

May 21, 2022

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

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

Dear Sir/ Madam,

**Sub: Transcript of the earnings call with the investor and analysts held on May 17, 2022 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")**

**Ref: Earnings call with Investors and Analysts on May 17, 2022**

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In continuation of our letter dated May 12, 2022 and May 16, 2022, please find enclosed the transcript of the earnings call with the investor and analysts held on May 17, 2022.

Only information available in public domain was given to the investors/analysts.

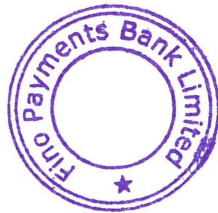
This information is also available on the website of the Bank i.e. [www.finobank.com](http://www.finobank.com)

Kindly take the same on record.

Thanking You,

Yours faithfully,

**For Fino Payments Bank Limited**



**Basavraj Loni**

Company Secretary & Compliance Officer

Place: Navi Mumbai

**Encl: a/a**

**Fino Payments Bank Limited**

Registered Office: Mindspace Juinagar, Plot No Gen 2/1/F, Tower 1, 8th Floor, TTC Industrial Area, MIDC Shirwane, Juinagar, Navi Mumbai - 400 706

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“Fino Payments Bank Limited  
Q4 FY2022 Results Conference Call”

May 17, 2022

**Management**

- 1. Mr. Rishi Gupta – Managing Director & Chief Executive Officer**
- 2. Mr. Ketan Merchant – Chief Financial Officer**
- 3. Mr. Sayantan Mitra – Investor Relations**

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**Moderator:** Ladies and gentlemen, Good morning. I am Diksha the Moderator for this conference. Welcome to the conference call of Fino Payments Bank Limited arranged by Concept Investor Relations to discuss its Q4 and FY22 Results. We have with us today Mr. Rishi Gupta Managing Director and Chief Executive Officer, Mr. Ketan Merchant – Chief Financial Officer and Mr. Sayantan Mitra -- Investor Relations. At this moment, all participant are in the listen-only mode later we will conduct a question and answer session. At that time if you have any question, please press “\*” followed by “1” on your touchtone phone. Please note that this conference is being recorded. At this time, I now hand the conference to Mr. Rishi Gupta – Managing Director and Chief Executive Officer. Thank you and over to you, Sir.

**Rishi Gupta:** Thank you Diksha. Good morning and good afternoon to all analyst and investor who have joined us on the call today. Thank you for taking the time out to attend the Fino Payments Bank Quarter 4 FY22 Earnings Conference Call. Our growth trajectory continues and has been the trend over the last two years of profitability. Q4FY22 has been our best our quarters and like other financial years, FY22 was the best financial year ever for Fino. However, there were few special achievements for Fino Payments Bank in this financial year and that I would like to make special mention of.

Our intent in current and savings accounts offering was to offer a neighborhood bank account to every Indian at the last mile, with convenience, service emphasis and profitability. In FY22, we opened 2 million plus accounts and crossed Rs.100 crores of revenue landmark during the year. Being a bank that does not offer FDs and RDs in any loan products to its customer, this milestone is a significant achievement for us. Similarly, when we started our payment services business, which we call as cash management services, we wanted to digitize cash at every nook and corner of the country. Our problem statement was the cash on ground waiting to be digitized. When we started, we never realized the gravity of the problem statement to corporates across different sectors and the working capital stretch they had to incur because of the same. Couple of years down the line this business has become a major value driver for Fino Bank, even when bigger commercial banks dominate the space at lower take rates than us.

As we speak the gross and net revenue from CMS in the second half of FY22 is higher than the full year of FY21 number. Journey of CMS started with customer profiles being predominantly across banks, MFIs and the NBFC sector. But now, Fino Bank has evolved and has 131 clients as at March 2022 and across sectors like logistics, ecommerce, cab aggregators and more. To give a perspective, in March 2021 the business had 96% of income coming from banks, MFIs and NBFCs. In March 2022, we have 70% coming from banks, NBFCs and MFIs led by diversification and the super potential that multiple other industries have in cash digitization.

Value creation is a corner stone of our product innovation philosophy. We monitor innovation by competition continuously and also have an active feet-on-street team on the ground. We

have created pioneering products in the space, scaled them up to sizeable levels and broken even as well. There are very few companies in India today that generate 1,000 crore plus top line from core payment business only. We are proud we could achieve this within 5 years of our coming to existence and that too on a sustainable profitable basis. Other parameters at a whole bank level continue to exhibit stand out performance for Fino Payments Banks. I will leave the quarterly numbers to be taken by Ketan, my CFO.

I would want to take the opportunity to highlight some strategic key indicators and my vision that will shape up Fino Bank's future in the next couple of years.

**Customer ownership:** I mentioned in my previous call as well that this is the basis on which we are building our organization and leveraging our network for future cross sell opportunities. As I mentioned earlier, we have opened more than 2 million bank accounts in FY22.

**Customer loyalty:** It is the key to any bank and so it is to Fino. Revenue from renewal of CASA, an indicator of long term association of customers with us, was up 74% year-on-year from ₹ 36.6 crores in FY21. The subscription business has now started generating renewal income like in annuity product and going forward there will be compounding multiplier effect coming into play. We have already started to see this in this year.

**Alternate channels:** Spends on debit cards are growing rapidly at both throughput as well as unit level. Throughput on debit card in FY22 is up 83% year-on-year to nearly ₹ 4,000 crores while average spends per transaction moved up by 72% year-on-year to roughly about Rs. 2,700.

**Digital journey:** This is something which I made special mention in my last call as well. This is the journey which will continue to build over the next few quarters and years to come. Our digital throughput is at ₹ 18,393 crores for FY22, nearly 10% of the overall throughput for the year. This is also the use case on which the entire Fino 2.0 journey will hinge on. On a strategic basis we are steadily investing in technology and digital tools and creating human capital to build a sustainable digital model.

