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ISIN: INE0FFK01017

Dated: 8th May, 2023

To,
The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building, Bandra Kurla
Complex, Bandra East, Mumbai – 400 051
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**SUB: TRANSCRIPT OF THE EARNINGS CONFERENCE CALL OF ANALYST/
INVESTOR FOR YEAR ENDED - F.Y. 2022-23**

Dear Sir/Madam,

Pursuant to the provision of Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, please find enclosed herewith the transcript of the earnings conference call of Analyst/ Investors for year ended - FY 2022-23.

The same is also available on the website of the Company.

Kindly take the same on your record.

Thanking You,

Yours Faithfully,

For Network People Services Technologies Limited

Ashish Aggarwal
(Joint Managing Director)
DIN: 06986812



“Network People Services Technologies Limited
Q4 FY '23 Results Conference Call”

May 04, 2023



MANAGEMENT: **MR. DEEPAK THAKUR – CHAIRMAN AND MANAGING
DIRECTOR – NETWORK PEOPLE SERVICES
TECHNOLOGIES LIMITED**
**MR. ASHISH AGGARWAL – JOINT MANAGING
DIRECTOR – NETWORK PEOPLE SERVICES
TECHNOLOGIES LIMITED**

MODERATOR: **MS. SUPRIYA MADYE – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to Q4 FY '23 Results Conference Call of Network People Services Technologies Limited, hosted by Kirin 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 star then zero on your touchtone phone. Please note that this conference is being recorded. I now hand the conference over to Ms. Supriya Madye from Kirin Advisors. Thank you and over to you, ma'am.

Supriya Madye: Thank you. I welcome you all on behalf of Kirin Advisors, the Network People Services Technologies Limited, that is NPST's Q4 and FY '23 con-call. From the management side, we have Mr. Deepak Thakur, Chairman and Managing Director. We have Mr. Ashish Aggarwal, Joint Managing Director. Now I hand over the call to Mr. Deepak Thakur for the opening remarks. Over to you, sir.

Deepak Thakur: Thanks, Supriya. So, first of all, thank you so much for arranging this call and a very, very warm welcome to everyone. Welcome back to those, who have joined in Q3 results and welcome everyone, who has joined for the first time as well. My name is Deepak. I represent 237 NPSTians who have worked there, everything around what the organization was dreaming, was thinking in FY '23 and today, the result is out. I'm really happy to represent their voice. I'm really happy to give you the results on which, you have invested your time, effort and your belief and your trust.

Thank you so much everyone for joining this call once again. Before I share the result, I will very quickly connect you to the ethos of the organization, why this particular result. I really want you guys to know that, and, this is not just an overnight journey, but there is indeed an effort for last nine years, in making this particular product and the overall technology stack, on which we ride. If you look at the organization's vision, we always wanted to provide digital technology to every size of the organization, to transact and operate seamlessly in financial value chain.

With this particular vision, we started building technology solutions, the payments. So, we are purely into payments, okay? So, we started building payment solutions for smaller entities and ultimately building larger products for banks. Over the last seven years, eight years, we have continuously evolved our solutions. So, today we have a technology role to play in India's payment story, which is UPI, IMPS, the super-apps, the mobile applications around payments. So, we are one of the players.

We are one of the technology partners to such entities. At the same time, we have also ensured that, the innovation never stops and we have continuously invested in building solutions and building new use cases and in creating new business models, around the solutions, in payments. So, that's what has been our story, since the beginning. We actually wanted to ensure that, when we start an organization, we obviously dreamt about building digital platform for payments and later on, how we evolve around it.

So, there is always a value chain in the industry. Your NPST began with the scope of building a payment technology and from there, how do we bridge the gap between banking and fintech ecosystem? So, first we build the technology for banks, where they can operate payment

solutions such as mobile banking, IMPS, UPI, Blockchain, wallets, everything. And later on, the same solution, we took it to next step, little upward in value chain and started building API bank. And through this, we were able to cater to larger markets around fintech, those who needed payment as a solution.

So, one of the biggest change, which has happened in FY '23, is our investment in FY 2021 and that investment has been around building the solution for fintech industry. So, in FY '23, it started pouring results and you can see, what happened in Q3 and Q4 is an effort, which we have put for last two years. So, today, so maybe not last year, there was just one segment, one particular product, one particular, industry giving us revenue.

Today, we have two and it will only multiply going further. Banking, obviously, will remain the strong and extremely innovative landscape. But at the same time, for the fintech, what we have built, that will continue to add more use cases, business models and ultimately resulting in the higher probability and higher chances of revenue and margin.

What transpired in FY '21, was our decision to go for an IPO. We raised funds, we used it very well, to position right in the industry and focus on only those solutions and those technologies, where we were very strong and that's what happened. In FY '23, again, like I said, we got the results around it. So, today, we are a technology partner to bank and at the same time, we are also a bridge between bank and fintech. So, these are two very strong pillars for the organization growth story.

So, one, we call it as TSP to bank, that is the first business and second, we call it as Evok. So, Evok is a product, which is adding value to the organization's P&L. We have ensured that, we keep patience and we keep consistent improvement around the product. Our focus last year was product extension and how do we get a first mover advantage in what we are building. For FY '24, we continue our journey and in banking, we will ensure that, our expansion in banking for the existing as well as new customers, we are able to do that well and all the funnels that, we have created until last day of FY '23, we are able to execute well in FY '24.

So, that's a very strong strategy around the overall technology partner relations that, we have around banking system and obviously, we want to leverage everything that comes from RBI, that comes from NPCI, that comes from Government of India, on the digital payment landscape. India's story is where, we are going to focus and where we are going to stay forth. At the very same time, for the new business that, we added in Evok, we want to ensure that, we have horizontal as well as vertical scale.

When we say horizontal, today we are probably sitting on 11 odd products. We want to add much more at by FY '24, we want to make it at least around 75 product to 80 products. So, our service scale will multiply seven times and at the same time, we want to ensure that, our client list multiplies by at least 10 times. So, that's a straightforward strategy, when it comes to business.

