

Insights Unwrapped

*Adjusted EBITDA-
The Metric That's Stealing the Show*



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I think that, every time you see the word EBITDA, you should substitute the words "bullshit earnings"

Charlie Munger
Berkshire Hathaway

What is Adjusted EBITDA?

- Adjusted EBITDA is a **avored metric among new-age companies, aligning with their growth-driven narratives** by emphasising operational strengths and enabling investor comparisons.
- As a **non-GAAP measure**, it adjusts EBITDA by adding back non-recurring expenses like employee stock ownership plans (ESOPs) and marketing costs.
- However, **its flexibility invites manipulation**, potentially masking a company's true financial health. Investors should approach it with caution, ensuring a deeper look beyond the headline numbers.

ESOP Deductions Boost Cash Flow Generation, But at What Cost to Shareholder Equity?

(In INR Cr)

Company	Particulars	FY21	FY22	FY23	FY24	FY25
Eternal Ltd.	EBITDA	-467	-1,851	-1,211	42	637
	Add back: ESOP Expense	140	880	510	515	798
	Adj. EBITDA*	-327	-971	-701	557	1,435
One97 Comm. Ltd.	EBITDA	-1,767	-2,340	-1,632	-907	-1,507
	Add back: ESOP Expense	113	809	1,456	1,466	1,308
	Adj. EBITDA*	-1,654	-1,531	-176	559	-199
PB Fintech Ltd.	EBITDA	-160	-902	-662	-186	94
	Add back: ESOP Expense	98	607	542	330	215
	Adj. EBITDA*	-62	-295	-120	144	309
Swiggy Ltd.	EBITDA	-1,299	-3,651	-4,276	-2,208	-2,786
	Add back: ESOP Expense	224	513	534	596	1,173
	Adj. EBITDA*	-1,075	-3,138	-3,742	-1,612	-1,613

*: Adjusted for only ESOPs hence company-reported EBITDA may vary; Source: BSE, Annual Reports

Classic Example of ESOPs Grant

PB Fintech Ltd.	Units	FY21	FY22	FY23	FY24	FY25	Q1FY26
ESOPs granted to Employees	'000 shares	20,282*	18,251	1,458	545		
Wt. Avg. Exercise Price	INR	2.00	2.00	2.00	2.00		
Value of Stake sold by Key Personnel	INR Cr	-	236	230	-	1,109	920
%age Holding Liquidated	%	5.14%^	5.9%	6.3%	6.3%	5.7%	4.6%
* Adjusted for split and bonus, ^: As of Nov '21; Source: BSE, Annual Reports							

Key Managerial Personnel (KMPs) may not receive high salaries, but they compensate through substantial ESOPs. In the case of PB Fintech, ESOPs were granted at a weighted average exercise price of INR 2/-

Differences in ESOPs in the USA and India

USA

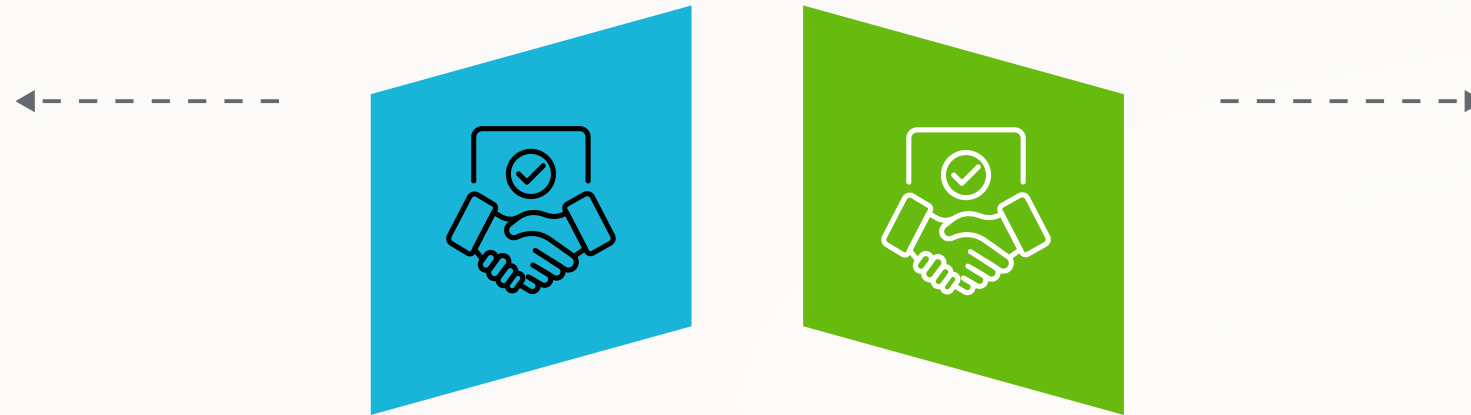
INDIA

Primary Purpose

Retirement benefit,
employee interests

Primary Purpose

Targeted for retention of
key talent



Tax Benefits

Significant tax advantages for
companies (e.g., deductions,
deferrals) and employees (tax-
deferred until distribution)

Tax Benefits

Limited tax benefits; taxed
at exercise (perquisite) and
sale (capital gains)

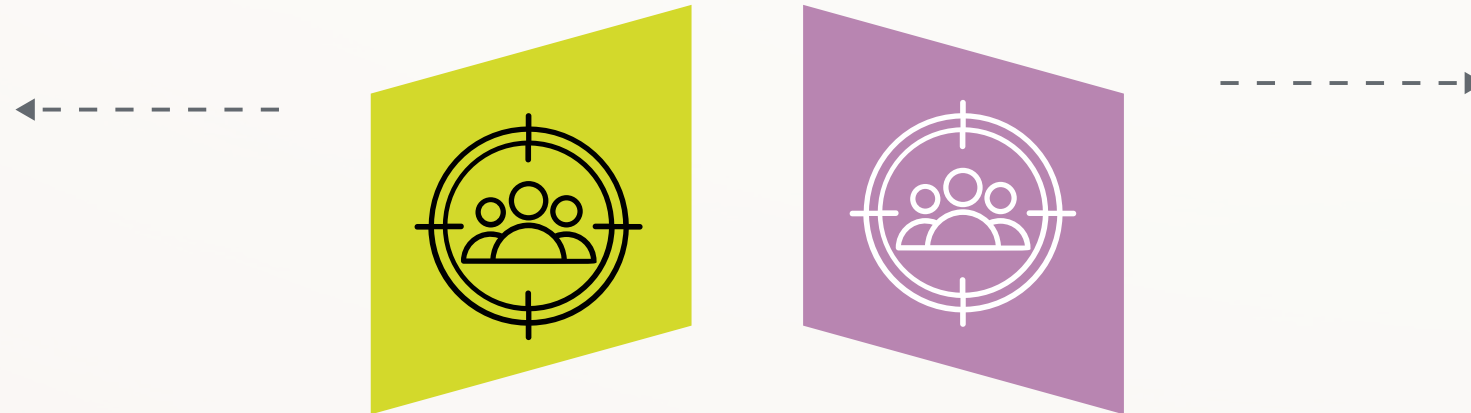


Target Audience

Broad employee base, including
rank-and-file workers in some
cases

Target Audience

Primarily key management
personnel, professional
founders



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