niyogin

Date: May 20, 2022

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

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q4FY22

With reference to our letter dated May 14, 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 Q4FY22 Audited 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

Neha Agarwal

FINTECH LIMITED NIYOGIN

Neha Agarwal
Company Secretary & Compliance Officer
A41425

Encl: a/a

"Niyogin Fintech Limited Q4 FY22 Earnings Conference Call"

May 16, 2022

MANAGEMENT: MR. TASHWINDER SINGH – CHIEF EXECUTIVE OFFICER & 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 Q4 and FY22 Earnings Conference Call. I am Sonia Keswani from Ernst & Young IR Practice, and we manage investor relations for Niyogin Fintech. You would have already received the Q4 and FY22 results and investor presentation which is also available in our filings with BSE.

To discuss the Company's Business Performance during the year and Future Outlook we have with us today, Mr. Tashwinder Singh – the 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 the 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 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 now like to hand over the call to Mr. Tashwinder 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 welcome you to Niyogin Fintech's Earnings Call for Q4 and for the Full Year 2022 Results.

Before I delve into the performance, I would just like to give you a brief on our Company:

As most of you would be aware, but some of you may not, Niyogin Fintech operates on a tech centric platform-based model, wherein our 'Banking as a Service' platform serves both rural and urban India through a partner-led strategy. The BaaS platform, which is the Banking as a service platform is employed by our partners in customer-facing touch points like retail storefronts, or SMEs that enable these touch points to provide basic banking services to the local communities. Moreover, under our partner-led strategy we reach out to a large number of SMEs through every partner we onboard, which gives us a low-cost market access. We can then incrementally add products for the end customers all the while providing income augmentation for these partners and retailers.

To reiterate, our business is premised on an open tech architecture platform with the transaction-based revenue model. Our objective is to deliver capable financial services, infrastructure platform that powers all distribution/customer-facing businesses. Our execution is focused on two broad vectors – 1) to continuously expand our platform capabilities, and 2) to keep scaling partners. We have made significant progress in both these areas in the years gone by. Some of this you would have seen in our presentation that we've given along with our results.

I am very happy to let you know that we have crossed the important threshold of Rs. 100 crores revenue in FY22, which is a significant milestone in our journey towards acting as a partner for financial inclusion. This performance has given us the confidence in our stated strategy and the execution capability. Also, enabling us to accelerate our growth and maximize the potential of the market that we are focused on.

Talking of the quarter gone by, we delivered our fifth consecutive quarter of sequential revenue growth, 13% in this March quarter over the previous quarter. This has been led by our network expansion, as we added more than 55 new partners to our network and linked over the 18,000 retail outlets to our network, bringing our overall footprint to close to 250,000 retail points. In the following quarters, we expect this momentum to accelerate.

We also had some very marquee customer wins through this quarter. We have now joined hands with India Post Payments Bank to deliver multiple solutions to bolster their digital banking strategy. This is a significant and material win for us. As a technical technology service provider, we will be deploying various innovative digital banking solutions in their network as well.

The last quarter marked the launch of our proprietary switching platform “iswitch” on NPCI’s NFS network in collaboration with IndusInd Bank. This is India's first cloud native switching solution, and it will help our banking partners achieve their goal of providing a frictionless end-user experience at scale while being wholly compliant with all regulations. We are also working with an upcoming Neobank to launch a prepaid card solution for their customers. These are some examples where our new propositions are finding favor with the market.

On the platform capability; we have been investing in our tech-stack. So, our services can be consumed as a full-stack application and API or an SDK. This will allow us to onboard all varieties of partners as we continue to broaden our product stack and enhance our value proposition.

On the Urban tech, we also saw some strong momentum in our business with our SaaS solution on analytics, finding some good favor.

These strategic alliances and technology build should enable us to propel the organization into a hyper-growth mode. I had mentioned last quarter about the hyper-growth strategy that we had detailed out. In Q4 2022 we announced our first tranche investment of Rs. 50 crores in iServeU, our subsidiary. This aligns with the hypergrowth strategy in which we stated that we would invest up to Rs. 100 crores in establishing our intellectual property, which spans several products like neobanking solutions, POS solutions, and prepaid cards, to mention a few. We will be developing and launching various items across all our business lines over the next 12 to 18 months. The market potential and the ecosystem in which we operate excites us greatly. We think of ourselves as an API infrastructure provider, and we think that the opportunity space for us is quite huge.

As stated in our previous calls, we are committed to reach our goal of becoming a Rs. 500 crores revenue generating Company by FY25. We believe we can improve our GTV from the current Rs. 9,000 crores, give or take, in the last fiscal to over Rs. 100,000 crores in the next three years. We think we can deliver profitable results to our shareholders. We think the EBITDA margins of our business in year three should be in the 10% to 12% range. We believe that as we scale, we will reach a tipping point in terms of product and distribution resulting in higher long-term returns. That's a quick rundown of what you've accomplished or what we expect to do from here on.

With that, I now turn over to Raghvendra to take us through the financials and other details of Q4 & FY22, post that we can open this up for questions and we can address all your queries. Thank you and over to Raghvendra.

