niyogin

Date: August 19, 2024

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

Dear Sir/Ma'am,

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

Pursuant to Regulation 30(6) read with Part A of Schedule III of the SEBI Listing Regulations, please find enclosed herewith the transcript of the proceedings of the Earnings Call held on August 12, 2024 in respect of the Unaudited Financial Results (Standalone and Consolidated) of the Company for the quarter ended June 30, 2024.

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

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Niyogin Fintech Limited

NEHA KSHITIJ DARUKA
Digitally signed by NEHA KSHITIJ DARUKA
Date: 2024.08.19 15:15:21 +05'30'

Neha Daruka
Company Secretary

Encl: a/a

"Niyogin Fintech Limited Q1 FY25 Earnings Conference Call"

August 12, 2024

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

Moderator: Ladies and Gentlemen, Good day and welcome to Niyogin Fintech Limited Q1 FY25 Earnings Conference Call.

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 "'*" and then "0" on your touchtone phone. Please note that the conference is being recorded.

I now hand the conference over to Mr. Ravi Udeshi from Ernst & Young. Thank you and over to you sir.

Ravi Udeshi: Thank you Steve. Good morning everyone. On behalf of Niyogin Fintech Limited I welcome all of you to the Company's Q1 FY'25 Earnings Conference Call.

You would have already received the Quarter Results and the collateral which is also available in our filings with the Exchange.

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

Before we proceed with this call a disclaimer:

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

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

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

Let me start by thanking all of you for joining us this morning. I welcome you to Niyogin Fintech Earnings Call for Q1 FY25.

As always, for the people who have dialed in for the first time, I would like to start by giving a little brief about our Company:

Niyogin Fintech operates on a tech-centric platform-based model offering banking as a service through our subsidiary, iServeU, and we also offer credit solutions for both rural and urban areas in India.

We employ a partnership-led strategy collaborating with local enterprise partners that possess extensive distribution networks. These partnerships allow us to leverage the partners infrastructure for cost effective outreach to our targeted customers, primarily micro, small and medium enterprises, i.e. MSMEs. Once we onboard a partner, the iServeU Banking as a Service platform are integrated into the partners customer facing touch points. This integration enables these touch points to offer banking payment and financial services to the local clientele. By adopting this partner-led approach, we can effectively extend our services to a large number of MSMEs through each partner we engage with.

The revenue model primarily revolves around transaction fees or commission earned on every transaction process through our platform or as a monthly annuity kind of technology construct.

As an NBFC, Niyogin the holding Company extends its services to MSMEs by providing credit. We facilitate lead generation and provide digital access to credit and other financial services for MSMEs through our distribution platform, namely Niyoblu.

We employ various lending models and generate revenue through either interest income of these associated with our distribution platform.

Last quarter we added Superscan to our fold under our holding arm subsidiary, Niyogin.AI. Superscan is an OCR based AI-enabled toolkit solving for KYC related issues in the BFSI industry. Some of its functionalities include enhancing the digital legibility of physical and archived digital documents, increasing OCR accuracy, and converting unstructured data to structured input. We generate revenue through a subscription-based model here.

Let me now get into the developments that are more recent related to the quarter in question:

As I was mentioning, we moved away from our older disclosure formats in a bid to make our communication more streamlined. We have divided our business into clear verticals based on which business vertical they are housed under and the drivers that will help you understand our business better. While the Lending and Distribution business is housed entirely under Niyogin, the iServeU business has been divided into four verticals which we intend to use for disclosures henceforth. There's the financial inclusion in particular which all of you are familiar with. It will house the traditional iServeU businesses, which is transaction driven like AePS, Micro ATM, Cash Out, etc.,

The next vertical is Merchant Acquiring: This will house our new digital-only products like UPI, prepaid cards and POS solutions.

The next vertical is SaaS where we will house our agency banking solutions, CRM and LMS solutions. The revenue model here is subscription-based.

The last vertical is Program Management, which is where we generate income by acting as a TSP or Technology Service Provider. The revenue from Sound Boxes, for example, will be housed under this vertical.

Lastly, Niyogin AI will have all its income based on the subscription model. The income from these contracts can either be lumped, staggered or milestone based depending on the nature of the contract.

