niyogin

Date: November 10, 2021

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

Dear Sir/Madam,

Sub: Earnings Call Transcript – Q2FY22

With reference to our letter dated October 27, 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 Q2FY22 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: 2021.11.10 20:03:05 +05'30'

Neha Agarwal
Company Secretary & Compliance Officer
ACS 41425

Encl: a/a

“Niyogin Fintech Ltd. Q2 FY22 Earnings Conference Call”

November 2, 2021

MANAGEMENT: Mr AMIT RAJPAL - NON EXECUTIVE CHAIRMAN & COFOUNDER
MR. TASHWINDER SINGH – CEO
MR. RUMIT DUGAR – CFO

Diwakar Pingle: Good evening friends and welcome to the Q2 FY22 earnings call of Niyogin Fintech Limited. Today we have the top management of Niyogin represented by Tashwinder Singh – Chief Executive Officer and Rumit Dugar – CFO and we also have a special invitee, Amit Rajpal - Non Executive Chairman and Cofounder. The agenda for the day is as follows, we just want to play a short video for about two and a half minutes, which will talk about one of our product platforms and then Amit will give his opening remarks which will be followed by Tashwinder with his views on the quarter gone past and outlook for the future and then we will have Tash and Rumit take on the Q&A session from your participants. Without much ado, I request Ravi to kind of play the video please. (Video played).

Thank you so much Ravi. That was short glimpse of iServeU. May I now request, Amit to take over.

Amit Rajpal: Thank you Diwakar and my name is Amit Rajpal and I'm the chairman and co-founder of Niyogin Fintech Limited. I wanted to do take maybe five minutes of your time to go through Niyogin from a strategic standpoint. But preceding that, I'm usually on your side of the table. My normal job is to be an investor and an analyst previously in financial services stocks and fintech stocks globally. And I think in the realm of FinTech, I've been active both in India but also globally in the enablement of block chain and financial services, as well. So, the first question I want to address is why should someone look at FinTech in India? Why now? What's the opportunity? Then I want to get to why Niyogin and then finally, I just want to talk a little bit about our strategy as well.

So, why now I think generally in India, my view is that conventional delivery models and financial services don't work well, where granularity is required, especially where ticket sizes are small, like with financial inclusion or with micro and small businesses, where the cost of any manual intervention makes the business sub economic commercially and therefore leveraging technology becomes important. At the same time, India has made remarkable progress with regards to simply the ubiquity of the mobile phone, the cost effectiveness of the data that's available, but most importantly, the public rails which have been put in place, both with Aadhaar and UPI, and creating platforms on top of these rails is where the opportunity is to digitize manual processes, to leverage existing distribution. So, Niyogin has been designed to create platforms which build off the inherent infrastructure that's in place, in an environment where data is easily accessible and phone usage is becoming broader and broader. The focus that Niyogin has in building platforms also is defined, in areas where we want an open architecture, where we want modularity and where we want full stack. These are the basic prerequisites of a platform and these business models do exist in the financial infrastructure business models globally. We can't say with aligning to any specific business model, but there are companies like Solaris in Germany, there's companies like Stripe, there is companies like RDN who's made a business of dealing with partners and enabling them for success and they're the ones who manage and run the platform that they've built, which has these three characteristics, the open architecture, the modularity, and the full stack. In our case with our partners, we're looking to enhance both their income but also improve their efficiency. We're not only an efficiency enhancer; we're also an income enhancer and I think that's important to build alignment. We have generated proof of concept with our financial inclusion platform by iServeU and establish multiple partnerships now with very serious entities, which are in varying stages of execution and the endeavour from here is to build a full stack product. So what started with payments in financial inclusion can move to point of sale, can move to financial services, can ultimately move to commerce. And that orientation is something that I think we're particularly excited with the management team has presented in its hyper growth plan, which the board has approved in its meeting yesterday, where we come in with the Rs. 100 crores of investment in order to fast track the build out of the financial inclusion platform, which has already gained proof of concept where we're feeling increasingly confident in terms of driving our potential and ultimately our revenues.

I also want to say a final little bit on our listing. We are a listed company, right effectively from the start since we put Niyogin together. And I think we see listing as strength and it's very rare for such startup companies to be listed straight away. But the listing has enabled us to make the acquisitions of iServeU and Moneyfront which have transformed Niyogin. I would say the startup ecosystem in India is thriving, has lots of young companies, which may not all achieve scalability themselves and therefore making infill acquisitions at Niyogin to help our product and tech stack to broaden us out is something we view as complementarily and frankly, be viewed as a strength of Niyogin being a listed company. So from my perspective as Founder and as the Non-Executive Chairman I want to highlight that we're at a moment in time in India, where the ability to drive platforms and platform adoption is significant. In Niyogin, we're prioritizing the build of our platforms, and today we're here to discuss a financial inclusion platform where we think we've achieved a proof of concept to drive scale now. And we view our listing as a source of competitive advantage, especially as the startup ecosystem in India for smaller businesses is very vibrant and thriving. So, from my standpoint, I want to leave it there. But most of the heavy lifting in the details and the execution discussion will come through our management teams. So I'm going to hand off to Tash to take it forward from here.