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

Highlights for the Q4 2022: Our platform metrics have been performing well. In rural tech our Gross Transactions Value (GTV) including the payouts stood at Rs. 24.3 billion in the current quarter, an increase of 37% YoY. Our average transaction size in the rural tech front business grew by 1% YoY and it stood at Rs. 3,792 in Q4 FY22. On the urban tech front, our partner count increased by 25% YoY and stood at 5,010 in Q4 FY22. Our wealth tech platform continues to perform well and recorded 122% year-on-year growth in the AUM, which stood at Rs. 21.9 billion.

Moving on to the financial for Q4 FY22: Consolidated revenue for the quarter was Rs. 312.8 million against Rs. 183.9 million in the corresponding quarter last year, an increase of 70% YoY. Adjusted EBITDA, excluding the ESOP charge, which is non-cash in nature for the current quarter was a positive Rs. 14 million as against a negative Rs. 25.6 million in Q4 of last year. ESOP charge for the current quarter was Rs. 12.2 million versus Rs. 15.2 million in the corresponding quarter last year. The Non-GAAP PBT stood at positive Rs. 0.8 million in Q4 of this year as against negative Non-GAAP PBT of Rs. 40.7 million in the corresponding quarter last year. Loan book (net of provision) stood at Rs. 577.7 million, up 22% QoQ led by the transaction-based credit.

On a full year basis, we crossed an important milestone where our consolidated revenue doubled and increased 111.5% to Rs. 1070.8 million as against Rs. 506.3 million last year, primarily driven by our rural tech business. Our EBITDA was a positive Rs. 29.6 million in FY22, as compared to negative Rs. 20 million last year. Our full year non-GAAP PBT was a negative Rs. 24.3 million in comparison to negative Rs. 39.1 million in FY22. Our ESOP charge for the full year was at Rs. 53 million as against Rs. 33.4 million last year. We continue to remain zero debt and net cash Company. Our cash in hand stood at Rs. 869.9 million on balance sheet date.

With that Sonia and Ravi, we can open the floor for the questions. Thank you,

Ravi Udeshi: Thank you, Raghvendra. We will now open up floor for questions. I request participants that in case they wish to ask any questions you may please raise your hand. Participants, please note that those who will be raising their hand will be taken on a priority basis. We request the people to raise their hands and come ask questions rather than going to the chat mode, because the people who raise their hands will be taken on priority business. In case, you are representing any institution, we request you to state your organization's name. Thank you. We will wait for a minute before the question queue assembles.

Tashwinder Singh: I think while the question queue is assembling, I do want to mention there is a question regarding the EBITDA goal. This year has been very interesting for us. I think Raghvendra articulated all the numbers. But I do want to make a few points on some specific numbers. If you look at just the Q4 numbers, our revenues have grown by 70% and our expenses have grown by 35%. That is one data point that I want to leave with all of you. Number two, if I look a full year performance this is the first year where we've turned EBITDA positive. On an adjusted EBITDA basis, we had almost Rs. 3 crores of EBITDA that we have delivered. Now, if we are able to continue with the trajectory as we have shown in Q4, where our revenue starts growing faster than the way our expenses are growing, I think, in the next three years, the plans that we have set for ourselves should be relatively easy to achieve. These are obviously towering plans, but we feel pretty confident being able to achieve that. I did mention in my opening remarks, that we are looking to get to a revenue of Rs. 500 crores in three years of our operation, or we think our GTV, which I think is going to be the driver of our revenue base will be almost 11x of what it is today. Today we are at about Rs. 9,000 crores. We think we'll get to about Rs. 1 lakh crores. We think that this business will deliver between 10% to 12% EBITDA margins at that level. Those are the broad set of goals that we have set for ourselves. I also want to mention a couple of things. There have been some very important wins in this quarter. I think the partnership that we now have with India Post, which is a new partnership, where we've signed an exclusive partnership on some of the digital products that are being launched by them. This is a material development for us. These things take time to show up in the numbers. Typically, it takes three to six months before the numbers start showing up. But the fact that we've signed contracts, we've got all the business and the commercials have been closed out and we are already working on integration, I think it gives us tremendous amount of confidence on being able to achieve the set of goals that we have set for ourselves. I'll just pause here and see if there are any points people want me to get deeper into.

Ravi Udeshi: In case anyone wants to ask a question, you may please raise your hand. Mr. Sanjay has posted a question on the EBITDA margin, whether 10% to 12% is the EBITDA margin which is being projected in the future. Is that right?

Tashwinder Singh: That's correct. That is the goal that we are targeting for the Company in our three-year vision plan.

Tashwinder Singh: As I think about that, I just want to add one more point. The Company has, if you look at the cash burn, not been burning cash primarily because we are not a B2C Company, we are a B2B Company. As a B2B Company, a lot of our marketing efforts is directed towards enterprise partners, where the efforts involved are very different compared to B2C companies. I think we've been able to manage our growth, without necessarily needing significant burn. And that is the ethos I think how we want to build this business. I don't think we want to build this business by not being focused on the bottom line.. Having said which, we have also said very clearly that we do want to invest in our businesses, and we are looking to invest. We've done the first round of investment of Rs. 50 crores into our subsidiary where we would be, obviously spending the money on building our Intellectual Property as against just using that money for marketing and getting customers. That's really the difference in the way we're thinking about growth.

