niyogin

**Date: May 25, 2021**

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

Dear Sir/Madam,

**Sub: Earnings Call Transcript – Q4FY21**

With reference to our letter dated May 16, 2021, and pursuant to Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the Earnings Call Transcript pertaining to Q4FY21 Financial Results of the Company.

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

Thanking You,

Yours faithfully,
**For Niyogin Fintech Limited**

NEHA VISHNU AGARWAL
Digitally signed by NEHA VISHNU AGARWAL
Date: 2021.05.25 11:54:59 +05'30'

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

**Encl: a/a**

# “Niyogin Fintech Limited Q4 FY ’21 Earnings Conference Call”

**May 20, 2021**

**MANAGEMENT:** **MR. TASHWINDER SINGH – CEO, NIYOGIN FINTECH LIMITED**
**MR. RUMIT DUGAR – CFO, NIYOGIN FINTECH LIMITED**

**Moderator:** Ladies and Gentlemen, Good Day and Welcome to the Q4 FY '21 Earnings Conference Call of Niyogin Fintech Limited. As a reminder, all participants' 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 '*' and then '0' on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Diwakar Pingle from Christensen IR. Thank you and over to you, Mr. Pingle.

**Diwakar Pingle:** Thank you Faizaan. Good Evening ladies and gentlemen, I welcome you to Niyogin Fintech Limited's earning call of Q4 and full year FY '21 results. To discuss this quarter and full year business performance and future outlook, we have Tashwinder Singh – CEO and Rumit Dugar – CFO.

Before we proceed with this call, a disclaimer. During the course of the interaction in our materials, we may make some forward-looking statements and they must be viewed in conjunction with the risk the company faces, and this may not be updated from time to time. More details are provided at the end of the investor material and other filings that can be found on our website at www.niyogin.com.

With that said, I would now like to hand over the call to Tash to take us through the company's vision and strategy. Over to you, Tash.

**Tashwinder Singh:** Thank you Diwakar and Good Evening everyone. Welcome you to Niyogin Fintech's earning call of Q4 FY '21. Firstly, I do hope that you and all your families are safe and healthy at home. I will give you a brief rundown on what Niyogin does and our long-term goals. Our framework consists of a specific partnership driven phygital model that includes financial intermediaries in urban India and small retailers in rural India to provide cost effective market access. We use this network to offer financial products for our end customers while delivering income augmentation for these partners and retailers.

Now, FY '21 was a pivotal year in our company's journey. We pivoted our business model from credit centricity to platform orientation and completed the acquisition of iServeU, a rural payments platform. We further upgraded the management team to build bandwidth for execution of our priorities. As I mentioned on the rural tech side, we completed the integration of iServeU business during the quarter. iServeU allows retail stores to provide financial services such as domestic remittances, withdrawals, and other financial products using biometric authentication based on Aadhar. On the payments front, we also added Aadhar Pay, a digital-to-digital solution to our products stack, which previously had only cash to digital and digital to cash solutions. Incrementally, we have now also launched micro-insurance on both our rural and urban platforms.

We also rolled out transaction led credit on a test basis for our platform retailers who have a volume history with us. We expect this to have a multiplier effect on our payment volumes in the months to come as we scale this proposition. iServeU also forged multiple partnerships during the quarter gone by, these tie-ups and our internal organic expansion enabled us to increase our retailer network by close to 1.5 times to more than 130,000 retailers during the year. Similarly, on the urban side, we doubled our partner network to over 4,000 partners. Our key priority is for FY '22 are three-fold. We continue to focus on building our market access both on the rural and urban side. We focus on increasing adoption of our platforms and expand the product set to monetize the network created, and lastly, we continue to build on our talent pool.

While we have made rapid strides in the year gone by, we are aware that we are all operating in a very tough external environment given the pandemic surrounding us. The second wave of COVID has impacted rural India as well as most of you are aware. Apart from challenges in the health infrastructure, the pandemic has also brought forth the criticality of providing access to digital payments and cash solutions in rural India. While the current pandemic-induced lockdown has impacted us and may continue to do so in the first half of FY '22, we continue to remain positive about the long-term prospects of the market opportunity and the business.

With this I would like to hand over the conversation to our CFO, Rumit. He can update you about the financials for the quarter post which we can take questions.

**Rumit Dugar:** Thanks Tash. Good Evening everyone. Moving on with the financial highlights for the quarter ended Q4 FY '21, our consolidated revenues for the current quarter stood at Rs.183.9 million against Rs. 85.1 million in the corresponding quarter, a jump of 116% year-on-year. EBITDA losses for the current quarter were reduced to Rs. 40.2 million as against an EBITDA loss of Rs. 55 million in Q4 of FY '20. This is despite us taking a management overlay of Rs. 34 million in our legacy book in the quarter and the ESOP charge for the quarter.

