niyogin

Date: August 08, 2022

To
BSE Limited
25th Floor, Phiroze Jeejeeboy Towers,
Dalal Street, Mumbai – 400001
BSE Scrip Code: 538772

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q1FY23

With reference to our letter dated July 26, 2022 and pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Earnings Call Transcript pertaining to Q1FY23 Unaudited financial results of the Company.

The aforesaid information is also being made available on the website of the Company i.e. *www.niyogin.com*.

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

NIYOGIN FINTECH LIMITED

Neha Agarwal
Company Secretary & Compliance Officer
A41425

Encl: a/a

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"Niyogin Fintech Limited Q1 FY-23 Earnings Conference Call"

August 03, 2022

MANAGEMENT: **MR. TASWINDER SINGH – CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR, NIYOGIN FINTECH LIMITED**
MR. RAGHVENDRA SOMANI – INTERIM CHIEF FINANCIAL OFFICER, NIYOGIN FINTECH LIMITED

Sonia Keswani: Good evening, everyone. On behalf of Niyogin Fintech Limited, I welcome all of you to the Company's Q1 FY 2023 Earnings Conference Call. I am Sonia Keswani, from Ernst & Young IR Practice and we manage and investor relations for Niyogin Fintech Limited. You would have already received the Q1 FY 2023 results and investor presentation which is also available in our filings with BSE.

To discuss the company's business performance in the quarter gone by, we have with us today, Mr. Tashwinder Singh - Chief Executive Officer and Managing Director and Mr. Raghvendra Somani - the Interim Chief Financial Officer of Niyogin Fintech Limited.

Before we proceed with the call, a disclaimer; please do note that anything said on this call during the course of interaction and in our collaterals which reflects the outlook towards the future, or which should be construed as a certain forward-looking statement must be viewed in conjunction with the risks the Company faces and may not to be updated from time to time. More details are provided at the end of the investor presentation and other filings that can be found on our website www.niyogin.com

Should you have any queries or need any further information at the end of this call, you can reach out to us at the email addresses mentioned in the Company collaterals. With that, I would not like to hand over the call to Mr. Taswinder Singh. Thank you and over to you, sir.

Tashwinder Singh: Thank you Sonia, let me start by thanking all of you for joining us this evening. I do hope you had a chance to go through our results and you have gone through the presentation which I had attached along with the results, along with the letter which I had sent, detailing our performance for this quarter.

So, I welcome you again to Niyogin Fintech's Earnings Call for Q1 FY 2023. Before I delve into the performance, I would just like to give a brief background on our Company.

Most of you may be aware, Niyogin Fintech operates on a tech centric platform-based model, wherein our 'Banking as Service' platform serves both rural and urban India through a partnership-led strategy. Our partnership-led strategy allows us to tie-up with local MSMEs and other enterprise partners that have a large and deeply penetrated distribution infrastructure. The BaaS or the Banking as a Service platform is then employed by these partners in their customer-facing touch points that enable these touch points to provide banking, payment, and financial services to the local customers. Moreover, our partner-led strategy helps us reach out to a large number of SMEs through every partner we onboard and that gives us a cost-efficient market access by reducing our customer acquisition cost. We can then incrementally add products for the end customers, all the while providing income augmentation for these partners and retailers. Our revenue model is primarily transaction-led wherein we are in a fee or commission on every transaction that is routed through our platform.

From a customer's perspective, we have been concentrating on three main market segments:

1. We have the Business Components; these are those clients, wherein we are offering tech stack to promote financial inclusion.
2. We are targeting Neo banks or Fintechs, typically companies wanting a full stack neo banking platform.
3. Thirdly, our customers include banks, wherein we are working as a Technology Service Providers (TSPs) to launch digital programs.

