niyogin

Date: August 18, 2023

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

Dear Sir/Ma'am,

Subject: **Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') - Transcript of the proceedings of the Earnings Call held on August 10, 2023 for the quarter ended June 30, 2023**

With reference to our letter dated August 01, 2023 and pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI Listing Regulations, we are enclosing herewith the transcript of the proceedings of the Earnings Call held on August 10, 2023 in respect of the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended June 30, 2023.

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

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

NIYOGIN FINTECH LIMITED

Neha Agarwal
Company Secretary & Compliance Officer

Encl: a/a

"Niyogin Fintech Limited Q1 Earnings Conference Call"

August 10, 2023

MANAGEMENT: **MR. TASHWINDER SINGH - CHIEF EXECUTIVE OFFICER AND MANAGING DIRECTOR.**
MR. ABHISHEK THAKKAR – CHIEF FINANCIAL OFFICER
MS. TRIVENIKA AVASTHI -- INVESTOR RELATIONS OFFICER, NIYOGIN FINTECH LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Niyogin Fintech Limited Q1 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touch tone phone. Please note that this conference is being recorded.

I now hand the conference over to Ms. Sonia Keswani from EY IR Practice. Thank you, and over to you, ma'am.

Sonia Keswani: Thank you, Lizann. Good evening, everyone. On behalf of Niyogin Fintech Limited, I welcome all of you to the Company's Q1 FY24 Earnings Conference Call. You would have already received the quarter's Results and Investor Presentation, which is also available in our filing with the exchange.

To discuss the Company's business performance, we have with us today, Mr. Tashwinder Singh – Chief Executive Officer and Managing Director; Mr. Abhishek Thakkar – the Chief Financial Officer; and Ms. Trivenika Avasthi – the Investor Relations Officer of Niyogin Fintech.

Before we proceed with the call, a disclaimer. Please do note that anything said on this call during the course of the interaction and in our collaterals, which reflects the outlook towards the future or which should be construed as a certain forward-looking statement, must be viewed in conjunction with the risk the Company faces and may not be updated from time to time. More details are provided at the end of the Investor Presentation and other filings that can be found on our website, www.niyogin.com. Should you have any queries or need any further information at the end of this call, you can reach out to us at the e-mail addresses as mentioned in the Company collaterals.

With that, I would now like to hand over the call to Mr. Tashwinder Singh. Thank you, and over to you, sir.

Tashwinder Singh: Thank you, Sonia. Let me start by thanking all of you for joining us this evening. I welcome you to Niyogin Fintech's earnings call for Q1 FY24 Results. I sincerely hope all of you are doing well.

I would like to start by giving you a brief of our Company. Niyogin Fintech operates on a tech centric platform-based model where we deliver 'Banking as a Service' or the BaaS platform and credit to rural and urban India through a partnership led strategy. Our partnership led strategy allows us to tie up with local enterprise partners that have a large and deeply penetrated distribution infrastructure. We utilize this infrastructure for cost effective reach to our customers, which are mainly the MSMEs. Once we onboard a partner, the BaaS platform is employed by them in their customer facing touch points that enable these touch points to provide banking, payment and financial services to their local customers. This partner-led strategy helps the

Company reach out to a large number of MSMEs through every partner it boards. The revenue model is primarily transaction led where we earn a fee or commission on every transaction that is routed through the platform.

Being an NBFC, Niyogin has been serving MSMEs by providing credit as well. Niyogin's distribution platform, NiyoBlu, enables lead generations and offers credit along with other financial services to MSMEs digitally. The Company has employed various lending models and earns either an interest income or a fee for loan lead generation.

Talking about the quarter gone by,

I'm pleased to share with you that FY24 has started on a positive note for us. As you are aware, we successfully built a comprehensive product stack of Banking as-a-Service in the platform last year, which we called the Year of Build for us. The potential of our business model is now being supported by new marquee investors who have recently come on board to be part of our journey. While the Company is well capitalized, the recently concluded fund raise has strengthened our resolve and belief in the path we have set for ourselves. We remain committed to our vision and business strategy. The new funding will help strengthen our balance sheet and allow us to accelerate or to achieve accelerated growth.

We started demonstrating the scaling up of our business in the second half of last financial year and that journey has now gained momentum. During the quarter, we made some new disclosures consciously based on investor feedback, rising interest in the stock and to give more clarity on how our enterprise partner-led strategy is playing up. A significant part of our growth is now coming from our enterprise channel partners as its contribution to GTV grew from 60% in Q4 '23 to 62% in Q1 FY24. This led to a material reduction in gross take rates, but a marginal impact on the net take rates. Take rate is basically the income earned on every rupee of GTV that is routed through our platform. Gross take rates contracted from 42 bps to 36 bps, while net take rates reduced from 10 bps to 9 bps this quarter. While there was a one-off item in Q4 '23 that artificially bumped up the take rate. Going forward, as the enterprise channel scales up, gross take rates will contract. However, the ones that matter for us are the net take rates and therefore the impact on net take rates will be limited. This is because the enterprise channel will have lower merchant payouts as compared to retail channels. So, we land up keeping more of money for ourselves. Therefore, as we acquire incremental enterprise partners, increasing our footprint on the ground, launch new products and services, we have the opportunity to become the market leader in our chosen verticals.

In Q1 FY24, our revenue, ex device sales, stood at Rs. 45 crores, up 38% Q-on-Q driven by our gross transaction value, which is GTV, which has demonstrated exponential growth since last quarter. We grew 70% Q-on-Q and processed nearly Rs. 9,900 crore of GTV. We remain optimistic about our growth in H1 FY24 as we processed nearly Rs. 3600 crores of GTV in July 2023.We transacted 34 million transactions in Q1 FY24, up 140% Q-on-Q.

We continue to remain driven by unit economics and enhancing our profitability. Some of our recently launched products like neo banking, prepaid cards have much better margins than our existing product suite.

In the coming quarters, we expect the GTV trend to further strengthen as we expand our footprint and explore cross selling opportunities with existing partner networks. Our BaaS network expanded by 20% Y-o-Y to 796 partners. By leveraging the strength of these relationships, we aim to become a key player in the industry.

On the lending front, we remain confident in our ability to capitalize on the MSME opportunity. Our loan book grew 28% Q-on-Q and stood at about Rs. 117 crores. We have onboarded multiple fintech partners like Khatabook, Capital Trust, Bizongo, etc. Our ability to forge deep integrated partnerships with other fintech partners and finance professionals or chartered accounts allows us access to differentiated data to build robust underwriting models. Meanwhile, the fully digital product delivery ensures that costs are moderated. The uniqueness of our business model affords us immense operating leverage.

We further welcome RBI's move today to keep repo rates unchanged at 6.5% as mentioned in the MPC meeting that was held today. This will allow us to continue to provide credit at affordable rates and support the MSMEs. Going forward, you will see some increase in our gearing ratio as we've drawn some more debt to scale up the book. Everything that I mentioned will come together and help us grow our lending book to a Rs. 250 crore give or take by FY24.

