

November 24, 2021

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
Rotunda Building, P.J. Towers,
Dalal Street, Mumbai- 400 001

**National Stock Exchange of India
Limited**
Plot No. C/1, G Block,
Exchange Plaza, 5th Floor,
Bandra - Kurla Complex,
Bandra (E), Mumbai - 400 051

Symbol: FINOPB
ISIN: INE02NC01014
Scrip Code: 543386

Dear Sir/Madam,

Sub: Transcript of the conference call with the investor and analysts held on November 17, 2021 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Ref: Conference call with Investors and Analysts on November 17, 2021

In continuation to our letter dated November 16, 2021, enclosed please find herewith the transcript of the conference call with the investor and analysts held on November 17, 2021.

Please take the above information on records and arrange for dissemination.

This information is also available on the website of the Company i.e. www.finobank.com.

Kindly take the same on record.

Thanking You,
Your Faithfully,
For Fino Payments Bank Limited

Basavraj Loni
Company Secretary & Compliance Officer

Place: Navi Mumbai



“Fino Payments Bank Limited Q2 FY2022 Results Conference Call”

November 17, 2021



ANALYST: MR. PRAVEEN AGARWAL - AXIS CAPITAL LIMITED

MANAGEMENT: MR. RISHI GUPTA - MD & CEO - FINO PAYMENTS BANK LIMITED

MR. KETAN MERCHANT - CFO - FINO PAYMENTS BANK LIMITED

MR. SAYANTAN MITRA - IR - FINO PAYMENTS BANK LIMITED

Moderator: Ladies and gentlemen, good day and welcome to the Fino Payments Bank Limited Q2 FY2022 Investors Conference Call hosted by Axis Capital Limited. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded. I now hand the conference over to Mr. Praveen Agarwal from Axis Capital Limited. Thank you and over to you, Sir!

Praveen Agarwal: Thank you Melissa. Good evening everyone and welcome to this earnings call of Fino Payments Bank Limited. First of all I would like to congratulate Rishi and his team for being the first payments bank to get listed on the stock exchanges, it is really a heartening moment and the results have been quite remarkable. Would request Rishi to share key highlights on the results post which we will open the floor for Q&A. Just from the management team we have Mr. Rishi Gupta - MD & CEO, Mr. Ketan Merchant – CFO, and Mr. Sayantan Mitra from investor relations team. Over to you Rishi!

Rishi Gupta: All investor and analysts, thank you very much for taking time out for Fino Payments Bank first earnings conference call for Q2 FY2022. It gives me great pleasure to take you through yet another profitable quarter and a half for Fino Payments Bank. In fact with Q2 FY2022 we concluded our seventh consecutive quarter in profit. Further, every quarter has been better than the previous for us barring the two COVID-impacted quarters. Our Q2 FY2022 performance is better than Q4 FY2021 performance across all parameters starting from throughput to transaction volumes and from revenues to profits. In fact Fino is one of the unique fintechns in this space where growth and profitability are built in simultaneously into the model by itself. With growth, profitability sets in automatically which gives us a differentiated position as compared to the other fintechns.

India is witnessing a revolution as more and more payments focused fintechns are gaining momentum and prominence. Globally, we have seen how fintechns have become investor favorites. The risk free model of fintechns coupled with asset light and scalable structure is what provides comfort to investors. To top it, companies which demonstrate high growth command premium multiples as well.

Fino Payments Bank is no different – it is a fintech built in India and built for India – rather for Bharat. By its unique nature of regulations, payments banks are not allowed to lend and this makes the regulation itself similar to the model that fintechns hinges on. When it comes to growth, Fino Payments Bank has demonstrated exponential growth over the last few years of its existence. Our CFO will take you through in detail on this in a while.

Fino Payments Bank is a transaction focused fintech which aims to cater to payments and banking requirements of emerging India. It is typically positioned at the middle of the pyramid comprising around 600 to 700 million or 60 to 70 crore Indians. The payment medium used by segments of customers is very different from the ones that are preferred at the top of the pyramid by affluent Indians.

