niyogin

**Date: February 08, 2022**

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

Dear Sir/Madam,

**<u>Sub: Earnings Call Transcript – Q3FY22</u>**

With reference to our letter dated January 27, 2022 and pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Earnings Call Transcript pertaining to Q3FY22 unaudited financial results of the Company.

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

Thanking You,

Yours faithfully,
**For Niyogin Fintech Limited**

NEHA VISHNU AGARWAL
Digitally signed by NEHA VISHNU AGARWAL
Date: 2022.02.08 17:02:38 +05'30'

**Neha Agarwal**
**Company Secretary & Compliance Officer**
**ACS 41425**

**Encl: a/a**

“Niyogin Fintech Ltd. Q3 FY22 Earnings Conference Call”

**February 3, 2022**

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

**Ravi Udeshi:** Good evening ladies and gentlemen. I welcome you to Niyogin Fintech Limited earnings call of Q3 FY22 results. To discuss this quarter's business performance and future outlook we have with us Mr. Tashwinder Singh – Managing Director and Chief Executive Officer and Rumit Dugar – CFO. Before we proceed with the call a disclaimer, during the interaction in our materials, we may make some forward looking statements, and they must be viewed in conjunction with the risks the company faces and these may not be updated from time to time. More details are provided with the investor material and other filings that can be found on our website at niyogin.com. With that said, I would like to hand it over the call to Mr. Tashwinder Singh to take us through the company's vision and strategies. Over to you Mr. Tashwinder Singh.

**Tashwinder Singh:** Thanks, Ravi. Thank you all for joining us this evening. I would like to start by giving you all warm wishes for a happy and a hopeful 2022. I sincerely hope that the pandemic is behind us and we can get on life getting on to doing our business. Q3 for us was an execution focused quarter. We continued to build our Banking as a Service (BAAS) platform, which is aligned with our strategy, as I explained last quarter, to build a platform infrastructure play. I think our consistency and our strategy is getting validated by the numbers as we continue to report a growth in our revenues. This is the fourth consecutive quarter that we have delivered growth in revenue sequentially. This comes on the back of our growing network of both enterprise and retail partners, translating to increasing storefronts and ultimately leading to growth across all our platform metrics. We added over 35 retail partners and connected over 30,000 new retail outlets to our network in this quarter. We expect this trajectory to continue in the coming quarters as well.

I do want to share some exciting things that we are doing at our company. I think we are working hard to become the core Neo banking platform in areas where formal penetration is limited and we can help accelerate financial inclusion by providing an open architecture modular and flexible platform. Now this is not only backed up by the confidence in the basic platform that we've built but more importantly, with very significant enterprise partnerships. A lot can be accomplished without needing huge amounts of capital or lost content, which makes the business scalable of a network economics and make us capital efficient. This trinity which is on scale network economics and capital efficiency is the holy grail on how we are building our business.

I'm very happy to announce that we will be shortly launching India's first Neo bank as a service platform in partnership with NSDL payments bank and with Axis bank. This solution will allow FinTechs, Agritech, MFI, brands, enterprises to launch innovative FinTech products like bank accounts, card issuances, card acceptances, payments, etc. using our powerful drag and drop no code platform. It will help partner businesses create interactive intuitive apps for desktop and mobile application for the users and clients. Again, like I mentioned, we are going to own the backbone so we are providing the Neo bank as a service platform to our clients. Also very happy to announce that our proprietary switching platform "iSwitch" which has been certified with NPCI and is expected to go live soon on the NPCI NFS network. This direct connectivity will allow us to improve the end user experience materially while reducing costs for us.

This rapid adoption of our platform combined with the attractive market opportunity has further strengthened our belief in our hyper growth strategy. The next 18 months will be a period of build for us as we build and launch multiple products across all our business lines. As mentioned in the last quarter, we are investing Rs 100 crores to fund this bid. This investment as part of the hyper growth strategy is focused on building intellectual property and will straddle solutions around Neo Bank, POS solutions, prepaid cards, collections, lending, insurance among others. With this investment we target to be a Rs 500 crores company over the next three years.

I would like to highlight that our strategy is to deliver growth of our business without significant cash burn as we have done in the past. We are a technology led company providing solutions to businesses to help monetize their networks. We are a B2B player. We have spent the last four quarters building business relationships with several enterprise partners like CSC, Bharat Financials, Hesa among others as I've explained over the last couple of quarters. We believe as we scale, we will acquire critical mass in terms of product and distribution, thereby providing superior returns over the long term. That is a quick summary about how we've done or what we plan to do. I now hand over to Rumit to take us through financials and details about how Q3 was.

**Rumit Dugar:** Thank you, Tash. Good evening, everyone. Moving on with the highlights for the quarter ended Q3 FY22. Our platform metrics have been performing well. The rural tech platform gross transaction value, including the payouts stood at Rs 23.1 billion in the current quarter an increase of 21% y-o-y. Our average transaction size in the rural tech business grew by 1% y-o-y and stood at Rs.2,711 in the Q3. On the urban tech front, our partner count increased by 33% y-o-y, and stood at 4864. The retail channel activation rate for the quarter was 16.3% against 17.7% in the preceding quarter last year. Our WealthTech platform continues to perform well and recorded 125% year on year growth in the AUM which stood at Rs.22.7 billion.

Moving on to the financials are consolidated revenue for the quarters to that Rs.277.3 million against Rs.164 million in the corresponding quarter last year and increase of 69% y-o-y. Adjusted EBITDA excluding the ESOP charge, which is non cash in nature for the current quarter was a negative Rs 1.7 million against Rs 16.4 million positive in Q3 of last year. ESOP charge for the current quarter was Rs.10.2 million versus Rs.2.7 million in the corresponding quarter last year. The non GAAP PBT stood at negative Rs 14.9 million in Q3 of this year as against positive non GAAP PBT of Rs 3.3 million in the corresponding quarter last year. In our credit business, our loan book for the current quarter was Rs 470.6 million this is a growth of

69% sequentially. This is largely driven by our transaction lead credit within the platform ecosystem. We continue to remain zero debt and net cash company. With that Diwakar and Ravi, we can open the floor for questions. Thank you.

**Ravi Udeshi:** Thank you. I now open the floor for questions. In case anyone wishes to ask a question, you may please raise your hand. Participants are requested to raise their hands rather than going through the chat mode. We will be taking people who raise their hand on a first come first serve basis. And I would also request participants that in case you are from an organization, please state your organization name to help us in the transcript. Thank you.

We have a first question from Mr. Anirudha Bhandari. Mr. Anirudha Bhandari, please go ahead.

**Anirudha Bhandari:** I'm Anirudha Bhandari from Sixteenth Street capital. So my first question is regarding could you just simplify our business verticals, business models? Are we going big on lending or are we going big on wealth? Neo bank as a service what is it exactly? Do you explain a bit more in all the three segments? And what are our short term, medium term and long term plans?