Tashwinder Singh: Thanks, Amit. Good evening and thank you everyone for joining in today. And wish you a very Happy Diwali. We are very close to the holiday season coming in, so wish you a very Happy Diwali and thank you for taking time to listen to our story.

What I will do is I will give you a brief perspective on the quarter that's gone by and then maybe we can dive in a little into the hyper growth plan that Amit alluded to and just tell you what is it that we are really trying to do and what we are trying to achieve. Really on the quarter gone by all of you know the lockdown restrictions were gradually lifted during the quarter, the economy began to know take its path back to begin its former momentum. We continue to reap the benefits of this sustained execution as our revenues again recorded 18% sequential growth. We have continued to pivot our business to a platform centric model and now 78% of our revenues come from non-balance sheet business. As we add new products we will continue to see this unfold over the long term. In terms of our reach, our rural tech business now has close to 200,000 retailers and clocked a GTV of more than Rs.20 billion during the quarter and a growth of 25% quarter on quarter on a like for like basis. Our GTV now include retailer wallet to bank payouts bringing our GTV reporting in line with industry norms. Our urban tech partner base also grew at 43% y-o-y and stands at 4,636 partners. Our wealth AUM also showed some decent growth rising more than 120% to about Rs. 1,800 crores of AUM. Our credit loan book is down 71% y-o-y and now stands close to Rs. 28 crores against Rs. 96 crores at peak in September 30, 2020. This is as mentioned earlier, aligned with our articulated strategy of exiting generalized credit to de-risk our balance sheet and focus on transaction led credit.

Q2 saw us reach a few milestones as well for our business apart from expanding our business with partners like CSC (Common Service Centres), Bharat Financial among others. We also added a significant number of marquee partners such as Sahej, Bajaj Finance and Hermes iT. We also added Airtel Payments Bank to augment our bank partnerships. The other significant change we have made to our platform is that, we have now become device agnostic and we offer micro ATM services in the bring your own device module to enable an open architecture which widens our platform significantly as we can now target a wide range of devices which are already installed. I think this is a significant change to the way we have approached this market. As a result, the embedded micro ATM solution for POS players has also been launched this quarter, a solution that will basically help micro ATM transactions through existing POS devices. This model is being rolled out in strategic partnership with Atos Worldline, as our partner and this should increase our TAM pretty significantly that every POS device can potentially also become a micro ATM device today.

Our consolidated revenue for the current quarter stands at Rs.259.9 million up 18% quarter on quarter and about 230% year on year. Our adjusted EBITDA was Rs. 8.4 million compared to Rs. 13 million in the corresponding quarter last year as we continue to make investments in building platform capabilities. Our balance sheet continues to remain strong and we are debt free as of date with cash and equivalents of over Rs.1.7 billion. So that's a little bit about the quarter. We can certainly take questions on that once I'm through with the second part of my discussion where we are really going to talk about detailing the plan for investment as approved by the board.

I think a significant market opportunity coupled with the market accessibility of our platforms has given us the confidence now to invest in building this business further. I think we spent last two quarters where we did the proof of concept as Amit mentioned, both quarters we've seen significant sequential growth in the 18-20% range. We believe this business now has significant operating leverage and acquiring scale both in terms of distribution footprint and product breath is critical for us. We are therefore happy to tell you that the board has approved an investment plan to further our business build. The plan is to invest up to Rs. 100 crores to hyper scale the business in the next two years. The money will largely be utilized in building our talent and technology to help bring in incremental products and service capabilities on our platform. Our business design, as you all know is to provide modular platform infrastructure to power any business that wants to provide financial services and products to its customers. We are a B2B player, I think it's important to mention this distinction as this separates us from product centric players with a direct end customer go to market strategy. This investment will help expand the service infrastructure in the product stack on our platform. Given the product breadth and the modular nature, our partners can pick and choose the product stack to help monetize their networks. The plan is therefore to be the platform to deliver full Neo banking services and products to the customers that that work with us.

Now, we had mentioned earlier that you know our GTV currently is about Rs. 2100 crores per quarter and the number of transactions we process is in the ballpark of 6.9 million per quarter. We believe we can increase these numbers by 8-10x over the next three years. We started this transformation in FY21 and with the proposed investment, we believe we can scale the revenues also 8- 10x over the FY21 numbers over the next three years. So that's really the aim on what we want to achieve with this company and drive growth and relevance in the market. I will pause here and we can open it up for some questions. And then we can get into more details depending on what details you guys want us to get into.

Diwakar Pingle: Thank you so much Tash and thank you Amit. Now we'll start the Q&A session. If you have a question, please raise your hand and then I'll open up your line and ask if anyone has questions, questions will be taken only by Tash and Rumit. Just to kind of request when you ask the question in case you represent an organization please mention the name of the organization it helps us when we're transcribing the question and answers, so I would much appreciate it if you just mean organization. So the first question comes from the line of Shanay Kothari. Shanay, please go ahead.

