niyogin

Date: February 16, 2024

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

Dear Sir/Ma'am,

Subject: Intimation under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the 'SEBI Listing Regulations') - Transcript of the proceedings of the Earnings Call held on February 12, 2024 for the quarter and nine months ended December 31, 2023

With reference to our letters dated February 05, 2024, February 12, 2024 and pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI Listing Regulations, we are enclosing herewith the transcript of the proceedings of the Earnings Call held on February 12, 2024 in respect of the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter and nine months ended December 31, 2023.

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

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

NIYOGIN FINTECH LIMITED

Neha Daruka
Company Secretary & Compliance Officer

Encl: a/a

"Niyogin Fintech Limited Q3 FY24 Earnings Conference Call"

February 12, 2024

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

Moderator: Ladies and Gentlemen, Good day and welcome to Niyogin Fintech Limited Q3 FY24 Earnings Conference Call.

As a reminder, all participant lines will be in the listen-only mode and there will be 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 the conference is being recorded.

I now hand the conference over to Mr. Ravi Udeshi from EY Investor Relations. Thank you and over to you, sir.

Ravi Udeshi: Thank you Michelle. Good morning everyone. On behalf of Niyogin Fintech Limited I welcome all of you to the Company's Q3& 9M FY24 Earnings Conference Call. You would have already received the "Quarter Results" and the "Investor Presentation" which is also available in our filings with the Exchange.

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

Before we proceed with this call a disclaimer:

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

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

Tashwinder Singh: Thank you, Ravi. Good morning, everyone.

Let me start by thanking all of you for joining us this morning. I welcome you to Niyogin Fintech Earnings Call for Q3 and 9M FY24 Results.

As always, I would like to start by giving a little brief about our Company:

Niyogin Fintech operates on a tech centric platform-based model offering Banking as a Service (BaaS) through our subsidiary, iServeU and credit solutions to both rural and urban areas in India.

We employ a partnership-led strategy collaborating with local enterprise partners that possess extensive distribution networks. These partnerships allow us to leverage the partner's infrastructure for cost effective outreach to our targeted customers primarily micro, small and medium enterprises (MSMEs).

Once we onboard a partner, iServeU's Banking as a Service (BaaS) platforms are integrated into the partners' customers facing touch points. This integration enables these touch points to offer banking, payment and financial services to their local clientele. By adopting this partner-led approach, the Company can effectively extend its services to a larger number of MSMEs and SMEs through each partner it engages with. The revenue model primarily revolves around transaction fees or commission earned on every transaction processed through the platform. As an NBFC, Niyogin extends its services to MSMEs by providing credit. They facilitate lead generation and provide digital access to credit and other financial services for MSMEs through our distribution platform NiyoBlu and also by our several Fintech partnerships. Niyogin employs various lending models and generates revenue through either interest income or fees associated with the loan lead generation.

Let's get into the quarter that's gone by:

I would like to share with you three key developments that have happened recently:

- We are excited to announce that we are actively evaluating the acquisition of a comprehensive toolkit to augment our solution suite particularly in the realm of AI based assisted and unassisted tools for our partners. This platform offers a wide array of functionalities designed to enhance the digital legibility of both physical and archived digital documents. Among its features, it significantly improves OCR accuracy without requiring manual intervention and facilitates the conversion of unstructured data into structured formats.

  The integration of this toolkit into our operations promises to revolutionize the process of gathering and maintaining KYC related customer information. Further, it will empower field agents by providing seamless onboarding capabilities especially in regions with limited network capability. We believe that this acquisition will greatly enhance our capabilities and further solidify our position as a leader in providing innovative solution to our partners.
- I'm also happy to announce that we have successfully resolved the issues affecting our UPI business well ahead of our initially communicated timeline of two quarters. This achievement underscores our agility and dedication to rapid problem solving, ensuring seamless and uninterrupted service for our esteemed customers.
- Furthermore, over the past three quarters we have been consistently booking provisions in accordance with the ECL norms. Further to emphasize that this provision practice adheres to an accounting standard aimed at accurately reflecting potential credit losses utilizing the robust assessment framework. Almost 80% of our

receivables that are more than 90 days overdue have been provisioned for. As a result, we anticipate that the majority of the issues are behind us and we are seeing strong likelihood of recovering these provisions and to support this effort, we've established a dedicated collection team where necessary and are exploring alternative resolution mechanisms.