On all these three categories, we have gained a huge traction over the last one year. I would like to draw your attention to the outsized opportunity that has been created by the focused approach on these three segments. Several of these enterprise initiatives are now in the implementation stage. Each of these relationships has the potential to substantially be a game changer for our company. We are particularly focused on unit economics because the enterprise business and the resultant contracts have significantly larger gross margins in the range of 70%-85% as a result of minimal transaction costs. Post the initial resource built, we expect the business model to have significant operating leverage at the EBITDA level. On the presentation, that we have provided, I can take it in more detail, there is a slide where I have tried to detail out the unit economics of our enterprise business. Our business model is distinctive in nature that we serve both the retail and enterprise markets and have the access of a balance sheet that can support our clients as and when necessary.

Through everything that we are doing, our objective has been to deliver a capable financial services infrastructure platform that powers all distribution customer facing businesses. Therefore, execution is focused on two broad vectors, one to continuously expand our platform capabilities and number two is to keep scaling partners. As you can see in the numbers, we made significant progress in both these areas in the quarter gone by.

Talking about the quarter gone by, quickly to give you some headline numbers. We continued our increase of network in Q1 FY 2023, introduced new products and formed new partner alliances. Our retail partner network increased by 33% quarter-on-quarter from close to 247,000 to now over 328,000. We conducted over Rs. 2700 crores worth of transactions on our network in this quarter, the GTV increased by 11% QoQ. From a build perspective, Q1 has been a busy quarter for us.

I will share some important milestones that we achieved during the quarter as regards our build. In terms of products, our POS which is a Point-of-Sale product has completed its pilot phase and we have gone live. We have also launched the LIC premium payment system on our platform and that is now rapidly ramping up. We completed the integration for insurance and that has gone live as well. Integration of our Prepaid Cards Solution with NSDL bank has been completed successfully and that product is also live. We are in a pilot phase with two customers.

In terms of our tech updates, I had mentioned about our switch going live, last quarter. I think on our switch, we have now got AEPS and Micro ATM Solutions, they have both gone live. We successfully delivered an Agent Management System for India Post Bank, we've onboarded

3000 agents. We completed the certification work on Micro ATM, AEPS, IMPS with our own switch as multiple banks as acquiring banks and we are also working on completing the certification on IMPS and ATM on our switch with two other banks. So, driving switch usage, as I mentioned earlier, is a critical differentiator for us as it helps us enhance customer experience and it also helps us improve profitability, which is a big focus area for us.

On the Urban Tech side, we completed our six-month experiment on building the MSME focused partner lending book and the performance outcomes have been quite satisfactory. We see lending as a crucial adjacency to our business and when combined with our technology solutions, it gives a competitive advantage. We intend to scale this in a coordinated fashion over the coming quarters. Besides this we continue to see strong momentum in our SaaS solution on the Wealth side.

So, what is the plan for FY 2023 overall? So, FY 2023 as previously alluded to, is going to be a year of build for us. We began the year by investing Rs.50 crores in our API infrastructure subsidiary iServeU Technologies. This aligns with our vision to develop a universal technology stack to support our goal to be the premium Banking as Service solutions provider. Our partnerships, technology developments and product competence should help us steer the Company to its profitable growth in the coming years. We will be in the period of build over the next 12-18 months as we create and introduce a number of products across all our business lines. Being an API infrastructure provider, the market potential and the environment we operate in excites us greatly. As previously stated, our goal is to be Rs.500 crore revenue company by FY 2025. In the three years, we expect to expand our GTV by more than 11 times that is from roughly Rs.9000 crores in FY 2022 to over Rs.1 lakh crores in FY 2025. We plan to grow our BC agents or touch points 6-8x from close to 247,000 which was end of previous quarter to about 1.5-2 million and we think we can deliver an EBITDA in the range of 10%-12% while delivering this expanse.

I will now turnover to Raghvendra to take us through the financials and other details of Q1 FY 2023, post which we can open the floor for questions and we can address all your queries. Thank you. Over to Raghvendra.

Raghvendra Somani: Thank you Tash. Good evening, everyone.

