May 03, 2025

BSE Limited
P.J. Towers,
Dalal Street,
Mumbai- 400 001

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

Scrip Code: 543386

Symbol: FINOPB

Dear Sir/Madam,

Sub: Transcript of the earnings call with the investors and analysts held on April 29, 2025 - Disclosure under Regulation 30 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015

Ref: Earnings call with Investors and Analysts on April 29, 2025

In continuation to our letter dated April 18, 2025 and April 29, 2025, please find enclosed herewith the transcript of the earnings call with the investors and analysts held on April 29, 2025.

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

Kindly take the same on record.

Thanking You,

Yours faithfully,
For Fino Payments Bank Limited

BASAVRAJ SHIVANAND LONI Digitally signed by BASAVRAJ SHIVANAND LONI Date: 2025.05.03 20:08:18 +05'30'

Basavraj Loni
Company Secretary & Compliance Officer

Place: Navi Mumbai

Encl: As above

Fino Payments Bank Limited
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"Fino Payments Bank Limited

Q4 FY '25 Earnings Conference Call"

April 29, 2025

MANAGEMENT:	**MR. RISHI GUPTA – MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER – FINO PAYMENTS BANK LIMITED** **MR. KETAN MERCHANT – CHIEF FINANCIAL OFFICER – FINO PAYMENTS BANK LIMITED** **MR. ANUP AGARWAL – HEAD, FINANCE AND INVESTOR RELATIONS – FINO PAYMENTS BANK LIMITED**
MODERATOR:	**MR. RAJAT GUPTA – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day and welcome to the Q4 and FY'25 Earnings Conference Call of Fino Payment Bank Limited, hosted by Go India Advisors. As a reminder, all participants will be on 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 touch-tone phone.

I now hand the conference over to Mr. Rajat Gupta from Go India Advisors. Thank you. And over to you, sir.

Rajat Gupta: Yes. Thank you, Steve. Good afternoon, everyone, and welcome to Fino Payments Bank's Earnings Call to discuss the Q4 and FY '25 results. We have on the call with us today Mr. Rishi Gupta, Managing Director and Chief Executive Officer; Mr. Ketan Merchant, Chief Financial Officer; and Mr. Anup Agarwal, Head, Finance and Investor Relations.

We must remind you that the discussion on today's call may include certain forward-looking statements and must be therefore viewed in conjunction with the risks that the company faces.

I now request Mr. Rishi Gupta to take us through the company's business outlook and financial highlights, subsequent to which we'll open the floor for Q&A. Thank you. And over to you, sir.

Rishi Gupta: Thank you, Rajat. Good evening, everyone, and thank you for joining us for Fino Payments Bank Fourth Quarter FY '25 and Full Year FY '25 Earnings Call. It is always a pleasure to be with you all once again; and as we reflect on what has been the landmark year with our bank being in the forefront of digital evolution, leading to strong financial performance ever.

FY '25 was truly a transformational year for Fino. We have advanced our digital capabilities, deepened customer engagement and enhanced operational efficiency, strengthening our competitive position and delivering robust, sustainable growth. With an asset light tech-driven platform focused on the mass market segments, we are well placed to drive long-term value creation and financial inclusion at scale.

Let me share some highlights, key highlights that defined the year. We delivered strong year-on-year revenue growth of 25% aligned with our revised upward guidance, underscoring the resilience of our business model. Our EBITDA rose by 22% to INR234 crores and PBT increased 26% to INR108 crores, driven by operating leverage and disciplined cost management.

Let me also share that we are the only payments bank which is a taxpaying payments bank as such, and because of which, our PAT numbers are not comparable with the PAT numbers of FY '24. And being the only payments bank which is taxpaying also means that we have cleared all our accumulated losses till date.

Our customer base also reached to all-time high of 1.43 crores, with around 53 lakh digitally active users, demonstrating success in scaling inclusive digital access. Our average deposit grew

37% year-on-year, with peak deposits crossing INR 2,500 crores, reflecting growing customer trust and stickiness. CASA subscription renewal income also rose, nearly 48%, further affirming our customer confidence.