Ravi Udeshi: Mr. Sanjay Avtharamani has a follow-up question. Whether you can list some competitors in this space?

Tashwinder Singh: There are lots of people and competition is different for different segments of our business. In the core business on what we call as the API infrastructure play, some of the players are like Open, or you look at an entity like Zeta, or you look at Setu, these are people with whom we compete with. On the NBFC side, which is also part of our business now and Niyogin has an NBFC license, it's obviously starting to lend as I had mentioned in my previous calls. We are trying to leverage our network and trying to see how we can lend within the network, which means we are not necessarily lending across the entire street to anyone and everyone. We are focused on just trying to be very focused on how we are deploying the capital that's on our balance sheet. But looking at some of the other infrastructure players, I would say M2P, Zeta, Open, Setu. These are the players who I think are real competition for us.

Tashwinder Singh: I think there is a hand up by Mr. Deepak Poddar maybe we can take his question.

Ravi Udeshi: Yes, Mr. Deepak I have allowed you to talk. Please go ahead.

Deepak Poddar: Sir, my question revolves around your guidance. You spoke about Rs. 100 crores and going up to Rs. 500 crores in three years. So, that's about 70% CAGR we are talking about, even on the EBITDA margin front from currently 3% percent to 12%, maybe in three years so just wanted to understand the trajectory. Do you expect that this growth journey to be equally distributed over the next three years?

Tashwinder Singh: No, I don't think it would be distributed equally Deepak. It's a good question. We are in a build phase, and we've just invested our initial capital of Rs. 50 crores in what we want to build in the rural financial inclusion space. But next year is going to be a year of build for us. Certainly, we will grow because we have fortunately the tailwinds and the momentum of what we have done this year, that will help us continue with our growth trajectory. But I think the real leap we will take will be maybe the year after next. That would see a significant jump.

Deepak Poddar: So, what you are indicating is that our growth would be a little back ended, FY23 might see a moderate growth, but the real growth might be visible in FY24 and FY25, right?

Tashwinder Singh: I don't know what the definition of moderate is, Deepak. Because that varies for various industries. In our industry, moderate growth also needs to be above 50%-70%, anything below that is meaningless. So, our motivation is that we should be delivering significant growth every year. But the second year from this year, not the first year, the second year will be significantly higher than next year. Next year will also show growth because like I said, some of the contracts that we have done, whether it is with a CSC or with an India Post or with a BhaFin or with multiple other partners, all of these are going to come to fruition this year now. From this quarter onwards, the quarter that we are in right now, I think you will actually start seeing the jump in our GTVs and therefore in our revenues. So, you will start seeing that impact coming in because we are now concluding on some of the integration projects that we have started which were all announced maybe one or two quarters earlier. But it takes time, typically 3 to 6 months before the revenues start necessarily showing up.

Deepak Poddar: I understood. But in terms of margins, you did say that we expect revenue to grow faster than expenses. So, it would be fair to assume that your EBITDA margin will keep on improving year-on-year?

Tashwinder Singh: I think that would happen. The only caveat I would make, Deepak is next year we are also investing a lot of money. So, I think next year you may not see the significant jump in that sense. You will definitely see significant growth. But I think, like I said, we are not building businesses of just putting in the money and then worrying about where the revenues come from. We are building our business on a modular basis. So, when I say we are doing a neobanking proposition, the neobanking proposition is already ready, we are going to be launching it in the course of the next couple of weeks. That investment is done. And now we have got incremental product propositions, for example, prepaid cards, etc., we are going to start the build on that. But as we are starting the build on that, we hope that the revenues from the neo banking business will start coming into play and therefore that will defray some of the expenses that we will have to do for the new product build. So, we are being sensible. It's not just about, okay, let's just go build, keep our eyes closed. We are trying to build, launch and then continue the build on the next side. So, it's in some sense a little sequential, not totally sequential, but a little sequential.

Deepak Poddar: Understood. And what's the investment we are talking about? Like Rs. 50 crores investment we have already done, right?

Tashwinder Singh: In our business plan last quarter we had articulated that the entire vision that we have, will required the spend of about Rs. 100 crores. And it's not that we need to put the Rs. 100 crores on day one. It is about building the business. We have to build the right sort of a product set with the right partners. It's not only about the build, but it is also getting the right partners. Like we have India Post as an example, like we have CSC, like we have IndusInd, we have got a lot of other banks as examples which are all partnering with us. And there are different solutions, we are working with different institutions. So, it's a business build. The capital is obviously required for the tech build, but the tech build has to go in sync with the business build. There's no point just doing the tech build without necessarily having the business build come along with that. I think both have to go together.

Deepak Poddar: So, FY23 we are targeting incremental Rs. 50 crores investment? Rs. 50 crores you said we have already done.