**Cross sell:** Although we are at a very early stage and our loan cross sell portfolio is just scaling up rapidly, our unit economics has already started to improve with an average loan of about from Rs. 5,200 in October 2021 to nearly Rs. 7,600 in Mar-22, a jump of nearly 45%.

I would also like to explain that on micro-ATM and AePS throughputs, although we have remained largely flat in the last quarter, it generates enough footfall to result in a higher CASA conversion and a higher throughput through the CASA accounts. Some of our throughput which was coming through micro-ATM and AePS as off-us business has now started to be recognized under CASA head due to the conversion from off-us to on-us.

All of the above combined will form the foundation of our digital foray. Our digital strategy will be very different as compared to what we commonly see and hear across fintechs. We are

already executing the vision of new banking as a service models through our proprietary savings account and offers businesses. Our segment of customers is gradually getting into the groove of self-banking though a majority still continues to be on assisted banking. As you would recall, we had spoken about Phygital, i.e. access to physical as well as digital. I think Fino has created that model in which we are providing assisted as well as digital services. Our digital strategy will be to provide another option to the customers of the banks. This is how we will evolve into an omni-channel bank. In all of this our focus will continue to remain on transaction business.

Here again as I said it is a process of investment and enhancing the base in FY23 to facilitate higher customer penetration and experience. Benefits of which will be witnessed from FY24 onwards. We are also happy to welcome our Chief Digital Officer – Tejas Maniar. A few of you have interacted with him in our one-on-one interactions. He comes with the fabulous track record of building digital stack at HDFC Bank and IDFC Bank and more importantly, made it a success story there as well. I would also like to mention that we have made an array into strategic partnership with Paysprints. The partnership with Paysprint is expected to synergize on a host of financial and non-financial use cases for the emerging India customers through the API plug-ins to build the banking digital platform. This will not only result in attracting more customers into the funnel but will also help in deepening engagement with existing customers.

We have also received the approval from Reserve Bank of India for International remittances, pilot launch is already done, basis learning full-fledged allowance is expected between July and August. Some of our other products like fixed deposits, mutual funds and demat accounts have received approval from RBI in the last quarter. We are expected to go live between Quarter 2 and Quarter 3 this year. As a strategic sum up, I want to mention that our endeavor is to continue to strive on growth, products of CASA and CMS and thereby create platform for customer ownerships, leveraging and cross selling and simultaneously investing in technology and digital in FY23-24 to ensure that we are ahead of the curve for customer transition into a digital and a profitable digital bank. With that, I would now like to pass on the forum to Ketan our CFO. He will take you through the financials in detail.

**Ketan Merchant:**

Thank you Rishi. Ladies and gentlemen good morning and good afternoon to all of you wherever you are. Let me begin first by congratulating all our teams on a remarkable landmark of crossing Rs.1,000 crore revenue. When we started this journey we had our ambitions, but the way the growth has essentially happened on a steady basis is something that all of us are proud. We have several underlying contributors who have piloted this achievement for us to begin with our merchants, our teams and our loyal customers. With this, I directly come to the barometers and the numbers which you all should take note of. In FY22 our throughput grew by 41% YoY to touch 1.87 lakh crores which is more than USD 24 million. Digital is something which Rishi earlier mentioned as well our UPI throughput now contributes 10% of the overall throughput. Full year revenue has grown by 28%, EBITDA grew by 62% and PAT grew by 10% YoY. Operating leverage is also playing its place, if we see revenue per employee that is increased to Rs.3.5 million per employee revenue per employee which is an 18% growth. EBITDA margin crossed 10% for the first time it was at 10.3% for the quarter.

PAT margins for the quarter were around 6.2%. CASA and CMS which are our growth products have had revenue mix of 17.3% in FY22 vis-a-vis 11.4% in the previous year. Revenue on CASA in FY22 grew by 96% and CMS grew by 91%. On an overall basis and as we said revenue growth of 28% cost growth is around 12% this is overhead which we are looking at. Earlier, I definitely mentioned about operating leverage and how it has played to.

Here we will have to be cognizant that in recent times we were also hit by some inflation and some competition as well. However, in FY22 a good cost control, the revenue drivers of CASA and CMS which generate margins in excess of 40% has resulted in substantial growth in EBITDA and PAT, 62% and 109%, respectively. Now let me just give you a perspective of FY23. Rishi mentioned about the strategy and the vision which we are running with. Coming to FY23 what should be the drivers which we are looking at? We continue to have our pre-owned customer ownership. Yes, acquiring new CASA is something which is there on our radar and that will help us in long term with the cross selling avenues as well. Second aspect CMS again a growth driver in FY22 and will continue for FY23 as well.

For our transaction and legacy business as we have mentioned earlier we used them as a footfall to convert customer into our own customer and thereby create a platform. One point which I also wanted to mention out here is we are investing into digital; we are investing into technology and marketing as well. So, there will definitely be investments which will happen in these three aspects. However, our lean model is our USP and in the long run our endeavor continues to ensure that we can innovate through technology investment and to ensure that we stick to the commitment of ROE which we have made during the road shows.

Our core business continuous to grow I have dovetailed the products which will be growing and that will help us to invest into the new growing digital era which we are looking at as well. Some interesting trend which I will just show and these are part of our presentation as well. In the hinterlands of India, which we have tried to cover in the section, 6 districts of Bihar combined to digitized more cash through CMS in FY22 than the entire state of UP and this is the data which we have essentially produced.

