

February 07, 2023

BSE Limited
Corporate Relationship Department,
2nd Floor, New Trading Wing,
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 February 03, 2023 - Disclosure under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("Listing Regulations")

Ref: Earnings call with Investors and Analysts on February 03, 2023

In continuation to our letters dated January 24, 2023 and February 03, 2023 enclosed please find the transcript of the earnings call with the investors and analysts held on February 03, 2023.

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

This information is also available on the Bank's website i.e. www.finobank.com

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Fino Payments Bank Limited

Basavraj Loni
Company Secretary & Compliance Officer
Place: Navi Mumbai

Encl: a/a



“Fino Payments Bank Limited
Q3 FY2023 Earnings Conference Call”

February 03, 2023



**MANAGEMENT: MR. RISHI GUPTA – CHIEF EXECUTIVE OFFICER - FINO
PAYMENTS BANK LIMITED
MR. KETAN MERCHANT – CHIEF FINANCIAL OFFICER -
FINO PAYMENTS BANK LIMITED
MR. ANUP AGARWAL – FINANCIAL CONTROLLER -
FINO PAYMENTS BANK LIMITED**

Moderator: Ladies and gentlemen, good day and welcome to Q3 FY2023 Earnings Conference Call of Fino Payments Bank hosted by Go India Advisors. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call please signal an operator by pressing “*” then “0” on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you and over to you Sir!

Rajat Gupta: Thank you Rutuja. Good afternoon, everyone and welcome to Fino Payments Bank earnings call to discuss the Q3 and nine months FY2023 results. We have on the call with us today Mr. Rishi Gupta –Chief Executive Officer, Mr. Ketan Merchant – Chief Financial Officer, and Mr. Anup Agarwal – Financial Controller. We must remind you that the discussion on today’s call may include certain forward-looking statements and must be therefore viewed in conjunction with the risk that the company faces. I now request Mr. Rishi Gupta to take us through the company’s business outlook and financial highlights after which we will open the floor for Q&A. Thank you and over to you Sir!

Rishi Gupta: Thank you Rajat. Good afternoon, ladies and gentlemen and thank you for participating in our earnings call today. I want to start with declaring that this quarter has been highest profitability quarter for Fino. Our nine months profitability at Rs.43 Crores is higher than full year profitability of FY2021-2022 and a growth of 71% over the previous nine months. Now let me go into the thought as to the reason for profit growth. As I have said in the past for Fino our philosophy is as following. Appropriate pricing of products and limited freebies, focus on higher margin products and lean business model with operating leverage in play. Our vision and focus approach to bridge the gap between India and Bharat has gained scalability boosting our faith in our capability to comprehend the demand of our client. Our recent growth has underlined the trust placed in us by our consumers in the form of customer loyalty allowing us to achieve new heights in the years ahead. Having completed five-and-a-half years of operation as payments bank we aim to provide simplified banking products to millions of hardworking Indians. With financial inclusion and profitability in our mind our products like DMT which is domestic money transfer, Aadhaar enabled Payment System and micro-ATM cater even to the most remote segment of the population outside of banking hours thereby helping us to easily accessible anytime anywhere. CASA which is current account savings account and CMS which is cash management services is our higher margin product and our key focus product. We have seen good growth coming in the recent quarters driving our profit margins. As a result our product mix assist us in generating value for all the stakeholders coming from diverse background and help us stay true to our vision and focus and growth and profitability. We continue to aggressively progress our acquisition phase wherein we open new account every

10 seconds and also focus on enhancing distribution network. The bank population through our distribution network, penetration with increased merchant count.

With digital gaining traction in rural India, we intend to reach out to our customers who are fast adopting digital modes of communication, entertainment and payment. As a result our asset light business model, diverse product offering with solid mix of high volume and high profit margins product backed by well invested technologies that provide us a distinct advantage in preparing us for the next phase of our expansion. As I started off with we delivered a very strong performance in nine month FY2023 laying a strong foundation for the years to follow.

While Ketan will soon go through the specifics of the quarterly performance I would want to take this chance to quickly review a few highlights. As you can see in slide 4 and 6 Q3 is our most profitable quarter till date. Our PAT has grown 38% year-on-year with EBITDA at 38.9 Crores with increase of 27.5% quarter-on-quarter and 50.2% year-on-year basis. This quarter our net revenue margins stood at 32.1% in Q3 FY2023 from 30.9 in the last quarter and it also exceeded our expectation. If you would remember we were at 30.6% margin in Q1 of FY2023 so there is nearly a 150 basis point jump from Q1 to Q3 on a net revenue margin. This is focused effort on product mix to enhance profitability. Our profit margins improved from 4.6% in Q2 FY2023 to 6.1% in Q3 FY2023. In Q3 FY2023 we achieved an annualized ROE of 15% which was in line with our guidance. CASA our high margin product had 7.6 lakh new accounts opened in Q3 taking our total accounts to 67 lakhs as of December 31, 2022 up by 71% on year-on-year basis laying the ground work for a great potential in cross sell and up sell. My personal belief is that there is a great potential for us to further enhance the customer acquisition. During Q3 2023 we launched our digital savings account through our FinoPay app and have received good response again endorsing the fact that we are on the right track for building up the digital stack. The loyalty of our customers was another significant aspect that was highlighted this quarter. A nine-month FY2023 subscription and renewal revenue reached Rs.111.8 Crores exceeding the full FY2022 numbers. Since the cost associated with renewals is minimal it contributes directly to our bottomline and it is reflected in our results. Our confidence has grown as a result of the rising number of customer renewals. We now feel that the guidance we had set it is well within our grasp. While digital is catching up in rural areas cash remains primary method of payment resulting in cash CMS throughput doubling year-on-year to 118% in Q3 FY2023. In Q3 FY2023 our distribution network grew by 6% with total merchant network over 13 lakhs. Our digital footprint increased even further and climbed by 163% on year-on-year basis in Q3 FY2023. CASA and CMS our high margin products have achieved 58% and 40% margins in Q3 FY2023 respectively. With business momentum being good we continue to maintain a strong growth outlook with profitability being our prime focus.