Tashwinder Singh: Rs. 50 crores is what we have already done. I think our plan was to put another 50, but like I said, we are going to be calibrated. So, I don't want to give you a commitment that the Rs. 50 crores will immediately go in the next 12 months. We had said that we would do it over 18 months in the announcement last quarter. My vision and my ask is to do it sooner rather than later, because I think that will help us scale faster. But I don't have a date. I can’t tell you by when the balance Rs. 50 crores will go in.

Ravi Udeshi: We have a question in the chat box from Mr. Subrata Sarkar. Mr. Subrata Sarkar is asking why our revenue growth expectations is lower than our GTV growth expectations?

Tashwinder Singh: Our revenue growth expectation is going to be different from our GTV growth expectations because we are getting into new products. What happens is when you get into new products, the revenue potential of the new products or the margin potential is different from what you have seen in the past. If you look at the unit economics of our current products, when you look at a micro-ATM or you look at a AEPS or you look at a DMT, which are really the core products that we are operating in today, that has a significant higher revenue potential. In the new products that we are getting into, there is again good revenue potential, but because we will be breaking into that market, sometimes we may need to go with a lower pricing to break into that space and to create our footprint there. But like I said, in all cases, our unit economics are going to be profitable. I think we are very clear about that. Also, the concept of GTV needs a relook. For example, in neo banking if you have bank accounts being opened on our platform or on our app, like, savings accounts, current accounts, those don’t really flow into the GTV numbers. So, one needs to look at the whole definition of GTV which also needs to undergo a little bit of a change which we will all calibrate as we go along.

Ravi Udeshi: Thank you. We have a question; Mr. Rahul has raised his hand. Mr. Rahul, I have allowed you to talk, please go ahead.

Rahul: Hi, I am not sure if you have touched upon this, but here's my question. In your investor presentation, you have kind of mentioned that your activation rate for the Urban Tech has dropped to about 12.9% versus 20.3% a year back. If you could throw some color on this, please.

Tashwinder Singh: On Urban Tech, I think the focus of our business proposition has been to try and provide incremental products. So, we went back and did a little bit of soul searching on what is it that we are doing on the Urban Tech and how can we really get into a hyper-growth mode there as well. The whole hyper-growth plan presented last quarter was more about rural tech. Rural tech business seems to be trending in the right direction. On the Urban Tech side, we have about 5,000 odd Chartered Accountants and intermediaries that log on to our platform. And primarily what we were doing was distributing loans through that platform, helping them meet the objectives of their MSMEs and SME customers by getting them on our platform and fulfilling the needs that they have. And on the right side, we tied up with a bunch of service providers or capital providers and what have you and we went back and started thinking about what else can we do with this ecosystem. So, this quarter we took a decision to enhance our product stack capability. So, we are now getting into insurance in a big way. We have tied up with someone for HRMS where we are going to bring in incremental products which are non-financial in some sense. Also on the product, and both in terms of the number of new partners that we added last quarter versus the activation of the partners that we did last quarter, was actually slowed down. Primarily because we did a bunch of focus groups and we were trying to figure out what are the right products that we need to bring into this market to be able to really take it to the next level. We are launching a new platform. So, there was some work happening on refurbishing our current platform. A lot of build work happening which led to a little bit of a reduction in that activation rate. But the customers are all there. We are very closely in touch with most of our partners. And some of the new things that we are doing now in that space which I will allude to in the next couple of quarters as we bring those out, I think would be very interesting. We have got some interesting partnerships being done with some insurance players, where we are going to bring insurance on our platform. There is, like I said, HRMS. We found that HRMS is a solution that most chartered accountants are actually providing to the MSMEs. Automating that function was a huge activity that they were all looking forward to. So, there has been a little bit of a to and fro on that count, but you will see these numbers improving significantly in the next couple of quarters.

Rahul: You have set yourself a very ambitious target for the next three years. Does it rely a lot on how your product stack is currently placed or does it also rely on you getting a lot of things right as you have already alluded to like with your urban platform and your rural platform, you do have plans to invest up to like Rs. 50 crores or more. So, how much of this growth is kind of like based on, I don’t know if I am putting this right, based on everything that you have been doing, versus what you are planning to do with your platform?