Our operational metrics have continued to perform well in the quarter gone by. In Rural Tech, our BC partners grew 38.8 % YoY and stood at 662 in Q1 FY 2023. While our partner BC agents or touch points increased to 328,698 reporting a significant growth of 97.6% YoY, as we added 81,845 retailers in Q1 FY 2023. Gross Transaction Value i.e., GTV including the payouts stood at approximately Rs.27 billion an increase of 47.3 % YoY. Transaction volumes stood at close to 7 million, up 81.5% YoY. On Urban tech front, our partner count increased by 16.1% YoY and stood 5,031 in Q1 FY 2023. Our Wealth tech platform continues to perform and recorded 65% year-on-year growth in the AUM which stood at Rs.24.8 billion.

Moving to the financials for Q1 FY 2023, our consolidated revenue for the quarter was Rs.274.4 million an increase of 24.4% YoY primarily driven by the rural tech business. We further recorded a 12.3% decline QoQ due to the investment of Rs.50 crores in iServeU that reduced our treasury income and decline in the device sales primarily brought on by the chip shortages and supply chain problems with device supplies. It goes without saying that our order book for device is still full and as supplies increases these number will resume their normal growth trajectory.

Our revenue excluding device sales grew by 52% in YoY. In going forward, our revenue would primarily be transaction driven led by the expected increase in GTV.

Adjusted EBITDA excluding the ESOP charge, which is non-cash in nature, for the current quarter was negative Rs.37.2 million as against a positive Rs.13.3 million in Q1 of the last year. As explained by Mr. Tashwinder earlier, we are currently in a period of build leading to higher operating expenses hence the set change. ESOP charge for the current quarter was Rs.11.6 million versus Rs.17.2 million in the corresponding quarter last year. Non-GAAP PBT stood at negative Rs.50.6 million in Q1 of this year as against negative non-GAAP PBT of Rs.0.3 million in the corresponding quarter last year. Loan book stood at Rs.547.6 million. We continue to remain zero debt and net cash company. Our cash in hand as of Q1 FY 2023 is Rs. 954.8 million.

With that Sonia, we can open the floor for questions.

Sonia Keswani: Thank you, Raghvendra. I request the participants to use the raise hand option on your zoom application if you wish ask a question. Please mention your organization name before you begin, as it will help us during the transcription process. We will wait for a minute till the queue assembles. We have our first question from Yash Modi. Yash, you may go ahead. I have unmuted you.

Yash Modi: So, just wanted to ask Tash, on this the number of rural touch points that you have added has been spectacular for this quarter QoQ. Just wanted to understand more, in the presentation it shows that the BC agents leading to these rural touch points, but the BC agent number is not that great. If I look at the number of business correspondent agent, it is showing as 662 BC partners.

Tashwinder Singh: No, let me explain the difference between the two numbers. The way our business model is, our access to the market is driven by partners and the partners bring the BC agents. So, partners are basically aggregators, India Post would be a partner, right? Whereas every outlet of India Post would be an agent or if you look at CSC, CSC would be partner and CSC VLE would be an agent. Or you look at Hindustan Lever Distributor, he could be a partner and he would bring may be 10,000 agents that he is supplying goods to or trying to convert those retail stores into financial inclusion centers. So, the number of partners is always going to be in the 600, we been growing that number as well. But the actual delivery happens with the 328,000 that is put out there, that we have expanded from 247,000.

Yash Modi: Secondly, just a bookkeeping question. The loan book I see has decreased by around 4-5 crores even though our cash in hand has increased by 9-10 crores. So, has some loan that we had given which was written-off as NPA, come back, has there been some recovery?

