niyogin

Date: November 16, 2022

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

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q2FY23

With reference to our letter dated October 25, 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 Q2FY23 Unaudited financial results of the Company.

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

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

Neha Vishnu Agarwal
Digitally signed by Neha Vishnu Agarwal
Date: 2022.11.16 18:27:15 +05'30'

Neha Agarwal
Company Secretary & Compliance Officer
A41425

Encl: a/a

"Niyogin Fintech Limited Q2 FY-23 Earnings Conference Call"

November 10, 2022

MANAGEMENT:	**MR. TASHWINDER SINGH - CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR.** **MR. ABHISHEK THAKKAR – CHIEF FINANCIAL OFFICER**

Moderator: Good day ladies and gentleman and welcome to the Q2 FY23 Earnings Conference Call of Niyogin Fintech Limited. As a reminder all participant lines will be in the 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 "*" then "0" on your touchtone phone. Please note that this conference 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 Michelle. Good evening everyone. On behalf of Niyogin Fintech Limited I welcome all of you to the Company's Q2 FY23 Earnings Conference Call. I am Sonia Keswani from Ernst & Young IR Practice and we manage investor relations for Niyogin Fintech Limited. You would have already received the Q2 FY23 Results and Investor Presentation which is also available in our filings with BSE.

To discuss the Company's business performance in the quarter gone by. We have with us today, Mr. Tashwinder Singh – Chief Executive Officer and Managing Director and Mr. Abhishek Thakkar – Chief Financial 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 interaction and in our collaterals, which reflects the outlook towards the future, or which should be construed as a certain forward-looking statement must be viewed in conjunction with the risks the Company faces and may not to be updated from time to time. More details are provided at the end of the investor presentation and other filings that can be found on our website www.niyogin.com. Should you have any queries or need any further information at the end of this call, you can reach out to us at the email addresses mentioned in the Company collaterals.

With that, I would 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. Good evening to everyone. I welcome you to Niyogin Fintech earning call for Q2 FY23.

Before I delve into the performance, I do hope all of you have had a very Happy Diwali. I would like to offer my condolences to all my investors from India for our cricketing performance today and for the investors who have dialed in from the UK congratulations on winning the match today.

I'm delighted to welcome Abhishek Thakkar to the Niyogin family as a new Chief Financial Officer. He comes with an experience of over 10 years in the financial sector and has been associated with Avendus Capital, Aegis Logistics and Deloitte in his previous roles.

I'm also pleased to welcome Trivenika Avasthi, who will be heading our Investor Relations at Niyogin. She has over 10 years of experience across functions like wholesale lending, investment banking and investor relations, and has worked with organizations like L&T, Yes Bank and Equirus Capital.

I'm confident that both Abhishek and Trivenika will be instrumental in ensuring best outcomes for the Company, and I wish them success in this role.

Moving on to give you a little brief on our Company, 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 partnership-led strategy. Our partnership-led strategy allows us to tie up with local MSMEs and other enterprise partners that have a large and deeply penetrated distribution infrastructure. The BaaS or the Banking as a Service platform is then employed by these partners in their customer-facing touchpoints that enable these touchpoints 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 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 the partners and retailers. Our revenue model is primarily transaction-led wherein we earn a fee or a commission on every transaction that is routed through our platform.

From our customers perspective, we have been concentrating on three market segments: number one, we have the Business Correspondents, wherein we are offering the tech stack to promote financial inclusion; number two are Neobanks or Fintechs, typically companies wanting a full stack neo-banking platform, and third are Banks, herein we are working as a Technology Service Provider or TSP with banks to launch digital programs.

FY2023 which is actually the first year of our three-year plan, as detailed in my previous calls, is the 'year of build' for us and we have remained focused on our task at hand. Over the last couple of months, we have built tremendous traction on all three segments, that I mentioned above, and are now seeing the surge in volumes as a number of our enterprise partners are going live with our platform. Each of these relationships have the potential to substantially be a game changer for our Company. We are particularly focused on the unit economics because the Enterprise customers and the resultant contracts have significantly larger gross margins in the range of 70-85% as a result of minimal transaction costs. Post the initial resource build, we expect the business model to have significant operating leverage at the EBITDA level.

Our business model is distinctive in nature as we serve both the retail and enterprise markets and have the adaptability of a balance sheet that can support our customers as and when necessary.

Talking of the quarter gone by, we continued to expand our footprint, launch new products, and ink new partnerships. Our partner retail footprint grew 15% QoQ from close to 328,000 to over 378,000. The gross transaction value, which is GTV, grew by 9% QoQ, as we transacted over Rs. 2,940 Crores worth of transactions on our network in this quarter. We further transacted over 77 Lakhs volumes of transactions in this quarter up from 72 Lakhs in Q1FY23.