Moving on to the Performance for this Quarter:

Our adjusted EBITDA loss for the quarter is Rs.6.6 crores. The loss expanded on account of two factors. The Financial Inclusion Solution related revenue was muted due to industry dynamics and the Company took some provisioning against the lending. The central elections created significant headwinds for the financial inclusion business for the better part of the quarter. While the restriction on DBTs, which is Direct Benefit Transfers, during this period, we saw a decrease in withdrawals in April and May. However, we have witnessed normalization in June and growth in July thereafter.

On the iServeU front, I am pleased to report that we have commenced the fulfillment of the Sound Box contract and have delivered more than 35,000 devices across June and July. We expect to have a delivery run rate of about 50,000 to 60,000 sound boxes per quarter. As the number of sound boxes pick up, we should also see commensurate income scaling up. This SaaS income brings stability and predictability to our growth model.

In terms of our Financial Inclusion Solution, we have closed some marquee contracts for our DMT business, which is the Domestic Money Transfer business which will again have the potential to materially scale up transaction volumes which we have already started since July onwards.

We have now started to move towards a SaaS-based model which has increasingly become a substantial part of our revenue. Given our performance of this quarter, we expect ISU to close net revenue between Rs. 35 to 45 crores by end of '25. The financial inclusion business will continue to grow. However, we expect other businesses to scale up faster. Consequently, we expect 45% of the net revenue of ISU by FY25 will come from the SaaS and the Program Management verticals. Thus, as guided last quarter we have moved away from operating metrics like GTV and take rates as they do not appropriately reflect the full value of our business.

On a consolidated basis, we expect the net revenue to be between Rs. 70 to 80 crores for FY25 with NFL and Superscan contributing the best.

Coming to our Lending and Distribution business, fintech as a sourcing channel has been scaling up for us exponentially. This quarter we added a new partner Ninjacart and we expect this partnership to start scaling up in Q2.

We also have expanded product functionality on Niyoblu to include fixed deposit booking. Additionally, we have 160 financial partners this quarter and have raised a monthly origination throughput of almost 170 crores.

I am also happy to report that our net yields on our lending book have improved to 18%. We expect this yield to be sustainable going forward. Our effective lending scale-up is reflective of our ability to successfully leverage our balance sheet. The year will see us change gears as we intensify capital raising efforts. We are looking to grow our lending business as well as acquiring complementary bolt-on businesses. We are looking at capabilities which can help us expand our product portfolio, expedite, go-to-market duration and expand our geographical presence. We expect our lending book to be levered 1 to 1.5X on a consolidated network basis by FY25 end.

As mentioned earlier, we have successfully consummated the acquisition of Superscan. We have implemented Superscan in our own proposition leading to 100% of internal cases volumes now being routed through Superscan. This has significantly improved the quality of our interactions with our partners on the Niyobluplatform.

We have also secured contracts with some of the top insurance companies. As we start to implement these contracts, this will lead to significant incremental revenues. We are now focused on expanding both our product stack and client base to ensure the commercial success of Superscan. The strategy was to productize Superscan and that's exactly what we are doing.

Additionally, we are in advanced talks with some of the large BFSI players for fresh contracts which we will be able to disclose to you as and when these contracts are signed. We have done POCs with these BFSI players and there has been demonstrated success on the Superscan side.

The current quarter has presented some challenges which are transitory in nature. The underlying fundamentals of our businesses remain strong. We are committed to overcoming these short-term challenges and resume our trajectory of profitable growth.

I will now hand it over to Abhishek – our CFO, to take us through the details of Q1 post, which we can take up questions and address all your queries. Thank you and over to you, Abhishek.

Abhishek Thakkar: Thank you, Tash. Good morning, everyone. So, as usual, before I take you through financials, let me give you some update about our operational metrics:

Our finance professional network increased by 15% YoY and stood at 6,044 as of 30th June 2024. We further processed 51,816 loans through our network in Q1 of FY25 and reported an increase of 307% YoY and 8% QoQ.

Moving on to the Consolidated Financials for the quarter:

Our gross revenue ex of device sales was Rs.47 crores in Q1 of FY25, up 4% YoY and down 1% QoQ. The income from sale of the device stood at Rs.3.8 crores so the gross total income stood at Rs.50.8 crores, up 12% YoY and down 1% QoQ. Our net revenue for Q1 FY25 was Rs.5.7 crores on iServeU and Rs.5.7 crores in NFL standalone as well.

