niyogin

Date: May 18, 2023

To
BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Fort
Mumbai -400001
BSE Scrip Code: 538772

Dear Sir/Ma'am,

Subject: **Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') - Transcript of the proceedings of the Earnings Call held on May 12, 2023 for the quarter and year ended March 31, 2023**

With reference to our letter dated May 05, 2023 and pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI Listing Regulations, we are enclosing herewith the transcript of the proceedings of the Earnings Call held on May 12, 2023 in respect of the Audited Financial Results (Standalone and Consolidated) of the Company for the quarter and year ended March 31, 2023.

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

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

NIYOGIN FINTECH LIMITED

Neha Agarwal
Company Secretary & Compliance Officer

Encl: a/a

“Niyogin Fintech Limited

Q4 FY’23 Earnings Conference Call”

May 12, 2023

MANAGEMENT: **MR. TASHWINDER SINGH – CHIEF EXECUTIVE OFFICER – NIYOGIN FINTECH LIMITED**
MR. ABHISHEK THAKKAR – CHIEF FINANCIAL OFFICER – NIYOGIN FINTECH LIMITED
MR. TRIVENIKA AVASTHI – INVESTOR RELATIONS OFFICER – NIYOGIN FINTECH LIMITED

MODERATOR: **MS. SONIA KESWANI – ERNST & YOUNG**

Moderator: Ladies and gentlemen, good day and welcome to the Niyogin Fintech Limited Q4 and FY '23 Earnings Conference Call. As a reminder, all participant lines will be in a listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star and zero on your touch-tone phone. Please note this conference call is being recorded. I now hand the conference over to Ms. Sonia Keswani from Ernst & Young. Thank you and over to you ma'am.

Sonia Keswani: Thank you Vikram. Good evening everyone. On behalf of Niyogin Fintech Limited, I welcome all of you to the company's Q4 and FY '23 earnings conference call. You would have already received the Q4 and FY '23 results and investor presentation, which is also available in our filings with the BSE. To discuss the company's business performance, we have with us today Mr. Tashwinder Singh, the Chief Executive Officer and Managing Director, Mr. Abhishek Thakkar, the Chief Financial Officer and Ms. Trivenika Avasthi, the Investor Relations Officer of Niyogin Fintech.

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 address mentioned in the company collaterals. With that, I would now like to hand it over 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 the Niyogin Fintech's earnings call. I sincerely hope that, all of you are doing well. Let me start by giving you a little brief about our company. We operate a tech-centric platform-based model, wherein we deliver Banking as a Service (BaaS), with lending capability in both rural and urban India, through our 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 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 their local customers. Moreover, our partner-led strategy helps us reach out to a large number of SMEs and MSMEs 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 earn a fee or commission on every transaction that, is routed through our platform. I'm pleased to report to you that, we have concluded FY '23 or what I call the year of our build, by making significant progress towards achieving our vision of creating a digital platform that, serves as a one-stop solution, to meet the needs of all the financially underserved.

During the year, we continue to increase our partner network by onboarding our first PSU bank and enhancing our tech capabilities by launching products like agency banking solutions, prepaid cards, neo-banking, insurance among others. An outcome of building on these fronts has been evident in our quarterly reported gross transaction value, GTV figures, which have been on an increasing trend consistently, since the past two years.

In line with our guidance, from last quarter, I'm happy to share that the GTV growth rate trend has strengthened. We are demonstrating an inflection in our J-curve trajectory. The GTV grew 65% quarter-on-quarter, in Q4 as we transacted more than INR 5,800 crores worth of transactions on our network, in this quarter compared to the INR 3,500 odd crores, in the previous quarter that is Q3.

We touched the lives of millions as we transacted over 14 million transactions in this quarter, up from close to 9 million in Q3 FY '23. This growth validates our API infrastructure strategy focused on the enterprise segment. While March is usually a strong month in terms of business volume and GTV, given the last month of a financial year, I'm pleased to share that, we went on and exceeded the March business volume and crossed the INR 3,000 crores GTV mark in April '23. We anticipate that, in the coming quarters, the volume of transactions and the GTV will grow to match our expanding product and partner footprint, as our partnerships strengthen and mature.

By leveraging the strength of these relationships, we aim to position ourselves, as a key player in the industry and continue to drive success. Another key element of our growth trajectory is our lending business. Our outstanding loan books stood at approximately INR92 crores, this quarter as we focus on creating the right lending models to ensure appropriate monetization of our networks. We are in partnerships with a few new age entities to assist in monetizing their network as well.

The consolidated revenue for this quarter stood at INR36.3 crores, a 35% increase on a sequential basis. We reported an increase of 139% in GTV on a Y-o-Y basis and revenues ex-device sales, grew 40% on a Y-o-Y basis. We expect this trend to continue as our API infrastructure product and lending starts contributing materially, to our top line. As we enter FY '24, we feel confident and ready to embrace, what we define as the "Year of Scale' for us. Having built the above mentioned capability, we are now ready to demonstrate the material scaling of our business.

Being a fintech company, we have been able to pave a clear path to profitability, by bagging some marquee partnerships and relationships, unlocking cross-sell opportunities to cater to multiple use cases, and have been complementing this, with a low cost client acquisition andpartner led model. A great example of this transition, from build to scale will be our soon to launch distribution platform NiyoBlu. This platform is designed to provide access to financial services, including credit to MSMEs, and we believe, it will be a game changer, as we monetize our network. We are hopeful that this platform will help, will enable us to reach more customers and generate new tools.

