



Date: August 18, 2021

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

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q1FY22

With reference to our letter dated July 17, 2021 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 Q1FY22 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 Agarwal
Company Secretary & Compliance Officer
ACS 41425

Encl: a/a

Niyogin Fintech Limited

(CIN L65910TN1988PLC131102)

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“Niyogin Fintech Ltd. Q1 FY22 Earnings Conference
Call”

August 6, 2021

**MANAGEMENT: MR. TASHWINDER SINGH – CEO
MR. RUMIT DUGAR – CFO**

Diwakar Pingle: Good evening ladies and gentlemen. I welcome you to Niyogin Fintech Limited Earning Call of Q1 FY22 results. To discuss this quarter's business performance and future outlook, we have Tashwinder Singh – CEO and Rमित Dugar – CFO. Before we proceed with the call, a disclaimer, during the interaction in our materials, we may make some forward-looking statements and they must be viewed in conjunction with the risks the company faces. And these may not be updated from time-to-time. More details are provided with the investor material and other filings that can be found on our website at www.niyogin.com. With that said, I'd like to hand over the call to Tashwinder to take us through the company's vision and strategies. Over to you Tash.

Tashwinder Singh: Thank you Diwakar. Good evening everyone, thank you for taking the time to listen to our story. I welcome you to Niyogin Fintech earnings call for Q1 FY22, I do hope your families and you are safe and healthy at home.

I think before we get into talking about the performance and, the good and bad of the quarter, I'd like to give you a little brief about our company. Niyogin Fintech operates on a tech centric platform based model where we serve India's underserved SMEs through our rural platform, and our urban platform. Our rural tech proposition is focused on providing the platform infrastructure for our partners, who then use it to onboard small retailers or SMEs in rural India to provide banking payment and financial services to the local communities, basically promoting financial inclusion. On the other hand, our urban tech platform provides the platform to financial intermediaries to help serve SMEs in urban India on two fronts, largely providing access to short term credit products and the other is through our wealth management services through again our Moneyfront platform. Our business model therefore consists of a specific partnership driven phygital model that includes financial intermediaries in urban India and BC partners in rural India to provide cost effective market access. This helps us increase our market access multifold and take advantage of these local partnerships, and also save on our customer acquisition costs. We can then incrementally add products for the end customer on our platform, while providing income augmentation to all our partners. The revenue model is quite straightforward, the revenue model is transaction based, and we make money as the end customers transact using our platform.

Now getting into the quarter that's gone by, I think a series of events took place- the second wave in the economy, lockdowns reappeared and everybody was stuck at their homes yet again. Especially, where we as a nation were just proceeding towards recovery. The second wave impacted rural India, along with urban India as well and therefore impacted our transaction volumes, especially when I talk about the domestic remittance business. However, there was no better time than the second wave to test the resilience of our new platform centric model. Our new model has picked up momentum after completing two full quarters, since our revamp in December last year. Before despite COVID related headwinds, our revenues grew by 20% sequentially quarter on quarter, mainly due to the increased

adoption of our platform and increase in the average transaction size, under our rural tech business. This has served as a validation of our business model, and on the capabilities of our platform. Now being a Fintech company, technology lies at the heart of our business. Hence, on the platform capability front we have been investing in our tech stack so that our services can be consumed as full stack application, APIs or SDK.. This allows us to onboard all varieties of partners as we continue to broaden the product stack. On the rural tech side, we had a major partner win and this relationship is massively scalable across all products. Our partners now collectively we cover more than 90% of rural India and we believe as the adoption of our platform grows, the GTV increase will be multi fold. Furthermore, with the focus to increase our transaction volumes, we've been scaling the product propositions we launched last quarter. We have Aadhar Pay, our digital to digital payment platform and low duration credit which in meant for our platform retailers who have a volume and transaction history with us. The transaction-led credit mitigates our credit risk and helps retailers remove their capital constraints, so they can do more transactions and drive our non credit volumes. We have further expanded our product offerings and upgraded DMT, which is Domestic Money Transfer product and the BBPS agent institution.

On the urban tech front I am pleased to inform you that our credit book, which is largely a legacy credit book is now down by a considerable 71% year on year, as we exit the generalized credit segment and de risk our balance sheet. As mentioned earlier, we have repositioned our credit franchise to transaction led credit. Our wealth platform offers a bespoke experience for MSMEs, large corporates as well as individuals. All three segments have seen rapid adoption, given our AUM increase over 120% year on year, and stood at more than Rs. 1,500 crores as of Q1 FY22.

To summarize, I would like to reiterate our key priorities for this year will continue to remain on three fronts. We will continue to focus on increasing our partner base, and therefore our market access in both urban and rural India, we will be focusing on increasing the adoption of our platforms and enhancing our product stack and lastly, we will continue building our talent pool. With this in mind, we will continue to work towards our vision of building a fully digital Neobank platform infrastructure to power MSMEs. With this I would like to hand over the conversation to our CFO Rumit, who can take you through the numbers and post which we can take questions. Thank you, Rumit over to you.