Shanay Kothari: Hi, I'm an individual investor. I just wanted to know about the micro ATM part that you spoke about in the presentation. So what exactly is that business? And second part is what exactly the tie up with Bajaj Finance and

Bharat Financial you're talking about? So what service do we do for them basically?

Tashwinder Singh: Sure, thanks Shanay. Thank you for joining in. So, micro ATM solutions are basically trying to convert or provide a digital to cash solution to consumers who are based in rural India. What we are doing effectively is all the Kirana stores and the retail outlets that you see in rural India, we provide them with a device which allows them to access their bank through the device. So, the device is used as an authentication device, you can walk in with your debit card, get authenticated, and the Kirana store will then give you the cash, so you're effectively taking money out of your cash account. Effectively, you're converting a Kirana store into a ATM. Now these are small micro ATM devices in the sense that unlike the big ATM devices you see in the big cities where cash is dispensed by the machine here what happens is that the Kirana store owner is dispensing the cash and the devices is being used for the authentication and for the transaction to be validated. Now, the authentication, validation, all of that happens on our network, so we connect with the Kirana store, we provide the device to the Kirana store at one end and at the backend we connect with the banks, who are able to then authenticate that the money is there in the account and all the to and fro transactions happen through our network and the Kirana store guy then uses his own cash to dispense the cash out. Effectively, what you've done is you have expanded the number of ATM points in the country quite significantly. That's on how the micro ATM proposition works. I think it's a material change, effectively just to give you an idea there are about 400,000 old school ATMs in the country when you talk about the 1.3 billion people in the country, it's difficult to sort of think through the old school ATMs which need to be funded by someone who has to come in put in cash, manage those ATMs, it becomes difficult to manage them as you get into the deeper heartland of India. So, these solution provides customers access to their bank accounts as I mentioned, and allows them to get cash right there, literally at your doorstop because you're going to your Kirana store who could be a couple of meters away from your place of stay. So that solves the big problem for them. That's on the micro ATM part, for the other partners that we are doing there are different solutions we are providing to different people. I had alluded to what we were doing for Bajaj Finance in my previous call.

We have a solution called Aadhaar pay, which allows a customer to use his fingerprint, again relying on the rails that the government of India has set in place, where he can again transfer money by using his thumbprint. So for Bajaj Finance, they do a lot of rural lending, they have about 72,000 at last count of agents that are walking around with a handheld device, recovering money or collecting EMI points from the customers. What we've done is we've given them a solution which is a small SDK solution that we've uploaded our Aadhaar Pay Solution on those devices. So when they go to a customer, a customer can just put his fingerprint and make a payment, where he transfers money from his bank account into the Bajaj Finance account. Now, you need to take into account the fact that all this is happening in rural India. This was the whole rural financial inclusion platform that we're talking about, when you think of urban India, one starts asking questions, why can't the customer just transfer money through UPI, why do we even need the solution but rural India presents a very different challenge where customers are taking loans, like in the case of Bajaj Finance and need to have a mechanism whereby they may or may not be comfortable using smart phones or may not be able to do transactions directly. Whereas this proposition then helps Bajaj on recovering cash as they go meet these customers.

So that's the solution we are given to them the other people again, it's a variety of solutions. Bharat Financial Inclusion for whom we are doing micro ATMs, for CSC also, we are doing micro ATM. Of course life starts with one product and with all our partners our aim is to try and cross sell them incremental ideas, thoughts or provide bespoke solutions, if that's what they need, you know, to make sure that we are relevant for them and we are able to then get transactions on through a network.

Shanay Kothari: Thank you so much.

Diwakar Pingle: Thank you so much. Participants if you have a question, please press the raise hand button. We have the next question from the line of Neerav Dalal.

Neerav Dalal: Thank you, this is Neerav Dalal from Maybank Kim Eng Securities. I have a question in terms of competition in this line of tech business because we see a number of companies who are trying to use this module. So what is our differentiation here and then what would be our unit economics in this and thirdly is there exclusivity with the partners like you talked about Bajaj Finance, so how this work.

Tashwinder Singh: I think let me take the first and the third question. I think for the unit economics, I'm going to get Rumit to come in who's our CFO. He can come in and talk about the question. Firstly, I think the model is very different and you spoke about competition, right? I think we should draw a distinction between business design and product capability. The way we think about our life is we think of ourselves as platform players. So we are powering other players to get into financial inclusion, for example. So I don't deal with a retailer, I don't go get a retailer onboard on my system directly but I work with other people who have retailers out there. So when you talk about a Bharat Financial Inclusion example, Bharat Financial Inclusion has more than 100,000 stores or you look at a CSC which has 600,000 stores. They are my customers, I'm powering them with my technology. I am not out there, competing with them on the ground, or trying to get the customer away from them, so that's number one. A lot of competition that you speak of or hear of is actually operating in that space where they're trying to do a land grab whereas is in our case, we are trying to go through an organized way of trying to get partners in who can bring in large number of retailers. Now the business model is unique in the sense that we still make revenue basis, every transaction that goes through our platform. We share revenues with the partners and with the retailers but as against getting the retailer directly and therefore going through a much significantly higher cost of client acquisition, we will end up working with a lower cost of client acquisition, so that I think works well. Also we are able to them get a larger number of retailers on boarded in one shot as against getting them on a one by one basis.