We expect the broader product capabilities to drive gross margins higher in the future, given our focus on unit economics, and profitability. This strategy, coupled with our strong cash-rich balance sheet, makes us well equipped to thrive in an environment, where capital is now at a significant premium. With this, we believe, we are on track to achieve our FY '25 guidance. The market opportunity for us and API infrastructure provider, with lending capability, continues to be immense and gives us the confidence to achieve our set targets. I would now like to hand over to Abhishek, our CFO, to take us through the financials and other details of Q4 and FY '23, post which, we can open this up for questions and we can address all your queries. Thank you. Over to Abhishek.

Abhishek Thakkar: Thank you, Tashwinder. Good evening, everyone. I am pleased to say that, our operational metrics have performed well both in Q4 and full years of FY '23. As on 31, March '23, our BC partners grew by 20%, year-on-year and stood at 732, as we added 13 new partners in Q4 of FY '23. Gross transaction value, that is, GTV, including the payouts, stood at approximately INR5,818 crores in Q4 of FY '23, an increase of 139.4% year-on-year. On a full year basis, our GTV stands at INR14,994 crores, up by 72.8% year-on-year.

Our financial professional network increased by 3.7%, year-on-year and stood at 5,196 as on 31, March '23 and we added 113 partners in Q4 of FY '23. Our Wealth tech platform continues to perform well and recorded 21.5% year-on-year growth in the AUM, which stood at INR2,665 crores as on 31, March 2023.

Moving on to the financials for Q4 of FY '23, our consolidated revenue for the Q4 was INR36.3 crores, up 16.1% year-on-year and an increase of about 34.5% quarter-on-quarter. This growth was primarily transaction-led, as explained by Tashwinder, in his commentary. As explained in our past calls, FY '23 was a year of build for us, but if one compares our EBITDA and PAT process reported over the past quarters, there is a downward trend that, signifies our improving product mix. This is evident from our numbers, wherein EBITDA excluding ESOP charge, which is non-cash in nature, for the current quarter was negative INR 60 Lacs as against negative INR6.2 crores in Q3 of FY '23. ESOP charge for the current quarter was INR1.1 crores versus INR1.2 crores, in the corresponding quarter last year. The non-GAAP PBT stood at negative INR2.3 crores, in Q4, of this year as against a positive non-GAAP PBT of close to INR10 lacs , in the corresponding quarter last year.

Talking about our financials for FY '23, our consolidated revenue for the full year stood INR117.2 crores up 9.4% year-on-year. However, our revenue excluding device sales, reported a significant growth of 44.6% year-on-year and stood at INR108.6 crores compared to INR75.1 crores in FY '22. Adjusted EBITDA, excluding the ESOP charge, which is non-cash in nature, for the year was negative INR17.2 crores in FY '23, as against a positive INR3 crores, last year. ESOP charges for the year was INR4.8 crores versus INR5.3 crores, in FY '22. The non-GAAP PBT stood at negative INR23.3 crores in FY '23, as against a negative non-GAAP PBT of INR2.4 crores, in FY '22.

Our gross loan book stood at INR91.8 crores up 39.1%, year-on-year, driven by the significant scale-up of our MSME partner focused lending Book. We continue to remain a zero-debt and net-cash company, our cash-in-hand stood at INR89.4 crores as of 31, March 2023. With that, we can now open the floor for questions. Thank you so much.

Moderator: Thank you very much, sir. We take a first question from the line-up, Vishrut Bubna, an investor, please go ahead.

Vishrut Bubna: Who are the top three largest customers and what percentage of the GTV do they contribute to?

Tashwinder Singh:: We have not given data about individual clients, level data. The top three or four customers, we have indicated multiple times on various calls. When you start looking at some of the large enterprise clients that, we have, as I explained earlier, we have morphed our business, which is focused more towards enterprise clients. Some of the large enterprise clients, are obviously contributing larger volumes into our GTV. The contribution of the top 10 enterprise clients, would be making up almost what, 50%-60%, of the GTV. I do not know about top three, what their contribution would be, but that would give you an indication about, some level of lumpiness, towards the enterprise clients, which is expected because they are larger volume providers.

Vishrut Bubna: Just a follow-up question on that, say for example, like an India Post or some of the other bigger clients that you mentioned before, what penetration do you feel, you already have, within the addressable opportunity, of the distribution that, they have?

Tashwinder Singh: The penetration on these networks, these large customers like India Post, as you mentioned, or any of the other players like Bharat Financials Inclusion or some of the other names taken in the past, the penetration needs to be looked at on two relevant points. One is the penetration from a network standpoint and the second is the penetration from a product standpoint because with each of these partners, we have the ability to provide multiple solutions across the board. One could only take AePS API from us or a DMT API from us, or they could take all together, they could also take a neo banking API.

To me, the penetration, we are just at the start of the journey, with a lot of our enterprise clients. We have spent the last year really creating the whole enterprise strategy, we have got relationships built in, we have got programs done with multiple people, we have got deep integration done with some of the names you mentioned and a lot of them are either working on one or two products with us, without having implemented it, across the full network. Because our strategy, as I explained earlier, is that we do deep integration with the enterprise partners, but the rollout of the proposition across the network of the enterprise partners is really the responsibility of the enterprise partner.

We are providing the technology, we are providing the tech stack, we are providing the service infrastructure, but the rolling out across their network, is to be done by them and therefore, we are in some sense limited by the speed at, which they operate in terms of expanding the network. But then I look at the opportunity set that exists, across the network and don't forget, they are also expanding the network beyond, what we have.India Post is a classic case in point, we can talk about, where we have implemented this Agency Banking Solution plus some of the other product solutions, whereby they need to expand this and they want to get to a pretty significant footprint by adding incremental BC partners or BC agents in their network. Every BC agent that comes on the network, will actually come on our platform, all the transactions will be routed through us. So the scale that, we can potentially get from here on, is quite meaningful, which is why, we have given a guidance on FY '25, which is pretty significant compared to where, we are today.