The way it works is we set up a merchant in a small town or in a village anywhere across the country. We already have some 800,000 plus merchant points which we have already set up. We convert these merchant points into banking points. This is the typical neighborhood mom-and-pop shop wherein the merchant after conversion into a banking agent does banking transactions for customers who come to his shop to buy some groceries or anything else. By virtue of his presence in the village where he is already known to the customers, there is a relationship which he enjoys. The customer has trust to deal and engage with the merchant and transact. The merchant is able to bring millions of customers across the country into the banking ecosystem. The merchant earns commissions in the process, his livelihood becomes better, he sees a better footfall in his outlet plus his status in his community goes up because he has now become a banking agent or a banker. The customer in the process is able to get convenience of neighborhood banking nearly 24 x 7 because merchant opens at about 6 or 7 am in the morning and they are open till about 10 pm at the night. So by virtue of his presence, he is able to service customers at very early hours or even late in the evening when normally bank branches would remain closed.

To address the needs of the customer, Fino offers multiple products through the merchant network which is specifically designed for this segment of target customers. Some of the flagship products of Fino Payments Bank include remittances which is the urban to rural money transfer product for migrants who come from villages to work in urban areas; micro ATMs which are small machines given to merchants to withdraw money from his own drawer that he uses for storing cash. Micro ATM actually connects through the debit card into the NPCI platform and a transaction is enabled. Aadhaar enabled payment system is another cash withdrawal product where he can withdraw cash through biometric from his current account or savings account. Cash management services are offered to NBFC, MFIs, logistics companies, online consumer companies, taxi hailing companies – wherever anybody wants to deposit cash across the country. There are other products like bill payments and host of other cross-sell products which are also offered to Fino's customers.

We are also in the process of bringing some new products largely around investments like mutual funds and international remittances. We have recently started to offer credit through some partnerships with NBFCs where the risk of the credit is on the books of the NBFC rather than on the bank. So from our presence in the payments as well as in the liabilities business, we are now actively getting engaged more on credit as well as on investments.

Our endeavor is to be a platform for customers in rural India or for Bharat where they can come and get all kinds of financial services across the gamut of products whether on credit, or on liabilities or in payments or on investments. The revenue model in each of the products for us is different while we charge the customer in products like remittances and CASA, our B2B partners pay for the fees for CMS and issuing bank pays for the interchange fees on micro-ATM and AePS. So the burden on customers is not much as far as charges are concerned. The take rates and gross margins also vary across products.

All of these products generate an organic footfall to our 8 lakh plus merchant enabled banking points spread across 90% of the districts. As a result we have a nil customer acquisition cost. This merchant point also acts as a funnel to enable more and more customers into the formal financial services ecosystem. All these customers become familiar to the ecosystem over a period of time. The merchant attempts to upsell a savings account of Fino to them. This is where the customer's journey in the digital financial ecosystem commences. Gradually the customer starts using the digital platforms on their own and transacts on their own. This is where we witnessed transformation of our customers from an aspirational customer to an affluent customer. With more balances in savings account he has more disposable income with him to buy various savings as well as wealth products which we cross-sell through our ecosystem.

With even more transformation, he may require loan products as well. We have seen a good traction on the pilot of consumer credit products. This opens up a tremendous funnel of opportunity to do more with the same customer. There are questions which would come in everybody's mind – why would the customer remain with Fino even after a transformation. We have seen this segment of customers prefer ecosystems which are reliable, trustworthy and are ready to help them out for any grievance at any point of time. We have seen in digital ecosystems, there is a weak grievance handling mechanism because of which many customers, especially our target customers, may not feel comfortable. So in the phygital ecosystem, where physical and digital are married, the customer can actually note down their grievances through our physical ecosystem and this adds as an advantage to the customer. With the merchant points till the last mile they act as trust points as well for these customers. Even in the digital world, not everything is fully digital – it will have more digital. This also answers the massive growth we have seen on our UPI platform over the last few quarters – just to share some numbers with you which are anyway there in the presentation – from ₹ 1,164 cr throughput in H1 FY2021, we have moved up to ₹ 5,854 cr throughput in H1 in FY2022, this is a growth by more than four times on a year-on-year basis in H1.

On the overall payment ecosystem in India, we have a segment which transacts in cash and there is another that transacts digitally. If you take your attention to slide #24 on our

investor presentation, you will see that both these ecosystems are growing at a phenomenal phase. The cash in circulation right now in India is at an all-time high at nearly ₹ 29.5 lakhs crores. If you look at the cash in circulation from payment perspective, we need to factor in the velocity of the cash in circulation as well because the money which is there in circulation gets multiplied many times during the year. At the same time, digital spends have also grown exponentially and both these ecosystems offer tremendous growth potential. Fino is uniquely positioned to gain from both the world because of our strong digital presence through online and UPI applications. Customers of Fino have an omni channel option to transact.