Tashwinder Singh: There is a recovery process we are working on the write-offs taken over the previous years. As you know in the history of this organization, prior to 2020, there was a full loan book that was created called the UBL, unsecured loan book. In 2020, we stopped doing that business, figuring out that there are better sort of avenues for us to build this business. But when we cleaned out that book, there were some losses or some provisions that were taken and we are now working to recover must of that money. So, clearly that works. This drop in the loan book size is driven by basically two challenges, one is that when we invested money in iServeU, we gave them Rs.50 crores as our first branch of investment prior to that what we had done was, we had given them some loans to help them with the build before we could do the equity infusion. So, that loan was first paid out completely that was in the Rs.7.5 crores range. So, that was a one big loan that got paid down, which was just an inter-company thing, but it reduced the loan book in that sense and secondly, what we have tried to do is we have been very calibrated in the way we have been building our book. Now I had mentioned this six or nine months ago that lending remains important to us but we are going to do it in a very sensible manner and we did a six-month experiment, where we were looking at lending to the ecosystem of retailers who operate with us on our payment business or our financial inclusion business, trying to see we could lend to them, that experiment has been quite successful. We have also done a few experiments with other Fintech companies, who are working with MSMEs, and trying to create lending solutions for them and those experiences have also been pretty good. We are now at that stage, Yash, that we think we can now scale up our lending proposition materially. So, what you will see in the coming quarters is you will also see the lending book grow from here on.

Yash Modi: And in this revenue of Rs.27-28 crores for this quarter, I am assuming there is no revenue from India Post, or the BhaFin switch thing that we are doing or some of the larger contracts that we have won, most of them have got integrated but none of them have started showing in our revenue till now. Is that correct assumption?

Tashwinder Singh: Yes. that is an absolutely correct assumption, although I would say that the CSC revenues are there to some extent because we did start working with them about 3-4 months ago but there is a big scale up plan there as well. But most of enterprise businesses are just about getting started. If you give me a minute, I can take you through one slide on our presentation which is slide no.17, which actually tells you, if you allow me to share my… Can you see this screen?

Yash Modi: Yes.

Tashwinder Singh: So, if you really see, what you are not seeing on our numbers today is the value that our enterprise business is going to bring in the next couple of quarters. So, we have two models we are working with on the enterprise partners. In some cases, we are operating as a TSP, which is a Technology Service Provider, where we get paid basis the number of transactions that get transacted on our platform and then the other option is that we are operating like a partner, in which we will manage the entire network for our partner and in which case we get paid basis the value of the transactions that get transacted through us. In both the cases, if you see from a year 1 to year 3, the EBITDA accretion for our business is quite significant. Now these are single partners, I am talking about. You have got 5 or 6 relationships that we are working on right now. If all 5 and 6 achieve their full potential, the ability for our business to generate EBITDA is quite substantial.

Sonia Keswani: Thank you, Yash. We have our next question from Sandeep Seth. Sandeep, you can go ahead.

Sandeep Seth: Just wanted to know, is this model with the likes of what a Bharat Pay does or what a Paytm does? If not, what is the existing competition? How are you different from already a very crowded marketplace?

Tashwinder Singh: Our business is not like what a Bharat Pay or a Paytm does, those businesses are largely B2C businesses, we are not a B2C business, we are a B2B business, number 1. Number 2, the way, we think of our business is that we are an API infrastructure company which means, we are powering businesses like a Paytm or Bharat Pay similar businesses. We can provide the entire tech stack to get these businesses up the speed. So, to give you an example, a Fintech is providing a procurement platform that is their main line of business. So, if they want to start doing incremental products with the MSMEs, for example they want sell insurance, they want to convert those MSMEs into financial inclusion points, they want to put Micro ATMs in each of these centers. They want those centers to be able to do a domestic money transfer, they want those domestic centers or those retail points to be used for Point-of-Sale machines, we power that, we provide the entire technology. So, the customer for me would be the Fintech, it would not be the individual retailer. Obviously, the retailer is where the transactions are being executed and my service center is serving the retailer, but my contract is with the Fintech. If you look at the one point I made on my presentation or if you allow me to just project one slide it will make this extremely clear for you.