The adjusted EBITDA excluding ESOP in Q1 of FY25 is a loss of Rs.6.6 crores compared to the positive EBITDA in Q4 of FY24 and loss of Rs.4.3 crores in Q1 of FY24. The reason for the loss has been discussed by Tash in his speech.

ESOP charge for the current quarter was Rs.70 lakhs in line with the previous quarter. The non-GAAP PBT stood at negative Rs.9.1 crores in Q4 of this year as against the non-GAAP PBT of negative 2.3 crores in the previous quarter.

The AUM including FLDG given off for loan book exposure stands at Rs.208.5 crores, up 78% YoY due to the growth on the book of partnership-led approach and addition of new partners. The ECL provisions on loans in Q1 FY25 was Rs.2 crores, taking the total provision to Rs.10 crores. We have drawn a total debt of Rs.52.5 crores in NFL on a standalone basis at the end of Q1 FY25.

Our consolidated cash and cash equivalents stood at Rs. 104.5 crores as on 30th June 2024. The total debt in NFL on standalone basis taken for the lending business at the end of Q1 FY25 stood at Rs.52.5 crores. Additionally, we have deployed Rs.10 crores in our subsidiary, Niyogin AI, of which Rs.8 crores have been paid for the purchase of the toolkit Superscan.

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

Moderator: We will now begin the question-and-answer session. First question is from the line of Yash Modi from Ashika group. Please go ahead.

Yash Modi: So, my first question was with respect to the overall EBITDA guidance that we had given last quarter. So, like I understand, we obviously stated that we will be moving away from that GTV disclosure and taking it on a gross level. But we have maintained that we would probaly still end up in the ballpark of Rs. 40-45 crores in terms of EBITDA for FY25. So, now with this new guidance, I understand the problems are transitory in nature. Do you think on an overall basis, if I do the math, the EBITDA guidance is being scaled down by the Company?

Tashwinder Singh: So, I think 40 to 45, the number is only for iServeU, not for the Company as a whole.

Yash Modi: No, no, I am saying on EBITDA level we said that when we first given that guidance of Rs. 1 lakh crores GTV, Rs. 500 crores of revenue and 10% EBITDA margins, so Rs. 40 to 50 crores EBITDA. The last quarter obviously that 1 lakh and 500 crores to change that to net to look at it as a net basis, but you were still certain on a consolidated level that you would still be EBITDA positive, on a Company level, we would be doing an EBITDA of roughly around between Rs. 40- 45 crores of EBITDA.

Tashwinder Singh: I got it. I thought you talk about net revenue. So, I think two things, right? If you look at Q4 FY24, we were break even on EBITDA, right. And I think the plan then was that since the Company has broken even, we would then take on the mantle of becoming profitable from Q1 itself. I think Q1 has been surprising and disappointing for us, also, because of the entire, iServeU business really taking a huge beating because of financial inclusion business which is primarily focused on AePS, Micro ATM. Industry wide, those numbers have come down because there was no DBT in April and May given the moral code of conduct, which comes in during elections, right. So, I think the EBITDA numbers are also being revised downwards. We think we will probably do between Rs. 20 to 30 crores of EBITDA this year instead of the Rs. 45 to 50 crores that we had guided earlier. But again, the upsides that may potentially come in could be through the incremental contracts we are getting on the base business which again I can't predict right now because there is some real conversations with some large banks going on. If some of those contracts can be delivered this year, then we will see that upside, we will see some benefit coming because of Superscan. So, there are some of these moving parts in the business. But if I look at on a like-to-like basis on what we had predicted, you're absolutely right. I think the EBITDA expectation given that the first quarter has a negative Rs. 6.6 crores as against the expectation of it being positive when we started the quarter, there will be a reduction in the EBITDA.

Yash Modi: The second question is with respect to the loan book. So, you mentioned that in this year you would be probably looking to lever between 1 to 1.5X of your networth. So, if I assume the networth to be Rs. 300 crores, so are we looking at the loan book between Rs. 300 to 400 crores, is that the ballpark you are guiding or 200.