Over the next three to four years we intent to increase our customer focus ownership business along with high margin products contributing larger part of the revenue. During this time as we are progressing in our digital journey we want to also become digital savvy bank from customer experience perspective allowing us to capture more cross sell opportunities. For coming quarters in FY2023-2024 our priorities are continue to aggressively push the customer acquisition, enhance partnership and focus on CMS growth. Digital framework enhancing enhancement through Fintech partnerships. Expand the products to ensure that our target segment can get one stop shop for all financial services. Overall I can promise you that everything we do at Fino is aimed at ensuring the financial security of every person by establishing a sustainable and creditable payments bank and also enhance the shareholder value in the long term. With this I would like to hand it over to Ketan for his comments on financial performance. Thank you.

Ketan Merchant:

Thank you Rishi. Good afternoon ladies and gentlemen. This quarter has been good for us. I say this not only being the highest profitable quarter but also for a larger reason where our stated objective of steering business in a particular direction seems to be getting well executed. In addition to growth another important aspect for us is consistency. We have been delivering consistent profitability for past 12 quarters. Coming to specifics and numbers I will split this into two parts one is YTD FY2023 perspective and Q3 snippets. To begin with YTD FY2023 I would like to state that our distribution network as Rishi said is our core strength and our merchant base is rapidly expanding. Our distribution point currently has over 13 lakhs merchants and a 50% YTD growth. Our throughput grew by 40% and revenue grew by 25% on YTD basis. Whilst I should say that COVID did play its part in the previous year rebound of our remittance business post COVID is largely in line with our expectations. Key drivers for business for this period are CASA. The new numbers of accounts have grown by 58% and revenue has grown by 99%. In my previous call I have mentioned about annuity income and Rishi also emphasized this. Our annuity income is being created through renewal. Numbers are the testimony to the same. This is interesting on YTD basis renewal income has increased by 2.8 times from Rs.16.8 Crores in nine months FY2021 to Rs.47.6 Crores this is where we are building a sustainable business. CMS is another growth factor as Rishi mentioned wherein our throughput has increased by 105% to Rs.33000 Crores for the period. Remittance business during this period has increased by 27% and just to reemphasize remittance along with cash withdrawal business continues to remain our funnel for customer ownership business. Remaining on YTD performance points to reckon are operating leverage and the asset light model advantage. Overall operating overheads have increased by 3.1% and if I include interest and depreciation the total cost has increased by 12%. The difference in revenue growth which is 25.2% and total cost growth including interest and depreciation which is 12% as we envisaged our model is leading to a higher PAT growth of 71%. The asset light lean model

is a USP of our business and along with acquisition and monetization strategy a key component of profitability. As Rishi mentioned digital business is key for us and that has seen a numbers as well. As in December 2022 36% of our 60 lakh customers were active on digital payments. Presently digital throughput accounts to 20% of our overall 1.87 lakh throughput in for a nine month period.

