Date: February 06, 2025

To,

National Stock Exchange of India Limited Exchange Plaza, C-1, Block G Bandra Kurla Complex Bandra (E), Mumbai – 400 051	BSE Limited Phiroze Jeejeebhoy Towers Dalal Street, Mumbai – 400 001
Symbol: MOBIKWIK	Scrip Code: 544305

Sub: Transcript of the Earnings Conference Call for Analysts and Investors conducted on February 04, 2025

Ref: Disclosure under Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Dear Sir/Madam,

Pursuant to Part A of Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we hereby provide the transcript of the Earnings Conference Call for Analysts and Investors conducted on Tuesday, February 04, 2025.

Enclosed is the transcript of the Earnings Conference Call, which is also hosted on the Company's website at https://www.mobikwik.com/ir/financial-statements

This is for your information & records.

Thanking you,

For One MobiKwik Systems Limited

Ankita Sharma Digitally signed by Ankita Sharma Date: 2025.02.06 16:16:30 +05'30'

Ankita Sharma
Company Secretary and Compliance Officer
Membership No.: A37518

"MobiKwik Q3 FY'25 Earnings Conference Call"

February 04,2025

MANAGEMENT:	**MR. BIPIN PREET SINGH – MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER, MOBIKWIK** **MS. UPASANA RUPKRISHAN TAKU – CHAIRPERSON, EXECUTIVE DIRECTOR & CFO, MOBIKWIK** **MS. KOMAL SHARAN – HEAD-FINANCE, CORPORATE DEVELOPMENT & IR, MOBIKWIK** **MR. ANAND KUMAR – VP-CORPORATE DEVELOPMENT & INVESTOR RELATIONS, MOBIKWIK**

MODERATOR: MR. NEEL MEHTA – INVESTEC CAPITAL

Moderator: Ladies and gentlemen, good day and welcome to the Q3 FY25 Earnings Conference Call for MobiKwik hosted by Investec Capital.

As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing "*" then "0" on your touchtone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Neel Mehta from Investec Capital. Thank you. And over to you, sir.

Neel Mehta: Yes. Thank you, Sagar. Good evening, everyone, and welcome to the Maiden Earnings Call of MobiKwik.

We have with us Mr. Bipin Preet Singh – the Managing Director and CEO, Ms. Upasana Taku, who is the Co-Founder and CFO and Mr. Anand Kumar, the Head of Corporate Development and Investor Relations joining us today.

Without further ado, I'll hand over the call to the "Management team for their Opening Remarks," post which, we can open the floor for the "Q&A." Thank you. And over to the team.

Upasana Taku: Great. Thank you. Neel. Good evening, everyone. This is Upasana Taku, Co-Founder and CFO of MobiKwik.

It's great to be doing our first earnings call today. As you all know, we had worked extremely hard last year and for the last few years to accomplish our IPO. In fact, I am very elated that in 2024, the only fintech to get listed in India was MobiKwik. Now, with the successful listing on 18, December '24 behind us, we are all excited about the future. I can tell you one thing, Bipin and I are equally kicked about the India fintech opportunity today as we were in August 2009 when MobiKwik was started.

I'll take a few minutes to describe a few things about MobiKwik, and then we will definitely answer all of your questions. The first thing I want to talk about is how we work, what we call our DNA. I would like to highlight that without raising any equity, MobiKwik went from 300 crores revenue and negative 100 crores EBITDA in FY'21 to about 900 crores in revenue and 37 crores in EBITDA in FY'24. That is a 3X revenue growth and a full year of profitability in FY'24. This is what we call our DNA, which is chasing profit and growth via frugal innovation.

Now, the IPO has given the company access to 572 crores in capital, only at the end of 2024. This is definitely the first large equity raise for the company in the last 3.5 years. We have just started thinking about how to allocate this money in a prudent and smart manner so that we can double down on the existing lines of business, while also investing in new business lines, that will create upside for the future.

One thing I can assure you is MobiKwik will continue to execute in the same heads down frugal manner as we have been with the same DNA of chasing profits and growth with an extremely high bar for governance.

To say a few things on the platform side, I am pleased to inform you, today, MobiKwik based on publicly available data, is the largest wallet player in India, is the fifth largest player on the Bharat Bill Payment (BBPS) System and 16th player in terms of the UPI. All these numbers are based on GMV.