Now, I will talk about the Performance for the Quarter gone by:

Our lending business increased over 18% at Rs. 159 crores as we continue to ramp up the loan book. In our pursuit of constructing a high-quality loan portfolio with attractive unit economics we have implemented a comprehensive strategy centered around 3 Pillars of Growth:

- The First Pillar entails "Leveraging our Partner-Led Distribution Channel" – We are dedicated to scaling up our business with existing partners while actively seeking opportunities to on board new ones. This approach allows us to expand our reach and access new markets efficiently, as mentioned earlier.
- The Second Pillar revolves around our "Commitment on Risk Management" – We are employing advanced analytics on large volumes of internally generated data to conduct comprehensive risk assessments. By leveraging data-driven insights, we can effectively mitigate risk and make informed lending decisions.
- The Third Pillar focuses on "Achieving Technology Enabled Cost Efficiency Throughout the Loan Process" – By leveraging technological innovations, we aim to streamline operations and reduce overhead costs at various stages of the loan cycle. This emphasis on efficiency enables us to optimize our resources and enhance overall profitability.

  Together, these three pillars form the foundation of our strategy to build a sustainable and profitable loan portfolio while delivering value to our customers and stakeholders.

We remain confident in our ability to capitalize on the credit opportunity in the MSMEs and remain driven by unit economics.

During the quarter we added new partners like Karma Life on our lending platform. Karma Life provides finance to the gig and blue-collar workers and empowers them to become financially resilient.

Going forward, you will see the lending book contribute significantly to our profitability as it starts achieving scale and operating leverage on the back of the partnerships we are forging.

Talking about Banking as a Service business that had a subdued Q3 with GTV or gross transaction value including payouts at about Rs. 11,259 crores. Monthly GTV for January 2024 was at Rs. 3,450 crores. With the normalization of UPI economics from February 2024 onwards, we expect to resume our growth trajectory in Q4. Our revenue, ex device sales, stood be at approximately Rs. 55 crores, up 16% QoQ giving the positive impact from booking a part of the prior quarter service revenues. We processed nearly 42 million transactions, which was about the same as last quarter and we expect the UPI volumes to scale from here on. In the coming quarters, our GTV trend is expected to further strengthen as we expand our footprint and explore selling opportunities within the existing partner network.

We remain steadfast in our commitment to growth, both organic and inorganic. Current market conditions have presented us with opportunities to consider the acquisition of several compelling bolt-on businesses. We are actively involved in discussions with various complementary enterprises. Our criteria for engagement revolves around several key factors including appealing valuation, synergies with our existing business, adjacencies to our current markets and the potential to enhance our technological capabilities. These parameters serve as a guiding principle as we navigate these discussions and evaluate potential opportunities.

We are optimistic about the potential for strategic acquisitions to further strengthen our position in the market and drive sustainable growth for our Company.

I would now like to hand over to Abhishek – our CFO to take us through the financials and other details of Q3 FY24 post that we can open this up for questions and we can address all your queries. Thank you and over to you, Abhishek.

Abhishek Thakkar: Thank you Tash. Good morning, everyone.

So, before I take you through Financials, let me give you some update about our "Operational Metrics":

The gross transaction value that is GTV including payouts stood at approximately Rs. 11,259 crores in Q3 of FY24 a marginal decrease of 3% QoQ and up 219% year-on-year. Our transaction volumes stood at 42 million, same as Q2 FY24, which resulted in an average transaction size of Rs. 2,680 in Q3 of FY24 versus Rs. 2,753 in Q2 of FY24. We expect the normalization of UPI economics from February onwards and we will improve the above-mentioned numbers in Q4.

Gross Take rates increased sequentially from 32 bps to 34 bps in Q3 of FY24 while net take rates increased from 5 bps to 6 bps on account of improving unit economics and internal efficiencies.

Our Financial Professional Network increased by 12% year-on-year hence stood at 5,713 as of 31st December 2023. We further processed 26,099 loans through our network in Q3 FY24 and reported an increase of 453% year-on-year and 36% quarter-on-quarter.

Moving on to the "Consolidated Financials" for the Quarter:

Our revenues stood at Rs. 53.8 crores up 99% year-on-year and 13% quarter-on-quarter. The revenue increase was driven by the prior quarter service revenue and a marginal sequential improvement in Take rates. The adjusted EBITDA loss gap narrowed from Rs. 8.2 crores in Q2 FY24 to Rs. 1.4 crores in Q3 FY24 due to improving economics in the lending and distribution business. ESOP charge for the current quarter was Rs. 0.3 crores versus Rs. 1.1 crores in the previous quarter. The non-GAAP PBT stood at Rs. (4.5) crores in Q3 of this year as against the non-GAAP PBT of Rs. (10.1) crores in the previous quarter.

Our consolidated cash and cash equivalents stood at Rs. 93.1 crores as on 31st December 2023.

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

Moderator: Thank you very much, sir. We will now begin the question-and-answer session. The first question is from the line of Yash Modi from Ashika Group. Please go ahead.