Why do customers repeatedly come to Fino or why would he repeatedly transact with us? I think our convenience of the neighborhood banking which I mentioned in the beginning of my speech, is one of the biggest factors. They know that merchant personally which acts as an added advantage. They also have a trust on the brand which emanates from the RBI license.

In tier-3 cities and towns of India, one needs to travel to the nearest point and send money on the same to avail basic banking services. When such services are available at the doorstep of the customer with flexible timings, it becomes a natural choice for them to transact through that medium. Just imagine if you are living in a society, you go down and you are able to transact for banking services in your neighborhood. It is a very different experience than going to a branch which could be a few kilometers or a few miles away. So that is the kind of revolution which we have been able to build and that is something I would like you to visualize that going to a merchant shop and doing banking transactions while you also buy your bread and butter.

Our rapid addition of net current account and savings account is a testimony to this that more and more customers are now coming to our platform. We open nearly 8.33 lakhs new current and savings account in H1 FY2022 compared to 11.3 lakhs in the full year of FY2021. To take you through more such numbers in detail, I will now handover the call to our CFO – Ketan Merchant.

Ketan Merchant:

Thank you Rishi and thank you Praveen for the introduction, a warm welcome to everyone who is on the call. Rishi already mentioned about our business model, our trajectory which is growing and Praveen mentioned about our result as well. I will just start off with what I think Fino is – for me or for all us, Fino Payments Bank is a fast growing profitable fintech – a very unique proposition. I will get into the numbers and profitability as well.

Why is Fino a unique story? Let me try and answer this through our revenue trajectory. In FY2017, which was our first year of operations as payments bank, we earned a revenue of

Rs. 171 crores. This kept on growing every year and by FY2021, our revenue was 4.5x of FY2017 at Rs. 791 Crores. This translates into a CAGR growth of 45% but it is not about numbers, I will just take everyone through the evolution of Fino products. If you go to slide #9 of our investor deck, it captures in FY2017 BC banking and remittances were our primary businesses. By the time we came to FY2019, with innovation at its core and as Rishi earlier alluded towards, the micro-ATM and AePS had gained momentum. When we come to FY2021, we evolved into new products like subscription based CASA and CMS which were 12%. We had 11.4% of our revenues coming from CASA and CMS in H1FY21 and as we speak, it increased to around 16.8%. So this is the kind of momentum that innovative products help build in the long run.

The most heartening thing is even in the current year, our revenue has grown by 36% y-o-y. All our product segments are showing very healthy growth. A larger part of growth is being driven by some of our high margin products which I just explained about CASA and CMS. On an average on a daily basis in H1 we opened around 6000 new CASA accounts. That is the kind of trajectory which we are looking at in terms of CASA growth.

In addition, it is not only about opening an account but about spends on every transaction through a Fino debit card which has increased by 6% in H1FY22. We have achieved 75% of accounts opened in H1FY22 of what we did in full year 2021. Throughput from CMS grew by a whopping 185% y-o-y this is on the back of some of the new mandates which we have got on. This is what growth means to us. Our matured products during our evolution phase from 2017 continued to grow around 25% and whilst our new products are growing at 80% y-o-y. It is also about investing in growth.

In this year in H1 FY2022, we have added 120 new employees. We have done it in some of our geographies where we want to expand. It was a conscious call to deepen our presence across geographies in East and South which are our growing geographies like West Bengal, Odisha, Telangana, Tamil Nadu, Kerala, Assam and Chhattisgarh among others. We are also putting resources for our digital piece as well where we are growing our in-house technology digital team. Despite our investment across new products and technology, our profit has grown by 73% YOY in H1FY22. Also, despite the additions which we have done in our revenue count or in our employee count, we have improved our revenue per employee from ₹ 29.5 lakhs to ₹ 32 lakhs for Q2 FY2022 on an annualized basis.