To conclude: The market opportunity for us as, an API infrastructure provider with lending capability, which is a unique proposition, remains enormous, and that gives us the confidence to achieve our set targets.

I would now like to hand over to Abhishek, our CFO, to take us through the financials and other details of Q1 FY24, post which we'll open this up for questions and we can address all your queries. Thank you, and over to Abhishek.

Abhishek Thakkar: Thank you, Tash. Good evening, everyone. I'm pleased to share that our operational metrics continue to grow during the quarter.

Our "Banking as a Service" (BaaS) partners stood at 796 as of 30th June 2023, as we added 64 new partners during the quarter. The Gross Transaction Value that is GTV, including the payout stood at approximately Rs. 9,893 crores in Q1 FY 24, up 70% quarter-on-quarter and 266% year-on-year. Our transaction volumes stood at 34 million, which resulted in an average transaction size of Rs. 2,943 in Q1 FY24 compared to Rs. 4,159 in Q4 FY23. Average transaction size contracted by 29% Q-o-Q due to incremental products like UPI.

Our financial professional network increased by 4% year-on-year and stood at 5,238 as on 30 June 2023. We further processed 12,741 LTD loans through our network in Q1 FY24 and reported an increase of 232% year-on-year.

Moving on to the consolidated financials for the quarter:

Our revenue, excluding devices, stood at Rs. 45 crores, up 85% year-on-year and 38% Q-on-Q. Consolidated revenue for the quarter was Rs. 45.5 crores, up 66% year-on-year and 25% quarter-on-quarter. This growth was primarily transaction-led as explained by Tash in his commentary.

The adjusted EBITDA loss gap, excluding ESOP, widened from Rs.0.6 crore in Q4 FY23 to Rs. 4.3 crores in Q1 FY24 due to twin impacts of active provisioning for aging receivables in the subsidiary and increased tech expenses ahead of launch of new products like Prepaid cards. We expect the gap to contract next quarter onwards as both the businesses start scaling materially.

ESOP charge for the current quarter was Rs. 90 lakhs versus Rs. 1 crore in Q4 FY23. The non-GAAP PBT stood at negative Rs. 6.2 crores in Q1 of this year as against a negative non-GAAP PBT of close to Rs. 2.3 crores in the previous quarter.

Our cash and cash equivalent stood at Rs. 89.9 crores as on June 30, 2023. Also, for the very first time, we took on leverage that will be used to grow our credit book in the coming quarters.

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

Moderator: Thank you. Ladies and gentlemen, we will now begin with the question-and-answer session. The first question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead.

Aniket Kulkarni: So, based on the financial numbers reported by the Company, what we have done is we calculated the iServeU revenues, so the revenues pertaining to iServeU, net of fees and commission expenses, okay. So, for FY23, the revenues net of fees and commission expenses were around Rs. 5 crores to Rs. 6 crores, but the employee costs were around Rs. 15 crores to Rs. 16 cores if I am not wrong. And now in Q1 FY24, this equation has drastically improved as revenues, net of fees and commission expenses is around Rs. 8 crores to Rs. 9 crores, whereas employee costs is just around Rs. 5 crores to Rs. 6 crores. So, based on this, we have actually broken even this quarter. So, can you just tell how has this happened and are we getting any operating leverage benefit given we have incremental clients and revenues? So, is it a high operating leverage model?

Tashwinder Singh: Thanks for pointing this out. I think, you've hit the nail on the head absolutely. So, these businesses make sense if we can demonstrate strong operating leverage, right? The whole point of being a tech business is that the technology platform has to have some mechanism where the jaws between our revenues and our expense keep broadening once we achieve a certain scale. I think what's happened in this quarter, as you rightly said, is that the first signs of operating leverage have become visible and if you take away the one-time provisioning that was done, the business actually starts making money. And so, what we've tried to do in the true spirit of conservatism, we've tried to be conservative in the way we presented our numbers to you.

But you're right, there is operating leverage that has started to kick in. Obviously, it's driven by the fact that we are able to substantially increase our throughputs and customers are buying our products and propositions without necessarily having a significant increase in our expense base. The headcount, etc., everything has remained static to last quarter. We've not added any incremental thing. There's some marginal technology cost that's gone up, but the technology cost has gone up, is largely linked to the new product launch, which doesn't have any revenue that's come in yet. So, as we launch our prepaid cards, the benefit of that will also start coming in without necessarily having a significant increase in our technology cost beyond what we've already done.

So, yes, I think what I would urge all the investor community to look out for is in the coming quarters to see how this operating leverage becomes real. Of course, it's going to be driven by us being able to increase our GTV and our associated revenue base to be able to achieve the operating leverage without necessarily seeing a similar increase in our expense base.

Moderator: The next question is on the line of Yash Modi from Ashika Group. Please go ahead.

Yash Modi: Two years back, when you had given this vision of Rs. 1,00,000 crores GTV, it was hard to imagine how we would achieve that. But July GTV of 3,600, we're already on a Rs. 43,000 crores run rate. And a big kudos to Trivenika and the Investor Relations team because most of our work is already done, like very few questions to ask because the presentation has become so comprehensive.

So, my first question is more on standalone business. Like, we can see obviously there's a lot of traction, lot of fintech partnerships going around. You've seen a 30% growth in your loan book, but unfortunately the same is not being reflected in the interest income yet. So, could we have some clue as to why this is not translating into income? So, if I look at the standalone interest income, it was Rs. 5.6 crores versus Rs. 5.25 crores year-on-year and Rs. 5.46 crores. If you could lay some light on this.

Tashwinder Singh: I think, I had explained this once earlier also and it's a good point you bring out. I think one of the things we need to look at is don't look at just the interest income, the fees on the standalone basis also matter because they're part of the overall income that we generate from the lending proposition, right? So, one should look at the business more from interest plus fees to compute what is the real return we're making? That's point number one. Point number 2, I think the loan book growth has just started happening, so it's not been Rs. 117 crores for the full quarter, right? It's just been towards the end and it's unfortunately a little back ended. So, the benefit of that growth of the loan book you will see in the coming quarter rather than the previous quarter.

So, these are the 2 reasons why you don't see a significant jump in that because we've inked a lot of our new partnerships on the lending side, which I think will give us significant operating leverage again on the Niyogin level as well because again, there's no real need for increasing significantly our indirect expenses at Niyogin, right, and therefore that operating leverage will also start kicking in as we start using our balance sheet more effectively.

Yash Modi: Secondly, very aggressive growth targets given on the loan book growth. I'm sure you have again got partnerships going which gives you the confidence to give a loan book target of Rs. 250 crores in FY24. So, now with obviously this loan book we'll be very profitable because we are a debt-free Company, but as we scale up, I understand some cost will creep in. But FY24 with the kind of GTV figures we are doing; we are expected to report a slight small profit in FY24 itself. Would that be a fair assumption to make if we go by our guidance of the loan book?