Yash Modi: Congratulations on clearing that UPI issue much ahead of schedule, we were expecting Q4 also to face that. My first question is with respect to the receivables in the iServeU platform. This is the third quarter now and we're having some issues with receivables. So, what are the nature of these receivables? While I understand that 80% of it has been provided, how confident are you of the fact that they are not going to repeat in the coming quarters?

Tashwinder Singh: Yes, I think if you look at our receivables, we normally break up our receivables between bank and non-bank receivables. There's a bunch of receivables that come as part of regular process which are bank receivables as we are doing our settlements etc. So, that works as a normal thing that typically is less than 30 days and there's no issue there at all. There have been receivables the previous time, when we did some receivables, they were specific to individual customers where we knew that recovery was possible.

This time the receivable is driven by the ECL model.

So, it's a model number that is thrown up, basis the aging of receivables. I think none of the receivables that we've taken provisions on, these are not specific to any individual customer. The model throws up a number and that tells us to provide a certain amount. So, that's why what we did last quarter, we cleared out specifically issues that were related to specific customers. This time it is just basis what the model threw up, on a conservative accounting method, where the model told us to provide for X amount because these receivables are going beyond the comfortable pace of aging.

Typically, the receivables that come into this category are receivables where we have done software sales, where customers need to see their business scale up before they start paying us. But they are all existing customers, none of these are customers who are not working regularly with us, which is why the possibility of significant recoveries in Q4, I think is a high possibility for us.

Yash Modi: Second question is with respect to the GTV that is seen in January, so GTV for January stands at Rs. 3,450 crores. So, now obviously if I annualize it, it is like the third quarter where we kind of having a flattish GTV. I understand that from February onwards UPI is expected to pick up and there will be some traction on that on lost business. See I understand that you'll be able to meet your Rs. 500 crores revenue guidance because the loan book is scaling up quite well, but how confident are you as a team of meeting that Rs. 1,00,000 crores GTV mark that you set for yourself for FY25 because there's some slowdown in AePS, like it's a sector slowdown. I'm not saying it's specific to Niyogin?

Tashwinder Singh: No, absolutely I think there is a sector slowdown in AePS, and you would have read all the press articles on AePS. So, that is there. We've not seen a significant slowdown. Our AePS volumes continue to grow because our business model is slightly different. Our business model is about acquiring customers who are currently working on AePS, so that model continues and thanks to that. We've not seen a slowdown in any of our individual product stack or AePS specifically.

In terms of where we think next year will look like for us firstly the UPI volumes have to come back which again we are very confident. January does not have any UPI volumes in that number because as you know that business was just being recast in a different line which was done towards the end of January and February I think we've started again. I think you won't see the full benefit of this in February because the customers are still scaling up. March is when you will see the full benefit of the UPI business back on track that's number one.

Number two, as I had mentioned earlier we've created the entire card stack. The card stack has taken a bit longer to get activated, we now have customers. I think from March we will probably have the volumes of the first customer coming in on the card stack which is a prepaid card stack which is one of our key customers. There are three other customers who also signed up, but there are integration efforts happening.

So, I know for one customer we will definitely go live in March for the other customers we may go in April. Now depending on how the card business scales up, we'll have to figure out how to reach our target.

The existing business, I think we can try and solve for anywhere between Rs. 4,500 to 5,000 crores in March of GTV then we are working on a run rate of almost Rs. 60,000 to 65,000 crores for next year, just starting out. And then the growth of next year will help us take us closer to the Rs. 1,00,000 crores mark, that's the plan. But like I said right, there are these challenges that have come in, especially in UPI, depending on how that scale up happens and new product launch of cards are the two main sort of pivots on which we think this business will scale up.

However, the regular businesses continue to scale up. There's no issue with the other businesses. AePS went through a challenge that will come back because it still is a significant solution for rural markets. I think Central Bank and the regulators understand the importance of that which is why incremental checks and balances have been brought into the AePS business where now it's a two-factor authentication as against earlier it was only a single factor authentication. So, the regulator is bringing in incremental solutions, that's one.

Number three is we've also gone live on our account opening proposition. The account opening proposition we're working with three banks where we have economics which are based on just the fee economics and some sharing of float income, etc., that has been organized with the three banks and that business also is just about starting to scale up. I think there is some opportunity that will come that way.

If we are able to successfully navigate the entire artificial intelligence acquisition that we're looking at, I think there we will not only use it as a toolkit for our own use, but we will also sell it in the market as a solution for our partners. And if you really look at the more recent focus on KYC that the Central bank has been making, this really provides a solid solution for KYC solutions, especially in markets where you have limited connectivity and far out markets where documents are necessarily not very clear that much. Using AI technology, what has been built is a very, very smart solution for being able to activate AI and even things like Aadhaar masking, etc., is completely automated. So, we think all these new ideas, new thoughts are going to be the reason why we will try and push for our stated target of Rs. 500 crores and Rs. 1 lakh crores GTV.