Around 9 states are now doing excess of Rs.100 crore worth of cash digitalization. This is what we are essentially saying that how we are digitizing cash and bringing a wider array of customers into our domain. We have spoken about micro ATM and AePS as well. We are using these as a channel to have our own customers. If we see AePS industry is overall 5x of the size of the micro-ATM industry and is growing fast. Our analytics team has worked out that AePS transactions tend to have a better positive correlation to CASA conversion. In FY22 29 states have had a positive correlation of AePS to CASA conversion while 14 states had a positive correlation from micro-ATM to CASA conversion. We have been speaking about CASA we have spoken about how we create an annuity income. So, now let me just go into how do we go about renewal, this is something which we have been asked in the past and we are using a scientific method of doing it out.

Coming to some insights of renewal we have seen higher propensity of renewals when the average balancing saving account is greater than 122. In such a scenario renewal rate is 77%. If the average balance is more than Rs. 447 the renewal rate increases to 87%. Renewal ratios for accounts maintaining a little lower account balance between Rs.122 to 447 is at 59%. However, even in this bracket the customer who transact more than thrice in a year have a higher propensity of renewals. The long and short of it that the subscription base and the annuity income which we have created of we are working on an analytics tool to ensure that we target the right customers at the right time.

To sum it up our vision for Fino 2.0 will be to leverage existing footfalls generated by our matured businesses like remittance, micro ATMs and AEPS and convert them to Fino Bank subscription model for which I just said. Around 88% of our new account sources are now subscription account. These account will generate an annuity like renewal revenue each year which we have explained earlier, but more importantly this is the just the point of customer ownership and it is the beginning of our customer ownership and thereafter we can dovetail other new products, the loan referrals and other products which we are doing.

Cross sell will also come into the foray in later part or the end of FY23. Through our analytics, as I have mentioned, all of this is being monitored. We have got approvals of new products from the RBI whether it is international remittance, FD and loans and mutual funds as well. We will be launching them in a phased manner as Rishi had earlier mentioned. Overall, we seem to be confident of our business and however we will also be cautious towards our rising cost. With this, I will open the floor and will go back to the moderator for a Q&A.

**Moderator:**

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

**Shreya Shivani:**

I have two questions first is on the competition so recently we have heard about one of the payment banks at least giving very aggressive targets about how they are going to grow in the country etcetera. So, if you can talk about that from your perspective and secondly on the international remittance business. So, I wanted to understand that since a larger part of your geographical expanse is more towards West to probably Central to North India, do you think for international remittance you may have to expand to newer geographies from where people mostly migrate abroad for work, so just wanted to understand your strategy on the international remittance bit and the competition?

**Rishi Gupta:**

On the payments bank competition, what we are hearing is from other payment bank as well. See I think the growth of payments bank has been quite phenomenal in the last couple of years and the payments banks which you are referring to is already a Telco led payments bank. So, they have lot of customers who are already on to their platform somewhere around maybe 25 to 30 crore customers who are already on the Telco platform. So, from a competition point of view we have been with them facing competition for the last two years. In fact lot of products which we offer like CMS, CASA, remittances we are much ahead of them in micro ATMs, AePS we are much ahead of them in all those products, where they score better allowances on

the bill payment site which is largely recharges and DTH payment which is the core platform usage as well from a Telco point of view. So, personally I also believe that with the competition coming up especially from established players like the one you referred or even with bigger banks. We are only covering portion of the customers who need access to better banking services with more players coming in the access will become better this people will move away from going to branches and ATMs and will come to merchant networks for doing transactions and doing banking. So, while the competition will definitely heat up over a period of time, but we at Fino have been at it and especially on some products we are ahead of the competition concerned. On your second on international remittances, we are actually quite active in all the geographies from where international remittances come into you have geographies like Gujarat, you have geographies in Kerala, part of Bihar, UP so there we have already a very active, Punjab, where we have a very active base. So, our merchant expansion obviously we will continue to expand in identifying specific merchant who can do international remittance, but our presence is already there and we do not need to expand too much to gain a higher share on international remittances as we go forward with that product.

**Shreya Shivani:** Do you also have plans of expanding toward Southern India or something like that because I mean just if you think about it most people is from the Southern India who will probably migrate to Middle East or something for work like that who will use international remittance so that is where I was coming from?

**Rishi Gupta:** So, on Southern India Kerala is one of the biggest markets for international remittance largely coming from UAE as such. We already have a very deep presence in Kerala both on our own network as well as on the BPCL network plus we have also seen a big growth coming in some of the other states like Tamil Naidu and Karnataka which we started only couple of years back. So, South is around 15% of our overall number for FY22. We expect the South business will definitely grow as our expansion on the employee as well as on the net worth continues in this year. As far as international remittance is concerned we are already as I mentioned well present on the Kerala side.

**Ketan Merchant:** On your point in terms of newer geographies I should reckon that we are definitely expanding into new geographies. Our feet on street the increase which essentially happens is largely into these geographies which we are looking at. We have also seen a 58% kind of a merchant growth which Rishi earlier eluded to. So, irrespective of international remittances, but we are increasing the footprint in the geographies like South and East as well.

**Modrator:** Thank you. We take the next question from the line of Rahul Maheshwari from Ambit Asset Management. Please go ahead.

**Rahul Maheshwari:** Two questions, Rishi can you give as you have mentioned that end-to-end customer digital journey will be the crucial part in the Fino 2.0, so can you give some example within your entire transition how the next level of growth would be panning out keeping the customer ownership which is the core focus on the cross sell and second question is also on the subscription kick in you have given a breakup that on an average SA balance, how much the



renewal rate is there, but can you give what is the subscription charges which the Fino is charging that would be helpful?