Now moving onto quarter performance key points are as follows, 14.2% of revenue growth is on a back of 105% growth in CMS mind well this is at a margin of 40%. CASA revenue on a Y-o-Y basis for the quarter has increased by 81%, Number of new accounts have increased by 46% on a Y-o-Y basis. Margins for CASA continues to be around 58%. Total deposits have increased by 26% on a Y-o-Y basis. We are not only concentrating on account opening but also on diversification in terms of geography. Madhya Pradesh accounted for 22% of new subscriber accounts ahead of Uttar Pradesh which was 15%, Bihar 14%, Maharashtra 8% and Gujarat 7% in that order. Our focus in times to come is to further tap east and south market wherein we see an enhanced potential to grow. CMS for the quarter demonstrates the excellent leadership position which we have developed in the segment. Our revenue for Q3 FY2023 was 29.3 Crores up 21% quarter-on-quarter and 105% Y-o-Y. We have diversified partnership with business like e-commerce, retail, supply chain, logistic partners. CMS clientele has grown from 161 partners on September 30, 2022 to 172 partners as of December 31, 2022. In the constantly changing world of cash withdrawal AEPS has been exhibiting growth. The Fino's ecosystem throughput increased by 21% Y-o-Y which helped us to increase our market share from 11% in Q3 FY2022 to 12% in Q3 FY2023. If you refer to slide 12 it displays our product mix which has been growing and shifting towards high growth and high margin products that is CASA and CMS. Just to be specific CASA and CMS now account for 26% of our revenue as in Q3 FY2023 compared to 16% in Q3 FY2022. In earlier calls we have mentioned about our intent to strategically shift business from open banking to own channel and we have been able to execute the strategy wherein our open banking split has shifted to 65:35 from 64:36, 65 is own and 35 is open banking, a shift from 64 to 36. This is in line with our endeavor to enhance profitability through own high margin products. Point to note is that the focus product mix approach has resulted in gross margin of 32.1% increase of 120 BPS as Rishi mentioned. Furthermore in reference to slide 8 I would like to mention that scalability is resulting in our cost to income ratio to 26% and our objective is to take this to 25% levels thereby facilitating enhancement of EBITDA and PAT margin. EBITDA margin for the quarter increased to 12.4% from 10.1% in immediate previous quarter and 9.4% in Q3 FY2022. PAT margins for the quarter has increased to 6.1%. One point which is to be reckoned is that while profitability is our driving force and in our DNA I would like to reiterate that on technology and digital front we continue to invest to build stack and enhance our platforms for further scalable potentials and that will be on a profitable basis as

well. Before we go to Q&A I would like to summarize financial performance in three parts, one is CASA acquisition and related annuity income being set, product mix being skewed towards high margin products thereby leading to margin enhancement and finally operating leverage in the play. Thank you.

Moderator: Thank you very much. We will now begin with the question and answer session. The next question is from the line of Renish from ICICI. Please go ahead.

Renish: Hi Sir Congratulations on a good set of numbers. So Sir just two questions from my side, so one on the run rate of the CASA customer acquisition which remains sequentially at around 7.6 lakh so how one should reach this data point despite the higher renewals which essentially means that the new to bank customer acquisition might have slowed down so Sir what is happening here in terms of let us say the run rate on the quarterly basis?

Rishi Gupta: Do you have one more question should we take both the question?

Renish: Secondly in the revenue splits we have the other revenue which is now contributing almost 11% or almost 33 Crores of the total revenue so can you just tell us some more details about what kind of revenue consist of in this other line items?

Rishi Gupta: So thank you Renish for your question and I will answer the first one the second I will leave it to Ketan to answer on the revenue split. On the CASA run rate there are two things which have to be looked into one is the new to CASA and the second is the renewal rate. Usually the renewal is already 75% of the new acquisition which we have done in the nine months so renewal is as important as we look at the new acquisition in fact renewal gives us a better profit margin compared to our new acquisition. Having said that we have been consistently doing 2.5 lakh accounts per month and we believe that is a good run rate so to say. I would tend to defer with you that there has something of slowness in terms of NTB I think of NTB of 2.5 lakh on a consistent basis is a good benchmark to look at. Obviously we are working towards how we can increase it further. In this quarter also we look at more accounts opened through digital acquisition which we started only end of December so that is a new channel for us in terms of acquiring customers. Our run rate would somewhere be between 2.5 lakh to 3 lakh on a consistent basis over the next 9 to 12 months is what I would say but that is a good number to track and that is a good number which we believe if we can continue to maintain that number on the new acquisition.

Renish: I absolutely agree Sir. We can also say like customer on monthly basis is good numbers since it remains flat in terms of absolute numbers I thought let me just check what is happening there.

Rishi Gupta: There is nothing which is anything specific it is just that the new acquisition is at 2.5 lakh number we believe is a good consistent number we would like to aim at and obviously maybe grow by another 10 to 15% over a period of time.

Renish: Sorry just a followup on that so when we say 2.5 lakh to 3 lakh customer on a monthly basis so one should read this in context with the merchant acquisition run rate also because once we start adding more merchants ideally this number should go up right?

Rishi Gupta: Absolutely you are right. Everything for us is based on merchant on boarding which is there so as a merchant on boarding numbers will keep on increasing we should look at higher customer acquisition which is there, but in terms of merchant acquisition also as we keep on adding there are some droppages also which happens during the course of the business but merchant on boarding continues to be our biggest input driver for all our businesses including CASA.

Renish: Got it Sir. Okay this was so helpful thank you and on this other revenue line time Ketan if you can highlight?