Yash Modi: You have done a very good job of reducing our adjusted EBITDA losses to Rs. 1.5 crores during the quarter. Now with the UPI issues behind us and the loan book scaling up is it a fair assumption to make that Q4 will be our first EBITDA positive quarter?

Tashwinder Singh: I don't want to give you forward-looking guidance obviously the aim of the Company is to become profitable as soon as possible. So, we are doing everything including looking at our expenses and strategic elements of how we can reduce costs while trying to push the revenues up. So, the aim is to get there as soon as possible. This quarter has been satisfying. I mean, if you take the provisions out, on a PPOP basis we would have been positive anyway this quarter and if the PPOP, if the provisions come back then yes there is a high probability that we could be EBITDA positive.

So, the entire team is super focused on trying to get that done. I think it's a very important milestone for us and we want to get there sooner than later.

Yash Modi: And we stick to our guidance of closing FY24 with a loan book of around between Rs. 200 to 210 crores and if you could just comment on the way we are scaling up the distribution income, that will be my last question?

Tashwinder Singh: I think the loan book Rs. 200 crores I think is visible 200, 210 is absolutely visible. As you know, we have the liquidity to achieve that. We have partnerships, and we are anyway disbursing anywhere between Rs. 25 crores to 30 crores a month. Obviously, there are repayments that come in and they have the potential to scale up, but we are just being sensible in not just overloading on the lending board. We're moving sensibly because managing risk, as I mentioned earlier, is an important pillar of how we're building our business. So, obviously the revenue and the unit economics are superlative. So, there is some incentive we're trying to scale that up, but we're trying to do it sensibly, that's one.

I think on the distribution side again we've seen some pretty good traction; this is part of our CA network. We have more than 5,500 CAs that log into our platform NiyoBlu and NiyoBlu is a digital platform, where a customer can log in and apply for a loan. We have more than 30 partners that work with us. These are lending partners apart from Niyogin itself being a lending partner and our plan there is to keep making some fee income on the distribution of unsecured business loans. So, that business is going quite well. On an average, we typically make about Rs. 30 lakh to 50 lakh a month of gross fees. I think before March we should probably scale that up to at least 50% more than that target and then next year I think the number is going to be quite substantial.

The adoption of NiyoBlu also seems to be now getting done pretty nicely. As you know we have just launched NiyoBlu a couple of months ago and we are now seeing good traction on that platform as well.

Plus, I think there is incremental possibility of smoothening the process when we get the AI platform on boarded where the entire journey will become a lot simpler for the end customers. Further things are being done to keep scaling that up. I think it's an interesting business which we want to keep investing in.

It doesn't require capital significantly other than the employees that are dedicated towards that business and it's a fee-based income proposition so it's working well. So, we see, hopefully some positives of that side of the business as well, in the coming year.

Moderator: Thank you. The next question is from the line of Pranav Gupta from Aionios Alpha Investment Managers. Please go ahead.

Pranav Gupta: Couple of questions, just one on the continuation to the previous one. You mentioned that the provisions that we made this quarter are based on the results that the model throw up. I just wanted to confirm whether these are the provisions on the loan book that we have on balance sheet or against the receivables that we have to the banking partners that we onboard?

Tashwinder Singh: This number was related to the banking partners not about the loan book. This was referring more to the banking partners, which is on the iServeU balance sheet, not on the Niyogin balance sheet. This is not a Niyogin standalone issue. This is the iServeU thing, which is what we’ve had in the previous quarters also. There will always be a small ECL that will come in the loan book as you keep growing up the loan book as per regulations. There is a statutory provisioning that needs to be taken, but that’s not material. This is specifically referring to the iServeU receivables where we implemented this, under IndAS you’re supposed to have a ECL model for the receivables. So, that model has been implemented and basis the aging and the expected credit losses, a number is thrown up, which we are required to provide. I think that number, as the business grows, will keep moving up and down a little bit. We're hoping it will move down this quarter, which means that we'll show more recoveries this quarter and then as the business grows there will always be a small delta which will keep playing out on that side.

Pranav Gupta: Just to understand this a little better. So, if I understand this correctly what you mean to say is that as and when you keep on boarding new partners on the Banking as a Service business and the receivables keep growing with the GTV, you'll have to make certain provisions based on the ECL model for those receivables?

Tashwinder Singh: I think it's more penalizing when the aging is higher and lower aging there is very minimal penalty. So, for example, all the banking partners we have receivables that are typically less than 30 days. So, there's hardly anything that comes in. With other partners, where you're selling software or in the past we have sold devices, where there is always this need for them to say that let us make money on this business then we'll pay you. So, that leads to some level of delay at their end which is where these issues come in. Now in the past what we've done is, where we've had negotiations, we've done settlements and whatever the balance settlements are left, those have been provided for the previous quarter. This quarter is not like that. This quarter is about just the numbers that's coming up. These are existing customers where there is some ageing and therefore rightfully the ECL model throws up a number and we have to keep providing that.