The reported Non-GAAP PBT stood at negative Rs. 40.7 million in Q4 FY '21 as against a Non-GAAP PBT loss of Rs. 61.1 million in the last corresponding quarter. ESOP charge for the quarter was at Rs. 15.2 million against Rs. 5.9 million in the last corresponding quarter. On a full year basis, we crossed an important milestone where our consolidated revenues increased by 80.5% to Rs. 506.3 million as against Rs. 280.5 million last year. Again, this was impacted by the management overlay due to which our EBITDA was negative Rs. 20 million as compared to negative Rs. 202.6 million last year. Our full year Non-GAAP PBT was at negative Rs. 39.1 million in comparison to negative Rs. 207.6 million for the prior years.

Our ESOP charge for the full year was at Rs. 33.4 million as against Rs. 38.9 million last year. In our credit business, our outstanding loans and advances for the current quarter was at Rs. 455 million down 64%. This is in line with our articulated thesis of exiting credit-led customer acquisition.

Further, I would like to give some context to the management overlay that has been taken in Q4 FY '21. We all know the impact of second wave of COVID-19 that has been there in India and small businesses continue to remain most impacted. These management overlays are basis the ongoing situation and what we foresee as potential challenges in FY '22 given the impact of second wave and the ongoing lockdowns.

Over the past one year, we have been aggressively de-risking the balance sheet and with this charge of the Management overlay, we feel comfortable with our provisioning levels. We remain a zero debt and a net cash company. Our cash position on hand has improved to Rs. 1,559 million as of March 31, 2021. Moving onto the platform metrics despite a tough external environment for India and MSMEs, our core metrics have been performing well basis our strategy to aggressively expand distribution for greater market access. We are happy to report that in our rural tech platform the retailer count has increased by 143% year-on-year to 131,082. Of this, 27,826 retailers were just added in Q4 FY '21 alone. The rural tech platform gross transaction value stood at Rs. 57.5 billion in FY '21 as against Rs. 39.3 billion in FY '20, up 46%. The revenue growth in this segment has been tracking ahead of the GTV growth led by our expanding product stack in the rural tech business.

On our Niyogin Urban Tech Partners platform, the partner count increased by over 100% and stood at 4,017. Retail channel urban activation rate for the full year was at 19%. This is despite us not having an on-balance sheet product and as you all know, we have transformed this to a fee-centric platform.

With this, Diwakar we can open the floor for questions.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Bhavik Mehta from Roots Ventures. Please go ahead.

**Bhavik Mehta:** My first question was what is the current loan book outstanding from the legacy book, which we are completely trickling down?

**Rumit Dugar:** Bhavik, as Tash had mentioned in his opening remarks, we have just started the transaction led credit business in a pilot phase in Q4. So the iServeU acquisition was consolidated in December and this transaction led credit product has started in Q4 so the impact of this on the aggregate loan book is not material, so bulk of the loan book is legacy.

**Bhavik Mehta:** Is there a timeline in mind that the entire loan book would not appear or what is the strategy for trickling it down or if there is any strategy for that?

**Rumit Dugar:** If you look at it we have been aggressively ramping down the legacy loan book, it has come down by 64% this year and I think beginning of FY '21 itself we stopped adding more exposure on the balance sheet, so if you look at it most of these loans were built during FY '19 and primarily FY '20 with an on an average duration of about 21 to 22 months, so given that we have not taken anything in FY '21, you can assume that bulk of this would be completed or run down this financial year.

**Bhavik Mehta:** Any additional amount to be provided on the subsequent quarters that you expect?

**Rumit Dugar:** Bhavik, as I mentioned we have been reasonably conservative and upfront in terms of the current challenges that are there in the current operating environment. As you know, the operating environment is extremely dynamic. At this point in time, I can say that we feel comfortable with the kind of Management overlays that we have taken, but very hard to predict how the external environment shapes up right, so suffice to say that we have recognized some of the challenges that we could see in FY '22 and in response to those challenges, we have already taken the Management overlay and we feel comfortable at where we are.

**Bhavik Mehta:** My next question is around Slide 25 of your presentation wherein you mentioned M&A and growth to be two parameters for the three verticals, so if you can just explain what exactly does that do?

**Rumit Dugar:** If I understand your question correctly, you are asking us about the M&A strategy?

**Bhavik Mehta:** Yes, so Slide 25 you mentioned M&A and future outlook as two separate pieces and for all three you mentioned product scale, product market access, rural inclusion via Neobank model, what exactly does this mean?

