February 06, 2024

To,
BSE Limited
P.J. Towers,
Dalal Street,
Mumbai- 400 001
(Scrip Code: 543386**)**

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

Dear Sir/ Madam,

Sub: Transcript of the earnings call with the investor and analysts held on Thursday, February 01, 2024 - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Ref: Earnings call with Investors and Analysts held on Thursday, February 01, 2024

In continuation to our letter dated January 23, 2024 please find enclosed herewith the transcript of the earnings call with the investors and analysts held on Thursday, February 01, 2024.

Only information available in public domain was discussed with the investors/analysts.

This disclosure will also be available on the Bank's website i.e. www.finobank.com

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Fino Payments Bank Limited

BASAVRAJ SHIVANAND LONI
Digitally signed by BASAVRAJ SHIVANAND LONI
Date: 2024.02.06 11:01:32 +05'30'

Basavraj Loni
Company Secretary & Compliance Officer

Place: Navi Mumbai

Encl: a/a

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CIN: L65100MH2007PLC171959
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"Fino Payments Bank Limited Q3 FY2024 Earnings Conference Call"

February 01, 2024

MANAGEMENT: MR. RISHI GUPTA – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER - FINO PAYMENTS BANK LIMITED
MR. KETAN MERCHANT – CHIEF FINANCIAL OFFICER - FINO PAYMENTS BANK LIMITED
MR. ANUP AGARWAL – HEAD INVESTOR RELATIONS - FINO PAYMENTS BANK LIMITED

ANALYST: MR. RAJAT GUPTA – GO INDIA ADVISORS

Moderator: Ladies and gentlemen good day and welcome to the Q3 FY2024 Earnings Conference Call of Fino Payments Bank Limited hosted by Go India Advisors. 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 phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you and over to you, sir.

Rajat Gupta: Thank you, Aditya. Good afternoon everyone and welcome to Fino Payments Bank Earnings Call to discuss the Q3 FY2024 Results. We have on the call with us today Mr. Rishi Gupta – Managing Director and Chief Executive Officer, Mr. Ketan Merchant – Chief Financial Officer and Mr. Anup Agarwal – Head Investor Relations. We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces. I now request the MD, Mr. Rishi Gupta to take us through the company's business outlook and financial highlights, subsequent to which we will open the floor for Q&A. Thank you and over to you sir.

Rishi Gupta: Thank you Rajat. Good afternoon, ladies and gentlemen. Thank you for joining us today for the Fino Payments Bank Quarter Three FY2024 Earnings Call. We are thrilled to announce our 16th consecutive quarter of profitability with highest ever quarterly profit. This historic high profit for the quarter is a function of our perseverance towards implementation of operational excellence and leveraging our DNA of assets, asset light at bottom line driven philosophy. Before delving into the business and financial updates, allow me to brief you on the strategic dimension of our operations.

Our TAM strategy which is transaction, acquisition and monetization is consistently delivering desired results. Our transaction phase is continuing to maintain momentum with transaction throughput increasing by 42% year-on-year during the quarter.

Here again as we have mentioned earlier, our legacy transaction business volumes are not increasing, the footfalls continue to act as a catalyst for acquisition phase and thereby facilitate business growth steadily. We have achieved the FY2023 throughput of 2.55 lakh Crores in nine months of FY2024. Albeit the digital transaction growth is at a much higher pace in line with the industry trends and the growth of digital penetration in the country. Our focus continues to remain on intensifying our geographic presence to our merchants to further enhance our last mile reach.

Over the past six quarters, we have been able to consistently accrete 2.5 lakh plus new customers every month. I am delighted to share that we have now crossed the CASA milestone of 1 Crore plus customers in quarter three FY2024. We understand this gives us a unique advantage over most of the competition. For our monetization phase, as stated in earlier meetings, we will continue to grow our CASA customers at a steady pace. Notably, we have achieved a significant 68% year-on-year growth in renewal revenue for quarter three FY2024, leaving a robust foundation for annuity income and reinforcing the sustainability of our revenue streams. This also demonstrates the customer acceptance of Fino services and brand.

As we progress towards monetization phase we are excited to announce that in line with our guidance from the board in July 2023, we have now applied for transition into a small finance bank. This moves align seamlessly with our long-term vision and we are upbeat about the opportunity it presents to our organization. With optimism of the favorable outcome, we aim to be operational as an SFB within 12 to 18 months subject to and from the time of approval from the regulator.

Our SFB model will be a combination of asset light model, liability back lending, robust risk management and effective collective mechanism. We call it the payments bank++ model. We have shared some strategic outlook of the Fino's SFB model in the investor presentation as well. For me, this is the epitome of our model wherein structural monetization would play a significant impact on the enhancement of shareholders' value.

Let me now talk about the digital progress, which we call Fino 2.0. In the ever evolving digital landscape, our focus on innovation and customer engagement has yielded significant milestones. Our country remains a global leader in digital payments led by UPI accounting of 46% of the global real time payments. According to National Payments Corporation of India, NPCI. There were around 35 billion UPI transactions of which Fino accounted for 1.23% in quarter three FY2024. We see the digital momentum in quarter three FY2024 by opening over 79000 plus digital savings account aggregating to a total of 2 lakh plus digitally acquired customers till date.