Tashwinder Singh: I think it's a tough question to answer, Rahul. I will be honest, it's not that we have everything sorted for the next three years. It will be unfair of me to say that we have everything sorted for us for the next three years. This is a build phase for our Company, and we are learning, we are building, and I think we are delivering. That's the way I think about life. Now, we feel confident about the targets that we have set for ourselves because some of the tailwinds that we have, some of the contracts that we have been able to win, some of the conversations that we have had with significant and material partners in the market have been very-very encouraging. A lot of new product build really comes in not because we have thought in some isolated ivory tower of what the product should be on the ground. These are ideas and thoughts that are coming from some of our large partners. Some of the conversations we have had with CSC, that has 650,000 retail outlets across the country, and I have mentioned this on our previous call. What do they want to see on the ground? How do they want to deliver to the last consumer in rural India? This is really driving a lot of the build that we are doing because we are powering them. We are partnering with them. You look at an India Post, if you look at the last budget speech of the Finance Minister, they spoke about India Post being a significant entity to deliver financial inclusion. They have chosen us to be their partners in their delivery of financial inclusion. Now it's not straightforward to just say, okay, I want to only do a micro-ATM product. I will give you an example. They have plans to do something which is called a digital money order. Very interesting proposition and I will take a minute to explain to you. Today, through Jan Dhan Yojana, 430 million bank accounts got opened. How does one transfer money to somebody who does not have a bank account? So, significant number of people have bank accounts in the country, but there is still a large portion of people who don't have bank accounts. India Post is the only entity that's able to provide the old historical money order proposition of delivering money to people who don't have bank accounts or who do not have ability to go access a bank account. Now, we are working with them to create something called a digital money order. That's a proposition which is their product, we will provide the entire technology stack around it, and we will deliver that proposition for them. So, there is some very interesting innovation that's happening in the market. We can't take credit for this innovation. I have to say the innovation is being worked on because the customers have product ideas, and we are providing them with the execution capability and the platform for being able to deliver those execution ideas. Now, as we keep scaling and part of our belief in scale is based on our customers' own belief on how big that product could be. The way we have built our business is we are not a classic technology Company where we would deliver a certain product and get paid just for making that product. We are a transaction revenue Company, which means that we make the product, but we get paid basis a small fee on every transaction that gets transacted on our platform. Which means that if you really think about it, if our customers have a win product, and that really scales up, we will keep making money on every transaction that gets transacted on that platform. So, in some way one can argue that there is a long tail of revenue that could come our way. We have so many ideas which are there on the table right now which are all under execution in some form or shape. We hope some of these will be big hits and that gives us the confidence that we will be able to achieve the numbers that I have alluded to earlier.

Ravi Udeshi: The next question we have is from Mr. Prateek Sahu. Prateek, I have unmuted you. You may please go ahead.

Prateek Sahu: I have a few questions, so I will just go in order. One, is there any update on the Axis Bank-NSDL partnership. I think we have mentioned that in the last call. I have a couple of more. One is we saw that there was just a marginal bump up in the average transaction size. What is the stable transaction size that you are expecting over the next three-year period? The third question is out of the 500-crore topline, the hyper-growth topline what you are targeting, how much of it is, I would say more in terms of logged-in visible revenues attributable to some of the partnerships what you are already logged-in? And how much of that is fungible? So, these were my initial questions.

Tashwinder Singh: So, let's take one by one. Firstly, on the NSDL-Axis Bank, they are two separate partnerships by the way, they are not the same, they are two separate institutions. So, we are working on integration with both of them and we will be announcing some launches in the course of the next couple of weeks with both of them. So, there again the partnership was more neobank proposition linked where we were working on trying to get a bank where we could use our front end to open bank accounts which could be current account or savings account in the whole financial inclusion space, which is in the second, third tier towns and rural areas. So, that proposition is underway. Like I said, it takes a little bit of time in terms of integration, etc. We announced the partnership last quarter. This quarter, we are pretty much done with most of the integrations and in the next few weeks you will hear about some launches that will happen on this count. So, that should answer the first question. In terms of transaction size, I think the transaction size per transaction is Rs 3,100 give or take. Thanks to inflation, etc., the numbers could go up a little, but I wouldn't worry about that. We track it very closely because we like to see what is the total number of transactions that are transacted on our platform. We do more than 6 million transactions a quarter give or take. So, it's just good to keep that data point. I don't think this is really driving anything which is different. The transaction volumes are going to be very different in rural India versus urban India. These numbers are driven more by the level of money transfers or the level of withdrawals that happen largely in rural India. So, I wouldn't really try and draw any conclusion from, if this number going up or down. That's on second part. On the third part, it's a very interesting one. 500 crores, do you have it in the bag? That's really the question, right? With the partnerships that we have. Now, some of the partnerships we have are very-very large. Just to even juice out the entire revenue potential of each of those partnerships is going to take a lot of time and effort and energy from our side. Like I said, we have 246,000 retail points that we have sort of logged onto our platform. But if I just look at the potential of the partnerships, we could be over a million. If you just add the 650,000 of CSC, you add, call it 200,000 of India Post, you add 125,000 of Bharat Financial and then you have the smaller partners, all putting together, we could well over be a million, if we could execute them pretty quickly and get them done. So, there is a significant premium I am putting on us, in the team, on our people, on execution. I think there is a lot to do on execution. We have front loaded and demonstrated to the market that this product works. This product makes money. There is a profitable way to deliver financial inclusion. Now it's the question of how the scale comes in. And the beauty about the scale is that the scale is not something that I need to go hunt in the market. It's about executing what is already there in the system. So, if I do fantastic execution, yes, this number looks easily doable. But if I go slow in my execution, and it's not only me, it's not only Niyogin and iServeU, it's the partnership with these people, with our partners. So, with the partnerships when you work, the speed at which some of our partners work also becomes important. How do they want to bring new products into their ecosystem, how do they want to provide new propositions. They all have front ends, how do we integrate with their front end from a technology standpoint? Then there is the whole education that happens to their front end, which is the VLE or what have you. So, there is a bunch of things that have to happen for these things to get executed. If you ask me, does the potential exists in our network today? I think absolutely. But we have to deliver. We have to deliver and it's not something that delivering is just switching on a button. It's a daily activity of being there, out there trying to get things done. So, it will take time. That's why we've put ourselves a three-year target rather than a one-year target.