**Rumit Dugar:** I think what we are trying to communicate here Bhavik is that what is going to be driving our M&A strategy in each of these verticals. If I look at rural tech, I think two specific areas that are going to drive our M&A is going to be around product, how we can look at expanding our product stack in that market, and second is going to be around scale, so if there are any attractive consolidation opportunities that we may get to scale that business aggressively, we will look at that. On the credit side, as there are lot of interesting platforms our thought process here again is that credit M&A if at all is going to be led by expansion of market access and any interesting product stack that we can build to dovetail into what we are building on the rural tech side and again similarly on the wealth tech it is going to be product led and scale led. So the idea is to give everybody a flavor in terms of how we dimension the M&A that we look at across these three business segments.

**Tashwinder Singh:** I would just want to add that we discussed this in the previous call also where we had articulated our M&A strategy. We are a MSME focused entity. We provide solutions to the MSME and all our work that we do or the products that we have, the distribution that we have built is all focused on the MSME, so I think our focus on M&A is again driven only by two strategies either we increase our product stack on something that we do not want to build faster go-to market by buying in the market or the other is to improve our distribution and therefore increase our scale by being more impactful on the ground. So I think these are two main strategies on which we are pursuing all the M&A discussions that will happen now or later.

**Bhavik Mehta:** Currently, the balance sheet has I think around Rs. 100 crore of cash at present so my idea of asking this question was that what would this, so I also see that lending would be through partners and also on balance sheet, so is there a segmentation of what amount of book are we trying to create on balance sheet and what is through other partners and what is the M&A piece of this because currently the cash in itself is I think Rs. 100 crores, that is what my understanding?

**Rumit Dugar:** Bhavik, it is not that we have a certain allocated amount segregated for M&A and historically if you look at our M&As, they have been cash plus stock deals, so there is no separate segregated amount that we have carved out from our cash balances for M&A.

**Tashwinder Singh:** I think as we mentioned earlier, we are working on this transaction-led credit proposition with our own platform users, so and like we mentioned in my opening remarks this is the best case that we are doing. I guess in the next couple of quarters we will also get a sense on what is the size of the book we can build where we are comfortable, so all that will flow in. I do not think we have allocated any capital specifically for M&A that we have kept aside, so we are managing this capital we think efficiently in terms of investing and making sure that we get a decent return, but this money will get utilized for business purposes either through M&A or to keep building the transaction led credit book.

**Bhavik Mehta:** My last question is around given that revenue is more of an evolving piece in the past two-three years, what are the top three metrics that someone would need to track with respect to Niyogin to measure the success of the company?

**Tashwinder Singh:** I think again to me the success of this company is driven by the distribution reach that we have and that is why we articulated the expansion of our distribution reach in the initial comments. When we talk about rural touch points hitting a 130,000 touch points, we talk about urban partner touch points touching 4000, I think that to me is the first and most important criteria. Number two is the activation rate on these touch points on how we are able to continuously increase activation rates on people who are using our platform and adopting our platform. I think these are the two important data, and the third obviously is the level of transactions that are going through our platform which again translate into revenue numbers, so I think these are the three points I would tell you to track us on, on an active basis.

**Moderator:** Thank you. The next question is from the line of Rohan Mandora from Equirus Securities. Please go ahead.

**Rohan Mandora:** Good Evening Sir thanks for the opportunity, taking forward from a question by the previous participant, Sir just want to understand on the M&A side and also in the opening comment you had mentioned that we are looking to add certain products to benefit from the distribution reach that we are creating, so in addition to the products that we are already offering, are there any new products that are under consideration to be launched in the next one to one-and-a-half years?

**Tashwinder Singh:** There are multitude of ideas that we are focusing on. I think I mentioned that we just launched Aadhar Pay on our rural tech platform. Obviously, we need to see adoption of that platform what that platform is like. We have also launched micro-insurance on both our urban and rural platform, so incrementally our strategy is two-fold right, one is to continue to focus on adoption of the products we launch and then basis market feedback and where we think there is opportunity, we will continue to keep adding to the product stack that we have.

**Rohan Mandora:** In terms of understanding the profitability from the channel like it was actually one of the key criteria to measure in terms of how many channel partners are getting activated, any color on say from a three-year-old vintage channel partner, how has been the revenue profile or profitability pool or something like that, so some vintage based analysis if you could share on how the partnerships have progressed?

**Rumit Dugar:** Rohan, one on the rural tech side generally our model is a partnership-led model that is why if you look at fundamentally our cost structure is reasonably variablized and as a result this channel per se is profitable, however, you have to see it in context with the investments that we are making, obviously it is an extremely large market that we are operating and just the addressable market of the two or three transaction products that we have is US$ 56 billion right so we are obviously a small market share in terms of the overall opportunity. So obviously we continue to make investments, and from a profitability perspective given our approach of cost-efficient market access and a variablized cost structure of the P&L, this is always going to be high on profitability.