The other thing is that when you are a platform play, we are focusing on building the platform and making the platform more robust, you can keep adding incremental products on the platform. I think Amit alluded to getting into from a micro ATM solution or a POS solution, getting into E-commerce, getting into lending. The idea is these are our products. The way we think about life is that we are the backbone, we provide the backbone, we ensure that transactions happen, we ensure that latency is at a minimum, we ensure that fail rates are at a minimum, but the transactions are and the customer is owned by a partner. And the example that Amit gave was of Solaris bank in Germany, which I think is a classic example. Of course, regulations are different in different countries, but they are able to provide the whole banking solution to partners without necessarily being a bank themselves. They don't really have a single customer who is a direct customer who owns an account on their platform, but they have people who have their power. So, banking as a service is the eventual goal right there. If you can provide the entire stack of banking as a service, then you land up powering other entities who want to find ways and means of monetizing their network. Now the beauty of this is that my client base could be anyone, it could be a food delivery app, it could be a company, it could be a person who's working on procurement with MSMEs, all of them who have created networks of sole ideas and thoughts. They are able to use my platform to be able to incrementally monetize what they built on the platform. Because end of the day, a lot of the FinTech companies are using financial services to be able to monetize the networks they've built. We're able to power them without letting them or asking them to recreate the entire proposition of being able to deliver the full stack of financial services. So that's, the one part. Rumit, you want to take the second part in terms of economics.

Neerav Dalal: Just before this if I look at your presentation, the business model also talks about credit in your rural tech, so you can just give a brief.

Tashwinder Singh: As you know, Niyogin is also an NBFC. And one of the things that we've done is we have dovetail credit into our payments business and it's a closed loop mechanism. So when I say I have 200,000 retailers who are transacting on my platform on a daily basis and are using my platform to power their micro ATMs or their DMT or their AePS transactions, we get to see a lot of transaction data on these clients. I'm able to use that transaction data to be able to convert that into actionable data, to be able to provide credit to those retailers, but primarily to enhance the level of business that they can do with me. So I think that the credit proposition that we have is totally driven by having differentiated data number one and number two using it to further the level of transactions that happened on our platform.

Neerav Dalal: Sorry, just a clarification on this, but our balance sheet is not leveraged on this?

Tashwinder Singh: No, its not leveraged. We have got capital. As I mentioned on my opening remarks, we had Rs. 170 crores of cash or cash equivalent.

Neerav Dalal: Okay. So, our balance sheet is used to offer this credit.

Tashwinder Singh: That's right.

Neerav Dalal: Okay.

Rumit Dugar: Yeah, I'll take the question on unit economics. So one, I want to just set the context in terms of the business design and what Tash has mentioned, given that we are an infrastructure platform, our cost of acquisition for the customer is low. So as a result, if you look at our broader unit economics, we are a variable cost model, our fixed costs are largely from technology, which have very high operating leverage because we have very low customer acquisition or retailer acquisition cost and that fixed cost of technology is spread over multiple products. So I think I just wanted to set the context in terms of how the cost structures move in our business.

Second is in terms of revenue drivers, different products have different unit economics. If I talk about the broad drivers of revenue, we have the license fee which we take from retailers, we have the transaction income for every transaction there is an income that is generated which could range depending on the product between 30-100 BPS, we could have devices and we could have cross sell fee income. So all of these lines have different unit economics, but fair to say that from a gross margin perspective, this could range between 15-25%. And then with a tight and a low fixed cost structure, which is largely technology led gives us a lot of operating leverage, which is why you see unlike most other startups, our business is not burning cash as we have been scaling this is been a low burn model, primarily because of the way our business design is structured. I hope that answers your question.

Neerav Dalal: Yes. And just lastly, in terms of products, at the moment what would be the broad range of products that we are offering and say two years or three years down the line how do you see that broaden.

Rumit Dugar: Maybe I'll just answer the current product offering and then Tash maybe answer how we are expanding the platform because that's part of the business plan. I think in terms of the current product offering, this is largely centered and focused around the financial inclusion stack which includes the domestic remittance business, the Aadhaar Enabled Payment System popularly known as AePS and the micro ATM, so these are the three primary products. Then over the last six months, we have been significantly expanding our product capability and building more use cases. So one example of that is Aadhaar Pay which is what we call the UPI of rural India, which is thumb impression based digital to digital transfer. And we are building multiple use cases, for example, use case in collections, use case at the merchant level on a no smartphone base. So, there are multiple use cases that have getting built. Then there is credit, which is today largely a closed loop second product, a non-customer acquisition centric model from a credit perspective, so that is getting bundled in. In terms of the product stack expansion, maybe Tash you want to talk about how we're looking to expand the product stack.