**Tashwinder Singh:** So, over the last couple of quarters, we've been bringing our strategy out to the market. I think we have three main verticals that we play with, and the first and the foremost one is the rural tech business, which is fundamentally where even Neo banking is really playing out for us a service. So in that proposition, what we do is, we are providing the backbone of the infrastructure API play for people who want to get into financial inclusion. So when you look at a customer, let's look at an example of an entity like CSC, CSC has a 600,000 retail outlets across the country and they are delivering e-governance services across the country, what we are doing is we are helping them provide solutions, because they have tons of footfalls that happen in their outlets, which are largely in rural India, we are able to provide them solutions which can be used for increasing their income. So for example, we brought them a micro ATM solution or an AePS solution or a DMT solution. So these were the initial products we started with, and these allowed customers who walk into these locations to be able to utilize those solutions. So it was our technology being utilized by the CSC retail outlet for delivering services to the eventual customer. So our customer is CSC, we are a B2B business, but they use our platform and our platform then provides services to the end consumer who is their customer, that's how the model works. Now in this proposition, what we've been doing is that we've been expanding our product stack for our customer which is the CSC's of the world who can then provide incremental solutions to their customers. So adding products like insurance and Neo banking is a case in point where if they wanted to open accounts for customers who are walking in like savings account or current accounts, bank accounts, they can now do it in a seamless manner on our platform, so that suddenly adds an incremental product proposition. Similarly, cards acceptance, even they can issue cards, if they want to issue CSC card, which is a expo card for themselves, that our platform will allow them to do. So we are in the business of building the infrastructure or the API infrastructure, which allows our customers to monetize their networks. So that's the major part of our business. We also have wealthtech, as Rumit mentioned, that's a business we acquired, which is doing two businesses. One is it is focusing on providing wealth advisory to customers. And second is, again, as a technology company, we build analytical tools, which we are providing to other wealth advisors. So when you look at how the larger wealth advisors, they use our tools, which are used to analyze customer portfolios, which they can use for talking to their customers, etc. So we are not dealing with the end customer but we are dealing as a service provider to these players in between. I don't know if this gives you a good picture. The third line of business that we have, obviously, is we are also an NBFC and in this rural network, as Rumit mentioned, we have around 2,28,000 retail outlets that are currently using our platform, we are able to then provide leverage to them as well, because we are an NBFC. So lending is never a first product for us, it's almost a second or third product for us, because we do get differential information about these customers because they are doing they're using our platform and by using our platform they're earning income from us. Our platform is an income augmentation platform, it's not an efficiency platform. So we are actually allowing them to make more money and as they make more money, we get information to see how good or bad credit they are and then we are able to dovetail credit also, along with that. Credit is a very small part of our business, I don't think it's very large right now, almost 70% of our business is coming from a rural tech platform and that will stay for the time being. Credit will also expand but it will be a second or third product for us. We don't lead with a credit solution.

**Anirudha Bhandari:** If so, for example, if I want to start a Neo bank, I can use your service on top of the bank and I don't have to go anywhere else. I just have to use all your API's and I can start integrating the customers. Neo banks which are in market today, for example Jupiter, etc. are they using our technology?

**Tashwinder Singh:** No, ours is proprietary technology. This is all homegrown technology we are using. We built it ourselves. We have over 120 people who are involved in who are building the technology for us. We have our technology center in Bhubaneshwar and all of our technology is homegrown technology.

**Anirudha Bhandari:** Okay, and the second thing is, if we are selling our technology to other business which in turn are acquiring customers and then if we are planning to get big into loans, isn't it a conflict of interest? Aren't we competing with our customers eventually?

**Tashwinder Singh:** No, not really. We're not we're not competing with our customers, what we are doing is we are giving loans to their customers. Please understand, if they want us to give a loan to their customer, we would give it. I'm not going behind anyone's back to give a loan for example. So if I need to give a loan, let's call it we have a partner called Hesa, which is an agritech. Now they deal with multiple retail outlets where they are providing their solutions and they have their own platform, etc. They come to us and tell us, listen, we also want a credit solution for our retail outlets. Can you provide a credit solution along with the tech solution. Then we are dovetailing all of it together and given to them.

**Anirudha Bhandari:** Okay, understood. So the main focus would be Neo banking as a service going ahead.

**Tashwinder Singh:** So, it is banking as a service. I think you should think of us as banking as a service and we've always been saying that that's what we've been building, and that we will continue to build.

**Anirudha Bhandari:** Okay, understood. Thanks.

**Ravi Udeshi:** Thank you. We have a question from Mr. Nitin Khandkar. Mr. Nitin, please go ahead.

**Nitin Khandkar:** Hi. So just wanted to have an update on your transaction led credit that you launch on a test basis, that is one. Secondly, micro insurance on your urban and rural platforms. And thirdly, we have indicated that you're open to inorganic growth opportunities. So is there anything on the anvil if you could provide some color on that, please? Thank you.

**Tashwinder Singh:** I think on the last one is an easy one to handle because we are continuously scouting for businesses that could provide adjacencies to our platform. You know, there are always conversations going on, but nothing that we are in the in the midst of announcing or we are very close to closing right now, there's always a couple of businesses we are always evaluating. So nothing to really share or talk about right now because nothing is actionable or real right now. It’s a few early stage discussions going on, so that I think is number one. In terms of micro insurance, I think on the urban tech side, we've launched micro insurance and there we have seen some progress, it's very early for us. It's just been launched about a couple of months ago, where we have now started, working with a couple of insurance companies, and we are able to provide insurance solutions. But I think on the rural tech side, that process and that product will get launched, hopefully in the next month or so. That's the plan, give or take a few weeks here and there. And what was the first question? Sorry, I forgot.

**Nitin Khandkar:** The transaction led credit.

**Tashwinder Singh:** So transaction led credit again is small. Rumit what is our total book size?

**Rumit Dugar:** Our total book size as of as of Q3 that of provision is 47 crores.

**Tashwinder Singh:** So it's small. So what we did Nitin is that about six months ago, we started doing transactional credit, as I mentioned earlier but what happens in the lending businesses, when you start experimenting, you need to go through the full lending cycle before you just completely expand. So we are increasing our disbursal every month, depending on what our partners want, and what opportunities there in the market. But I think it still continues to be quite small for us. So you know, really not much to share on that. It's something that we are building slowly and steadily. Over time hopefully, we'll have a bigger number to talk about. Right now it still is quite small.

**Nitin Khandkar:** Okay, thank you.

**Ravi Udeshi:** Thank you. The next question is from Mr. Jay Daniel. Mr. Jay please go ahead.

**Jay Daniel:** You've laid out a target of Rs 500 crores in three years. Could you give us some idea of how profitability will evolve during this time, because as of now your two main heads of income are fees and commission and sale of products both seem to be contra entries. Because for the amount of income, you report near equivalent expense for under both these heads, your variability of expenses seem to be very high. So if you could give us some idea of how profitability will evolve when you get to this target of Rs 500 crores.

**Tashwinder Singh:** So, Rumit you want to just provide some color on the expense right now. And then I can talk about how the business grow as we grow this scale.

**Rumit Dugar:** So I think, Jay, maybe I will break that answer into two buckets. The first bucket is from a strategic perspective how our cost structure is, if you look at our business design, we are an API platform infrastructure player. So as a result, we don't have direct customer acquisition costs, because we are just powering our partners to monetize their networks and customer base. So we don't have a fixed cost structure and a customer acquisition cost. However, effectively our customer acquisition costs are variablised, thus what you see from a gross margin or from a commission payout perspective, effectively there is an emirate customer acquisition cost, which is variablised. So we have a high variablised cost structure and then the fixed cost structure is largely the technology and tech people cost, where there is obviously there is a product investment roadmap, etc. that is happening. So there is potentially operating leverage as we complete the whole roadmap on the product side. So I think that's the first sort of top down answer in terms of how our cost structure is. The second specifically to your question, I think you've got to also club in our interest income because there is a partner commission payout even in our credit business,. So, as Tash mentioned, we don't do customer acquisition with credit, it's a second or the third product. And thus, again, this is aligned with our partners who want to provide working capital within their network and thus there is also an embedded cost with respect to the interest income. So you got to bucket the interest income also as part of the revenue when you're looking at the corresponding cost.