Overall, in Q2 FY2022 our transaction income has grown by 32% in own channel and 35% on open banking channel. Our gross margin for our own channel essentially is around 45%. We have a take rate of 0.6% in Q2 FY2022 which is largely range bound as compared to FY21. Our margin is in the range of 34% in Q2 FY2022. That again has been range-bound with an upward bias. All of these combined has helped us to improve our profit margin

despite the investment in people and marketing expenses which we have done incrementally as part of Fino 2.0. Our PAT margins have improved from 2.6% in FY2021 to 3.3% in Q2 FY2022.

It is all about focusing on growth and as I explained, we are attempting to grow in the digital space. We are enhancing and deepening our presence in multiple geographies, esp. east and south, as resonated in the explanation on rise in employee count. In addition, return on equity is the important matrix where we judge ourselves very prudently. In Q2 FY2022 our ROE was in excess of 20% and that is the benchmark which we are essentially looking as a fintech with a differentiated model. Having said that, with the new primary issuance coming off through IPO will reduce the ROE marginally for FY22. But in long term, we are looking at a steady state ROE as per the current benchmarks already achieved.

Just to give some numbers in the past five years we have grown by 45% CAGR in top line. As I explained, currently our growth is in the range of 35 to 36% and that is the kind of growth which we are essentially aiming for in future as well. As per CRISIL report our industry is expected to grow by 25%. With the kind of ecosystem that we have created, we would want to continue our current trajectory of growth in the times to come. On a very simplistic basis, the annualized exit run rate of September 2021 will cross over ₹ 1,000 crore and the PAT margin on that should be around 4%.

That is it from my side, Praveen. I will hand it over back to you and will be happy to take questions between myself and Rishi.

Moderator: Thank you very much. Ladies and gentlemen, we will now begin the question and answer session. We have the first question from the line of Sherin Samuel an investor. Please go ahead.

Sherin Samuel: Thank you. Congratulations to the Fino team for the excellent results better than really expected and listing could have been better but the market takes some time to refine new business model I do not want reason that. My question is to understand if there is any plans to establish its own insurance and AMC, that is one. Second is there any merger plan with or amalgamation of others.

Rishi Gupta: Thank you Mr. Samuel and thank you for your kind words. On the insurance and the AMC as part of our strategy, which we also call our DTP framework, our focus is on distribution, technology and partnership. Our ecosystem is more on partnership where we believe in leveraging each other's resources. I personally believe in insurance and AMC, there are lot of good companies and platforms which are available in the country. So we want to continue to be distributors and sellers of insurance and AMCs rather than manufacturers of

some of the products. We have customer insights because of our deep engagement with the customer. Those insights are actually shared with the insurance and AMC platforms. On basis of that, on some of the products we are able to specifically manufacture for us and we are able to sell it through that process. So for us we would continue to work with other AMCs and insurance companies rather than manufacturing our own products.

Coming to your second question on Fino consolidation or the merger of Fino Paytech with Fino bank, that is something which will trigger in June 2022 when we complete our five years of operations. So at that point, we will be looking at the merger of bringing Fino paytech at the bank level and it will be a kind of a reverse merger subject to the approvals from regulators, NCLT and other regulatory bodies. Thank you.

Sherin Samuel: Thank you.

Moderator: Thank you. We have the next question is from the line of Ravi Singh from Motilal Oswal Asset Management Company. Please go ahead.

Ravi Singh: Thank you and congratulations for the listing for second quarter. My first question is on breakup of the OpEx we 1Q data from the RHP in terms of the merchant payouts. From the OpEx what was the breakup from the merchant pay out in 2Q in this year and 2Q last year?

Ketan Merchant: So if I understand your question right, you are looking at a variable cost which we have in terms of merchant and distribution pay out which constitutes broadly around 70 to 72%. Are you alluding towards the changes which happened between quarter-to-quarter because that will be a function of the products.

Ravi Singh: The overall number is fine in 1Q from RHP I have total OpEx of Rs. 200 Crores from which Rs. 145 Crores was merchant payout. This quarter total OpEx was Rs. 230.38 Crores how much of that was merchant payout in 2Q?

Ketan Merchant: So on the total OpEx which is the merchant payout essentially for this particular quarter is Rs. 161 Crores or Rs. 160.8 Crores is the merchant payout which is there for this particular quarter.

Ravi Singh: Okay thanks, do you number for the last year second quarter.

Ketan Merchant: Last year second quarter was around Rs.112 Crores is what was the distribution or product cost or the distribution payout which we had.