September was the first month where we crossed the Rs. 1000 Crores GTV milestone and we think the next quarter will show the first signs of J-Curve as the enterprise clients have now started to scale. This is evident from the GTV numbers for October that came at ~Rs. 1,250 Crores, which is around a 21% jump over September numbers. So, that is a Month-on-Month jump between September and October of 21% on GTV. What is more heartening to note is that we are increasingly gaining recognition in our customer base as the 'Go To' partner for our technology architecture aimed at delivering financial inclusion products. Our relevance in this space was further endorsed by NPCI, which is the National Payments Corporation of India, has enrolled iServeU, our subsidiary, as a certified partner. iServeU was also formally recognized by NPCI at the Global Fintech Festival, held recently in Mumbai, as being the first Technology Service Provider to go live with BBPS.

I would like to highlight some key wins and developments for the quarter.

- We onboarded one of the largest PSU payments bank on AePS, M-ATM and IMPS switch and the Agent Management System that we have.
- Another large PSU bank has chosen iServeU's Aadhaar Payment stack to run its Aadhar pay program.

  A key thing to note here is that onboarding just 1 or 2 PSU banks as partners, opens up multiple opportunities for us to work with more PSU banks in future.

Continuing with the highlights.

- Our Agency Banking Solution, which happens to be India's first "scale at demand" cloud native technology for the same, has been chosen by a major private bank to run its Banking Correspondent banking program.
- iServeU has also been selected in Fincluvation program, which is an initiative by Department of Post & India Post Payments bank, to digitize the, erstwhile, money order service.
- On the tech build, iServeU team developed a proprietary biometric fraud detection method using AI techniques, this solution was a finalist at Google Cloud's Hackathon.

The business build has been in-line with our expectations; however, we saw some slowdown in our revenues this quarter. The consolidated revenues were muted with a marginal drop Quarter-on-Quarter, on account of shortage on availability of devices. While the situation is expected to improve in the next few quarters, we have taken a few steps to make sure that our business growth is supported. The platform has been modified to allow for integrating existing devices that retailers may have, procured from other suppliers, and to some extent it makes our platform more open architecture. We are also trying to jointly bid with a few manufacturers for some of the large device contracts.

On a GTV basis, we reported an increase of 40% on a Year-on-Year basis and revenues grew 33% on a Year-on-Year basis on an ex-device sales basis. I do want to highlight that the growth in our Fees and Commission income which was up by 11% Quarter-on-Quarter was in line with the growth in our GTV that was up 9% on a QoQ basis. This is important because as we hit the J-Curve in GTV, a major portion of our revenues will be primarily transaction-led.

On the Urban Tech side, the new digital lending guidelines have created an incremental opportunity for us, and we are working to develop solutions to help take advantage of this opportunity. We think of lending as an important adjacency to our business and coupled with our technology solutions, it provides a unique capability in the market. Over the next few quarters, you will see this scale up in a calibrated way and the loan book will incrementally contribute to our numbers.

I'll give you a little sense of the guidance for the upcoming years.

As an API infrastructure provider with lending capability, we continue to remain excited by the potential of the market and the ecosystem we are operating in. As mentioned earlier, we are targeting to be a Rs. 500 Crores revenue company in FY25. We are on the path to increase our GTV from approx. Rs. 9,000 Crores in FY22 to over Rs. 1,00,000 Crores in FY25; grow our Partner BC agents or touchpoints 6-8 times from close to about 247,000 in FY22 to 1.5 to 2 million and we expect to deliver 10-12% EBIDTA in the said three-year period.

With that, I will now hand over to Abhishek to take us through the financials and other details of Q2 FY23. Post that we can open this up for questions and we can address all your queries. Thank you and over to Abhishek.

Abhishek Thakkar: Thank you, Tash**.** Good evening everyone. I will first run you through our operational metrics and then we'll run you through the financials.

Our operational metrics have continued to perform well in the quarter gone by.

In Rural Tech, our BC Partners grew 35.3% YoY and stood at 701 in Q2FY23, while our Partner BC agents or touchpoints increased to ~378,500 reporting a significant growth of 90.6% YoY as we added close to 50,000 new retailers in Q2FY23. Gross Transactions Value, that is, GTV including the payouts stood at approximately Rs. 2,943 crores, an increase of 40.1% YoY. Transaction volumes stood at 77 lakhs, up 28.3% YoY.

On the Urban Tech front, our partner count increased by 9.0% YoY and stood at 5,051 in Q2FY23. Our Wealth Tech platform continues to perform well and recorded 59.5% year-on-year growth in the AUM, which stood at Rs. 2,910 crores.

Moving on to the financials for Q2FY23, our Consolidated revenue for the quarter was Rs. 26.5 crores, an increase of about 1.8% YoY and dropped 3.6% QoQ due to shortage on availability of devices.

Adjusted EBITDA, excluding the ESOP charge, which is non-cash in nature, for the current quarter was negative Rs. 6.8 crores as against a positive Rs. 0.8 crores in Q2 of last year. As explained by Tash earlier, we are currently in a period of build which is leading to higher operating expenses, hence the said change. ESOP charge for the current quarter was Rs. 1.6 crores versus Rs. 1.3 crores in the corresponding quarter last year. The Non-GAAP PBT stood at negative Rs. 8.3 crores in Q2 of this year as against negative Non-GAAP PBT of Rs. 0.5 crores in the corresponding quarter last year.

Loan book, net of provision stood at Rs. 51.2 crores.