**Jay Daniel:** Okay, so if I were to look at gross margin, what would be your gross margins.

**Rumit Dugar:** So, it is dependent on the product type. So, predominantly, if you look at our GTV today, the GTV is split across three or four major products, which is AePS, micro ATM, DMT, and Aadhar Pay. The margin profile is product centric it varies between 13-14% to 20-23%. So, that's really the range of the gross margin depending on the product, it could be at the low end of that range or the high end of the range.

**Jay Daniel:** Okay, and when you do sales of around Rs 500 crores will it be profitable at that time?

**Tashwinder Singh:** Jay, the way to think about this is that if you look at our history and if you look at the way we tried to build the business, and I did speak about capital efficiency in my initial comments. We've never really burned too much of money. We've been growing our business, but we are not necessarily burning cash and primarily because our business model allows for client acquisition through a different way and we think it's unique, using partners to allow for client acquisition. So a lot of cash gets spent on client acquisition related expenses. I think we've instead being using our capital to build IP and to build technology. So, that's been our focus in terms of where our dollars are spent, number one, I think the next 18 months are going to be interesting for us because we've already committed that we want to build out this business materially, I think, how do you increase gross margins in this business, I think bringing in adjacencies, bringing new products, bringing high value added services into your fold and offering them to the existing client base that you have, can lead to margins increasing, can lead to a GTV increasing, obviously, and then can lead to profitability coming in. But we also have the 18 month investment period in front of us where we're going to spend the money in building this out. So I think the future to me looks quite bright. And the way we are doing the investment is also very thoughtfully, because we are doing it in a modular way. It's not at all the money is going in on day one and then we have to wait for the returns to come in. We are building pieces in a modular way, as we can build something and then we can bring it out to the market. The Neo bank platform that we just spoke of is an example, we've built a platform, we're bringing it into the market, as we are building other pieces of the entire puzzle, we are building the entire process. So my belief is the next 18 months, I think we will continue to try and make sure that our burn gets limited. But I think in the next three years, we will obviously want to get to a level of profitability, where we are going to see the scale that comes in because of the investments that we've done. But it's difficult to say right now, what that number would be and what is the level of profitability that will come, but I do see that post the investment period, we will see hyper scale that will happen in terms of our top line coming in and as we are building newer higher margin products, they will start flowing back into the bottom line. So you will see some benefits coming through that.

**Jay Daniel:** So when 18 months is a period of giving, when should we actually start expecting something material to be seen on the P&L side?

**Tashwinder Singh:** So, on the revenue side, year on year you should see growth, that's on the top line side. On the P&L side, my view is that I think it will take us between three years to start showing some significant numbers there. Prior to that, because of the expense that we are going to put in, that will eat away into the returns we get from the business.

**Jay Daniel:** Okay. And one more question. Why was your q-o-q growth not very impressive this time? Revenue growth quarter on quarter?

**Tashwinder Singh:** So I think, again, part of it has also been driven by the fact that we were in the build mode, and that's what happens when you start thinking about building, a little bit of inward focus happens, which we became conscious in the middle of the quarter, and therefore we tried to get back into the market. We were able to still show growth of our network. Part of it is also being driven by some slowdown. Our business does get impacted when shops are closed, when states are having lockdown, etc. part of that impact does come in when people are not stepping out because these are these are real footfall businesses. Someone has to go to a retail store to go withdraw money, or to make a transaction to transfer money. The DMT business is supporting the migrant laborers in urban cities where migrant laborers get their income and they want to send money back to their families, so that also gets impacted when there is uncertainty in the environment. So this has been a slightly unsure quarter in that sense but we still were able to show growth because the underlying juggernaut of the platform seems to be working. And we will see incremental benefit coming in the future quarters.

**Jay Daniel:** Okay. Thanks a lot.

**Ravi Udeshi:** Thank you. The next question is from the line of Mr. Rohan Mandora from Equirus Securities. Rohan please go ahead.

**Rohan Mandora:** Sir thanks for the opportunity. Sir, I just going to understand, in this rural tech business, just on the revenue side clearly per transaction basis something we would be learning in terms of the B2B relationships that we have, do we have any annual commitments in terms of the minimum amount of transactions or maybe some annual fees that we charge to these customers on the B2B part of the platform service that we're offering.

**Tashwinder Singh:** So, when we start with the B2B relationships, right, there's always an initial fee that is charged which is more like an integration fee, or it's like a onetime fee, it's not like an annual fee. And then obviously, it's per transaction and again, it varies transaction to transaction. DMT has a different construct, its basis the amount, micro ATM is on a per transaction basis, it varies on that. But we don't have contracts where we are getting annual income from customers as integration income on an annual basis that we are getting from them. But initially, when customers start tying up with us, we do take a certain amount of integration fee from them to sort of latch them on to our platform.

**Rohan Mandora:** Okay, so just trying to understand the activation side which currently at 17% kind of a number. What steps can we take to increase that activation rates?

**Tashwinder Singh:** So, that's a good question because that's something that we talk about almost every day in our office. To me, when you have one of the biggest things for us is to continuously keep focusing on increasing the activation rate. Now activation rate is a function of the retailer becoming more sticky with you and using your platform for doing transactions. The one way to do it, which is what I think we have chosen as a path forward is to expand the product stack, if you are only a one or a two trick pony. Only when there is need for that product the customer will go, even though the shop is live. But he may or may not have need for that product in that particular month and therefore he remains unactivated for one month and then next month, he might activate because two people came and did a transaction. When you expand your product stack, then you start doing multiple things with the customer and there are multiple things you are allowing that retailer to sell through your platform, I think the activation rates will automatically go up. So I'm very hopeful and optimistic that as we are adding incremental product propositions on our platform, we will see the activation rates also go up.

**Rumit Dugar:** Maybe I just want to add one point to the activation rate. I think you have to also be cognizant Rohan, that we have been expanding our distribution at a very rapid pace. So if you look at our distribution, we are now at almost 2,28,000. One and a half years back, we were at somewhere close to 50,000. So it's been it's been a massive addition in terms of distribution. And then once you add the distribution, the partner needs time to go and activate these retail outlets. So there is some amount of lag also that comes in. So when you're expanding the distribution so fast, the activation rate, there is a lag of one to three months because then the partner goes activates the retailer, etc. So, that's also it's more just the nature of the business. So you should see the activation rates pick up as the partners start to now go and see it and activate the networks.

**Rohan Mandera:** On this credit line of business, what is the typical tenor of the loans that we are giving and average ticket size? And partner share the credit risk or it's completely on our books.