**Rishi Gupta:**

On the digital journey Fino has an edge over everybody else when it comes to this segment of customers and this geographies which are concerned. Largely you have seen there are digital companies who do transaction so people who already have money into the bank as such, but Fino which through its unique model which is the Phygital model. We are able to digitize cash as well as do transaction on the digital platform about four months back, five months back we actually relaunched our FinoPay app with the completely new avatar and we are seeing good results coming out of that that new launch which has happened. What we believe is that a customer is already coming to us through a micro-ATM or AePS becomes a Fino customers when they open up a savings account with us. So, once you opened up a saving accounts we actually motivate them through our merchant and through our direct engagement channels that you download our FinoPay app and start using it. You can see the UPI numbers growing to nearly Rs.18,000 crores and 10% of the transaction volume for Fino in FY22. So, once you open up our FinoPay account then we motivate them multiple nudges to use UPI as an overall platform. We have also seen that a customer who uses UPI actively is able to also renew our subscription is renewal subscription rate is far higher on that. So, once our savings account is opened or FinoPay app is downloaded then we push in through the UPI platform and then over a period of time the cross sell which is expected through mutual funds, digital gold, FDs and some of the other products which we are going to launch will help us in gaining a higher pocket of his business through the FinoPay app as well as the physical network which we have created. So, our journey is unique from starting from physical to digital and helping and handling the customer both on assisted as well as on the digital side. So, this is a broad digital journey which we envisage for a customer from physical access to our saving account to cross sell on to multiple products. As I mentioned earlier in my last call we have been quite active on the payment side on multiple payment products, we have a full bouquet of products on the liability side with now FD also coming in that will plug that gap, on lending already we have launched our products with the consumer as well as on the merchant loan and finally on investments now we received approvals over and above insurance we can do mutual funds and digital gold. All of these product will be sold through the digital services and through the digital platform which Fino is creating and the uniqueness, Rahul, is the assisted as well as ability to handle cash on the ground.

**Rahul Maheshwari:**

Just a follow up on this as you mentioned that the two basic products like micro ATMs or direct money transfer or Aadhar enabled how much customers are getting converted into the CASA and the CMS, can you give some convergent rate and because from there onwards are finding that these are the products where the starting point for the process start takes place?

**Rishi Gupta:**

When we started about couple of years back on this conversion of AePS and micro ATM we could see a conversion around 0.25% to 0.5% customers who are working into doing transaction are getting converted. Right now we actually hit a peak of about 2.5 lakh accounts in the month of January and we opened a nearly 6.75 lakh accounts in the last quarter which has been the highest and in previous and quarter before that we had about 5.15 so 5.15 we went

to 6.75 lakh accounts in a quarter so roughly I would say anywhere between 1 to 1.25% of customers who are walking in roughly 2 crore to 2.5 crores customers walk in to our platforms every month. So, about the percentage 1.25% is the conversion from walk in's to our platform.

**Rahul Maheshwari:** And just a follow up on this Rishi that once they have opened the basic CASA and cash management services how much that is getting converted into the loan referrals or the other higher products which you are envisaging?

**Rishi Gupta:** When a customer opens up an account we have seen that the transaction volumes definitely jumps up and we not only make money from the subscription revenue, but the usage on the ecommerce, the uses on the cost of the EBITDA as well as some other income which we are able to generate we are able to make money. Our customer account conversion from FinoPay account is very low as of now because we have just started the product about a quarter back. Give us another 6 months and we will be able to give you a better idea in terms of how much is the conversion on that account.

**Ketan Merchant:** On your subscription based question I think I will just draw attention to slide 32 which essentially shows how our subscription revenue is flowing both on new subscription and renewal. So, to answer your point what is the charges which we take from the customer we have various terrains of products which we have Shubh, which is the highest variant we are charging around Rs. 449 and then there are two other variants wherein we charge Rs.359 to Rs. 250. On an average given the weightage of all these products together our collection our charges would be anywhere in the range of Rs.410 to Rs.430. How does it essentially works is as I had mentioned this was a very high yielding margins and it is somewhere in our notes also we have said that when a customer comes for renewal in the year two onwards the cost essentially is lower we may not have to pay the margin back. So, of this 449 assuming we are going for Shubh account renewal our margins generally comes to around 60%, 70% which means 70% of Rs. 449 is where we have a residual thing and we do not have any cost to be incurred. Also you asked an earlier question in terms of correlation between the conversions what we have said in earlier as well, our analytics team has worked out that AEPS customers have the highest propensity to convert into a CASA. Thereafter it is remittance and micro ATM. So, when we are targeting these customers it is these analytical tool which we are essentially using it off and in certain cases it is also geographical specific as well based on the demographic and the behavior which India at large is doing. So, that is how we attempt to target a subscription revenue for the renewal as well as the new subscription.

**Moderator:** Thank you. We take the next question from the line of Renish Bhuvra from ICICI Securities. Please go ahead.

**Renish Bhuvra:** So, just two broad question on this strategy side let us say we are embarking this journey of building a digital platform, but in that case let us say the existing merchant network what we have as on date of around 10 lakh merchants. So, incrementally how one should look at the mix of let us say a Phygital work is digital because I strongly believe that this physical model will help us to let us say bring the customer on our platform and individual platform will help

us on cross selling on leveraging that customer base, so what are the products we have in our minds when it comes to cross sell and what are the traction of the trajectory as on March'22?