We continue to remain a zero debt and net cash Company. Our Cash in hand stood at Rs. 90.3 crores as of Q2FY23.

With that, we can now open the floor for questions. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. We have the first question from the line of Pawan Kaul from Compound 26 Capital. Please go ahead.

Pawan Kaul: Just a clarification in your profit and loss statement where I see the income of about, income from commission and fees expenses and the expenses. Can you just clarify that to me, what those are?

Tashwinder Singh: Sorry, could you repeat that question, I missed it.

Pawan Kaul: Sure. So, in your financial statements in the profit and loss account, the income side, the income and fees commission expenses, income and expenses so can you clarify, so what is this income and against that, what are the expenses that you incur?

Tashwinder Singh: Yes, that’s a fair question. So, what happens in two businesses come in, to contribute out here. Firstly, I’ll talk about the rural tech and then the urban tech.

On the Rural tech side, what happens is that we land up working with partners who bring in the retail front points. So, take an example of a large aggregator like a Hindustan Lever distributor or whatever who may have access to 10,000 or 20,000 retail points. We work with them and we then deploy our technology across those retail points. Now as transactions get done on those retail points, we get paid by either the bank or by the person who’s initiating the transaction depending on the product. So, if you use a micro ATM product, in the micro ATM product, the bank pays us commission for enabling the customer to get access to his or her bank account. And then some of that commission that we get from the bank, we share it with the retailer and the partner. So, the expense is really the sharing of that commission, the income is what we are receiving from the bank.

Similarly, in the lending side of the business, how we have built out so far, and I think the digital lending laws have now come in, which have changed a few things. But there were some of the

FLDG related transactions that were being done, where we were lending on behalf of other FinTech companies and there again, since they were covering us on the risk, we were paying them a commission for covering us on the risk. So, the income that we were getting would go in the interest income, whereas the commission that we would pay them, would go into the commission expense.

Pawan Kaul: So, let's say for this quarter, for example, you had a fee and commission income of 15.9 crores, and you had an expense of 16.1 crores against that. Is there a fixed component against this or is it all variable?

Tashwinder Singh: No. So, there is no fixed component. The way to analyze this number Pawan, is you should add the interest income also into the fees and commission because part of the interest income that we earn on the lending book, we're paying that as commission to someone who's covering us on the risk, so the way to look at the number is to add both and then arrive at it and this is a completely variable expense there is no fixed portion out here. It's completely variablized, which is also part of our business model that we've tried to keep most of our expenses as much variable as possibl. Of course, people expense, etc. is not variable. But on the commission side, it's completely variable.

Pawan Kaul: So, then to look at is Rs. 22 crores of combined income versus an expense of Rs. 16 crores and that will be our gross margins?

Tashwinder Singh: That's the right way to see it.

Pawan Kaul: Okay, understood. And second question is, I know you are focused more on recruitment of talent over the last couple of quarters. What's the main objective for kind of the rest of the years that you look at either more organizational recruitments that you want to do or where are you kind of focusing your time on, for the next year or two years?

Tashwinder Singh: So, what we have done Pawan is, as you would know we had invested Rs. 50 crores on the 28th of March into our subsidiary iServeU, because we have created our three-year hyper growth plan in that business, which I shared with you. Now, we have only invested Rs. 50 crores of the Rs. 100 that we had sought approval for and got approval for. We think with the Rs. 50 crores, we may not need to invest too much more money because most of the build that we needed to do has been done in the first six months. So, we spent the first six months in building the entire team, we built out the tech teams, we've got our premises sorted, we've got whatever IT we had to build, we have built it out and therefore this has been a year of a build. I think, the only hiring that will happen now, between now and the next six months, is really going to be replacement hiring if we lose people and therefore, we need to replace them. The build of people, the increase of people, I think we are pretty much done with. I don't think we need to hire more talent incrementally to build new propositions. Most of the new propositions are either in the final stage of build or have already got implemented, which is also the reason why we are now seeing the surge in volumes, as I explained in my presentation. Last quarter we did about Rs. 2700 crores, this quarter we did about Rs. 2950 crores and in October alone we have done about Rs.

1250 crores. So, if I just go by the October run rate, you're talking about getting to almost Rs. 4000 crores in this quarter. Of course, we'll see what that number comes to eventually, but the idea is that the J-curve on the volume is now coming in because the incremental products have all been launched. And there is obviously some more development that's happening and we will keep doing that, keep improving the quality of our products and the delivery. But I don't think we need to hire incrementally material resources.

Pawan Kaul: How much of the jump in October could be attributed to seasonality like Diwali season and stuff like that?

Tashwinder Singh: Yes. So, there will be some level of seasonality. I would say almost a Rs. 100 crores of the October uptick in the volume would be coming in because of the seasonality related to Diwali. But what's also happening is that towards the end of October, two or three of our enterprise customers have just gone live so you don't have the full contribution of their volumes in the October numbers. So, my submission is that in the month of November and December, we will see those enterprise customers scaling up and they will make up for the one timer that we might have had in October because of Diwali.