In terms of the scale of the platform, we are today with 172 million users and just shy of 5 million merchants. We are adding healthily five million users every quarter, approximately 20 million every year.

On the merchant side, we are adding about 1 to 1.5 lakh merchants every quarter. And all of this we are doing at industry low cap Of course, we know that we are very small on the merchant side, but we are focused on scaling this up because on a long-term basis, we see huge amount of value in building our own merchant network.

On the product side, now, this is the most exciting thing, both Bipin and I are product people, so we love working with our product managers and engineers on building innovative new products and features for our users and our merchants.

You might have heard just recently we announced that MobiKwik is now the First Fintech to do a Full-Scale Production Launch of India's CBDC Project with the blessings of RBI and in partnership with YES Bank. This is a production launch, which means it's available to all android users. I would urge you all to download the MobiKwik app and try the e-Rupee CBDC wallet.

Further, on the payment side, we are also focused on scaling up on the UPI side of the business. And to that extent, Pocket UPI and Credit Card on UPI are the two chosen products that we are trying to work hard to scale up for growth. Pocket UPI is nothing but PPI on UPI or pay with your wallet on a UPI QR deployed by any bank or any payments company. This is something that we have started working on in 2024 itself and we are seeing strong growth here. Interestingly, PPI on UPI also commands MDR.

Similarly, we have a Co-Branded RuPay Credit Card that we are currently in beta with on our app and we expect to open it up to the public quite soon. This RuPay Credit Card will allow us to capitalize on enabling users to use small ticket credit for their spend everywhere on UPI, and also this is also an MDR generating product. So, we are looking at these two products as growth levers.

Coming to the “Distribution of Financial Product Side.” Of course, in the lending side of credit distribution, we are focused on balancing our portfolio by adding new products, some secured products, some innovative new products, adding new commercial models, which means not only doing DLG-based contracts but also doing lead gen-based, risk-free contracts and also onboarding new partners. We also have some other early opportunities over here.

On the “Savings Side,” we have our product Lens.AI where we have made substantial investments and we can see millions of Indians understanding what's happening with their money in their bank statements in terms of the investments that they have made. We are thinking of this product as a way for a digital advisor for the masses of India, which then dovetails in enabling us to help them, invest via MobiKwik app into mutual funds, into fixed deposits, into digital gold and several other products that we will add there.

Similarly, we also have the “Insurance Distribution License,” which we are yet to launch, but in 2025 this calendar year, we expect to launch that also. So, savings and insurance distribution are two early opportunities which we intend to grow this year.

In terms of the “Regulatory Update,” we have three RBI licenses; the PPI Wallet License, the (BBPS) Bharat Bill Payment License and the PAPG License in our wholly owned subsidiary's Zeak and then we have the CA Insurance License from IRDA and RIA License from SEBI. All of our licenses are current with no adverse action reported from any regulator.

Now, coming to the "Financial Update Side." In the nine months FY25, we have exceeded the full year FY'24 revenue. So, whatever we do in Q4 is now upside.

The beauty of our platform business is, interestingly in FY25 nine months, 73% of the revenue, that is about 555 crores has come from the payments business and in the full year of financial year '24, it was actually quite opposite, where 70% of the revenue had come from distribution of financial products.

The substantial growth in both payment GMV and revenue that we have achieved in the nine months of FY'25, I am quite delighted that we have achieved this GMV and revenue growth with an industry-leading gross margin of 19%.

In the distribution of financial products business, we have done 346 crores in terms of nine months revenue, which is higher than the full year FY'24 FS revenue of 317 crores. However, of course, on a quarterly basis, we see that there is a decline. This decline is mostly driven by sectoral headwinds and we see green shoots and we expect that disbursals will come back to the same level as FY'24, which will result in stronger margins and bottom line performance in the quarters to come.

Finally, in terms of the "Future Outlook," what I can tell you is that fixed cost in Q3 are in check in line with what they were in Q2. We will continue to further optimize them even as we scale our businesses so that operating leverage will eventually kick in. We will bounce back in the distribution of financial products, we will launch the new insurance and savings businesses I spoke about, and payments of course keeps growing at a very nice clip.

With that, I would like to end our opening remarks and pass it back to Neel.