Tashwinder Singh: I think, the way to think about that is like I mentioned that we're looking to expand the product stack from a Neo banking standpoint. So when you start thinking through liability products, potentially we would partner with banks to bring in liability products on a platform, which is a big opportunity, they could be investment products, which again could be brought into rural India. Now, please do keep in mind that we are talking about a very large rural market out here 65% of the population still stays in rural India. So, we are tapping a pretty significant market out here. This market is underserved and under bank market and a lot of people have opened accounts, 483 million at last count people have opened accounts, these people are not being served, like they would like to be served just because of the paucity of either way ATMs or bank branches. We are just trying to make sure that we are able to provide the entire stack of services, that's on one level. On the second level, the country has a significant number of POS machines that have been deployed across every retail outlet. In rural India itself there are about 70 million rural retail outlets. There is a significant opportunity for POS machines to be installed there. There's a significant opportunity to make those POS machines multi-functional rather than just having them use only for using a card, there could be multiple thing that you could do with those machines. So, we are bringing in technology to be able to do all that and provide all these solutions to different people who want to use this network of businesses that they are trying to do. What we're also doing is, we are building up the technology to be able to provide things like business analytics, things like notifications, etc., to be able to make the whole platform a lot more real robust and become a whole stack as against the 3-4 products that we currently have on the platform today. So, we are expanding from the 3-4 products into a full stack Neo banking proposition and from a service layer standpoint, we are adding incremental service layers which are not product layers, but service layers to make sure that between the product stack and the service layers, we are able to provide the full stack of financial services to our customers.

Rumit Dugar: Neerav, to your question on exclusivity. I think there is no partner exclusivity but if you look at it from a business design perspective, there are a lot of product centric players. So the partners that work with us effectively they see these product centric players as competition because if I am powering up a partner with say 20,000 storefronts, effectively I have created competition for a product centric player by powering them to monetize their retail storefronts, so they never go to these product centric players, because they are obviously competition for them. So in terms of the business design and infrastructure, let go to market strategy or partner let go to market strategy, we really don't see too much competition. A second is there are there are costs because these are deep tech integrations that we do with our partners, whether these are API integrations, SDK integrations, etc. So it's hard for them, so obviously one there is there is no direct player who's really offering this in the business design that we are doing. Second- is these are deep tech integrations which have high cost of switching. So I think that's really from our perspective, the exclusivity comes from not from a contract.

Neerav Dalal: So, would Bajaj Finance be working with multiple other banks?

Tashwinder Singh: So, the way it works is that they've used us for a very specific use case. The specific use case that they're using us is on the collection side, and they use one proposition we have is Aadhar pay, which is a single use case that they've used for and tried us and found it to be quite successful. Now the conversation and opportunities is to try and see what else we can do for them in the various use cases that we have. So, in the meantime, could they be talking to other people, of course, they could be talking to other people. The whole concept of exclusivity in my view, it does not come by having a contract where we are exclusive, our exclusivity comes from two things. One is the fact that as Rumit mentioned, there's deep tech integration. So for a customer there is a huge cost to move out and therefore our mandate is to continue to deliver the high quality service at the lowest cost possible. So, that maintains or make sure that a customer does not walk out of our proposition and continues to increase his engagement with us.

Diwakar Pingle: Thanks Neerav. The next question comes from the line of Rohan Mandora, Equirus Securities. Rohan please go ahead.

Rohan Mandoran: Thanks for the opportunity. So on slide number 11 of the presentation where we are giving product delivering infrastructure, we also talk about B2G, C2G and G2C. So, what are these and some color around that?

Tashwinder Singh: So, when you look at a partner like CSC, it is doing a lot of work. Let's talk about G2C, government proposition where government is doing a lot of direct benefit transfers into individuals. When the government is doing the direct benefit transfers the money goes into the bank account. How is that customer actually getting access to that account? That customer is utilizing our micro ATM solutions to be able to withdraw money from his bank accounts, which are getting funded by the DBT solution that the government is given right number one, number two, you have a lot of players like CSC for example, which are fundamentally working on dispensing government services for example, you want to get Aadhaar Card enabled, you want to get birth certificate issued, death certificate issue etc. You can do that in CSC centres, now these CSC centres become a hotspot for a significant level of footfalls. So we are working with CSC to try and make sure that there is a mechanism whereby they are able to increase a product stack and offer financial services to the customers who are walking in maybe to do government related activity, for example Aadhaar updation but are also able to then get incremental services available to them. So we have yet tapping this entire segment to make sure that we are able to provide. End of the day we are still providing financial services; we are not getting into providing government services etc. We are still doing financial services but we are using different places whereby we are able to deliver those services

Rumit Dugar: To add these are basically our potential partners, now these partners could be delivering services to business, to the consumer, to the government. So this is the partner stack that we are talking about. Who are eventually sort of our customers will be our powering. I think that's the definition that we are trying to give or bring out in that slide.

Rohan Mandora: And on the slide where we are talking about the rural tech business, slide number 7, rural platform. So here, if you look at the GTV growth year on year has been around 12%, where the average transaction size has gone by around 18%, so in terms of volume, has there been a de-growth in this number of business transactions. How should we read this data points?