In terms of customer engagement, 37% of our 1 Crore plus customer base is now digitally active. This indeed makes us a digital model to recon where in both network distribution and digital channel set to excel. This growing participation is reflected in the figures where digital throughput contributing to 41% in quarter three FY2024 compared to 20% in the same quarter of the previous fiscal year. We are witnessing trend, we are in digitally active customers significantly contribute the renewal revenue of the bank. As we navigate the digital landscape this achievements emphasize our adoptability, customer centric approach and strategic initiatives. Our progress in the digital space has been encouraging and we remain committed to leveraging digital opportunities for enhancing customer experience and driving sustainable growth.

In quarter three FY2024, our CMS business which is payment services business witnessed a 16% growth in our client base and a 30% increase in our throughput on year-on-year basis. Our transaction business, which is the old business of remittance, cash withdrawal, Micro-ATM, and AEPS continue to create footfall for our acquisition phase. We have seen statistics from the NPCI reveal a significant shift in transaction dynamics. Actually, we are all seeing this in our daily life as well.

In quarter one FY2023, the ratio of cash withdrawal to digital transactions which is ATM, micro-ATM, AEPS and UPI stood at 44 to 56, which means 46% transactions were cash withdrawal and the balance was through UPI. That was in quarter one FY2023. Today we stand at 30 to 70, which means only 30% are cash withdrawal and 70% have moved to UPI which means 56% of UPI is now 70% of UPI. The shift in behavior from cash to digital is not only irreversible, but is also gaining widespread traction, cutting across social strata spanning both rural and urban areas. Fino is also aligning itself with the transformative trend witnessing a surge in Digital Adept customers. In fact, we started talking about digital journey as you would recall, Fino 2.0 about two years back. So we were much ahead of our times when we started to see that digital would probably play a bigger role in our customer segment. We have also witnessed that the CASA subscription renewal rate of digitally active adapt customers is more than 80% as compared to our other customers. More digitally active customers translates to more annuity revenue for the bank.

Technology has always been very close to my heart. Let me also share our significant developments in the technology space. We have always been committed to innovation, building operational capabilities, seamless transaction experience for the customers, and recognize the importance of cutting edge core banking systems and technology. In this direction, we are happy to share that we have on-boarded Infosys, their Finacle software as a core banking partner for our next phase of growth. We are also working in parallel to hollow the core by moving away the large pieces of transaction business applications from inside the core to outside of the core so the core banking platform continue to give superior performance, even after factoring the growth in transaction business over the years to come.

We have done similar exercise when we build our own UPI switch about a year back, which was developed in-house. The new switch is able to handle multiple X volume of transactions with the best in the industry technical design.

Both the projects are going as per schedule and we are dedicated to completing this transition in the next 12 to 15 months, marking a transformative milestone for our organization.

I conclude by saying that our strategic focus in TAM strategy remains pivotal, consistently driving superior performance and creating value for our shareholders, and me along with our management are super excited to further evolve differentiated brand with long-term growth at the helm of our thinking.

Now I will hand over to Ketan Merchant - our CFO to update on the financial performance of our bank. Over to you Ketan.

Ketan Merchant: Thank you, Rishi. Good afternoon, ladies and gentlemen, and thank you for joining us today on our earnings call.

As mentioned by Rishi, our sustained strong performance during the quarter signifies yet another period of resilience and profitability. TAM strategy is something which we keep on saying it off and it is delivering superior results for us. We are focusing on transaction footfall as a cornerstone, growing the acquisition platform and setting base for our monetization journey ahead. This strategic focus is driven by the understanding that once a customer is acquired, numerous opportunities unfold for diverse products and offering in services and that can lead to enhanced profitability.

Moving towards the financial performance during the quarter and nine months for FY2024. For Q3 FY2024, our total revenue stood at 370.2 Crores up by 18% Y-o-Y. Robust performance of our high yielding products CASA and CMS has indeed contributed to our growth and significantly bolstered our margins, which have increased to 33% from 32% a year ago. Together CASA and CMS now contribute 30% of our revenue pie in Q3 FY2024. This number was 26% a year ago. This consistent success of such high yielding products assures that ongoing profitability will continue to rise.

Our EBITDA margins have increased to 13.6% in the quarter three from 12.4% a year ago. EBITDA has grown by 30% Y-o-Y to 50.5 Crores in quarter three 2024. Our PAT has increased by 19.4% on a year-on-year basis to 22.8 Crores. This is the historic high as Rishi alluded to.

During the quarter our total throughput has surpassed 93.3k Crores making a substantial year-on-year growth of 42%. Digital throughput as mentioned by Rishi has grown by 184% year-on-year, exceeding 38000 Crores of throughput and now constitutes 41% of overall throughput. These robust performance indicators not only demonstrate our current strength, but also lay a solid foundation for future cross selling opportunity enabling us to leverage our existing customer base and expand our service offerings.

Now quickly, I will just take over a nine month performance as well. We have achieved a total revenue of 1,077.1 Crores during the nine month of FY2024, reflecting a year-on-year growth of 18.8%. Our throughput has increased to 2.56 lakhs Crore resulting in a growth of 37% Y-o-Y for a nine month period. Our EBITDA margins have risen to 12.7% in the nine month period from 10.3% during the same period in FY2023. EBITDA has demonstrated a sustainable growth increasing by 47% year-on-year to 137.2 Crores. Furthermore, our PAT experienced a significant surge climbing by 42% to 61 Crores and PAT margins have increased by 100 basis points to 5.7% in nine month period vis-à-vis a 4.7% during the previous year.