What we started in FY '23, continues in FY '24 and in order to absorb this, to get better share in market, to deliver as per client satisfaction, there are four areas, where the organization is going

to focus and that is first, R&D in new technology, where we want to ensure that, our staff is very abreast for the next, five years-10 years and we absorb every new requirement. Second is investment in future solutions, which will start adding the opportunity for FY '25-FY '26. We have to start doing it right away. Third is invest in branding and marketing because only those, who are associated know, our story.

We want to ensure that, there are larger people, who know about us and they are associated with the strong India story, that we are living in. And the fourth is obviously, we are going to invest into the organization culture, moving from start-up to the next level, culture of next generation, where we are able to attract better talent, strong minds in the organization and obviously, higher industry acceptance. So, this is what, we have done in FY '23 and this is what, we see in FY '24. So guys, with this, I would like to share some numbers with you.

Your NPST, has shown a tremendous result in FY '23. As on today, probably, we are at a market cap of INR420 crores plus. When you look at the results and you compare half yearly FY '22, with half yearly FY '23, there is 173% growth in revenue from INR11.59 crores to INR31.71 crores. At the same time, our EBITDA has grown from mere INR2.35 crores to about INR10.06 crores, which is 328% rise. Your net profit has gone up from just about INR 86,00,000 to about INR 5.65 crores, which is again 5x growth, 556%.

And when, we see the overall result from comparing from FY '22 to FY '23, I am happy to, I am really, really happy to share that, your revenue has gone up from INR 19.49 crores to INR 41.13 crores. That is what, we have closed March 2023. Your EBITDA has gone from INR 3.80 crores to about INR 12.38 crores, which is 225% jump. So, please understand that, being in software, this is an advantage that, when we grow in revenue, it also increases the share, in the margin. That means, your margin will also rise in percentage. Not just in numbers.

You can see that, in net profit, which has gone up from INR 1.49 crores in FY '22, to about INR 6.52 crores, again a 337% jump. So this result, should also give you an idea that, our earning per share, which was about INR 2.52 rupees last year is now INR 10.09. I hope this gives you a fair idea about, how our organization is moving up the value chain, how we are trying to focus on product extension and build our stack, very parallel to the India story, in digital payments. So with this, I would like to ask Supriya to take it forward. I hope these results give cheers to all my shareholders and really, really thank you for trusting us and keep looking forward to your organization. Supriya, over to you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. Anyone wishing to ask a question, may please press star and one on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use handsets, while asking a question. Ladies and gentlemen, we will wait for a moment, while the question queue assembles.

The first question is in the line of Nilesh Karani from Magnum Equity. Please go ahead.

Nilesh Karani:

Hello. Good afternoon. Am I audible?

Deepak Thakur:

Yes, Nilesh. Good afternoon. How are you?

- Nilesh Karani:** All good. So I just wanted to understand. Basically, we did a transaction of around INR 6,000 crores, so out of these INR 6,000 crores, if we turn the transaction value, what is that revenue, we are getting out of that, basically, how, what is the percentage, I'm going to say, better. What would be that percentage, we are getting of those Evoke transactions and if...?
- Deepak Thakur:** So for the entire year, Evoke has contributed around 40% to 50% of revenue. Approximately.
- Nilesh Karani:** Okay. And the rest is from your TSP transactions, right?
- Deepak Thakur:** Correct.
- Nilesh Karani:** So basically, your TSP transactions are around INR17,00,000 crores, that is what I understand. INR18,00,000 crores...
- Deepak Thakur:** So, the TSP business should be looked at as a software piece, whereas, what happens is the volume of transactions should actually talk about the capability of the organization, to handle that kind of large accounts. So, you cannot relate that number to, you do not have that relation with the P&L directly, but that number should relate to the technology fence that, we hold right now.
- Nilesh Karani:** Okay. Got it. So, if I ask you way forward, basically this Evok, will probably grow more faster and it could provide us more benefits. Is it that way or how it is?
- Deepak Thakur:** That's the plan, actually. So, let me tell you, the importance of TSP and that is, where you can relate to Evok. So, the major strength of the organization is the processing engine. Okay. We are today processing about, almost about 8% of the country's UPI volume. So, this processing engine is actually a business, I would say, it is something that, makes a decision around the debit and credit you do in UPI, straight forward. When we build this engine for banks, that is where banks take, the banks ride on this processing engine and they provide UPI solution, IMPS, mobile banking to their customers.
- There, we play a pure technology partner role. Now, what we have done is, we also have a capability to take this particular engine and start building a certain solution, which is now, absorbed by fintech, where they need payment platform. So, we are not at all into merchant business, wherein, we don't acquire merchant but we become, we use our solution and we use our expertise and experience to partner with fintech, those who are acquiring merchants. So, having that TSP, is our biggest strength and that is why, Evok is much larger contributor in coming years, to the organization.
- Nilesh Karani:** Okay. Yes. So, basically see, now coming to the balance sheet, basically to this, this was a phenomenal, transition and a phenomenal result this time. So, if I ask you FY '24, are we going to do a same run rate or how it should be?
- Deepak Thakur:** So, we are doing phenomenal because the industry is being phenomenal about this. So, the rate at which, the industry's transactions are growing, I will talk about UPI, you can compare the numbers, which were there, which are figures are out in public, in FY '21, '22, '23, what kind of growth it has, growth pattern it has, okay. And at the same time, you can also see the number

of products that, they are adding to the stack. So, now credit card is down the line, wallet is down the line, PPI is down the line, everything is coming into UPI stack. So, for sure, our number, let's say, if the industry grows 2x, we intend to make it 2.5x for NPST. So, for sure, the growth will continue to happen for the next four years to five years. But obviously, there is a curve and we are at a growth curve right now.

Nilesh Karani: Okay. Thank you, sir. I'll come in the queue, if I have a question. Thank you. Thank you so much.

Deepak Thakur: Sure. Nilesh.

Moderator: Thank you. Our next question is in the line of Esha Prasad from VSJ Fincap Private Limited. Please go ahead.

Esha Prasad: Good evening, sir. First of all, congrats for this good result. Sir, I would want to, basically, I'm from finance background, but I would want a more bit of knowledge regarding the technical or technology, which you are providing through your two main revenue drivers, basically. You have spoken a bit about it. But I wanted to know that, when we speak of UPI, so were you actually a part of developing that UPI platform itself, as in terms of a technology provider for the RBI or Government of India?