Pranav Gupta: The second question was on the UPI bit. So, you mentioned that the issues that we had regulatorily based on some RBI requirements to sort of solve this quarter as in by Feb. Could you delve a little bit deeper as to what kind of solution we have implemented, whether it's based on the application of the PA/PG or something else, could you just throw some light on that?

Tashwinder Singh: No, it's not based on the application of the PAPG license. I think quite simply what we did was earlier on, I mean, I'll get a little bit of technical detail, but you can take it offline if you want. But just to give a quick summary on that, what we were doing earlier on was that we were having the nodal accounts and we were doing all the settlements right and the bank was only sponsoring our switch for UPI. We were doing everything top to bottom and we were getting paid a certain amount of economics for doing that. Subsequently, there was an interpretation taken that for doing that, to do all the settlements, to have the nodal account there is a need for a PA/PG license to be brought in. Now we took some clarifications from various market participants, etc., and we figured out that there is a solution to solve this which required a tech development of basically becoming the TSP to the bank which is the technology service provider. The bank then does all the settlements on their own, obviously we provide them with all the data and everything, but the bank formally does the settlement. So, there is no need for nodal account, but it's required to change the way the tech is oriented today and that's what took time. Obviously we needed to work with a few banks to get the agreements redrafted to allow for that and effectively in this business, we are now like a TSP technology services provider to the bank, but the good thing is that our economics are being protected because we are doing everything for the bank and the way we've been able to negotiate our economies continue to be protected and as far as the customer is concerned, the customer sees no impact.

Technically, the bank is doing what it's allowed to do, and we are doing what we are allowed to do. So, there is no infringement on any regulatory issue at all. This is an absolutely squeaky-clean structure which works well and just the implementation took time for two reasons.

One we needed to work with a few banks to revise all our agreements and think through the structure, get clarification on the kosher-ness of the structure and then build the tech to make sure that the system can be reoriented to allow for this to happen.

Pranav Gupta: Just one last question from my end, the NiyoBlu platform you mentioned, that we are doing about Rs. 30 to 50 lakh of fees every month. Where do you see this, given that you also mentioned a new partnership that you've on boarded, where do you see this over the next year or probably the next couple of years, what potential do you feel is in this?

Tashwinder Singh: So, I think NiyoBlu is a very interesting proposition. It feeds into both the distribution part of our business and into the lending part of our business. So, what happens is that when a Chartered Accountant is working with his MSME, his or her client, and they want to apply for a loan, they just go and put up on NiyoBlu stack tells them straight away whether you're eligible or not, tells you what amount you're eligible for. And the entire journey is fully digital, everything comes to us digitally and then we have a decision tree, again digital, where we can decide whether we should hold the loan in Niyogin, if it meets our credit norms, or should we just give it to one of our partners. So, there is what should I say, a decision tree analysis that's done and if it goes into a distribution partner, then we make the fee income. If it goes into our own goods we make some fee income, but we also make the lending income.

So, if I take only the distribution piece without talking about Niyogin holding that loan on his own books, that is the fee that I was referring to which was between Rs. 40 lakhs to 50 lakh a month. That number should very easily over the next quarter become a crore a month because this business is scaling up and the tech would also scale the business faster which is the whole point of doing it through tech, otherwise we could have just thrown bodies on the job. We're not throwing bodies at the job. We are throwing technology at the job and this year I think overall we would probably make between Rs. 4 crores to 4.5 crores of gross revenue. If we can solve for Rs. 10 crores, 12 crores next year I think that will be a good outcome as the first real year because NiyoBlu adoption, as I mentioned, is just taking place right now, it's only been 2 months, 3 months. If we can get to that as our first milestone, I think that will be a great outcome for us.

Moderator: Thanks Sir. The next question is from the line of Vishrut Bubna, an Individual Investor. Please go ahead.

Vishrut Bubna: Sir first question is around the PA/PG license, just wanted to understand that given that the UPI problem was solved, are we still contemplating going ahead with the license, given that I'm seeing a lot of market participants go for it and may give us incremental future products, so it could come in handy, I am just curious as to how we're thinking of that?

Tashwinder Singh: If you're asking me is there value in getting PA/PG license, absolutely no question about it. We're doing some work. I have a team that's working on actually mapping our full business strategy on what could we do if we had the license.

Now whether we have the license or we partner with someone who has the license. I think these are the things we are exploring, but you ask me is there merit in the Company getting hold of regulatory licenses like PA/PG, absolutely, there's no question about it.