Ketan Merchant: Hi Renish. I think I will start. I have noted your question about the 11% income which is on the quarter and around 9% for YTD the answer to that is addendum of what Rishi said. Rishi mentioned about the CASA, the new acquisition which we are going. I think one point which I also want to tell out here is that in addition CASA is now divided into two parts. If you recollect the earlier conversations we were saying CASA is transacting, we have subscription income coming as well. Now we are also gradually focusing on enhancing the balances as well. There are two components which has come on this 11% kind of a thing. One is the interest rate cycle which has gone up that has essentially helped us. Our CASA balances as I said or rather total deposit balances as I said has increased by around 66% I quoted in my earlier speech as well. That is also leading to some float income which is essentially covered out in the others 11% out there. In addition to that we are also trying to enhance it. I should say that on a year-on-year basis our average balances have increased per customer has increased from 1100 to around 1495 so that is helping us to enhance our float income. We are also launching or we have already launched a digital savings account as well where we expect the average customer balance being higher so both taken together the CASA subscription, CASA renewal as Rishi explained and the float income coming on account of our balance sheet which is constituting largely this 11%, all this three taken together would be our growth strategy.

Renish: Okay but subscription and renewal income will be part of the CASA line item this 33 Crores will be essentially because of the higher interest income on the float?

Ketan Merchant: Yes that is what I am saying. If you look at it on a larger scale basis subscription and renewal essentially is coming as CASA the float income of that is essentially coming out on the balance sheet side which is others.

Renish: Got it Sir. This is very helpful Ketan. Thank you so much and best of luck Rishi and Ketan.

Moderator: Thank you. The next question is from the line of Ashish from Infinity. Please go ahead.

Ashish: Hi thank you and congratulations for a good set of numbers. A couple of questions which I had. One was in terms of the revenue growth if I look at Y-o-Y growth just for the quarter we have got 14% revenue growth as compared to the nine months which is 25% or the year before where we used to be 20% plus why do you think our growth is reducing is there any specific one offs in this quarter for this growth?

Rishi Gupta: While Ketan will go into specifics but two things which are there from what I would like to mention is that from an overall growth perspective as a company our strategy is more aligned towards growth with profitability so our focus is on building up high margin products and focus is on that rather than on general low margin products including API so to say so that is where you would see on a overall basis the API growth has not happened our percentage share of own business has gone up to 65% from 60-63% a few quarters back so that is one reason. The second reason is also one of our products which is cash withdrawal product with regard to micro ATM and AEPS and also with regard to micro ATM than AEPS we are not seeing that substantial growth in fact we are seeing some degrowth happening on account of that which could be because it could also be that the micro ATM product was more from a COVID impact point of view was more relevant now with branches and ATM and everything open up maybe that product growth we may not see or at least we are not seeing that right now and also somewhere the UPI angle has also started to come in where some of the businesses are also being looked at from a UPI perspective and I think the fourth point which we have already mentioned in the past is also the fact that we are moving from transaction to ownership business because of which some of our off-us revenue especially on remittances, micro ATM and AEPS which used to be seen as a separate revenue item or a line item is now getting cannibalized through our CASA. Obviously CASA has the highest profit margin so we are quite happy from the fact that we are increasing our CASA numbers but somewhere revenue of that line item is now getting merged into CASA revenue so those are three four high levels. Ketan can probably answer some specifics if he wishes to.

Ketan Merchant: I think Rishi you fairly covered all the four points which I was going to say. Ashish if your question essentially means that by any means it is element of slowdown the answer is essentially no it is more about high margin product is what we are focusing on.

Ashish: Sure. If I look at micro ATM, AEPS and BC banking and you have provided that in the slide that those are the two income streams which are kind of seeing Y-o-Y degrowth but would it be fair to say that over the next two to three years those things will continue to degrow while the other pieces will continue to grow?

Ketan Merchant: Okay let me just take it point by point or sequence basis as well. In terms of BC banking as we said our focus essentially is going from a B2B to B2C which is a higher margin product which is there. In the past also we have mentioned do we expect any kind of major growth coming out from BC banking our focus essentially does not lie out there. Splitting the cash withdrawal other parts of transaction business which is MATM and AEPS I will just give some numbers. Our AePS has essentially grown by 17% if I just look at the break up on a Y-o-Y basis. MATM is where as Rishi explained there is an element of flatness or degrowth which is coming off. How does these business essentially grow from here on okay do we expect any kind of an exuberant growth answer is no. We have in the past also said that this becomes a funnel for us on the CASA acquisition. Do we really mind as long as we continue to have that footfall and convert them into an account every 10 second as Rishi said in his speech. If we can open a new account on account of micro ATM or AEPS footfall every 10 second we are happy even if that number does not grow so from a philosophy perspective we are looking at the customer ownership and data monetization and the digital savings or the digital stack which we are building up, all of this together along with operating leverage should lead to profitability that is where our mind lies.

Ashish: What you are saying is that while our CASA and CMS will continue to grow significantly higher the micro ATM and BC banking might reduce as a percentage today they are at 30% maybe a couple of years down the line would it be fair to assume that there will be like sub 15%?

Ketan Merchant: We are not quantifying in that sense but from a directional business clear perspective yes we expect our CASA and CMS lead to a quite higher percentage. I think Ashish one more point which we have to be cognizant out here is as and when we are doing customer ownership there will be other payment services and other cross sell also which we can do. We mentioned about the monetization of data as well so that play will also start coming in the years to come once we have the ownership coming.

Ashish: Sure. The second one was in relation to the DMT business which is a remittance business and I can understand that with some of the reverse migration back into the cities we have seen flat revenue growth how do you see that going further or is it just a phase out of the API business that Rishi talked about?