Tashwinder Singh: I think Rs. 207 was the first quarter number, I think up from about Rs. 160, 170 crores last quarter. I think our target for this year is Rs. 418 to be exact. That's what we are trying to achieve for this financial year in terms of the loan book. And I think so far, we seem to be on the target for that. You know what happens in our business is a lot of the loan generation is basis our partnerships, right, because what we are doing is we are working with partnerships and I've given you examples of names like Khatabook, etc., where we have very, very deep entrenched partnerships and we have added Ninjacart as a new partner. So, with every partner that comes in, there is a potential to scale up the loan book by Rs. 50, 60, 70 crores in a pretty quick timeframe. So, that is where the expectation is that we should be able to get to the Rs. 400-odd crores number for this financial year.

Yash Modi: In terms of like we mentioned that we have already put in 35,000 devices in the month of June and July. So, this revenue of Rs.3 crores that I see in terms of sales in devices, should that be assumed to be some portion of the 35,000 devices that came in June or is it like normal course of action that took place before for iServeU?

Tashwinder Singh: No, no, this is not counting the sound box revenue. This Rs. 3 crores are the old set of devices that were delivered. I think only because June was the first month when we started the delivery of these solutions, right. And I think if I just break it up in the month of June, we only did about 10,000 and July is when this picked up and we did 25,000, I am just giving you the breakup. So, the actual sound box revenue is really not showing in the numbers that you're seeing right now, right? There's a very small portion of that. Q2 is when you will start seeing that, the entire delivery coming in, in Q2, we may have a little more than 56,000 to 60,000 devices, but on a steady state basis, 50,000 to 60,000 per quarter will go in. Those numbers are not materially there in the first quarter numbers.

Yash Modi: So, basically, we have around nine quarters of device sales already baked into our numbers because we have got a contract of 5 lakhs, the first contract that we officially got apart from the PO's that we might be working with other companies. But right now, there's 50,000, 60,000 for eight to nine quarters of revenue, incrementally every quarter you'll see incremental SaaS revenues because as the number of devices increase. That that is why you're saying that the SaaS revenue in the overall will increase.

Tashwinder Singh: Yes, there are two streams of income here, right? One is obviously the actual device deployment and then the SaaS income, which is a monthly income, which starts accruing every month, which is also the reason why we were saying that this business will become pretty significant from an iServeU standpoint as these 500,000 devices are deployed. And because the bank that we are working with is a pretty material PSU bank, it has opened up doors for us with other PSU banks also to have this conversation and those conversations are pretty good. So, we think that while this contract of 500,000 is over the nine quarter number that you mentioned, right, as the other contracts come in, we will have significant upside coming from it, which is why it is difficult for me to predict where we will end up because it's contract-based right. As we get the contracts, we will get better visibility of where we land up for the year.

Yash Modi: Just in terms of scale, if I were to look at Niyogin AI, so what would be the typical contract size that you would be looking at for this kind of product, can this scale up say in the next 3-4 years to be as big as say an iServeU for you or are you looking at a lower scale?

Tashwinder Singh: Niyogin AI, we have got about eight to 10 customers. We have already closed our contracts with that. When we bought the Company, it was basically a toolkit that we bought, right. And the whole idea, if I just take you back a little bit on how we had explained the transaction also was that the conversation started with us looking to deploy this solution in our system and then we saw value in productizing the solution and taking it to incremental clients. Some clients had already been brought in before we even acquired the Company. But in total we have got about eight or nine customers who are currently using this solution in their network. Contracts could vary anywhere between 5,00,000 to 10,00,000 a year to about a crore a year, right. So, some of the larger contracts that we have are going all the way up to a crore a year and then there are smaller contracts with smaller institutions that are doing POCs testing us out, right? So, those contracts are smaller, but the beauty is that with every institution, there are multiple places where the solution can be relevant, right? Every large institution has multiple departments. Every department does its own evaluation. So, we are working with institutions and we run on a program-based model, right, that there's a three month program we are running with someone because they have a specific solution or an ongoing program with someone made that will become an annuity revenue. So, I don't think it will become as big as iServeU, but it will be a good sort of toolkit to have in our anvil and it will be a good profitable business down the line with significant margins because nothing gets shared out here, right? All the money we make, barring the expenses of the 8-9 people that we have, who are our AI engineers, everything will sort of flow straight into the bottom line.

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

Nikhil Kumar: So, my question is if you could throw some more light on what effects election had on the business and why iServeU took a beating and any of it going to be carried forward to the coming quarters as well?