Deepak Thakur: Sir, I'll explain this. UPI is completely, so UPI's entire central processing engine is NPCI, okay? They are the owners, they are the innovators, they are the idea, they are the change makers, okay? Now, UPI is an interoperable system, that means, one bank to other bank, you can transact without even downloading that bank's application. That is the kind of interoperability UPI does. In order to do that, every single bank should be able to connect to NPCI central processing engine. We play that role.

So we to lay the bridge between bank and NPCI, wherein our engine sits inside the bank and it talks to NPCI on one side and it talks to bank's core banking system, on the other side. So we are called as technology service provider or a technology partner, to bank providing this particular UPI engine. So, let's say, you are sending INR10 from your Google Pay application to your friend, on PhonePe application, you are debiting your SBI account and you are sending it to her ICICI account. So, if my engine is in ICICI bank, let's say, assumption, I would say Canara Bank, okay, because that's my customer.

So if the credit is in Canara Bank, your request from Google Pay going to SBI, from there to NPCI, from NPCI to when it hits Canara Bank, it actually talks to my system and my system will then tell core banking that, this is the customer, this is the value, you have to credit this and there are thousands of rules, it has to go through. The security rules, the business rules, the financial, non-financial rules, the EFRM rules, fraud, risk, everything. And after sending that information, then my system telling core banking that, you have to credit this amount, core banking credits that amount and if I inform NPCI that, this amount has been credited, then you get the message in Google Pay that, this amount has been credited to your friend. So we play that role in the industry. So we are called a technology partner to bank and our system processes that, transaction for banks. That's the role.

Esha Prasad: Okay. Sir, thank you for this answer. And basically with Evok, you are trying to create certain maybe apps, sitting on top of this UPI as a base. That is, what my understanding is, right?

Deepak Thakur: So, what we have done is, whatever we have done as a technology partner, we have identified that, in the industry, there is a need for multiple solutions for fintechs because the entire payment ecosystem, is licensed and owned by banks and the regulated entities. We are not the regulated entities. Okay. So what we have done is, we have a complete understanding of our engine and we have an understanding, what fintech requires. So we work with banks, we build APIs and on this engine, we give the solution to fintechs.

So earlier, we were sitting inside banks, now we are sitting between banks and fintechs and we are providing the solution to fintechs. I'll explain this, with an example. Let's say, you are transacting on Flipkart and you want to purchase INR1,000 garment. Now, when you purchase INR1,000 garment, you have an option to pay through credit card, debit card or UPI or internet banking. When you click on UPI, you are actually on a payment gateway platform. Let's say, the payment gateway is Razorpay. This Razorpay will send that INR1,000 request to the bank, with which they are working.

The bridge between the Razorpay and the bank is, where we come and we are trying to bridge that, gap to bring more and more bank, into the merchant ecosystem. Today, there are very less banks. So the more, we have such kind of spread, the more, we have the traffic routed across multiple banks and that will reduce the load on few banks and it will give more agility, more performance to the UPI ecosystem. As per the estimate, UPI was about 850 crores transactions. If you listen to NPCI statement, it will be 3,000 crores transactions, in a month. That's the volume expected. So where will this volume go? We see this as a good opportunity.

Esha Prasad: Sir, what challenges do you see? As I can understand that, your clients predominantly are the bank and fintech companies. What challenges, do you see in this particular sector, in this particular line of business for you?

Deepak Thakur: Yes, we see the challenge of not scaling every month. That is a bigger challenge because we have been able to establish ourselves amongst the payment aggregators and gateways. We have been able to establish ourselves amongst the banking fraternity, telling them this is what, we are able to do. What is important is, how well we leverage the funnel and the brand that, we are doing. That's why, I said this year, we have to focus on building a strong brand.

We have to focus on building very strong delivery strength, of the organization. So these are two challenges, brand, delivery, strength and at the same time, we have to be ahead of the curve every day. That means, today I am launching, today I have 11 APIs, tomorrow three months down the line, someone else may come in. And if so, I should already be on 50 APIs. So, we have to continuously evolve our product. At the very same time, the market is so huge that, all we need is a very small market share. And if that is so, we are scaling multiple times, every year.

Esha Prasad: Okay, sir. Thank you so much. Thank you.

Deepak Thakur: Thanks, Esha.

Moderator: Thank you. The next question is from the line of Kaushal Kedia from Wallfort. PMS, please go ahead.

Kaushal Kedia: Yes. Hi. Congratulations on a good set of numbers. I just want to understand the business a little. And I just want to understand the entire business ecosystem. Actually, you've explained your business very beautifully. So, were, the service providers is not present before you all? Or there are people, but it's just that, your software is better?

Deepak Thakur: Let me tell you, UPI is a 7-year-old technology. it was launched somewhere in 2016. We are here in 2023 right now. In seven years-eight years, there is. So for everyone, UPI is that scan QR and make payment. And or maybe, you enter a mobile number and make payment. But there is a lot happening beyond this. There are several product stacks, which are getting added, which a common people will only realize over a period of time.

The on-boarding, which used to happen on debit cards, there are people, who are not able to get on-boarded because they don't have debit cards. NPCI came up with an amazing idea of on-boarding them to Aadhaar. There are people, who are millionaires, they want to transact on credit card. Credit card was not on UPI, it was just account-based transaction. So we are adding credit card to it. So, very first thing, UPI is just seven years old. That's why, there is a lot of innovation and a lot of new ideas and products, which is getting added every quarter or every year.

So there is a huge scope for players like us, who have been in UPI since beginning. So we were one of the pilot technology partners. So it has allowed us to continuously evolve our stack. So there may be new players, who might be coming in market, whose technology stack may be just two years or maybe one year old. But our stack, has evolved over last seven years and it is processing about 2.5 crores to 3 crores transactions in a single day, for a particular bank.

Now that is the ability this particular solution has. So there are obviously certain USP, which we hold. Secondly, for the Evoke side of story, this is something that, we have built as a first. I don't know if there is anyone else doing this. But yes, we will call ourselves as one of the first in the industry, to think about this gap and do something about it. Again, this is entirely because we have been, in this segment for last seven years and we realized that, and we took a very different approach.