Vishrut Bubna: Great. And then just one last question was around the NiyoBlu, sorry if I'm mispronouncing that's the new product that, is planned to launch. So, if I'm not mistaken, it's more like a lending marketplace or something, you're doing both co-lending and potentially also, lending yourself. So just want to understand that, what is the plan, the go to market for that, is it through this existing distribution from these clients, on the GTV business or is it through the CA network that was earlier there?

Tashwinder Singh: Yes, this is the NiyoBlu platform is a ubiquitous platform, which we can use in neither of the two platforms. Obviously, the initial launch is going to be with the CA network, which is more than 5,000 now, at play and each of those CAs is dealing with anywhere between 200 MSMEs to 300 MSMEs. So if you think about, the footprint of the network that we have, through the CA network is also pretty substantial. Now every time, any of those MSMEs need some financial solution, they go to the CA and we are now creating the platform, where the CAs can just connect with us, on a platform, which is like a marketplace.

And yes, Niyogin can also potentially take on some of the roles, on their books, if we think that, those fit what our credit norms are. Mind you, we would keep our credit norms quite tight and then, there is a large tail of lenders, who work with us, on the distribution side, where we are able to provide those transactions to them digitally and then, we make a commission and fee on that separately. So that's what, we are trying to do.

Vishrut Bubna: And just on the co-lending side, is there any FLDG that you all have to provide or any risk taking of them, purely a lead generation?

Tashwinder Singh: No, we don't provide FLDG to anyone. We are not. We are an NBFC. We have not provided FLDG to anyone and our strategy is not to do that. Our strategy is, on the distribution side, it's pure distribution, where we do not have any risk and if we have to take risk, then we'll take it and hold on our books because we are comfortable with that credit.

Vishrut Bubna: Good. Thank you.

Moderator: Thank you. We take a next question from the lineup, Pawan from Compound 26 Capital. Please go ahead.

Pawan: Hi, Tashwinder. Congratulations on the volumes, that you guys have done. Just taking off from the previous participant question on the NiyoBlu platform, how does that platform integrate or use the data on your payment business? Because, one of the benefits of having all of that data, deciding the payment business is that, you can cross-validate data. So how does that benefit the new platform? We can talk about that, little bit on that.

Tashwinder Singh: So end of the day, the way to think about it is that, you have access to large networks. We have to find ways and means of continuously monetizing those networks. When you look at our payment business or our financial inclusion business or the iServeU business, that's a large network that, we've discussed. That large network has great footprint. And then we have the CA network on the side, which is also a great footprint. We are creating a platform, which can then be used for originating loans for distribution. So we're basically trying to figure out that, through a digital mechanism, is there a better way for us to be adjudicating these loans, so which we can monetize and make some incremental money because the network has been established. So they're not directly linked, right? But there is obviously a linkage because you're just trying to find a better way to monetize the network more incrementally over what you currently do.

Pawan: Okay, got it. So this would purely be a distribution platform, nothing else. We will get fee for non-interest income, ok. Got it. And for accounts that, we can select, we will use our balance sheet to lend to them. Would we be raising any capital in this business to boost the balance sheet to increase lending?

Tashwinder Singh: So we already have about INR80 crores-90 crores of cash on the books, right? As Abhishek mentioned. And we have full leverage in any case, right? So we are an un-levered company, we are an NBFC but un-levered. So that's a call, we will take in the course of this year, on how we want to think about that part of the business because depending on, what is the kind of stuff that we are able to originate and what comfort we feel, on that we'll take a call on, how we want to move forward. On that, on what size of the lending book, we are comfortable keeping with us. Right now, we are quite small, as you know, about INR100 crores give or take.

So the strategy is not to be thought of as an entity, which will just scale the lending book and that's suddenly become a strategy for us. Anything and everything we think that, we do, we think about cross-sell, we think about opportunities for doing more, with the network or with the customer, where we can add more than just a lending revenue for ourselves. So certainly lending capability helps because in a lot of partnerships that, we have, they need lending capability and we are able to then bundle everything together and make much more than, you would otherwise do. If we were only giving lending or if we were only doing payments by putting them together, it creates a very interesting pull factor for the client side that we are dealing with.

Pawan: Switching to the payment side of the business. So you did INR 5,800 crores in this quarter. You are saying that, in April, you touched about INR3,000 crores. How sustainable do you think, this volume will be? Or you could expect growth from there on this as well.

Tashwinder: Yes, we discussed this point and it's a fair point, Pawan because around October, you had asked the same question and because of Diwali, there was some up and down on the volumes. We now feel pretty confident because this jump in volume that we've seen in Q4, is sustainable because this is the customers that, have gone live, incremental customers especially on the enterprise side, who have actually implemented our solution into their networks and therefore, these volumes have come through that.

So if it was the existing customer side that, was increasing volume because of some event or some issue happening like direct benefit transfer, one of those then, I would have said that there is some level of variability. But because this growth in volume has been supported by or has been driven by increasing both the footprint on the ground and by increasing partners and by new enterprise customers, scaling up with us, we think this is sustainable and we think it will increase materially from here on.

And that is obviously already shown between March and April which is why, I put the April number out there, to give confidence because everyone assumes that March numbers are generally supposed to be high because economic activity in the last month of the year is high and April tends to be a little bit of a slower month. April for India overall has been great. You look at the GST collections, which the government of India has come out with, in terms of numbers, which is the largest ever. And from our point of view, just the enterprise partners coming on board and these are partners that, we've been speaking of, you heard names of all these guys, right? Where we have done very, very deep integration with these partners across multiple locations.

And therefore now, we are seeing the benefit of that coming in. We've still got a few more enterprise partners that still have to come on board. Those benefits will all start accruing from June, July onwards. So I'm not even counting any of that. Therefore we feel quite confident about being able to sustain this growth rate.