Tashwinder Singh: I think that's a good question. I don't think that any of those effects are getting carried forward. When I look at the July numbers, right, I think the numbers are pretty much back. In fact, we have an uptick there as well. Just to give you an indication of how bad the impact was. April and May the iServeU revenues were almost 55% to 60% of the regular revenues that we land up making primarily driven by the lack of domestic benefit transfers. What happens in India is that because our business is largely rural based as far as the financial inclusion business is concerned, a lot of people, a lot of farmers, etc., they all get monthly income from governments through various schemes, right? And there are benefit transfers that were also given. But when the code of conduct came in, all the benefit transfers were basically suspended for the two months. No government could go and give these specific benefit transfers and therefore there was a complete drop in terms of the AePS and Micro ATM volumes. Micro ATM actually saw a pretty drastic drop in terms of volume across the industry and therefore the associated revenues related to that also came down. And some of the newer contracts that we were still working through like the sound boxes were not ready to be delivered at that point in time. So, we could not get a compensating benefit coming out of that. So, April and May basically saw that. There was another issue that happened, which was again an industry-wide issue where NPCI has brought in new fraud control method. So, the industry was also dealing with how to how to handle the new fraud control mechanisms, for example, the size of transactions has got limited, the number of transactions you can do in the month have got limited, but those haven't impacted us materially, but the industry overall got impacted with a little bit of that, just trying to deal with the new regulations that came in. So, it was very specific to two months and like I said, in June, the numbers were back, in fact the numbers were bigger than what we have done in the previous quarter, in July, they are even better. So, we don't think that problem is going to repeat itself. It's a once in a five-year kind of scenario. To be fair, we underestimated the impact of that. We didn't think the impact would be so material, but the impact was material. And you also know that we have been struggling with the UPI business with some banks which I had anyway alluded. I think some teasing troubles on that continued, which again now seem to have stabilized. But the volumes have to come back right? When we lost our UPI business, right, some of the customers also went away because we had regulatory issue in some sense in terms of interpretation of regulation. Some of those customers have come back and we are getting the other customers also back and that's taking a bit of time, but quite positive with June and July numbers. We ended Q4, as I mentioned on just about break-even EBITDA. No reason why we can't have a similar or better performance in Q2.

Nikhil Kumar: In Q2?

Tashwinder Singh: I am talking about Q4. In Q4, we were breakeven EBITDA, right, I am not talking about FY24.

Nikhil Kumar: No, I am saying there's no reason that we cannot see better or a similar performance in Q2 as well, right?

Tashwinder Singh: Compared to Q4, right. So, I am not comparing. Q1 is an aberration for us. I am saying we will be back. This year is the year of profitability for us, that's our path. So, we have to be back on the path of profitability in Q2, right? So, Q1 was an aberration which is a fact, but Q2 will not have any remnants of the Q1 issues.

Nikhil Kumar: There was a general slowdown in AePS volumes because of certain things, because of land records, frauds and all of those things. So, our AePS numbers back to the previous levels or is there still an issue going on in the AePS volume?

Tashwinder Singh: In the country, not just for us. Overall AePS, the growth has been muted, the numbers are not coming down, but the growth has been muted, it hasn't been growing. Like you mentioned right, there are new fraud control guidelines that have been put in. NPCI has come in and brought in because of all the issues that happened, the land record stuff that you mentioned in the industry, right. So, the growth on the AePS volume is there, it's not that the growth is not there, but it's muted, and I think slowly and steadily as the industry gets used to the new guidelines that NPCI has put in, some new checks and balances have been put in on the processes. So, those will take some time to stabilize. Our model is, as you know, more enterprise led. So, there are five people who are working on AePS, we actually get the cumulative volume of all those five, because we provide the infrastructure for them to do AePS. So, while the industry volume may go down, as long as we can keep acquiring customers, acquiring new partners, our volumes can actually keep going up. So, the industry data has some relevance for us. But as we are acquiring enterprise customers, we can still show growth, otherwise people who are directly dealing with retailers may see a slowdown.

Moderator: The next question is from the line of Yash Modi from Ashika Group. Please go ahead.

Yash Modi: So, I was just referring to the distribution throughput of 170 crores. So, now that we have onboarded the various products in this distribution. How are we supposed to think about the distribution fees going forward?