(Refers to Slide 21 of the presentation) When you look at the business segments. These are the three business segments we are working with, so we Business Correspondents, these are people who are really Banking Correspondents in some sense who have small retailers who want to offer banking services to the ecosystem of people around them. They need to have the capability to be able to deliver those services, so someone has to provide the link between them and the bank that they want to attach with. In the old days, most banking correspondents used to be attached to one bank in our preposition it is bank agnostic. A Banking Correspondent which is sitting in a small village somewhere could have a customer who could be a client of Punjab National Bank, SBI, ICICI Bank, Axis Bank, they could all transact on our platform and therefore it creates an income augmentation solution for the retailer. Or we can talk about Neobanks and Fintech where we are providing them the full tech-stack to effectively become a Neobank. So, we are not a Neobank but we are powering them with the technology to become a Neobank so they do not need to build the entire technology all over again. It is a plug and play approach. And as the third set of customers, we have our banks who actually want to launch digital programs. We are able to provide them with a technology to be able to launch digital programs. So, we are a TSP or Technology Service Provider to banks. It is a very differentiated model compared to the names you mentioned, those are B2C businesses, which is why you see them advertising whereas you do not see us advertising materially. I hope that answers your question.

Sandeep Seth: Yes, so are there already existing players that do exactly what you do?

Tashwinder Singh: Yes, exactly. Sorry, I did not answer that question. So, competition for us is from other people who are in the API infrastructure play and none of those people are in the public domain in the sense they do not advertise but when I look at a company like a Setu or a company like M2P or a company like Zeta, these are competition for us. They are tech companies who basically creating the infrastructure. So, M2P started with the cards business. Anyone wanted to launch a credit card in the market would go to M2P, M2P went and aligned itself with the Visa and Mastercard and they gave them, a plug and play approach for anyone who wants to launch a card. It could be a small club which wanted to launch a card for it members or it could be a large Fintech which wanted to launch a prepaid card or a credit card, from an RBI approval standpoint. So, that is what they did. We started our life from a financial inclusion standpoint. We created the tech-stack for being able to deliver financial inclusion which are products like Micro ATM, Aadhar Enabled Payment System (AEPS). You can withdraw money by going to a retail store by just your fingerprint, you do not need to carry any plastic and you can access your bank account. That piece we created on top of the rails that have been created by Government of India as they have created their network of the IndiaStack. So, that it the competition for us.

Sonia Keswani: Thank you, Sandeep. I think Yash has a follow up question.

Yash Modi: So, Tash, if you could take us through the entire process of how your company went about winning the India Post contract and what was competition like would actually help us in understanding more and some comments about the team you guys are building at iServeU in Bhubaneshwar, because I keep following the LinkedIn page and I must say, it seems to be an organization, wherein you build a very good culture and lot of hiring has happened if I look at the inside page and everything, showing some 200% increase in employee based in the last two years. So, if you could take us to those two things.

Tashwinder Singh: Absolutely, so firstly in terms of the contracts that we have won, like I said there are 600+ partners that we have. Surely, some partners are bigger than the others and some partners are more material and some of these contracts we have won on the basis of the past track record of being able to deliver financial inclusion and in a lot of the government contracts they any way go through a tendering process. So, there is both a technology evaluation and there is a financial evaluation on what we are offering and our capability to deliver that. So, in India Post case, we went through the entire cycle of going through the whole tendering process and I think the reason we won that, from my point of view, is because we have had extensive experience of working in rural India. If you look at the network that the Department of Post has or India Post Payment

Bank has, about 190,000 retail points or branch points, more than 80,000 Dakiyas, so to speak, which are postmen. Each one of them is carrying a handheld device today. The world is changing quite incredibly from what it used to be. They still do Money Orders because when you want to transfer money to a person who does not have a bank account, how do you transfer that money? The only option available is through a Money Order, that is still alive and kicking business in India. So, we were able to probably connect on the fact that we had an extensive rural experience of being able to serve the retail points, serve and provide the technology, demonstrate that technology works and may be that was one the reasons why we were preferred compared to others. In terms of competition obviously, I do not want to take names of who else did but you can assume that everyone in the market put their hand up to work with India Post. So, it was a very coveted order for us and then we are in the execution mode as we speak. Yes, so that is really how it was, but all the technology players wanted to sort of get into that business and get a piece of a pie. So, that was one.