Rumit Dugar:

Thanks Tash. Good evening everyone. Moving on with the highlights for the quarter ended Q1 FY22, our platform metrics have been performing well. On the urban front partners increased by 59% year on year, and stood at 4,333. The retail channel activation rate for the quarter was 15.2% as against 13.9% in Q1 FY21. Our Wealth Tech platform recorded a 120% growth year on year and stood at Rs.15 billion. The rural tech platform Gross Transaction Value

stood at Rs. 11.8 billion in the current quarter, a decline of 5% sequentially, this impact was mainly due to the one time direct benefit transfers from the government that happened in the Q1 of FY21 and as Tash has already mentioned the impact on the domestic remittance volumes in the April, May of this year. Our average transaction size in the rural tech business grew by 57% yoy, and stood at Rs.2,941 in Q1 FY22.

Moving on to financials consolidated revenue for the current quarters stood at Rs.220.6 million against Rs.79.8 million in the corresponding quarter last year, a jump of 176.5% yoy. Adjusted EBITDA excluding the ESOP charge which is non cash in nature for the current quarter was at Rs.13.3 million against Rs.14.1 million in Q1 FY21. ESOP charge for the current quarter was Rs.17.2 million versus Rs.15.2 million in the corresponding quarter last year. The Non-GAAP PBT stood at negative Rs.0.3 million in Q1 FY22 against a positive Non-GAAP PBT of Rs.3 million in the corresponding quarter last year. In our credit business our loan book for the current quarter was Rs.348.1 million against Rs.1.2 billion in the corresponding quarter last year, down 71.4% in line with our articulated strategy. We continue to remain zero debt and a net cash company.

There have been recent guidelines which place a limit on the number of statutory audits by an audit firm in a year. This RBI regulation is impacting the entire industry and is not really specific for us. Considering the compliance of the aforesaid RBI circular, the statutory auditor of the company, M/s MSKA and Associates are ineligible to continue as a state auditor for the company since they have reached the maximum limits for the number of audits to be undertaken in the current year, thus our board of directors have approved the appointment of Pijush Gupta & Company as a new auditors. With this we can open the floor for questions. Thank you.

Diwakar Pingle: Thanks, Tash and Rumi. So, the first question comes from the line of Sudip Thakor from Pumori Capital. Please go ahead.

Sudip Thakor: Thank you guys, this is great. I went through the presentation and sort of absorbed the highlights. I know it's still very early days, and obviously the top line growth numbers and the scaling is very impressive. Can you give a little detail on sort of user engagement, how much time they're spending on your platform, how many transactions are being done on your platform at this stage. And what the churn might be for users, like so. So are there any engagement stats as of yet, or is it too early to start tracking that.

Tashwinder Singh: So, I think Sudip thanks for the question. I think we can give you some stats Rumi can talk about that but I do want to talk about, you mentioned about client engagement and how that's working. I do want to give you one or two use cases that we are now deploying in the market to give you an idea about what we really do. I think the use cases will help you explain the model very clearly. I mentioned, we launched Aadhar Pay last quarter, how is that really scaling up let me give that example and then we can get into specific numbers as you asked for. So we have an example, we're working with Bajaj Finance, where Bajaj finance has 72,000 agents on the ground that are out

there using a handheld device to collect EMI on the loan payments. We have now powered all of those devices with our Aadhar pay solution, where as the agent goes to the customer, the customer can use that device to just debit their bank account and make their EMI payment as against providing cash to the agent who's coming on the door. Now Bajaj has almost 72,000 agents across the country who are out there, each one holding the handheld device. Part of that Aadhar pay solution on those devices is being powered by our platform. So that gives you an, an idea about the scale and about the engagement that we are doing, right. In terms of actual touch points so Rumi, I don't know if you have the data with you, if you can share number of transactions, etc. to answer Sudip the question.

Rumi Dugar: So in terms of the number of transactions, I gave you the GTV numbers but really in terms of the scale of operations if you look at the average ticket size is only about Rs.2900 odd, so last year we touched about 20 million rural customers who came and transacted through our retail touch points. So touch point engagement and scale that we are talking about and last year, the average transaction sizes were lower, but we are in that vicinity of 20 to 25 million users or transactions really going through in terms of volumes per year.

Sudip Thakor: Thank you guys.

Diwakar Pingle: The next question comes from the line of Gautam Trivedi from Nepean Capital; Gautam please go ahead.

Gautam Trivedi: Hi guys. Hi, Tash and Rumi and I think I understand the fact that this has been a tough quarter and this quarter too it's been on the road to recovery, but again we've had some challenges as well in this quarter. Now assuming there is no third wave, how fast can you scale up the rural payment, which is the Aadhar based payment mechanism because I think of all of the businesses that you have that I personally find that one the most attractive. And as a result, I want to know how many cities are you in right, now how many Kirana stores within those cities, because it seems to be a phenomenal way of sending money seamlessly, not sending it to a bank which could potentially be miles away from the end person who needs to receive the money.

Tashwinder Singh: Hey, Gautam thanks for the question. Good to see you on the call. I think we'll give you the data, the rural tech business is a significant focus area for us, and I agree with your optimism on that space, we think that there is a white space out there that we are covering which really excites us. Scale is important to us because it is in some sense a land grab we want to be there first. And as I mentioned in my presentation, some of the partners we are working with today give us access to almost 90% of rural India. Question is, how fast can we get our platform adopted in each of those locations, so that's really the question that we are focusing on. In terms of number of retail outlets Rumi, correct me if I'm wrong but we are at about 1,66,000, give or take number of retail outlets, up from about 1,30,000 end of last quarter. Rumi, you want to give the exact numbers.