Ravi Singh: Second question when we interject on the throughput in the micro-ATM and AePS on the slide #44 where we have one quarterly trend so 1Q was impacted by the second wave, can

you throw some light on movement from 1Q 2022 to 2Q 2022 where can we draw the introduction while there is momentum in other businesses micro-ATM and AePS reported whatever you outlined.

Ketan Merchant: So Ravi in terms of the throughput of micro-ATM and AePS, you know, in quarter 2 it is ₹ 13,068 cr vis-à-vis ₹ 14,655 cr. I think out here, it is a function of what is happening essentially in the market outside and it is also a function of the balance which we are doing between our take rates and our margins and what the rest of the industry is doing now. Just to give a perspective, is it also a seasonal kind of a thing or is it a permanent kind of reduction which has happened out here? Our understanding essentially is no – because the momentum in the trajectory is still strong and as we speak, until October, the trajectory is expected to move higher than what we are seeing out here. So it is driven by two things – one is market and the other is the balance for take rate and margin which we are monitoring from a long-term perspective.

Ravi Singh: Thank you. I will get back in the queue.

Moderator: Thank you. We have the next question is from the line of Sri Karthik from Investec. Please go ahead.

Sri Karthik: Thank you for the opportunity. Is there a 80:20 rule that applies to your merchant also in the sense would 20 merchants contribute disproportionately to your volumes, any concentration numbers would be useful?

Ketan Merchant: Sri Karthik, your assessment is right. It is retail driven model wherein 80:20 definitely applies to us as well and coincidentally, it is exactly in the range of 80:20. However, our endeavor is also to reduce the gap through business enabling team. Currently as we speak, the 80:20 mix for our merchant is essentially applying.

Sri Karthik: Thank you. The second question while you try to explain to us as to how phygital business model can co-exist in a digital world more particularly in the case of domestic remittances is not UPI as UPI gets more widely accepted would not pose an immediate threat to the domestic remittances business?

Rishi Gupta: Domestic remittances business has two legs – one leg is of cash digitization wherein the person in the urban areas where they earn money in cash, visits a merchant point and deposits the cash with the merchant so as to have money in the bank. It can also be a local hawker or somebody else who earns money in cash. He only has cash so the first leg of domestic remittance is that he goes to a merchant point say Delhi, Bombay and deposits money with the merchant. On the second leg, somebody in his village, can be his wife or his

son or daughter goes to a merchant point again and withdraws the money through a debit card or Aadhar enabled payment system.

So right now we have not seen any impact of UPI coming on both the legs of the transaction – whether it is at the deposit side or at the beneficiary side because UPI is more of a smart phone digitized cash model where the money is already in the bank account. Customers, as I mentioned in my opening remarks, have a lot of apprehension on transacting over a smart phone because of lack of grievance handling mechanisms. Also, if the money gets stuck, people might not find the resolution process seamless.

Having said that, on the rural side as I mentioned, we have seen a four times growth in our UPI business for people who have already moved on to a CASA account. So when we open a CASA account, it is a subscription account where our customers pay a small sum of money. On account of this, he gets a platform for one year including the debit card and in that process he can use the debit cards and he can also do UPI transactions. So right now we have seen that digitization of cash as well as withdrawal of cash is largely in this far as remittance as is concerned. In future UPI will definitely see more traction and we are also pushing that agenda for our customers because our model is more on the subscription savings account. So we want people to open more and more accounts with us and through that platform, we get a fixed fee and that fee then can take care of UPI transactions. We can also then cross-sell to our customers. So we do not see UPI as a threat to our business especially on the remittance side. Rather, it is more of an enablement to do more with the customers digitally as well as in cross-sell.

Sri Karthik:

Thank you and then if I may just one more from competitor/peer benchmarking perspective what we notice is for example one more other listed entity called DiGiSPICE which is also claiming to have like 8 lakhs merchants and then there is mixed players like Newgen and then Paynearby each having like at least 15 to 20% market share in the micro-ATM and Aadhar enabled payment system, etc., so whom do you internally benchmark with when you are comparing yourself on various product activities?