So, we feel pretty good about the way the business is scaling up. There are four large enterprise customers that actually went live in October. One large enterprise, and I have mentioned this in the past, India Post is now one of our big customers, we went live with India Post in September. So, that's good, that scale will also happen in the course of this quarter. So, that's why we feel good about the fact that the products have been implemented, tested and there are real transactions happening on our platform by these partners.

Pawan Kaul: Got it. And in terms of the balance sheet, you mentioned that you got plenty odd crores of cash. So, are you still looking at M&A at the moment?

Tashwinder Singh: There are about Rs. 90 crores of cash. There is a Fintech winter in the market, you know that. So, there are some opportunities that are coming our way. But I don't think I want to capture a falling knife, I don't want to take a business that's pretty much shutting down or in trouble. We want to look at and we're looking at some very interesting businesses that we think have strong legs, and we can come in and provide some capital to them and see if those can be acquired. Those could be interesting M&A opportunities for us. So, we are being very, very selective. We want to look at M&A opportunities, which are obviously bolt-on to the business lines that we currently have. I don't want to do an M&A on a completely random business line, number one. Number two, we do also have the opportunity of the digital lending guidelines that RBI came out with, has created an interesting opportunity for people like us, which are actually both NBFCs and have Fintech capabilities of delivering lending solutions. So, the capital that we have on our books, some of it will go into the lending book, and some of it will be used to continuously keep exploring and seeing if some M&A comes up. So, there are a couple of conversations we are having, but nothing which has come to a stage where I can sort of announce or talk to the street about it getting done.

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

Yash Modi: So, Tash, firstly congratulations on the October throughput. You have always guided us that Q2 would be some place where you would be building and from Q3 onwards, the enterprise customers would be setting in. So, if you could give us more color on how the relationship with India Post payment bank is panned. I'm guessing the public sector payments bank, that you've mentioned in the slide, is obviously India Post payments bank. And you've obviously gone live with the M-ATM and AEPS solutions, and you were also designing the money order thing for them. So, just wanted more color, if you could give us more color how that relationship is scaling up?

Tashwinder Singh: Yes, so firstly there is more than one PSU banks, I'm sorry I'm not at liberty to take the name of the other bank. But that's a large bank that has given us a mandate to provide the solution of other Aadhaar pay for them. India Post obviously, I have announced in the previous calls as well. So, clearly you know about that. The business with them started towards the last week of September when we went live and October has been the first month where they've actually really started pumping volumes through us which has been very, very heartening. These things take about a quarter for them to really get to a stage where they become really material. This quarter, November, December is important for us for that one partner. But I would also say that we have 701 partners and it's not just one partner. So, the scale up is happening because we are getting multiple partners who are coming and talking to us.

Number two, what's happening in the market, and I did mention this in my letter as well. I don't know if you had a chance to go through it. What's happening is there are a number of players who are operating in the financial inclusion place. These are partners, large players who are competitors to Spice money or Pay nearby and other people. A lot of them are coming to us, asking us for our tech solution. So, we've become in some sense, the 'Go To' partner as a tech solution provider or as the API infrastructure provider for anyone who wants to work in these products. And that's great because we also now have the switching capability, as I told you we've build that out. So, with the tech solution along with the switching capability, we are able to provide a fully integrated solution to someone who wants to just get into financial inclusion. He can just do a plug and play approach with us. So, that is turning out to be interesting and that's the reason why we're finding a lot of enterprise partners are now lining up with us. There is some level of integration work that's required to be done but the flash to bang or time to market is not significant for some of these partners now that the solution is pretty much available, like an off the shelf solution with a little bit of integration required. So, you'll see that numbers, you'll see the scaling up happening of these partners.

October is really one month, but Pawan was right in his comment, that there is obviously the tailwinds of Diwali season, etc. that comes in, where people do more money transfers, and people do spend more and withdraw more cash and all of that, right. But if I just look at the numbers of new partners that have come in, it gives me a lot of confidence that the next couple of months will be and thereafter all quarters will start showing significant uptick in our volumes.

Yash Modi: Sure. And if I look at it, obviously you've mentioned in your letter as well, as well as in the balance sheet showing and the cash in the income statement showing that the device sale was minuscule this quarter around Rs.1.7-1.8 crores.

Tashwinder Singh: Rs. 1.7 crores.

Yash Modi: Rs. 1.7 crores. So, assuming we've done Rs. 26 crores this quarter, so Rs. 25 crores on a throughput of around Rs. 3000 crores if we are able to say maintain the throughput run rate that we are maintaining in October. So, would it be fair to assume that if we do 4000 crores throughput in my modeling, can I assume 60-70 bps on that plus the device sale, would that be the correct way to look at it?