**Rishi Gupta:**

So, as I mentioned earlier with Rahul he asked similar question in terms of so you are absolutely right. Physical is our core strength we will continue to add merchants nearly we added three and a half lakh merchants in this year and we expect to add similar numbers more in FY23 as well and that is the USP which gives us the edge over everybody else who are looking at getting into this space for this customer segment. If I come to our incremental mix between the physical and digital right now as you know we have just started the journey our UPI throughput numbers have become 10% obviously UPI throughput does not give us revenue as such from the fact that you cannot charge on the UPI throughput, but the fact that the UPI throughput also results in higher customer retention, it also results in a more stickiness for us and also higher subscription renewal as such. So, on the digital products we do not have a mix in mind right now that what mix we are going to we are pushing on both the sides. You can say that we understand the physical business far more because that has been our business in the last 10 years, 15 year. Digital is something which we are learning as we are building up on the model. We are building up the team, we have as I mentioned we have achieved digital office now and the team is getting build up. We relaunched our Fino BPay app as FinoPay app. We are pushing and doing nudges on digital platform, some of the products which I mentioned earlier especially the ones which you have got approval is with the mind to push that on the digital side itself. So, products like FDs like even we started CMS on Fino Pay so anybody wants to pay money, but cannot go to a merchant point he can directly pay through the CMS platform which we have put on the Fino Pay app. So, all FDs, mutual funds, digital gold, demat account is something which we believe can be rolled on to the digital platform and it is a platform where people can do it yourself. The biggest advantage Renish we have over everybody else is again our ability to digitize cash and that is something which we are very cognizant of we are aware of it and that is something we will continue to build as we go forward in the next couple of years.

**Renish Bhuv:**

Just a follow up on that so again like when we are building the product portfolio of course we will be keeping in mind the kind of customer base we have let us say more of a rural kind of a customer segment. Of course, we are digitizing the cash, but I mean do we have any customer suggesting these people are also using the any of the digital transaction mode maybe UPI or whatever because I have my doubt whether these customer base will be able to operate on their own when it comes to the digital platform?

**Rishi Gupta:**

Renish I the data think can show more than anything else we have 10% of our volumes coming from UPI which was barely a couple of percentage about a year, year and a half back and the growth is there while I agree with you is that if we look at the full customer segment which is around 50 crore, 60 crore of people in this segment both in rural India as well as rural in urban India. I would still say that maybe the top 20% around that percentage would be people who are migrating into or moving and adopting digital. One should not forget that the younger age population which is about 16, 17 who are getting into mainstream over the next couple of years are fully aware of the digital channels. We in fact seen Facebook, Instagram and as in fact

received people writing in on Twitter as well. So, people are using social media, people are actually using YouTube and thanks to all the data which has become available at cheap rate. The usage of smart phones have substantially gone up, but I agree that not all 100% of the customers would be into digital foray because digital is not about having a smart phone only. It is also about having cash in the bank and the comfort of digital transaction, but still I believe the top may be 20% of the customers would have aspirations to get into digital and pay through QR and other services. So, QR is something which we are also focusing quite a bit we have also launched our QR based payments with select merchants as well in the last quarter or so. So, we are aware of the fact that not everybody but some portion and we come with a philosophy of the customer making the final choice whether he wants to come to a merchant network or through a BPCL outlet or Fino branch or through a digital platform. So, let us make all choices available to the customer and let them decide which is more convenient and easy for them.

**Renish Bhuva:**

Let us say 60% of the business which is from micro-ATMs, AePS and remittance, so what is the outlook for FY23 and if you can throw some light on the completion part in this product is helpful?

**Ketan Merchant:**

As earlier Rishi and I've mentioned it we have bifurcated our business into two parts. One is the transaction business and the legacy business which we are running and the other one is the growth drivers which will enable us to have customer acquisition and put the cross sell and everything else which Rishi earlier said into the foray for FY23, FY24. The growth driver is clearly would be CASA and CMS we have had some challenging times in terms of our micro-ATM and AePS business as we have seen. Remittance essentially because of the COVID year-on-year it was back through. The way we are looking at these business is what earlier we mentioned it if we have 2 crore to 2.5 crore customer coming on an off us, how we can convert this. Are we looking at an exponential growth couple of years back these businesses has grown at a three-digit percentage CAGR. We are not looking those kind of growth in any of these businesses. We are looking at a moderated kind of growth between 15% to 20%, but the entire play will come how we leverage those into other products or into the high margin products which we are going into and thereafter create the base as I earlier said end of FY23 and 24 the cross selling of that will essentially start. This is the same point which you earlier asked Renish, we are currently the way we are investing into micro ATM and AEPS business for sustenance and conversion we are similarly doing it for digital as well. This is a year where we will invest into it and thereafter all of these new products which we are looking at can be used or can be sold to the customer which you build through both of these channels. So, it a channel if I can sum up it is a channel for a future cross sell and customer acquisition and here customer ownership itself because of the subscription to annuity generates the profitability as well.

**Renish Bhuva:**

So, in nutshell still this business can see around 15% kind of a growth in coming years and FY22 might be little unusual because of so many external factors is that the correct assumptions?