**Tashwinder Singh:** So the loans are typically between Rs 50,000 to about Rs five lakhs, it varies between these levels, depending on what is the use of the underlying money that is being provided for number one. Number two, the tenor could vary, again, from between six months to two years. So these are not extremely short term but these are not extremely long tenor either. And in a number of these cases, if the partner starts making a lot of money, they'll end up repaying the loan as well. So, the experience we've had with this retail network has been actually quite compelling and quite satisfying for us so far. Number three, the risk varies from partner to partner. These are generally unsecured loans, there are sometimes we've taken guarantees from partners etc. But it's a mixed bag of how we've tried to do that depending on the partner, the strength of the partner, the underlying strength of the retailer we do complete financial analysis of the retailer and the partner before giving out a loan. So it's not being given just because we have a network, so we can just give out the loan, there is a full detailed regular financial analysis that gets done, of course it's all digital so it gets done quite quickly and nicely.

**Rumit Dugar:** So Rohan, partners have a skin in the game here. So there are FLDGs, there is there is skin in the game with the partner. So, it's not that the entire risk is on our balance sheet.

**Rohan Mandora:** And just a small complaint on this in terms of the collections, like some of these FinTech models are based on the fact that where the revenue is on they deduct daily EMI kind of a thing from the revenue itself. So is our model on the collection similar or is it more of a onetime payment that the borrower does directly do to us? How does the collection kind of work here?

**Tashwinder Singh:** So it's very interesting, the collection mechanism in our retail network that we have, the partners and the retailers, all of them have a wallet with us. The way the payment systems work, everyone has a close loop wallet system with us. So you can actually disburse and take the collection payment back from the wallet itself. So, in a number of cases that happens, but that's not the only way, retailers could send us money from his other bank account, the partner could send us money from another bank account and we would accept that as well. But we have the close loop wallet system which helps us in making sure the collections work quite easy. All the income that we give them also goes into the same wallet account.

**Rohan Mandora:** And in terms of opex the sequential growth or the year-on-year growth that we have seen, like what would be the component that's gone toward capacity building and what was something that was link to the direct growth in the business.

**Rumit Dugar:** So, when you talk about opex, as I explained, there is a variable cost structure which is directly linked to revenue growth, or the transaction GDP. So that obviously grows with the business volumes and that's a variable part of the cost structure. The fixed part of the cost structure which is largely the employee cost base, this is to support the existing products, the upgrades on the existing products, the new product pipeline I mean, we've been we've launching over the last 2-3 quarters multiple products. So, those are the investments that are happening in the people. There is also a lot of talent hiring that we are doing at the middle level management, both on the technology side as well as on the business development side as we are having greater product stack coming through there is a lot of business development and investment, both on the enterprise go to market strategy as well as on the retail community VC go to market strategy. So these are where the investments are going.

**Rohan Mandera:** Thanks a lot.

**Ravi Udeshi:** Thank you. The next question is from the line of Mr. Yash Mehta. Mr. Yash please go ahead.

**Yash Mehta:** So, firstly, I wanted to understand the nature of partners and agents in rural tech and urban tech, for example, you mentioned Kirana store owners. So just to kind of get the facts right 2,20,000 number is essentially the number of Kirana stores that are agents for us in rural India.

**Tashwinder Singh:** Correct. These are Kirana stores, not all of them but majority of them are rural India, but when you look at the DMT products some of them would also be in urban India, because the initiation of DMT, which is the domestic money transfer, happens largely from an urban center. But the majority of these numbers are in rural India.

**Yash Mehta:** Yeah, that's correct I see the point. On the BC partners, who are these partners who we are catering to, these 550 partners, like any few names that you can just to contextualize the partnership.

**Tashwinder Singh:** So, there are there are retail partners here and there are enterprise partners out here. And I give the example of the Common Service Centre (CSC) is an enterprise partner. You look at a Bharat Financial, it's an enterprise partner, you look at Hesa it will be an enterprise partner. These are these are large entities which are having some level of storefronts of some kind, and they want to find ways and means of monetizing their storefronts and therefore we go work with them. And we provide them the technology to be able to deliver these products and services to the customers. Then there are local partners, they could be they could be for example, a distributor of an FMCG company who's selling products to maybe five 6000 retail points. Those people then come to us and they tell us listen, how can I do more with these retail points, I can bring all these data points together because I know these guys, I'm supplying goods to them for the past so many years I can bring them to us, so he becomes it becomes a business got him and we are powering him with that business. He becomes a partner to us, he gets 5,000 retailer, so he's an aggregator of retail points who's coming to us. But again, he's our customer and the retail points are the people who will download our app on their mobile app or on their laptops for being able to deliver these services and then we will serve them but the primary customer will always be the person who's bringing all these retail points to us. So when you look at the smaller guys, they are different, so Rajasthan will have 30-40 partners just based in Rajasthan each one of them are bringing their own retail front to us and they are spread all over the country. So that works quite well for us because these are again entrepreneurs who are creating this new business line for themselves and creating incremental revenue opportunity for the retailers that they are getting on the on the board and we are providing them with a plug and play approach that they can go live on day one. All they need is an authentication device, it's an AePS which is your fingerprint authentication device or it could be a micro ATM which could be your ATM card authentication device or it could be none of that and it could just be a DMT or domestic money transfer guy where you just download our app and you can start business right from day one.

**Yash Mehta:** Understood, and what would be the cost of let's say onboarding in terms of the capex at the end of the retailer, for example for the AePS and micro ATM? What would that be like on a ballpark basis?

**Tashwinder Singh:** So it's very small and it varies. Let me give you what we require them to have, we require them to have a smart mobile phone so they can download app. Now you call it capex, but in reality most people already have that, so it's not an incremental cost. The incremental cost is typically the authentication device which could be anywhere between 800-1000 rupees for an AePS device or it could be between Rs 1500-1800 for a micro ATM device. And if you want to get more sophisticated, you get more expensive devices, you can go up to Rs 7000-8000 for integrated devices which can do multiple things beyond these two as well. But when you go to rural India, we find that the low end devices are what people want to use, because they want to limit their capex and the money that they spend to buy these devices.

**Yash Mehta:** Correct. And in terms of let's say the monetization I agree that we've been adding our partners and maybe not many of them will be at a mature level, so getting the average number may not make sense. But if we were to look at some of our mature retail partners, Kirana stores how much do they end up making out of? What is the additional supplementary income that they generate out of this?

**Rumit Dugar:** Yash, could have some of these retailers and we're talking about rural retailers who are doing say, average ticket size of Rs 2700-3000 in that range, 50 transactions a day. They could just from a single product make between Rs 10,000-15,000 rupees a month and this is this is deep in rural India. So that's what we have seen, in typically villages with population of say between 4000-10,000. This is what a retailer who's typically doing a single digital to cash kind of product could make. Now obviously, if you look at the current product stack it is dominated by 3-4 products as we bring in more products, the income set can definitely expand for the retailer. So that's the first leg of the impact that this business creates for the retailer. The secondary impact is it creates footfalls for his core business which could be for grocery or mobile phone or it could be electrical shop, etc. So there is a natural footfall creation that happens because of this entity. It positively impacts the secondary business of the retailer. And that obviously is harder for us to measure but nevertheless, it creates a second bias.