In terms of build of the team, I had explained last quarter and the quarter before that. When we invested the Rs.50 crores, we think that the opportunity staring at us is a very significant opportunity and the point is that we are at pole position because we have got the technology that we have built, we have got marquee customers, we got execution capability and demonstrated capability on execution and therefore what is going to happen is, we felt that this was the right time for us to expand materially. Now what does expansion mean for us, expansion means A. Expanding the product stack, making sure we are not only a financial inclusion player, but we are providing the entire financial stack to anyone who wants to come and pick and choose depending on what their needs are. So, some could just pick a POS solution, some could just say listen I already have everything I just want to sell insurance, someone could just say that listen I want a lending CRM, provide the lending CRM to me. So, we provide the entire stack of financial services where people can come and pick that up. Now to build that entire stack obviously, we needed to beef up our teams, our resources, both on the product side and on the tech development side. So, we have gone through this exercise of hiring people, hiring talent, which I think fortunately we have been lucky, touch wood. It is not an easy task, especially when you want to hire in Bhubaneshwar. We have more than 200 people now who are based in Bhubaneshwar, a large percentage of them are techies, engineers we have hired who are sitting and developing for us, which I think creates a great ecosystem for us. Bhubaneshwar is a great city. I do not know, how many of have actually visited it but it is fantastic city. It is the Hockey Capital of the country by the way and the World Cup Hockey Tournament is going to happen in Bhubaneshwar. So, I would strongly recommend that people should go visit that place. We chose Bhubaneshwar because when we acquired iServeU. iServeU was headquartered in Bhubaneshwar and we debated whether we should bring it to Bombay or keep it there and we felt it was a really nice option that we had of being able to use Bhubaneshwar as our pivotal place for creating our tech center. So, our tech center is largely headquartered there in which case a lot out tech hiring is headquartered there. Our product capability is all based out of Bombay. The product capability where we are creating the new products, working with new partnerships, convincing banks to use our platform, or helping banks think through what digital programs they should launch, all that is based largely out of Bombay. So, that is the way, we have tried to build out the team and you will see a bit of this happening. We are not completely done yet; we are still in our hiring mode. So, you will see a bit of that happening in the coming quarters as well.

Yash Modi: And in terms of the partners, the names that you have made public in this call and the previous calls, I would say it would be CSC, NSDL, Axis Bank, BhaFin, India Post and Bajaj Finance, if I remember from some previous call. Am I missing some bigger name in here?

Tashwinder Singh: Yes, there are a couple of other bigger names, but we are obviously under some level of NDA with some to the bigger names, so at the right point in time we will give you the names, at this point in time I cannot. There are bunch of other banks who are working with us. There are some very interesting contracts we are in the midst of closing with a few banks. Hopefully in the next quarter or so I will be able to give you a few more names.

Sonia Keswani: Thank you, Yash. We have a question from Vishrut Bubna. Vishrut you may go ahead.

Vishrut Bubna: I was just wondering regarding the timeline or there were any milestones regarding the second Rs.50 crores investment into iServeU.