Tashwinder Singh: Distribution is linked to a Niyoblu platform where we have got, as you know in the original business we had about 5,500 Chartered Accountants that actually work with us. They log into the distribution into the Niyoblu platform, and they are able to put in loans that their customers need and then we are able to consummate those loans by a multitude of partners that we work with, including Niyogin which could potentially also be a lender in some of these transactions. But pretty much all the big lenders between Bajaj Finance to L&T Finance to Tata Capital, etc., all of them work with us from that standpoint, right. I think 170 crores is the total volume that comes into the platform. Consummation is in the ballpark of 20 to 30 crores that actually gets done and the balance either gets pushed out or it's just not appropriate to do. That number has been moving up quite materially. Typically, we make between 2% to 3% on that. So, I think we are thinking that on the distribution side, on a gross income basis, anywhere between Rs. 8 to 10 crores of income will come in this financial year. The comparison to last year was in the ballpark of Rs. 4 crores. So, we think we will double or a little more than double that income this year from a distribution standpoint. Of course, part of that also then gets shared with our partners. But it's a good, neat form of income that we are getting in our line of business and this income comes straight into Niyogin, so it’s at the Niyogin level that we are booking this income.

Yash Modi: My last question is the need for this Rs. 2.5 crores of additional provisioning on our loan book.

Tashwinder Singh: I think on the loan book, the incremental provisioning has basically taken related to one party which was an old party where there was a supply chain financing transaction done. There again there have been recoveries. We have actually reduced our exposure quite materially in that transaction. In the old days that transaction was almost Rs. 29 crores has been brought down to almost Rs. 8 crores I think. I think we have taken some provisioning on that because on a conservative basis we were recommended to take provisioning. We are recovering almost about 1 crore a quarter on that position by itself. So, that is the only real issue. If I look at all the new loans that have been done over the last 18 months, I think our loss amounts are sitting at less than 1% on the entire loan book that has been generated over the last 18 months. But there are some older positions that we are just trying to chop away with. And so that's what it's really. So, again it's not symptomatic of a problem, it is an old problem that we need to figure out. And like I said, we are recovering against that position as well. But on a conservative basis, we decided that we would want to take provision. Also, what happens is that as the loan book is growing, there will always be a certain amount of ECL. So, this provision includes both these parts, right? One is the specific situation, and the other is the regular ECL that comes in as your loan book keeps growing.

Moderator: The next question is a follow-up question from the line of Nikhil Kumar from VT Capital. Please go ahead.

Nikhil Kumar: I just wanted to know if there is any change in the guidance of how much revenue is going to come from lending business and how much revenue is going to come from transaction as well? I know you've talked about it and it's just not clear to me that the guidance of how much to come from lending and how much to come from transaction, is there any change in that, the revenue mix?

Tashwinder Singh: No, I think revenue mix will not materially change. The way to look at our business is to start looking at net revenues as I explained last time as well. I think the guidance that we have given is that between Rs. 40 to 45 crores of net revenue will come from iServeU and the balance between Rs. 70 to 80 crores that we finally get to, will come from the lending business. So, they are pretty much be in the same ballpark, maybe lending will be slightly lower than the iServeU business from a net revenue basis. On a gross revenue basis, obviously, iServeU will be significantly higher because the gross revenue is before the cash out that we do for the partners.

Nikhil Kumar: And if we look at this bifurcation of 80 and 50 and guide for 30 EBITDA which means you're going to spend 100 on expenses. But given that all of the tech establishments and iServeU establishments have already been in place since a long time, where are you going to spend business of money?

Tashwinder Singh: No, sorry I didn't get the math. Where did you get the 100 on expenses?

Nikhil Kumar: So, you're saying 80 and 50 net revenue and you're saying 30 EBITDA. So, have you deducted all the expenses as well or just the transactional and cash out?

Tashwinder Singh: So, the net revenue is your gross revenue minus your direct expenses, right?

Nikhil Kumar: So, indirect expenses part is how much?

Tashwinder Singh: So, Abhishek, why don't you come in? The overall indirect expenses should be in the 60 crores or 55 to 60 crores range. I forget the exact number.

Abhishek Thakkar: Yes, that's how it is. Majorly for iServeU and Niyogin taking together, it would be somewhere around 55 to 60 crores indirect expenses after the net revenue.