Rumit Dugar: So, in terms of the broader industry itself, through last year we had a massive drop in the average transaction size, that's largely because of the because of COVID and this is visible across the industry, so when you look at NPCI data etc. all of these trends will be visible. Now there are certain periods specifically in the quarter where say there is a large DBT transfer. So when there is a large DBT transfer the transaction sizes in that quarter or in that month completely changes or there are some state government subsidies or some social schemes that get rolled out for example, in quarter two, there was a rollout of the direct benefit transfer. So these kinds of events actually end up skewing the transaction sizes but suffice to say we are largely in line with the industry. It's not that we are very different from the industry in terms of the transaction sizes.

Rohan Mandora: And just lastly, in terms of the partnerships we are doing with Bajaj, the commission's that we would earn on the transaction that are getting routed through Bajaj vis-a-vis something that will be routed through individual retailers on similar kind of transaction. So, what kind of difference on margins would we have between the two category?

Rumit Dugar: So, in both situations the pricing structures are very different. So if I look at a typical retailer business, which is doing AePS based transactions the entire flow of revenue, transaction etc. happens through our partner, our channel, our bank account and into our wallet. So that's a very separate and different pricing structure. In cases where we are just offering the use case from a technology stack perspective, these could be priced purely from a transaction based only on technology there might not be full flow through in the GTV but they're still revenue accretive. But there is there is no full flow through from a GTV perspective or from a cash flow standpoint. So these may get priced on a per transaction for example, in the market if you see like auto-NACH or e-NACH kind of mandates they get priced on per auto-NACH or E-NACH one rupees, two rupees, one and a half rupees depending on where the product is. So there are these various pricing structures which are available which could be product centric, transaction centric, or as a percentage of the transaction value. So there are these two or three varieties of transaction structures and pricing structures that exist.

Rohan Mandora: Currently, how would be split between something which is getting routed through the retailer's vis-a-vis say institutional partners.

Rumit Dugar: It is largely retailer. So, if you look at our go to market strategy, we have two legs of our go to market strategy, one is powering the larger enterprises who have storefronts. So when we talk about the larger enterprises, the enterprise goes to market strategy, you have a Bajaj Finance or CSC or you have a Bharat Financial Inclusion and then there is the local community BC strategy, which is small community BCs who have 10-50-100 sort of retail touch points but they will never be able to build the kind of technology stack, bring them the compliances, etc. and then that's the other segment that we are powering in. So from a mix perspective, it's largely the latter which is the local community BC, or enterprise strategy is more recent, it's almost two or three quarters old sort of strategy.

Rohan Mandora: Thanks a lot.

Diwakar Pingle: Thank you, Rohan. If there's anyone else that has a question, you may press the raise hand button.

Tashwinder Singh: Diwakar, I have a few questions that have come to me on my messages. I can probably talk through those just in the interest of everyone. The first question is talking about what are the incremental products that we can provide on our platform, post this whole hyper growth plan?

So today, we are providing micro ATM solutions, we are providing AePS, we are providing domestic money transfer solutions and Aadhaar pay has been recently launched, with the Bajaj Finance as we mentioned. I think incrementally, the most obvious propositions that we can do is the POS solution, doing a point of sale, really converting existing point of sale devices into micro ATM or micro ATM devices into point of sale therefore expanding the usage of these devices per se. Incrementally digital lending is something that we have already toyed with, we have mentioned about that, we are going to be doing more of that through the retail network. Then there is a liability set of products which are neo banking products where we are able to provide liability solutions. Following that you can provide insurance, which is again something that we just recently launched where we are able to provide insurance, once the network has been created the idea is to try and provide the entire stack of products through the network, and every product that we provide has an incremental fee income which is why when I started I was talking about the fact that 78% of our income today is coming from non-balance sheet related activities, which really talks about the fact and this was a different maybe a year ago, where balance sheet was probably contributing a pretty significant portion of the overall revenue of the company. So that's really how that has moved.

There is another question which I do want to bring out, are you going to become a bank? Do you think you can become a bank?

I think that's a difficult question to answer given that it's a highly regulated environment, not something that we have debated or discussed early. So I would refrain, we think of ourselves as a technology company. The plan is to provide the entire tech stack, and be able to have an NBFC license in the group. So that's really where we are today. I don't think we have a plan just yet but who knows as regulations evolve. And if a neo bank license becomes real in India, will we applied for that? Yes, that call the board will take and I think we will approach it at the right point in time.

I think the GTV question was another question which I think Rumit have addressed, the GTV growth 12% versus the average ticket size growth. I think that questions been addressed. So yeah, I'll pause here, if there any more questions we can take those.

Diwakar Pingle: Yeah, we have the next question on line of VP Rajesh from Banyan Capital. VP go ahead.

VP Rajesh: Thanks Diwakar. Hi Tash and Rumit, congrats on the growth and this sounds very audacious to be investing Rs. 100 crores to hyper scale the business. So maybe you can just give a little bit more color on that. What exactly is the direction with that investment, as you guys talk about investing in products and people.