Tashwinder Singh: Yes, that's the right way to look at it. I would probably be a little more conservative and take 50 bps rather than 60-70 bps just as we scale. Because as we're scaling, we're also offering some incentives to people to come to us and all of that. So, I would take a slightly more conservative view and the device sales revenues will also come in, because if you look at the same quarter of last year, we did almost eight crore plus of device sales. If we had done a similar number, then obviously the growth would have been quite material to us compared to last quarter. So, those numbers are going to come back. What's happening is, we're finding that on the device sales side, earlier on, it was a little bit of people buying devices, giving us small orders, etc. But bigger players are all running contracts and running bids. And because supply is an issue what we've done strategically is we've tied up with a couple of manufacturers to jointly bid. So, the manufacturers then make sure that the supply is available, because these are larger contracts but everything gets billed through us, because it's our contract, we are providing the technology along with the devices. So, you will hear about some of these in the next quarter hopefully, we'll be able to talk about maybe one or two large transactions, we would have been able to consummate. And because we are in the bidding process, I can't really talk about them but we've actually submitted bids for a couple of these large contracts and these could all be in the ballpark of 10, 15, 25, 30 crores kind of thing. So, they are very, very significant game changers from a top line standpoint. Obviously, they are profitable, because there is a margin that we take on each of these. So, once one of those things come back, the numbers will look good. But more important to mention is that the transaction scale up and the transaction revenue scale up is the way our business should actually get measured. Because devices sales will happen in a quarter may not happen in the second quarter. But as long as the transaction volumes are scaling up and the transaction revenues are scaling up, that's what really drives our business momentum.

Yash Modi: No, I was asking the question more in terms of if we have gone live with India Post payment bank in September end, and I'm assuming that most of the postman who would be using our services won't be having any devices because they would have never done something like a M-ATM or AEPS. So, from that itself there can be a big kicker if we are able to provide devices.

Unlike some retail storefronts where devices might be available, some fintech player might have tapped in, which would be more part of our open architecture that you were talking about. Wherein you will use your solutions to actually put your services on devices that they already own. For India post payment bank, it would be absolutely new devices for all the postmen.

Tashwinder Singh: You're absolutely right, that's also one of the reasons why we've made our platform open architecture, because we don't want to limit that only our devices can be used on our platform. We made that development this quarter as well, where people who are working with other partners, other players and want to move to us because either our technology is superior, or our commercial understanding is better. They can move in without necessarily having to buy new devices because that makes it more efficient for retailers to then move to us. So, we've done a bunch of that. On the India post side, you would expect that large players like India Post would run tenders, etc. for devices rather than just give it to one partner, one service provider. So, that is going to happen and you're right the opportunity is quite humongous. It's not going to get realized in a month or two it will take a couple of quarters to realize the opportunity but as long as the scale up is happening in the right way and it's pretty significant. Unfortunately, I cannot share individual client level data on what volume we are doing, because there is some confidentiality there. But I can show you that the overall numbers are going up. It's because everyone is going up so all the partners are scaling up in some form or shape.

Yash Modi: Got it. Just one more question from my end. So, one of our customers/competitors, one of the small payment banks who is listed, namely Fino Payments Bank. So, in their concall, they were referring to the fact that going forward, they're seeing some pressure on the M-ATM side, AEPS side in terms of volumes, because they're saying that competition is increasing. Earlier they used to have kind of monopoly in this space, and they are getting more and more margins from their CMS and their CASA business. So, it probably would be safe to assume that other payment banks would also be going the similar way wherein they would be starting up their CMS business, cash management services businesses, a big way, and trying to garner CASA. So, I remember you've given us a good picture of the kind of new services that you are looking to start, wherein you're talking about railway ticket bookings, CMS stuff like that. So, where are we in terms of that build, if you could talk about that part of the business a little bit?

Tashwinder Singh: Sure. So, firstly, Fino in their concall like you rightly said talked about the flattening of volumes, in some sense. What's happening is, firstly they are a bank, we're not a bank. We are a technology Company that is providing technology to people who are competitors to Fino, right, so we don't compete with Fiino, but we have our customers lined up competing with Fino, so that's one distinction you should draw. Fino will have their own retail outlets, or their own sort of branch locations or BC locations, etc providing solutions. Whereas we will be partnering people like India Post or could be people like CSC or could be people like BhaFin, etc, they will be using our technology and they would land up competing with Fino on the street. So, to that extent, what happens is that my marketplace is significantly bigger, my universe of customers that I can deal with is significantly bigger because I'm seen as a technology service provider, I'm not seen as a competitor to Fino. So, that's point number one, which is important to mention.

That is just on the financial inclusion stack. Number two, there are incremental product propositions that we have. For example we have launched a prepaid card solution, there's a full-fledged prepaid card solution, were somebody who wants to launch a prepaid card solution into their network, whether it is to deliver some level of commissioning that they want to give through prepaid cards, or they want prepaid cards to be issued by retail solutions or retail front end. We have the full stack that has been created for that. We have two customers with whom we are doing this pilot and hopefully by next quarter, when we talk, I would have gone live on the prepaid card solution as we speak. On the IRCTC ticketing site, we are still doing the integration, but we hope to go live very soon on that as well. So, you will have postman who will be able to deliver tickets on handheld devices, to customers on the ground. So, it just changes the scale of how things are going to get done. It all requires technology, and it requires a build. Our vision is to provide that, and to be the 'Go To' person for all these tech stack solutions. We don't want to be the final entity owning the retail store because that leads to a different expense structure but we want to be the person for anyone who has a significant retail front end, who wants to do anything to do with financial inclusion or any financial solution, they can come to us because we are now today beyond financial inclusion.