**Rohan Mandora:** Any thoughts on evaluating the co-lending opportunity because some fintechs have been doing that right now, obviously we had a scale down in the lending operations to conserve capital and move to more fee-based income profile, but just want to check in case there is anything on the consideration on the co-lending side?

**Tashwinder Singh:** Like I said our balance sheet we are now deploying largely towards our own platform users, so when you have a 130,000 retailers on our iServeU platform, I think I want to use our capital largely for making sure that we are able to provide that. The good part about that strategy the way we think about it is that there is a multiplier effect because when we provide working capital to these retailers effectively the payment volumes also increase because the money gets used to transact more payments through our network, so we are trying to use our capital in ways by which we can get a bigger bang for the buck rather than just looking at returns that we can get in terms of interest income from that capital alone, so the capital being deployed there that is really our focus area on how we want the capital to be efficiently used.

**Moderator:** Thank you. The next question is from the line of Sankar from Seraphic. Please go ahead.

**Sankar:** Good evening, I have not been exposed to the company, so this is my first call I just wanted to understand on the business model, so you said that you have a platform but if you can just make us understand on the revenue model side, so the presentation talks about the different platforms that you have created like the iServeU platform, so if you can just make us understand how does the breakup of your revenues, the Rs. 50 crores that you have shown in the current year, can you just give us a broad breakup of how much of that is commission, how much is license fee, how much is, just to give us an understanding about and how it has grown over the last couple of years?

**Rumit Dugar:** I think in our presentation we have detailed out the revenue drivers for each of our segments and as you can see if I look at the rural tech, bulk of it is fee or commission led, our credit platform especially on the urban tech side is now a fee-centric business model and obviously the wealth piece is also a commission or a fee centric business model, so in terms of bulk of the revenue drivers, are commission or fee centric. In terms of the revenue mix I would say we have not broken that out separately, but I would say that bulk of it as you can see will come from the fee business, so if I have to put a number greater than 50% is going to be fee led.

**Sankar:** In terms of rural versus urban tech, if you can just give the break up?

**Rumit Dugar:** So rural is the bigger part of our business, that is the larger part of our business, you can see the difference in the consol and standalone.

**Sankar:** So that is basically what you get from your rural partner in terms of the fee that you get in terms of providing the platform?

**Tashwinder Singh:** I think the rural business as we have detailed out, there are multiple products and the payment that we get is not necessarily from the rural partners right, there is services that we are providing to banks, so there is a commission that is paid by the banks. In the domestic money transfer, the person who is initiating the transfer pays a commission to the rural partner and that commission gets shared, so there are multiple models depending on the product on how the commission gets originated and how it gets shared between the channels.

**Sankar:** In terms of transaction, how many transactions are there, if you can just give us an understanding of that?

**Rumit Dugar:** The average ticket size across products is different, so we have given the GTV but you can say the average ticket size would vary between Rs. 1800 to Rs. 2700.

**Sankar:** Okay, based on the transaction value, what is that you get as commission, just for understanding purpose?

**Rumit Dugar:** Again, this varies depending on the products, so if you look at our transaction led products which is DMT, there is AEPS and there is micro-ATM, the spreads vary between 40 BPS to 100 BPS.

**Moderator:** Thank you. The next question is from the line of Ashish Kacholia from Lucky Investment. Please go ahead.

**Ashish Kacholia:** Good Evening to the team and congratulations on good set of numbers, my question is what is the order of magnitude that we are looking to grow in the next two-three years?

**Tashwinder Singh:** I do not think we have given out a direction or guidance on the numbers that we want to grow, obviously we want to grow in leaps and bounds. We think the market opportunity and just to give a sense on the rural side, Rumit alluded to the market opportunity, today the market opportunity just on DMT and AEPS, which is Aadhar enabled payments is over $ 56 billion and if you look at our GTV, we are shy of a billion dollars, so there is a huge opportunity sitting out there that we need to sort of make sure and this business is growing. It is a not a static market opportunity, AEPS itself has been growing at a run rate of almost 90%-95% CAGR so it is growing pretty rapidly, so therefore our expectation is that we need to keep expanding. DMT is not growing at that rate, it is at a lower rate, but it still is growing, so the focus is to keep expanding the network, keep increasing the throughputs and the way to increase throughputs is to keep adding incremental products, increase stickiness and to increase activation rate, so there are multiple levers that we are playing up on and we want to demonstrate significant growth rates. Ashish, we have not really given out a guidance on what we think the next year or the following year would sort of deliver.