**Tashwinder Singh:** I think there is a third benefit to the retailer, which I think we should also probably list out here. If you think about it, what are we doing? We've got cash payouts being done by the retailer, customer walks into the retailer shop and he wants to withdraw money from his bank account, the customer gets authenticated using either the fingerprint or the ATM card or the debit card that he's carrying through our network, and then the retailer takes out money from his register and gives him 3000 rupees and we then land up crediting through the bank money into the wallet that the retailer has with us. So, retailers always getting the money he's never short of cash. What you've done is you've suddenly made the cash that is sitting in his register, which is a dead asset you made a live asset. Suddenly the money which was sitting in his account, which was not earning him anything, suddenly starts earning him money. So that's the third benefit the retailer gets, he gets rid of his cash, he makes money on that, he gets more footfalls and obviously he's getting transaction income because of doing these transactions for us and his capital investment is minimal as I explained to you. So it's a really win-win situation for the person and therefore, you will find that for mature retailers, the numbers could be higher than what Rumit mentioned. But I think the point is that they get excited once they start making money and when they realize that making money does not require a significant level of effort. Now in some cases, especially in rural India, the model is more an assisted sales model. So if you really want to think about the operating costs, maybe some guys need to hire another person to manage this. All those costs come in, depending on how much transactions are happening, how much throughput is happening. So those things are all there, one need to think through one thing through the entire economics of the transaction from a retailer standpoint.

**Yash Mehta:** Correct. Understood, and this Rs 10,000-15,000 per month that some of the mature retailers are making would that be at least 10% of the population that we are catering?

**Tashwinder Singh:** Rumit, you want to answer that?

**Rumit Dugar:** No, I don't think we are breaking it out to that granularity Yash. I think as I said, we were at 50,000 about a year and a half back now we are almost at 2,30,000; 2,28,000 to be precise. So there is a lot of addition that is happening, the product stack is expanding, so it's really hard for me to give a number that okay, this percentage and create a pie chart. I think we're not really giving that out right now.

**Yash Mehta:** No Fair enough. I completely understand. And then I think the other question that I had is, let's say NSDL in the RBI data shows about 20,000 or so odd micro ATMs. Would all of them come from us or would we be competing with other players to kind of provide these micro ATMs?

**Tashwinder Singh:** We're not the only ones providing micro ATMs in the market. I would be one of the leading ones, but we are not the only one. So there are other players as well, who are providing these solutions.

**Yash Mehta:** So is there like a number that you've put out in terms of the active network of micro ATMs that you have?

**Tashwinder Singh:** I don't really draw the distinction between a micro ATM and an AePS. They are both withdrawing for us, they are both using different ways of authentication. If you look at it, the end purpose these products are doing the same thing, is cash withdrawal, is giving access to a customer to his or her bank account. So we're not necessarily breaking out between AePS, micro ATM what is the real number sitting out there. Market size wise on how big this market is, I think we've covered that in the previous quarters. We can talk about the size of the market, on what is the amount of transactions that are happening using these networks is quite staggering. Rumit you want to some data on the market size, just so people get on.

**Rumit Dugar:** It's a fairly large market. In our current product stack, our total GTV addressable market is close to $70 billion, so that's the GTV addressable market. In terms of the mix, I think all three products, micro ATM, AePS and the DMT are not that it's a single dominated product mix when you see the GTV so it's reasonably distributed between these three products.

**Yash Mehta:** Understood. If I want to kind of touch upon something that you mentioned initially of let's say a Bharat financial and this is obviously public information is that they announced this merchant acquisition business and merchant business through the Bharat Network and they have access to 1,00,000 Kirana stores and are they kind of partnering with you to kind of convert those Kirana stores into banking front ends is that a fair assumption and essentially are you kind of exclusively partnering with them in this particular aspect?

**Tashwinder Singh:** So with Bhafin, our proposition is more micro ATM, AePS that's what we are doing with them and that's a specific solution that we've provided them to monetize the network that they have of their retail outlets. That's what we're doing with them so far.

**Yash Mehta:** Understood. As far as let's say DMT is concerned, it is a fairly mature product as such, so where do we kind of come in terms of modernizing it with AePS I can understand that only came recently, micro ATM also is a fairly new product initiated by some of the new payment banks. The question is DMT is old than where are we adding value in that particular product?

**Tashwinder Singh:** So the way the DMT transactions work, if you just go through the whole sequence of how things work out in our domestic money transfer proposition. We've got for example, 1000 retail outlets in Bangalore just a case in point, these are typically in areas where you have more migrant population staying and these guys want to transfer money to their respective families in the villages wherever they come from, Jharkhand or UP or wherever they come from. I What we've been able to do is we've been able to convert the retail stores into becoming points for DMT. So domestic money transfer has existed as a product proposition, but I think converting retail stores and getting customers. Think about it, you can walk into a bank branch and do a domestic money transfer, you should be able to do that, quite simply. Reality is when you look at this specific ecosystem of people that we are targeting, which is a migrant labour, these guys are not welcomed by any bank. They want to make a Rs.2000 transfer or Rs.3000 transfer, and they're sitting with cash in hand, which is how they get paid their income, we want to make a transfer. So, what the proposition we've done is we've brought the DLMT proposition to retail shops. So you've created retail outlets which are in the vicinity of the places where more migrant people stay, they can just walk into the retail store, and in five minutes they can get done with the transaction as against going to a bank where they let us spending half a day waiting in lines because they are not the customer of the bank and therefore they're not given priority in those banks. So that's one of the big changes that we've done by bringing the DMT proposition to these retail stores right next to where people are staying. I think that's been the big reason why this market has you know, we find some level of benefit and volumes coming through our network. Now the market size is quite big, I think last time we estimated the market size was the ballpark of $20 billion, right Rumit.

**Rumit Dugar:** Yeah, that's right Tash.

**Tashwinder Singh:** So it's quite large. And I think we've been seeing secular growth in this line of business as well, where people are preferring to come and using our platform because we are able to think about DMT as a cash to digital transaction, and micro ATM and AePS as a digital to cash kind of a transaction covering both sides of the leg. Now it doesn't mean that you have to use us for both leg, you could use us for the first transaction and the second transaction you could go back to a bank and just take out the money yourself from a bank account or of a bank ATM or you could use us for both these transactions.

**Rumit Dugar:** So Yash, the other point I want to make is you got to you got to segregate us from a typical product player because there is a product life cycle that is there depending on the customer. With our investment where we are today in the platform, where we will be in the next 12-18 months, we will become the enabler to offer multiple products. Now it could be DMT, it could be AePS or it could be actually a liability product which our partner could structure. So our business design of actually powering the networks to do more with their customer base is the core philosophy. The product stack is an outcome of where the partners and their networks exist, and where they are in their own journeys. It could be absolutely rural customer who's still trying to access basic banking services. As they get more evolved they start to consume Neo bank products etc. then obviously the product consumption stack will evolve but from our perspective, our business design is going to be multi products and powering these or enabling these networks. So, we will we will be able to straddle the product life cycles, the customer product adoption life cycles more easily then a typical product centric business model.

**Tashwinder Singh:** And also different partners will be in different stages of evolution. So the point Rumit made is an important one. Some partners may just want the basic product and we'll be offering that to them and some may want more sophisticated products, we will get the same sophisticated products from the same platform with us. So the idea is to completely create the backbone of all the products and products some products may become irrelevant. To some extent some product may completely disappear, it doesn't bother us because we would have then figured out what is the incremental product that needs to be brought on the platform to keep our revenues going.