Our daily throughput or our daily average throughput has witnessed 10x growth over the past 6 years and has reached to more than INR 1,250 crores per day. Overall throughput mix has changed from 99% physical to 51% physical or the non-digital business. This itself is testimony of evolution of our business model and response to changing ecosystem.

So largely, what we are saying, nearly 49 % of our throughput is now coming from the digital platforms. And 51% is coming from our physical platforms, the old physical platforms. Our digital throughput stands at INR2.25 lakh crores out of the total INR4.6 lakh crores, with digital transaction contributing to 49%, a testament to deep integration of digital within our ecosystem.

And you will be happy to know our UPI market share has also increased substantially from 1.27% in quarter 4 last year to 1.62% in quarter 4 '25, where we have seen a substantial growth in the overall UPI ecosystem as well. If I talk about the strategic progress and core focus. Our core TAM strategy, which means transaction, accounts, to monetization and this is consistent with us for the last 3 years.

Our core TAM strategy continues to drive long-term value anchored by strengthening of our liabilities franchise. By consistently growing CASA and broader deposit base, we are building a more stable, resilient and diversified financial model.

Our strategy to convert off us to on us continues to deliver superior results. If you'll remember, in one of my old calls also, I've said that the revenue per customer on on-us is substantially higher than the revenue per customer on off us. So this strategy of moving from off us to on us is actually bearing fruits, which is in line with our TAM strategy.

In FY '25, we witnessed continuous growth in our annuity income. That is renewal income and increase in deposits, reflecting higher retention and potential cross-channel engagement; as I mentioned earlier, 48% growth in renewal income and 37% growth in the deposit income. Today, we manage over 1.4 crores accounts with a steady increasing base of active transacting customers. We added nearly 33 lakh customers in FY '25, which I would say we'll be one of the top banks in the country in terms of the new customer acquisition as such.

Our new CASA product offering like Gullak corporate salary -- Gullak, for many -- Gullak is a product where we are focusing more on how do we build balances, so our new CASA product offering, Gullak corporate salary for MSME, reinforces our long-term ambition of building a scalable and a sustainable deposit engine in preparation for the evolution into a full-service institution.

Our distribution network remains the cornerstone of our business and a key enabler of financial inclusion. As of FY '25, we have covered nearly 97% of India's PIN codes through a strong and growing merchant base of nearly 19 lakh merchants. During the year, we added 1.5 lakh new merchants, further strengthening our presence in the underserved and the remote regions across the country.

We are also shifting focus from mere merchant acquisition to improving activity ratios and deepening merchant engagement through multiproduct offering driven monetization, retention and ecosystem. In line with that, we are also now focusing a little bit more in terms of how do we improve our customer service and customer experiences. And we are building up a team and building a lot of digital platforms to support that.

If I talk about digital innovation and the ecosystem expansion. Digital continues to remain a strategic pillar of growth. In FY '25, digital contributed to 21% of the overall revenue. And we expect this year to exceed to 25% and above, in FY '26. We are evolving from a digital service provider to a full-fledged ecosystem enabler, partnering with Fintech to co-create innovation -- innovative solutions across both B2C and the B2B verticals.

If I talk about the D2C verticals. We have nearly 53 lakh customers actively transacting on the UPI platform. And we are among the top 10 banks in terms of the effectiveness of our mobile application. Our application and systems are user friendly and competitive, as compared to other applications in the industry. In fact, a lot of effort and capital is going into building up the entire digital vertical and the UPI platform.

On the B2B side, overall ecosystem, as you would know and you would have seen in multiple media reports and otherwise, experiencing it, the overall ecosystem in digital does pose a lot of cyber fraud risk, resulting in issuing of multiple advisories by the regulators and LEA from time to time. Our approach: to strike the right balance between growth and risk mitigation measures.

We are scaling offerings through deepening our partner engagement in a very risk-calibrated approach to ensure sustainable growth. I think this is very important for everybody to understand. We will be launching Sound Box and off-line QR code to deepen our abilities on lending scale -- on lending side; and also PPI product, in FY '26, to strengthen our digital offering for our existing merchants partners, which is in line with the near-future strategy.

While everything seems to be going well, our CMS business, we are seeing some headwinds in the past 2 quarters given the stress in the entire MFI sector in specific and also witnessing take rate issue because of the increased competition per se. We are exploring new industry use cases to regain the momentum in the CMS business, and we are hopeful that we will be able to add some new industries in this year.