Pawan: So if you could qualitatively at least talk about, how much of this growth that, you're witnessing is coming from existing partners, having an increased throughput versus new partners that, you've kind of gotten on board say this quarter versus last quarter?

Tashwinder Singh: Yes, out of the INR5,800 crores, you will probably have anywhere between INR500 crores to INR600 crores that would have come in from new partners because it's not that, the benefit of the new partners is all scaled up. These are existing partners that, are scaling up their footprint. So they are increasing their footprint. So a partner like India Post, if they increase the number of touch-points that, are using our platform, the volumes go up.

But it's an existing partner with whom the volumes go up. So I wouldn't say, it's new partners alone. New partner number I just gave you which is not material but that number will become material in the following months and the following quarters because they will also scale up across, as they expand our product capability, across their footprint, because the footprint is only owned by the partner. So, we will see that and that's what gives us confidence this will scale up quite materially.

Pawan: So you mean from the INR5,800 crores, INR500 crores to INR600 crores is from new partners and the rest is from existing partners, would that be fair?

Tashwinder Singh: I would say about INR5,000 crores to INR5,200 crores would be coming from existing partners scaling up and INR500 crores, INR600 crores would be coming from new partners that, would have just got on-boarded in this quarter.

Pawan: Okay, got it. Thank you so much.

Moderator: Thank you. We will take the next question from the line up Yash Modi from Ashika Group. Please go ahead.

Yash Modi: Good evening, Tashwinder, and congratulations to the Niyogin team, on a great set of numbers. First question is two interesting observations from the commentary that, you gave, one with respect to the prepaid card solution and two with respect to the PSU Bank account that, you've started. So two big wins. Could you just elaborate, because cards was one opportunity, where one of our competitors was doing a phenomenal job and it was something that, was missing in our portfolio. So if you could just elaborate on this card opportunity that has opened up for us?

And second, also on the PSU Bank win, which again opens up the entire PSU Bank space for us? First, these two questions, then I'll follow up.

Tashwinder Singh: Absolutely. So prepaid card again, in line with our business strategy. We are an API infrastructure play. We have created the entire stack, which we can offer to any of the entities that, want to offer a card solution, in their network. So we have the capability. It's a plug and play approach. We have conversations going on with a bunch of players with whom we will start this. And I'm hoping that, the first sort of client will start using our platform in the course of next month. But this is an interesting play. It's a full solution for card issuance plus managing the entire card infrastructure for an entity that wants to provide the solution. We have tie-ups with banks. So you will have co-branded cards with whichever entity wants to issue this, along with the co-branding with the bank. That will be interesting. Number one.

Number two, this is another important product for us because the margins in this product are significantly higher than, what you've seen in the existing GTV margins that, we have right now. So hopefully, as this business scales up, as this product scales up, we shall see material improvement in the margins, for our business.

In terms of the PSU Bank, again, very interesting. First PSU Bank, we broke in with a Aadhaar pay solution. They wanted an Aadhaar pay solution implemented along with switching capability, etcetera. So we were, we pitched and we got that business that, implementation is done. The scale will come over a period of time. But incrementally, thanks to them, we've got two other inroads for two other big banks. I'm sorry, I can't give the names of the bank unless I get permission from them to give the names. So I can't share the names, but very interesting, how this business could scale up for us because we were dealing with all private banks, at the back-end also, in solutioning. Now we've suddenly got the, PSU opportunity opened up and in the PSU opportunity, unless you work with one bank, the other banks don't take you seriously. So now we're becoming an important player, there as well.

Partly, it's also been driven with a partnership with NPCI, National Payments Corporation of India. We've been working with them very closely, with all the switching capability that, we've built through iServeU, built all of that for us. That partnership has become quite strong, that relationship has become very strong. So we, at some point in time, we will become the go-to entity for switching capabilities. We will become the go-to entity, wherever there is integration required. And that's the motivation of how, we want to be perceived in the market as well.

Yash Modi: Got it. Second question with respect to the margins that, you were referring to. If I look at the take rate for this quarter, with the GTV growth of INR5,800 crores and our revenue is around 36 crores. So take rate seems to have dropped slightly compared to nine months, FY '23. So some comments with respect to, the reason behind the drop in take rate. I understand now that, you've said that, the card business will be kick-in and a few other solutions. The take rate should again normalize to 40 bps, 50 bps. Because that was our assumption, when we were building a FY '25, 1,00,000 crores GTV and INR500 crores revenue?

Tashwinder Singh: Yes, absolutely. The way to think about this, Yash, is that, the net take rate is what really matters to us, right? Because the gross take rate and the gross take rate is defined as the overall gross level you will make. Net take rate is after the commissions have been paid out, right? So what's happening is a few of the enterprise customers. Our agreements with them are that, they will pay us commission. We don't need to pay anybody else, right? So there is no commission to be paid to anybody else. They'll pay us directly. So the gross take rate then, starts looking a little on the lower side, but the net take rate continues to be steady. That's point number one.

Incrementally, the net take rate is what really matters for us. Obviously, the gross take rate is something, we track as well. And both are important, but net take rate is what we take home. As our net revenue. So what I think, we should do is, we'll start giving you more data around the net take rate as well, on how that's, playing out. And that will show some increases. So enterprise client coming in, with them giving us, just the net revenue that, we should get and we don't pay the commission. They pay the commission directly to the network, will lead to some level of movement here. But the incremental products, like I mentioned, whether it is what we are doing for UPI or what we are doing for credit cards, prepaid cards will lead to any way increase in the net and the gross take rate in any case. So that's how these numbers will play out. That's point number one.

Point number two. The second point is that the take rate is a calculated number. Because what happens in some of our products, the take rate is calculated because some products we get paid on a per transaction basis, like an AEPS or a Micro ATM, our revenues, are on a per transaction basis. In a domestic money transfer proposition our revenues are linked to the GTV. So what happens is that the take rate is actually a calculated number.