Rishi Gupta:

So we look at ourselves as a bank. We have the ability to manufacture as well as cross-sell other party products and compared to the names which you just mentioned – they are just distributors of their API partners with a bank. We also have somewhere around 45 to 50 API partners who are part of our open banking platform. They use our platform for remittances as well as micro-ATM and AePS. We ourselves benchmark on some of our products with banks like RBL, IDFC, YES Bank and IndusInd Bank who are the owners of the product. Just like we offer CASA product which is not being offered by other players as they are not manufacturers of this product, so that is where our benchmarking is different.

You can also say that our nearest competition in the payments banks space is Airtel Payments Bank which is also doing similar businesses especially on the remittance and CMS side. But our unique proposition on AePS, micro-ATM and CASA is different because we also issue physical debit cards.

Sri Karthik: Thank and the last question our tax rate has been zero, any reason why?

Ketan Merchant: Sri Karthik, we have accumulated tax losses which is why our effective tax rate is zero and that's how it is going to be for the next couple of years.

Sri Karthik: When you measure your capital adequacy ratio what is the risk weight that you need sir, I mean it is a theoretical question I know but where I the risk is originating from?

Ketan Merchant: Sri Karthik it is a good question – we do not have any credit risk emanating on our book and is not asset based business. This is an asset light business but as per the regulatory norm, the fixed assets or the technology investments also need to be risk weighted off. So our risk weighted assets is largely zero credit risk. It will be driven by the other assets and fixed asset.

Moderator: Thank you. We have the next question is from the line of Ravi Singh from Motilal Oswal Asset Management Company. Please go ahead.

Ravi Singh: Just a followup in micro-ATM and AePS what is the share of open banking in throughput and how has it changed?

Ketan Merchant: In terms of micro-ATM and AePS approximately, 75% of our business essentially is own banking and has it evolved over a period of time. We are making conscious attempt to grow both AePS and micro-ATM on our own channel and as well as the open banking channel.

Ketan Merchant: Typically 70 to 80% on own and rest on open banking and remittance is reverse their API or open banking is higher.

Rishi Gupta: Remittance is a strategic call wherein we are trying to maintain anywhere in the range of 70 to 80% on open banking.

Ravi Singh: Thank you

Moderator: Thank you. We have the next question is from the line of Hiten Jain from Invesco. Please go ahead.

Hiten Jain: Just to get some more clarification on micro-ATM and AePS is it that this quarter you have lost market share in that segment?

Ketan Merchant: See this quarter, yes there has been a reduction coming out in terms of the market share. However, we continue to be above 50% of the market share in terms of devices. It is also a function of geographies wherein certain geographies, the market has outperformed us while in certain geographies we have outperformed market. But yes, indeed it is function of reduction in overall cash withdrawal or in this particular industry and in certain cases we have also lost market share.

Hiten Jain: Okay and what would you attribute to because what you were saying that the currency circulation is quite high so is that there has been less usage of cash while this is just one quarter but any reason that you can attribute to in terms of reduction in withdrawals in cash this quarter?

Rishi Gupta: No not really, Hiten. We should not take this one quarter as a reflection of any change in the cash in circulation or anything else. It is largely factor of some more aggressive pricing done by some of our competition where Ketan mentioned earlier that we wanted to balance it between the margin and the price as such. So I would say, this is just an aberration. We should see Q3 coming back to a higher level from this current levels.

On cash in circulation, it has gone up and continues to be quite active. Sometimes you can say that in COVID 2 which is in Q1 FY2022, we saw higher cash withdrawal also because of the fact that there was lot of panic amongst people for holding more cash. It was seen both in COVID 1 as well in COVID 2. If people normally withdrew Rs.6,000, they withdrew Rs. 10,000 and they kept something for medical reasons and for other reason. That is one of the reasons why you see a jump in Q1 FY2022 in spite of COVID largely because of some cash holding which people did in Q1. This could've again be a reason that there is surplus cash that's why the number went down in Q2 but from cash in circulation point of view, ₹ 29.5 lakhs cash in circulation and multiple velocities during the year there is no structural change which we can see in cash or cash withdrawal – it continues to be good. We have seen our October and November numbers are much healthier.

Hiten Jain: Sure and second I asked to you explain that point where you said that competition is increasing the pricing there because even many fintech companies because they do not have the payment bank license they need a bank behind it which is open banking transaction business so what is this competition you are talking about?