Ketan Merchant: You rightly said. As I also mentioned in my earlier script that our DMT business has grown by 27% if I look at YTD kind of number. Yes partly on account of the rebound of COVID. How are we looking at DMT currently constitutes around 35% of our revenue pie how are we looking at I think this is something where we are the market leaders we are bundling this with a couple of other products and we are looking at growth. So remittance is not only a footfall generation kind of thing for our ownership but we are also looking at a growth and not only Ashish on the open banking thing but rather more on our own banking channel that is the plan which we have for DMT.

Ashish: Sure. If I look at just this quarter our growth is down to 1%?

Ketan Merchant: Yes lot of times the festive season and lot of times couple of other things also play its part but in the long run we are working out in a manner and I should not shy away from saying that there is lot of competition in DMT. We are trying to work around in a manner and the advantage which we have because of our banking license as compared to most of the other competition players on DMT we are trying to make a strategy of growth on the DMT.

Rishi Gupta: So let me just give you some facts Ashish. This is an important question and this alludes from our earlier conversation where I said we are converting customers who come to our point for transaction into our own customers so that is the ownership strategy which we are talking about. If you look at the fact that our UPI volume has grown by 84% in the last nine months April to December and our P2M has grown by 133% in the last nine months so for us a person who comes to remittance we open an account for them, we encourage them to start using our P2P service on UPI for transfer of money as such. The general margin which we make on a remittance transaction is about 8 to Rs.10 per transaction whereas when we look at our CASA we make a much higher margin somewhere around 58% on new accounts, so our margin ratio is much higher so we encourage customers to use UPI and that is where you would see our UPI volume has grown substantially so part of it as I mentioned earlier is moving from cash to our UPI business and these are the same set of people who come to us for remittances and cash withdrawal who can start using UPI for P2P or P2M which means that they do not need to withdraw higher cash and as well as to transfer money through the remittance platform so it is kind of change of behavior which we are pushing. In fact we are investing quite a bit in our digital stack including putting our FinoPay application and pushing on the UPI transaction because UPI end of the day helps us in reducing our cost if I look at from cash withdrawal purpose. If they go and withdraw cash on a ATM the cost is much higher compared to if they use it for UPI for P2M or P2P business so that is the broad thing so you have to look it from an overall point of view of a customer ownership point of view how it pans out rather than individual products because to some extent some product revenue is also getting captured in the CASA revenue.

Moderator: Thank you. The next question is from the line of Bhavana Jain from Avagrah Capital Advisors. Please go ahead.

Bhavana Jain: Thank you for taking my question. I just had a followup question on the same CASA and CMS. As you just mentioned that CASA and CMS are our high growth business right so just a small question on how are we planning to go ahead with increasing this number in our revenue item any strategy going forward?

Rishi Gupta: So if you look at our numbers on CASA and CMS in the last two years if you remember from 10% it has now grown to nearly 25% on an overall basis. If I see last year they both put together was 16% now it is 25% there is a substantial growth of 9% in the last one year I will come to CASA first. We believe CASA is a customer acquisition engine which we have built up it includes the renewal income also. Renewal income right now is about 75% of the new income which comes in. In FY2023-2024 because of one New Year which will get added to renewal we expect there is a renewal income and the new income will be kind of matching and one could be higher than the other also to some extent so we continue to build on our CASA. It is like an annuity business for us and with a digital stack and the UPI push which we are doing we expect higher balances which will lead to higher interest income will also lead to some kind of cross sell, as we go forward we are also looking at bringing new products from an ownership point of view so it continues with the same ownership strategy with a very low customer acquisition cost because of the transaction pull which we have which customers comes on our platform any which ways so CASA will continue to grow. On the CMS part if you recall we had mentioned two or three things in the last call also. Now we have about 172 clients which are active on CMS. One more thing which we have done is that we have diversified our CMS portfolio now 55% of which is BFSI and 45% is non-BFSI and it includes multiple kind of companies from NBFC, MFI, to logistic companies to e-commerce, to CRA, to all your food delivery, your delivery kind of company so we have well diversified portfolio. India while it is quite interesting to know still nobody has a clear answer why both the digital as well as the cash economy both of them are growing. If you look at the cash in circulation is also growing and digital is also growing and that is exactly coming through in case of Fino also. Our digital business is also growing, our physical business is also growing in parallel, so we believe with higher diversification which we have been to able to do on our client side and also the fact that we are adding new clients every quarter we believe we will have a higher potential to grow in CMS. Obviously the percentage growth may not be of the same double, triple because the base has become quite large as you can see now but we continue to believe with the kind of penetration Fino has on the ground and our ability to suck in cash we believe the CMS business will continue to grow in the years to come along with the CASA business and the network effect will definitely play a big part in both the businesses.

Bhavana Jain: Can you give a small target like right now if I could see our presentation CASA and CMS includes 23% of the total revenue in few couple of months can we target this numbers really going into if you can brief?