**Yash Mehta:** Understood, fair enough. I have a few more questions, will come back in the queue.

**Ravi Udeshi:** Thank you. We have a follow up question from Rohan. Rohan please go ahead.

**Rohan Mandora:** Thanks for the opportunity again. Just want to understand since so many of these businesses we have a B2B to C kind of relationship. Now the intermediary, the B2B partner whom we are working with, what is this switching cost assuming 2-3 years down the line in the they get better deals from some competitor. Now, how do we ensure that the switching from a Niyogin platform to another platform becomes difficult to them, or how do we ensure that we continue to retain pricing power in this business because if the partner is going to own the customer or the retail channel, then they will definitely have a bargain power which is higher than what we may have, so just wanted to get your thoughts on this.

**Tashwinder Singh:** I think from a technique standpoint, it's not a cost matter, it's an income matter. I want to make that distinction because it's not a question of how much his income that we are giving him versus what somebody else may give him. And our income is going to be a function of how much we are making out of that transaction because we can only share out of that, we are not paying through our pockets to the partners, we are sharing whatever income we are making on the side. Now I made a statement earlier in my talk that we have now getting our own switching solution for micro ATM with NPCI. In the future, we'll also get our own switching solution for AePS and other products. I think some of these things create barriers because it reduces our cost structure quite materially and therefore it creates barriers for competition of some kind. Of course, people can do it or not for a minute saying that competition cannot follow up and do that. So it's a race, we have to make sure that we continuously remain competitive. I think our business we understand is a penny's business. So we need to protect and fight for every penny, when I get my own switching solution done maybe I save two to 3paisa on a transaction. And that's big enough for me and it's important enough for me to save. So, can somebody come in and offer a partner incremental income for doing the same transaction and therefore take the network away, of course that is possible. But don't forget the partner spent money on buying devices which is the sale of product that you've seen from us because we don't give anything free of cost number one. He's given us the initial outlay of the integration costs, etc, which is all sunk costs for him, number two. Number three, we are also providing leverage to his retail outlets, which is another sticky point for him. So someone needs to come in and provide all of this at a cheaper cost for him to start thinking about switching away. You know, we talk about the retail activation rate and we spent some time talking about it. I think there is a data point that we also track, which is the partner activation rate of the partners that we have how many partners are actually activated on our system, and that number is in the ballpark of 80%. So, the beauty is partners get activated because partners are able to see the value of this platform early on because they are the business guys and we are helping them set up this incremental business for themselves at least on the retail side. Some of the enterprise partners obviously know what they're doing. So when you have a very large activation rate of partners, which means that they understand the proposition, and it's a question of how they can sort of get their networks to start buying into the proposition, get their devices put up there, get the app downloaded, get whatever basic training required to get the app to figure out how the transactions will happen, get comfortable around it all that is the partners job to make sure it starts working, which is why the retail activation is lower, but over time you will find the retail activation will catch up. The heartening factor is that the partner activation is quite high.

**Rohan Mandora:** And within these transaction is there any component of regulation in terms of the commission that we earn or do we see any regulatory risk given that RBI has indicated in the previous MPC committee meet that they are working on some discussion papers to make digital payments overall affordable. So anything that we think can come in for leg of transition that we are doing?

**Tashwinder Singh:** So I think barring Aadhar Pay which is a fully digital transaction, most of the other transactions have some assisted role in the way. They're more digital, number one. Number two there are regulations like most things. On the micro ATMs payment the amount of money that the banks payout to another bank for using their network, for eg. if I am linking on to IndusInd and a PNB customer comes and swipe on my micro ATM with my retailer than the PNB guy has to pay IndusInd certain amount of fee which is ATM charge, this is the interchange fee. You might have noticed that recently RBI have announced increase in the charges, if you pay Rs.15 that number has gone up to Rs.17 because RBI wants to promote people using ATM lot more. So, there is actually up the charge that one can make but charge is regulated, it is controlled. Only thing I would make is that the number has been moving up rather than moving down.

**Rohan Mandera:** Okay. Thanks a lot.

**Ravi Udeshi:** Thank you. We have a question from Mr. Nitin Khandkar. Nitin please go ahead.

**Nitin Khandkar:** Hi, Tashwinder. This is about the business model. So we have say three verticals. Are we likely to maybe add more? And who's the target audience in wealth management and what are your broad targets for AUM in say three years time?

**Tashwinder Singh:** So Nitin thanks for asking the question. Wealth is actually the smallest part of our business. I do want to make that point clearly. It was a small company that we acquired, I think obviously, it's scaled up to some extent. We've, pivoted that business also into a slightly different light. The business in the acquired was primarily a wealth advisory business, which was using a digital platform for providing advisory more like a do it yourself platform. So, one could log into that platform and you could do direct mutual fund, you could buy bonds, and you can still do all of that. And then there's the education process of investors of teaching investors how to invest all of that in the public markets. What we did was we also pivoted that business into making it a wealth tech business by using the intellectual intellect that we had, the knowledge that we had on the wealth business and figuring out a problem said that most wealth managers struggled with, which is the proper analytics of their customers portfolios. So we built bespoke solutions around that for some of the larger names you know, who are in the wealth business and their RMs today use our platform, so that is another way why we have gone and created our own backbone infrastructure in the wealth space where we are building out. Right now we're doing bespoke solutions, but I think we'll do a standardised solution at some point in time, where even for small family offices, etc. they can use a great analytics tool that we've sort of brought in. I have spent a few years in the wealth business myself when I was with Citi, I understand that space. Our wealth CEO Mohit, again comes with years of experience in the wealth space, we've been able to dovetail all of that and create a wealth tech solution. Like I said, it's still small so we'll see how that goes. The good thing is it doesn't require any capital. We're not putting any more capital just to get in that business. I think it's finding a way to self sustain itself and then we'll see what we would do with that business.

**Nitin Khandkar:** Okay, thanks. This one's for you Rumit, about the line item of purchase of stock. So I understand this is primarily on account of the hardware devices for iServeU platform.

**Runit Dugar:** That's right.

**Nitin Khandkar:** So if I might ask no if it is public domain, how many devices have been sold out, basically purchase of stock worth Rs 11 crores in nine months.

**Rumit Dugar:** So, we are not disclosing the device quantum but as Tash had mentioned, depending on the mix of the business, the device prices range all the way from Rs 800-1000 on the AePS biometric all the way to potentially Rs 8,000-10,000. There is also a semiconductor chip issue, so we've been working overtime to make sure that the business is able to get in our network and we are able to expand the network and seed the network with these devices. So, I think the teams have been working overtime to make sure that there is no sort of lag or delay in terms of making sure these devices are available to go and build the network and activate the network's.

**Nitin:** So is this cost directly related to the sale of products line item.

**Rumit Dugar**: Yeah, here will be some inventory buildup also because of the whole semiconductor issues strategically we keep looking at the supply situation but it's not that we are going to build huge inventories here. It is more absolutely tactical related to the current market scenario, the supply situation, the Chinese New Year which is going to come in this quarter, Q4. So, there may be some bit of element of inventory buildup that may be there. But it's absolutely tactical there is there is no big inventory that we typically build.

**Nitin:** Okay, thanks. One last question from me, are there any legacy loans getting back to FY21 which are still continuation on the balance sheet?