**Ashish Kacholia:** My second question is in the markets that we are playing in and versus the other players, how are we doing on the market share front, are we gaining market share, holding on increasing any sense on that?

**Tashwinder Singh:** I think market share has been steady, the reality of the situation is in the last couple of months if you have seen with the lockdown coming through, DMT volumes have obviously come down across the board. A lot of the DMT volumes were really migrant laborers sending money back to their families from the locations they came from. With the lockdowns those volumes do go down and Aadhar enabled payment's volumes are steady because people do want to withdraw cash, so that sort of continues to give us some positive sort of upside. I think market share in my view, the way we calculate as the percentage from the data that we get from AEPS etc., I think we are pretty much on a stable footprint, but what happens also I would argue is that the full value of a new network that we have created it takes a quarter to come through, so this quarter we added about 27,000-28,000 new retailers right, the value of those new retailers will come through in the coming quarters and that is where you will see a significant jump in the market share coming through as volumes come in from those retailers.

**Ashish Kacholia:** My final question is any thoughts on where we would be playing in the system versus the larger players such as Pinelabs and we see lot of these big, big Fintech names kind of talking in terms of billions and trillions of Rupees and Dollars whatever, so any sense on where we are going to be playing in the market versus some of the larger names?

**Tashwinder Singh:** I think we are operating in slightly different verticals today, of course in the final analysis who knows whether the verticals will converge or not, but right now we are operating a large part of our business is on the rural side. I do not think Pinelabs has a significant presence in the rural side, they are really the market leaders and the frontrunners on the POS business and on the BNPL business, which is the Buy Now Pay Later program, which I think is very good. We are operating on the rural side and our products are more driven by looking at cash to digital and digital to cash solutions. We have also launched a digital to digital solution in terms of Aadhar pay, so to the best of my knowledge Pinelabs is largely on the digital play, so we are operating in slightly different markets and the space is quite large, obviously they have done exceedingly well. I think we think our runway is quite substantial where we are operating.

**Moderator:** Thank you. The next question is from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** One question on this balance sheet on Slide #32, so your loan book is Rs. 45 crores and change and if I heard your earlier comments, it will be completely run down by the end of this year, is that right?

**Tashwinder Singh:** Hey Rajesh, firstly hope you are doing well.

**VP Rajesh:** All well and great.

**Tashwinder Singh:** I think the plan is that the majority of this balance sheet is anyway a legacy balance sheet, so it will be run down. It will get replaced by a transaction led depending on how our experiments play out in terms of providing capital to our own network, our platform-led players, so some of the loan book will get replaced by that. I do not want to give you a number today on what number would be because we have just started this process in the fourth quarter in the quarter that has just gone by and so far, our results have been fairly encouraging of the work that we have done, it has been a very small sort of experiment with 50-60 customers that we worked with. As we expand, I think you will see faster depletion of the loan book in the next couple of quarters and then the build out will start coming in.

**VP Rajesh:** I mean, of this Rs. 45 crores as of today, will it be fair to say that 90%-95% of it is legacy book which will be gone like over a year, that is the way to think about it?

**Tashwinder Singh:** I think that is a fair statement, Rajesh.

**VP Rajesh:** On the P&L side, if it was not for the ESOP charges or the ECL charges you would be profitable, right just looking at the number I just want to make sure I had a basic understanding of your P&L?

**Rumit Dugar:** That is right Rajesh.

**VP Rajesh:** Then the next question is if you go back to your Slide 26 I have couple of questions on this, so one is I do not see the CA thing that you had talked about on the previous call, so have we put it on the backburner?

**Tashwinder Singh:** Sorry, I missed the word?

**VP Rajesh:** The platform that you were creating for CAs so that they became feeder for your leads on the MSME side?

**Tashwinder Singh:** That continues, that is the urban tech part that we talk about, that we spoke about the 4,000 partners, those are really the financial intermediaries, chartered accountants loosely put, so that continues and it is there in the presentation and I think we are focusing on that as well. The rural tech part is obviously a bigger part in terms of a contributor to revenue, so we were focusing in this discussion more on the rural side, but it is very much there in our presentation.

**VP Rajesh:** My second question is if I were to split your Rs. 18 crores of revenue in Q4 in to these four baskets, rural tech, urban tech, credit, wealth tech, what will be the split of that?

**Rumit Dugar:** Rajesh, I would say about 70%-75% of the revenue, you are referring specifically to Q4 is really coming from the rural tech business.