Tashwinder Singh: I think that is our aim. Our aim is to try and turn the business around as fast as possible. I'll be honest, the first quarter, the kind of numbers we've got in terms of the GTV, etc. also surprised us a little bit, right? We obviously knew we will get the growth, but the volumes just went through the roof, and I think if we are able to demonstrate a similar trend or even in the same ballpark. Then we should be able to be able to show some kind of a profit in this year itself. Although our target to the street is really focused on and the whole team is super focused on what we have committed for FY25 right, which we said we'll get to a Rs. 500 crores top line with a Rs. 50 crores to Rs. 60 crores EBITDA number, right?

But the aim is if we can get and start making money in the next quarter itself, then we should do that. So, we have 2 real legs, right, both iServeU and Niyogin are 2 legs, one is a lending business. The lending business also has a small distribution business which is latched along to it, which gets us fee income as well. So, if both the businesses continue on the same stream, I don't see why we should not be able to achieve that.

Yash Modi: Taking cue from your initial remarks on the call, I understand like you've explained it very nicely in the PPT about gross take rate and net take rate, and I understand why the take rates are coming down but is it fair to assume when you're saying that take rates will come down now, so FY25, the GTV that you've given to achieve the Rs. 500 crores of revenue, the GTV has to be more than Rs. 1,00,000 crores, right, even if it's a Rs. 500 crores loan book and I assume Rs. 100 crores of interest income distribution income, to get to that Rs. 500 crores figure, obviously, the guidance remains Rs. 1,00,000 crores, but mathematically, is it fair to assume that the GTV numbers should be more?

Tashwinder Singh: You're right absolutely. The gross take was assumed at 40 basis points when we had done the analysis for giving the Rs. 500 crore target, right? And so, the assumption was that Rs. 400 crore will get made because you have a 40 basis points gross take rate and that would translate into Rs. 400 crores of revenue, right? That would be just from the IServeU business. Now, the gross take rate is coming down because as we are launching more enterprise customers, the enterprise customers just pay us what they owe us, we don't need to pay any intermediary in between, right? So, they pay us pretty much what our net take rate is rather than us having to take extra money from them.

I think the difference why we still feel confident about achieving these targets without necessarily seeing a change in the GTV numbers is because of the new product launches that we have where the take rates are significantly higher. So, depending on how the Neo Banking and the Prepaid card propositions actually get accepted by the market, right, obviously, we are optimistic and hopeful, but by next quarter, we'll at least have some numbers to share around that also for you. That will give us a lot more confidence on where this is playing out. You rightly said when we gave you this number 2 years ago, it was more like a visionary number and we were obviously on the path, but we didn't have all the I's dotted and the T's crossed on how we would get to that number. Today, the number seems a lot more plausible and achievable. I think as the new products get launched, I think we will solve the take rate conundrum as well.

But I think from a profitability standpoint and from every other data point standpoint, what matters is a net take rate, right? And the net take rate for the new products that we're launching is actually higher. So, when you look at a 9-basis points number, you're really looking at the take rate of the existing product, which is Micro-ATM, AePS, DMT, etc., right? So, as the new products gets launched, with their net take rates also being higher, I'm optimistic that we should try and get to a base net take rate of between 9 bps to 10 bps on a steady state basis. That on a 1,00,000-crore basis will get you Rs. 100 crore net revenue from ISU business itself, right? And that that would help us achieve our profitability numbers as well.

Yash Modi: Couple of questions from Slide #7, where you've given the product wise breakup of GTV. I'm not very sure of this cash out product. What is this cash out product which contributes like 40%, 43%, what would this comprise of? And secondly, on this itself, the others seem to have jumped from 2% to 8%. In the last presentation you had given that you're working with a couple of private banks for the bank opening, their bank accounts and agency management system. Is all those revenues contributed in these others pie?

Tashwinder Singh: So, both questions I'll answer. Firstly, the easy one is the others one. There's UPI volume that is sitting out there and on the UPI side what we do is we are both on the acquiring and the issuing side. Now in the acquiring side, what we are doing basically is if a Company wants to start accepting UPI payments, right, they need to have someone who has to enable them to accept UPI payments. That's what we call as acquiring, right? So, we are working on that with a bunch of platforms. And therefore almost 6%, 7% of our overall revenues are coming now from UPI, which is all sitting in the others. And I think it's new, so we didn't want to give a separate breakout just yet till we find stability in those numbers. There's also been some regulation change in that whole business. So, we need to see how that plays out, number one.

On the cash out, what happens is that, as you know, a lot of our settlements happen with retailers having wallets with us, right? So, all the retailers that have wallet with us that do the withdrawal product like Micro-ATM, AePS, we credit the money into their respective wallets. Now when they take the money out of their wallets, either to a direct payment like doing an NEFT, which you can do from the wallet today or by moving that money into a bank account, that product is called a cash out product. There's a charge even for that. So, the reason we calculate that separately and show it separately is because even though it is linked, it is the same flow of money that is moving. We're charging separately for separate products.

So, cash out also makes us money, AePS also makes us money, DMT also makes us money, so we record it. And we've transparently shown you how the volumes are. The back of the envelope method to calculate this typically is that whatever you have as AePS and micro-ATM, that would translate into a cash out as well because money sitting in the wallet, the customer is going to use it in some form or shape, right? So, he has to either use it to buy goods, which means he'll do NEFT directly from the wallet or he'll move it to his bank account if he's got credit from a bank, which he then wants to use to reduce his interest costs.

Yash Modi: But as going forward as the enterprise customers scale up with low volume, I'm guessing this will also come down as a portion of the pie, right?

Tashwinder Singh: Yes. I think the pie should just grow, that's what we care about, right? In my view, all I care about is that that the pie should keep growing.

Yash Modi: And one question with iServeU. What is this one-off active provisioning for this ageing receivables? Because iServeU, like, obviously, it's not the lending thing. So, what is this ageing receivables in iServeU, if you could throw some light on that?

Tashwinder Singh: As you know, iServeU was obviously working with a lot of retail partners in their earlier avatar, right? And we moved that business model towards enterprise partners about 18 months ago when we started working with the CSCs and the India Post and what have you, right? Now, there were some old receivables that were sitting with the retail partners that were recoverable. And as a policy, what we've done is we've instituted a pretty strict policy on our receivable management that any receivable that goes beyond 365 days, we have a very hard look and most of it is provided for.

Now that doesn't mean that we won't get the money back, it's just following the clean method of making sure that we are able to take a provision on that and move on. So, part of the provisioning is on the receivable is some of the older receivables that have moved beyond 365 days, which the team is still working on recovering. A lot of this is with existing customers, so there are discussions, debates to recover money. So, we are optimistic this will come back, but that's about a crore give or take.