Moderator: Thank you very much. We will now begin the question-and-answer session. Anyone who wishes to ask a question may press "*" and "1" on their touchtone phone. If you wish to remove yourself from the question queue, you may press "*" and "2". Participants are requested to use handsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. Again, if you wish to register for questions, please press "*" and "1" on your touchtone phone. Our first question comes from the line of Piran Engineer from CLSA. Please go ahead.

Piran Engineer: Yes. Thanks for taking my question and congrats on the listing. My first question really is on your financial services take which has gone up 6% to 10% QoQ. Can you just guide us as to what the drivers of this are -- is it mostly the FLDG agreements and what is the sort of outlook on this?

Upasana Taku: Piran, thank you for the question. In terms of the financial services take rate, it is effectively also slightly in this quarter a base effect, as you would have seen the revenues in the financial services are lower compared to last quarter and therefore mathematically the take rate is higher, but on a longer-term secular basis, the take rates that we are in this business can be the 5% to 6% ballpark, which is what we've guided to earlier in the past as well.

Bipin Preet Singh: And also, if you see the disbursement, from the smaller ticket size and the larger ticket size, the disbursement contribution of a smaller ticket size has gone down as compared to the larger tenure, so better margins take rate.

Piran Engineer: Okay. So, it's also a mixed thing. And what percentage of our disbursements are also covered by FLDG given by us?

Upasana Taku: So, look, this is the first full quarter impact of the DLG contracts. So, I would say roughly going forward the pretty much all the contracts are under FLDG now, which is something which the industry is also moving towards. If I look at it as a percentage of my overall portfolio, then roughly a shade under 40% would today be under FLDG. So, there will be a period of seasoning and period of time which all contracts will kind of move towards FLDG, but today, that number is lower.

Piran Engineer: That's helpful. And then secondly, you mentioned that MPR on PPI on UPI. Ballpark, how much would that be?

Upasana Taku: Yes. Hi. So, based on what we have seen from notifications from NPCI and industry bodies, it is expected to be somewhere in the range… we don't know where it will land, it is not finalized, but discussions are ongoing, I think it could be anywhere in the range of up to 1%.

Piran Engineer: Okay. And just lastly, your initial thoughts on the cut in budgetary allocation to UPI incentives from 2,000 crores to 400, 500 crores. Is this a precursor to MTR coming back on UPI, just some initial thoughts would be useful? Thanks.

Upasana Taku: So, I think first thing we want to clarify is that currently we do not receive any UPI incentives or subsidy and in our FY'24 and FY'25 revenues, there is no contribution even a one rupee coming from any UPI incentive or subsidy. So, to that extent, we are not necessarily impacted. However, we do expect that whatever are the budgeted annual incentives available, we expect that in the future, we will also start getting our proportion.

Komal: I think just to add to what Upasana is saying, in any case, the projections or business plan or business model is really not basing itself on incentives, I think we continue to drive profit growth irrespective of that and any incentive coming that will be of upside.

Piran Engineer: No, that's fair. I was just thinking would it be the restart of MDR on UPI after five years?

Bipin Preet Singh: Sorry didn't get. Can you repeat that question?

Piran Engineer: If the government is not going to or is reducing its budgetary allocation, is it a signal that they would restart MDR on UPI going forward?

Bipin Preet Singh: Yes. So, hi, this is Bipin here. So, we can't say for sure with respect to UPI, MDR overall. But, as you know, today, there is MDR applicable on RuPay Credit Card which is currently already active in the system in the UPI. And for the PPI, which is where we leave, it's also something that is already being agreed. I think it's not live yet, it's going to go live hopefully very soon. Industry discussions are at a very, very late stage. And that is what Upasana was telling that discussions are going on, whether it will be 1%, 1.5% or slightly lower. These definitely are part of the UPI ecosystem or we will be generating MDR. On the core bank UPI, MDR, I think there is no clarity yet in my view.

Piran Engineer: Understood. Okay. This is helpful. Thank you and wish you all the best.

Upasana Taku: Thank you, Piran.

Moderator: Thank you. The next question comes from Raghav, an individual investor. Please go ahead.

Raghav: Hi, thank you for taking my query. I just came across your disclosure on a waiver agreement which you had signed with one of your partners. So, you had foregone revenue of around 24 crores and expenses of around 42 crores were reversed. This is for Q2 and for Q3 you had seen a reversal of expense of around 24 crores. Could you shed some more light on the nature of these adjustments, and in case these adjustments were not factored in, what your revenue and EBITDA would look like?

