6%	24.0%	27.4%	28.3%	29.2%
EBITDA	(125)	(213)	104	622	785	1,037
- Margin	-4.6%	-5.5%	2.1%	10.1%	10.6%	11.8%
PAT	(272)	(222)	52	320	463	662
- Margin	-10.0%	-5.8%	1.1%	5.2%	6.3%	7.5%
P/E (x)				59.1	40.6	30.9
EV/revenue (x)				3.1	2.6	2.2
EV/EBITDA (x)				30.9	24.5	18.6

Source: Bloomberg, Emkay Research

Adyen

Adyen is a Netherlands-based global payment service provider that has become one of the largest processing platforms worldwide, with TPV exceeding €1.3trn and net payment margin of 17bps, translating into €2.2bn in net revenue in CY24. More than half of Adyen's revenue is generated in Europe. Despite its already significant size, Adyen continues to see TPV CAGR of over 20%.

Adyen reports revenue across three commercial segments, all of which are payment-led businesses with only a small contribution from device sales:

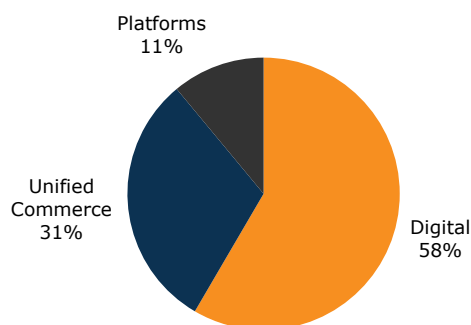
- **Digital:** This segment serves online-first merchants—such as streaming platforms, digital marketplaces, SaaS providers, and e-commerce brands—that embed Adyen's APIs directly into their websites or apps to accept global payment methods. Digital accounted for 58% of revenue in H1CY25 and grew 10% YoY. The segment recorded a net take rate of 17.5bps in H1CY25.

- **Unified Commerce:** This segment focuses on large omnichannel retailers operating both online and in-store, and who rely on Adyen's single platform for POS, in-app, and e-commerce payments. Retailers benefit from integrated reconciliation, unified customer profiles, and shared fraud and risk systems across channels. Unified Commerce includes the majority of

Adyen's in-store volumes, with 58% of these transactions processed via Adyen's POS terminals in H1CY25. The segment grew 31% YoY, with a net take rate of 17.6bps for CY24.

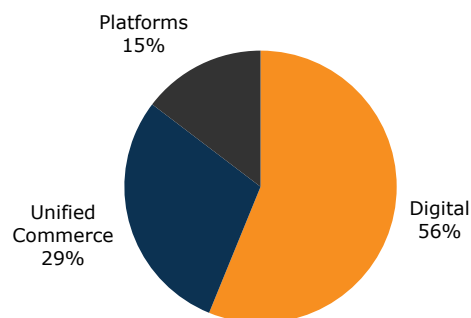
• **Platforms:** This is Adyen's fastest-growing business line, enabling marketplaces, gig platforms, and vertical SaaS providers to embed payments into their onboarding, payout, and merchant-management workflows. Examples include ride-hailing apps onboarding drivers, or SaaS suites offering merchants integrated payments with automated reconciliation and KYC. Platform revenue grew 55% YoY in H1CY25, with a net take rate of 12.7bps.

Exhibit 57: Net revenue contributions across commercial pillars



Source: Company, Emkay Research

Exhibit 58: TPV contributions across commercial pillars



Source: Company, Emkay Research

Up until CY22, Adyen reported settlement revenue that included the pass-through share of financial institutions involved in each transaction. CY23 onward, Adyen adopted a net revenue presentation, reporting only its own portion of fees. This accounting shift reduced the reported TPV take rate from 98bps in CY22 to 1.5bps in CY23, without altering underlying economics.

Adyen's scale has enabled steady operating leverage, with EBITDA margin expanding consistently. Like Pine Labs, Adyen operates an asset-light payments model with exceptionally high contribution (gross) margins—89% in CY24. The company delivered EBITDA of €984mn in CY24 and because device sales contribute only ~4% of revenue, depreciation is modest at 4.5% of revenue. As a result, Adyen generates a healthy PAT margin of over 40%.

Capital intensity is minimal: capex-to-sales has remained below 5% for the past decade. In contrast to working-capital-heavy merchant acquirers, Adyen operates with structurally negative net working capital, averaging at more than €1bn in net negative working capital annually during CY21-24. This model results in exceptionally strong cash conversion, with CFO/PAT averaging at ~3x and FCF/CFO averaging at 95% over CY21-24.