And the other provisioning that we've done has been on some again historical unreconciled balances with some banks where there was some dispute with banks on recoverability of certain money because this is all 2019-20 related transactions where we finished the reconciliation with the banks and we got what we had to get and the balance was the residual amount which we've decided that that's not coming back. So, we might as well just take a provision and move on with life.

So, it's sort of closes a chapter as far as I'm concerned on the older unreconciled balances with banks, which again, we have cleaned up. Receivables obviously is a continuous exercise because as you grow the business, receivables will go up. You have to keep collecting and the good thing is that the receivable cycle with the enterprise partners is obviously much, much shorter and there are no sort of recoverability issues with any of our enterprise partners because they're all credible, large partners. I think there are some old retail receivables that were still outstanding, which we have tried to clean up, right?

Moderator: The next question is from Pranav Gupta from Aionios Alpha Investment Managers. Please go ahead.

Pranav Gupta: A few questions. So, if I look at the payout product, right, just wanted to understand if the take rate on that is a value based or a volume-based payout?

Tashwinder Singh: So on the take rate, again it is a transaction-based payout, it's not on value, it's on volume, it's on number of transactions, right? So, that's how that model goes.

Pranav Gupta: And just a continuation on that question, so we've seen a good scale up on the UPI products which probably contributes almost 7%, 8% of GTV obviously, on a lower base, but as this channel scales up and forms a higher chunk of the GTV, is it fair to assume that the operating leverage sort of kicks in here, given that it'll probably be a value-based take rate on this product and that's when we start to see the operating leverage play in?

Tashwinder Singh: Yes, absolutely. I think operating leverage, you will see across the board because what happens is that operating leverage comes in not at the direct cost level, but it comes at the indirect cost level, right? So, direct cost, obviously, there is a certain payout if I have 40 basis points or 36 basis points as my gross take rate, I have to pay a certain amount to the retailer. Now, between the 9, 10 basis points that I get, how much of it actually gets eaten up by my indirect expenses and that's when, as my volumes keep going up, the absolute level of my net revenue increases, whereas my absolute level of my expenses don't necessarily go up. So, operating leverage comes at that level, number 1.

Number 2, you're absolutely right, when you look at products like UPI, prepaid cards scaling up, there again, if my net take rate is better, obviously, the operating leverage starts coming in because the spend is all done, right? So, it's not that there is huge amounts of incremental spend that needs to be done. There will be a small step function that will come in as we consume more cloud space and we need to get more server space for more transactions to be transacted. So, there will be some step function on the tech expenses, but that will more than get compensated by the increase in revenues.

Pranav Gupta: Also, on the cloud related expenses that we incurred in this quarter, you mentioned that most of it was related to the newer offerings, could you quantify that number?

Tashwinder Singh: So, I think, we had about Rs. 2 crores expense which is basically getting ready with enough server space, etc. for the new product launches. End of the day, I think we are on the side of caution a little bit in terms of making sure that client experience is good. So, we don't want to sort of over optimize on server space and cloud expenses and this is mostly related to prepaid cards because we are getting ready to launch our prepaid card proposition with the first partner we have and the last thing we want to do is have a tech issue either not because the tech doesn't work, but because the transaction speeds are slower or the server space is not enough. So, we had to make sure we are well equipped to handle all of that, which is why I don't see a significant increase in the tech expenses from here on at least for the next couple of quarters because I think we have already compensated for all of that in our current build.

Moderator: The next question is from the line of Rahul Jha from Bay Capital. Please go ahead.

Rahul Jha: Can you just explain that cash out GTV thing? Is there a double count of GTV in that?

Tashwinder Singh: No, it's not a double count of GTV. This is not how the industry operates because every leg of the transaction is considered one, because that ends, right? When I take the example of a payout product, right, take it of an AePS product, customer walks in, he withdraws money from a retailer and the retailer pays cash out to that customer. Now, what we do is we provide that cash to the retailer in his wallet and that's one level of the transaction where we are giving him the money that he's paid out to the consumer, we have given, let's call, it his Rs. 3,000, he's given Rs. 3,000 to the consumer. Now that money, sitting in his wallet, the money is sitting all day in the wallet. At the end of the day, he's collected Rs. 30,000 or Rs. 40,000 or Rs. 50,000 in his wallet, which is all the money that he's rolled out.

Now end of the day, he may take that money out or he may keep the money in the wallet. He may directly use our wallet as in some sense an operating account where he starts using it to transact, to either buy goods or to make payments that he needs to make payments, what have you. So, then it becomes basically a separate transaction which could work on a different set of rails because that transaction could work on either the IMPS rails or any of the other rails, and therefore it's a different transaction and that gets costed differently, he pays us for that transaction as well. So, it is counted as a separate GTV, that's the industry norm of computing GTV.

Rahul Jha: And the margins on this one will be very significantly lower.

Tashwinder Singh: Absolutely. That's why the way I think about it is that you should think about value added products that we'll keep adding on, but this is a necessary product if you want to keep the wallet business going the way it is. This is a necessary product that must be made available. Now, we're not allowed to give. It's not a bank account. The RBI does not allow us to give interest on the bank account. So, the money that stays there, there's also float income sitting out there, which is sitting with us to the extent they don't take the wallet out. So, it's a mixed bag. So, you may make less in terms of transaction revenue, but if not everyone takes 100% of the money out, some money stays in the wallet. So, you make some float income on that, okay. It's an important product and it completes the cycle as far as our client is concerned.

Moderator: The next question is on the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Many congratulations for the scale up that we could achieve. And thank you for this opportunity. Sir, first, I wanted to ask, now this Rs. 4 crores provisioning on account of ageing receivables, so I mean this will be a continuous process or this is a one-time event that has happened in this quarter.

Tashwinder Singh: This is the one-time event that has happened in the quarter. If you look at our previous quarters, we've not had such large provisioning that we've taken and all of it is not related to aging. Well, aging receivables is about Rs. 1.3 crores out of that Rs. 4 crores. The balance, as I explained, is linked to some old unreconciled balances with banks on settlements, which we also wanted to clean up. So, we've taken those also. Those will not get repeated because that's all done, right? So, at the margin, when you're running a business, some receivables can go bad in the future, yes, I think that can always happen, but I don't think we suspect that anything major is going to come down the pipe from here on. All the other unreconciled items on the balance sheet have all been cleaned out, which was the only unreconciled balances with the few banks because as you know, we work with a bunch of banks. We have more than 14-15 banks we work with, and everything is obviously fully reconciled. There were some unreconciled amounts related to 2019-20 which was sitting on our books, which we wanted to get to the bottom off, and that's why we've taken a call.