**VP Rajesh:** Really, so the credit portion is very small in this Q4 is it?

**Rumit Dugar:** That is right.

**VP Rajesh:** How much would the wealth tech be?

**Rumit Dugar:** Wealth tech is really small, so I would say about 70%-75% is going to be about rural tech, about 2% to 3% would be wealth tech.

**VP Rajesh:** Credit will be probably the second largest piece of that pie, is that correct?

**Rumit Dugar:** That is right, so in order of magnitude it is rural tech, then credit, and then wealth tech.

**VP Rajesh:** My following question is that if you think about three years down the road or five years down the road, will these splits change whether credit will become bigger portion, how do you think about the business as you chalk out the strategy?

**Tashwinder Singh:** Rajesh I think it is difficult to project what the business will be three years down the line especially since we are also M&A hungry company as we have demonstrated in the past, but keeping that aside, we think that the opportunity set in rural India is quite substantial and in the rural tech play that we have, we are obviously dovetailing our credit business also on the back of the same rural tech play, so I think it is quite interesting. We think there are couple of good things that we like about this model. Firstly, I think there will be significant focus on creating a fee income line of business rather than an interest line of business, so the entire rural tech business if you think majority of income, we make out there is all fee income which are commissions throughput-based and they are more annuity driven fee income constructs, which I think are predictable, and therefore, interesting to look at. Secondly, the market opportunity is quite substantial as I made the point earlier and it is growing quite rapidly, so our opportunity set out there just focusing on that materially is important and as long as we are able to keep expanding our network, keep increasing our throughputs, keep increasing our products we think it can be a significant game changer for us. Credit will continue to be a platform we have in the balance sheet and therefore it will come in, but it will be more focused on helping our players or our partners who are on a platform for giving them credit, again driven by two-three thoughts. One obviously when someone is on our platform, we have proprietary transaction data which helps us improve our underwriting capabilities. Number two, because we have throughputs going through, we are also able to manage our collection cost quite interestingly. Number three, our acquisition cost are pretty minimal right because these are customers which are sitting inside the door, so if we can manage your acquisition cost, if we can manage our collection cost, and if our underwriting model is better, we think that is the right way to build a credit business and the opportunity set on the underlying retailer is quite substantial, you can read various reports and different people will tell you different numbers, but there are 70 million retailers out there in rural India that potentially could all become partners, so the opportunity is quite huge, so we are trying to dovetail and put everything together in a risk managed model whereby we can try and create a sustainable business.

**VP Rajesh:** That makes sense and when you talk about M&A should not your M&A strategy be just focused on rural tech rather than other areas as well for the simple reason that you said the market opportunity is huge and the GTV is also very, very high in that segment?

**Tashwinder Singh:** Absolutely, there is clearly a lot of focus on scaling up the rural tech platform, no question about it and there are M&A opportunities which will come there. I would suspect that more opportunities on the M&A side will come for expanding distribution faster which again is interesting from our point of view. On the product stack again, we need to see what price we want to pay because we will always see the buy versus build question that we will need to think through because we are a tech company, we can build a lot of the product capabilities ourselves, so we will keep evaluating that. The reasons that we keep the window open for the other options as well is there could be interesting propositions that could come either one could look at getting into a platform that could do procurement, it could be interesting for us. So it is a wide range of things that we are exploring right now but clearly looking at M&A on the rural side is clearly one focus area that we have for sure.

**Moderator:** Thank you. The next question is from the line of Mehul Parekh from SVS Securities. Please go ahead.

**Mehul Parekh:** Sir, I just wanted to understand from the wealth tech piece in terms of the product line, about the products which you are at the moment selling on the wealth platform, I understand you have micro-insurance which at the moment you are selling, but do you have any plans of other products that you want to put it on the platform for the retailers, I mean for the rural people and two, an understanding of like how the rural people get to understand like as per their risk appetite what is the kind of the product that they can choose on the platform, so what I wanted to understand is like that the retailers who have this particular platform, I mean how much they push this particular products to the rural people or what is kind of like trying to get the matching done at the point of buying a product?

**Rumit Dugar:** Firstly, on the wealth side, the wealth business is largely urban centric and urban dominated, so it is part of our urban tech platform. Although overtime there is going to be opportunity on the wealth side in the rural India, but right now in the rural platform the objective is to offer them and deliver them the basic banking services which is a big product market gap there. Secondly on the wealth tech products itself, we have a reasonably wide product stack ranging from mutual funds, equity mutual funds, debt mutual funds, bonds, some of our partnerships with for fixed deposits etc., so it is a reasonably wide product stack on the wealth side, and I think your second question on what is sold to the retailers in the rural tech platform, it is largely basic banking services and as we have discussed, these include some of the payment products which is cash to digital, digital to cash and now even digital to digital.