And if you look at our average ticket size, it's actually moved up a little. It's gone up to about INR 4200 give or take. Just the GTV divided by the 13.99 million transactions we've done, it gets to that number. So as your average ticket size goes up, your revenues don't go up because your revenues are linked for these products. Revenues are only linked to the number of transactions. So the take rate will move a little up and down. But I still think that generally hover around the 40 basis points. From a modeling standpoint, we think it will hover around that area.

Yash Modi: Got it. Thirdly, in the presentation, I can see that, personal congratulations on giving a much better and a much larger level of disclosure in the presentation. I've seen a lot of new banking relationships, NBFC relationships that we've had, we've actually started. In that banking partner, I just wanted to understand the distribution that we do for these people, say the distribution of loan that we do for a bank. Would that figure get included in our GTV? Or GTV is only that goes through our system?

Tashwinder Singh: No, Only what goes through our system. We don't confuse what is being distributed out of GTV because that's not truly GTV. I mean, we could. It is a transaction, we are making money on it, but we don't include that so far. This data is very clean and clear. Right now, we are only giving you the GTV numbers of what goes through our system, through the iServeU network. So it's a clean and clear thing. I take your point. Maybe the data that was being done out there, maybe we should have a number that we should also promulgate on that count, which we should take into account and maybe we'll try and give you that.

Yash Modi: Yes, distribution. Just wanted to get an understanding of how big is probably our distribution book. Given the large network that we've built, just wanted to understand how big was that. So probably next presentation, we can do that. Next on this loan book, I see on the BSE disclosure that you've given, there is a financial impairment charge that was INR80 lakhs last quarter. It is INR1.25 crores this quarter. Could you just elaborate what is this impairment charge, this financial impairment charge?

Tashwinder Singh: This is not linked to the loan book. This is linked to some of the old receivables that were there. We have just, as a matter of prudence, we have taken some provisioning on receivables. None of it is a write-off. We have just taken provisioning. In the new IndAS regulations, I think the provisioning also gets recorded as impairment. I don't know Abhishek, you can probably clarify.

Abhishek Thakkar: Hi Abhishek here. Yes, as per the new IndAS regime, earlier we used to say, provision for doubtful debts kind of thing. Now, all this provision as well as the actual impairment is clubbed as impairment only in the financial. Remember all this entire INR4.6 crores that we have shown as impairment, for full year, there is no actual write-off. It is only impairment. Only provision.

Yash Modi: Okay, got it, got it. Thank you so much. All the best for the coming future.

Abhishek Thakkar: Thanks, Yash.

Moderator: Thank you. We take our next question from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Hello.

Tashwinder Singh: Yes, hi Deepak, how are you?

Deepak Poddar: Yes, I'm good sir, how are you?

Tashwinder Singh: Very good, thank you.

Deepak Poddar: Okay, sir, just wanted to have 3-4 questions. Number one, on the take rate that we were discussing, if I do plain revenue percentage to GTV, so that percentage has been declining for last 3-4 quarters. So is it because of only the average transaction value has gone up or the mix of transaction or is it because we are giving more commission to our partners or something on those lines?

Tashwinder Singh: No. We are not changing commission, we are not giving incremental commission. It is a multitude of things that lead to the calculation of the take rate, as I explained. It's partly got to do with the point that you mentioned, in terms of transaction size, average ticket size moving up or down, because again, a simple math. The fact that we have a larger transaction value, per transaction value, but the commission that we earn on an AEPS or a micro ATM transaction is still the same. So the take rate starts looking a little lower if the transaction average ticket goes up. That's number one.

Number two, like I said, enterprise customers are now contributing a larger volume. The usual economic arrangement with enterprise customers is a little different from retail customers. With a lot of the enterprise customers, we are just getting commission that should hopefully go and show better net take rate. But the same net take rate is also showing up in the gross take rate with nothing being paid out, so it's lower than 40 basis points, and therefore that pulls it down a little bit. But as we get the new margins up there, we think 40-45 basis points is a sustainable number for us.

Deepak Poddar: 40-45 basis point is a sustainable...?

Tashwinder Singh: Yes.

Deepak Poddar: Okay, understood. Sir my second question is that we had a vision of having 100% stake in iServeU that eventually we are looking to acquire. So any thought process on that, sir?

Tashwinder Singh: Yes, I think there is thought process around that. There's nothing to report per se. There is nothing on the anvil just yet. But clearly, it's something that I think we need to work on and try and figure out what's the best way forward on that count. But right now, I don't have anything to report on that.

Deepak Poddar: Okay, understood. And thirdly, on the lending business, if you have to see next two years, three years, what's the scale that you would like to reach in the lending business? And any parameters on the NPA side that you can provide in the lending business?

Tashwinder Singh: Yes, absolutely. I think the lending business is. We control it quite tightly. The growth of the business, I don't want to give you a specific number for next year, but FY '24, if I have to just give you an idea, I think a INR100 crores book will probably go to about INR200 crores-INR250 crores. That's the kind of scale. Like I said, we are not focused on just building the lending book for the sake of lending by itself, because the way we built our business, because we are not a one-trick pony, we've tried to create multiple revenue streams for ourselves, because whenever you try and monetize a network, there are multiple ways to skin the cat.

And we want to make sure that we are providing a full-stack solution to customers. Lending is just one proposition. But you don't want to only do lending as a single product. You want to make sure that you are able to use that to leverage our balance sheet to get more than what you would otherwise earn just from lending chart. I think the book will increase for sure. I think we will get to INR200 crores-INR250 crores at some point in time for the next year, year and a half, and then we'll see where we go ahead from there.