Our transaction business is another area where we have seen a drop, and we mentioned that last time also. It continues to remain our hook product for our ownership business. Remittance business was impacted in quarter 3 '25, I think we mentioned that in the last meeting, due to the change in regulations and overall at the industry level.

The impact is envisaged to be around 40%. AePS, though, has shown some signs of growth, given the focus of the government on the cash withdrawal channel, with the increase in the direct benefit transfer schemes running across central and the state.

We anticipate subdued growth across these products without compromising on the footfalls for our CASA conversion. On this, I would like to say that, when we look at the transaction business, there are 2 big things which is happening. One is that the customer behavior is changing from assisted or cash to more do-it-yourself digital platform.

So that is one shift which is happening. Secondly, in case of remittance, regulatory changes resulted in a big drop in the industry. And the third is also because a lot of our customers who used to come to us for our off us business is now becoming part of our on us. So that is all put -- all 3 put together has resulted in transaction business. Partly, it is good because we are now getting income in some other product rather than on the transaction business.

Technology is something everybody knows is -- close to my heart. Technology transformation is key to the success of Fino. To support and -- to support our scale and ambitions, we are in the advanced stages of overhauling our technology infrastructure. Our next-generation core banking platform, along with the "hollow the core" architecture, is scheduled to go live in this quarter. This transformation will unlock significant scalability, speed and system resilience.

We are also embedding artificial intelligence. There's been a lot of talk around artificial intelligence in the last 1.5 years, specifically in the last 1 year. And your company is also actively looking at how artificial intelligence can help us to grow. Rather than running around doing many things, we looked at a couple of things where we are just focusing on the AI part.

We are also embedding artificial intelligence in our tech stack use cases under development to strengthen real-time risk management and operational efficiency. We will continue to invest in technology; and this will ensure long-term efficiency, security and sustainable growth.

When I look at transition to small finance bank. The application is with the Reserve Bank of India. There has been a good exchange of information in the last quarter or so. Our understanding is that it is moving in the right direction, but end of the day, we will have to wait for the regulator to come back as such. But internally, operationally if I look at -- we are building the railroads with specialized teams and enhancing organizational depth to ensure readiness.

On the credit front, if you'll remember, I mentioned a brief last time. On the credit front, we piloted referral-based products, including gold, merchant and housing loans through our NBFC partnerships. These early initiatives are providing valuable insights and laying foundation for our full-scale credit play post licensing.

Happy to share we have grown from INR33 crores disbursements in quarter 4 FY '24 to INR200 crores disbursement in quarter 4 FY '25 on our own merchant network, which means a more than 6x growth in the last 1 year on the referral business on the lending side. Our ongoing tech transformation will serve as a critical enabler of the SFB transition, ensuring compliance, agility and scalability.

Let me conclude now. In conclusion. We are entering the next phase of our journey with strong momentum across CASA, digital and technology pillars. Compliance-first approach has always been Fino's first thoughts. Compliance-first approach is the cornerstone for our sustainable growth and will continue to remain despite impacting businesses, as we will continue to explore new avenues of growth.

We are committed to invest in technology, ensuring we are always in line with the changing ecosystem. CASA and digital business will be the growth drivers for FY '26. We remain confident in our strategic direction and fully committed to delivering sustainable long-term value for our stakeholders.

With this, I'll now hand over to our CFO, Ketan Merchant, to take us through the financial highlights in more detail.

Ketan Merchant: Thank you, Rishi. Good evening, ladies and gentlemen, and thanks for joining us. FY '25 marks a pivotal milestone for us as first payments bank to deliver 5 consecutive years of profitability. This consistent performance underscores the strength, scalability and resilience of our business model. Our strategic evolution from transaction monetization to customer ownership and now digital scalability positions us to capitalize on India's expanding financial service market.

Just to recap. In quarter 1 '25, we had revised our guidance upwards from 20% to 25% on the revenue growth. For FY '25, we are happy to share that we've achieved that with a revenue of INR 1,847 crores. EBITDA grew up by 22% to INR234 crores and PBT increased by 26% to INR108 crores. Worth underscoring the strength of our strategic pivot.