Rather than building new products, there was Bharat Bill Payment, there was ETC, there was multiple such products coming in. So we realized that, rather than being a tech partner on multiple products, let us focus only on UPI and move up the value chain. This is the decision, we took two years back and that has paid the result today. So we want to ensure that we keep moving up the value chain. So what has transpired for us is, earlier we were only banks for our customers, today even the payment aggregators and gateways are our customers. So that makes a big difference. So there is a good amount of funding in that segment, where the ability to pay is more, the ability to innovate is more. So that helps.

Kaushal Kedia: Okay, fantastic. So if you are one of the pioneers, why do you still have only one major customer? Why don't you have more banks, as your customers since your offering, since your processing engine is so strong, since all banks will eventually require this?

- Deepak Thakur:** So it's a huge system. We don't have one customer, we have six customers as of today. So Kerala Gramin Bank, Karnataka Gramin Bank, Tamil Nadu Mercantile Bank, Cosmos Bank, Suco Bank these are all our customers. Secondly...
- Kaushal Kedia:** So just to ask you, for example, again I am just trying to get an understanding of the industry. So I am not doubting you, but just for my understanding, who does HDFC work with, for example?
- Deepak Thakur:** MindGate?
- Kaushal Kedia:** Hello?
- Deepak Thakur:** Yes. I said MindGate?
- Kaushal Kedia:** MindGate?
- Deepak Thakur:** Yes, they work with MindGate. So they are their technology partner.
- Kaushal Kedia:** How different is our technology from MindGate?
- Deepak Thakur:** So let me tell you that once you have this engine inside bank, it is there for a very good number of time. It is not a small application. Maybe in a year or two. Because it goes through certification process, it goes through some security audit. The process to simply, just about implementing a piece, just the certification process can go to as long as 6 months to 7 months. Only to start a particular engine. The customization process can be much larger. Larger the bank, larger the complexity. So for sure what happens is every 5 years, 6 years, 7 years down the line, the opportunity keeps on changing, and it keeps on improving. So we already have a very strong funnel, and like I said that we have to diversify in the same field and keep looking at different opportunities around us. This was our conscious decision, and we have done it.
- Kaushal Kedia:** No, that's great. So basically the main challenge is not to get more customers, the big customers because I understand they are already sticky with some service provider or the other. The challenge now is, or the opportunity rather now is that the customers that you got, they are sticky, so how to basically cross sell them other products. Am I right?
- Deepak Thakur:** Absolutely. So last year we launched super app for Canara bank. We were on mobile banking. So there was a big impact, that's where we invested some money from IPO. So today it has become like a huge marketplace for bank departments. Every single department wants their service to be part of that Canara AI. The new product launches happen every month on that platform. It is going through several changes. We started with 250, we are heading to 300 odd services, and maybe we will be reaching 500 odd. So it is only going to add revenue to the organization.
- Kaushal Kedia:** Okay. So totally, as per you, how many banks are there, number of banks that are not having this product right now, or this processing engine with them right now, or they are not there on the UPI platform right now?

Deepak Thakur: To be honest, there are about 350 banks on UPI. Larger banks have a different model, as smaller banks have a different model. We don't have the tech for small bank model, which is cloud-based solution, ESP model. So we haven't been able to explore that. And those who are serving smaller banks, they haven't been able to explore the large bank model. So 350 right now, you can take that number. And again, this is purely based on RBI and NPC approval. So unless and until you are not through with RBI's approval, where you are licensed to operate online banking, internet banking, mobile banking, you cannot have UPI as a solution stack in the back. So there are a lot of banks which are applying for it as and when they get an approval, they keep coming to, vendors like us.

Kaushal Kedia: Oh, wow. Okay, and may know who I am talking to Deepak or Ashish. I'm sorry, I joined the call late.

Deepak Thakur: Deepak.

Kaushal Kedia: Okay, thanks a lot, Deepak. You explained things very beautifully. Thank you, thank you very much.

Deepak Thakur: Welcome, Kaushal.

Moderator: Thank you. A reminder to the participants anyone wishing to ask a question may please press star and one. The next question is from the line of Aditya, an individual investor. Please go ahead.

Aditya: Hi, sir. Good afternoon, sir.

Deepak Thakur: Good afternoon. Tell me.

Aditya: Yes, sir. Sir, I want your commentary on the margin profile going forward. So superb numbers, amazing set of numbers, amazing set of margins, and many congratulations on your numbers. But going forward, how do you see your margin? Because now we'll get more bulk business. So will there be any pressure on our margin when we get more bulk business?

Deepak Thakur: I would say that as per industry standards, the business that we are into, as and when we progress ahead, and as and when the volume adds, your margin improves. The thing is, if the volume increases 10x, you don't expect that the margin will increase 10x. But for sure, the margin also improves a lot. So maybe if you're at., your organization is today, let's say, at 15% margin for sure, it increases, it will increase. Let's say if your GTV increases by 10x, then maybe it will, rather than 15%, it will go to 20%, it will go to 22%, it will go to 23%, depending on several decisions we take around business.

Going forward, we also want to take some very strong decisions on adding what kind of businesses, what kind of segments which are out of our reach right now. So we want to innovate business cases on it. For example, NBFCs are completely left out, and NPCI is doing a great job with breaking auto pay. NACH will be part of UPI. Assume that way. When that happens, why not give an ability to NBFC or that credit society to create the one-year EMI probability on the app itself when they're giving the loan? Why can't we do that?

When that happens, initially, we will have to take certain business calls to ensure that the product is stabilized, strong. So the volume may increase, but maybe six months, one year down the line, our margin will improve much better compared to what we have during that cooling period. So such kind of decisions will happen. The business will obviously grow. Our vision is to keep adding new segments, new use cases on the stack that we have.