- Rumit Dugar:** Its 166,365.
- Tashwinder Singh:** So I think Gautam the number of about 1,66,000 is across the country. We're in the ballpark of about 25,000 to 30,000 villages across the country. We think that there is going to be a significant scale that's going to come in, because some of the partners that we've now got access to as I mentioned earlier, really have very deep footprint across the country and I think we are very excited about these partnerships that we've created. Also on the other side when I look at the example of Bajaj Finance which I gave, that's a different kind of partnerships that we are creating, that is not necessarily a retail outlet, that's a person with a handheld device, which is again covering part of the market. So there are multiple ways in which we are tracking the market in making sure that our proposition and our platform is deployed in taking advantage or providing solutions for payments that are happening from that segment.
- Gautam Trivedi:** I guess the other question is related to this would be, how are you getting a message across. I mean if my driver wants to use this function, and send money to his wife or his parents in the village, how does one do that, how does he even get access. How are you reaching out to these people who could put who are potentially your customers.
- Tashwinder Singh:** So this is a good one because classic question that was asked by my cook also. How can my wife sitting in a village in Tamil Nadu use the whole platform. I think, I do want to bring a differentiation out here Gautam, we are actually powering the platform of our partners right so we are not dealing directly with the retailer, we're dealing with partners who are actually retail aggregators, we're providing the technology, the partners are using our technology to power their businesses and they are actually going on the ground and getting retailers on boarded on our platform and they're the ones who are actually running the business we don't have feet on the street, we don't have a significant army of people on the ground right, which is where we're able to manage this entire throughput and volume by keeping our costs fairly under control. And we don't need to increase our footprint on the ground, to increase our volumes. So that's really the business model that we are operating in, which is really to give us a pretty significant operating leverage. So depending on where your driver is which city for example Bombay or wherever, and where he stays, there will be a partner of ours who will have powered retail outlets in those locations, which would be then advertising and trying to get people to come in and use their DMT proposition, which will be powered by us. So we are not actively advertising in the retail space we are not doing a front end big bang advertising that come to our platform, it's the partner who does whatever is required to be done in the micro market to attract clients.
- Gautam Trivedi:** And just remind me what are the economics of this business for again.
- Tashwinder Singh:** So, Rumit you want to give the range of economics because it varies from partner to partner, but Rumit, you want to take us through the economics.

- Rumit Dugar:** So, Gautam, hi. In terms of key drivers from a revenue perspective it starts with the device, then the transaction leg comes and then there is a fee income component, so these are the drivers. On the transaction led income depending on the product stack, it could vary between 40 bps 100 bps on the transaction. These products and services I am talking about the AEPS, the Aadhar pay, micro ATM and the domestic remittance business. The device prices depending on the type of device etc. could range between Rs. 2,000 to Rs. 3,500 per device, to get thermal printers etc. so, that's the device economics. In terms of our business model as Tash said, from a gross margin perspective our objective is to power the partners and we really are like an open tech platform infrastructure play, and as a result most of our cost is variabelised with these partners. So when they bring in the revenue is when the revenue is with them. So if you will see bulk of our cost structure is variabelised with a very small component of the infrastructure, which is largely on our technology people and the platform.
- Tashwinder Singh:** So Gautam to answer your question, sorry to interject Rumit but your other question was how fast can you scale. Now, the beauty in our model is that scalability is inbuilt because once we've got the platform out there, once a partner buys into our platform and says okay I want this, then he takes it to all the retail outlets that he wants to expand his business into and then, as he transacts incrementally we make more money, because as against providing a solution one time and taking some fee one time we are sitting on a loop, let's call it unlimited pool of income which will keep coming over the years, as his business goes up, we keep making transaction income as well right so that is the beauty of the model, which I really like.
- Gautam Trivedi:** I think what I like to do is afterwards maybe tomorrow Rumit or Tash I can connect with you guys to at least find out who's the local partner in Mumbai and have both my staff at home to get them connected and let them experience it firsthand and if they're comfortable on the technology side, which if they can do it through their phones, I don't know if there's a mechanism if they can do it to their smart phones and they all have smart phones. If that's doable, then I think we're now this is proof of concept for them as well. Not for me so much by the way, I trust you guys but I mean for them personally, to remit the money directly to the local Kirana store from where their families can go pick up the money.
- Tashwinder Singh:** Yeah, absolutely. Actually the proof in the pudding will be when they have to take the money from the Kirana store for their family, right, how do they withdraw money without necessarily going to a bank, that would be the real proof in the pudding and very happy to sort of get you through an experience on that.
- Gautam Trivedi:** Thank you so much.
- Diwakar Pingle:** The next question comes from the line of Sanjay Kumar from Ithought PMS. Sanjay please go ahead.

Sanjay Kumar: Hi guys I'm a bit new to this business model so the questions might be a bit basic. You mentioned about the Bajaj Finance use case. So in that case, who wants the customer, so if it's Bajaj Finance how do we cross sell or is it just a transfer or a fee income based more than there is my first question.