By the way, we've recovered some money. The total number was more than Rs. 2 crores. We actually recovered Rs. 50 lakhs of that by doing the reconciliation and the balance portion, we said we'll provide that. So, that sort of closes a chapter for us in some sense. One will need to keep looking at receivables, like I said, most of our receivables are now moving towards enterprise receivables where both the receivable cycle is better and the quality of our partners is significantly better. These are all related to some old retail transactions done like I said before 2020.

Deepak Poddar: So, I mean in a nutshell, we don't expect this Rs. 4 crores to reoccur, right, at this extent?

Tashwinder Singh: That’s an absolute given.

Deepak Poddar: We don’t, right?

Tashwinder Singh: Yes, we don’t.

Deepak Poddar: And this quarter, how much was the additional expense related to your prepaid card launch?

Tashwinder Singh: So, as I explained, we didn't have a significant expense on people costs, etc. because we redeployed our own internal resources to do stuff, right? So, we didn't go hire people to build this out, that was all in-house built. The only expense that hit us was really what we had to do to build our tech, external costs that we had to incur to make sure we have enough processing capability from a cloud standpoint, etc. So, total tech expenses went up by about Rs. 2 crores. I don't know the exact number, how much was linked to prepaid card, but broadly that's what the tech expenses went up by.

Deepak Poddar: By Rs. 2 crores, right? And we don't expect further increase in coming quarters, right? That's what you mentioned.

Tashwinder Singh: See, there will be a step function as volumes go up. I think it is not correct for us to say that all tech expenses will not go up. There is some variability in the tech expenses, right, and that's per force. But it works on a step function basis. So, if you ask me, I think for the next couple of quarters, I don't expect any increase beyond this. I think there is potentially some efficiency we can get. You also should know that what happens is in Q4, our tech expenses are also deflated because we have got some credits from Google, right. And what we did was we used all those credits and every year bases volume, basic usage, you get some preferential partner credits, which we will get this year as well. So, those will all come up in Q4. So, those will again go to defray our overall tech expenses for the year, but you don't know that today. So, I can't account for it today, right? So, I think Rs. 1 crore, Rs. 1.5 crore of tech expenses should be reduced for us over the year basis the kind of work that we're doing.

But yes, I don't think for this year there would be any significant increase, but as our volumes go up materially, there will be more increase in tech expenses, right? I mean unfair to assume that that won't happen. But I do want to mention that there is operating leverage even on the tech expenses, right? It's not a straight-line expense function.

Deepak Poddar: Correct. So, I was coming to operating leverage only. So, in your opening remarks, you did say that we do expect operating leverage advantage to play out in the coming quarters, right? And this provision is a one-off event and will not reoccur. So, I mean ideally, will it be a fair understanding that in next 1 to 2 quarters, ideally we should breakeven.

Tashwinder Singh: Yes, I would think so. The numbers are there for you to see, right? If we had not taken the provision, we would have broken even this quarter itself, right? It's just math, right, at an EBITDA level, I'm talking at an EBITDA level. And July has been quite positive as you can see Rs. 3,600 crores in July. Even if I go with just a simple run rate of Rs. 3,600 crores, we'll land up getting to about Rs. 12,000 crores, give or take on GTV, right, about Rs. 11,500 crores. So, that also will give us incremental revenue. So, without having significant incremental expense, it should throw out some money and that's my hope as well. But it's not done till it's done, right?

Deepak Poddar: Correct. And my last question is around your take rate. I mean we have always maintained that 40, 45 basis point is our steady state take rate that we see. Now, this quarter was around 36 basis point at the gross and 9 basis point at the next level.

Tashwinder Singh: Sorry, Deepak, I lost you. Hello.

Moderator: Deepak, we're unable to hear you. Deepak Poddar, we're unable to hear you. Ladies and gentlemen, we seem to have lost the audio from the current participant.

Tashwinder Singh: Maybe we can go to the next question and circle back to Deepak once he's back on.

Moderator: Sure, sir. The next question is from the line of Pawan from Compound 26 Capital. Please go ahead.

Pawan Kaul: Congratulations on a great quarter and consolidation on the shareholding base. Just a couple of questions on the new business. So, you mentioned the loan book target of about Rs. 250 odd crores. And with the recent capital raise, is that where most of the funds are going to be deployed towards? And also, could you talk about, I think in the presentation you mentioned you're going to be focused more towards MSME lending. So, what's the kind of loan book you're planning to build? What's the kind of tenure you're getting at? And how are things rolling out on that front?

Tashwinder Singh: So, I think firstly on the new capital raise, as you know, it's being done in the form of warrants, right? So, the money doesn't come upfront. The money from the warrants will come over a period of time. We'll get about 25%, I guess in the course of the next couple of weeks of the value and the balance, there is an 18-month period for the balance money to come in. So, that's one thing which I guess I just wanted to reiterate for everyone's benefit. So, Rs. 20 crores will come in right now and yes, it will go to shore up the balance sheet. It will beef up. Capital available for lending is about a Rs. 160 crores. That will take it to about Rs. 180 crores.

We have very minimal leverage right now. As I mentioned, we have started taking leverage. We got a credit line of Rs. 15 crores from one bank and there are multiple conversations as we speak. So, I think Rs. 250 crore book is what we want to get to by the end of this year. Again, I want to be calibrated in the way we build our lending book. I don't want us to just go and load up. There is significant opportunity in the lending space. You go and talk to five MSMEs, do you want to take money? Four of them will say yes, right? But doesn't mean that all 4 of them deserve the credit, right? So, one needs to be thoughtful about how we build this business up which is why we are using multiple mechanisms of defraying credit costs or working with partners that have networks, using their networks to manage our expense base and creating a very, very differentiated lending model, right? So, we don't have any branches. We don't have any old school method of approaching this market. It's a digital game for us because it provides operating leverage. But what we are doing is that we are using the networks that other people have created, pretty much like what we do in iServeU where we are trying to use the network of 63 million retail stores that exist, using that to provide the banking services, right?

Similarly, on the lending side, we are using the network that other people have invested in and created and using that to provide a superlative product proposition with a differentiated underwriting mechanism and then using the same networks to also collect for us. So, it gives us a significant operating leverage in the way we are trying to build out this business. Of course, we are small, so we've been able to experiment and we think this is a great model. And the way we've done this is we worked with entities like and you've got names I mentioned, right? Take for example, Khatabook, etc., which have a significant footprint and access to differentiated data in their network. They're using their network to identify who we lend to and how we lend, right? But the underwriting models are created by us, okay? Let me rephrase, underwriting models are jointly created, but the credit is ours.

So, we are the ones who hold the pen on how that underwriting will happen, right? The information flow comes from the partner because they are the ones who are closer to client information. We are able to then use that into our engines and figure out which of those customers are actually creditworthy. And then from a collection standpoint also, we are able to use the network of the partner. So, it also defrays our collection cost, right? So, that's the way we are thinking about how our lending book is panning out.