Deepak Poddar: And the NPA side, any parameters that you provide on the NPA side?

Tashwinder Singh: I think on the NPA side, there is an ECL policy the company has, which is expected tribunal required as per RBI. So that ECL policy is followed. You would not be tracking us till recently, but you would have noticed if you go back to our history, two years or three years ago, we had taken some management overlay on some credit losses which were older credit losses prior to 2020. We are still holding on to that provision. So that provision plus whatever the model throws up, I think more than covers up. I think, Abhishek, you can probably answer that on the exact numbers.

Deepak Poddar: A gross NPA, what would be the gross NPA percentage?

Abhishek Thakkar: Yes, so gross NPA, we have almost very negligible. There is no gross NPA. And we are holding, as Tashwinder rightly said, we are holding a very high management overlay also from whatever provision we are getting as per the model, which is required by the RBI and IndAS. We are having a high management overlay for that also. So I think for a year or so, at least we are very much covered.

Deepak Poddar: Okay. So I understood that. So I just have a question on the standalone numbers, because it's not levered at all, it's entirely own money that we are lending. We are using it in the lending business. But then why we are not profitable at the standalone level?

Abhishek Thakkar: No, so there on standalone level also, we have deployed the money into the subsidiary. Our capital effort is 50% as almost in the subsidiary and the other 50% we are using in the lending book. There also, it was the year of build, now we have the entire team. And you know, in the coming year you will see outcome of the efforts over there.

Deepak Poddar: Okay, understood. And overall the break-even, so we are very close to break-even, at the consolidated level. So any thought process that by when we are looking to break-even at the PAT or at the EBITDA level?

Tashwinder Singh: So, I think we obviously track EBITDA level more closely because that talks about cash flow generation for the company, etcetera. And I think Q4 number you would have seen our EBITDA is on a consol level is about point--, I think INR 60 lacs negative, give or take. So almost on the verge of that. We've already pretty much done with our investments that we've done. I won't take a step back.

In March '22, we had invested INR50 crores into iServeU, which is when we announced that we are getting into the year of build. Both institutions, Niyogin and iServeU, got into the year of, got into a phase of build, where we wanted to make sure that we are building all the product stacks required to be a whole-scale player. So there were platforms we built at Niyogin level, there were platforms that were built at iServeU level. I think we are pretty much done with all of that. We haven't spent all the money. We've spent close to out of the INR50 crores, we've spent about INR30 crores to INR35 crores in that.

We've got some expenses that are still to be, will come in terms of premises, etcetera, which we have taken new premises, etcetera, there is people costs, etcetera. So those are a bit few moving targets, but otherwise I think the business is pretty much, as the numbers are telling you it's pretty much there. I don't want to give you EBITDA target for FY '24, because I've given one for FY

'25 anyway. We are really working towards trying to make sure we meet our FY '25 target on the EBITDA side, on the revenue side, on the GTV side, because to us that is the first real milestone in the evolution of our company.

Deepak Poddar: Understood. Yes, I got the point. I think that's about it from my side sir. There is one last thing, with the ESOP. So what is the ESOP costs we have done in the fourth quarter?

Tashwinder Singh: ESOP cost, was about INR1.1 crores was the ESOP cost in the fourth quarter. Overall for the year was about INR4.8 crores.

Deepak Poddar: FY '23, INR4.8 crores. And did this account in the standalone numbers?

Tashwinder Singh: This will account in the standalone numbers.

Deepak Poddar: Okay, yes, that's it from my side, sir. All the very best. Thank you so much.

Tashwinder Singh: Thank you Deepak.

Moderator: Thank you. We'll take our next question from the line of Vishrut Bubna an Individual Investor. Please go ahead.

Vishrut Bubna: Hello. So just a few more additional questions on the NiyoBlu side. So I just remember seeing the deck that you had mentioned that Fintechs could also potentially be one of the lead partners, for who you are trying to originate loans. So just wanted to clarify that are you going to begin only by leveraging the CA network and try to originate loans or lenders on this market place through them or what are the other plans to expand that?

Tashwinder Singh: Yes, so like I said, we are launching this right now. We've already been working with the CA network. We had a rudimentary platform. We've obviously scaled it up quite materially which is what the NiyoBlu platform and we wanted to brand it and make sure there is some buzz in the market at least in the CA market for us, as a brand effector. So that's why we did all of that. The opportunity set for origination is across the board, we could originate from the CA network, which is our homegrown network. So obviously you'll always want to test everything that you build with the network that you are comfortable with that we would do.

Finally enough, we've now got inbound from a bunch of Fintech companies that have large networks because they've been providing solutions. You look at companies that are providing accounting solutions for their bookkeeping solutions for their platforms. I've taken into account an entity like Khatabook which has a very, very large network, We're working very closely with them to see how we can be of assistance, in trying to make sure that we can use that network to be able to originate and obviously there'll be economic sharing across the pipe, like our general belief even in our payments businesses that we share the economics through the entire chain of everyone who's in the ecosystem.

Here again, we feel that we can create the ecosystem for aggregating the origination and it's not only loans, There's loans, there's insurance, there's any financial product which is required by the MSME. We should be in a position to fulfill that demand not necessarily because of our balance sheet but because of what is available in the market. So creating that marketplace we think is an interesting play for us to keep monetizing our network and then to use it to help other people monetize their network.

Vishrut Bubna: What is the sorts of take-rates, you're looking at out of these originations?

Tashwinder Singh: Typically, unsecured loans operate anywhere between 2.5% to 3.5% as commission without any risk participation. Again, I would want to reiterate, we don't want to talk about risk participation here because we don't do risk participation on these originated loans. And then there could be a sharing anywhere between 30% to 50% of that income with the chain and therefore 50% would go back to us. So anywhere between 1.5% to 2% is what I think we should try and see we can beat it which is pretty significant from a margin standpoint since it's all fee income.