We became a tax-paying entity from quarter 2 '25, and despite that, our profit after tax increased by 7% to INR92.5 crores. This performance was driven by a favorable shift in the revenue mix towards higher-margin annuity-led and digital segments which are not only structurally more profitable but also aligned with our long-term growth strategy.

In Q4 FY '25, revenue grew 23% Y-o-Y to INR493.5 crores, with EBITDA up 18% at INR63.9 crores and PBT rising 18% to INR29.7 crores. For FY '25, we closed the year with a cost-income ratio of 25.6%. This vis-à-vis the previous year was 26.5%. This reflects our continued operational discipline and the leverage from tech-led efficiency Rishi was alluding to.

Let me now walk through -- walk you through segment-wise performance quickly. CASA. CASA remains our foundational pillar of all our annuity-led business model. In FY '25, CASA revenue increased 43% to INR544 crores, including the float income; and now contributes 30% of the full revenue.

Renewal income grew by 48% Y-o-Y to INR190 crores, underscoring the effectiveness of our customer ownership strategy. Average deposits for FY '25 rose 37% to INR 1,849 crores. And average customer balance improved to INR 1,356, supporting higher treasury income through better float utilization. These metrics together tell a cohesive story, not only that we're acquiring, but we're also deepening our relationship and increasing monetization per account.

Our total customers grew to 1.43 crores, with over 33 lakhs new accounts added in FY '25, including 8.6 lakhs accounts in Q4. Nearly 40 % of our total customers are digitally active. And these customers show meaningful high renewal rate, validating our digital-first approach. Looking ahead, we continue to introduce specific segment offerings aligned with our evolving customer needs.

Going on to digital. Our digital business delivered exceptional performance in FY '25 with revenue growing 4.2x on a year-on-year basis, with a total revenue of INR390 crores. This significantly surpassed our initial estimates and now contributes 21% of the total revenue in FY '25.

Digital throughput increased 70% and touched INR2.25 lakh crores and now accounts to 49% of the total throughput. This growth was driven by successful scale-up of our proprietary UPI switch, which we've discussed in the past, and strong traction across the ecosystem partnerships. More than a growth lever, digital has emerged as a margin-accretive engine.

With its inherently low operating costs, digital segment has materially contributed to structural improvement in our profitability, i.e., at a PBT margin, which has more than doubled from 2.6 % in FY '21 to 5.9% in FY '25. Platform activity also saw a significant uptick, with total digital transactions rising 80% from INR160 crores in FY '24 to INR288 crores in FY '25. This increase not only supports the recurring renewal income but also accelerates adoption across our platform-led ecosystem.

Quickly going on to CMS. As Rishi said, despite macro headwinds impacting NBFC and MFI sectors, our CMS segment delivered a 25 % Y-o-Y throughput growth, reaching -- and throughput, thereby reaching to INR83,451 crores in FY '25; and contributes around 8 % of total revenue.

We cannot miss competition, which we've been discussing for a while in CMS. Enhanced competition is leading to moderation of take rate, which was 0.18% in FY '25 vis-a-vis 0.21% in FY '24. mATM, AePS. In FY '25, we processed mATM and AePS transactions totaling to around INR 39,705 crores, generating INR185 crores in revenue.

Notably, AePS showed some signs of recovery in second half, with Q4 revenue growing 23% and throughput rising 10% Y-o-Y to INR 8,127 crores. As highlighted in our previous earnings call, we remain confident in mid-term growth potential of our AePS segment. Very quickly moving towards the small finance bank.

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As highlighted by Rishi, we are awaiting regulatory approval and we have started building the railroads for a loan referral business. Our SFB strategy remains same as payment bank plus, plus model, i.e., asset-light models with limited branch network, liability-first lending franchise and leveraging our existing distribution network with right impetus on technology.

As highlighted by Rishi again, with our current technology transformation for core banking system and system architecture, we anticipate incremental INR90 crores to INR100 crores capex cost on technology and operations for SFB. On the investment front, capital expenditure for FY '25 stood at INR165 crores, significantly higher year-on-year.

This was driven by strategic investment in migration of our core banking system. These investments are critical to scaling our capabilities and ensuring platform resilience as we prepare for next phase of growth. To conclude. FY '25 reflects disciplined execution, strategic pivoting and solid foundation laid across all core businesses.