We think that in the MSME space in the unsecured business lending, walking away with anywhere between 16% to 18% monthly interest yield is the way they should play out. And I think as the book becomes bigger and more relevant, I think we will start sharing those numbers as well on what is the yield, etc., on the book which we will start giving you more transparency on how the lending book is shaping up.

Pawan Kaul: Makes sense. Just to follow up on that. A lot of folks are focusing in the MSME space. So, what kind of differentiation is it that you see that you want to build out in these products where you're lending out to these MSME?

Tashwinder Singh: Yes. So, when you are digitally enabled, I think the product development capabilities also get enhanced materially whether you want to do a product which is an EDI instead of an EMI product, we can do that through our tech. Whether you want to do a supply chain financing, we can do that through our tech. Whether you want to do a simple term loan, we can do that through our tech. Whether you want repayments to happen through the swiping off a POS machine and money being collected into an escrow, we can do that. And because we are working with partners, every partner may have a different construct on how they want to provide credit into their network.

So, having the ability to be able to work with partners and provide technology solutions where we are able to integrate deeply into the mainframes or into the core banking solutions of these partners or whatever core tech solutions they are doing and therefore have a full digital journey is what is differentiating us from the rest of the street. And I'm finding that a lot of people, with full respect to all the others who are doing that in the market, there aren't too many guys who are approaching this from a technology standpoint. Again, we are thinking of this as a technology infrastructure that we are able to provide. So, when we lend in the Khatabook network, it is Khatabook's network right, but they are able to integrate completely into our platform. Obviously, the two tech teams work together. They are fully integrated and transactions come digitally to us. We operate on them digitally. There's very, very minimal paperwork, right, and we're able to work campaigns on their network, on people who need lending and who fit our criteria.

So, what we've done with them is that we've looked at the entire database. We have run collected data. We've already identified a certain number of what we think are credible entities that we think lending can happen. And now we're working with those to see if those people need money. Most of them may not even need money. Some may need money, depending on how it is, and that's how it's being done. So, the fact that we are approaching it from a very, very differentiated and partnership-based approach, I had written an article about the future of Fintech in India is all about partnership, not disruption, and we don't believe in disruption as a concept, right? And I don't know if any of you got hold of that article, but the article basically spoke about the fact that if we need to operate successfully as a Fintech Company in India, we need to partner with other players, not be seen as a disruptor. So, our model is to always partner, whether it's with banks, whether with other fintechs, whether it is with banking correspondents, we are seen as a credible partner with people and therefore that gives us the preference of being right of first refusal in a number of cases, and the fact that we have the lending capability ourselves, people want to talk to us right away.

Now, potentially, do I need to keep everything on my books? Absolutely not. I could work with other lenders, and I could actually then provide them with the transactions, having curated, underwritten everything and the loan could actually hold in someone else's book as well, if you wanted it that way. So, there are multiple ways how this cat is going get skinned, right? So, it will be very interesting to see how we play this out. We think on the lending side, there is both a holding of the loan which is increasing your book size because we're an NBFC and there is a significant opportunity of using distribution as well with over large other NBFCs.

We have more than 20 NBFCs that talk to us because they just I guess like the way we operate our tech capabilities, how we are able to then provide them with transactions which we don't want to hold on our books for whatever reason, right? And that I think is looking quite good. So, again, I'm not competing. I'm trying to be a partner. We will hold what we think is appropriate for us. What we don't think is appropriate for us, for whatever reason, we are happy to hand it over to somebody else who has the appetite to take on, but we'll make some commission. I'm very clear. We're very commercial in our outlook. We don't do anything unless there is a commercial sense for us.

Pawan Kaul: Just 2 more follow up questions. What would be the targeted leverage of the book? And second is who's heading this division? Right now you would spearheading it and then someone would be looking at the ops afterwards?

Tashwinder Singh: No. So, firstly, leverage right now is negligible, right? Like I said, on a Rs. 160 crores equity that we've deployed towards this business we have only a leverage of maybe Rs. 13 crores right now, right? So, it's negligible. But if I have to get to a Rs. 250 crore book, then you can assume on a Rs. 180 crore equity book after the Rs. 20 crore comes in, we will have maybe Rs. 60 crores, Rs. 70 crores of leverage for now.

Pawan Kaul: And what would you'd be comfortable with in terms of growth?

Tashwinder Singh: So, right now, I think the Board has approved a 1x leverage for us on the net worth and I don't think we needed more for this year, so we didn't go. We'll have to go back and make a plan to the Board, right? I think we have to be thinking about trying to get to a Rs. 500 crore book next year. Rs. 500 crore book will get us to about 2x, 2.2x leverage. That I think we should be comfortable with. We should be able to get that done. Beyond that, we'll then need to see what needs to happen, how that business needs to scale up, right?

Pawan Kaul: And who's going to head the business? You would be looking at it and someone would be taking care of the ops.

Tashwinder Singh: No. So, I have a Chief Business Officer. One of the things that I believe in is that there are always better people than yourself who know to do the job better. So, I try and hire people who I think are better than me. So, I have a fantastic guy who's running the business side. I've just hired a Chief Risk Officer from the street and will announce that when the person joins, already done. So, I think September, person will be joining us, because you need to build the infrastructure, right? We've got a fantastic tech guy, Chief Technology Officer who's come from the lending market, lending business as well. So, he's basically worked only on lending platforms and built various tech platforms for the lending side. So, that is also good. And then we have a good collection team. We have a good product team.

Like I said, the lending business we've been experimenting over the last year, 1.5 years, right? And we've tried multiple models and I think we're now holding on to what really works for us. So, now is the question for us to start finding ways to scale that up. It's not only about the capital, a lot of people think lending is about capital. Yes, capital is important, but getting the right place or right niche for us in the street because lending is also a crowded market, even though the market opportunity is huge. I think we've hit on a niche for ourselves, which I think is very interesting. If you actually go to Slide #10 of our deck, you'll see, we tried to put out a slide this time on our presentation as well, which actually will give you a great idea about how we are thinking about our lending strategy, right? And that covers this. So, there's a full organization structure that has already been built around this construct.

This is obviously at the mothership Niyogin level, right? This is not at iServeU level. This is at the mothership level.

Moderator: The next question is from the line of Vishrut Bubna from 77 Capital. Please go ahead.

Vishrut Bubna: Thank you for accommodating my questions and congratulations on the good set of numbers. So, first question was just around the lending book. I was just curious as to how you see this splitting even approximately over co-lending or balance sheet lending and origination as you scale it to Rs. 250 crore and Rs. 500 crore.

Tashwinder Singh: So, when I say Rs. 250 crore, it's all on our balance sheet, right? This is what is going to be held on our balance sheet. A lot of people give you AUA numbers, AUM numbers. There are multiple ways to give the numbers, right? I'm not even talking about the incremental value of loans that we will do, which will not even be on our balance sheet, right, which will be on someone else's balance sheet. And we would just make an origination fee of 3%, 3.5% for showing that loan. That is distribution income for me. There's no risk in that equation. So, I'm not counting any of that. This is all sitting on our books.