Overall, Adyen is a cash-generative, high-growth payments business, still compounding TPV and revenue at over 20% annually. With 64% of revenue coming from Europe—where nominal GDP is growing at around 5%—Adyen's scalable, capital-light model, and strong cash flow along with its historical record of compounding TPVs due to increasing digital payment penetration support its premium trading multiples. The stock currently trades at 19.6x /15.4x EV/EBITDA on CY26/CY27 estimates, a premium relative to peers, reflecting its superior growth, profitability, and balance sheet strength.

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Exhibit 59: Adyen KPIs, P&L, and valuation metrics

(€ mn)	2022	2023	2024	2025E	2026E	2027E
TPV	767,500	970,100	1,285,900	1,414,122	1,761,646	2,184,255
Growth (%)	48.7%	26.4%	32.6%	10.0%	24.6%	24.0%
Net Revenue	8,936	1,863	2,226	2,381	2,904	3,541
Growth (%)	49.0%	-79.1%	19.4%	7.0%	22.0%	21.9%
Take rate (bps)	116	19	17	17	16	16
Gross Profit	1,330	1,626	1,988	2,121	2,600	3,177
Margin (%)	14.9%	87.3%	89.3%	89.1%	89.5%	89.7%
EBITDA	728	743	984	1,236	1,574	2,006
Margin (%)	8.2%	39.9%	44.2%	51.9%	54.2%	56.7%
PAT	564	698	925	1,072	1,310	1,636
Margin (%)	6.3%	37.5%	41.6%	45.0%	45.1%	46.2%
P/E				40.5	33.0	26.4
EV/Revenue				13.0	10.6	8.7
EV/EBITDA				25.0	19.6	15.4

Source: Bloomberg, Emkay Research

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Pine Labs: Consolidated Financials and Valuations

Profit & Loss					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Revenue	17,695	22,743	27,051	32,166	38,408
Revenue growth (%)	10.8	28.5	18.9	18.9	19.4
EBITDA	580	2,572	3,585	6,146	9,148
EBITDA growth (%)	51.3	343.4	39.4	71.4	48.8
Depreciation & Amortization	3,628	2,921	2,415	2,541	2,977
EBIT	(3,048)	(348)	1,170	3,605	6,171
EBIT growth (%)	0	0	0	208.1	71.2
Other operating income	-	-	-	-	-
Other income	546	528	406	797	882
Financial expense	645	790	704	464	477
PBT	(3,146)	(610)	872	3,938	6,576
Extraordinary items	(830)	(754)	0	0	0
Taxes	(557)	91	218	984	1,644
Minority interest	-	-	-	-	-
Income from JV/Associates	-	-	-	-	-
Reported PAT	(3,419)	(1,455)	654	2,953	4,932
PAT growth (%)	0	0	0	351.8	67.0
Adjusted PAT	(2,589)	(701)	654	2,953	4,932
Diluted EPS (Rs)	(2.6)	(0.7)	0.6	2.6	4.3
Diluted EPS growth (%)	0	0	0	351.8	67.0
DPS (Rs)	0	0	0	0	0
Dividend payout (%)	0	0	0	0	0
EBITDA margin (%)	3.3	11.3	13.3	19.1	23.8
EBIT margin (%)	(17.2)	(1.5)	4.3	11.2	16.1
Effective tax rate (%)	17.7	(14.9)	25.0	25.0	25.0
NOPLAT (pre-IndAS)	(2,508)	(400)	878	2,704	4,628
Shares outstanding (mn)	988	1,001	1,150	1,150	1,150

Source: Company, Emkay Research

Balance Sheet					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
Share capital	992	1,027	1,121	1,121	1,121
Reserves & Surplus	34,427	34,035	55,394	58,348	63,279
Net worth	35,419	35,062	56,515	59,468	64,400
Minority interests	-	-	-	-	-
Non-current liab. & prov.	(1,308)	(1,402)	(1,402)	(1,402)	(1,402)
Total debt	6,542	9,704	4,639	4,772	4,886
Total liabilities & equity	41,524	44,078	60,467	63,552	68,599
Net tangible fixed assets	4,205	3,468	2,904	4,988	6,392
Net intangible assets	3,023	3,039	3,585	2,959	2,645
Net ROU assets	1,060	1,236	1,489	1,591	1,673
Capital WIP	1,215	471	500	500	500
Goodwill	11,914	11,637	11,637	11,637	11,637
Investments [JV/Associates]	213	302	352	652	902
Cash & equivalents	8,821	9,515	25,998	28,115	31,217
Current assets (ex-cash)	62,175	72,897	82,321	89,688	105,455
Current Liab. & Prov.	53,350	61,504	71,336	79,595	94,840
NWC (ex-cash)	8,825	11,392	10,984	10,094	10,615
Total assets	41,524	44,078	60,467	63,552	68,599
Net debt	(2,279)	189	(21,358)	(23,344)	(26,331)
Capital employed	41,524	44,078	60,467	63,552	68,599
Invested capital	27,967	29,537	29,111	29,677	31,290
BVPS (Rs)	35.9	35.0	49.1	51.7	56.0
Net Debt/Equity (x)	(0.1)	-	(0.4)	(0.4)	(0.4)
Net Debt/EBITDA (x)	(3.9)	0.1	(6.0)	(3.8)	(2.9)
Interest coverage (x)	(3.9)	0.2	2.2	9.5	14.8
RoCE (%)	(6.0)	0.4	3.0	7.0	10.6