Ketan Merchant: Bhavana at this stage Rishi just mentioned that we are bullish about it, we are not giving any specific guidance in terms of number, etc., but the engine is on and I think one point which we have to be cognizant of and I mentioned it earlier as well that on a nine month YTD basis the renewal aspect which Rishi mentioned and I also mentioned has grown by 2.8 times on a YTD basis. That has a cumulative impact which will come through. We are focusing on enhancing that strategy in terms of reaching out to customer engagement so at current stage we are not putting number but we can say that the momentum is on and there are business plans which we will execute for the high margin growth product.

Bhavana Jain: Sure no problem. There is only one more question. In last call we mentioned something about partnership with Fintech any progress on that front any idea on that what is going on?

Rishi Gupta: Good question Bhavana, so couple of things which we are working on. We already have about 40 to 50 partnerships on the API side on the rural Fintech which are there, on the digital Fintech there is one partnership which is already final and we are in the process of ruling it out hopefully in the February month we will roll out that partnership February or March we will be able to roll out or maybe this quarter. There are couple of more which are lined up as such so once we start on the first we will be able to then quickly roll out the couple of other Fintech partnerships which are there so probably in the next call we will be able to share the names as such as well.

Bhavana Jain: Definitely and any other avenues that you guys are looking for, not mentioned yet but can be disclosed if any?

Rishi Gupta: We obviously continue to look at options and opportunities which are there. You can say our focus on digital has become quite aggressive in the last one year and we are seeing lot of green shoots on that. As I mentioned nearly 55% of our UPI transactions which are P2P transaction that we have seen 133% growth in the last nine months on UPI P2P so you can expect some more products especially on the digital side of the business coming over the next 6 to 9 months.

Bhavana Jain: Definitely. Understood. Thank you so much for your time.

Moderator: Thank you. The next question is from the line of Shreya Shivani from CLSA. Please go ahead.

Shreya Shivani:

Hi congratulations on a good set of number. I have three questions first is on the AEPS while there has been year-on-year growth but if I see the AEPS throughput from 1Q to now sequentially this is the second quarter that we have declined so I just wanted to understand the gross yields for this segment has also declined at 30 BPS roughly so if you can talk about what is happening here is there any change in the competitive landscape that is the first one, second is on the CASA revenue while the renewal incomes have been very strong the new subscription income was flattish I am saying that on quarter-on-quarter basis and that implies that your gross yield per CASA account that has sort of declined so have you launched any new products with lower subscription fees, etc., if you can make some commentary on that and lastly it is on your international remittance but if you can give an update and also I wanted to understand that RBI has banned State Bank of Mauritius' international remittance some restriction has been put on them if you have any commentary around that or any details on that and how our product is panning out those are my three questions?

Rishi Gupta:

Thank you Shreya for your questions. On the AEPS growth see AEPS growth we are not seeing that the competition is eaten up in fact if you read our commentary in our investor report also we have mentioned that our AEPS market share has gone up from 11% to 12% so we are not losing out on the market share per se so that is the first part so that you should put to rest that there is a decrease in the market share, market share has gone up by 1% in the last one year. The AEPS itself as a market maybe largely because of the UPI business we believe is somewhere it is getting eaten up P2M is getting eaten up in that segment so that is largely that piece. AEPS also from overall industry point of view has been more flattish or in the same range as growth as what we have mentioned. In fact in our commentary also we have mentioned that the AEPS industry grew by 8% on year-on-year basis in Q3 FY2023 whereas the throughput of Fino ecosystem grew by 21% year-on-year basis and we have also increased our market share by 11 to 12% so that is the answer on AEPS. On CASA actually we had replied earlier to very similar questions put up by Renish so maybe we can take that offline otherwise it would be kind of repeat, but your question of the gross yield decline which is over and above what Renish had asked us so on that piece we have a product mix which is there so different products are at different price so in a particular quarter there could be some change in different product mix which could be there so it is only on account of that otherwise the pricing of the products have more or less remained the same. On the third part on international remittance we are happy to say that we have launched our international remittance which we launched in the last quarter on the branch portfolio now we have launched it on the merchant side. One thing which we have realized is that there is lot of compliance fees which has to be stressed when we look at international remittance because of the AML KYC fees so that fees we have finally been able to close and we are now on boarding merchants on a monthly basis. So 600 we have

onboarded, 200 is what we onboard every month now so once the onboarding is gathering stream you can expect the volumes will come up as we grow. It is a very competitive intensive business so it will take its own sweet time to show up on our revenue numbers.

Shreya Shivani: Got it Sir. On any idea of why SBM bank was restricted?

Rishi Gupta: So SBM is a different story. It was not related to international remittance that was more LRS liberalized remittance scheme where you can send money abroad. I do not know the issue which is there but that is nothing to do with our set of business. It is totally completely different unrelated thing that is on the outside and this is coming in.

Ketan Merchant: Shreya just to add that for us the international remittance is essentially the inward remittance which we will be looking at.

Shreya Shivani: Got it. This answers all my questions. Thank you.

Moderator: Thank you. The next question is from the line of Umang Shah from Kotak Mutual Fund. Please go ahead.