Financial inclusion is just people getting access to their bank accounts, but when you talk about insurance, when you talk about ticketing, when you talk about prepaid cards, etc. These are not financial inclusion products, these are just financial products. So, we have expanded our capabilities beyond just financial inclusion. And now what we're trying to do is we're trying to make sure these new products also sell into the network. And our existing partners, which is the 700 odd partners that we spoke off earlier, they could potentially pick and choose whatever products they think are appropriate for their ecosystem. So, we want to be the entity that has all the products available on the shelf and you can pick and choose what you want to use to deliver across your retail network. There are 63 million retail front ends in the country so the opportunity set is huge on what one can finally get to.

Yash Modi: Got it Tash, thank you so much. So actually, Fino saying that competition is increasing is actually better for us as it shows that our market size has increased.

Tashwinder Singh: And that is also the reason why you're seeing our volumes are going up because my volumes are the cumulative set of volumes of all my customers. Whereas Fino's volumes or any other competitor's volumes are going to be the volumes of them alone. So, obviously I have multiple people who are using my technology and as I mentioned, I've got four or five very, very large partners who have now signed up with us and just the four partners that we have signed up could give us an incremental volume of Rs. 500 crores per month, once they go live. So, these are not small numbers, these are pretty significant numbers. If I'm at Rs. 1,250 crores and if the four new partners alone can contribute Rs. 500 crores, we're talking about getting to Rs. 1,750 crores in the course of the next couple of quarters or so, just with this. The existing partners will also scale because they're all scaling, adding more retail points, and more retail points are getting activated. So, you will see all that happening. So, that's why I went out on a limb and I told you that we are seeing the first signs of the J-curve for our business that we've been waiting, and our expectation was to get it around this time, because if you don't have the build in place, then getting the J-curve would actually be disastrous for us. Today, we have the build, we have the stability, we have the switching capability, we have the product capability, and customers are now testing us, checking us out, seeing that we have the ability to handle the volume that they want to get right. So, we spoke about the number of transactions that were done, 7.7 million transactions on our platform, and the capability is to do multiples of that.

Yash Modi: Got it. And how volumes scaling up on the switch part of the business, just the switch part, the switch that you went live with?

Tashwinder Singh: Switching capability, it's an option we provide to our customers but not every transaction goes through our switch. Because some customers, for example certain banks we work with they have their own switching capability. So, they want to use a front end, but they want the transaction to be routed to their switch. And our switching capability in all fairness is relatively new, it's only been a quarter and a half that we've sort of had a switching capability. So, the volumes will keep going up. The switching capability is important because we are also able to charge for switching separately as well. But we will see incremental volumes coming in. As the new partners who are coming in, which are not bank partners but financial inclusion partners, all of them are using our switching capability. So, we'll see the scale up on our switching capability also happening as we speak, as time goes by but right now the transactions do get divided between transactions moving through our switch and some transactions moving through the bank switches depending on what the arrangement is with the enterprise partner.

To take an example, India Post has their own switching, we built the switch for them, but it's their switch. So, their transactions will go through their switch, so there is no need to transfer their transactions through our switch.

Yash Modi: Hesa.

Tashwinder Singh: Yes, Hesa for example is using our switch absolutely, good point. So, Hesa which is the agri entity based out of Telangana they use our switch. So, we are moving and the vision is to move as much as possible through our own switch, because it does two things one it improves the client experience because we have control over that switch and number two, obviously it is economically more beneficial for us.

Moderator: Thank you. We have the next question from the line of Subrata Sarkar from Mount Intra Finance. Please go ahead.

Subrata Sarkar: Sir, I have a very simple question like in our rural tech business, like at what point of turnover can we attain EBITDA at the PBT level profitability or breakeven and like if you once more explain as the rural tech business model basically like, what is the total like, at what, Rs.100 of revenue like how much will flow to us in and what is the breakup of that?

Tashwinder Singh: Okay. So, let me answer the second question first. Our rural tech business is focused on and the whole vision was driven by the Jan Dhan Yojana proposition. In this proposition, the government of India created bank accounts for 430 million people, and 430 million new bank accounts were opened. But. nobody thought through how these accounts will be served and our motivation when we started this out was to look at how can we provide services to these customers, who could be potentially, largely in rural locations. There are 800 million people that live in rural India, of the 1.4 billion population. And a large portion of these accounts that were opened were predominantly in rural India. And the motivation was as we spoke with banks, we spoke with other partners, etc. The idea was to try and create a proposition which could provide variable costing to banks and then use the existing infrastructure that exists on the ground rather than create new infrastructure. Now, existing infrastructure, I mean, retail stores or Kirana stores that exist and use them as channels to be able to deliver the banking solutions rather than asking banks to start creating new branches. Because all the new branches banks create in smaller locations, Tier II, Tier III, Tier IV towns tend to generally be loss making. So, this tend to be, I am not saying 100% of them are loss making. So, the idea was that how do you take the fixed cost away from a bank standpoint, convert that into variable cost, and then also get paid in that whole equation. So, that's what the proposition was and in the bargain, also create an income augmentation proposition for the retailer because the retailer is providing an incremental service, he needs to get paid and therefore provide convenience to the end consumer who is able to access his or her bank account without necessarily paying for it, without having to need to go to travel to some banks, etc. so on and so forth.