Komal: Sure. So, look, sometime in Q2 of last year, RBI came out with updated guidelines on digital lending, pursuant to which the relationship between MobiKwik as the lending service provider, the end customer and the credit or capital provider changed. And to that extent, the contours of our contracts changed and therefore unbilled revenue and unbilled accrued cost that we had already taken in our books were reversed pursuant to such changes. If you look at the disclosures, I think you can calculate the numbers directly. We've given the revenue reversal also as well as the cost reversal for both the quarters. In this quarter, there's no revenue reversal, only a cost reversal, in the previous quarter there was a revenue reversal as well.

Anand Kumar: So, if you see our contribution margin in Q2 also, in this quarter also, so we have given the actual numbers and the adjusted contribution margin for Q2 last quarter result and in this quarter also we have given adjusted contribution margin.

Raghav: Understood. So, is my understanding right that if these adjustments were not factored in your EBITDA would be revised lower by that much amount, for instance, 18 crores in Q2 and 24 crores in Q3?

Komal: So, look, in a way, these are costs that we had accrued for already, right? So, if you see on a nine month basis in one quarter versus the other, we had factored in those costs. But yes, mathematically if you were to just adjust it in that quarter, then what you are saying is correct.

Anand Kumar: But if you see the nine month number, the number that we have shown on the first slide that will not be impacted. So, the 33 crores number that we have shown EBITDA for the nine month will remain same.

Raghav: Okay. And you had mentioned about sectoral headwinds in your ZIP and ZIP EMI products and you also have these FLDG arrangements. Just wanted to get a sense of what the delinquency rates are on these various loan products that you have given that you provide guarantees to your lending partners, if you could probably give a sense on that? And the other thing is ZIP EMI is a product, you are scaling down ZIP is what I am given to understand given your PPT. So, ZIP EMI, any reason why the disbursement in ZIP EMI also fell? You recently announced an arrangement with Piramal.

Komal: Sure. So, let me maybe take your second question first. In terms of the ZIP dispersal, you are right, I think that has fallen, but the focus on scaling back has been more on

ZIP EMI and not so much on ZIP. I think in general the reason for the scale down is because of the broader environment. And I think if you look at the unsecured lending space in India, that continues to have little bit of regulatory softening as well as softening in the market and given that we are effectively working with partners who are going slow in this space, consequently, for us also the distribution of this product has been slower this time. On your second question, I would say that if you look at a lending related expenses, which is something that we report. Then all through last year if you look at the numbers again, we've reported these numbers that expense tended to be in the 3% to 4% range. Now, if you see that expense is more in the 9% ballpark. This expense is a combination of the credit cost as well as other cost, direct cost relating to lending such as underwriting, collection, etc., to some extent and therefore this subsume the expected delinquency in our portfolio. I would also add to say that mathematically this number again is higher this quarter because of the lower revenue base. But broadly, if you look at the nine months, 12 months trend, that is where our delinquencies are.

Raghav: And if I may get a sense, because if you are entering into revised FLDG contracts with your various lending partners, now, how would your contribution margins look like post the new contracts versus what they were earlier with your lending partners, would there be a massive difference, high or low, I mean, just to get a sense?

Anand Kumar: So, if you see our contribution margin, we have shown it for Q3 and Q2 also if you see in our last presentation roughly was 48% in Q2. So, even though the nature of the contracts are changing, but the net we make is similar on a net basis, which is roughly 4% to 5% on a larger tenure product, which is the EMI. So, although the nature is changing but our net will remain same.

Raghav: Understood. And you also are replacing your ZIP product with the FD backed product. Do you see any major changes to your contribution margin because of that change?

Upasana Taku: So, the ZIP product is scaling down as you can see for the last two quarters. The new secured credit card product that we are trying to use to offset that, is currently in beta. So, it is not available at scale to all of our users. We expect to take the product out of beta and make it live on production for all users fairly soon. And the MDR RuPay Credit Card is already there as you are aware. So, to that extent, we don't necessarily see the economics of the overall business changing much, but we have to wait for the card to scale up.

Raghav: Understood. And one last question. So, you have entered into these recent contracts for the FLDG. Now, because you have roped in new partners, any color on your partner wise the AUM concentration top two, top three, something on those lines for your ZIP and the ZIP EMI products?