Tashwinder Singh: Yeah, in this case in the Bajaj Finance just one use case for Aadhar Pay as I was giving out in. The customer is owned by Bajaj Finance, this is a loan that they've given to some customer and we are helping them with their collections effort in making it easy for them to collect payment and we're trying to eliminate the need for them to collect cash, we're removing cash from the equation, right, and they are able to just get their customers and this is rural India so this is not open India, most of these customers we are talking about are in rural India they don't have laptops at home that they can just do NEFT. They need somebody to come to their house with a handheld device and we are able to enable that transaction, getting done or the other alternative is for them to go and get physical cash as the EMI payment. So, the customer is owned by Bajaj we don't own the customer this is a solution we've given to them, but the scalability from a revenue standpoint again is immense for us because as they increase their business, we will make some commission on every transaction that gets done so it's a fee income proposition for us.

Sanjay Kumar: Okay, so where does credit come in here in this.

Tashwinder Singh: Credit is not with us. This is not the example for credit. This is a credit solution that Bajaj has provided to their customers, we are helping only with the collections process. The credit solution that we're talking about, our transaction lead credit solution that we give to the retail outlets that are using our micro ATM devices or the DMT proposition that we're doing.

Sanjay Kumar: Okay. So the next question was on the open stack, which is more on about the MSMEs. Saying MSMEs is a very wide category of scope, we have 6.3 core MSMEs, which segment do we cater to and if you could explain how our platform is different from, say a QR code based payment which is online or an offline POS machine i.e. Point of Sale machine, so how are we different from these categories, how are we different from the payment gateways that MSME issue or any new enterprises use.

Tashwinder Singh: So, I like to draw the distinction. We are not a payment platform on the Urban Tech side, in the sense that we are not facilitating a payment, what we are doing is we are providing the full stack financial solution to an MSME. Let me explain, as I mentioned in my earlier opening remarks on the urban side we have more than 4,000 financial intermediaries. These are typically chartered accountants who each one of them may be dealing with between 300 to 400 MSMEs and typically when the MSMEs have any requirement for financial services, let's call it a small loan, could be a housing loan, could be a business loan, could be insurance, could be a non financial product like a SaaS solution for taxation, we are able to provide all of that on our platform. So what we're doing is we are powering all our solutions on our platform to the financial intermediary who's then consuming those to be able to provide

services to the end customer who's the MSME. So effectively, our initial customer is the chartered accountant who is our source for getting market access through each CA we get access to 300 to 400 MSMEs, we are not actively doing a transaction led business there. In terms of the fact that there are payments being routed through our platform on the urban side, that is the urban side of our business which is very different from the rural tech side, where we are specifically doing what I mentioned earlier in terms of micro ATM, AEPS and DMT or powering partners who are actually doing this. So they are two very different businesses.

Sanjay Kumar: Okay, got it. Thank you.

Diwakar Pingle: Thank you, Sanjay. We have the next question from the line of Jayprakash Toshniwal from LIC Mutual Fund. Please go ahead,

Jayprakash Toshniwal: Good afternoon Sir, thank you. So we explain about the Urban business and how to partner with the Chartered Accountants solve but on the rural side is the service provision only cash withdrawal or cash deposit or is in other payments over there. And the second question is, here the competition would be from the CSCs of the world or the government authorized IT Services Center, so how do we scale up this part of the business. And how do we manage the competition from them.

Tashwinder Singh: So, we don't think of the CSCs of the world as competition we think of them as customers. As I mentioned earlier, to answer your second part of your question, I am sorry I couldn't hear the first part of your question, I don't Rumit if you got that. The voice was not clear to me, but I did catch the second part, so I'll answer the second part and Rumit if you can answer the first. Like I said CSC for us, is not a competition, it's a customer, it's like a partner who we would power with our technology and infrastructure, who we would then provide the whole micro ATM infrastructure, and they would ride on our rails for providing that solution across their entire what they call the VLEs which is the village outside. So there's no competition there from that point of view. I'm sorry I didn't get your first part if you could repeat that or if Rumit you got it you could answer that.

Rumit Dugar: The first question was around the product stack so maybe I'll answer that. So, the way we need to think about the whole value proposition is that we are a platform infrastructure company, and our objective is to be able to expand products horizontally and keep powering the partners who then obviously take these products to the retailers or the customers. So today from a product stack perspective, we have the cash to digital product which is the remittance business. The second part of the product is the digital to cash which could be AEPS, micro ATM. Then we have the BBPS product, which is a bill payment solution then we are also in the micro insurance space. So the objective here is to be able to expand the product stack horizontally and over time, as Tash mentioned that we want to build a Neobank platform infrastructure play, so we will slowly start to look at getting liability products etc. also on the platform. So that's really the mix of the broader product stack.

Tashwinder Singh: So, Jayprakash, when we get all the products that we have a partner like a CSC could consume all these products and use them to sell to their eventual customers right so therefore we are not competing with them. I think that's the point I was trying to make.

Jayprakash Toshniwal: So just on that continuation part, the CSC has its own fully developed website, which they trade through and they have a wallet from bank sponsored wallet and they can pay customers. So here we are saying we also giving that platform to them also and trying to get them as a customer.