**Rumit Dugar:** Yes, there is there is a legacy book that is that is still embedded within that but suffice to say we are reasonably provided. We've been quite aggressive in our provisioning. For this book, we still have a management overlay which is sizable on the book. So we are we are in a comfortable position right now. Obviously the wild card is how the COVID waves come through but as of now I think we are okay.

**Nitin:** Okay, thanks Tashwinder and Rumit.

**Ravi Udeshi:** Thank you. We have a question from Nirav Dalal. Mr. Nirav please go ahead.

**Nirav Dalal:** Thank you for the opportunity. Most of my questions have been answered. Just on this Rs.500 crores, what would be the broad revenue split of that Rs.500 crores of revenue that we are looking at because of the fees income and interest income being lower. As we are still building up that business the product is about 36-37% of revenue and your fees is about 40%. So, just wanted to understand what would be the broad revenue split, another reason for this is just to understand how the different businesses will stack in the next 3-5 years.

**Tashwinder Singh:** In terms of how the businesses will stack in the next 3-5 years, clearly we have been focusing our capital energy management bandwidth on our rural tech business. I think that's pretty, pretty obvious from the fact that we are putting 100 crores in that line and ready to build that out. Because we also believe that the opportunity there is a little bit of a, I would not call it a completely virgin opportunity, but I think it's not completely tapped out, I think there is there is a lot we can do in that space and therefore, trying to get our incremental products up and running quickly, is the imperative for the team right now. And we are building that out and to get the Neo bank platform up in running, to do the agreements with the banks. It's not only about the tech built, it's a business built. So there is a tech piece to it, which is the front end but there's also the backend piece where we need to make sure that we're tying up with the right partners, who can deal with the scale and the level of volumes that we will get in and provide the service right. So, we chose to work with Axis Bank and NSDL payments bank as the first two banks for providing the Neo bank solution. So, you're gonna see significant scale happening coming from that line of the business that will continue. The other businesses are in the nascent stages. I mentioned about wealth, wealth is still nascent, I think it will grow for sure but is it going to grow from the current level where it is contributing 1-2% to suddenly contributing 10 - 15%, I don't think so. I think it will probably stay in the same ballpark in terms of percentages, as we grow, maybe may even be a little lower as other businesses continue to grow. So if I was to look at where our real delta is going to come from, I would focus my energies on the rural tech and see how that's playing out because that's where we are investing our capital and that's where we are expecting great outcomes.

**Nirav Dalal:** Just one related question to this, how much we would be leveraging our balance sheet because we also talking about that side of the business. So, one is the fees and commission that we'll get, say in the rural tech but what about the interest side where we are building up a bit.

**Tashwinder Singh:** Right now we have no leverage, as you probably have seen on the numbers and right now you're sitting on cash. We are sitting on Rumit, correct me what the amount is of the cash around Rs 150 crores.

**Nirav Dalal:** So wherever is going to is that how should we look at that business in the next 3-5 years. So I believe you will have fee income and you will have interest income, but just wanted to gauge how these two will move.

**Tashwinder Singh:** I think the fee income will move significantly more materially than the interest income like I told you interest and loans are second or third product, it's not a driver. It's actually a need we are fulfilling for some of our partners who need that along with the other things that we do. So we have to have significant play on the fee income before we start opening up a balance sheet to people. So it's not that we are actively building out the balance sheet to make it big. We're not taking leverage but if you know tomorrow, as we build the business, the opportunity requires us to do so we will go to the market and we will figure that out. Right now in the immediate future I don't think we have a plan to take leverage right now. But I think we are open, I don't think I'm gonna tell you that we are closed to the idea or depending on what the market presents its opportunities to us.

**Nirav Dalal:** Got that but it would remain two or three in your stack at the moment in the book.

**Tashwinder Singh:** It's getting built parallel along with our fee income, but today we are almost 70-75% fee income business. I think we'd like to keep that construct the same. I want us to make sure that our fee income continuously keeps growing materially as compared to an interest income book. So you will see us in a similar ratio in the future as well.

**Nirav Dalal:** Thank you.

**Ravi Udeshi:** Thank you. We have a follow up question from Mr. Yash Mehta. Mr. Yash please go ahead.

**Yash Mehta:** Hi. Thanks very much. So I think couple of the follow ups. So first, can you kind of throw some more light in terms of the Neo bank solution that we are partnering with Axis Bank and NSDL? What does that exactly entail in terms of these services that we are planning to provide to them?

**Tashwinder Singh:** So let me give you a simple solution. I think somebody asked that question and, well they answered the question themselves. Today, if you are a FinTech, or you are a business that's running with some retail fronts or some network that you're working with, today if you want to suddenly say I'm doing these 3-4 things with my partners, I also want to start opening their bank accounts, because I can do more transactions with them. You would actually land up going trying to tie up with a bank, it'll take you 4-6 months before you can actually get and if you are a FinTech player, you will want an API integration with the bank, going through the security systems, getting the whole approval process could take you six months. But today, you can go live with us within a few days because we've got the full platform, you do not need to go through all the certifications. We've already got all of that done and we are able to present to you a platform which you can use to provide the Neo bank services to your network. So you can start monetizing your network with the potential Neo banking solution, which could be liability products, which could be just opening bank accounts, which could be a bunch of other things that you do when you open a bank account. All of that could be done immediately and everything is digital. The whole journey is completely digital, so you don't need to go provide paperwork none of that everything. And the beauty is that you can open a savings account and a current account. So we are able to provide the solution for opening saving and current account and the whole journey is fully digital and can be done. So, you can start offering that solution right now immediately once a platform goes live in a couple of weeks you can offer that to your customer. As I keep saying our customer are the businesses, our customers are the FinTechs who become our customers are our customers today. They can keep doing what they're doing, which is core to them, but we will land up expanding the product stack that they're offering to their network and we make money in the bucket. And we are making it easy for them to access these products as against going and building the entire network on their own or connectivity on their own to the bank, which is not required because it's available at the drop of a hat for them.

**Yash Mehta:** Sorry, at the back in that bank account would be that of let's say an Axis in this particular case. And let's say even if NSDL is kind of empowering these merchants the backend would be managed by Axis is that a fair way to think about?

**Tashwinder Singh:** Absolutely the bank account has to be held with the bank, we're not a bank.

**Yash Mehta:** NSDL payments will also be there. So that is why I was asking are these different partnerships.

**Tashwinder Singh:** They both are our partners and both the options will be available depending on what the need is and what solutions we are able to provide with both these banks. We have tied up with two banks right now and potentially you could do this with more but right now we've tied up with two banks.

**Yash Mehta:** Understood and in terms of let's say the opportunity landscape, I agree the value numbers look really high. In terms of the spots of finding merchants and villages who can actually take this upright, so if one use to say that there are 6,00,000 villages in India roughly your take, I'm saying that at best in a particular village you wouldn't want to have more than five partners at an industry level because every Kirana shop owner cannot be a micro ATM guy.

**Tashwinder Singh:** Why would you limit it? How does it make a difference to you? It doesn't make a difference to me because my point is I'm providing the technology platform, I'm not dealing with the retailer directly. I'm dealing with a partner. My partner wants to go and work with five retailers, 10 retailers in a certain village, why do I care? The village needs to have internet connectivity, it needs to have the network, these guys need to be able to buy the device from me and they need to have a smart phone whereby they can download the app or they can have a laptop and they can download the web based solution. Because for me, the incremental cost of having one more download is nothing of my application. So whenever I have transactions from the retailer, 100 transactions of the retailer I will not be worried about whether in the same village I have five people or I have 10 people.