Upasana Taku: Yes, but before I answer that, I just want to add one more thing. On the secured credit card product, which we were just speaking about, an additional point to mention is because it's a secured product, therefore, there will be no credit cost on that, because it's a fully secured FD-backed credit card. Now, coming to your question on why DLG contracts are new. I just want to explain that a few years ago, digital lending guidelines came. Prior to that, people were doing loss guarantees of any nature, whatever was viable to two partners commercially, then the digital lending guidelines came from RBI which said that no loss guarantees are allowed and that remained in force for one year, and then one year later, sometime last year in '23, it came out that loss guarantees up to 5% are allowed, and the final FAQs on that only came out in the summer of '24. So, it is not just MobiKwik, but in fact all digital lenders who are platform businesses, all of the new DLG contracts are only coming into play now somewhere in the August, September '24 timeframe, because FAQs only came in April, May from RBI. And there is no significant difference in these contracts from our previous contracts other than the fact that because of up to 5% loss guarantees the recognition of revenue is slightly lower in the initial period, and the recognition of cost is slightly higher in the initial period. And this is why you will see the one-time change in the financial parameters of this business. We expect that this will season out over the next few quarters.

Raghav: Understood. And just one small thing. What is wealth AUA? I just saw that in your KPI financial services, what does that pertain to, around 11,000-odd crores of AUM?

Moderator: Raghav, sir, may we request you to return to the question queue?

Raghav: Yes. No problem, no problem.

Moderator: Our next question comes from the line of Rushabh Doshi from Nirmiti Investment Advisors LLP. Please go ahead.

Rushabh Doshi: Yes. Hi, Upasana. Congratulations on your successful results. So, I had questions relating to MDR on the payment side. So, currently are we receiving any MDR on Pocket UPI?

Upasana Taku: Not yet. We're not currently receiving any MDR on Pocket UPI.

Rushabh Doshi: So, like could you just help me, explain like because I had read that NPCI had recommended in March 2023 that they are starting to allow MDR on BPI using UPI as a transaction method.

Bipin Preet Singh: So, yes. See, there is already, like I said already an agreement across the ecosystem that there will be an MDR not on all UPI transactions, but a subset of UPI transactions let's say above a certain ticket.

Rushabh Doshi: About 2,000, yes.

Bipin Preet Singh: That's again still under discussion. But like a broad parameter which has been agreed is about 2,000, there will be a charge of 1.1% for all P2M transactions. However, I think that is still in the final stages of agreement across the multiple stakeholders and we do expect that it will become real in a short period of time.

Rushabh Doshi: Okay. So, Bipin, I just wanted to understand like if we are able to let's say charge hypothetically next year and MDR on Pocket UPI, so how much our mix comes from Pocket UPI versus normal volume?

Upasana Taku: So, we are not really revealing the break up. The overall payment GMV is available, and a blended take rate is available in terms of the financial parameters disclosed. You can be assured that it will only add to this.

Bipin Preet Singh: Yes. We can directionally tell you that there is a strong push in the UPI ecosystem for usage of PPI and I am not sure if you are following the things and the reason for that is it takes a lot of load away from the core banking system, it's safer from a fraud and a security point of view and MobiKwik is leading in that front because we have invested in creating the entire infrastructure for doing KYC and the wallet and a lot of people join MobiKwik and just to use its wallet and then end up using Pocket UPI. So, we do expect that it will benefit us in the long run in a very sustainable way. So, we are pretty bullish on this.

Rushabh Doshi: Got it. So, I actually asked because according to my knowledge HDFC Bank has started charging MDR on PPI via UPI. And my second question was that, we benefited a lot after PayTM was forced to shut down their wallet business. So, assuming that they get back their wallet license in one or two years, whenever that happens, what impact are you expecting like **(Inaudible) 29:30** switch back and in worst case what should we expect?

Upasana Taku: So, just want to inform that even prior to the debacle of a competitor, if you look at our numbers for the last several years, you will see that the payments GMV has been growing at more than 100% for several years. And in of course, in this year, we have grown 3X. So, what I can tell you is that we don't expect that there will be a significant impact for any new player joining the ecosystem, as you can see, many more people are applying now for wallet licenses.