Quickly going towards the product performance during Q3 2024, revenues from CASA has demonstrated a 35% year-on-year growth totaling to 73.7 Crores. This surge is primarily fueled by substantial rise in our renewal income, which has soared by 68% year-on-year, reaching to 31.4 Crores. This notable increase in both accounts subscription and renewal rates not only highlights the loyalty of our customers, but also reaffirms our standing as a preferred bank in our target segment.

During the quarter, the highest number of CASA customers were added in the following states. Uttar Pradesh was first followed by Madhya Pradesh, Bihar, Maharashtra and Gujarat. Additionally, the significance of UPI in our digital landscape cannot be overstated.

UPI not only served as a cornerstone for our CASA customers, but also proved instrumental in amplifying our business volumes as Rishi has elaborated earlier. Essentially the UPI active customer contributes to high transaction volumes, better balances, and renewal rates, thereby significantly bolstering our CASA base and advancing our overall profitability philosophy. Our renewal rate continue to remain healthy. Just to give a perspective for digital customer our renewal rate is around 83% and on an overall basis it is around 61% to 62% maintaining this rate over increased based reflects the success of our model and resonates with how best we can monetize it in the times to come.

On the balance sheet front it is important to state that as our objective of evolving into lending foray on a structured basis, we are focusing on enhancing our liability franchise. Just to give a perspective, for the nine month period our average deposit have increased in excess of 50%. Our endeavor is to grow deposit based on a strategic basis while maintaining our USP of cost of funds, which currently is in the range of around 2.2%. CMS is another high margin product demonstrating robust growth. Revenue from CMS stood at 36.9 Crores, up by 26% in quarter three Y-o-Y. In nine month FY2022 revenue saw the increase of 43%. We now have strong presence across 11 states wherein our average monthly throughput is over 200 Crores in quarter three FY2024. With an established diversified base of 200 plus clients a strategic emphasis has been laid on partner diversification resulting in sustainable CMS growth from hereon. Overall CASA and CMS, our high margin products are exceeding expectation and poised for substantial growth, which will further lead to margin maintenance and increase company's profitability.

Turning to our transaction business linked to our acquisition strategy. We observed a subdued growth and as Rishi alluded earlier despite systemic challenges in transaction, remittance in cash withdrawal, our customers funnel the key to bolstering a high margin products remains intact as reflected in our transaction volumes. We are consistently striving to transform each interaction at a micro-ATM via AEPS into new accounts, aligning with our goal into opening up new accounts.

Additionally, the UPI landscape witnessed a dynamic evolution marked by significant growth in transaction volumes and monetary value, accompanied by expanding user base. Q3 2024 recorded an impressive 42.5 Crore UPI transactions portraying a continued upward trajectory in digital payments. The monetary value of the same reached to 28000+ Crores signifying the bank's ability to handle enhanced financial transactions seamlessly.

As seen on slide #18, our digital revenue is increasing on the back of payment services wherein margins are largely around 30%. Here again the emphasis lies on the fact that our digital stack is based on profitability genesis as opposed to banking on future cross sell only. Just to give a context, our revenue of digital which now contributes around 8% is on the back of payment services which I earlier mentioned as well as the B2C growth which we are looking at.

In conclusion, I want to highlight or maybe reemphasize, what I started off, Rishi also started off with. TAM is our go to mantra, transactions leading to acquisition and continued acquisition which will lead to monetization is the philosophy which we are going through. With this, I will open the floor for any questions and we can take any questions on the financials which are coming.

Moderator: Thank you very much. We will now begin the question-and-answer session. Our first question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani: Hi, thank you for the opportunity. I have two questions. First is on the MATM and AEPS line. So I understand that the shift to digital is moving quite rapidly in the rural market. Where do you expect the product mix or the revenue mix from these two line items to settle around say by the time you get your SFB license, how much do you expect these two products to contribute to your revenue mix? First is on that and second maybe we can discuss a bit about what will your product strategy be once you get a SFB license, like for example on CASA. Will it continue to be a subscription based or will you offer other kind of CASA product also. If you can speak a little bit on that. You have spoken in your presentation about 200 branches, I think at the end of FY2023 you had 77 branches I think. So there is clearly a plan to open more branches. How would that be? If everything is going to be done by merchants, what exactly, what purpose will these branches serve? So some questions around the CASA product, the lending product and the branch strategy once you become an SFB and also the timeline on SFB, if you can just remind. That is all.