Now, the way it works is there are multiple products that get used up in this proposition. So, I'll give you the top four, five, six products that are used in this proposition. This whole financial inclusion started by giving access to bank accounts, which basically meant that customers should be able to withdraw money from their bank account, and solutions like micro-ATM, and AEPS, which is Aadhaar enabled payment systems were the two solutions that were provided by the India stack to be able to deliver this to customers. In both the solutions, the customer could walk into a Kirana store, would have a small device for authenticating the plastic, which is the ATM card. Or you could walk in without any plastic and just use your fingerprint and your Aadhaar card number to be able to withdraw money from your bank account and providing that linkage from the Kirana store all the way to NPCI and to the banks, we were providing the infrastructure for that, we were providing the technology to be able to do that.

So, and it's a very simple and straightforward, because once you work in rural India, you realize you can't create complicated solutions, you need all the security matters, but the solution and the front end and the user experience has to be very, very simplistic. So, we built that front-end ourselves and we are one of the players that's been delivering that to people who want to provide that. Now we don't deal with the Kirana stores directly. Our strategy was that to manage our cost structure, and to make sure that we don't need to have 1000s and 1000s of people trying to convince Kirana stores to work with us, we said we will follow an enterprise strategy, where we will go to people who are controlling large front ends. So, when you look at an entity like BhaFin, or you look at an entity like Hesa, as was mentioned on the call earlier, these are people who have access to large front ends, 15,000-40,000 retail stores, BhaFin has almost 120,000 stores e-stores. We went to them and we told them why don't you use our technology to deliver the services through your retail stores. And that's how the solution has been delivered to multiple retail points, rather than going on a retail point by retail point basis, including an entity like CSC. So, that's how it was done.

Now, the product revenues vary on a product-by-product basis. In a micro-ATM or an AEPS, the margin could be 40 basis points, in a domestic money transfer it could be 80 basis points to 1%, in an insurance product the margins could be very, very significant could be 7% to 10% for a scooter or a bike insurance or could be 20% for a life insurance or even higher. So, there are different products and there are different margins and there are different levels of scale in each of these products. Our eventual game is to scale everything to whatever extent we can. But the margin that I was mentioning 40-50 basis points earlier is the cumulative number that comes out by looking at all these products.

If you look at the volumes that we have today, largely AEPS, micro-ATM and DMT, which is Domestic Money Transfers, are the three large product propositions that we have. And that's how the numbers settle. The volume at which we break even, which was the first part of your question, is actually a difficult one to answer because it varies on the product mix. If we are able to do significant levels of insurance, then the volume required to break even is significantly lower. If we only land up doing micro-ATM or AEPS transaction, then the volume required will be significantly higher because the margins there are much lower. So, it's a multitude of things.

Right now, we work pretty much on the stage of breakeven at a much lower volume. We have invested Rs. 50 crores into building this business and building new products and to build volume. So, the reason we are having a loss right now is primarily because of all the operating costs we have taken in as we build out these products. As these products are scaling, as they get rolled out in the market, you will certainly see in the following few quarters that the numbers will start looking a lot more healthier on the bottom line.

Our target to the street, as you would have read in my note is that in three years, we think we can get to Rs. 500 crores, we think the EBITDA potential for our business is between 10% to 12% at that point in time, at that scale, obviously breakeven will happen much earlier. But that's really the way we are going. Cumulatively, what will also happen is as our lending book scales up, lending is obviously a deeply profitable business, as that scales up, that will also contribute to the bottom line so then we will be in line with achieving what we want to achieve on an FY25 basis. I'll pause here to see if we have any follow up questions.

Moderator: Thank you. We have the next question from the line of Ramesh Kumar, an Individual Investor. Please go ahead.

Ramesh Kumar: Just a basic question, the thing is how we are different from other fintechs because it's a crowded market so can you just give a color on that?

Tashwinder Singh: So, fintech is a term that is used to describe lots of companies, I break up the whole Fintech market into four or five buckets. There is one set of fintechs that are largely into lending, there are other set of fintechs that are largely into payments, there are third set of fintechs that are getting into efficiency products which means they help you improve the accounting process that you do or help you improve your sales process, etc.