Rushabh Doshi: Correct. I just had a last question like for the product of ZIP, so do you think that it's more of the current environment in terms of headwinds or it could also be possible that maybe a 5,000-ticket sized product is very difficult to run and be profitable in the long run like across credit cycle?

Upasana Taku: Yes. So, just briefly I wanted to say that a small ticket product at 5,000, 10,000 ticket size might be non-profitable for traditional players, but for a digital player like MobiKwik, we were making good margins on that product also and we were scaling it at breakeven profitability. Now, we don't believe that it is the profitability that is resulting in the scale down of this product, it is more that there is a lower appetite amongst lending partners to do such a small ticket product. So, that is why we are moving away to a co-branded RuPay Credit Card.

Rushabh Doshi: Okay. Sure. Yes. Thanks. That's all for my side.

Moderator: Thank you. The next question comes from Rahul from Dolat Capital. Please go ahead.

Rahul: Yes. Hi. Congrats, MobiKwik team on the successful IPO. I have one question pertaining to this usage of funds. So, I understand that bulk of it might have come from November to December and just wanted to understand, are we still on the planning mode in terms of the deployment or we have started deploying that towards the device, CAPEX plan that we had and toward the DLG portfolio allocation that we had and the user acquisition side, have we done any ramp up on those elements? And the whole logic of understanding those things is to understand when we should start seeing benefit of these investment to show up on our growth?

Upasana Taku: So, yes, I think in terms of the money raised via the IPO, I think that literally we just completed it at the end of December and we are just one month out. The capital is not yet deployed per se. Of course, the company has been making investments even prior to the IPO in terms of how we want to scale up new business lines or new products and that continues to be the case. But specifically, the capital raise in the IPO is not yet deployed. In fact, the only thing that has been even withdrawn from the IPO account is just the (GCP) the General Corporate Purpose. I can tell you that we will start making investments in the areas that we have already mentioned in our prospectus and we hope that the outcome will start playing out in the upcoming quarters and years.

Rahul: Right. And from this waiver agreement, is it safer to assume the bulk of those realignments are behind us or we might see some bit of it also coming in the subsequent quarters from now?

Komal: So, Rahul, we would see the bulk of it is behind us, of course, there could be small amounts going forward as well, but broadly it is all behind us.

Rahul: And to understand this slightly better, last time we had both in the revenue and cost side, this time it's more on the cost side alone. So, is there a balance on those number or it is unrelated that way?

Bipin Preet Singh: No. The last quarter had revenue impact also because by the time the guidelines had come in, there was unbilled revenue, but after that of course the revenue billing itself stopped. So, yes, there is no balance as such, but that was the reason for having the revenue also last time.

Rahul: Sure. Sure. And generally if Upasana or Bipin could talk about how you are seeing the financial services business? There is a certain change in the portfolio overall both on the EMI as well as ZIP EMI and as well as the ZIP side. And there is a commentary that you have mentioned about how the market looks like. So, from a two to three-year perspective from this point, what is the right way to look into this market that from our current base of GMV in that business, what is the right way to think about in terms of growth prospect, will the DLG, as you said in your comment earlier, would be the way forward and does the take rates should remain high at double-digit level or I think there was another remark that this might come off. So, both in terms of GMV growth and take rate on the financial services colors on that will be of great help. Thank you.

Bipin Preet Singh: So, great question. Let me answer this. See, long term, we are long on distribution of financial products if you understand what I mean. In India, there is a huge demand for financial products and access is limited especially when you consider people who are living in tier 2, 3 and beyond. Because of the limitation of the physical branch network engine just a general friction in access to financial products across the masses of India. And these masses are people who, let's say earn from Rs.2.5 lakhs to Rs.10 lakhs or up to Rs.12 lakhs currently who are not even going to pay tax as per the latest budget. But the problem is that these people we believe are not necessarily well served when it comes to access of financial products, at the same time, they all have started transacting digitally and they are creating a digital footprint, so they are on app like MobiKwik. Basis that it's pretty straightforward to figure out what their financial needs are. It could be a credit card, it could be loan, it could be how do I invest a small amount of money, do I invest it in gold, do I invest it in fixed deposits, which bank will give me the highest fixed deposit, do I have to go to that branch or can I do it through MobiKwik app. Now, all the distribution models have healthy margins, whether it is loans or savings. And so we think that we are sitting in a very good time taking the long-term view and these seasonalities will exist in terms of unsecured lending going up and down or some regulatory changes. But if you think about distribution of financial products, we are extremely bullish long-term across not just lending but also savings and investment products, for example on MobiKwik app today, you can book fixed deposits for some of the small finance banks and it can give you 9% return. The same thing wouldn't have been available to many customers who wanted this. Otherwise, they would go to only the nearest bank branch or the bank that they bank with. So, this is just one example. But same thing holds true for credit cards which we talked about where especially being married with UPI, credit cards can take off and will take off RuPay Credit Cards and so we have a play there as well in terms of our distribution partnership with banks. So, I think what I am trying to say is that long-term we are very bullish and I think the margins will always be there because as a DSA model has always existed in India, what we are doing is we are becoming like a digital DSA for multiple financial products for the Indian markets. The users come in and use our wallet, use our UPI and then we help them understand what they need and have them distribute these financial products. And this is what the base model of MobiKwik is, which I think is going to continue for many, many years.