Tashwinder Singh: So I think maybe I can take that initially and Rumit can come in with some color. So, in our business, the investment is really about people. We are investing in tech resources, it's about technology. Today we have about 520 odd partners give or take that we work with those 520 odd partners, provide us with 200,000 retailers, that is the footprint that we have today of how we are able to deliver whatever we are able to deliver in terms of revenues right now. The hyper growth plan really talks about how do we take this into a multiple level of scale. So how do you move from here, from your partners of 500 to 1000 to 2000, from retailers from 200,000 to a million to 2 million to 3 million, how do you really take that growth. That requires multiple things, one obviously it requires investment in technology resources, because we need to keep becoming and keep remaining ahead of the curve and being more relevant by providing incremental products because that makes more partners relevant for us. Now what happens VP, in our proposition is as we are providing the entire set of products, like for example, even in our current stack, we have micro ATM, AePS, DMT. Not every customer uses all the products, right? Some guys only come to us saying, we want the micro ATM solution from you guys, give us the whole micro ATM tech stack, we want to integrate, we think this works well for us for our ecosystem. So give us that, so we give that The idea is to keep expanding the product stack to have everything on the table. Every customer will not use everything, but then provide the entire suite and customers can pick and choose what they want to use. For example, some customers may turn back and say that listen, they only want a POS solution, or we only want a liability solution for our network. What are we doing effectively? We are allowing existing partners who have potentially either store fronts or access to store fronts, a method to monetize their network, what product to be used to monetize the network, is very left up to them. We can give them ideas we can give them thoughts, but we have the technology to be able to power that. So the idea is to become a full stack solution where we are able to provide everything on a single platform, which a customer can then use and then slowly and steadily customers will use one versus the other. Collections is a case in point which is an incremental product where we need to do a lot of work in terms of really scaling that up. We've done a use case with Bajaj Finance, which is working quite well but I think it opens up a multiple set of opportunities right and there are complementary businesses out here. Let me give you an example, in a micro ATM solution that we provide to a retailer, the retailer has to have physical cash which he either gets from his bank or he collects by selling goods, but effectively for him to dispense cash he needs to have cash in hand. On the flip side, I have a collection proposition where I have some of the larger NBFC's who are struggling with figuring out their customers in rural India want to give them cash for an EMI now they're sending people out there trying to collect the cash. Is there a way we can marry the two using technology and have that cash be delivered to the retail outlets that we are covering today. So it's all two problems it buries the cash for the large NBFC, which is collecting its EMI and for the retailer it solves the problem of getting cash which he can then use to dispense. Suddenly a dead asset has become a live asset, suddenly a non-earning asset has become an earning asset. So that's the way we're thinking about life about what are the what are the problems we can solve and everything has been thought of from providing a solution to a problem that somebody tells. So Bajaj Finance discussion was a problem that they were struggling with, where we thought of a solution, we gave it, they loved it and we've thought of it as a solution that we can offer it to every other NBFC in the market, so we are now trying to figure out how best to do that. So the idea is, in summary to have a platform, the backbone literally we can have all these products where we can walk into any customer whether the customer is NBFC or MFI or it could be a FinTech company providing just procurement solution for example, or providing reconciliation solution to small businesses, we will have something to do with them. So our product stack should be broad enough to be able to attract everyone irrespective of their core business as long as they have customers and they want to find a way to monetize those customers using financial services. So that's really what we're trying to build the money will all be spent in people, premises, thinking through because we're not a heavy fixed cost company. So what happens is our cost today is on talent rand acquiring talent is material, as we expand our tech centers, we are right now largely based in Bhubaneswar, as we expand our tech centers out there and maybe build a second, third city tech center, that's where you will see a lot of this investment going.

VP Rajesh: And will inorganic be part of this as well or is it primarily all organic.

Tashwinder Singh: This investment is all organic, there is an inorganic strategy by itself for the company, we have already spoken about that. But I think inorganic strategy is going to be running on parallel rails. We want to really put our energy behind this proposition as we think through of businesses that can be of material synergies to us or where we would look at acquiring them. Amit referred to that being listed sort of helps us because we are able to get the better way to deal with the inorganic situations, organic situations will require infusion of capital.

Rumit Dugar: So, one point I want to clarify VP, all of this Rs. 100 crores is obviously not going to go in day one. So, the way the execution of this is going to get structured is in short sprints, whether it is from a product stack perspective, whether it is from a business execution standpoint, and then obviously there is going to be a tracking of the product delivery or the product adoption, the business build and in those short sprint's it will get broken out.

VP Rajesh: Okay, thank you guys.

Diwakar Pingle: Thank you VP. The next question is a follow on from the line of Neerav Dalal. Neerav go ahead.

Neerav Dalal: Hi, just one question. There are a few companies which are coming in retail as a service model, where they're looking at modernizing Kirana stores, helping them in terms of procurement, like becoming master wholesalers and then working with them to get them on a platform. So, in such a situation would we be having or are work working with such companies? And if yes, what products that we are offering and if not, where can we be positioned in such a scenario?