Umang Shah: Thanks for taking my question. I had a couple of them. First I want a data point what proportion of our CASA customers are currently renewing what is the renewal penetration for us?

Rishi Gupta: Between 60 and 65%.

Umang Shah: The other point which I wanted to probably discuss and this is more in detail so Ketan mentioned that you guys do not want to put a number but X of interest income I just wanted to understand that maybe from next four quarters perspective how will the topline growth look like and where I am coming from is two thirds of our business which is BC banking, micro ATM, remittances, on a combined basis clearly this segment is not growing now for past four to five quarters a lot of thrust is obviously put up on CASA and CMS which again basis your comments you have already mentioned that the scale is also becoming fairly reasonable for us so just wanted to understand that outside of this interest income piece how should one look at the revenue growth on a combined basis. Now I understand the nuance that CASA and CMS will grow faster compared to the others but how should we look at the overall topline growth?

Ketan Merchant: I will again take the same stance. I do not want to put a specific kind of guidance what I have mentioned earlier to Ashish as well but I do understand your question in the context of cash withdrawal point which Rishi has mentioned in the context of DMT and in context of

CASA and CMS. I think we just need to step back and look at our kind of strategy which we have set earlier as well. Rishi in his points keeps on saying that he has three prong strategy which is transaction, acquisition, and monetizing. Currently we are on acquisition kind of spree which is coming off. When Rishi earlier said that yes there is a scale which has come on CASA and CMS I would like to clarify give most after your context. He was just saying that CASA and CMS which has grown at a three digit number on a YTD basis it will not be three digit given the case but it does not essentially mean that the growth driver dilutes so just to put that at rest one of your point was there and we have to also realize the point which we mentioned earlier is the TAM part or the monetization part there will be cross sell which will come. There are the new digital products which we are also essentially putting it across so from an overall perspective in and around customer ownership there are things which are being built up and as we see our acquisition phase will continue, our monetization phase is yet to start. Rishi earlier mentioned about the payment services and the digital stack as well with our kind of ownership which we do and again from an absolute perspective we also need to put annuity income which we have emphasized so all taken together if I have to summarize your question maybe around 66% of the transaction business I would split it into two parts one is DMT which I have said earlier in some form we are trying to grow on that own channel which will be at a relatively higher margin. CASA CMS I have clarified it may not be a three digit number or a high two digit number but there is a growth engine which will continue. CASA renewal I have already mentioned and in addition the new lines of businesses which we are essentially looking at in and around customer ownership will drive our revenue growth. Just to reiterate it off our focus is both on growth as well as profitability. I have mentioned it earlier as well that operating leverage which is demonstrated in the numbers is playing and will continue to play so the bottomline and the EBITDA and PAT margin we expect it to grow even faster than the topline. Sorry I do not know whether that has answered your question or not but I have just given a perspective of what is our thought process in terms of growth and focus.

Umang Shah:

This is helpful Ketan thanks. Just on the opex and EBITDA part that you spoke about again fairly good and tight control on opex during the year-to-date period for last three quarters pretty much in a tight band is what we are operating so will it be fair on my part to assume that there is further scope for margin expansion from here on basis your comments?

Ketan Merchant:

We have seen a 40% growth on YTD basis in terms of throughput and on Y-o-Y basis 34% growth and just operating overheads has grown by 3.1% and 2.5% so operating leverage which is currently in play will continue to play its part in terms of scalability as well so just to reiterate what I earlier said is X percentage of growth in topline because of the operating leverage which we continue will lead to a higher EBITDA and a PAT margin is what we are looking at. I would like to reiterate the point is whilst profitability is the focus are we not

investing into our digital and technology we are but that also the stack which we are attempting to build would be eventually leading to a profitability as well so in nutshell yes operating leverage will continue.

Umang Shah: Great and just one last data point what is our outstanding deposit base and what is our average interest rate that we pay on our star deposit?

Ketan Merchant: I think we are at 976 Crores as at December. Typically our interest rates we have just recently made a carded interest rate change but typically currently we are having around 300 to 350 basis point margin on our investments.

Umang Shah: You mean to say the spread that you are making is 300 to 350 basis points okay alright. Thank you so much and wish you good luck.

Moderator: Thank you. The next question is from the line of Ashish from Infinity. Please go ahead.

Ashish: Hi thanks again for taking my question. Just one question in terms of Ketan data point while we look at EBITDA but the fact is that of our some interest costs are below the line and that number can change significantly so what might be helpful is to look at EBITDA number as a percentage so I see that has gone up so if I look at the PBT percentage we are running at around 8% as you play this strategy out where do you think it can go up to as some of the lower margin business?