- Aditya:** Okay, Sir, can you give me GTV number for this quarter?
- Deepak Thakur:** Which, last quarter?
- Aditya:** Quarter which ended on 31, March?
- Deepak Thakur:** It might be INR4,000 crores Aditya.
- Aditya:** INR4,000 crores?
- Deepak Thakur:** That was last year.
- Aditya:** Okay Sir, any update on UPI SDK?
- Deepak Thakur:** Plugin?
- Aditya:** UPI SDK?
- Deepak Thakur:** Yes, we are working on it. If you say UPI SDK, what are you referring to? Can you repeat?
- Aditya:** Okay, great. And, sir, one suggestion from my side. If you want, I can say it, or I can mail you otherwise.
- Deepak Thakur:** Your call. you have a wisdom to take a decision.
- Aditya:** Okay. So, sir, I still feel people are not understanding the business correctly. An analyst there could be, or any other opportunity which you can explore to make people understand, make investors and analyst community understand your business more accurately. So, this is my suggestion.
- Deepak Thakur:** Absolutely. Well taken, and like I said in my agenda, I hope you joined from the beginning. This year, there are four very-very specific areas where the organization is going to invest, and for sure, branding and marketing is one of that investment area because it's not just from the customer perspective, but we also believe that our shareholders, our future employees, and the new areas that we are going to target, the geographies that we are going to target, this particular exercise is extremely important. So, IR, PR, marketing, branding, these are indeed our focus areas this year.
- Aditya:** Okay, great. Thank you, sir. So that's it from my side. Thank you. And congratulations on amazing sales, sir.
- Deepak Thakur:** Thanks. Aditya.

Moderator: Thank you. The next question is from the line of Deepak Poddar from Sapphire Capital. Please go ahead.

Deepak Poddar: Hello, sir. Thank you very much, sir, for the opportunity. I have one question in terms of your margins. If you see first half versus second half, we have seen a tremendous growth in our margins. I think that's largely driven by our better volume, right? 2,000 crores transaction, first half versus 4,000 crores that you mentioned in terms of GTV. If you have to build in terms of sustainability, what sort of margins we see as a sustainable margin? Even, if we don't see growth in transaction, this is the minimum margin that we can do given the fixed cost, right? So any sort of range in terms of sustainability, would be helpful?

Deepak Thakur: See, what you're seeing right now, what we have achieved in half yearly. So, okay, just to correct you, the GTV volume is entirely for half yearly, too. There was no GTV volume in first half. Whatever we had, we were still experimenting. So we actually launched this product in November, 2021. And from then onwards, the company continued to invest in building a strong operations capability, strong business understanding, modelling, pricing, promotion. There are so many efforts, which has gone for a year.

And only in September, 2022, we were able to commercialize it. For a good one year, we kept on investing into it. And thanks to our shareholders for allowing us to do so. Now, coming back to your margin question, what you're seeing right now, itself is a sustainable number. But if this question is too technical, I can ask Ashish to take it. But I see that, whatever we have right now, is something that allows us to invest into new R&D, new technology, new use cases, branding and these areas. Ashish, do you want to add anything here?

Ashish Aggarwal: Deepak, you have already covered all the points. Deepak, do you have any other questions relating to the margin? Deepak, I already corrected you on that, volume is for, this appear only, yes.

Deepak Poddar: What was said that this 33% margin, the second half current, that looks sustainable, right?

Ashish Aggarwal: Yes, if you're talking about EBITDA?

Deepak Poddar: Yes, EBITDA.

Ashish Aggarwal: Yes.

Deepak Poddar: Okay. And yes, I have a second query on your peers. Companies like Fino payment or companies like Niyogin and on. So are these our peers or where do you fit in in this entire value chain? Or do they complement? So some understanding on that?

Deepak Thakur: So they are our customers. They can be our potential customers. So I'll give you a very quick understanding of the value chain. Regulated entities are the ones managing payments, in this country. RBI allows only them, such as banks or let's say PPI license holders or I don't want to get much deeper into it. Now, when they have, so let's say banks' focus is CASA, loans, deposits. Payment is just an alternate channel to service the customers. It is not a revenue-making field for them. It's a revenue-making field for the fintech, the names that you have taken, Neo-

banking, payment aggregators, payment for them. Do we have a strong technology between banks and the payment gateway? Or do we just have a plain vanilla API going to these payment aggregators? And they have to invest into creating that technology.

What we did was, we created a value between bank and payment aggregators and we took the ownership of building this entire technology stack. So in the first segment, when I say, being a technology partner, banks are my customers. In Evoke, I sit on banks optimise and we look at fintech as our customers. So in the entire value chain, we are sitting behind banks and we are sitting after banks and just before fintech. So you will see both banks and fintech, as our customers. Neobanks, payment aggregators, payment gateways, they are into merchant acquisition. So they acquire merchants or they acquire users. We neither acquire merchants, we nor acquire users. We just empower them to do so.

Deepak Poddar: Okay, understood. So basically the business correspondence kind of activities, going to Kirana's stores and helping the transaction...?

Deepak Thakur: We are not in that business.

Deepak Poddar: We are not into that, right?

Ashish Aggarwal: No, not at all.

Deepak Poddar: Fair enough. Yes, that's it from my side. All the very best. Thank you.

Moderator: Thank you. The next question is from the line of Hemani Oban from Suraj Enterprises. Please go ahead.

Hemani Oban: Congratulations for your amazing numbers, first of all.

Deepak Thakur: Thanks.

Hemani Oban: My question is, what is the super app, you have developed?

Deepak Thakur: Okay. So the industry, so what is mobile banking for you? So let's say past, until 2020, 2021, if we talk about a mobile banking app, let's say, banks have about 500 services to be delivered to their customers. The quick services, all the services, where there is an easy access given to the customers, will be available on your mobile app, okay. For rest, you still have to go to internet banking or you still have to go to branches.

Now that mind-set has changed completely. How do we evolve technology, processes, and solutions such that, the entire 500 services is now available on mobile apps. So that's the change that, we are trying to bring in. So, what we are trying to do is we are trying to create an application, where every single department of a bank, let's say there is forex department, there is loan department, in loan, there is vehicle loan, there is car, there is home loan, or let's say, there is R&D, FD, whatever, or the government schemes, coming from banks, every single department, are able to place their product on one single application.

So, earlier mobile banking was restricted to few services, now it should be open for every single department, every single service, One, Second, if the application has attraction, I want to give you an example. If you hold a salary in ICICI Bank, you add, okay, and you are using Google Pay as a payment application. Let's say this is the behaviour of the users right now. If Google Pay does not work, you will open PhonePe. If PhonePe does not work, you will open Paytm. But if you really want your FD to be managed, you will still go to ICICI Bank, you have no option.