Vishrut Bubna: And do you all have any capabilities to also maybe assist in the underwriting process because I've seen it with I think another NBFC, UGRO which at least from what they say on that presentation they are both originating and providing some sort of software or some scoring type of solution where they also do some underwriting. So is there scope or already you have built-in capability for something like that?

Tashwinder Singh: Absolutely. Because when we are talking with Fintechs, I just give you one example. We've got about 7, 8 conversations going on. With all of them, we are analyzing the network and we are figuring out what is the best model for. It's not like a black box that we are giving them okay you can put in the data but I think we are developing underwriting models which is suited for that specific network and the information that is coming to us from that entity on how to create a lending proposition across that.

So it's very interesting but you cannot just have one black box that fits all. So we are actually working with some of the other Fintech players on trying to figure out in their network what is the best way to underwrite given the incremental information that they can provide us beyond just simple balance sheet and P&L because that is going back to old school. So we are trying to see how we take the existing information and then use whatever that network can provide through the Fintech because the Fintech is capturing some information how we can use that to underwrite better and then work on trying to see how we can use that to distribute.

See, end of the day when you are in the distribution space the underwriting eventually is going to be done by the entity that's going to provide the capital. So we can create all the models in the world and we can help to make sure that our hit rates are better. The idea is just to try and make sure that the conversion rates are higher but eventually if I go and provide the transaction to Tata Capital or to Piramal or to Poonawalla finance they have to underwrite. So I cannot underwrite for them. RBI requires NBFCs to do their own underwriting. But we can assist and we can create the models to make sure that the origination success rates are higher. Rather than having a 3%, 4% success rate which normally happens can we get to 30%, 40%, 50% success rate by originating sensibly.

Vishrut Bubna: Yes, I understood a final question that is M&A, still like I remember earlier con calls you mentioned that M&A is still a potential part of the strategy. So is the aim to now keep reinvesting in the existing business verticals or is M&A still a potential if an opportunity comes up?

Tashwinder Singh: Yes, I think there isn't a significant investment strategy just yet. So far like I said what we set out to do in FY '22 when we created the first round of investment I think we are pretty much done with most of that investment. So that's number one. Now the question is whether we think we want to now get to the next frontier and that's an ongoing conversation on what is the next frontier, what is the investment required by us for the next frontier that would be required once we sort of put our arms around that. Right now we are just coming out of a build phase and I think we want to actually see the benefit of scale in this year.

So we are focused on that but I would suspect that towards the middle of this year we will go back to the drawing board to see what else we need to do to make sure that we are at least two steps ahead of the market. So that's really the way we think about business. Right now for the next couple of quarters I think we are very clear, we are putting our heads down and we are only focusing on making sure the capabilities that we built are actually being bought by somebody in the market and we are making some money out of that.

Vishrut Bubna: Great, thank you and also would love to probably connect with the Investor relations offline, I could make a few intros to some Fintech sources, could be interested.

Tashwinder Singh: Absolutely thank you so much for that. Trivenika heads our Investor relations in the company and E&Y is our IR partner. So please feel free to reach to either of them and then they will connect the right person in the institution to take the discussion forward.

Vishrut Bubna: Okay, sir. Thanks.

Moderator: Thank you. A reminder to participants to ask a question please press star one and also limit questions to one per participant. We take the next question from the line of Suraj Kumar an Individual Investor. Please go ahead.

Suraj Kumar: Hi. Sir.

Tashwinder Singh: Hi Suraj how are you?

Suraj Kumar: I'm fine sir and congratulations for good set of numbers.

Tashwinder Singh: Thank you so much.

Suraj Kumar: Sir, your presentation is very good this time.

Tashwinder Singh: I think you can give credit to Trivenika for that, she is the IR person, she has rejigged the whole deck, so she should take the credit.

Suraj Kumar: Okay sir, you said, what is the agency banking solution and what is the business opportunity in this vertical?

Tashwinder Singh: So Agency Banking Solution is a very interesting proposition that we offered a couple of banks and one of the more recent implementation of that solution we've done is with Kotak, where Kotak has chosen our agency banking solution. So think about it this way. That every bank, when they want to expand their footprint across the country, they want to add more and more BC agents Banking Correspondent Agents, onto their network, but the banking correspondent agents need to then connect, if they want to do transactions online, need to connect directly into the core banking solution.

It is difficult for a bank to open up its kimono to every entity, every small BC and there needs to be intermediary software that, needs to be in place, which sort of allows, the bank to only integrate with one entity and that one entity then integrates with everybody else, in the market. We are that one entity, that is doing it for a few banks today.

So, this is a very interesting project that, we've implemented with multiple banks. Kotak being the most recent one of them and what happens is that, again if they have a number of BCs or we can bring incremental BCs for them, there is incremental volume of transactions that go through our pipes again and then we get paid basis, the number of transactions that, get done. So it is another way to try and skin the cat, on trying to feed that more pipe, more transactions get routed through our network.

Suraj Kumar: Thank you.

Tashwinder Singh: So the way to think about it is that, I mentioned this in the previous call that, we have three clients that we work with. We go either to banking correspondence directly, which are large enterprise or corporate BCs, as they call them. I could go to a fintech, which wants to monetize their network or I can go to banks, which want solutions because banks want to be focusing on trying to build their penetration, in the country. They want to increase the footprint in the country, without necessarily, adding incremental cost.

So our entire solution, whether it is looking at the existing products or looking at agency banking solution, is to provide a solution thereby, we are limiting the cost, the fixed cost for these institutions and we are converting everything into available cost, which they really like, because you only pay, when there is a transaction that gets done, barring some initial integration fees, etcetera.

