Pine Labs Ltd. – Investment BUY Call

Dear Bajaj Capital Investors,

New Stock Recommendations for BUY on 9 July 2026

CMP -> 144
Buying Range -> 144 to 147
Upside Potential-> 15%
Investment Horizon -> 6 to 9 Months
Target price -> 165

1. Investment Rationale – BUY for Medium-Term Horizon (6–9 Months)

Pine Labs presents an attractive BUY opportunity for a medium-term investment horizon of 6–9 months, supported by improving business fundamentals, accelerating transaction-led monetisation, expanding profitability and strong operating cash flow generation. Management is strategically transforming the company from a payment infrastructure provider into a comprehensive commerce and fintech infrastructure platform, where a larger proportion of revenues are expected to come from high-margin transaction, flow-based and data-driven businesses rather than hardware-led infrastructure deployment. FY26 marked an important inflection point with healthy revenue growth, significant EBITDA expansion, positive profitability and robust cash generation. Management has further guided for 21%–23.5% revenue growth in FY27, while expressing confidence of meaningful EBITDA improvement driven by operating leverage, improving product mix and higher monetisation of its expanding payment ecosystem. The company therefore appears well positioned to benefit from India's structural digital payments growth and increasing enterprise digitisation over the coming quarters.

2. Business Overview, Business Transformation & Industry Opportunity

Pine Labs operates a diversified fintech platform across two major businesses—Digital Infrastructure & Transaction Platform and Issuing & Acquiring Platform. Its offerings include offline and online payment acceptance infrastructure, payment gateway services, affordability solutions such as EMI and merchant financing enablement, merchant commerce software, payment orchestration, gift cards, prepaid solutions, issuing platforms, payment processing, reconciliation, loyalty programmes and data intelligence solutions. The company serves enterprise merchants, government institutions, educational institutions, SMBs, D2C brands, financial institutions and banks across multiple countries. Its products are extensively used across retail, e-commerce, quick commerce, travel, hospitality, fuel retailing, education, healthcare, government collections, utilities and financial services. Management's long-term strategy is to gradually transition from infrastructure-led revenues towards transaction-based, recurring, information-led and AI-enabled monetisation, creating multiple high-margin revenue streams while deepening customer engagement across the commerce ecosystem.

3. Q4FY26 & FY26 Financial Performance, Balance Sheet and Cash Flow

FY26 reflected a meaningful improvement in Pine Labs' financial profile. Revenue increased by around 19% YoY to approximately INR 2,711 crore, while Adjusted EBITDA improved to INR 559 crore from INR 357 crore in FY25, leading to nearly 500 basis points margin expansion. The company also reported PAT of INR 113 crore, marking a significant turnaround from losses in previous years. Operating cash flow strengthened considerably to INR 395 crore, while operating cash flow excluding early settlement stood at INR 554 crore, highlighting improving cash conversion. The balance sheet remains robust with gross cash and bank balances of INR 2,732 crore, borrowings reducing sharply to only INR 283 crore, resulting in a healthy net cash position of nearly INR 2,449 crore. Net working capital normalised to approximately 14% of revenue, demonstrating better working capital discipline. The combination of stronger profitability, improving cash generation and a debt-light balance sheet provides sufficient financial flexibility to pursue future technology investments, product expansion and international growth without requiring external capital.

4. Future Growth Opportunities, Management Guidance & Near-Term Growth Drivers

Management has provided a confident outlook for FY27 by guiding for 21%–23.5% revenue growth, with Q1 expected to remain seasonally softer while stronger growth is anticipated during Q2–Q4 as delayed infrastructure deployments are executed and transaction volumes continue to expand. Near-term growth over the next 2–4 quarters is expected to be driven by multiple business verticals, including payment acceptance infrastructure, online payment gateway, enterprise commerce, affordability solutions, issuing & acquiring, prepaid and gift card businesses, employee benefits, government payment platforms, education payments, D2C checkout solutions and international operations. Additional growth is expected from increased merchant activation, rising transaction intensity on existing merchant terminals, higher adoption of EMI and affordability programmes, expansion of NBFC partnerships, rollout of employee benefit solutions, continued scaling of Oil Marketing Company (OMC) deployments and accelerating international business across Southeast Asia and the Middle East. Management also indicated that the supply-chain constraints impacting POS deployments during Q4FY26 have largely been resolved, allowing deferred revenues to begin flowing from Q1FY27 onwards.