Tashwinder Singh: So Neerav you hit the nail on the head. I call these people as partners, we don't think of them as competition. We think of them as our extended arm to help us get to the retailers, to be able to deliver all these products. So, people who are helping Kirana stores modernize, they're actually in some sense getting access to a retail storefront and their proposition may be just a tech platform, which is only doing procurement for example, I am just giving one example it could be anything it could be reconciliation, it could be the managing of the books of the small retailers, it could be any of this. But once they've got access to the retail store, they have to find a way to monetize that retail store. Now, they could either think about building out the entire financial services stack themselves, or they could come to us and they could get everything in a jiffy. So we talk to all of them. We talk to people we are open for business with all these kinds of people who build networks and who are now thinking through how do we monetize them, and we've got ideas solutions for them, which we are trying to do. So, exactly the point you mentioned, these are how I describe our partners.

Neerav Dalal: So we would be working with these partners at the moment.

Tashwinder Singh: We'll be working with some of them of course, I can't say we will be working with all of them.

Neerav Dalal: Yeah, but we are working with.

Tashwinder Singh: Yes, absolutely. And we are also working with old school. So it's not only the new school, we are working with old school. I'll give you an example of an old school client, it could be a Hindustan Unilever distributor who's dealing with maybe 10,000 retail outlets and he's only selling the Hindustan Lever products, but he has access to those 10,000 retail outlets. We go and tell him and we give the idea of financial inclusion and tell him that listen, you could potentially make more money by getting all of these 10,000 retail outlets onto your platform, and then onto our platform and then use them to be dispensing financial services, because we have access to these retail outlets.

Neerav Dalal: So, you can extend your credit business to these.

Tashwinder Singh: We can extend all our businesses or extend our micro ATM business or AePS business, our DMT business. The point being that it's not all about just the New Age companies that we're dealing with, we are dealing with new age and old age, this is the point I was making.

Neerav Dala: Thanks.

Diwakar Pingle: Thank you, Neerav.

Rumit Dugar: I think there is a question on the chat, are the merchant on board need to pay off upfront through micro ATMs.

So in terms of our revenue model, as I had mentioned earlier, there is an upfront onetime fee that we charge. Typically, we charge it to the partner and then the partner may decide to pass on to the retailer or not to charge the retailer but we charge the partner who's bringing in the retailer so there is an upfront set of fees. The second aspect of the fee is of the revenue which is a device the retailer needs to bring in a device, specifically if it's an AePS there is a biometric device which could cost between Rs. 1,000 to 1,300 they need to bring that in. In case of a micro ATM, they need to bring a small micro ATM device so that is an investment that retailer has to make, which is a small investment between 1,000 to 3,000 rupees. But look most of these retailers, this is not an efficiency product, it's an income product, and thus they are happy to make these investments. Second is as Tash had mentioned in his opening remarks, we have evolved our technology stack to be able to now also deliver a device agnostic proposition. So, if a retailer already has a POS device, we can actually power that POS device to develop as micro ATM and vice versa. So, obviously the way the technology is evolving and the way we are investing, we want to make this software centric rather than just a device or hardware centric ecosystem.

Tashwinder Singh: Rumit, if I may just add, it's important to make that one distinction that Rumit is made. Our propositions are not efficiency driven, they are income driven. We think of our business as an income augmentation business for our partners. The partners are making money on these transactions, and so are we. So, it just changes the landscape and the interest that people have as again, someone who's helping a customer become more efficient by providing a more efficient procurement solution or by providing better analytics, etc. We're actually giving him real income and real money right on day one for every transaction that gets transacted on our platform through their retail store.

Rumit Dugar: I think there is a follow up question on the chat. Is there any reward mechanism for the merchants?

Yes, I think it is important because these are now directly managed by the partners. So the partners need to have the service infrastructure laid and capability which could be around loyalty rewards, customer service, customer support, business analytics. So I think if you look at look at our presentation also where we have actually detailed out our product delivery infrastructure, there is the product proposition which is whatever AePS DMT, etc. But there has to be a service infrastructure layer, part of which we have built, part of which we are building, to be able to deliver a full stack solution. So the partner can manage their retailers better whether it is through loyalty, whether it is through notifications, whether it is through customer service, I think customer service is really important and whether it is analytics so all of these are built in the service infrastructure layer, which sits above our product stacks which the partners can use to manage their retail stores. Thank you.

Diwakar Pingle: Thank you guys. If there are no more questions, I think, I'll kind of hand it back to Tash, closing comments.

Tashwinder Singh: Thank you Diwakar and just want to end by thanking all of you for dialing in and listening to our story. We think we are operating in an interesting space. We will invite you again next quarter to come listen to how this quarter is going. I do hope all of you stay safe and wish you very happy Diwali and a fantastic new year from all of us at Niyogin. Thank you for dialling in.

Diwakar Pingle: Thank you guys and wish you happy festive season. In case anyone has a follow on meeting request with either Tash or Rumit, free to write to us and we'll be happy to set up a meeting for you guys. Thank you.