**Yash Mehta:** Correct, absolutely. I'm saying that in terms of retailers who would end up mattering. I'm saying that obviously the there would be at some level of constraint to the size and scale that an operation like this could get I would believe so. But I'm just trying to understand from you how do you think about the constraint of scale here. It's a highly scalable business that way because as you said there's no cost, it's a highly variable cost model, startup cost is not very high.

**Tashwinder Singh:** Yeah, it's an immensely scalable business and I think that's the beauty of this business and that was the point I was making in my initial chat that scale is important to us, capital efficiency is important to us and network economics these three things are critical for us. This is the trinity that we are focusing our energies on as we build the business. Now scale for me is the number of retail points which are active, it's not just the overall number of retail points, I need to make sure each of those are active. If there is a natural drop off of some retail points happening in a village because 2-3 guys dominate the market. So that's just how it is. That is the way the market works.

**Ruit Dugar:** To put the constraints in context you have to realize what the end opportunity is. There are 800 million Indians living in rural India, they need to be served. You think how many retail outlets are going to be enough to serve 800 million Indians. So I think we have to put things in context in terms of what this network is supposed to cater to, that is one. Second is you got to put the product ecosystem in context. Today we are talking about these 800 million Indians who are not able to access basic banking services which you and I take for granted whether it's a balance inquiry, or whether it is a digital to digital transaction, remittance, etc. They are still solving this for them. Now, imagine fast forward 3-5 years out, as these things get solved how the whole Neo bank opportunity is going to open up for these 800 million Indians who have been having a terrible banking experience for the last maybe 50 years. So if you put that in context, then I think there is a massive opportunity and there are absolutely no constraints, whether it is the network, the number of partners that we need, the number of touch points, we need, the compute capacity we need to build the database capacity. So all of this is sort of unlimited from where we are today. That that's the way we think of it.

**Yash Mehta:** I completely understand Rumit. I was saying from the sense that let's say the core USP of micro ATM, AePS is you don't have to travel for half a day to get to a bank branch, stay there for half a day and come back in another half a day. So I think that's fundamentally and the USP of this product. Now I'm seeing and historically what has happened is there has been a large number of PSU banks who have not been service focused to begin with, and that's why we have seen the rise over private sector banking in India. Now, fundamentally I would be very surprised to believe that let's say if there is a HDFC Bank or ICICI bank or some other front, I shouldn't even mention those name but I think that let's say there are front running private banks opening branches in semi urban and rural areas and in those areas, they are not kind of proactively trying to get customers and people are coming and operating at a Kirana store. I think that at some point those banks kind of take notice and want to kind of partner with players such as yourself to kind of enable this business because they want to go where the customers are, they don't want to just set up for the sake of setting of branches. I'm just trying to understand if that statement made sense, or am I kind of wrong.

**Tashwinder Singh:** So, what's changing is that the cost of delivery is changing. This is the point that I made multiple times on the whole advent of digital banks, why do banks need to have brick and mortar setups. There are there are 70 million retail outlets in rural India, that each of them is capable of delivering some level of banking service. Why do we need to set up new and new branches in each of these locations and take that cost because all that comes in as cost and that cost needs to be paid by someone. Who pays the cost? the Customer pays the cost. So, the whole point is and why this advent of micro ATM has become so popular, or AePS have become so popular because it is also solving the bank's problem. It is not requiring the bank to open a branch in a location where it's never going to be profitable. The branch is never going to be profitable, as in rural India, there's no way you want to make money on that branch. Just the cost structure is so lopsided. But by providing the micro ATM solution, you're still serving that customer of that bank, so you are solving the banks problem as well. You're keeping their costs low. And I think fundamentally, businesses have to start thinking about how do I take cost out of the equation and unless we start having manufacturing costs going down, how are we going to deliver financial inclusion which is sustainable, that's the whole proposition. If you go back to what we're trying to do fundamentally with our business is we're trying to deliver financial inclusion in a sustainable way in the country. Sure, we're gonna make money in the backend, absolutely not going to shy away from that. But what we're delivering to the end customer, think about if you are a person sitting in rural India, you've saved all the costs of the day going to the bank branch, all of those things you saved, you saved the cost of a bus ride or the bus to go to a bank branch assuming you had to take a bus to go to the next village. So, you saved your day. So, your daily income for that day also is saved and you've not paid a penny for it. There's no cost to the end consumer, so you are taking that cost out who provided superior service. It is the underserved market that we are serving. You're delivering financial inclusion and we are not doing it at a loss we're doing it profitably.

**Yash Mehta:** Absolutely, I definitely get the value proposition. And then the question is, if we were to look at this value proposition and match it with let's say the activation rate of 16-17%, one would assume that the 16-17% should be significantly higher at 19% plus because I would assume that these are high touch use cases payments.

**Rumit Dugar:** Yash, let me correct you. These 16-17% activation rate that we're talking about is in the urban Tech network, it's not a rural Tech activation.

**Yash Mehta:** Understood. So what would be the activation at rural tech?

**Rumit Dugar:** I will just answer the question. So look, as Tash mentioned the partner activation rates are at about 80% and we will be able to start giving this data more consistently but the retailer level activation rates are in the mid 20s. So that's really where the activation rates are.

**Ravi Udeshi:** We have a question on chat from Keshav Kumar. The question is, would we be competing with the likes of Jio mart or are our competencies and focus areas very different from the current and also from the logical next step perspective for Jio mart.

**Tashwinder Singh:** So, we're not competing with Jio mart. Potentially Jio mart could be a customer for us, that's the way I think about it. They could potentially be our customer and we could use their retail outlets to provide our solution to them. It's a plug and play approach. Rather than building out the entire network they could just plug and play and use our platform if they want to provide the services to their customers. If they want to stick to the core of what they're doing which is selling goods and being a grocery store, then they can do that but if they were to decide that they also want to get into this business, I think it'd be easier for them to just plug and play with an existing player rather than rebuild the entire network on their own. That's the way I think about it. So today we don't compete with them, can't really speak about the future.

**Ravi Udeshi:** Thank you. The last question on the chat is from Mr. Asis. Can you highlight how you plan to fund 100 crores outlay over the next 3-5 years? Yeah.

**Tashwinder Singh:** So the Rs 100 crores outlay is gonna get funded over the next 18 months. Our spend is in the next 18 months and then the benefits of that we will see over the next 3-5 years. I think we have the capital with us, I'd mentioned we have Rs 150 crores on the balance sheet. So I don't think we are concerned about the capital also the money is not going overnight tomorrow, the money will go in phases. Like I said we are going to spend as we build rather than just putting all the money and then wait for the bill to show up, so it's going to be calibrated.

**Ravi Udeshi:** Thank you. That is all for the day and we now hand it over back to the management their closing comments, please.

**Tashwinder Singh:** So I just want to thank all of you for taking your time out. I hope you found the discussion useful. I think we are operating in a pretty exciting space. We come to office everyday very excited about what we're going to do today. I do hope we can deliver the expectations that all of you have from us, in the next few quarters to come. And I look forward to speaking to you again once the next quarter results are done. Thank you.

**Ravi Udeshi:** Thank you. That ends this call in case you have any further questions please do write to us. Have a nice day.