Rishi Gupta: I will answer the second question and part of your first question. So on the second question, first on the SFB thing, the timelines, as you know we have already submitted our application to the regulator in December of 2023. We now await feedback on that application from the regulator. So there is no real timeline which I can share with you in terms of when the regulator will come back to us on approval or questions as such. What we understand is that normally there is a 12 to 18 months period post the approval where you can transition both your technology, people, products, which are there. So our timelines, if I could say, will be around two to two and a half years from December 2023, looking at the timeline for approval as well as for transition. So, that is the first part of your second question. The second part is in terms of the kind of products and what we focus on as I mentioned earlier and it is mentioned in the presentation also. We will continue to focus ourselves in the asset light strategy, so to say, which means that we are not going to invest very heavily on building up a very fixed cost heavy model whether it is on the branches or on a very heavy manpower on the ground or on the back end, we already have a lot of systems, people on the ground which is already covered as part of our current businesses and it is a profitable bank business right now. Our strategy largely will be around building up a good franchise around liability. Liability becomes the core for any lending business, so if cost of funds are lower and if you are able to build up a good liability consistent profile that really helps you in building up the lending portfolio as such. So that will be taken care off. The second part is that we will continue to focus on building up a distribution network, which is already there and part of the distribution network will act as points for lending and also points for customer engagement as such. Branches, we have around 130 odd branches including the customer service points. We plan to take it to 200, so not very heavy investment on the branches side, but more focus on the liability product as well as asset light model with lending gaining strength as we experience the lending portfolio over a period of time.

Coming to the product strategy point of view, we will continue to build on the CASA platform. We will continue to do our transaction business. We will continue to add more distribution points. So in the TAM strategy transaction acquisition phase will continue as an SFB also, the monetization phase will take up a higher piece of income and bottom line also because the cross cell will start to kick in once we start the lending piece as well.

Coming to your first question, let me answer a part of it then probably Ketan can talk a little bit more in terms of the percentages. See micro-ATM and AEPS, while there is a decrease in the total revenue percentage of the overall number both in the absolute terms as well as in the percentage in this year vis-à-vis last year but also not only from the fact that it is moving from cash to digital, but also a large part of our customers who were off-us have now become on-us. So to 1 Crore plus customers which used to use AEPS and micro-ATM as an off-us platform have now started to use on-us of Fino as well. So largely the reason also for decreasing the share and I think the numbers probably Ketan can tell better in terms of projection, but would largely be in the same range. Ketan, you would like to answer that?

Ketan Merchant: Thank you. Yes, I think Rishi partly answered it, our digital as well as our CASA works in inverse proportion with our micro-ATM and AEPS business. Honestly, why do we do and you have been hearing about our TAM for a while that transaction is a footfall and it is for generating that footfall for these high products. So typically currently for nine month period it stands at around 13%-14% for this quarter both taken together is around 11%. We expect to maintain it in the 9% to 11% kind of a scenario as long as we can convert it off and as I earlier mentioned it of our digital is also both B2C as well as the payment services which I just mentioned about is at a margin of 30%. So we are fine in terms of our replacement coming. CASA I think we have spoken enough about between from off-us to on-us and the kind of renewal rate which is there, so that is where we intend to continue our transaction business to fuel the acquisition strategy.

Shreya Shivani: Sir, but one of the concerns is if the digitalization in the rural market is as rapid as it is showing up in the recent numbers then your mix from these two products will probably by the time say FY2026 will decline at a much faster pace, right. I totally get the part that you get those customers are becoming on like they use your app, they are using your UPI. So you are generating some revenue, digital revenue on the other side, but these products will effectively start becoming lesser and lesser portion of your mix, right. It cannot stay at 9% to 11%.

Ketan Merchant: Actually you are right. If you go to our kind of a page #39 of our slide where we have our page #39 of our deck where we said that we have had a particular journey on our customer offerings where we said that maybe by March 2028 we come to around 2.8 Crores kind of customers. So as and when we go into that, yes it will come into a single digit customers coming on by the time the SFB comes in 18-24 months it is 9%, it is 7% or it is 10%. It is a bit difficult to predict as long as our customer acquisition is going in the right manner we do not mind this as a percentage coming down. The concern only will come is when our customer acquisition engine reduces off then there will be a loss of business. Currently this is a good cannibalization which we essentially looking at. Actually very difficult to put a number that will it be a 7% in 2028 or 5% or 9%, but if our customer acquisition goals in the proportion which we are looking at, then it seems to be fine.

Shreya Shivani: On my first question, just a bit of clarification or maybe a little more detail if you can give us on what will be the first set of lending products you will launch or any plan, liability products, are they going to be non-subscription base products as well, if some color on that could be helpful.

Rishi Gupta: Yes, we can share that separately, but largely on the liability side apart from the current CASA, the FD and RD products also will come in as part of the SFB strategy. Lending as I told part of it would already be covered in the presentation, we will start from small ticket lending and then it will go as the experience builds up from unsecured to secured so to say.

Ketan Merchant: Just one thing. If I understand your point is, are we going to change the mix from our current low cost deposits to a high cost deposit for the lending? The answer is essentially no. Again page #41 of our deck we have put across and I also mentioned in our earlier statement as well. Our USPs are cost of funds. Currently it is around 2.2%. As we grow, we will definitely go for what Rishi just mentioned, RD, FD we are still looking at anywhere in the range of 250-300 basis point arbitrage over any other bank as well. So that is the kind of a philosophy which we are doing at, and in the earlier presentations I have anyway explained of that if our customer acquisition continues off and our average balance goes towards 2200 we anyway have a big cost to fund arbitrage coming in our liability franchise.

Shreya Shivani: Okay, this is useful. Thank you so much.