Tashwinder Singh: So, there is no timeline that I want to give it to you just yet. We had said that we would invest that money over an 18 months period. So, we have done the first Rs.50 crores, we are obviously being very judicious on how we are spending that money. We are not done with the Rs.50 crores, we still have a significant portion of the capital still available. So, I think, we will take it one step at a time. Also, what I had mentioned earlier is that we are trying to be a little sensible. The first quarter, we have done a lot of built out. In the second quarter, I want to see some of that built out give us some returns as we keep scaling up. So, we will be sensible about how we put the money to work. We are not just putting all the money to work and then wait and see how the results come in. We are going live with a couple of propositions. We have just won live last quarter. I need to see how some of those things scale up. We have gone live on AEPS, on Micro ATM on our switch with a couple of institutions. We need to see what is the volume uptake that we can get out there. What is the commercial benefits we are able to derive by all of that and then we will invest. So, I do not want to give you a date by which the Rs. 50 crores will go by, but our original plan was that within 18 months we would invest Rs.100 crores. It has been only three months, since we invested the first Rs.50 crores.

Vishrut Bubna: And just a follow up question regarding iServeU, how are these rural touch points acquired and is any of the investments incrementally going into acquiring more rural touch points or to build more products to sell to the existing distributors?

Tashwinder Singh: We do not have a sales team that is actively working in acquiring rural touch points directly from the touch points. As I explained earlier, our model is a partner-driven model, which is the 600 odd partners that we have. The rural touch points are actually owned by these partners, so for example a BhaFin which is Bharat Financial, Bharat Financial has 125,000 retail touchpoints.

So, we go and do an enterprise deal with BhaFin. BhaFin then provides the access to all these retail points to have our technology and to have our systems. So, the idea is to have enterprise acquisitions, so our cost of client acquisition becomes quite low. We also have retail acquisitions but again retail is not the direct retailer but these are aggregators and the example I had given earlier was when you look at an example of a Hindustan Lever distributor who is going and probably supplying soap and other goods to may be 10,000 retailers. We go and talk to the Hindustan Lever distributor saying that listen, why do not get these guys to get excited about financial inclusion and you know what you will make money, they will make money because our financial inclusion proposition fundamentally is about income augmentation for the channel. So, every transaction that gets done. The channel makes money. So, the retailer makes money on every transaction because we get paid by the banks whose clients we are serving. So, that excites a lot of people, so instead of going and acquiring a retailer by retailer by retailer, which would require me to put may be 2000 people on the street, here my sales team is only about 30-35 people.

Sonia Keswani: Thank you Vishrut. Yash you may go ahead with the question.

Yash Modi: So, just taking on the last question forward. When we had invested in iServeU, we had put in Rs.50 crores for 50% stake if I remember correctly, so who has the remaining 50% stake?

Tashwinder Singh: So, we have 51% stake, we have majority in iServeU. The 49% of the company is still with the original founders of the company who are working in the company. So, there were four founders who had originally conceptualized. These are young technocrats, great guys. So, we bought majority. They still own 49% of the company. They are all dedicated in the business and we are building that franchise all together.

Yash Modi: And this new infusion of Rs.50 crores that has happened, have we disclosed any valuation or have those promoters also brought in that money will the shareholding remain similar or?

Tashwinder Singh: So, the way we have done that is there was a certain earnout when we did the first transaction. When we acquired the company there was a certain earnout that was due to the shareholders. The Rs. 50 crores that came in was partly because of the earnout, the earnout was reinvested back in the business. So, that should also give you confidence that the founders also believe in the business. They started the business and they were willing to invest their earnout back in the business and we matched that investment, so the shareholding did not change. Shareholding remained the same but the following Rs.50 crores which goes in, there I think there would be change in shareholding.

Yash Modi: Because if I see the shareholding pattern, one of them has around 4%-5% stake in the company, Debiprasad Sarangi if I look at it.

Tashwinder Singh: He is the CEO of iServeU and he was the main founder of iServeU and then he has got three other co-founders.