Vishrut Bubna: And do you have any targets around the origination side of the lending piece around NiyoBlu, as to what scale you want to take that part ex of the balance sheet portion of it?

Tashwinder Singh: So, I think obviously there are some internal targets we've set for ourselves. NiyoBlu is very new for us. We've just launched it, so I don't want to give a number out there. Maybe a quarter later when we have more data, I think we can then talk about how that's really shaping up. Every time you do a new product launch, right, I'm a little nervous about putting too many numbers ahead, which is also the reason why I don't give any numbers for our prepaid card business for example, right, because it's just been launched. So, with newer products, let's get to see how the market adapts it and then we should start putting numbers around it. Of course, the internal team already has numbers, but that's just how life is.

Vishrut Bubna: No, completely understand. And I saw you already announced I think Kotak as an insurance partner. So, I was just curious A, that do you all have a corporate agency or an insurance broker's license and if not, any plans to get one?

Tashwinder Singh: We don't have a corporate agent license yet. Obviously, broker license is more complicated because we need to create a separate subsidiary on how that works. I think the corporate agent license is something that we've debated very aggressively internally on getting it done, I actually think that there is a lot of merit in applying for that. And what we hear that IRDA would also be keen to look at corporates like us to be given that license. So, you know that is something which is on the cards, but we have not put in the application yet in full transparency. It's on the discussion board for us right now.

Vishrut Bubna: And would that have a material impact on the take rates you make from insurance distribution even though I know it's a small part of the take rate model.

Tashwinder Singh: Yes, absolutely. Once you become a corporate agent, then the money gets paid directly to us for the work that we do on the insurance side, right? So, the economics are significantly better for us, but we need to think through as it's not just about an agency license, right? In our classic approach to think of life on a technology basis, one needs to then think through whether we need to build the insur-tech stack or do we need to just partner with someone who's an insur-tech stack. Right now, we are working with a couple of partners on the insur-tech stack where we've just taken their platform on rent. So, we'll have to think through all of that. So, it's a more involved conversation. It's not a simple yes or a no answer. Sitting here today, if I have to sum up the pros, cons, etc., I think it makes sense for us to do it.

Vishrut Bubna: And then just my final question, this is more just a broader picture question. One trend I've been personally seeing is that the credit on UPI seems to be like the new thing on the credit card side that's picked up, seeing lots of private market activity going around this one. So, curious that have you heard from clients, like any of them demanding that you'll build any products and have you all built any functionality around this or planning?

Tashwinder Singh: So, credit on UPI is only working on RuPay cards, right? We are fully integrated with RuPay because with NPCI, we are fully integrated, right? The Central Bank has only allowed credit to be given or UPI can either be linked to your bank account, which is how it is for most of us, or it can be linked to a RuPay credit card, right? So, we haven't really built any functionality around that. It's still a very small percentage of the overall volume. Of course, I expect it to grow quite materially. Also, regulator may open this up even for Master and Visa at some point in time. So, this could be interesting, but there is no real incremental need. Right now, we are we are focusing on the prepaid card proposition which again we are doing with RuPay. I think on the credit card stack, we are still in the build phase. We have not completed our build on the credit card stack, right?

And primarily driven by the fact that since our approach is to look at life from a rural standpoint, right, we figured that the prepaid card is a bigger opportunity and the bigger need of the market and therefore, we focus less on the credit card, which is mostly an urban product, and that's why we focus mostly on the prepaid card. So, yes, not much done on that yet, but there is a plan to build out the entire credit card stack as well because that's the request that we're getting from a bunch of banks because who want to issue credit cards, they need to have the entire engine to be able to manage the credit card and we can build it. It's not a big deal. We can build that whole credit card stack as well, given that we've already built a plastic stack with the prepaid cards.

Moderator: The next question is from the line of Pratik Sahu, an individual investor. Please go ahead.

Pratik Sahu: We've got a lot of granularity added in the investor presentations and we've seen that improvement quarter-on-quarter. Now, the first question I wanted to ask you, given the current run rate of Rs. 3,600 odd crores, right? And you had mentioned in your earlier calls that there's a lot of scale up already happening with existing clients, plus there's a lot of cross sell and other opportunities which is potentially there. So, just wanted to get a sense of A, with the existing client base, what could this GTV kind of grow to even if the new or newer client addition kind of slows down or something happens, right? So, that's the first question. Could you share some light on that.

Tashwinder Singh: I think I've always maintained that for achieving our 1 lakh target, I don't think we need to acquire anymore clients. We just go deep with our existing clients, because when you talk about almost 800 partners, right, and some of these are really material partners, right, each one having 400,000 to 600,000 retail outlets, right? Frankly, now, with us having the complete product stack available, we are not a 1 or a 2 or a 3-product company, right. We've got the entire product available. I think in our existing customer base, even if we don't acquire significantly new customers, we'll be able to get to our 1lac number for next year, right? That's the confidence I have. Obviously, we need to execute, we need to deliver and the opportunity is not the issue right now, is the point I'm making. It's about how we are able to execute against the opportunity and deliver against the opportunity. And this has been one of the benefits of actually going and working with the enterprise client base because what the enterprise clients do is they promise you the scale which we are now seeing deliver, but it takes time for that scale to come through.

We started the enterprise strategy 18 months ago and the first six months was extremely disappointing because all we were doing was just tech integrations with them. And we had no idea what volumes will come through. Now we are seeing the benefit of those volumes and every month is bigger than the previous month and I'm hoping that trend continues as the enterprise partners are also scaling across their networks. They haven't really launched our platform across every network because end of the day, this rollout, while it is a tech rollout, it's also a manual training of staff at the retail stores, etc., that needs to be done. Potentially, there is a device that needs to be delivered to the retail staff. The retail staff at the local end needs to be comfortable with the technology and the equipment. They need to download the app or have a computer where they can use the web-based solution. So, execution does take a bit of time, not just by doing a centralized integration on a host to host that the deal is done, right? The host integrations are done.

I mean look at India Post, right, India Post, we've been talking about that for a long time. We just got into them with our DMT and our other products in this quarter. So, it takes time. Some of these things take time. And then that's how we've also built our teams by the way. We have our teams built out where I have a separate team that focuses on getting new clients on board because we always want to acquire new clients, don't get me wrong, but we also need to make sure that there is a bunch of people who are singularly focused on expanding our market share and our footprint with our existing client base.

Vishrut Bubna: Great to hear that. My second question is around the recent fund raise, and you mentioned that part of that money should be coming in quick. With the operating leverage kind of kicking in over the next few quarters and the cash burn probably kind of going down to zero, so where do you see the quantum of the funds being deployed? Is it going to be more towards tech or where do you foresee the quantum of the capital going?