So that's the importance of the banking application. Now if this, is the user behaviour, then why not give them more services, invite fintech on banking platform, and get the transaction done for the existing users. This will generate revenue for banks, as well as those fintechs. That's why, we call it as a super app, which has an ability to provide all the banking services, and at the same time, it gives a platform to collaborate with fintech, and bring those services to their customers.

Hemani Oban: Okay. And for how many banks, you have developed the super app?

Deepak Thakur: For now, it is just one bank. It was launched just about in July, August '22.

Hemani Oban: Okay. Do you get any commission on the transaction done through the app?

Deepak Thakur: No. Super app is part of our technology service provider business, wherein we get paid for every development, we do.

Hemani Oban: Okay. And for, you said we have developed for one bank, right? So, which bank?

Deepak Thakur: Canara Bank.

Hemani Oban: Okay.

Deepak Thakur: Canara a11 is built by us.

Hemani Oban: Okay. And after development, are we doing any kind of support work for super app for Canara Bank?

Deepak Thakur: Absolutely. We are doing development every day in and out. In fact, the requirement is so huge that, we had to open up one more delivery hub in Bangalore. So, until '21, '22, we had one single delivery hub in Noida. Now, there is a second one, which my CQ is driving from Bangalore. So, we will have two delivery hubs. So, that is the requirement coming in. Secondly, we have the entire support team sitting inside bank. And whatever, there are new opportunities, new business that we see in the application, that will all come over here.

Hemani Oban: Okay. And what is the payment term for that?

Deepak Thakur: Sorry, Hemani?

Hemani Oban: What is the payment terms for that support work?

- Deepak Thakur:** So, we get paid every man day and we get paid every man month, depending on the nature of contract that particular requirement carries.
- Hemani Oban:** Okay. And my last question, are we trying with any other banks?
- Deepak Thakur:** Yes. We have a funnel, like I said earlier, FY '23 has been a lot probing, a lot of, hunting, and we have a good funnel built up. I see some results coming in next two quarters.
- Hemani Oban:** Okay. Thank you so much.
- Deepak Thakur:** You're welcome.
- Moderator:** Thank you. The next question is from the line of Nirav from BSFI Edge. Please go ahead.
- Nirav:** Hi, Mr. Deepak.
- Deepak Thakur:** Hi, Nirav, tell me.
- Nirav:** Yes, I just wanted to ask you, first of all, congratulations on your achievement. I'm very happy and glad. So, I wanted to know from your end, next one year, where do you see yourself taking your company to next level? So, in terms of profitability and in terms of growth?
- Deepak Thakur:** We have a very strong plan of building the organization from this level. And that's majorly because, we were focused on building a newer segment in the value chain. And we were able to crack that in FY '22. It's completely new, okay? So, the curve is where, there is a steep growth upward. So, we want to ensure that this growth continues for next two years. And at the same time, keep building the horizontal around it. So, the plan is very strong. From 11 services, let us take it to 75 services odd.
- Let us take our, customer base in payment aggregation from about 20%, 25% to about 100%, 150%.odd. So, there is, and we have to keep at least 0.5x more than the industry growth. That's the simple benchmark I have kept for my sales team. So, if the industry is growing by 200%, we have to focus on at least 250%. So, I'm just giving you, and this is not the actual number, but I'm just giving you an idea how we think about the growth.
- At the same time, in the bank segment, because we have built the product, it's all about selling it. So, today we have one large bank. We want to have at least three to four large banks by the time we end the year. And at the same time, we want to enter into medium and small bank segment as well by taking it to cloud solution. Yes.
- Nirav:** Right, right. And one more question I want to ask you is, what do you think, because of these financial crimes growing and happening all the more every day, so how do you come into picture in respect to AML and the regulations and compliances and everything?
- Deepak Thakur:** So, we have a very strict policy to stick to the roadmap which the regulator has laid down. If you see it very carefully, RBI is only and only promoting the digital payment and around that, whatever challenges are there, it is holding it right away so that it does not affect our India's growth story and it does not affect companies like us. So, every single decision coming from

RBI, NPCI or the government, we look at it as an opportunity. So, if at all there is a solution to be built around risk and if that solution is for payment, we are into it.

My R&D lab will ensure that we start looking at the solution very seriously. If there is a digital currency coming in, CBDC you might have heard about already, so it's already in my roadmap. So, we have one UPI, we have this second product, so we will ensure that we enter that segment as well. So, these are all opportunities that we should keep looking at.

Nirav: Perfect. Amazing. Thank you so much for your explanation and your answers and I appreciate your patience and time.

Deepak Thakur: You're welcome, Nirav. Thank you so much.

Moderator: The next question is from the line of Deepika Godda from Kojin Research. Please go ahead.

Deepika Godda: Hello, good evening, sir.

Deepak Thakur: Good evening, Deepika. How are you?

Deepika Godda: I'm good. First of all, congratulations for good set of numbers.

Deepak Thakur: Thank you.

Deepika Godda: I wanted to ask, what is the average employee cost?

Deepak Thakur: Ashish, you can take that up?

Ashish Aggarwal: Yes, near about INR60,000 per month. So, INR7,00,000 to INR8,00,000 till now.

Deepika Godda: Okay. So, as we are a service company, why we have inventories of almost INR3 crores in the books for last two years?

Ashish Aggarwal: We have good amount of, it's actually a work in progress. It's not a physical inventory. This is a kind of work that we have already done but yet to be billed to our client, being a PSU.

Deepika Godda: Okay. Thank you.

Ashish Aggarwal: Yes.

Moderator: Thank you. The next question is from the line of Parag Rathi, an individual investor. Please go ahead.

Parag Rathi: Hello.

Deepak Thakur: Yes, Parag. Tell me.

Parag Rathi: Hello, sir. Good afternoon. Congratulations for the great set of numbers.

Deepak Thakur: Thank you,

Parag Rathi:

Sir, my question is how do you see UPI evolving over the next few years?

Deepak Thakur:

UPI, Lets go by the simple discussions going on regularly in the industry. Keep looking at the numbers that UPI has. It's a public number. Every year, every month. Okay. And listen to NPCI's statement. Listen to RBI's statement. Very simple. Right now, we are probably sitting at 850 crores odd transactions every month. The target is billion a day. That means 3,000 crores. It is up to organizations like us to dream and think what share we can acquire. So, just get aligned with it.