Moderator: Thank you. Our next question is from the line of Mayur from Profitmart Securities. Please go ahead.

Mayur Liman: Thank you for the opportunity and congratulation on a good set of numbers. I have few questions. In reference to slide #12 of the presentation illustrating the Fino geographical footprint, they have slightly lower presence in the southern region. Just wanted to understand what are the primary geographies we are focusing on the future expansion given that we have projected another 10 lakh merchant over the next four years and the rationale behind this strategic positioning? Also wanted to understand our plan for the UPI set in terms of product pipeline or strategies formulated during the quarter and your expectation for the future.

Rishi Gupta: Let me take the first question first. On the distribution, you are absolutely right, south penetration is lower than the rest of the

India, largely because of the fact that we started from west and we went to east. So that is why you would see a higher penetration on the eastern side and the central part of the country. South, we started to concentrate more in the last couple of years, which has now gone to 13% of the overall number. In terms of the region, obviously the South will continue to be one of our focus areas. Apart from that, we will continue to grow in Uttar Pradesh, West Bengal, Assam, some of those central parts as well. So that will be the focus piece as such. Coming to your UPI question. So UPI, as I mentioned the switch we started last year, I mean, post that we have been growing our transaction. So on the UPI switch side we already have services around send money, UPI collect, UPI intent, Merchant QR, we started in this quarter, UPI's tag for open banking is already there. UPI light and credit card on UPI. These are services which have gone live till quarter three of FY2024. Specifically in quarter three we have started the credit card on UPI. UPI Light and QR UPI, so three new services have gone live in this quarter. Total services which can be offered under UPI as of now is about 9 services and we are live on seven of them.

Mayur Liman: Thank you, Sir. Thank you so much. That is all from my side.

Moderator: Thank you. Our next question is from the line of Shailendra from Agreya Capital Advisors LLP. Please go ahead.

Shailendra Agarwal: Sir, I have a couple of questions. The digital revenue component, it is scaled up very well. Can you give me a bit more break up of what these revenue components are? The second question I had is that you received RBI approval for doing international remittances for couple of years now, but I still do not see that as a product suite that you have yet. So any hurdles in that or what is the status on that?

Ketan Merchant: Hi, let me just take your first question of right observation, digital now contributes around 8% of the quarter three revenue and around 5% of the nine month period. Let me just attempt to give a break up, we have some interchange fee coming, which contributes around 1% of the 8% in quarter three, an earlier question also was there in terms of the UPI tag utilization and we just goes back to my earlier statement as well. Digital for us is a profitable genesis which we are looking at a D2C as well as B2B. Now here we have done a B2B wherein we provide payment services UPI pay in and UPI payout. That together constitutes around 6% of the total revenue. Obviously, there is some meaty incentive also which comes on, mobilization of the digital. So that contributes 1%. So that is the breakup which I have given for the quarter, which is the 8% of the revenue mix which is happening. I think digital is an important proposition. We said that we not only want to do a B2B but also a D2C. We open 79000 accounts and some of these are funded accounts as well, which is like a subscription model, which we are essentially running now. Future also we will use this for cross selling the kind of accounts 2 lakh plus account which we opened until now and we are growing as well. So that is the genesis of our digital profitability, which we run through. That is the first one, sorry, you can just remind me the second question again.

Shailendra Agarwal: International remittances as a product.

Ketan Merchant: That is a good one. We had I think a year back attempted to have IR and we attempted a pilot coming across in some southern states as well. But the kind of response which we were essentially getting it out was not very encouraging. So whilst the product exists off, we have not attempted to ramp up because the products which are with a relatively higher margin is something which is going on. We closed the product, the answer is no. But have we gone big into the IR product or as we had anticipated 18 months back? The answer to that is also no.

Shailendra Agarwal: Thank you for that and if I could just add one additional query. You are forecasting like if I see in the last three, four quarters your CASA buildup on a month on or a daily basis at the 8000 to 8500 mark and you are giving a forecast of when you anticipate that total CASA accounts to reach by 2028. My question is can you be a bit more aggressive or is there something that is holding you back from being more aggressive in getting CASA accounts?

Ketan Merchant: That is a very good observation and a thought process and I will just give our thoughts out here. We are not going after volumes and I have said this earlier as well. For us CASA, it is not only about future cross selling, it is about creating annuity income. So the kind of accounts which we are opening we are attempting to do two things and the important aspect out here also goes back that it is the acquisition phase is important, liability enhancement is equal important, so which accounts are we going with is also important. Between a subscription and non-subscriptions broadly we are looking at an 80-20 kind of a scenario and we are largely there. To answer your question and our projections as well when we are going to that 2.6 Crore or 2.8 Crores kind of a number in 2028, we are expecting a steady kind of a growth. We are not going to go over aggressive in just opening the account at the cost of compromising our annuity income. I think people will recollect at some stage a year back we had said our annuity income or the renewal income will exceed the new to accounts income. As we stand now that has already happened 60% of our CASA the ratio between the subscription, the first year subscription and renewal now is 40:60, so we are creating that annuity base and we will continue the current phase rather than going over aggressive in terms of acquisition, but the quality will become a very key when we go into SFB as well.

Shailendra Agarwal: Thank you so much and all the best for period ahead.