Rahul: Yes. Thanks for that clarity. And just to understand the other expenses part of the business, is it safer to assume the IPO expenses charge would have also come into this to the extent which is not in the securities premium line and that's why this number on a sequential basis may see some moderation going into Q4?

Komal: So, the IPO expenses don't hit the P&L, they are netted off from the proceeds in a way and therefore impact the share capital. On a QoQ basis, if you see the fixed costs has actually held constant in the 111, 115 crores sort of ballpark zip code. And I think going forward we will continue to synergize and optimize on cost, definitely not increase it, look at opportunities to optimize it further from here on.

Rahul: Sure. That's all for now. Thank you and best of luck for your time ahead.

Anand Kumar: Thanks, Rahul.

Moderator: Thank you. We will take one last question from the line of Anand Dama from Emkay Global. Please go ahead.

Anand Dama: Hi. Thank you and congratulations for your IPO. My first question is basically on financial services. So, what's the average gross take rate on the lending side? What's the broader FLDG cost that you expect going forward and what you've taken into account. And apart from the lending business, I think you have a very clear message, so what's the broader take rate in that business, insurance or any other product distribution?

Anand Kumar: Yes, Anand, I'll take that question. So, On the ZIP EMI product, our gross take rate is around 11%. And against that, we have credit cost, we have underwriting cost, we have collection cost, we have marketing cost. So, you add all these costs, so we make roughly 4% to 5% as a net.

Anand Dama: So, you've not taken out the FLDG cost. What will be the FLDG cost?

Anand Kumar: Yes, that's a 5%. So, the 7% cost I said 5% is the DLG cost and 2% is all these underwriting cost, collection cost, marketing cost, etc.,

Anand Dama: And you are going to upfront the DLG cost first year itself and the revenue flow is something similar to what your peers have, how the accounting is going to be?

Upasana Taku: Can you repeat your question? It's not very clear for us.

Anand Dama: Sure. So, I think one of the peers basically tends to take the DLG cost upfront in that year when they basically get into the contract and you say that basically that revenue flow in the year. So, how will that work, how many partners that you have DLG arrangement? And basically DLG cost will keep coming every quarter as you basically get into more contracts?

Anand Kumar: So, as Komal highlighted earlier, to your question how many partners that we are doing DLG, Komal already addressed that earlier, around 40% we have moved it to the DLG model and majority of the cost is basically built in upfront in the DLG model.

Anand Dama: Sure. Sure. And is it possible for you to share the MPU for your payment business and also why your customer acquisition cost is going up on quarter-on-quarter?

Anand Kumar: So, see, on your second question, why are the customer acquisition cost, so if you look at our customer acquisition cost and you compare it with other new age players, our customer acquisition cost is very, very smaller as compared to the other players, right? So, there will be marginally up and down of Rs.4, Rs.5, if you see our last quarter was roughly around 34, this quarter is like 37. So, Rs.4-5 cost will go up and down because if you see the main tool that we use to acquire new users is basically Google Adwords etc., and there are multiple factors like currency fluctuation, etc., also comes into picture, right? So, those Rs.4-5 up and down will always be there. But if you compare our customer acquisition cost versus other players in the market, it's very low.