Tashwinder Singh: I think there isn't a significant amount of CAPEX, etc., that you were referring to. I think like I mentioned, this is the year of monetization, right? The build that we had to do, the basic build is all done, we need to monetize the build. At the margin there will always be some incremental new proposition. As I mentioned in my call, we have divided the iServeU business into multiple verticals. There are new verticals like LMS, etc., which were not there earlier on, that have all been launched… they've all been built. So, there are incremental product solutions that we are bringing into the market slowly and steadily, but there isn't a significant spend related to these product expenses which is incremental. So, that's the reason why you start seeing the economies of scale coming in and hopefully profitability comes to us this year. And then from next year onwards, I think we take on a very different path.

Moderator: The next question is from the line of Vishnu Bubna, an individual investor. Please go ahead.

Vishnu Bubna: Just curious as to the potential incremental fundraising you're referring to, is the intention to center that around some sort of M&A event where you will say raise more equity capital to maybe stomach a bigger transaction, just want to understand the thinking behind any further dilution?

Tashwinder Singh: Firstly, there is a certain equity infusion that is expected this year, right? We have got the warrants issued last August. Only about 20% of those warrants have been subscribed as per the law of the country, right? So, the balance 80% is expected to come in before February of '25, which means this financial year. So, that's one equity infusion that will anyway happen in the Company. From a capital raising standpoint, there are a multitude of conversations we are having parallelly on strategic bolt-on acquisitions. As they become clear and depending on what becomes clear at what size, one will need to think through the whole financial closure on how we consummate those transactions. Those might require some incremental equity and if that happens, then we will bring it to the market, right? So, right now there is no formal approval that we are going to raise incremental equity just yet. Some of these businesses are very interesting businesses and they are reasonable businesses, they are not like Superscan, Superscan was a small acquisition, the other businesses could be anywhere in the ballpark of between 50 to 150 crores of acquisition size, right, partly to be driven by stocks or partly to be driven by cash. So, depending on how these transactions come out, I think the decisions will be taken.

Vishnu Bubna: And is there any specific segment or sub-segment type of Company we are targeting or any that we can rule out like for example we are ruling out like a book value business or anything as hard and fast?

Tashwinder Singh: We are not looking at book value businesses right now. I can tell you what we are having right now in terms of conversation, but it's a moving target. Right now, we are not talking to anyone where there's a book value jump. So, I am not looking to acquire a lending business where we are just acquiring a book. That's not the plan. The lending business will grow organically. But on the tech side, there are some very interesting businesses where people have built either great solutions, great technology, just like a Superscan solution, right, great toolkit, which I think is, but I think is probably one of the best-in-class in the country. There are other businesses where there could be potential regulatory arbitrage we could get. They could have some licenses that could be material for our business, and they could be synergistic with either what we do at iServeU or what we do at Niyogin or both. So, those are the kind of businesses we are looking at. We are looking at businesses which are either profitable or on the verge of profitability. So, there is not a significant level of burn that we need to fund, right? I am not a big fan of buying businesses where there's a significant burn. So, these are the businesses that have already demonstrated the ability to start showing profitability or we are convinced that they are like a couple of quarters away from profitability. Those are some of the parameters we set for ourselves as we go around looking at businesses that are interesting for us. It will require capital for growth, but that's not capital to fund their burn.

Vishnu Bubna: One final question is around the potential M&A. Have we sort of made any hard and fast rules about whether we want to buy 100% or potentially take like 50% stake, like how you did on iServeU and think about that over time?

Tashwinder Singh: My expectation, of course, again it is very bespoke and depends on the promoters and the entrepreneurs we work with. But I would not be looking at acquiring anything below 51% that I am very clear, we are not a private equity fund, we are not looking to just spray some money and hope and pray they do a good job and make money. We would want to be in deep engagement with whichever Company that we land up acquiring with full Board control and strategy control. So, 51% would be at a minimum, but with a clear path to get to 100%. I think we don't want to stay even at a significant majority, we don't want to stay at that level. We want to be very clear about the initial position being at least 51%, could be 100% as well but a very clear pre-agreed path on getting to 100 over a period of time.

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

Tashwinder Singh: Thank you, everyone for joining the call. Appreciate your taking the time out in the morning. I think Q1 has been disappointing for us as well, but I think the fundamentals of our business are not getting impacted, these are transitory issues that we faced, and I am hoping that when we meet again in Q2 we will have better numbers to share with you. Thank you all.

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