Secondly, when that happens, what is the scale in technology required to achieve that? So, is it going to be an impact on the technology stack? Is it going to be new product solutions required to manage it? Is it going to be an investment around the security pieces? Because that's where RBI keeps talking about it. So, the investment is obviously going to be assigned for security pieces as well, for the performance. All of this opens floodgates for companies like us and keep thinking where exactly we can look at the opportunity. So, that's what UPI is for us. This is purely on the existing growth trend.

Now, looking at the future, if you look at the horizontal growth, the entire evolution has happened on account-to-account transactions. We are yet to see credit cards coming in and doing the wonders. We are yet to see PPI coming in and doing the wonders. We are yet to see OD accounts coming in and doing the wonders. So, I don't see this growth story going down. I mean, I don't see the curve getting flattened for at least another three years to four years. The innovation is going to happen. And being Indian, we should be very proud that the innovation is driven by the regulators and those who are following the regulators. And we are just a part of it, thinking how do I take my share. So, that's what UPI is for us.

Parag Rathi:

Okay. So, my next question is, sir, how UPI is going global and how it will impact us?

Deepak Thakur:

So, as an Indian, you would be very proud traveling abroad using the same application, same amount, not going to forex, converting your currency. But let's say you're traveling to Singapore, you will open your PSP application, which is your Google Pay, PhonePe, Paytm, BHIM whatever you're using right now. You will find the UPI QR somewhere at a merchant shop in Singapore or the PayNow QR, which is a partner QR. You just open your app, you scan and you'll make a payment from your Indian bank account to a Singapore merchant.

Now, how about that? Just imagine how big opportunity it opens up for Indian fintech companies. At the same time, I'm talking about cross-border transactions as well. Just imagine you want to transfer funds from your account to your friend's account in the US. Being able to support cross-border transactions, you'll be easily doing it sitting at home on your mobile application and sending funds to a US account.

Now, all this is possible because that's the vision which has already been set. UPI is one of the most talked about products in G20 that India is hosting right now. UPI is something where you'll find UPI in Rupay going with Indian government to every country that they travel. That's the price that they take. So, I believe in international markets, UPI is going to not just solve the

problem of transactions, but it is also going to take the country ahead and improve our transactional capability with the other countries. And in return, it opens the opportunity.

Parag Rathi: And sir, how to prevent money laundering in global UPI transactions?

Deepak Thakur: Trust me, UPI is very well designed in terms of the kind of regulation required. We follow everything that comes from the regulator. So, how to prevent fraud, where to hold certain transactions, blacklisting, blocking, unblocking, all of that are very well defined rules. Beyond that, we also look forward to the circulars and solutions coming to us from banks or the regulators, basis which we keep taking decisions. Beyond this, there are different set of fintech who work on the AML solution, anti-money laundering. There are solution providers for fraud and risk management, EFRMS systems. They are the ones taking care of such kind of challenges.

Parag Rathi: Okay. And sir, my last question is so what kind of capex will be needed for funding or future growth?

Deepak Thakur: Too early to share that because we are still, we have closed the AOP for FY '24 and we have few targeted products and business cases on which we will be investing. But maybe by Q2, we will realize that the kind of changes happening in the industry, we may have to add little more. So for now, it's quite difficult to share that particular number. But yes, we do have, like I said, R&D lab and investment into new use cases is the core of this year.

Parag Rathi: Okay, thank you, sir.

Deepak Thakur: You're welcome.

Moderator: Thank you. The next question is from the line of Esha Prasad from VSJ Fincap Private Limited. Please go ahead.

Esha Prasad: Hello, sir. I just wanted to ask one more question. Sir, as I understand that going forward, UPI transactions will be increasing. But as I understand that for banks as such, having these transactions, it's mainly as a cost. It's not providing them as a source of revenue as such for the banks. As a result, have you seen in your business any issues in the order values getting converted into cash or any working capital problems in terms of banks providing you the funding, paying you for the service which you are providing?

Deepak Thakur: Thanks, Esha. That's a very smart question. Thank you so much for bringing this up for everyone. So, let us understand that the entire payment ecosystem works on MDR. Now, there is nil MDR in UPI. And that is where banks and they have spoken to the ministry on supporting them because, obviously, everyone are burning cash. So, I will answer this question in three bullet points. So, what has happened is government has heard that and MITEI, if you open your Google, you will realize that MITEI has already declared support to banks for this particular product.

So, there is always a fund associated with UPI coming from MITEI supporting banks for the volume of transactions they do. One is that. Second, we are a technology partner. So, we cater to banks. Being in UPI is not a choice but a mandatory requirement of banks as a survival. If

you are not able to provide UPI to your customers on any application, if your bank does not exist, for sure you are going to lose out your customers. So, this becomes extremely important for banks to be on UPI. So, the second point is where UPI becomes a critical component for a bank for larger business acquisitions.

So, when I say business acquisition for banks, that means the stickiness of the customer, the savings account, the current account. So, if you are not able to collect money in your current account from UPI, you will not be able to use your QR. If BharatPe, PayTM, Google Business, those QRs will not be, your bank will not be able to support that QR. Then that merchant will move out the account from your bank to some other bank. If at all you support, there will be CASA balance. There will be CASA balance, it will support banks in their business growth.

So, we have to look at the other way. For a bank, that fund is important. Unless and until we don't have the balance, the banks are not able to generate revenue out of it. So, third point is wherein, how do I innovate solutions around reducing the cash burn of the bank and making them cash positive on UPI. And trust me, this is where NPST has thought about and you will see Quink as a platform which we have built. So, today, Quinks is our merchant platform that you will find on our website and this is very interesting for banks right now where we are telling banks that, hey, you are burning cash, see, look at the solution.

Now, we are giving one more solution to banks riding on UPI platform wherein, they will have an ability to create digital pause right at the branch level. They will be able to give reconciliation, they will be able to give merchant application, QR solution, they will be able to give dispute resolution entirely on this particular platform. So, this is how we are supporting banks and there are ideas and solutions which obviously can take care of such challenges. We saw this opportunity, we built the product and now we are seeing customers coming in.