- Ketan Merchant:** We have been facing some headwinds specifically in the micro-ATM thing as well. Here again geographically each region is behaving a bit differently, but yes we are endeavoring to have a 15% kind of a growth not a substantial thing on the FY23 P&L, but we are looking at how we utilize this for conversion, but yes a moderate kind of growth is expected.
- Moderator:** Thank you. We take the next question from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.
- Umang Shah:** Just taking queue from the previous question so as Ketan already guided that for top three products which are almost two-third of our overall revenue pool we are guiding for about 15% sort of a revenue growth, would we like to peg a number to what sort of overall top line growth are we looking in at FY23 and also the bottom line growth and margins for FY23?
- Rishi Gupta:** I will just bifurcate this question into couple of parts yes our legacy businesses will be growing at 15% - 20% which I essentially just said in the current scenario are we essentially giving the guidance, no we are not giving a guidance how we are looking at, are we looking at a substantial growth over this year? yes we are looking at a growth which we had earlier mentioned as well in the CAGR target which we have taken for ourselves over next three to four years. As regards to margin yes there is competition which is coming up. We expect to keep the margins largely range bound. There will be some leeway which we still have because we are at 32% we will try and play anywhere between 30% to 32% is what we are looking at. In terms of product mix and growth drivers the products which are constituting around 17% currently which is CASA and CMS there is where we are expecting an exponential growth. Point to note is the margin out on these products is also 40%. So, net-net we are looking at a customer acquisition spree and creating a platform without any sort of deviation from the overall long term vision in terms of the PAT margins or the ROE which we are looking at, but it will be a journey in terms of how do we go about quarter-by-quarter and year-by-year.
- Umang Shah:** Just one more thing probably Rishi if you could just help me on the strategy part I mean why would we want to bifurcate our business as or maybe the larger part of our business as legacy I believe these were supposed to be our growth drivers and obviously we were kind of building additional parts around these businesses let us say if we were to look at these businesses more like legacy businesses and newer businesses to dominate if you could just help in that context in two, three years how the overall revenue mix will look like and which will be the dominant products at that point of time?
- Rishi Gupta:** There is no legacy there is maybe this communication gap. We are not saying there is a legacy business because we are just a five year old company. As a bank there is no legacy business they are largely mature products. So, products around AePS and products like micro ATM as well as remittances. Remittances is a very old product AePS saw a substantial growth in this in FY22 we expect that the growth will continue in FY23 as well. Remittance is kind of in a stage where it is become mature and there you will see a relatively moderate growth from that point of view. Micro ATM again we are seeing a relatively moderate growth. One has to also realize the fact that the last couple of years there have been often on business especially because of the

COVID which has been there. So, some of the products may behave a little differently in the next couple of years, some may who have matured may see a moderate growth because they saw substantially higher number in the last few years. So, good growth has already happened so that is where you can see moderate and nothing like legacy business from a strategy point of view there is no change in the strategy we continue to push on our products which is your mature products as well as growth products and getting into foray into digital where we can then over a period of time do cross sell and get into that business. So, if you got an impression that we are saying that there is a legacy business and we are not focusing on that I think pardon for us that, but it is more like mature products we will see a more moderate growth, our new products and growth products like CMS, CASA over a period we will see a higher growth and we have seen substantial growth coming in digital products in FY22 as well and we will continue to focus ourselves around those businesses and for us remittances, micro ATM, AePS bring up good footfall into our ecosystem which we are able to convert into other products and do cross sell on it.

**Umang Shah:** And any targeted revenue mix broadly may be not exact numbers, but broadly do we think that these mature products and newer products can become like 50-50 in next two years?

**Ketan Merchant:** Umang we are looking at an exponential kind of growth which we are looking at. Currently the new products approximately constitute around 17% and the other products which equally will grow. So, it is not that it is not growing, but the rate of growth will be moderated. So, over next couple of years' time we are intending to double the point of CASA and CMS which is currently from 17% to making it to more than one-third of the total revenue which we are looking at. By that time the point to note which Rishi had earlier mentioned is in two years' time there would be cross sell also will become the new products which we just mentioned in the earlier script will also be coming into the foray and those are expected to also contribute in the higher single digit or just about double digit over couple of years and more.

**Umang Shah:** Just last question is on our FD product just wanted to understand that is this going to be distribution of FDs of other banks or this would be our own fixed deposits where customers can park their money for a longer period of time at higher interest rates?

**Rishi Gupta:** It is a referral products so for us we have tied up with Suryodaya Small Finance Bank and their FD will be sold through our merchant network and we will get a cross sell income on that or an referral income on that.

**Umang Shah:** Just on data point for FY22 what was our overall cross sell income that we would have earned maybe on loan cross sell or maybe cross sell of any other third party distribution products?

**Ketan Merchant:** Cross sell is a journey which we are just starting off so there is nothing material we did some pilot kind of a role in FY22 for loan referral, but those were very insignificant numbers. In fact as Rishi just said it maybe two quarters distance wherein we start having some sort of a material number coming off and we do a full fledge kind of a role out. So, cross sell is

something which will begin in a significant and material manner at the earliest in end of FY23 that is the earliest.

**Moderator:** Thank you. We take the next question from the line of Nitin Agarwal from Motilal Oswal Securities Limited. Please go ahead.

**Nitin Agarwal:** I have three questions first is like we have 131 partners in CMS, so how do you assess the penetration level with these partners and of the total throughput of Rs.24,000 odd crores that we have clocked in FY22 how much will be coming in from the top 10% of these partners that is one and maybe I can take as we go along?

**Rishi Gupta:** Out of 131 as I mentioned banks, MFIs and NBFC were about 96% of our total volumes as of March 21 which have come down to about 70% not that their volume has come down just that we have expanded quite a bit on the CMS side. So, from that point of I would say that our penetration especially on the NBFCs and the MFIs in top 10 NBFC and MFI's is quite high which means that we are mostly with all the top NBFC and MFI. Percentage variation could be anywhere between may be 5% to 30% of the overall business comes through the Fino platform. So, there is still a good room for us to grow in not only in the fact that we are adding more clients and getting into new industries, but within the clients also we expect that we will be able to grow with existing clients as well as the penetration going up and especially for companies like ecommerce companies or logistics companies where we have started to do business we have not penetrated as much as we started only last year and is substantially low compared to the overall potential which is there. So, there we will see a higher growth to come which will also mean that we are diversifying into multiple industries and de-risking ourselves from couple of industries like we saw during COVID the NBFCs and MFIs had a tough time which also resulted in some of our CMS numbers coming down, but when it improved as the COVID settle down. So, de-risking strategy adding more clients become the last mile connect for all kinds of cash and transactions on the ground is the USP which we have built and that is something which is much appreciated by customers across the country and between the top 10 I think we are there in with almost everybody penetration could be between 5% to 30%.

**Nitin Agarwal:** The other question is like how should one see the growth in the micro-ATM business, is the growth here getting cannibalized by AePS and should therefore one see both the segments together versus the growth trends?