Vishrut Bubna: And then just on the Banking as a Service app, just wanted to understand about like what has been the incremental customer addition in the last quarter like and the account opening products that you had mentioned earlier, is that counted under the Banking as a Service app or are these customers with whom we have the pre-existing relationships where we are up-selling more incremental products to?

Tashwinder Singh: So, I think the account opening is part of the Banking as a Service app because if you really think about larger clients that we have, they all want their customers to open accounts. Now, accounts could be actually for the retail outlet, or it could be savings account for the people that come and serve themselves in the retail outlet.

So, again we are only providing solutions and services to our partners who are then able to deploy this in their networks. So, Banking as a Service is part of the iServeU platform. No reason why it cannot be used in NiyoBlu, the opportunity is there. I mean these are things we are just thinking. For example, every time you give a loan, why can we not have the customer open an account with us and we disburse the money into the new loan account and have all the EMIs being paid from the new loan account and therefore promote the usage of the new loan account.

So, there are a lot of ideas and thoughts about what account opening can do for us across the entire platform, but the product was developed as a solution required by one of our large Banking as a Service partners and therefore we developed it and obviously once you get one anchor customer then you try and develop it and then try and sell it to all the other customers that are there. We’re also quite happy that we got three banks to agree on this platform with us. One of them is a very large bank and the other two are smaller banks, but nevertheless the solution works, and its unit economics are quite good, and we think the unit economics can be enhanced by deploying it in our own platform.

Niyogin can use it on a standalone basis as well, which we are not using today because we’re just waiting for the platform to become stable and get some volume under their belt and then we’ll be deploying it there as well. So, a lot of internal synergies exist as you bring these new propositions into the market, but we track the businesses separately which is why I don’t like to confuse numbers, etc.

So, I track whatever work gets done in the Banking as a Service platform or in the account opening, everything will get tracked in iServeU's numbers. If Niyogin lands up using that solution Niyogin will pay for using that solution to iServeU. If iServeU uses such solution that Niyogin provides for example, the AI platform that we are looking to acquire iServeU has a great use case for deploying that in their platform. They would pay Niyogin for using that solution. So, I think our philosophy is to use proper arm's length, so every team is suitably motivated and commercially focused and also therefore, compensated for providing solutions to other members within the same team.

Vishrut Bubna: And then next question just around if there's any update regarding the remaining stake in iServeU and how we're thinking of going about that?

Tashwinder Singh: I think no update really to give to the market just yet. We have got busy with a couple of M&A situations quite honestly and while we have signed a non-binding term sheet, there are a couple of others that we are actively looking at. So, that sort of took a little bit of a back seat and I want the business to start becoming profitable, but it's certainly on the cards at some point in time we will do it, but nothing to really report or update right now.

Vishrut Bubna: And then final question was just more like sector-wise on AePS, do you feel at least from the feedback you are getting from on the ground, is this slow down more because of the friction caused by let's say additional two-factor authentication of that ease of making the transaction has gone down or is it just a migration through UPI an area where AePS was earlier having a lot of high volumes?

Tashwinder Singh: No, I think the AePS story is a little more complicated. I think it all started when there were more frauds happening in the AePS network and this was in the public domain where I guess in some part of Northern India, there were some land records stolen or sold with the results that people got hold of the fingerprint data and the Aadhaar data and they were able to create these small stickers on fingers and go and start withdrawing money. So, AePS actually the UIDAI did two things. One, they actually gave individual consumers like you and me the option to go and switch off AePS so no one can use your data which I suggest if all of you haven't done it, you guys should do it because it will protect your data. Number one no one can use your account by cloning your fingerprint that's one. And the second thing that happened was that the regulator reacted pretty quickly and started creating the two-factor authentication which means you required a cell phone or SMS for the AePS transaction to get done.

Now you will remember the big success of AePS was because it just did not require anything. You could walk into a store with nothing except your fingerprint and the Aadhar card number and you did not need a physical phone etc. Now SMS does not require a smartphone. So, the proliferation of non-smartphones is almost 100%. Therefore, that doesn't hold back, but surely anytime you add a new process or a new leg into a process there is some slowdown that happens. Also, I think there was some concern, people got worried whether the frauds that have happened, banks got worried in terms of trying to not push the product.

I think the regulators are still very focused on trying to push the AePS proposition because it is in my view, I think it's one of the best innovation we've seen as far the financial inclusion is concerned. So, protecting that innovation making sure fraud controls are in place, etc., are very important for this business to scale up. So, we are, I think, ahead of the curve on all of that in terms of building our fraud control mechanisms etc. So, I think the volumes will come back, but there's been a slight slowdown every time there is a little bit of a hit like this there will be some slowdown. I'm talking about the industry overall. So, we'll see how that goes, but I still think the product is extremely relevant from an India standpoint.