5. High-Margin Business Segments, Operating Leverage & Business Transformation

Pine Labs is gradually shifting its revenue mix from lower-margin distribution infrastructure towards higher-margin transaction, software, commerce enablement and data-led businesses. Management continues to focus on increasing revenues from payment flows, affordability solutions, issuing platforms, merchant intelligence, analytics, AI-enabled products and financial infrastructure, which carry superior contribution margins and recurring revenue characteristics. This strategic transformation should support meaningful operating leverage as incremental transaction volumes are processed over an already established technology platform. Higher utilisation of existing payment infrastructure, increasing merchant activation, improved online payment penetration, rising software monetisation and better mix towards value-added services are expected to support further margin expansion over the coming quarters. The company has already demonstrated this trend, with EBITDA margins improving materially in FY26 while management remains confident of additional EBITDA expansion as revenue scales faster than operating costs. Continued investments in AI-led automation, developer productivity, intelligent payment routing and merchant operating platforms should further enhance productivity and strengthen operating efficiency across the business.

6. Business Expansion, Technology Investments, Acquisitions & Sector Tailwinds

Over the past several years, Pine Labs has consistently invested in technology platforms, payment infrastructure, software capabilities, AI, international expansion and commerce enablement solutions rather than pursuing large physical manufacturing capex. The acquisition of Shopflo has strengthened the company's online checkout capabilities and enhances its positioning in rapidly growing D2C and digital commerce markets, while management also highlighted emerging data products such as SignalIQ for underwriting intelligence and AI-powered commerce solutions as future monetisation opportunities. The company is expanding across government digital payments, education, mid-market merchants, SMBs, enterprise commerce, real-time payments, issuing infrastructure and cross-border payment ecosystems. Structural sectoral tailwinds remain favourable, supported by rapid digital payment adoption, UPI expansion, e-commerce and quick-commerce growth, increasing formalisation of businesses, higher acceptance of digital lending and affordability solutions, merchant digitisation, government-led digital infrastructure initiatives and rising investments by banks, NBFCs, fintech companies, enterprises and public sector institutions in payment technology. These long-term industry trends provide a favourable environment for sustained transaction growth, higher payment flows and increasing monetisation opportunities across Pine Labs' platform.

7. International Expansion, AI-led Innovation & Long-Term Business Opportunities

International expansion is emerging as an important growth engine for Pine Labs, with management highlighting significant opportunities across the Philippines, UAE, Singapore, Malaysia, Vietnam and other Southeast Asian markets, where its India-built payment infrastructure is being replicated. The company is witnessing encouraging traction in issuing and acquiring platforms, payment acceptance, payment gateway solutions and merchant infrastructure across these geographies. Alongside geographical expansion, Pine Labs is investing aggressively in AI-enabled commerce, payment intelligence and data monetisation. Management highlighted that AI is already improving software development productivity and operational efficiency while also enabling new products around agentic commerce, autonomous payments and underwriting analytics through SignalIQ. These initiatives gradually shift the company towards higher-value software and information-based revenue streams, improving scalability and enhancing long-term competitive differentiation. As digital payments, embedded finance and AI-enabled commerce continue to evolve globally, Pine Labs is well positioned to capture incremental opportunities beyond traditional payment processing.

8. Key Risks & Near-Term Headwinds

Despite the favourable growth outlook, investors should monitor certain near-term business risks. Management has acknowledged temporary weakness in Middle East markets, softness in airline-related payment volumes and geopolitical uncertainties affecting cross-border business activity. The company also experienced infrastructure deployment delays during Q4FY26 due to semiconductor supply constraints, although management indicated that these issues have largely been resolved. Changes in transaction mix may create short-term fluctuations in contribution margins and overall take rates, while competitive intensity within digital payments, payment gateways and merchant acquiring continues to remain elevated. Additionally, moderation in promotional spending by banks or brands on EMI and affordability programmes, slower enterprise technology spending or delays in large government and enterprise project execution could temporarily impact revenue growth. Nevertheless, management has incorporated most of these risks into its FY27 guidance and continues to maintain confidence regarding business momentum and profitability improvement.

9. Investment Conclusion – BUY

Pine Labs is evolving into a diversified fintech and commerce infrastructure platform with multiple scalable growth engines spanning payment acceptance, online commerce, affordability, issuing & acquiring, prepaid solutions, AI-enabled analytics and international markets. The company's successful transition towards higher-margin transaction-led and data-driven businesses, improving cash generation, strong balance sheet, healthy net cash position and expanding enterprise customer base provide confidence in its medium-term earnings trajectory. Revenue growth is expected to be supported by increasing merchant activation, rising payment volumes, stronger online commerce penetration, government digitisation, enterprise technology adoption, international expansion and monetisation of recently developed products and platforms. With management guiding for strong FY27 growth, improving operating leverage, expanding EBITDA margins and sustained cash flow generation, Pine Labs appears well positioned to deliver healthy business performance over the next 6–9 months, making it an attractive BUY candidate for investors seeking exposure to India's rapidly expanding digital payments and fintech ecosystem.

Happy Investing!

Thank you and best regards,

On behalf of Bajaj Capital's Research Team