Tashwinder Singh: Yes, absolutely we have conversations on with them, we have some solutions that have been presented so you will hear about it in the months to come.

Jayprakash Toshniwal: Thank you.

Diwakar Pingle: Thank you Jayprakash. We have the next question from the line of Abhishek Khanna from Jefferies.

Abhishek Khanna: Hi. I had just had one small question and again I'm very sorry because I'm new to all of this. You explained the economics of the transactional business that you're doing, could you also just explain the economics of the urban business that you're doing, both on the lending side and on the Wealth tech side, that would be helpful.

Tashwinder Singh: Yeah, so I think on the urban side the economies vary product to product, because most of the products on the urban side are not manufactured by us, the wealth businesses, as any other business we are distributing wealth products, be it mutual funds, be it bonds, etc. So every product has its own sort of commission arrangement, where we get some commission. We also have a direct platform, we have an advisory platform where we were able to provide solutions to customers. On the loan side again, we are not consuming these loans on our own balance sheet, we don't deploy our own balance sheet for this like I said our balance sheet is dedicated towards transaction led credit. So if a customer walks in and wants to take a loan, we are able to help facilitate providing that loan to him and then again depending on the kind of loan, the economics could vary from 50 basis points to a couple of 100 basis points depending on what is the proposition that we are providing and who's fulfilling that proposition.

Abhishek Khanna: It's all again transactional led only right irrespective of whatever the product is whether it's urban or rural, wealth.

Tashwinder Singh: The income is transaction, the income that we make is transaction led. The question is whether we are using our own balance sheet or are we just giving it off to other partners who will use their balance sheet right, so on the urban side we don't use our balance sheet on because the payment transactions are not being routed through us, they use their own payment solutions. In the rural sides the payment transactions are being routed through us, we have a differentiated view on the credit and its ability to underwrite because we have wallets of those customers and we have those

retail outlets, and therefore we are able to provide credit to the retail outlets.

Abhishek Khanna: How significant is that portion of the business, the rural lending where you are taking the balance sheet risk.

Tashwinder Singh: So, this is a business we just started a quarter ago, so we are still in experimental mode, we introduced a couple of products that we launched this quarter to check out the right solution for rural. The initial experience has been very positive in terms of both adoption and in terms of absolutely minimal loss norms. So the scale for that business will come in the next few quarters.

Abhishek Khanna: Yes, gives lot of clarity. Thank you so much.

Diwakar Pingle: Thank you Abhishek. Next question comes from line of Ankit Gupta from Alchemy Capital. Ankit please go ahead.

Ankit Gupta: Thank you. Just to get the clarity on the last question, you said Tash that we balance sheet risk on the rural front so I couldn't understand that the credit is being given from our own balance sheet.

Tashwinder Singh: Yeah, we have a NBFC on our balance sheet right. We have an NBFC license in Niyogin and we have balance sheet and what we mentioned earlier, as we reposition of business last December, we stopped doing regular loans to regular MSMEs. We stopped that business about a year ago, our loan book is today dedicated towards helping our customers who want to increase their transaction volume to us. So the SMEs i.e. the small time retailers in the rural India, who are basically being on boarded by our partners, if they need capital for expanding their business, our money is dedicated towards that and the good part is because each of them have a word with us our ability to collect our EMIs, our ability to collect and to underwrite because we know the transaction volume, we know the income they make to us, we know the income earnings that they have through just the payment platform, it becomes easy for us to underwrite basis that, and therefore our book is dedicated towards that segment.

Ankit Gupta: And these are generally working capital loans or these will be also for capex or opening of new stores.

Tashwinder Singh: These are not loans given, some of the small portion may be working capital but most of them are dedicated towards increasing the volume of payment business. So, for example when customers have to keep a certain amount of wallet with us or they have to buy devices to get the payment business going I think these loans are given to fund those or to fund the infrastructure for them get into the payment business, into the whole micro ATM, AEPS business. We provide them capital to get into that business. This is very directed credit, this is not undirected credit. This is directed credit towards very specific uses which with help eventually increase the throughput with us, eventually we get a double whammy both in terms of

increase revenues from the payments throughput and anywhere you make money on the interest income.

Ankit Gupta: How do we ensure that money is being used for the right use, that's quite difficult to track in the rural areas in the remote areas.

Tashwinder Singh: Not really, because we have wallets and each of those retailers have to open a wallet with us. And when they do business with us they have to deposit some amount of money in the wallet. So wallet is available with us, we know all the transactions that are happening on a daily basis. So when we're in the midst of the transactions, it becomes easier to track. If you are just getting a term loan with no access to their bank account without having any idea about what is going on with the money than it becomes difficult to track where the money is going.

Ankit Gupta: Generally what's the yield which we get on these small type credits.

Tashwinder Singh: We have not sort of got that out on what the yields are because again they vary from product to product. Like I said we have different products some are device financing, some are working capital related so they vary from product to product.

Ankit Gupta: Okay but these will be not transaction led income. These will be an extra source of income.

Tashwinder Singh: Yes, this is incremental interest income which is coming over and above the transaction led income.