Yash: Now at a larger funding question if I look at it, so when the company was envisaged in 2017, I was reading old press releases and stuff. Roughly around Rs.240-250 crores were infused into the company. Out of that Rs.240-250 crores if I do basic math, Rs.100 crores of cash you have right now, Rs.55 crores is the loan book that you have. So, Rs.150 crores. I am sure Rs.100 crores obviously tech build-up, hiring and stuff. And you are saying it is a B2B company. So, in the future, the plans that we have given till FY 2025, wherein we will be a Rs.500 crore company at 11%-12% EBITDA margin. I am assuming there is no more need of any funds to be infused in the company because there is no cash burn as such being a B2B company. So, I would want some comments regarding funding and how do you look at it like this?

Tashwinder Singh: That is a very interesting question, I would like to break that question into two parts. There are three real businesses that we have. There is the wealth business, which is a very small part of our business, it is small, it is profitable, it does not require any investments and it stays where it is. It will keep scaling up on how that scales up. We own about 60% of that business, so that is one. Then, we have the iServeU built, where we have already invested Rs.50 crores and potentially we could put in another Rs.50 crores in that business and we do not think there is incremental capital required at least for the foreseeable 2-3 years in that business, beyond this money. So, that business is appropriately funded and we have the capital to fund this. Then we have the third business, which is the lending business, which obviously can consume capital and lending is fundamentally working on capital. There again I think for the foreseeable future, we have some money, we have about Rs.50 to 70 to 80 crores available with us for lending. The other point is for the lending business one could potentially take leverage because we are an NBFC. We have not taken any leverage. We have not gone through that process right now, like I mentioned the lending was an experiment we did over six months. The results have been very encouraging and therefore we think we can scale that business; it is very profitable for us. So, we are now going to try and scale that up and at the right point in time if we need to take leverage, we will take leverage to scale that up. I think from an equity raising standpoint, the only reason I would raise equity is, suddenly we decided to do an M&A and there are multiple bolt-on ideas that we have which could potentially be very interesting for our line of business. But they will all play to our current construct of being an API infrastructure play. So, there could be other infrastructure businesses that we think are adjacencies to our business and therefore they make sense for them to be inside our business, we could acquire them. At that point in time, yes, there could potential fund raise that we may need to do, but for the current construct of the business that we have, we do not need to raise any incremental equity capital for meeting our FY 2025 targets.

Yash Modi: There is a lot of ESOP charges coming in every quarter, what is the ESOP policy of the company, if I may ask?

Tashwinder Singh: The ESOP policy of the company is quite straight forward. We do give ESOPs to our employees mostly on an annual basis or when we hire new talent. Sometimes we need to provide ESOPs at the time of people joining depending on commercial negotiations. All the ESOPs we have given are largely at current market price (CMP). So, the ESOP charge that you see is really the, if you use the Black-Scholes model to value an option. The option has intrinsic value and it has time value. So, in all the options that are been given out here. The intrinsic value is 0 because you are giving them at market price. But there is a time value charge that comes in because our policy typically is a three-year vesting period, and the vesting happens on a 30%-30%-40% basis. So, first year is 30%, second year is 30% and third year is 40%. So, there are three-year vesting periods and that is how the ESOP charge is computed. So, all the ESOP charge is largely the time value of money which is being computed using the Black-Scholes model and that is how the charge comes in. It is a non-cash item as you would appreciate it. It is a non-cash item but we to recognize the charge on our books.

Sonia Keswani: Tash, I think we can close the call. You may go ahead with the closing remarks.

Tashwinder Singh: Firstly, thank you all for dialing in this evening, like I mentioned we are in an interesting space. I think we are just about getting started, the next couple of quarters are going to be very interesting for us. As we start seeing the outcomes and the results of the enterprise strategy that had we put in place about six months ago, slowly, and steadily as the execution starts getting done, we shall see numbers flowing in and then those conversations, would be good conversations to have. So, I look forward to seeing you guys. Please do keep tracking us. We are available; we are very accessible. If anyone of you wants to catch-up, meet-up or discuss anything in more detail, please feel free. There is an email id that Sonia has circulated with our materials where you can reach out and we can fix a meeting, if required. Thank again for taking the time and God bless.

Sonia Keswani: Thank you everyone.