**Rishi Gupta:** Partly you have answered the question also you are right see what is happening is that all the cash options which are available to the customers on the ground is being used. So, not only the fact that AePS is growing at a higher rate than the micro-ATM because of the government push also on Aadhar ecosystem and it is a very safe ecosystem where people can just use the biometric to withdraw. Other factors also that micro-ATM the numbers which we typically present are off us numbers which micro-ATM transactions are done for other customers. As you can see we are also converting some of the customers into CASA. So, they have become our own customers so part of that cannibalization of that number is also happening where people use our own platform which we do not report separately because that is part of the

CASA business which we do is being cannibalize from micro-ATM through our own customer, but at a much higher revenue and a much higher margin per se. So, while we are not that happy with the fact that the micro ATM market contrary towards the expected would be growing we are seeing some kind of a plateauing happening on that side, but we will have to wait for few more quarters to understand how much the market will grow on an overall basis, but just some cannibalization with multiple options coming up through AePS, through Fino own customer accounts as well as branch and ATM network now becoming fully operational post the COVID period could be the reason why we are seeing that plateauing coming up on the micro ATMs side.

**Nitin Agarwal:**

And lastly like the debit card spends on a per transaction basis is quite healthy at a Rs. 2,700 odd so what is driving this, what are the categories wherein the customer are spending and does this does not look high in context to the average balances because majority of the customers are not maintaining even Rs. 500 of balance, so what is really like the disconnect I am reading this right?

**Rishi Gupta:**

Actually the customer balance has substantially gone up in the last one year from around 750 odd. It has gone to Rs. 1,100 as such. So, not only with the fact that we have crossed more than 500 crores of saving accounts balance as such. So, the usage raised being driven. See we are bank because see our business is not on balances only, our business is a transaction platform. So, lot of people put money and they use the money for making debit cards and payments as well as transfer out. So, debit card spends are growing up with the balances are also growing up. We are largely seeing people using debit card for fuels and grocery payments largely and we in fact have seen that during this IPL lot of people actually use the Fino platform also for playing on that IPL ecosystem. So, debit card spent I do not think so there is any disconnect between the balance as well as in terms of the usage. Usage something which we are driving as such also the fact that the number of customers have gone up that is also leading to a growth in the total throughput on the debit cards.

**Ketan Merchant:**

Nitin just some factual point our average balances in our customer accounts I heard you having us lower numbers that it was Rs. 750 in FY21 and as we speak in FY22 it is anywhere in the range of 1,100 plus. So, average balances are substantially grown. Second aspect if we see in our balance sheet as well. Our deposit balances as we know this is the end-to-end, period-to-end have also doubled. So, the way we are essentially doing it while transaction is an important aspect what we are doing it out, how he spends and how we make him spent and how we get him to operate on our platform is something which our analytical team is essentially working on. Along with this as the number of accounts are increasing it off the spent is increasing the average balance also is going in the same direction with the numbers which I just said.

**Nitin Agarwal:**

Maybe I got the slide 42 wrong wherein average balance of 447 so I thought maybe 46% of the customers are having more than 120?

**Ketan Merchant:**

That is about our analytics which we are sharing it off that anyone who has a balance of more than Rs.447 what will be his renewal propensity. So, we have just broken out by each segment



of balances. So, this only slide speaks about that. The average balances of what I just said maybe from Rs.750 to 1,100 plus from FY21 to FY22.

**Moderator:** Thank you. The next question is from the line of Nishit Master from Axis Capital. Please go ahead.

**Nishit Master:** My question which relates to the recent changes in the independent directors of the bank. So, we have seen two directors completing the tenure and in the first term in office. We seek the change in director, is this policy of independent directors only being given one term, new for the bank or it is a policy which has been followed since sometime now?

**Rishi Gupta:** That is something which has been in the press over the last couple of weeks and unfortunately which has been blown out of proportion. So, what exactly happened is that at the bank level process of renewal of term of independent director was followed and after the bank board clear it, it was sent to the shareholders for approvals. As you know our shareholder which is a holding company own 75% plus so they had in that the agenda was there and they had some other agenda also where some other renewals of other board members who are also coming up and the Holdco decided that we should only look at one term across the group rather than giving longer term or two terms because it is a growing company we need to bring in more talent, we need to bring in diversity as well. So, from an overall evolving environment and with the group as a whole is functioning. Tenure of independent director should be restricted to one tenure is one which they got implemented across the group and unfortunately because some of our independent director were coming up for renewal. This happened for us at that point of time otherwise if this would have been the case earlier the bank would not have recommended a second term itself. So, there is nothing more than that. In fact I would just do a follow up on that is that we have a notable board and their contribution on the overall steer as well as governance is impeccable, but however the business is run by independent professionals like us and hence on a business front it may not be any material impact in the medium or even to the long term perspective. We are working on getting replacements for the two independent directors and we will do it over a period of time as we are in the selection process and that will be done and we will keep this in mind that we will need to give only one term in future. So, there is nothing more than that on this.

**Nishit Master:** Sir the next question is on the business so we are also now targeting international remittances, do we plan to have physical presence in places where the remittances originate?

**Rishi Gupta:** This is similar to what Shreya was asking us in the beginning and we already have deep presence in Punjab, Gujarat, parts of Bihar, UP, Kerala.