Rumit Dugar: Ankit just to add this drives up the transaction because for example if they are doing a remittance business with us they need to pre fund our wallet with that amount and they can do the remittance business only to that extent. So if I'm able to give more capital or if the retailer is running short of capital for his remittance business, and he's turning or she's turning customers away, then I fund the wallet so that he can do more remittance business. So effectively, you will see the impact of this also on the volumes or the GTV of our payments business and that obviously expands the income and we have the visibility on the cash flow because we control the cash flow. So, we have the view on the income because it's an income augmentation product and we have the view on the cash flow.

Ankit Gupta: Thank you. All the best.

Diwakar Pingle: Thank you. The next question comes from Hitesh Rambhia, an investor. Hitesh please go ahead.

Hitesh Rambhia: First of all, congratulations on great set of numbers. Tashwinder, what I understand is with 90% of the rural market covered and the products that we offer, how big would be the market in terms of value. Thanks.

Tashwinder Singh: So firstly, 90% coverage is of our partners, they signed up with us, we signed up with them. Now, I think it's our job is to now scale and get to that entire throughput. If you look at the market size, I think again you need to break it

up into what is the AEPS market size, what is the DMT market size. We have some numbers which Runit can give you, which will give you a sense and the scale at which these numbers are growing. It's pretty staggering. Runit you want to share some market size data.

Runit Dugar:

Yeah, sure. So in terms of market size, Hitesh I think you have to look at it from a product perspective. So if I just look at the AEPS product, the AEPS product is the transaction market today is at about \$36 billion dollars on an annual basis, that's the GTV potential. This was zero, about 4-4.5 years back. So this market did not exist, which is at \$36 billion. So that's only the AEPS, micro ATM market. Then there is the remittance market, which is about a \$20 billion market in India. So, just these two products is a \$56 billion GTV and then as I had mentioned that we are expanding our product suite horizontally. So then as we keep adding specific products, whether it is microinsurance, whether it is retail liabilities, etc. from a Neobank perspective, the market size will keep expanding. So for our current set itself, it's a massively large market. Secondly, just to clarify on the 90%, this is the potential footprint of our partners that we already have. But today, it is not reflecting in our numbers. So as we scale, and as we continue to penetrate these storefronts of the partners and more and more partners start adopting our product, and that is when we will hit that 90%. And to give you some numbers in terms of 100% is, it is 6,62,000 villages, that's the kind of reach potential that we are talking about. So we have to penetrate this 90%, we have potential access, but we still have to penetrate. We are at about 25,000 villages as we speak now.

Hitesh Rambhia:

That's great and this is in continuation with the last question where we were expanding credit to these kirana stores. What would be the average value of the credit given to these and what portion of total loan book amount is given to these people.

Tashwinder Singh:

I think the average transaction sizes are anywhere between Rs.5-6 lakhs. It goes all the way down from Rs.50,000, can go up to Rs.10 lakhs depending on the size and scale of the entity that we're talking about. A significant portion of our lending today is geared towards the partner who's in between us and the final retailer and some portion of our book is towards the end retailer. So there's a mix, there's a full chain that requires financing, and we are able to provide capital to this entire chain. Like I said, this is a new business for us in terms of the credit proposition that we just started a quarter ago and in the first sort of quarter for us doing this lending business, to the kirana stores and to our rural tech business, we've tried to take it slow because we want to also understand the market as we give out credit. So it's not a significant book but we thin in next few quarters this could scale quite materially because our initial pilot experiment has been hugely successful. So the small experiment we did giving out few loans have turned out to be pretty good and in the lending business what happens is that the experiment can't be just about giving the money. It's about giving the money and making sure that the first 2-3 payments come back on time with the interest and the principal. So, experiment is not a short term experiment

that you can do in 15 days, it requires 3-4 months for you to experiment before you can start scaling. I think we are done with the experiment, now we are going to start scaling and see how that goes.

Hitesh Rambhia: Wow, that's great. Runit answered we have covered around 25,000 villages, so these 1,66,000 stores are only in these 25,000 villages that is what you mean.

Tashwinder Singh: Yes.

Hitesh Rambhia: So out of 6,62,000 only 25,000 is covered.

Tashwinder Singh: We have a long way to go. We are just talking about the opportunity set that is sitting out there. Since you have asked the question on the size of the market, I think Runit was trying to explain what is the scale that is available and what is the run rate for our business.

Hitesh Rambhia: So how do you say that the 90% of the market is covered.

Tashwinder Singh: So the partners who have signed up with us and they want to use our platform. They cover, they have retail outlets in fronts covering almost 90%. So they will be picking our platform and therefore we will get access to transactions across this entire footprint.

Hitesh Rambhia: Wow, so last quarter what percentage of the rural market was covered, approximately.

Tashwinder Singh: I think last quarter we were at 1,30,000 retail outlets, and we've got 1,66,000 this quarter.

Hitesh Rambhia: In terms of your partners.

Tashwinder Singh: In terms of partners I think we've had a couple of really big wins, which unfortunately I cannot take names because we don't have the freedom from them or the approval from them to take their names yet. So I wouldn't be able to give you a number of what percentage of the country was covered last quarter, but this quarter, because of these couple of wins, we suddenly got access to these very large partners who are giving us this footprint. Now the question is how we scale them.