Rishi Gupta: So these are largely your open banking partners who are there with other bank. So there is a device and there is a charge out of commission to the merchant. We saw some aggression

with respect to two to three players in this last quarter where they went around giving devices for free and also started to give a much higher commission to merchants as such. We believe this is more of a momentary – maybe one to two quarter phenomenon – and things will start coming back very soon. This is a game which we have stayed away from playing in the past and that is why our balance on margins are good. So that is it is nothing else which is there – it is more of an irrational competitive behavior with one or two players especially on the micro-ATM side because they wanted to grow their own business. Our AePS numbers are better than the market numbers. Only micro-ATM has come down because of this aggression which we saw with some of other fintech players in the market.

Ketan Merchant:

Hiten this needs to be looked at in the context of the own channel transaction margin wherein we were at 50.6% in Q1 and now we are at 51.8%. So for us, it is about balancing the two rather than aggressively unnecessarily going on a disruptive manner because it is a temporary kind of thing. So that's where our strategies are and we stick to the strategy. As Rishi said earlier, with the same strategy we have seen the kind of growth coming back in the first half of the Q3.

You see in our other products like CASA has gone up – 74% of accounts opened in FY2021 have already been opened in FY2022. On CMS, we have seen a very healthy growth in our system. Micro-ATM is the only product because of unhealthy competition we have stayed away from there and on remittance, you see there is a big growth coming from Q1. It is not a very big decision to be taken if you want to recapture the micro-ATM market share by getting into more aggressive competitive pricing but right now we have stayed away from that.

Hiten Jain:

Rishi what makes you think that this is a temporary situation where the competition is being aggressive what makes you think that?

Rishi Gupta:

Because there is cost of doing business or doing business at free. Fintechs which we mentioned are not that heavily funded compared to some of the big fintechs. These big fintechs were in the B2C urban categories. For how long will these players be able to fund such kind of losses in their business? After some point when they will see that there is no material benefit coming to them, they will obviously move back to a more rational pricing.

Having said that, we are also not sitting idle. We are also going and especially targeting some of their markets where we feel there is more aggression as such. But this more of a temporary phenomenon at least. When I look at the numbers for Q3, it will be definitely better.

On some statistics, we have been pioneers in this micro-ATM business when we started it off. As I said earlier, from FY2019 to FY2021 we grew this business by 203% CAGR. So in that cycle we have seen this phenomenon multiple times. This is not the first cycle where see a price disruption which is happening. Our teams are fully geared to tackle this because if we have been the pioneers, we have seen some of the cycle earlier. It gives us a right confidence that we strike the right balance.

Hiten Jain: Great. Last question while obviously there is no credit risk on the balance sheet but in 2Q 2021 the previous quarter of last year we had some 3 Crores of provisions so what was it related to?

Ketan Merchant: This was one of the old outstanding which we had to receive on account of our B2B business which was there and that is why in the Q2 FY2021 we had this provision coming. Our business now is more skewed towards retail and as we speak, it has evolved over the year and there is nil provision for this half year and this quarter as well.

Hiten Jain: So this would be from the CMS business?

Rishi Gupta: This would be essentially from our banking correspondent business wherein we provide transactions and B2B services for couple of other financial services players. So that's the model which we are running in addition to our own retail product as well. So this was pertaining to the BC business.

Hiten Jain: Alright. Thank you.

Moderator: Thank you. We have the next question is from the line of Jayesh Gamdhi from BNP Paribas Mutual Fund. Please go ahead.

Jayesh Gamdhi: Thank you for the opportunity. First question is on remittance – so I remember having a discussion at the time of IPO that remittance business should come back once the reverse migration are behind and lockdown etc, are removed how are you seeing that change on the ground.

Rishi Gupta: So if you look at the number which is slide #45 just look at the Q2 throughput on remittance that has come to Rs. 9,449 Crores. This is very close to Q4 2021 and even higher than Q3 2021 and it is roughly 1.5 times higher than Q2 FY2021. So this business, as you can see from the throughput itself, has come back substantially and is nearly at 100% pre-COVID levels.

Jayesh Gamdhi: Fair enough. So how do you see the growth there next year or next few quarters?