Ravi Udeshi: Yes, Mr. Suraj Kumar, I have unmuted you. You can please go ahead.

Suraj Kumar: I would like to ask about iServeU. The auditor has resigned recently. What was the reason for auditor resigning?

Tashwinder Singh: There was no reason other than the simple fact that when we acquired the Company, this was part of our shareholder agreement that as a listed Company, we want the quality of auditors, the governance, to be of the standard that we would expect. There has been no issue. The auditors are absolutely fine. In fact, they will continue engaging with our group actively. iServeU is a great Company, but it's been a homegrown Company which was started by four founders in Bhubaneswar. They had a local person who was an auditor. We wanted to get a more standard and better established entity into the audit function and that's why the change.

Ravi Udeshi: Thank you. We have another question from Mr. Prateek Sahu. Mr. Prateek, I have unmuted you. You may please go ahead.

Prateek Sahu: I am just continuing from I think a question which another gentlemen asked on the call. Wanted to understand how do you define the activation rate for a rural tech or a wealth tech? Like is it the retailer getting activated for what period? The second, I wanted to understand there is some loan book growth. So, at a steady state perspective, as in the revenue mix how much of it are you targeting from an interest income versus the fee income, which is the core of our model? And third while you have alluded to from a three-year horizon because of investments, etc., we will be reaching at a 10%-12% EBITDA, but from a steady state perspective, where do you see those margins landing up?

Tashwinder Singh: So, all good questions. Let me take them one at a time. So, first question was really about the loan book. Let me address that first. The way we think about our numbers today and if you look at our numbers, less than 20% of our revenue is interest income. It is about 18%-19% give or take. I don't think that number is going to change. We are still a fairly fee income-focused Company and we want to be that. We don't think of lending as a first product in the market. We are not out there, I don't have any Niyogin branches because if I was doing lending purely for the sake of lending, I would need to create my footprint across the entire country. We don't do that. We don't have that. Our approach is to focus on the network that exists, and we are talking about 246,000 retail outlets, for example, and there are partners above the retail outlets, which are about 600 odd plus partners. When I look that ecosystem this is where I want to spend my money on the lending side. This also gives me a double whammy or a double bang for the buck because that the customer (which is a retailer customer) firstly earns money off me because every transaction the customer does, I pay them for their transaction. I am effectively a golden goose for that retailer, the retailer does not want to default on me. So, I actually have better credit data. Firstly, I have information of how much money he makes off me which is a good data point for credit underwriting. Number two, that person has an ongoing business with me which means that he does not want to default on me, and we have a closed loop wallet arrangement with him which means he has to open a wallet with us, and I am able to transact through the wallet on the loan side as well. So, I can debit the wallet to collect the EMI and I am anyway crediting the wallet for all the payments that need to be made to the retailer for the business that he does on our platform. So, that is the ecosystem on how we are building our lending shop. Now there will obviously be other incremental lending opportunities which could be through the credit enhancement route where other Fintechs who are using our platform for other products will also come and tell us that listen, why don't you also lend to us. Again, the focus is not be a single trick pony product, but more like a completion of banking as a service proposition. So, the lending business will grow. It has grown in the last quarter, and it will continue to grow but it will not grow to overtake the fee business. I think fee business will continue to be between 65% to 75% of our revenue base and I think we want to keep it that way, actually more than 70% is where I would like it to be. That is one. Number two. I think you had a question on the activation rate on how do we define activation rate. To count as an activated customer is typically defined as customer who does a transaction a month. It is not driven by just a customer getting activated on our platform because he has downloaded our app, or he has basically got himself registered with us. Those are all good things, but he has to do a transaction. There has to be a revenue transaction on our platform and that defines activation for us. So, the activation is when the customer has finally experienced us, a customer defined as the retailer here, has experienced us and has actually seen a transaction flow through us and therefore effectively has made some money off us. And obviously we have made some money off that transaction. Sorry, I forgot the third question. I apologize. Could you repeat the third question?

Prateek Sahu: What would be the steady state EBITDA margin long-term and just one question; the value tracking activation, would you at some stage also look at retention? Because I think post activation also, I think retention over a slightly longer period is when you will start getting the lifetime value of the customer and you will be able to juice more from the partner and the customer, right?