Hitesh Rambhia: Wow. All the best from my side, thank you so much.

Diwakar Pingle: Thank you very much Hitesh. We have a follow on question from the line of Ankit Gupta. Ankit please go ahead.

Ankit Gupta: Yeah, hi. I understand you cannot give us the names of the partners but just a profile who are these partners in the rural areas primarily.

Tashwinder Singh: I can give you a few names, there are some names I can't but I can give you a few names. So when you look at a lot of the microfinance companies, you look at Bharat Financial, you look at a couple of players like that, Bharat Financial today is present in over 25,000 locations. They are partnering with us, we are partnering with them. They're using our micro ATM solution on their outlets, think about it from their point of view, they are providing loans

to rural individuals, they have a lot of footfalls that come into their stores by providing our solution and putting our micro ATM devices there, they are able to augment their income, and provide an incremental solution to the customers that come in. So it becomes an incremental proposition for them, and therefore it makes tremendous sense for them to use a solution like this which is complementary to their business model, but they are able to leverage this incremental product and are able to increase their revenue base by increasing this product proposition. So that's one example that I would give you, where we have a very strong partnership.

Ankit Gupta: Understood. Just last question with my end, just one thing if tomorrow say, these companies develop their own app or software on platform to write these payment services. Isn't it a big risk for our business model.

Tashwinder Singh: No, I think it's not as simple as just developing an app, there is the complete chain, how does a transaction get transacted. Creating an app is the easiest of the problems but you need to then have the integration with call it NPCI, you need to have the transaction being routed through a banking partner because this is equivalent to interchange play, how the payment gets made out here. So, you need to have the entire infrastructure available or to be able to become a player in the space. So for a new player to sit and think through which is not their core business to recreate this entire infrastructure is just about not normal.

Ankit Gupta: Yeah.

Rumit Dugar: Ankit just to add, I think if you look at the economics, it's a scale business. So, I mean the kind of efficiency scale that we are able to offer and generate, you should be able to generate these transactions at a very low cost. Thus, a small players who have only a small pie of the broader transaction market, they will never be able to get to these kind of unit economics like we are able to from a efficiency perspective, fail rates as well as the unit economies.

Ankit Gupta: Any other player, right now doing what we're doing in India.

Tashwinder Singh: So I think there are pieces being handled by different people, I don't know if anyone is doing the full stack, the way we are doing the full stack but there are always you will find competition coming in different pieces.

Ankit Gupta: Say the payment space, any player who would be doing the same thing.

Tashwinder Singh: So, on the payment play, there are people providing solutions to retail outlets of course there are multiple people doing that but like I said we are not dealing with the retail outlets directly we are dealing with the partners. So I don't know if anyone is doing this. At a large scale, one could argue that when you look at the BC program that is run by Banks there are large technology company providing solutions. So bank of Baroda uses TCS platform for powering their BC program, part of our business is actually competing on that space but for smaller banks, part of our business is dealing with partners which I don't think anyone is thinking through right

now, so it's also unique in that sense. As far as retail is concerned there are other players who are providing tech solution to retail outlets or putting in their retail front. So I don't know anyone is doing the entire stack but like I said there's competition always comes from different pieces.

Rumit Dugar: So, I think if you have to look at comparables from business design perspective, our comparables really sit with platform infrastructure companies and most of them are in the private space. So these platform infrastructure companies could be powering the card business, the prepaid card business where they are just sort of platform infrastructure players in the front end partner's consumable platform. So I think most of them really from business design perspective today sit in the private space and not necessarily people who have the same kind of product like our business.

Tashwinder Singh: Also I think this model in terms of providing the platform and then using transaction led called payment plus dovetailing credit into the whole equation. I don't know anyone who is doing the entire stack.

Ankit Gupta: Thanks a lot.

Diwakar Pingle: The next question is from the line of Sanjay Kumar. Sanjay please go ahead.

Sanjay Kumar: Hi guys, just a bunch of follow up questions. So you spoke about Bharat Financial Inclusion are we the exclusive partners for them or is it like, anybody can work with them and get access to their customers.

Tashwinder Singh: The point is that I don't think anybody signs exclusive arrangements, but what happens is that you can't work with multiple partners either. So once you got an arrangement with one partner you're using their micro ATM, the device that we provide for example can't be used on any other network there's a key injection that happens, which limits the device only to us. So once you bought our devices, then you have to use our network that's just how the nature of the beast, right. So, if you ask me do we have an exclusive agreement I don't think we have exclusive agreements, but do we have them using multiple partners, we don't. So, the nature of the business is that there is inherent exclusivity that comes into the business, whether it's in the agreement or not.

Sanjay Kumar: So there are switching costs as well.

Tashwinder Singh: There are switching costs, there are moving away by giving volume to one player you are able to get better efficiency of course why split the volume into multiple players.

Sanjay Kumar: Right. Okay. All right, Bharat Financial Inclusion is on the rural side and who are our partners for wealth, I mean any particular insurance companies, if we can name them.