Tashwinder Singh: I think, like I explained, the tech expense concept in our life is very different. We don't go around spending money on buying huge amounts of technology. We build whatever we need to build and everything that we do, we try and make sure that our cost base is variablized, which means we rent out, we lease out, etc. That's why our depreciation numbers also are reasonably low compared to other tech companies that you might have seen, right? So, if you look at our depreciation numbers that will tell you that it's not that we're building physical infrastructure. I don't think we believe in the concept of significant physical infrastructure to take this business forward, right? So, that's point number 1.

I think the money that will come in there would be 2 uses. One, obviously, it will shore up the balance sheet. So, it will go to improve our lending business for sure, right? But lending business needs to be done with leverage as well because that's when you get return of equity, which is reasonable. You can't keep operating lending on equity, right? So, that's one.

I think number 3, what I'm seeing right now and nothing on the table right now, but I'm seeing some very interesting adjacencies for businesses that we could potentially acquire given that there is a funding winter that's going around in the street and smaller businesses are not able to find capital. We think that there could be some very interesting potential acquisition opportunities for us, which might actually work on. And having capital in the bag a little bit of a war chest, if you can call it that, I think is always helpful in negotiations if something works well. So, there's always some conversations on, right? We've come close to a couple of places where we thought those businesses made sense, but we couldn't cross the line either because of diligence or because of some of the reason. But I remain optimistic on the opportunity for us to keep thinking about an inorganic play as well for us. So, we'll see how that goes. Difficult to answer with certainty right now.

But in the meantime, yes, the business will go to feed our lending business if you don't deploy it elsewhere, because if I have to get to a Rs. 250 crore, Rs. 500 crore book next year, having a Rs. 240 crore equity base with 1x leverage will get us there, right, provided we can originate appropriately.

Vishrut Bubna: I just saw the notice that the device sales have been kind of reducing quarter-on-quarter. Is that a conscious choice or you're looking at it differently?

Tashwinder Singh: Absolutely, it's a conscious call. Again, there is some history to this. When we first started out this business 2, 2.5, 3 years ago on the iServeU side, we used to do devices, and we tried to follow the Apple model of using the closed loop network, which means those devices would only work on our network, so they were key injected. And over time when we had this whole chip problem and supplies became an issue for the devices, we figured that the closed loop model doesn't work, so we opened up the loop and we said we can work with anyone's devices. And we knew the impact of that would be that the device sales will not happen through us, which is okay because you don't make too much money on the devices anyway and it's a real headache managing the logistics, all of that.

So, I moved away from that model having said which, we still get called for bidding on large device contracts. For example, with a large bank, we are working on a sound box device solution where we are providing them with the tech stack and they want us to also procure the devices. So, if we get that mandate, then yes, there'll be 30,000 devices. We'll have to arrange for them. We'll have to buy for them and deploy for them. So, those might happen. So, I think you'll see this more as episodic. I wouldn't say it's going to become like an absolute 0, but it's not something that we are focusing on, right? Last quarter was like 50 lakhs, give or take of all devices, which is meaningless, right? But if you go back a year or 2 years ago, we used to do maybe Rs. 6 crores, Rs. 7 crores, Rs. 8 crores a quarter on just device sales. They weren't contributing significantly to the bottom line. So, it was just a top line thing. So, we've moved away from that.

Moderator: The next question is from the line of Aniket Kulkarni from BMSPL Capital. Please go ahead. And likewise, your line is in the talk mode. Please go ahead.

Aniket Kulkarni: So, can you give figures of your net worth after the fund raise is factored in? Can we get a figure of the net worth?

Tashwinder Singh: Abhishek, can you come in with that, the exact numbers on net worth? I think you're best equipped to answer that, after the Rs. 80 crores fundraise.

Abhishek Thakkar: Yes, sure. So, as of now, our net worth is in the ballpark of Rs. 300 crores, Rs. 297 crores to be precise. If we considered the full Rs. 80 crores, it will be Rs. 377 crores. But as Tash has explained, at present we'll be getting only 25% of that Rs. 80 crores. So, it would be Rs. 20 crore now, so Rs. 297 crores plus Rs. 20 crores is Rs. 317 crores, roughly around Rs. 320 crores you can say will be by next month. And once we get full Rs. 80 crore, it would be about Rs. 377 crores or Rs. 380 crores.

Aniket Kulkarni: And just to follow up, if you can allow me. So, what I see is your current market cap is around Rs. 860 crores and if you take out guidance of Rs. 500 crore revenue and Rs. 50 crore EBITDA, that translates into kind of a suboptimal ROE number, right? So, I was just wondering what is giving us so much valuation today. And so the purpose of my question is, can you give some longer-term guidance, I mean in terms of 4 to 5 years down the line and if you could share some guidance on this and also if we can improve the ROEs going forward?

Tashwinder Singh: I think that's a work-in-progress, right? That's always going to be a work-in-progress. So, I take your point absolutely. I think some of these problems as the business throws money, automatically solve themselves, right? So, my view is to stay focused on the business, to stay focused on the next revenue that we make, to stay focused on our expenses and the ratios will hopefully take care of it themselves.

Aniket Kulkarni: But can you give any sort of guidance beyond the FY25, which we've given, just a sort of trajectory or something we'll do, if not absolute numbers.

Tashwinder Singh: I think that's a fair question and there are a couple of other investors who also reached out and asked us, we haven't really given a guidance there because we gave a three-year guidance about, 2 years ago. And I think we're now at that stage where we are now sitting back on the drawing board and thinking through what's going to be our next 3-year target as a business. So, if you give us a bit of time, we'll come back with that number. I don't want to give you a number unless we have thought through very clearly on where the Company is going to go from here on, right? Of course, the existing businesses will keep expanding. We need to really think through what is the next path breaking thing that we can do for ourselves and where does that take us? So, it's not only about the numbers, it's also about the strategy on where it is. So, at some point in time in the course of the next quarter or so, I think we will try and come out with a little bit of a vision document which again we will not know how we're going to get there, but we will put it out there and it will become our North Star and guidance for how we achieve the next 3–4-year numbers for us.

Moderator: Ladies and gentlemen, that was the last question. I now have the conference over to the management for the closing comments.

Tashwinder Singh: Yes. Thank you so much. I just want to again express my gratitude to everyone who's taken time in the evening to listen to our story. I would just urge you to keep tracking us. We are open to have discussions with investors. Trivenika who's on the call is our Investor Relations person. Abhishek is our CFO, he's available. I'm available as well. Please keep tracking us and I hope to see you guys again next quarter, hopefully with better numbers.

Moderator: Thank you, members of the management team. Ladies and gentlemen, on behalf of Niyogin Fintech Limited, that concludes this conference call. We thank you for joining us and you may now disconnect your lines. Thank you.