**Nishit Master:** There the remittance will ultimately go to, but origination will happen somewhere in UAE?

**Rishi Gupta:** No, We will probably go with the tie up with agencies like the one which we said on the MTSS. We are also looking at teeing up with some more. So, we will not have presence in US or UAE or Singapore for that matter. We are just focusing on India and because we will

gradually go through exchange houses and because of our deep presence across the country and ability to handle cash as well as open an account. There was study which was done by some of the IR companies that nearly 40% to 50% of the money actually people withdraw it and put it into the bank they do not consume it directly. So, our ability as a payment bank to not only offer cash withdrawal, but also open an account for a customer and then lead to a higher usage and cross sell is something which we are focusing on when we look at IR per se. IR I would say is a start of our journey it is a big business, it is a profitable business and it is a very competitive business which is there, but because of our engagement on the ground and our ability to handle cash gives us the edge over other players who would be looking at entering into this business.

**Moderator:** Thank you. We take the next question from the line of Nikhil Agarwal from VT Capital. Please go ahead.

**Nikhil Agarwal:** So, I just have a fundamental question with regard to subscription used in CASA, so the target tariff actually that we have they have to see subscription fee to avail CASA services which they could have at some other place free of cost. So, the main convenience is that they were near to that store wherein merchant acts as a banker. So, my question is since we work on educating them on how banking works and how the FinoPay app work as well. Once they are aware of the entire system what stops them from not taking subscription and stretching to another bank's CASA systems as some other banker system, so what is the growth driver of the renewal is it just the convenience or is there any other designs?

**Rishi Gupta:** Multiple things which are there our ability to be present in every nook and corner of the country we have more than 93%, 94% of the districts we are covering. We added nearly 3.5 lakh merchants last year and our journey to continue to add more merchant. We have already started to get to digital and giving customer the choice to come physically or digitally to Fino platform. Multiple things which is important is from a customer point of view is ability to digitalize cash, his ability to download the app and do transactions on it and the third is the grievances handling or if there is a problem where do you go and solve that issue and that is where Fino has an edge over everybody as you would look at all the digital companies, none of them have any physical presence and if you have to connect to them you have to connect through IVR or through email or chat bots and other means which are largely very tech heavy and tech savvy kind of tools. Our customers are not that tech heavy and tech savvy. So, we need to provide them a more through which they can transact. So, my personal belief is because of the deep trust and deep presence which Fino has and ability to do transactions micro transactions in a very seamless with higher volumes at an affordable price is something which is the edge which Fino has over other people who would get into a digital business as such. So, subscription will continue to grow that is my belief as the number of accounts are also increasing and our edge over everybody else through the Phygital model will stand out.

**Ketan Merchant:** Nikhil just to substantiate it further the question which you made is pertinent and Rishi gave a strategic answers. Well if I just come to the numbers we will earlier referring to some slides 42 wherein now we are into the third year in this year we are personally evolving it off yes we are

also taking him to the technology platform, but in certain cases the renewal is as high as 87% I think just to put things in perspective when we are taking subscription. We are not a balance sheet-based business. Balance sheet is an incidental aspect of our profitability. So, we do not emphasize on any minimum balances, we do not require minimum balances. So, we do not charge the customer for SMS or any other monthly charges which it comes to. So, on an overall basis whether we look at subscription or the relevant customer getting equal services. Lot of times in the large banks he has to spend four to five hours, three to four hours rather to get the right kind of services which he can get at a merchant. So, from a differentiated perspective is the cost or is it coming too large for customers as he evolves into his thinking pattern or digital he will not give analytics or the current three year data points which we have does not support that. It is supporting that yes as long as you are giving the right kind of services, transparency and making it reasonably competitive he will continue on our platform. Everything else in terms of what else can be done I think Rishi already covered up I thought I will just give a perspective in terms of numbers and the competitive landscape as well that why this guy or renewal rates or what they are currently.

**Nikhil Agarwal:** Just one follow up question with regard to MATM and AePS as you mentioned earlier that we still have to see how this grows in the coming few quarters and these are the growth drivers for CASA subscription, so apart from ATM and AePS are there other conversions happening into CASA?

**Ketan Merchant:** I think one of the slides which he also majorly talk that remittance also is a point wherein convergent can essentially happen. I think just to take a step back just clean it we have this off us customer or other bank customers who come to our point for various services. Our merchant will essentially work with him and it is a process over next three to four visits he will try and explain the benefit and then convert. So, micro-ATM, AEPS and remittances which are our matured business which are generating the footfalls are the ones which will be generation footfalls. Besides the digital platform which Rishi just said there will be a channel over next year or more that will also generate a material number in terms of the ownership.

**Moderator:** Thank you. We take the next question from the line of Renish Bhuva from ICICI Securities. Please go ahead.

**Renish Bhuva:** Just a couple of data keeping question so on the new CASA account on the opening side what is the monthly run rate?

**Ketan Merchant:** The new accounts which are coming Renish we are opening anywhere in the range of around 2.25 lakh new accounts.

**Renish Bhuva:** And what is the CMS throughput per month now?

**Ketan Merchant:** So, CMS throughput we are looking somewhere around Rs.3,000 crores throughput on a monthly basis.

- Renish Bhuva:** And this both data point as on March?
- Ketan Merchant:** Yes.
- Moderator:** Thank you. As there are no further questions I would now like to hand the conference over to Mr. Rishi Gupta for closing comments.
- Rishi Gupta:** Thank you Diksha for arranging this call and thank you everyone who have participated on to this call and I hope all your questions have been answered if there are anything we will be more than happy to take it offline and with the team. As you can see Fino is on a growth trajectory with the 28% growth in FY22 over 21 crossing more than Rs.1, 000 crore of top line and more than doubling of profit as such. We are adding more products and we are adding more customers and that is what we believe which help us in getting to our digital journey as well. So, with this we will end the call and we will be more than happy to take any questions offline. Thank you.
- Moderator:** Thank you for attending the conference call. If you have any further queries please send an email to [Sayantan.mitra@Finobank.com](mailto:Sayantan.mitra@Finobank.com) or [salman@conceptpr.com](mailto:salman@conceptpr.com) On behalf of Fino Payments Bank Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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