Tashwinder Singh: So we can't name anyone on the wealth side. That side is a small part of our business, it's again something which is relatively small and we're trying to scale it up. Like I said we have offered our wealth solution as a platform to our entire financial intermediary market. So, when we said about the 4,300

odd financial intermediaries, we are powering them, offering them a solution to their customers and using our platform. So effectively our business model is to try and be the platform or someone who can actually power up a person who wants to start a wealth business for example, all the platforms, all the products are sitting out there, they are able to transact through us. So you could give a white label solution to a Chartered Accountant who could then offer wealth solution to his 300-400 customers or he could use our brand, Moneyfront, and he could just log on to our platform and it's again digital DIY, do it yourself kind of platform where you could be engaging in the wealth proposition, right.

Sanjay Kumar: So this will be like a market place, where user can go and see a variety of insurance products, FDs and mutual funds.

Tashwinder Singh: Yeah, except that you need to go through the whole process of KYC etc. You can't just log in and just transact right you need to go through KYC because there are regulations, as you as you log on to these platforms but you're right, effectively, you can get on the platform and you can transact. Absolutely right.

Sanjay Kumar: Okay, and again here customers are owned by the CA. By 4,333 you mean CA's.

Tashwinder Singh: So yeah, mostly CA's but I think the in the wealth business it's very interesting. So there are customers who are owned by the CA but the customers come and because they transact directly on our platform they become our customers directly as well. So effectively we end up owning those customers because we could cross sell to those customers, but we remain true to our partnership with the CA, we don't disintermediate the partners but you have direct engagement with the customers, because the customers want to talk to a person who can discuss wealth through them, and solutions. The CA may or may not be the best person to be selling a wealth product right.

Sanjay Kumar: Okay, and so this gives us a lot of opportunity. It may not be just CA you partner will say.

Tashwinder Singh: Absolutely, that's why we call them intermediaries we don't call them CA. Since you mentioned CA, I said yes, a large portion of them are Chartered Accountants, absolutely. But they could be IFAs, it could be anything right. They could be just basically intermediaries, trying to build their own wealth business we're happy to power them.

Sanjay Kumar: Okay, interesting. And you also said that we don't have someone who gives a complete stack that you provide. Are there any global benchmarks or if there are no global benchmarks, what are we not stack.

Tashwinder Singh: The global benchmarks I would give and I think Rumiit can also maybe add to that, there's a German bank called Solaris, which again does not own any customers but provides the entire banking stack. I think they're a very

interesting play it's a multibillion dollar institution. Rumi, I don't know if you want to add any more names that you think could be similar to our business.

Rumit Dugar:

So I think from a business design perspective if we keep the product proposition out for a moment right because the product propositions are different, from a business perspective, I think if you look at the broader fintech industry globally, you are seeing a lot of this API platform infrastructure companies coming through. Solaris bank is one example, in India for example in a different segment you have Zeta which is largely focused on the prepaid card, so they are again a platform infrastructure company powering front ends to do prepaid cards etc or you could look at Setu, which is in a different category but again, the whole platform infrastructure kind of play right, so as a business design the whole API platform infrastructure play to power front ends right, I think is where our sort of platform sits from a design perspective, yes.

Sanjay Kumar:

Okay, so one last follow up question. Say, if a player comes in an open credit enablement network, account aggregator comes in, so we could provide a platform to anybody who wants to act like a bank, who wants to provide credit to their supply chain say some big FMCG like Dabur or someone giving credit to their distributors, dealers, so on and so forth. So, we could provide our banking services to anybody like banking services, that's the right understanding?

Tashwinder Singh:

Yeah, absolutely. So what you're talking about is the vision that we're going towards. When I mentioned that we want to be the Neobank infrastructure provider, there are multiple phases that come into play there is payments as a service, there's lending as a service, there is banking as a service, all of these have to be in place right and we are building that we are building this out. So we could provide today, the example that you give is absolutely we could do, the question is, can we do this across the board and across multiple products and try and be the backbone, really for people who want to get into this business, that's really the platform play that we keep talking about.

Sanjay Kumar:

Thank you.

Diwakar Pingle:

We have a follow on from the line of Hitesh, go ahead with that.

Hitesh Rambhia:

Tash, how big is our tech team.

Tashwinder Singh:

You know we have almost 50% of our staff, so we have about 250 odd people across our Bombay and our Bhubaneswar centres. Almost 50% of them are dedicated towards technology. So, anything between 120 to 150 people.

Hitesh Rambhia:

And all of them are permanent employees.

Tashwinder Singh:

All of them are permanent employees.

Hitesh Rambhia:

The people who work on the ground, all that everyone.

Tashwinder Singh: Absolutely the entire 250 people that I mentioned about are our permanent employees.

Hitesh Rambhia: Okay, thanks. Thanks.

Diwakar Pingle: If there are no other questions, I'll hand the call back to Tash. I will just wait for a moment in case queue assembles. I think we are an hour mark. So, thank you friends for joining the call. Tash closing comments please.

Tashwinder Singh: Thank you Diwakar. I just want to thank everyone for taking the time to listen to our story. I think we continue to focus on building out our business and I look forward to talking to you again next quarter. Hopefully we will have and we continue to have some good news to keep giving you every quarter. Thank you.

Diwakar Pingle: Thanks everyone and have a nice weekend.