Anand Dama: Sure. And is it possible for you to share the revenue model around your CBDC business that you are talking about? Obviously, it is too early, but still how the revenue model will work over there? And basically the GMV that you have shared, should we assume that bulk of the GMV is primarily a wallet? And if yes, as the UPI business or UPI Lite business tends to go up, where will your payment take rate be?

Upasana Taku: So, on the first question, yes, CBDC has just literally launched I think a week ago or so. So, I think you will have to wait for the revenue model to emerge there. We are literally sort of the pioneer in making that happen. So, give us some time. I think we will get back on that. I think mostly it will be left to the regulator to decide the revenue model. On your specific question on the payment GMV, so the payment GMV that we have comprises of… I mentioned in the beginning also that we are the largest player in the wallet business. So, of course, people are using the wallet on eCommerce merchants for their daily life use cases like food, grocery, travel, etc., and same thing in offline merchants also whether they are organized retail, petrol pumps or small mom and pop stores. But apart from wallet, there is also bill payments where also we are ranking #5 in terms of the GMV reported on the NPCI website. And then of course, there is UPI. And then the third and after wallet bill payments and UPI, there is also a small category of others, which is something that products that don't fit in any of these three categories. So, that's roughly the mix of the payments GMV.

Anand Dama: And basically the share of UPIs goes up and particularly UPI Lite and other UPI products, then how does basically net take rate looks like just wanted to ask?

Upasana Taku: So, two things. See, UPI has been growing even as through the years as we have seen our wallet business scale up. So, that's number one. So, in the last few years, it's not as if UPI was not growing, it was growing at a much faster clip, but even so we were able to scale up our wallet business. Secondly, to answer your question with regard to UPI Lite, etc., I think the UPI Lite has very small limits in terms of per transaction value and daily limits and also it still hits the bank account of the user and all of us that are on the call, we are very comfortable using bank UPI because we are not using our main savings account for our daily like UPI payments and thereby our main bank balance is always protected because we are not entering our main banks PIN, we are using a secondary bank account for UPI. That is not the case for most of India. They cannot afford two bank accounts and maintain average balances in both of them. Most Indians masses they have a single bank account. So, it is actually very risky for them to enter their bank PIN for every Rs.50, Rs.100 transaction, and therefore wallet is far more efficient and effective for them. It keeps their bank statement clutter-free, it keeps their bank balances protected, and also there is a convenience and ease of use for daily life payments using a wallet as compared to regular bank UPI, which is why we are also seeing Pocket UPI which is interoperable wallet over UPI where a MobiKwik user is able to scan the QR code deployed by any bank or any of our competitors and is still able to pay there. So, pocket UPI is also a part of the UPI share, now that we see scaling up and we are definitely using it as a growth lever to increase our UPI market share.

Anand Dama: You are making a case that the wallets will stay on, and basically that's the segment that you will focus on growing rather than UPI as such a lot of other people do.

Upasana Taku: So, most definitely, wallets are here to stay. In fact, very recently I think there was an article in the Economic Times showcasing how wallet is back. Of course it's a far more powerful payment instrument because when you are using UPI, you are essentially reliant on the debit or savings balance in your bank account, much like a debit card. But when it comes to wallet, especially a full KYC wallet, there is a ability to use credit also in it. And so it is a far more powerful instrument so to speak. Also, I would like to tell you that not only has RBI given a PPI wallet license to roughly 50 entities, but very recently another dozen people have applied for the wallet license. So, it is not just MobiKwik, but many others who see value in this payment instrument. And what I am trying to say is that MobiKwik is the largest wallet right now and we will continue to improve our market share on wallet. Of course, we understand that UPI is a much larger market and there we are coming from behind. But I showcased the two innovative products that we have which are very differentiated from vanilla UPI, first being the RuPay Credit Card and second being Pocket UPI. Both of these we will use to increase our UPI market share also, and interestingly, both of these payment instruments on UPI already have an MDR associated with them.

Anand Dama: Thanks. Thank you. Very helpful.

Moderator: Thank you. Ladies and gentlemen, we take that as a last question for today. I now hand the conference over to the management for closing comments.

Komal: Thank you, everyone for joining our conference call today. For any follow-on questions, please feel free to reach out to our IR team and we look forward to speaking to you again next quarter. Thank you.

Moderator: Thank you. On behalf of Investec Capital, that concludes this conference. Thank you all for joining us. You may now disconnect your lines.