As we transition to an SFB, we are confident in our ability to broaden our value proposition, expand our addressable market and build on the momentum established this year. Looking ahead for FY '26, our priorities remain clear, accelerate CASA and deposit growth, enhance digital infrastructure, deepen finance Fintech partnership while maintaining our cost-income ratio in the range of 25%.

With this, I would now like to open the floor for questions, please.

Moderator: Thank you very much, we will now begin the question and answer session. The first question is from the line of Priyesh from HSBC.

Priyesh: Sir, I have a couple of questions. In light of the intensifying competition, I'd like to know like what are your key differentiators in terms of the technology, the service efficiency and even in terms of the UPI infrastructure that we have that can help support the growth. I have a couple of more. Should I lay down now?

Ketan Merchant: Yes, you can. We're just writing down, and maybe we'll answer it one by one.

Priyesh: Okay. Then I have another question. With respect to expanding the B2B UPI stack, what is your client acquisition strategy for that? And also, like, I'm seeing that like now, I think, 38 -- maybe over 35% of the customers are digitally active. So like what initiatives are we taking to increase the digital activation rate across the base? Yes. These are my questions.

Rishi Gupta: Okay, let me just have a go at it because these are very generic questions as such. So first question is on the intensified competition and what is our differentiation. So you did not mention the product which you are talking about, but largely I understand this is on the UPI side. Is that correct?

Priyesh: Yes.

Rishi Gupta: Okay. So on the UPI side, see. Our customer segment which we are focusing on is the mass market segment, people who earn INR3 lakh, INR4 lakh per annum or so. So a lot of these people actually get their salaries or have incomes which come in cash, so our key differentiation is that we are a bank which is there in every hook and -- nook and corner of the country.

And so they can go to any of our outlet, deposit cash into their bank account which they opened with Fino. So they open a Fino bank account. They deposit cash into that Fino bank account and then start using UPI. Because for you and me, it is a way of life, but for larger population of the country, it is a very aspirational product. And everybody wants to scan their QR code and make the payment.

So we are probably one of the very few banks which is opening accounts in the remotest parts of the country, closer to their home; opening it in a very seamless -- over within 5 to 10 minutes, you open an account. And we give them a debit card. And we give them a UPI handle also when they open an account, so they don't need to go around creating a UPI handle. Automatically a UPI handle is created.

On top of it, there are a lot of UPI offerings and other digital offerings which we provide to our customers. And I think the biggest differentiation is our ability to suck in cash on the ground, which they can put in a bank account for them to enable the digital. So digital transaction can only happen if you have money in the bank. So if you go to any other bank, you will have to stand in the queue, maybe deposit money. It will take you some time, but in our case, it works out very efficiently.

So these are the -- largely the conversations around the UPI ecosystem. And that is where you will see large part of our customers are using our Fino bank account for transaction purposes; also the fact that a lot of people want to also keep a smaller amount in the bank account, because of the cyber risk and frauds which are happening, and don't want a large volume of -- because if you are doing UPI 40 , 50 transactions, 60 transactions in a month, then -- if you look at the bank statement, it will run into hundreds of pages in a year.

So people have opened accounts where they keep a smaller amount and also doesn't give a lot of volume in their bank statements. So there are few reasons which are the differentiation of -- as far as the UPI is concerned.

Coming to your second question, on the B2B UPI stack. I think -- our ability to provide a very seamless; and a very efficient transaction with very, very low, best-of-the-class technical declines, I think that is one reason from a B2B point of view because, when you're doing B2B business, you don't want technical declines to happen.

A stable network and our ability to provide that 24/7 is one of our key differentiators, also the fact that we have a very active client acquisition team which is spread all across the country.

And we are handling a lot of customers and merchants on account of that. We -- our ability to provide a very good technology solution is also because we have in-house UPI switch, compared to some of the other banks which are having third-party UPI switch.

In fact, you'll remember we mentioned that in March '23. We are nearly 2 years now completing that. Our ability to provide them flexibility on the UPI switch, our ability to provide most of the new products on the UPI is because we created our own UPI switch. So these are a couple of differentiations I would say on the B2B UPI stack. I hope I answered your question, but we'll be happy to sit separately to -- if you want to go into a more detailed answer.