Tashwinder Singh: Absolutely. I think these are all data points which I guess we track in some form or shape, but I think there needs to be more discipline on tracking. Retention is a data point that we spoke off sometime back internally, we have not started tracking it. Steady state EBITDA is a difficult one to answer because there are products that we are delivering, incremental new products are coming in, new ideas are coming in. I think steady state the business should operate at least at a 25%-30% gross margin. And then EBITDA should be at least 15% to 20% on a steady state basis. We are driving these businesses on a milestone-by-milestone basis and we set targets for ourselves on a milestone-by-milestone basis and our next milestone is to get to the 10% to 12% EBITDA margin number while delivering significant growth on our top-line. So, have not really thought about it from a steady state what this number would get to quite honestly, I don't want to throw a number out there randomly. So, let's just go milestone-by-milestone and as long as we are delivering in the right way which means we are increasing our revenues, reducing or having a lower growth in our expenses, I think we will get there.

Ravi Udeshi: We have a couple of questions in the chat box. Mr. Sanjay Awatramani is asking as; how is the revenue recognized? Is it transaction-based or subscription-based? That is question number one, Question number two is, how does the cycle move for the partners, when we add a partner, do the revenues flowing from the same day itself?

Tashwinder Singh: So, it is a mix of transaction and subscription, Sanjay just to answer your question and I will break it up between rural and urban Fintech. In rural Fintech, which is a large portion of our business, what we do is when we add a new partner, there is a certain integration fee we take, call it subscription/integration fee, you can call it what you want. We take that as a one-time fee from the partner and then beyond that it is all transaction-based. Subscription would have been an annual payment. We don't have an annual payment construct. We have a one-time payment construct which is more integration, etc., and then it is all transaction-based. That is how the model works. In the urban tech platform, the CAs are logging onto our platform, there's no subscription really, it is all transaction-based. So, we are trying to make it easier for people to come and deal with us. In our wealth tech business, there is a subscription-base, it is a very small part of our business, frankly, not really moving the needle for us. How does the cycle move for the partners? When we add a partner will the revenues flow from the same day? So, what is the work required when a partner is added? When the partner is added, the partner has to do a couple of things. Firstly, if the partner has its own platform. We integrate into the partner's platform which means our product stack becomes an icon into whatever front-end the partner may be using. It is a web-based solution, or it is a mobile app. We can just put in our SDK, or they can do a full integration with us. That is number one. Number two, the partner needs to have the digital devices which could be either the authentication device for a fingerprint or of an ATM card with a micro-ATM. Those devices need to be in the retail front ends. Now once you have got that device in the front-end and you have got our technology integrated into their core system, they are good to go because by integrating they connect to our switch, and I mentioned in the earlier part of my conversation, now we have our own switch. IndusInd has sponsored our switch with NPCI, and it is actually India's first cloud native switch. So, we can get technical if you like but it is very interesting and it is unique. So, we have got our own switch which means our cost structure is better than other players in the market because we are directly connected to NPCI. We don't need to pay anybody to connect to NPCI directly. So, that takes away of a little bit of an expense base for us. And I mentioned this in my previous call as well, this business is about pennies. This business is not about dollars. You need to save all the pennies that you can save in the business to make big money eventually. So, that is how it works. Now when a transaction gets done, the partner makes money. Every transaction that gets done; the partner makes money. So, it is not about the partner signing up, it is about the partner transacting. I hope that answers your question, Sanjay.

Ravi Udeshi: We now move on, Mr. Prateek Sahu has a follow-on question. Mr. Prateek, I have unmuted you. Please go ahead.

Prateek Sahu: One question I wanted to understand is that are you looking to raise additional capital over the next three years? One, because while this is an investment phase and more so I think because we have been outlining in your investor presentation plus earlier calls that you are looking for synergistic M&A opportunities? So, that's the first question. The second, you had also mentioned that you are looking for some licenses, if you could just share some light on that.

Tashwinder Singh: So, both very interesting questions. Firstly, on capital, I think our strategy remains clear as it has been over the last few quarters. I think for the core business we are well-funded. Raghvendra in his talk alluded to the capital that exists, we are a net cash positive Company, and we have zero debt on our books. We have Rs. 87 crores of cash. There is no immediate need for us to raise money per se, number one. Number two, as M&As become real, yes, there would be need for raising capital, but we are a listed Company. So, to some extent we have a little bit of flexibility on that as well. So I think capital raise is going to be driven largely from an M&A standpoint rather than from building the business and burning the cash standpoint because we are not doing that. In terms of licenses, it is very interesting. Every time there is a new regulation or new opening up of thoughts that come in from RBI, we obviously get excited and the most recent one has been about RBI allowing NBFCs to issue credit cards. Now think about it this way. I have iServeU, as my engine which is actually providing the entire ecosystem for issuing prepaid cards, etc., to some players, providing the technology stack, the API stack. Niyogin as an NBFC could actually take a license from RBI, if RBI agrees to give it to us - I mean we stack up in terms of what parameters they put in the public domain, you need Rs. 100 crores networth so on and so forth. We could be the entity that issues a credit card, so tomorrow for all the new FinTechs which are issuing credit cards, we could provide a one-stop solution saying you don't need a bank, you don't need to go to a tech provider, we can give you the entire stack in one shot. For that, I need to have the ability to issue a credit card and I need to have the tech stack for being able to manage the entire credit card processes. Credit card is one point, or it could be a prepaid card. In rural India, I think prepaid cards will have far better relevance than credit cards, but nevertheless, it is what it is. So, we are thinking about licensing in that sense, it is not in my hands, we can apply, it is for RBI to think us to be appropriate enough to be given license. But we think our business gets significantly enhanced when we get licenses like this. So, every time there is some change in regulation or RBI is willing to extend a little bit to the NBFC market, we are be there in the line to take those licenses to be able to expand our business further.