Ketan Merchant: Ashish I do hear you out and I think it is a fair question. You basically split the business into what is the core business and sometimes the opportunity which we essentially get on our balance sheet play in terms of borrowing and so on and so forth. At current stage while I do recognize what you are saying. I had mentioned in the last call as well because we have a regulatory license because we have opportunity which is coming in terms of using the repo and reverse repo line as well and where we can get a bit of spread coming across intentionally we have our borrowings coming through. If we look at borrowing some part of our borrowings is compensated by the investment which we essentially have out here. In near future we look at the split or are we looking at major growth to answer your point is a treasury play or the borrowing or the balance sheet play is incidental. Our core business continues to be the transaction business we are looking at the ownership which we mentioned and the monetization so all our strategies are essentially built towards the core business and as and when we incidentally get these opportunities because of our license we will continue but we are not attempting to go big in terms of noncore business or in terms of the balance sheet play as of now.

Ashish: All I am looking for Ketan is maybe a data point from you that if you were to let us say to take the interest expense above the EBITDA line because it is a more operating expense from some perspective how will our margin movement look like and where do you think that we can take to let us say two to three years' time?

Ketan Merchant: Ashish we will incorporate that into our submission from time to come.

Ashish: Sure and maybe we can take this offline. Thanks a lot and wish you all the best going forward.

Moderator: Thank you. The next question is from the line of Kamal Khatri from AMSL. Please go ahead.

Kamal Khatri: Congratulations first of all for the highest profit quarter. I have two set of questions. First is in the last update you have said you have 700 Crores of borrowing which is helping you building the interest arbitrage. I just want to take an update how is this planning in this current quarter and basically how much borrowing you have done in this quarter and what is your stat on that, second question is regarding the balances you somewhere have mentioned that your savings account are 67 lakh and the average balance is around 1100 so that total 750 Crores and in the overall balances that is around 976 so is there something else getting added there?

Ketan Merchant: I will take your first question first. In terms of the borrowing I think this is connected to what Ashish also asked that if the balance sheet plays something we are essentially doing the answer to that is no. If I give you some sort of a data point as at the previous quarter our total borrowings for 743 Crores which is reduced by 49 Crores to 694 Crores as of December. The spread which we overall look at and as I mentioned the overall spread which we are looking at in terms of the borrowing and the investment number. If you look at borrowing along with investment our total borrowing is 694 Crores our investment is 1310 Crores as well. What is the spread which we are getting on the borrowing over the last three months it is a bit differential. We have been getting anywhere between 70 basis points to 100 basis points spread which we have come through. On your second point sorry Kamal you may have to just reiterate the question and I will answer it.

Rishi Gupta: In the second question your question was in terms of 900 and odd Crores of deposit versus 67 lakhs into 1100 comes to 700 Crores so the balance is merchant deposits which we have so total adds up to 970 odd Crores numbers, 976 Crores so you are right it includes both the CASA and merchant deposit.

Kamal Khatri: Got it. Thanks Rishi I got my answer. Thank you.

Moderator: Thank you. The next question is from the line of Krishna Hegde an individual investor. Please go ahead.

Krishna Hegde: Hi good evening thanks for taking my question. I was looking at the capital levels of the bank versus what is regulatory required and obviously things that are over capitalized, are there any plans to optimize the capital structure given that you are currently cash flow positive and profitable that is my first question and the second question is if you could update on the partnership with Suryoday bank for cross sell FD there has been an announcement about that I think a few months ago but I did not see anything on whether there is progress on that change in strategy can we get more colour on that please? Thank you.

Ketan Merchant: Hi Krishna I will take your first question and you are absolutely right. Our equity and reserve is 529 Crores against this thing. Capital adequacy is largely not too relevant for us because we are not a lending bank as it stands now. See we have to look at in a context, a year back we have raised a primary capital of 300 Crores and we have at that point of time also said that we are looking at making a digital and technology stack along with profitability as well so optimization of capital will be coming over a period of time and as we speak that is already happening as well so we continue to invest and in terms of digital as Rishi mentioned rural India is getting digitized fast. We have full network along with the network expansion on our merchant points. We are looking at technology and digital stack coming out as well and that is where it will be put to use on a phase basis and this is in line with what we are expecting at the time of IPO when we raise the primary capital.

Rishi Gupta: Second on the partnership with Suryoday we are currently going through a CUG which is closed user group testing we plan to go live by the middle of February this month.

Krishna Hegde: Thank you so much.

Moderator: Thank you. As this was the last question I would now like to hand the conference over to the management for closing comments.

Rishi Gupta Thank you everyone for being on the call today. As you can see the focus of Fino has been on building of the business in a profitable manner that has resulted in our growth in our EBITDA to 12.4% our PAT at 6.1% our net revenue percent is growing to 32.1. We continue to focus ourselves on our customer acquisition, merchant acquisition as well as bringing the digital stack to our customers. We also continue to build on our product stack and as one of the questions was there you should see some new products coming into our business in the next 3 to 6 months or so, so we are quite positive. There are some concerns which were raised around micro ATMs and AEPS. Let me assure you in terms of part of it

is also because of the CASA which is getting added and also to some extent because of the UPI push which is there in the market but overall basis we continue to build the business the right way and pushing customers who come to our point for transaction to ownership and then over a period to monetize them and we are also grateful to all of you for joining us on this call today. I know it is a busy season for calls and with that I would like to end the call and wish you all the best.

Moderator:

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