Priyesh: Yes, sure.

Moderator: The next question is from the line of Dev Shah from Haitong.

Dev Shah: I have 2 questions. First is, what are the key operational and regulatory challenges you foresee during the transition to a small finance bank? And how are you preparing to address them? And second is, with loan referral currently at INR30 crores to INR60 crores per month, how scalable is this model? And can it become a meaningful contributor to revenue in the coming years?

Rishi Gupta: Yes. Both of them are good questions, so let me just answer the first. On the SFB part, there are guidelines which are well outlined in the transition phase. So for any non-corporate payments bank, after 5 years, they can apply for transition into SFB. On the basis of that, we have applied. The line of business which we can't do is a BC business, so we will have to look at how do we exit the BC business as such.

On operational side, I think the challenge in terms of building up the distribution network, if you want to set up a very typical branch-led model, can be one of the challenges. PSL, you need to have 75% deployment under PSL, but I don't think that is a challenge because our -- because we are in that, catering to that particular segment of customers.

Apart from that, if I look at liability, it's the key for any SFB. And we have also seen a 37% growth in our liability business or the deposits in this year. So we continue to peddle that. Our cost of funds is roughly around 2% or so, which gives us a good leeway to offer products at a very competitive pricing in the market, at least for the first few INR1000 crores as we build up the liability franchise.

So those are the few things. Apart from that, we are -- now that we are on the SFB question. We -- what we are doing internally is we have formed a small group right now. Within this small group, we have started to look at the kind of products which we are going to focus on, the geographies which we are going to get into, the kind of POCs we plan.

We are also looking at what kind of organization structure and kind of people we would require. On the technology, we have met already 5, 6 vendors who provide various LOS and LMS technology platforms, so we are in the process of shortlisting that. I think, in the next 30 days or so, we'll be able to shortlist at least the LOS and the LMS vendor. So a lot of work is -- started to happen in parallel as we await our SFB outcome from RBI.

Secondly, coming to your second question, on the loan referral. I think we have -- from INR30 crores in FY -- quarter 4 FY '24 to INR200 crores in FY '25. We have now reached INR200 crores. Our next target will be to reach INR300 crores, which means INR100 crores a month is something which we aspire to reach in this year, maybe in the first half.

And depending on the kind of products and the scale we see, it will start -- the moment it reaches INR100 crores-plus per month, it will start to become a more meaningful conversation, but let me just also tell you that this is not only from a revenue point of view. This is also from the point of view of understanding our customers, understanding how to sell up a lending product, what kind of challenges.

What do you, what can you anticipate? So it's both a learning part as well as -- like I said in the QR business also, the QR and the sound box is not from building up a P2M ecosystem. It is more from how I can do lending on those merchants at some point of time. So a lot of this conversation, you would see, is getting driven in that direction.

Moderator: The next question is from the line of Kushagra Goel from CLSA.

Kushagra Goel: Yes, okay. So firstly, some data-keeping question. So can you share the...

Ketan Merchant: Sorry. Kushagra, you will have to be a bit more louder. I'm sorry.

Kushagra Goel: Yes, sure. So some data-keeping questions. Can you just tell us the CASA revenue for new subscribers in 4Q?

Ketan Merchant: Yes. Just give me a minute. I will just tell you that. This is your CASA NTB, right? The subscription revenue for quarter 4 is around INR27 crores and for the full year is around INR104.1 crores.

Kushagra Goel: Got it. And also, for merchant CASA amount, can you tell that as of March '25?

Ketan Merchant: Sorry. I didn't understand this question. Merchant CASA amount means what?

Kushagra Goel: The liabilities on your balance sheet. So there would be some merchant CASA liabilities last year...

Ketan Merchant: Okay, okay, yes, yes. Yes. So you are referring to what we call as EMD or the current account which is there. I think it is in the range of around INR250 crores to INR260 crores.

Kushagra Goel: Okay, INR250 crores to INR260 crores, got it, okay. So okay. Second question is more regarding your guidance. So do you have any growth guidance and any margin guidance for FY '26?