Moderator: Thank you. Our next question is from the line of Muskan from Concept Investwell. Please go ahead.

Muskan Mundhra: Thank you for the opportunity. I have two questions. First is how many of your existing CASA customers come from renewal in the second year and subsequently again in that third year and what are the renewal fees, and my second question is, is there any strategic changes we are implementing to increase the same number?

Ketan Merchant: Answer to first question our renewal rate is around 83% for the customers who are using our digital platform. So that is the kind of renewal rate, if 100 people come, subsequent year around 83% renew. If they are using digital on a total basis it is anywhere in the range of 61. So 100 of people come in year two 61 renew, in year three again the 61 renew. So that is the kind of a renewal rate which we are looking at and that is the reason for the annuity increase which you have seen.

Rishi Gupta: On the second year also roughly 90% odd who actually renew in the first year, they come in the second year also for renewal and the fees for renewal is the same as the first year.

Muskan Mundhra: The second question about any strategic changes to implement the increase in that number.

Rishi Gupta: More in terms of see that number is already we are focusing a lot on analytics, customer experiences, merchant education and merchant level engagement. So a lot of those pieces are actually already there. So from a strategic point of view, if you ask me, there is no strategic new thing which we are doing or whatever we are doing. We are doing it more and focusing more on in terms of building up the customer experience, so the renewal can become better.

Muskan Mundhra: Thank you. That is all from my side.

Moderator: Thank you. Our next question is from the line of Divyansh Gupta from Latent Advisor. Please go ahead.

Divyansh Gupta: I have a couple of questions. First one is that as the digital adoption keeps on increasing, then let us say the share of revenue that the merchants were earlier getting, that stream of revenue will keep on reducing for the merchant sale. So earlier when we had launched we had value prop of saying that merchants would get a reasonable line of income, but now that will go away. So how do we see the merchant ecosystem still being aligned with Fino to keep providing services or it will become more and more let us say our own infra getting created to service the customers.

Rishi Gupta: So we will continue to focus on building up the merchant ecosystem. Obviously the ecosystem is moving from cash to UPI, but we are engaging with the merchant in terms of CASA onboarding, CASA renewal income. We are trying to push more digital products through the same platform. We already have shared the plan to convert into an SFB. A large part of the lending portfolio also will be extended to and from the merchant ecosystem. So from a cash, from a pure transaction platform is also becoming more ownership. We have started to see some of the merchants who are actually are able to make a few thousand rupees per month because of the balances which get built up in their account. So let me take this a little further in terms of conversation and that is very important for people to understand. So see if a merchant opens 1000 accounts and that 1000 accounts has some balances, on that balance there is a plan in which the merchant runs a few basis points of income. So that itself has for some merchants has crossed Rs.1000 and in some cases it has crossed even Rs.10000 per month. So it is like it is building up like a annuity revenue model for the merchant also very keen to similarly like a LIC model where you take a insurance and second year, third year if you continue to pay the premium, the LIC agent continues to get commissioned from LIC. The same way in case of merchants and that is what we are driving our merchant ecosystem that we start opening CASA accounts and build balances that is where the liability piece comes in. So as you build more liability, not only that the Fino makes money, but the merchant also makes more money. So that is driving the merchants also to come to Fino on the CASA platform and build balances and over a period of time we will be able to start lending also as in the SFB avatar that will also help the merchant build up some more revenue streams.

Divyansh Gupta: You had mentioned that digital is also there. So do they get a rev share of digital?

Rishi Gupta: That is important because that is a good add on which we have done is that when a new account is opened, we actually incentivize the merchant to download the Fino Pay App for the customer or help the customer download the Fino Pay App on that download also the merchant makes some money, and the model also the way we have build up is that any transactions which you do through the Fino pay model and there is a revenue which gets accumulated or we get some revenue that also will be shared with the merchant. So merchant also is incentivized to move the customer from a cash to a digital platform. So one thing we have to realize is the digital journey is good for the nation, it is good for the customer, and it is good for the company. So as the digital journey becomes more our ability to do more business with the customer also substantially improves, because then we have the direct connect with the customer over and of the merchant connect as well.

Divyansh Gupta: Got it, understood, and the UPI stack that we have right. So you had mentioned that around 1% of that overall 8% right 1% of revenue is coming from interchange and 6 to 7 is coming through the B2B payments. Whereas we have also mentioned that 37% of our customers are digitally active. So what is the definition of this digitally active because that 1% against that 37% seems a bit disconnected?

Ketan Merchant: Let me just attempt to demonstrate what does that digitally active customer means because that is also relevant from a CASA renewal perspective, as we said that the person who is digitally active, their renewal rate is around 80% plus is what we are looking at. So guys who are our customers and are transacting on the UPI are defined as digitally active kind of customers. Their mainstream of revenue besides or the most differential besides what I just said about the B2B and the interchange scheme also emanates from the CASA renewal kind of a scenario. Now a scenario of comparing an interchange with a 37% is not the right comparison. Comparison of this 37, vis-à-vis the renewal income of 68% growth is the right comparison, 37% and as and when that increases of our renewal propensity increases is what we are looking at. The remaining part of the digital income which contributes 8% is as we have explained of which can be on account of offers. People using our UPI handle may or may not be essentially our customers.