- Ketan Merchant:** We expect the growth, this quarter 2 growth on remittance is over quarter 1 it is nearly 25% growth in that or even more. That incremental number will be there and we expect around 15% to 20% coming on this platform on a year-to-year basis. This is an established product for us – about four to five years now. We should be more around ₹ 9,000 to ₹ 10,000 Crores of throughput on a quarterly basis on the going run rate.
- Jayesh Gamdhi:** You are saying 15 to 20% growth next year is what you are saying?
- Rishi Gupta:** Year on year basis
- Jayesh Gamdhi:** Okay, now that business has come back, second question was on the balance sheet side so obviously the IPO asset I think the balance sheet numbers has been muted can you give me some updated numbers on the net worth, etc.
- Rishi Gupta:** Jayesh this is not balance sheet business as I had explained earlier as well. Our net worth excluding the primary issuance of Rs.300 Crores was in the range of Rs.160 Crores. With the Rs.300 Crores issuance, we are looking at a net worth of somewhere around Rs.460 Crores.
- Jayesh Gamdhi:** Fair enough, I guess you mentioned in your opening remarks that you have 20% ROE and your target is to achieve 20% ROE going forward how quickly can we achieve the target?
- Rishi Gupta:** Yes 20% is our September quarter ROE. I also mentioned it off that with the primary issuance happening for this year for FY2022, the ROE at the growth momentum is expected to continue ROE we are looking at 20% plus ROE from a 20 to 23 and then onwards that way so it was from overall deployment perspective or the effective utilization of cash we have planned in terms of next 12 to 18 months.
- Jayesh Gamdhi:** Fair enough but how do you get to 20% ROE how quickly is it a two-year target, three-year target?
- Rishi Gupta:** We are looking at it over a two-year period.
- Jayesh Gamdhi:** Wonderful, good year the time and all the very best.
- Moderator:** Thank you. We have the next question is from the line of Sherin Samuel an investor. Please go ahead.
- Sherin Samuel:** Two questions, first one is there impact of government schemes on agriculture front but lot of money is flowing through agriculture economy at this point what has been the impact?

Rishi Gupta: On the first question, yes definitely the government money as well as other agriculture growth in rural definitely helps the rural economy. Especially during the COVID 1, we saw when government gave out Rs. 30,000 Crores last year in the first quarter, it helped the rural economy. Right now the government is not giving any subsidy or anything else except for the food subsidy which they are giving through FCI and through PDS platform which does not impact our business directly.

Sherin Samuel: Thanks. What about brand promotion activity which Fino speaking, now I understand Fino has 8.1 lakhs percentage I am sure it is more of 8.5 lakhs branches at this point in time you should be the largest opening bank branches in India in postal is around 80000 is half of that there should be little more brand promotion which Fino should be doing we have lot of data on the middle of the pyramid people. What is the plan sir?

Rishi Gupta: You are absolutely right. Part of our fund raise is also for building up more on the brand and marketing. We are doing a few things – one is recently we tied up with Pankaj Tripathi as our brand ambassador. A lot of engagements are around him on TVCs and other pamphlets. Many times we don't see them because our target audience is different and people do not really experience Fino first hand because this is largely meant for the mass market and middle segment.

Second, if you go around some of the BPCL outlets across the country and highways and rural and semi-urban areas, you will see Fino branding in many of those outlets.

Thirdly, we are also doing promotions even at the merchant levels which we keep on doing few thousands every month. We keep on adding to the merchant ecosystem.

Fourth is that we are quite active on the social media and digital channels but they are also largely targeting our customer segment per se.

So one challenge which we have with lot of you on the call is you would not have experienced Fino either on a marketing brand promotion side or on transaction platform because our target segments are a little different from this target segment.

Sherin Samuel: My question was more towards investing in Pankaj Tripathi is an excellent choice – must say that.

Moderator: Thank you. As there are no further questions I would like to hand the conference back to the management for closing comments. Please go ahead sir.

Rishi Gupta:

Thank you all for participating in the first earnings call of Fino. It has been a phenomenal year. We thank our investors who have put in their faith and trust in Fino. We continue to perform and last seven quarters have been testimony to the fact that despite the COVID restrictions or the issues which we had with COVID our company continue to perform well. We will continue to perform and on Q2 you have seen a good growth over Q1. Our endeavor is that this will continue in the foreseeable future. Wish everybody on this call a very nice evening and look forward to more engagements in the future.

Moderator:

Thank you members of the management and Mr. Agarwal. Ladies and gentlemen on behalf of Axis Capital that concludes this conference. Thank you for joining us and you may now disconnect your lines.