Ketan Merchant: Let me just start off with the margin point first. We've -- last time, we had given a guidance. We have revised the guidance. Currently we are not coming up with a guidance, but I can tell you the momentum, the way it is going through currently. On the margin side, we are currently in the range of around 31.5%. That is a gross margin which we are looking at.

One point which is helping us is the digital. Whilst in my commentary I've mentioned about that digital is growing and now contributes around 21% -- while on the top line basis or the gross margin, digital gives a relatively lower margin, as compared to the weighted average margin of 31%-odd, but when it comes to bottom line, because of the low operating cost, digital almost constitutes a double-digit kind of a PBT margin on a stand-alone basis.

So broadly, on the margin front, we are expected to remain range bound. Not strictly pertaining to margin, we have to be cognizant on one point which Rishi and I both said: Is on the CMS front, yes, we have seen a 3 basis point reduction in the take rate between FY '24 to '25. That, we anticipate a bit more moderation also essentially happening in FY '26.

Remaining on the -- okay, not a guidance which we are giving up, but the CASA and the digital momentum is essentially good. And we intend to continue that momentum coming across for this year as well. Two points to be cognizant is we have in our model also factored in the incremental technology cost.

Technology is indeed the cornerstone. Last -- I just mentioned it off. Last year, we had a capex cost of INR165 crores coming. In our models, we have factored an INR 100 crores-plus of the capex cost coming for this year as well and -- on a BAU basis. So all of this taken together, digital, CASA and the operating leverage will continue to drive our business momentum.

Kushagra Goel: Okay, sir...

Ketan Merchant: Or rather the P&L momentum as well when I'm mentioning operating leverage.

Kushagra Goel: Right, sure. And just finally, one last question. So you talked about a new CASA product, Gullak, so just can you give more color on it? And also -- so I noticed that your per-account revenue had inched up Q-o-Q. So was that because of this new product? And how it will grow in the future, if you can give more color?

Rishi Gupta: So the Gullak is our -- actually we got a feedback in the market that some people are not looking at a minimum balance -- or are ready to look at a minimum balance product and rather than giving fixed fees, so we've devised this product where we were focusing on how do we build up the liability franchise on account of that.

So that is something which we are now focusing on Gullak. It's we started in the month -- I think November, December last year; and about 7,000 to 8,000 accounts, we are opening per month on account of that. So it's a little early days, but the concept is to change the behavior of our customer to build more balances. This is in line with our SFB conversation.

Moderator: The next question is from the line of Kunal from Emkay Global.

Kunal: Sir, I see there have been some classification between treasury income and the CASA income which has actually led the CASA contribution margin to rise from 50% to 53%. Can you please explain what has been the -- I think there has been some floating income which has been added in the CASA product. Can you please explain, what is this change in the treatment? And, I mean, if you remove the floating income from the CASA, what will be the total CASA income and the CASA contribution margin for Q4?

Ketan Merchant: Yes, Kunal, a fair observation. If you go to the Slide number 17. We've added the float income to this particular scenario. Float income out here is earlier the entire treasury income, whether it was the treasury activities which were allowed through reverse repo, etc., was classified there. At that point of time, it would contribute around 11% of the total revenue.

Now we strip that off and added that to CASA, typically which is in the range of around -- on a stand-alone basis, would be in the range of around 23%, 24 %. So that's how it looks like. In terms of the breakup, if I look at it currently, which is around 30% for the year, would be around 24%-odd and stuff.

Kunal: So adjusted for that, the CASA contribution margin would still be 50%?

Ketan Merchant: Yes. CASA contributing margin, if you recollect, would be in the range of 50%. You're right. Sorry. I should have answered that.

Kunal: Okay, okay. And sir, in terms of overall guidance, you have given that -- or you have spoken about AePS and DPS and all other products. I just wanted to understand. What about remittances, can we expect the declining trend to continue? And in terms of overall revenue also, can we expect it to be around 20% to 22% for the -- FY '26?

Ketan Merchant: Okay, we've not given a formal guidance, but in -- my previous question, I just mentioned it across as well that the momentum is good. I'll come to remittance piece in a bit. If you've seen our kind of a base, which has now become at INR 1,847 crores, we intend to continue up -- our quarter 4 numbers have been good as well.