The other good thing or other corollary benefit of this is that the micro-ATM business will start taking off in a big way, which is again one of the big products. So, because people still need to withdraw money, people still need to find ways to work and get liquidity in their hands. So, if AePS slows down, micro-ATM is a fully secured product because you're using the card to withdraw money. So, it will again propel the cards business, which by itself has a significant upside for us. So, as far as I'm concerned between AePS and micro-ATM it's like a balloon with some water you press one side the water goes to the other side. So, as long as we can capture the volumes between the two, I think we're easy anyway, the economics are similar for us and so it works well. So, not a big issue for us, I think this will come back in a big way.

Trivenika Avasthi: If I can just add to that why the AePS volumes overall in the industry are getting impacted, it's because for a lot of these issuer banks, these AePS transactions are actually a cash drain. So, what they've gone ahead and done is imposed restrictions on the amount of cash that you can withdraw. While NPCI does not have those limits in place because of the economics of these banks, they've also made AePS a little difficult for the user to use and while NPCI and these banks are currently in discussion to figure out a way how to make the economics work for both sides, the fact is that this point in time, the issuer banks, because it's a cash drain, they would disincentivize users from using AePS. So, that's also having a little bit of a negative impact on the overall industry volume apart from other reasons.

Moderator: Thank you. The next question is from the line of Nikhil Kumar Agarwal from VT Capital. Please go ahead.

Nikhil Agarwal: I have two questions number one if you could talk more about the M&A deals that we are looking at, what M&A deals we have in the pipeline what we are focusing on like you mentioned?

And secondly, in order to achieve a Rs. 200 crores loan book by year end we have to show a 25% year-on-year growth in the Q4 of this financial year and we have been showing 15% - 17% kind of run rate. So, are we confident of achieving 25%, if yes, how? Just these two questions.

Tashwinder Singh: So, I think on the M&A side, if you look at our presentation, we've detailed out one slide on the AI strategy for our Company. So, I would urge you to go through that slide. It's on the public domain, it's on our website, it's on the BSE website as well. I think the first transaction that we're doing, we've already put out there that we've signed a non-binding term sheet with the Company to acquire a platform which is again an AI-based platform where we will get the toolkit and we will get the team. So, I am going to get a bunch of AI engineers as part of the whole thing, who will then become part of our development team and we will get the technology along with the current set of customers, etc., revenue all the other nice things. We think we can significantly scale up what this smart young engineers have built. So, that's point number one. We're hoping to get this done in this quarter. So, fingers crossed on getting that across the line. We are in the midst of diligence as we speak.

Other than that there are a couple of other acquisitions where we haven't really shared anything in the public domain, but I can't really talk about it except that these are all situations where we think they are good bolt-on ideas and suggestions or businesses which either gave us access to technology or access to a client base that we otherwise don't have access to. So, that's really the driver and obviously there could be potentially businesses where we could also get access to some licenses, which again will require us to go back to RBI and take permission. So, those transactions may take longer to close, but as we get closer to any of those, we will announce that in the public domain, we've been fairly transparent in what we're doing with the street and we have the capital, we have the wherewithal, and now we have a business that's scaling up. So, some of these solutions will anyway have some synergistic play within what we are doing, but more importantly they will also bring with themselves their technology, their customers and hopefully expand our product stack which we can then cross sell into our customer base, that's the way we're thinking about M&A, I mean I can't really share names, etc., at this point in time, so that's where we are.

On the second piece Nikhil you're right. I mean, there is significant growth expected next year. Like I mentioned, there are some new products that have been launched between the cards product and the UPI coming back and the account opening product. So, there is optimism on how these products will scale up. I mean no one has a crystal ball to give you accurately where this will come out. When we created the Rs. 1,00,000 crores target for ourselves, we did that 3 years ago, when we were like a Rs. 8,000 crores GTV number and that's when we set a target for ourselves because the Company needs a North star. Everybody working in the Company needs a North star and we were very transparent in going and sharing it out with the street saying that that's what we are going to shoot for. I'm still optimistic we will achieve that target and some of these new products, some of the challenges which one can never foresee like the UPI challenge we have, are issues that are coming our way, but we are dealing with it, slowly and steadily. We are dealing with all the challenges that are coming our way. So, we remain optimistic depending on how the new products play out. The current businesses will grow, but getting new products in, is important, getting new partners in, is important because we can get multiple scale jumps as we get a new partner. Like we got one partner, for example, last quarter who just gave us Rs. 500 crores a month of GTV. So, getting a couple of these large partners closed I think is very important. So, there is efforts happening at multiple ends.