- Esha Prasad:** Okay, thank you so much sir.
- Moderator:** Thank you. The next question is from the line of Dixit Doshi from Whitestone Financial Advisors. Please go ahead.
- Dixit Doshi:** Yes, good evening sir. So, you mentioned on your press release that we had processed 879 lakh transactions and transaction value of INR6,100 crores on our Evok API platform for FY '23. If you can provide those numbers just for the month of March or April the volume and the value?
- Deepak Thakur:** We have Ashish, you want to take that up?
- Ashish Aggarwal:** Yes. March, we have processed somewhere about INR 1500crores, INR 1600 crores value. Or number of it is around two crores plus.
- Dixit Doshi:** Sorry, how much?
- Ashish Aggarwal:** 200 lakhs numbers. Number of transactions.
- Dixit Doshi:** Okay. And one more question sir there was news in media once that certain transaction of UPI is now chargeable, but as banks are also losing as you saying that they were burning money in

UPI transactions and absorbing that numbers. Now, how do you see if in future UPI transactions also start getting charged? What is your sense? How will we get impacted do you think the volumes will get impacted drastically?

Deepak Thakur

Let us split the entire, Mr Doshi, very good point for everyone to understand. Let us split the entire volume. There is a P2P and there is a P2F volume. One of the biggest reasons why UPI has been able to have this traction is giving that freedom to merchant to transact and not thinking about the interchange fees. Now there are certain products wherein the revenue capability is much higher for merchants. Still, there is no charge on UPI. Let us understand that there is no charge on UPI. Even today, what has been released is for a particular product. It was all across media, but I think if you read it well, it is very specific to the wallet based business. And as and when the business cases will evolve, there is a possibility for interchange fees.

Let's take the example of auto-pay. If at all there is an auto-pay possibility that means the business will definitely evolve around EMI, the recollection, the recurring collection. So that is not going to impact the small merchant, which are currently sitting on the QR based transactions, that Pan tapriwala, or that Idliwala, they are not going to get impacted. Even today, the transaction value for almost 60% of merchant transactions is less than INR 100, so those businesses are completely out of this decision. Account to account transaction will not get impacted. As and when the products will start coming into picture in UPI and the advantages are different there will definitely be intra-operable charges, but that will obviously be based on the affordability. Let us take credit cards. The one using credit cards knows that if you are not paying for credit card, you are going to pay certain cost to it, so there will be an interchange fees for it. For PPI, there will be certain cost to it, SI mandate there will be certain cost to it.

So to bifurcate the entire transaction, the answer is there, there is the type of customers for whom UPI is made free, they should not get affected and UPI is still free, for now in the sense, the government is still supportive, it is only the product coming inside the UPI platform that is where the decision will keep coming in, we will still see how it going to pan out in the coming years.

Dixit Doshi:

Okay. Thank you sir.

Deepak Thakur:

Yes, welcome.

Moderator:

Thank you. The next question is from the line of Lalit from Krishna Agencies. Please go ahead.

Lalit:

Very good evening Deepak ji.

Deepak Thakur:

Good evening Lalit, tell me.

Lalit:

Sir is there any listed company in the market doing the same business model.

Deepak Thakur:

Even while we were filing IPO we did not find any. I don't see right now Lalit.

Lalit:

So this Infosys, Wipro they are not into this business.

Deepak Thakur:

No, they are into...I remember way back in 2016-2017 when we were bidding RFP and all, we use to see Wipro's name but till date I have not seen Wipro count in UPI and Infosys for sure is

much larger into banking space where they focus on core banking, they focus on services and several new products. They also play a role of system integrator. So let's say if they submit a bid somewhere for system integrator for digital payment, they will partner with entity like us wherein we play the role of a UPI OEM and they will play the role of system integrator.

Lalit: Sir, one more question. I was there in a con-call with Fino Payments Bank yesterday they said that they have developed a UPI platform of their own, so don't you think it is a threat for us? If some larger company develops their own platform, then we will be used as customer

Deepak Thakur: See frankly the market is very huge Let us understand, what is the core for a particular business? The moment you shift out of your core that means either your strategy is way too different that means you want to have a total business only on UPI and continue with the banking business as you do. For surely UPI is such a huge platform which requires a dedicated organisation to manage it, So building a platform is fine but maintaining that platform the agility required, the solution, focus, the challenges that come every second hour for that you need that focus.

So if someone like Fino Payments has taken that decision for sure there may be a very strong strategy around it. I can't comment on that. But the market definitely continues to exist for people like us. It's a very focussed business, it's not a small application or just an interface, it is a processing requirement, it is a financial transaction which is getting processed.

Lalit: Sir, one more question. Sir you are a cash rich company, you are cash generating company I think so. So what is your dividend policy sir?

Deepak Thakur: See, let me be very honest, this is our first full year of result after IPO. And we are still growing at a, which should need a huge growth strategy for the next three years to four years to build a very-very strong organisation. We can't be happy with one year of result it requires a consistent effort. So for us every single penny saved is an investment for the new cases, new products, new developments, new technology, building a culture so if tomorrow I want to hire someone from Razorpay do I have a capability to manage that kind of talent, so the investment in culture, the investment in creating that environment is also very-very critical to an organisation like us. So for now we have decided that we will focus on generating operating margin and invest that for strengthening the organisation's vision and growth plan. So that's why we have still not taken that decision on dividend, however anything beyond, Ashish, if you want to add or you...

Ashish Aggarwal: No Deepak, you have already covered. We can plan from next year but not right now, it's a growing stage, it's just one full year after IPO and we are tremendous growth in this sector, so we have planned to better invest this money for the growth of the company

Lalit: Okay. Thank you sir, thanks a lot.

Deepak Thakur: You are welcome.

Moderator: Thank you. A reminder to the participants anyone wishing to ask a question may please press star and one. As there are no further questions I now hand the conference over to Ms. Supriya Madye for the closing comments.

Supriya Madye: Yes, thank you. And thank you to management and all the participants for attending the call.
Thank you and good day.

Deepak Thakur: Thanks everyone.

Ashish Aggarwal: Thanks everyone.

Moderator: Thank you. Ladies and gentlemen, on behalf of Kirin Advisors that concludes this conference call. We thank you for joining us and you may now disconnect your lines.