Sonia Keswani: I think we still have one question to be answered by Sanjay. He asks; can you share the percentage of fee charged per transaction?

Tashwinder Singh: It is not per transaction for every kind of transaction. If it is a micro-ATM transaction, it is per transaction, in AEPS it is per transaction, in domestic money transfer, it is a percentage. But the way we look at these businesses is to look at the yield on the throughput. It is anywhere between 30-40 basis points to about 80-90 basis points. the DMT businesses sitting at about 70-80 basis points, the AEPS/micro-ATM business is sitting at between 30-40 basis points. That is really, how the math works.

Ravi Udeshi: Thank you. Mr. Sanjay has a follow-on question. Mr. Sanjay is asking; what are the risks that we face in this business?

Tashwinder Singh: So, I think that the most important risk that sort of keeps me up at night is that are we working hard enough in terms of being able to execute faster because there is a market out there. We think it is a virgin market, but virgin markets doesn't remain virgin because people catch onto it. We have got a real solid footprint in rural India, and we need to be able to capitalize on that rural footprint from a business standpoint. From a risk standpoint, some of the traditional risks that you would see, for example, fraud risk, etc., since we are dealing in some sense in cash to some extent. So, there are checks and balances, there are real cash transactions happening between the retailer and the customer and we at a distance are mediating or playing a role in that. That is something which we need to be very-very cautious about in terms of having our checks and balances in place. Technology businesses fundamentally need to have appropriate redundancies. Our customers depend on us, when they use our platform, they depend on us for delivering services to their customers on the platform. One of the things I worry about is this robustness of our platform. So, we have invested a lot of money and effort in the robustness of our platforms to make sure that the downtime is absolutely minimized. The efficacy rate or the transaction go through rate is extremely high because these are all data points which are important from a customer standpoint that keep us in business. The technology risk is very important. Obviously, everyone worries about obsolescence of technology. I think we are at the cutting edge right now. So, I worry less about it, but we want to worry about it all points in time because we want to make sure that we are at the cutting edge. The databases we use are unique,. There is a Company in the US called Cockroach database. We use their database. We are the first Company in India to bring that technology into India. Of course, I am sure multiple people would be using that, this is a database that is residing over multiple servers and gets updated automatically across all the servers creating appropriate redundancies. So, we have brought in some of the newer ideas and newer thoughts. Similarly, we have now got integrated with NPCI. I don't know of too many other Fintechs that are directly integrated with NPCI. Everyone really puts their transactions through a bank, and we reduce a hop because we go direct to them. Now that one hop could be a few milliseconds, but it enhances the customer experience, it reduces our dependence on somebody else's technology which I think is important for us. We are happy owning our technology, then we are in control. So, these are some of the things we worry about. But I can't think of anything that is staring at me like a real problem at hand right now.

Ravi Udeshi: Mr. Prateek you may please go ahead.

Prateek Sahu: One last question. How should we look at FY23 as in terms of business tech, etc. As in how would you define the milestones for the coming financial year?

Tashwinder Singh: So, Prateek, I have not really given targets for next one year because next year is going to be a very different year for us. It is going to be a year where we are going to be expanding, growing, but we are also going to be building. If I had all the tech stack already built out and I just had to expand, I would have given you a target. But, because next year is going to be a bit of both, I think we have not given anything in the public domain. Rather we have given targets for three years because we think that all the build would have got done and that we would just be in the expansion mode. So there would be some stability for us to give a number that we are happy to execute against. That is the way I think about it. But I can still talk about certain targets in terms of our growth in terms of the footprint. Again, these are numbers that come from the partners that we operate with, on what CSC wants to see, what India Post wants to see, what BaFin wants to see. Those numbers are pretty staggering. We need to execute against those, but we have not really put a number out there for the next one year.

Ravi Udeshi: I believe that since there are no further questions, I would now like to hand it over to Tashwinder for his closing comments.

Tashwinder Singh: Firstly, thank you everyone for joining again on this Monday evening. We are very excited with what we are trying to build. I really appreciate you taking the time to listen to our story. Please do keep logging in, please keep listening to our story. It is a very exciting place that we are operating in and would love to keep sharing our journey as we progress quarter-on-quarter. Thank you again and we remain available in case people have follow-on questions, please feel free to send them in. I think Ravi has already shared the email ID where you can send in your questions, and we will endeavor to revert back to all of you. Thank you so much.

Ravi Udeshi: Thank you, that ends this call. In case anyone else has any further questions as Mr. Tashwinder said, please do write to us. Thank you and have a nice day.