Divyansh Gupta: Got it, and what are the steps that are being taken to increase this 37%, let us say by the time we become a bank, where do you see this number reaching while 100% is always desired, but where do you see realistically this number charging?

Rishi Gupta: Very interesting question. I can talk about for the next half an hour, but I will try to break this into two-part. One is that this digitally accretion which is happening is also happening on account of two factors. One is the involvement, the people buying smart phones and the younger generation becoming more active on the banking ecosystem. So this we are seeing more on the urban side. We are starting to see a little bit on the rural side and I believe as the smartphone penetration will go up, and not only the younger population but not so young also will start using smartphones or UPI for transactions, the penetration would go up. 37% itself is quite remarkable and much higher than what we had anticipated about a year or so back and you would have seen the numbers have gone up in the last one year also. So we continue to believe that this number will continue to grow with the new accounts which we are opening. I think on the new accounts the number is 40% plus of customers which are being on-boarded, more than 40% of them are actually using UPI 40%-45%, but because there are some old customers who have been there which may not have smartphones and that is why it is still 37% on an overall basis. But on incremental basis it is much higher.

Divyansh Gupta: Got it. Understood. I will come back in the queue. Thank you.

Moderator: Thank you. Our next question is from the line of Harsh Shah from Reliance General Insurance. Please go ahead.

Harsh Shah: Hello, Rishi and Ketan. Congratulations on strong set of number. I have joined the call bit late. Wanted to understand our strategy regarding the SFB model. So who would be the potential customers, what will be our strategies regarding branch location and how will we be going ahead forward from here.

Rishi Gupta: Actually, sorry for the interest of the larger people who are essentially there. This, we covered it on our speech as well and there was a very detailed question as well. So if you are okay, we can separately pick up so that we can effectively utilize time of people who are on the call. I do understand this thing, but we can separately pick that up.

Harsh Shah: Definitely, okay.

Moderator: Our next question is from the line of Deepak Agrawal from APBL. Please go ahead.

Deepak Agarwal: Hi! Congratulations on the great set of numbers. I have only one question. We have seen there is a quarter-on-quarter decline in CASA income, that we safely raise the annuity income as you have mentioned in this call itself? What could be the reason of this decline?

Ketan Merchant: This question resonates with the earlier kind of scenario. You are talking about the sequential kind of scenario which we are looking at. Earlier we were asked question that we are opening 2.5 lakhs new accounts. Do we want to aggressively go onto that as well? From a new to bank customer we have add that is around 7.76 new customers coming off our ratio between subscription and non-subscription typically varies between around 80 to 82 as well. So whilst our focus is on annuity income, we are seeing a subscription based income suddenly going up as well. So relatively flattish kind of a subscription is on the back of the account which we are limiting it off. However, our focus continues to be on the renewal which will give us a higher annuity income and this actually is a similar question when someone asked will you open from 8000 accounts a day, will you try and open 10000 accounts a day. We would rather not do that, rather we will focus how much of this will give us annuity income and also point to note is we have our balance is increasing as well which is under the treasury which is coming across. So a 51% kind of an increase which is coming is not factored into CASA but comes under the treasury income.

Rishi Gupta: Just to add to what Ketan is saying. There is no trend to this. It is coming down or it is more or less in the same range. Our belief is that it is more of a product mix which could change between subscription and non-subscription products 80% to 82%. So there is no trend in such in this.

Deepak Agarwal: Okay. Thank you.

Moderator: Thank you. Our next question is from the line of Dhruv Shah from Ambika Fine Cap. Please go ahead.

Dhruv Shah: Hi team, thanks for the opportunity. Rishi, I had a question on your average balance, which has been constant for 3 quarters actually, it has been declining and if I do a rough math for your FY2025 target that is Rs.1500 per account. So can you just guide us how you going to increase the customer balance in your account for next one and a half year? Because I guess for 3 quarters, it has been constant around Rs.1100.

Rishi Gupta: Yes, good question actually. Again, so your observation is bang on what we are seeing is that as the customers are becoming more digitally active and the new customer balances which we are seeing ranges between 1400 to 1500 on an average because of the average balance older customer balances being low the average balance has not grown to that level which is expected. With the new customers coming at a higher amount so our average balance for our UPI customer is about Rs.2000, for transacting customer is about Rs.1300 to Rs.1400 and for non-transacting is about Rs.800 to Rs.900 which is there and that is why it comes around 1100 or so. So as the customer mix changes from low transaction and no transaction to more transacting and UPI induced digital customers, the balances will go up. Over and above that as I mentioned, we are doing a lot of initiatives also on liability buildup, which is both at the merchant level, at the customer level. We have recently launched our new Fino Pay app also we have launched a new website also which is there. We are also engaging with the merchant to build up their own revenue, recurring revenue for merchant from the balances which the customers are keeping and customer experience initiatives are also being taken. Merchant engagement models have been built. So that we can do deeper engagement with the merchants. A lot of work actually is happening on building up the liability franchise, which will become the foundation for the SFB model as we get into it. So there is definitely a lot of work which is there. Generally what is being seen and you would see that trend which is there is generally not because not specific to see, but generally there has been a relatively subdued growth on the liability business for all the banks and some banks we have seen that the numbers have actually come down also. So fortunately for us at least we have been holding and there is an 8% growth vis-à-vis last year. But lot of efforts are being put on and some of them were definitely gain traction and we should see a positive trend in the quarters to come.