There is new product proposition, there is existing partners who are scaling up their networks and then we are getting new partners who have networks but are willing to come to us because we are able to offer them either better economics or better tech or better lead time for closing the transaction, like when you're doing your transaction how long does it take for you to actually get the deal done and what is your downtime. All those things become relevant for customers as they think about working with us. So, it looks positive, it looks good. We are quite optimistic and excited about it.

Nikhil Agarwal: My second question was more on loan book and less of GTV because I don't think for such a tech enabled Company GTV is going to be an issue. What I'm concerned about is us achieving a 25% year-on-year growth rate by Q4 in our loan book which we have not seen yet. So, my question was more on loan book. So, are we confident of achieving that kind of growth rate for a Rs. 200 crores loan book?

Tashwinder Singh: I'm sorry, but your voice is absolutely, there's too much static. I don't know if anybody else, Trivenika did you catch the question then you can just tell me. I'm happy to answer, but what I got was you were concerned about the GTV of iServeU whether that will scale up, is that correct?

Trivenika Avasthi: Based on my understanding, are you concerned about how Niyogin's lending piece is going to scale up?

Nikhil Agarwal: Yes.

Tashwinder Singh: Yes. I sort of misconstrued your question thinking about the GTV. So, the lending business is actually the easiest to scale up because how do we do lend right. I mean if you look at the lending slides, we put on the deck our lending strategy. We do not have any branches, we are not going there acquiring customers. We don't have any significant sales on the ground to go and acquire customers. A lot of our customers come in because we have partnerships and we've given examples of partnerships like Khatabook, etc., that has more than 5 million downloads, and they want to lend in their network and we are working with some of our partners like Khatabook to create lending programs which are jointly underwritten where there is some level of credit and return sharing that happens with them.

Now, in that network it's really up to us on how much exposure we want to take. We have more than 8, 10 partners, I talked about Karma Life as a new partner that's come in where we are lending in their network. They do the origination, they do the collection, we do the underwriting and then we have an economic and risk sharing on how that plays out.

So, because we are partnership led rather than going and acquiring every single customer as we acquire customer, we get a significant number of customers. So, as we acquire a partner, we get a significant number of customers. So, like I said we are anyway scaling, we are doing about Rs. 25 crores, 30 crores of disbursals every month today and we've just about barely started our borrowing program. So, we are taking leverage now to scale to the number. I think the Q4 target of Rs. 200 crores seems in the vicinity, I don't think that's going to be a challenge. I think next year we could easily get to between Rs. 400 to 500 crores on the lending side. Again, like I said we are not jumping at it, we are going in a very calibrated manner. To some extent people may argue that we are being very averse in terms of the risks we're taking. But I think it's okay, the returns are pretty good. We're solving for high-teens and so it's looking pretty good right now. I think scaling up, there is just a question of getting more partners in, rather than opening up large branch networks, etc., which a traditional NBFC would land up doing that is not our thought, that's not how we're doing this. We are using technology and we're using partners and their network to be able to do the lending business effectively.

It's a very differentiated model. I don't know too many other people who are doing this in the way we are doing it. I'm sure there are people who are doing it, but we don't know too many other people and it's very interesting because we start thinking about other FinTechs and other NBFCs that want to do co-lending with us. I think we have a long list of people who want to work with us, which I think is interesting. We're just biding our time on figuring out who and what we want to work with.

Moderator: Thank you. The next question is from the line of Pranay Khandelwal from Alpha Invesco. Please go ahead.

Pranay Khandelwal: I just wanted to know if you can give us a timeline on the SuperScan deal, like how long will the diligence and all that might take, if everything goes by the plan, when can we see them being integrated in our tech stack?

Tashwinder Singh: I think like I said my motivation is to try and wrap it up this quarter. So, of course we need to go through some level of the process that will follow. We'll complete our diligence in the course of the next week or 10 days. Post that, we need to go through the process of taking shareholder approval, etc. So, that itself will take a bit of time. It'll take about 25 days, 30 days. But the integration and all will start happening anyway, the moment we are done with diligence and everything. We anyway try and becoming a client and we can deploy the technology any which way right, it doesn't need for us to buy. For the assessment and the benefit, we could include it in our platform, to sell that as a solution to a third party obviously we will need to make sure that the platform is under our belt before we can sell it to a third party. So, I'm hoping before the end of the quarter we are able to announce this. We are already in mid-February so I am talking about the next 30 days, 45 days we should have this under our belt.

Moderator: Thank you. As there are no further questions from the participants, I would now like to hand the conference over to the management for closing comments. Over to you.

Tashwinder Singh: Thank you all for joining our call. We are operating in a fairly exciting space; exciting space will also lead to certain challenges which, touchwood we've been able to sort of deal with and we are very optimistic in the way things are. Please keep listening to our story. I think there's a lot to be told, there's a lot to be done in this space and thank you again for taking your time out and listening to us this morning. Have a good day.

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