**Mehul Parekh:** Thank you Sir. My second question is where you talked about designing your credit underwriting tool in terms of like disbursing the credit to the retailers based on the transaction, I mean do you feel that the kind of information that is available on the platform or in this ecosystem is completely 100% fine or do we need more information to get them to make your algorithm or your tool become more specific for this particular underwriting process?

**Tashwinder Singh:** I think underwriting in my view an art, we keep perfecting it right. It comes with numbers so people think it is science, I think underwriting is an art. One needs to be able to look through the numbers to see what is going on, so it is not only the transaction data, transaction data is a unique set of data that we have access to for our retailers but we also look at other data points in terms of their financials etc. to arrive at how much loan to give, what to give, and what tenure to give and what is the end use of that capital. So like I said it is a triangulation of multiple pieces of data. We think that the information that we get from the transaction data gives us the most insight into them making a well-informed judgment about the credit worthiness of the person we are dealing with.

**Mehul Parekh:** If I have to understand like the amount of the accounts or the bank accounts or the retailer would have, do you anticipate that you would be covering at least 80% to 90% of it while doing the analysis?

**Tashwinder Singh:** We would cover pretty significant portion of it, but you should realize that what happens with our transaction data is the retailers who are working with us as mentioned in my talk earlier as well that we focus on income augmentation, so our retailers are making money through us on the payments that we had routed through their network, so we have a pretty good handle on what income they are making from us and dovetailing that data into trying to use that to identify how much credit worthiness the customer has I think becomes relatively easier because we have got an income stream that we can depend on and we are pretty sure that is a genuine income stream, so that matters and then obviously you look at other liabilities etc. that the customer may have to make sure that you are able to provide that. Now, it is not only about using that information, the second thing which I think is important from a credit standpoint is to also see how we can keep control of the cash, so the fact that we have wallets of these retailers sitting with us, we are able to use those wallets to either disburse the money or take the EMIs from there just gives us an incremental benefit which may or may not be available to other players.

**Moderator:** Thank you. The next question is from the line of Nitin Gandhi from KFIS Trade Capital. Please go ahead.

**Nitin Gandhi:** Thanks for the opportunity, I have basically three questions, I wish can you share something on your personnel cost which is amongst these three verticals and with the team being built how are they likely to play with the key theme which you have with ESOPs plan and what are their performance criteria over next one or two years?

**Tashwinder Singh:** Clearly, the personnel exact cost I think Rumit can give from the numbers but more importantly we have a pretty well tried and tested mechanism for goal setting and appraisal setting and appraisals which is how we value our people. We have been beefing up our team, we have a new CTO, we had announced that to the exchange a couple of weeks ago. We have got a new CMO, Chief Marketing Officer, across all our subsidiaries, so we are beefing up our organization with getting the right talent into the company and we will continue to do that as I mentioned with my talk. As we expand, as we scale, we need to increase the bandwidth of people that we have and therefore clearly to keep increasing and that will continue to be the focus for us of getting good talent as we expand both our networks and our product stack. On the technology side, we have a pretty significant number of people that are focused, I think at last count we were almost about 85 to 90 people that are singularly focused on helping with our technology build, so that continues to be our focus area. With the new CTPO coming in, we are pretty excited about all that he brings on the table to help us improve the quality of our technology and the product stack that we can bring on the table for our customers. The fact is that our employees are given stock options, so if you see the stock option charge because we think it creates great alignment with business results and with shareholder interest and I think that will continue to be our focus area on how we reward our employees and that will continue to be there.

**Rumit Dugar:** In terms of numbers, the numbers are there in the results so Rs. 187.3 million was the total consol employee cost and we call out the ESOP charge separately, so roughly that is about between 18% to 20%, and the charge on the ESOP is basically a function of the option value that is calculated which obviously gets impacted by the volatility, if the volatility is high the charges are higher, but suffice to say it has been at about 18% to 20% of the aggregate employee cost.

**Nitin Gandhi:** Thanks for this, but what I was looking for was like some key deliverables from vertical heads and is that likely to be spend increasing significantly from more than Rs. 20 crores to Rs. 30 crores or Rs. 40 crores something like in one or two years or are we saying that okay the reasonable top model is that now the mid and lower will be stacked up, so corresponding with the charge will be gradually lower that is what I was trying to understand?

**Tashwinder Singh:** I think all the business heads have their business targets right, they have their goals, the goals are both qualitative and quantitative. I do not know if that answers your question because the details of that it is difficult to share because every business is different, so the rural tech business has its own set of goals, targets, reward schemes etc. which was across the organization, similarly for the wealth tech and similarly for our urban tech franchise.