Dhruv Shah: Fair point, Rishi, and just on a follow-up question, as you mentioned that banks are right now facing a CASA issue and still you are projecting because your whole model is based on the liability franchise, you still think that you will be able to achieve such a good growth in your deposit franchise?

Rishi Gupta: Yes. See, absolutely. Ketan, you want to take this?

Ketan Merchant: Yes, I think it just goes by a couple of quarters back when we had given our thoughts on liability based franchise on SFB. Our growth in liability is based on two things. One is as Rishi just alluded towards the liability incentive etc., we are doing the higher proportion of the digital accounts which have a higher average balance and the third one is on the normal acquisition strategy. I do not remember maybe two quarters back we had actually given a building block that with the kind of around 30 odd lakhs account which we expect to open year-on-year this thing, we will have a substantial growth coming on account of these new accounts as well. So it is both the value as well as the volume kind of increase which we are showing, and to mind currently our cost of funds as I said earlier is around 2.2% maybe we will at some stage take it to somewhere around 3%-3.5% as well, or maybe even more. We will still have some arbitrage coming over SFB. The external function or the external event which are happening in liabilities which we are all aware of and we will take a call as in when it comes on changing any of these strategies, but liability back franchise will be our mantra for SFB.

Dhruv Shah: Fair enough. Thank you so much and all the best.

Moderator: Thank you. Our next question is from the line of Chandrasekhar from Fidelity. Please go ahead.

Chandrasekhar: Just on the AEPS business just how much of the issue is while you did highlight about the UPI and cash ship, how much of it is related to the earnings. There was some issues around the frauds or, I mean, how much of it is basically recoverable after that the issues get sorted or how much of it is basically just not going to come back and that is one and the second is this how do we just think in terms of top line growth, is that still that 20% number over the next few years, something still on given the pace at which AEPS is coming off, I do not know how do you think about that, and then just as a follow up again to previous participants question on CASA it is still not very sure on, I do not want to be reading too much into the sequential decline in the CASA numbers but that the renewal income have gone up and we have added a lot more subscriber in this quarter the number of CASA accounts have gone up I was just curious to understand how is the CASA income actually gone down.

Rishi Gupta: So two things. Let me just start with the AEPS part. On the AEPS side there has been a drop in the total AEPS volume as such off-us volume in the last one year or so. So that is partly affected the AEPS degrowth which we are seeing. The second is also the fraud which was happening in the ecosystem in the last one year. Part of it has already got addressed in Fino's case we have largely been able to address that. So from where we are, I think we should see a positive turn on the absolute number of the AePS in rupees in crores, while the percentage may still continue to be in the range bound because our other businesses will grow faster than that. So that is on the AePS side. The other question was on the revenue growth. So revenue growth, we have been projecting a 20% growth as such over the last couple of years and we have been achieving it. This year also we have a 20% growth target and we seem to be largely in place, 19% is something which we have achieved in the first nine months. Hopefully with a better quarter, in quarter four we should be in the 20%. We should be in the same 18% to 20% range in the next couple of years also took off and as the lending portfolio will start to build up, the numbers would start showing more than 20% growth also as we get into that business and coming to your CASA part. Ketan you will take.

Ketan Merchant: Let me attempt to address it with some numbers. As Rishi or maybe I also said earlier, I do not think we should read too much into number of accounts getting open or CASA revenue on a sequential basis, the remaining flat or marginally up and down. So reason essentially is the change in the product mix at times which happens. As I mentioned earlier, typically our subscription to non-subscription remains in the range of around 80-82 to 20-18 on the sequential quarter I think in quarter two our subscription had gone to around 83% which is come to around 79% also that is why it is remaining flat essentially, but for us the continuance or the renewal income which will create a sustainable annuity where we are focusing on. Having said that, do we expect any material or substantial change in any of these percentages. The idea is no. We will want to maintain this equilibrium of subscription and non-subscription largely in the in the range which I just mentioned.

Chandrasekhar: Got it. Perfect. Thank you.

Moderator: Thank you. Ladies and gentlemen, due to time constraint that was the last question for the day. I now hand the conference over to management for closing comments.

Rishi Gupta: Thank you everyone for joining the conference. As I said, our TAM strategy is largely working fine. We are pushing transaction both on the digital as well as on the physical channel. While digital is showing a higher growth largely because of the ecosystem shift which we are seeing, acquisition is running fine in terms of acquiring customers and leading to renewal income as such. Monetization plans link to SFBs largely with the application going it is largely getting into place as such. So the discussions around digital Fino 2.0 has also progressed well as we discussed on the UPI as well. The throughput increase on the UPI and the product availability on UPI has been there. Technology plans are much in line with our expectations and we expect to launch a new core banking platform along with the hard of the core over the next 12 to 15 months and that will help us to be ready for the next five years as well as technology is concerned and that is from my side and we will be happy to engage with you on a one-to-one basis as we meet. Thank you.

Ketan Merchant: Thank you everyone.

Moderator: Thank you. On behalf of Go India Advisors that concludes this conference. Thank you for joining us and you may now disconnect your lines.