Source: Company, Emkay Research

Cash flows					
Y/E Mar (Rs mn)	FY24	FY25	FY26E	FY27E	FY28E
PBT (ex-other income)	(3,692)	(1,138)	466	3,141	5,693
Others (non-cash items)	1,459	1,078	1,201	489	275
Taxes paid	(115)	382	(218)	(984)	(1,644)
Change in NWC	(3,930)	(3,310)	408	891	(522)
Operating cash flow	(2,290)	497	5,382	7,338	8,139
Capital expenditure	(2,664)	(1,502)	(2,179)	(3,700)	(3,750)
Acquisition of business	0	0	0	0	0
Interest & dividend income	388	196	406	797	882
Investing cash flow	450	(1,592)	(1,823)	(3,203)	(3,118)
Equity raised/(repaid)	16	156	20,800	0	0
Debt raised/(repaid)	(1,162)	(932)	(5,320)	0	0
Payment of lease liabilities	(190)	(214)	(386)	(434)	(465)
Interest paid	(639)	(789)	(563)	(297)	(297)
Dividend paid (incl tax)	-	-	-	-	-
Others	(2,010)	(1,263)	(6,927)	(1,286)	(1,157)
Financing cash flow	(2,195)	(2,011)	12,924	(2,017)	(1,920)
Net chg in Cash	(4,035)	(3,105)	16,483	2,117	3,102
OCF	(2,290)	497	5,382	7,338	8,139
Adj. OCF (w/o NWC chg.)	1,450	3,593	4,589	6,013	8,196
FCFF	(4,954)	(1,005)	3,204	3,638	4,389
FCFE	(5,211)	(1,599)	2,905	3,971	4,795
OCF/EBITDA (%)	(427.5)	11.0	139.4	112.3	83.9
FCFE/PAT (%)	152.4	109.9	444.4	134.5	97.2
FCFF/NOPLAT (%)	197.5	251.0	365.0	134.6	94.8

Source: Company, Emkay Research

Valuations and key Ratios					
Y/E Mar	FY24	FY25	FY26E	FY27E	FY28E
P/E (x)	(69.8)	(166.3)	425.5	94.2	56.4
EV/CE(x)	5.6	5.4	4.2	4.0	3.7
P/B (x)	6.7	6.9	4.9	4.7	4.3
EV/Sales (x)	13.4	10.6	9.5	8.0	6.7
EV/EBITDA (x)	407.7	94.1	71.6	41.8	28.1
EV/EBIT(x)	(77.6)	(694.9)	219.4	71.2	41.6
EV/IC (x)	8.5	8.2	8.8	8.7	8.2
FCFF yield (%)	(2.1)	(0.4)	1.2	1.4	1.7
FCFE yield (%)	(1.9)	(0.6)	1.0	1.4	1.7
Dividend yield (%)	0	0	0	0	0
DuPont-RoE split					
Net profit margin (%)	(14.6)	(3.1)	2.4	9.2	12.8
Total asset turnover (x)	0.4	0.5	0.5	0.5	0.6
Assets/Equity (x)	1.1	1.2	1.1	1.0	1.0
RoE (%)	(7.1)	(2.0)	1.4	5.1	8.0
DuPont-RoIC					
NOPLAT margin (%)	(14.2)	(1.8)	3.2	8.4	12.0
IC turnover (x)	0.6	0.8	0.9	1.1	1.3
RoIC (%)	(9.0)	(1.4)	3.0	9.2	15.2
Operating metrics					
Core NWC days	182.0	182.8	148.2	114.5	100.9
Total NWC days	182.0	182.8	148.2	114.5	100.9
Fixed asset turnover	0.6	0.8	0.9	1.0	1.0
Opex-to-revenue (%)	75.0	64.7	61.4	55.3	50.1

Source: Company, Emkay Research

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