I count ourselves in a slightly different bucket, I count ourselves in a bucket where we are working on products that are focusing on income augmentation. Our proposition, when we go and meet our customers, our single proposition is to try and talk to them about how we can increase income for you rather than just try and bring more efficiency. We increase income from the first transaction you'll land up doing. So, when you talk to a partner, and you tell them that from your Kirana stores, as you implement our solution you can make, I will give you an example right. In a micro-ATM solution, a bank pays us Rs.15 per transaction, it's on a per transaction basis. So, if you are able to go to a Kirana store and say that you can start doing these transactions from tomorrow, and you can earn call it Rs.8, Rs.9, Rs.10 per transaction, that's a straight income augmentation on every transaction that gets done. So, we provide the technology to provide a new product proposition to a Kirana store which is able to then make money right on day one of implementing the solution. What is the investment required? The investment required at the Kirana store level is negligible. They need to basically buy a micro-ATM device which can cost anywhere between Rs.1500 to Rs.1600, or they need to buy an AEPS device that cost between Rs.800 to Rs.900. That's all, that is the only investment and obviously they need to have a smartphone or a laptop to download our app. It's an app-based solution, customers can download the app, the app connects through Bluetooth technology onto the device, and they're good to go. That's all that is required for a Kirana store to go live. So, the idea is to provide a simplistic solution, which is simple from an execution standpoint. But because these are financial transactions, we have all the security features that are required. I mentioned, our subsidiary has now been identified and accepted by NPCI as a certified partner, which is a good accolade to have in our angle.

Ramesh Kumar: Okay. Then who all are the major competitors in this?

Tashwinder Singh: So, we think of ourselves as an API infrastructure Company. I look at companies like Setu, which has been acquired by Pine Labs, as a competitor to us, I look at M2P, it's a program manager for Visa Master, I think of them as competitor to us. Because financial inclusion is just a set of products, the idea is that if you have the pipes, you can add any product onto the pipes. We want to own the pipe, we want to own the API infrastructure. We want to own that proposition. So people like, M2P, people like Zeta, people like Setu, these are the people who are the competitors to us. Of course they're not very big in financial inclusion yet, but they could potentially get into financial just like we are getting into their space, we are getting into prepaid cards, we are getting into products that probably an M2P is more well known for, we're getting into their space. They could potentially get into our space by getting into financial inclusion because they are also owning a certain set of pipes, have integration with banks, etc. So, from an architecture standpoint, we are similar but from an end product standpoint we are different.

But the end products can change, and evolution will require each one of us to be fleet-footed in changing the product stack. So, as long as we own the pipe, I'm pretty comfortable with the product stack changing as and when the opportunities come in.

Ramesh Kumar: Okay. And can you please give us the product wise revenue like AEPS, DMT and micro ATM?

Tashwinder Singh: Yes, we have not given that to the street yet. Volume wise we have basically given a clear indication to the street that typically these three are the largest products. They make almost about 80%, 90% of our GTV today. And all three are pretty much equal. So, they're about 1/3, 1/3, 1/3, I'm just giving you rounded up numbers. So, that's basically how our GTV is broken up today. But as the incremental products, as the cards start going live, as insurance goes live, as ticketing goes live, you'll suddenly see those products also contributing to the GTV, as these products will continue to scale up as well.

Ramesh Kumar: Okay. And last question from my side, like how our hyper growth strategy is progressing, in which direction?

Tashwinder Singh: So, it's just been six months it's not been long for us since we have started this process. The first six months, as I've mentioned, in fact the first year I had mentioned was going to be a year of build for us. Obviously, we have accelerated the build, we have hired early, we have tried to make sure that we get the build out there early, rather than the original plan that was to have the build over this one year. So, the products are ready that we want to build, as I mentioned in my letter, if you look at it, some of the new products that we have built, that got accepted by people like Google, who have accepted the quality of our products. So, all that is looking good. The question that we need to really ask ourselves is, how soon and how fast can we scale because Hypergrowth basically means that we should scale, and the beauty is the scale is not leading to an erosion of the margin. So, we are keeping the margins the way they are, and we are scaling up which is the right way to do this. Which is why I mentioned in my comments that you see our growth in revenues is equal to the growth in our GTV on device sales. So, that is interesting, that's how it should be. The next couple of quarters are going to be important for us, I am very, very focused on making sure that we are able to start because one of the things we had mentioned in the hyper growth strategy is that we are building in a modular basis. Every time we build a product, we want to take it out to the street, rather than just build everything together, and then take things out to the street. So, we're doing that now, we are rolling out these products, that we have built out, new partnerships that we've got. We've got acceptability with a lot of banks, a lot of banks have partnered with us, I mentioned breaking into a PSU bank is never easy. We've got them in because every time we talk to some of the larger PSU banks, the first question they ask us is who else are you working with. Now we've got that window as well, which again will allow us to keep acquiring new and new customers into our handle. Our Agency Banking Solution is now getting accepted, that again will contribute to some set of volumes. So, it's interesting, it's looking good. I would be very, very focused on looking at how the next two quarters go. Because once the next two quarters are in good shape, then next year will just take off. That's really the way we want to build our business.

Moderator: Thank you. Ladies and gentleman that was the last question for today. I would now like to hand the conference over to Mr. Tashwinder Singh for closing comments.

Tashwinder Singh: Thank you, Michelle. I just want to thank all of you for joining the call today. We continue to remain very, very focused and driven by the opportunity that we see on the ground for ourselves. I do hope you will continue to dial in and listen to our story as we keep building out our business. I look forward to seeing you again next quarter and if you have any questions you want to engage directly, the contact details are mentioned in the invite. Feel free to reach out to us, we are happy to connect and answer any questions that might be there on a one-on-one basis. Thank you.

Moderator: Thank you. On behalf of Niyogin Fintech Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.