Suraj Kumar: Sir, our switch has been provided by Indusind Bank. Is there any MOU for timeline that, means for which time, we can use their switch?

Tashwinder Singh: No, the switch is ours. We have built the switch. iServeU team has built the switch. What happens with NPCI is that, for any switch to be utilized, there has to be a bank identification number, BIN. A switch needs to have a BIN, so we have got multiple banks that are provided our switches. So provided as BINs, but the switching capability is all in-house and is our capability. But we need the BIN from the bank, to be able to get certified on the NPCI portal to be able to use the switching capability with NPCI.

So we are not using anyone as the switch, all the switching capability is now us and by the way, we have got switching capability across all products, whether it is AePS, Micro ATM, DMT,

DMT any way works on IMPS switch or BBPS switch. So we have built the whole switching capability, in the system now, which was part of our entire infrastructure build, as I had explained last time that, our whole philosophy of going back to the table was to try and build the entire whole stack solution that, we are able to provide end-to-end infrastructure for anyone, who wants to get into this space

Suraj Kumar: Okay sir, thanks for the clarification.

Tashwinder Singh: Yes, thank you, Suraj.

Moderator: Thank you. We take the next question from the line of Yash Modi from Ashika group. Please go ahead.

Yash Modi: Okay, thank you for the follow-up question. That's more of a philosophical question. So, when we gave this INR1 lac crores GTV for FY '25, it was probably seven quarter-eight quarters back. I just wanted to understand from that point onwards, obviously the market scenario has changed. Some sectors have obviously, we wouldn't have envisage, some slowdown in some certain sectors and some sectors would have performed much better than expected. So from that perspective, if you could give a, so our targets have obviously remained same but in your view, how has the mix changed?

So, when eight quarters back, I am asking you this question because again, I am very excited about the card opportunity that, has opened up for our company. Wherein because GTV numbers, will just go through the roof, if the way GTV numbers are calculated per cards and I am assuming, we have a tie-up with say a RuPay or a Visa and some bank, some payment bank. So, I am just trying to understand, how that mix changed, when say eight quarters back, when we gave this figure, the point that, we have this figure right now. In your mind, how are the moving cards because we generally don't know, basically a division between the various things that, you are thinking about the business?

Tashwinder Singh: Yash, it's a difficult question to answer because some of the new product capabilities, we haven't got customers that, are using. You have lot of conversations going on but I don't have transactions being transacted on the card business just yet. But we feel very excited, just like you feel excited. I feel super excited about the opportunity out here and you are right, the GTV numbers can be blown away, if we are actually able to deliver on the area, but don't forget, when we gave the GTV number about four quarters, five quarters, six quarters away, we had no visibility. We had a plan, on how we will get there. We are still not, if you look at 3000 into 12, we are only at INR36,000 crores.

If I just do a simple math, obviously the numbers will be higher than that and hopefully, we will deliver much more than that. But the point is that, the scale and the strategy on the build out, the strategy on moving to the enterprise customers, the strategy on thinking through, what are the new products that, we should be bringing on the table. There has been a lot of thought that, has gone in and obviously great work done by our iServeU team, in terms of, building the capabilities, etcetera, in terms of whatever, was envisaged.

So, it's all good so far, but to give a number, which is more than what, we thought that the 1 lac crore number that, we gave was itself a big stretch, but we were willing to take the challenge, to try and see, how we get to that number. Today, the challenge seems to be that, looks like that, it could potentially be in the vicinity of, what we are doing but we are for last one year, we have done zero blue sky, it's been all about integration, it's all about sitting and developing. But like I said, we need to go back on, to the drawing board and then re-evaluate on, what potentially are the new frontiers and therefore, what could be the opportunity for the new frontiers.

So, cards we have certain expectations but let's see, where we come out. I don't want to give you a random number on this call because frankly, if it's not been thought through, I don't think, it's appropriate to share numbers, like this.

Yash Modi: Fair. Thank you so much, Tashwinder.

Tashwinder Singh: Thanks, Yash.

Moderator: We take the next question from the line of Pawan from Compound 26 Capital. Please go ahead.

Pawan: Thank you. Tashwinder, I have a couple of bookkeeping questions, one is, so the INR5.84 crores, is interest income that we have, how much of that pertains to the lending, that we have?

Tashwinder Singh: All of it. The INR5.8 crores, interest income is 100% lending book. Okay. Sorry, I stand corrected the, CFO was telling me that, let me answer that question. I'm going to let him answer this question.

Pawan: Okay

Abhishek Thakkar: It is mainly lending book apart from that, there is some interest income on the various FDs that, Niyogin as well as the iServeU, has placed.

Pawan: You said FDs?

Abhishek Thakkar: Yes

Pawan: Okay. the next question was on ESOP, what is the outstanding option that, we have currently, that is still to be vested??

Abhishek Thakkar: So that, once the final complete financials are out, we will be able to disclose the number at that point of time. It will put in the financial. It will be in the annual report note.

Pawan: Okay, thank you

Moderator: Thank you. Ladies and Gentleman, we have reached the end of the question and answer session and I would like to hand the conference back over to the management for closing comments. Over to you Gentlemen.

Tashwinder Singh: Yes. Thank you. Vikram,. I just want to thank everyone again for taking the time to listen to our story. We think, we are operating in a very exciting space, so I am really grateful to all of you, to take this time out to listen to us. I will only make one request, please do keep tracking us. We think, we are sounding like a broken record but we are at an inflection point, for our business and it could be very interesting, where we go from here. So, we are very excited at our end, to see, where our journey takes us and I hope to keep you all posted as all these quarters, ahead of us, we get done, with them. Thank you so much.

Moderator: Thank you very much sir. Ladies and gentlemen on behalf of Niyogin Fintech Limited that, concludes this conference. Thank you for joining us. You may now disconnect your lines.