**Nitin Gandhi:** So, what I was trying to understand is that how do we monitor sitting out that okay in terms of the reach or in terms of the coverage or in terms of number or a credit size of the portfolio built which is coming from the legacy book and you have Rs. 155 crores already sitting which is earning treasury yield at lowest rate, so if that is deployed what could be the benefit, something like on those grounds?

**Rumit Dugar:** I think in terms of metrics obviously we have a detailed metric on which all the businesses are tracked and all the business and the team is tracked on, so I think that tracking and mapping is obviously we have a pretty detailed dashboard with the Management so all of that is obviously taken care of in terms of how we track and run the business.

**Moderator:** Thank you. The next question is from the line of Bhavik Mehta from Roots Ventures. Please go ahead.

**Bhavik Mehta:** Two questions, first is given the previous participant you mentioned that wealth tech currently is primarily lower than 5% of the revenue, just trying to understand what exactly went wrong with the wealth tech piece given the past three-four years, it has been a great stage for at least in India and various other Fintech players have capitalized that really well and given the peers that you mentioned on your pitch deck as well, so all have grown like is that because there was no separate acquisition model or for you was on acquiring new clients with the cost, what exactly is the reason for that?

**Tashwinder Singh:** I do not know if I would agree with your assessment because wealth tech has actually done quite well for us in terms of scale that we wanted. Now, it is a competitive market, the point is that we started from pretty much a negligible amount of AUM and today we are last year itself we have expanded AUM by 31%. The footprint of the business, it is a home grown digital business that we acquired which is really at the forefront of adding new products and there are couple of interesting products we added last year, critical one of that being providing a SaaS based analytic solution which we hope to scale up in the coming years, so there are some very interesting things we are doing which are again very differentiated, so if I look at the growth of the AUM I think it has been quite good from our point of view. We have just expanded the entire wealth platform to our entire urban tech network by offering even white label solutions to our chartered accountant community, so there is a lot of work that is happening out there. The translation of all this activity into revenues will take a little time, which is why today the contribution seems negligible in the overall bottom line, but I think the business continues to scale and as long as we can keep getting our footprint to expand in terms of increased AUM and increased client base, I think we will continue to do that, plus I think the investments required in this business are quite minimal, the investments are all done, so at the margin there is not significant level of investments that are being done on the wealth tech platform. This was a time for us to just expand the network, expand the footprint, the products addition is really happening and then try and see how they can contribute over to our top line.

**Rumit Dugar:** Just one point to add on the wealth tech piece is that the mix is looking low because obviously a payment led or a transaction led business model obviously scales up faster and has a dominant share, however, if I look at the revenue growth of the wealth tech business, the revenue growth of the wealth tech business for FY '21 has been ahead of the company average.

**Moderator:** Thank you. Ladies and Gentlemen, we will take the last question from the line of VP Rajesh from Banyan Capital. Please go ahead.

**VP Rajesh:** Thanks again, so if I look at your rural tech business you did about Rs. 13 crores in Q4 based on what you said, so if you just share what has been the gross profit in that particular vertical?

**Rumit Dugar:** The margins if you look at that business we have not split out the margins, Rajesh for each of our businesses, but you can actually very well back calculate the margins from that business from consol versus standalone. If you are looking at 4Q to back calculate the margins, the only comment I have there is that there were certain additional excess fee income that we generated in Q4 so there might be a little bit of bump up in the margin that you may see when you back calculate it between consol and standalone.

**VP Rajesh:** I was just trying to understand this business a little bit better and my question was more to understand if you are paying any third parties for any kind of access etc., so that is why I was asking gross profit, I was not asking for contribution margin or EBITDA margin, my focus was on gross profit?

**Rumit Dugar:** I think if you look at the participants right typically the participants in a typical transaction value chain are the bank, us, and the retailers, the BC partners and retailers, so the banks typically have the lowest share because it is more a regulatory requirement for us to route the transactions through the bank so that share is a minimal and bulk of the share is with the retailer and the partner, so banks are the lowest in the value chain, retailer obviously because he is the front, his store front is the highest, and we are somewhere in between.

**Moderator:** Thank you. Ladies and Gentlemen, that was the last question for today. I would now like to hand the conference over to Mr. Tashwinder Singh, CEO, for closing comments.

**Tashwinder Singh:** Thank you all for taking the time to listen to us and our story, I sincerely hope that you will continue to track us. If you have further question please feel free to reach out to Rumit or to me, you can drop us an email on the numbers or on the business strategy, we are happy to engage and clarify all questions. Stay safe everyone, we hope that we get out of this pandemic sooner rather than later and get back to our businesses as usual. Thank you.

**Moderator:** Thank you. Ladies and Gentlemen, on behalf of Niyogin Fintech Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.