So digital and CASA will continue the momentum of growth. AEPS, I just mentioned across. Remittance, Rishi also mentioned it to the region that it's still in the stage of evolution what will come through. So the growth aspect, I do not want to put a number, but the broad range which we're seeing seems to be in that direction.

Kunal: Okay. And just one last question, about DPS, digital payment services. What kind of a throughput mix can we expect going forward between B2B and D2C?

Rishi Gupta: See. On the B2C side, it is largely the UPI P2P and the UPI P2M. So there is no revenue stream which is there on the D2C side, except for the CASA engagement and the CASA activeness and the balances. The rest is all -- the revenue which you see is largely the B2B digital payments and the MeitY incentive which we get from MeitY every years.

Kunal: Yes, so going forward, can we expect an 80%, 20% mix, like 80% coming from the B2B throughput and 20% from D2C throughput?

Rishi Gupta: That will have to -- that question, only finance minister can answer. Because if they allow MDR on UPI, then the mix can change, but right now there is no MDR on UPI. And you would have been reading some news like we also are doing. So if the UPI MDR comes in '25, '26, that will be good for the entire ecosystem because the target is now to reach 1 billion transactions a day in the next 2, 3 years.

Moderator: The next question is from the line of Dhruv Shah from Ambika Fincap.

Dhruv Shah: Congrats on a very strong set of numbers. Ketan, I just have one question...

Ketan Merchant: You need to be a bit more louder?

Dhruv Shah: Yes. Now...

Ketan Merchant: Yes, this is slightly better, yes.

Dhruv Shah: yes. I just have one question. Considering now digital has reached a base, is it fair enough to track you on sequential basis rather than year-on-year basis?

Ketan Merchant: Sorry. Come back to that. You're saying that the digital has reached the base, which is 21% of revenue and 27% for quarter 4. So what is your question regarding that?

Dhruv Shah: Now we should track you on sequential basis rather than year-on-year basis, right, because now...

Ketan Merchant: That's a fair question. My answer to that one will be -- the answer is yes, that you -- typically in the year 1, you look at a multiple times growth. However, the growth driver will always remain. Digital will continue to remain the growth driver on that as well, so -and again, sometimes in year 1 or year 2 of your transactions, you go in a next day in terms of businesses.

Now just to give a perspective: We approximately have some 23 partners. We intend to grow that partners, this is a digital payment system which we are talking about, to the extent of around 50%-plus. So I would not agree with you on the moderation of this thing, but yes, can that be -- will it be a multiple time growth? The answer is no, but it will be an accelerated growth and not a typical matured business growth which typically comes through.

Dhruv Shah: No, Ketan. My question was more on the bank per se rather than digital per se, saying that now that we have a sustainable base -because on, in PPT also we are comparing ourselves on year-on-year basis, but our base have become quite strong that we should now track you on sequential basis. That's what my question was. Or you're still saying that our business is still seasonal, that Q4 is seasonally strong, so you should -- that's how I was coming through.

Ketan Merchant: No, that is fair enough. That is fair enough. If you're saying the seasonality, yes, seasonality will come up because of the digital. Even for that matter, CASA also has relatively less seasonality. Transaction banking, in its peak time, does have seasonality, so yes, there can be a Q1 -- or sequential quarter-by-quarter evaluation.

Rishi Gupta: Yes. See. Let me just try to add to what Ketan is saying. See. We have some seasonality because, in the quarter 3, where it is the -which is the festival quarter, we see higher transaction volume but a lower CASA addition. In quarter 4, for whatever reason -- it could be more thrust, more government payments, clearing of budgets and everything.

We see a higher growth in deposits as well as on CASA. Quarter 1 is relatively more muted for us in the last -- except for the last year, we have seen a relatively more muted quarter 1 because of the fact that quarter 4, in quarter 1, because of the government and other interventions, don't come in the quarter 1 and also the heat which is there, especially in the northern part of the country.

Quarter 2 is again some kind of a monsoon effect, which was largely true when it comes to the physical network of the ecosystem, but on the digital side also, there would be some plus, minus here and there depending on the quarter as such, but the variation on quarter-on-quarter will definitely have -- will come down. And you have seen that coming down because of the digital piece which has come. So partly right, partly still I would say it is still some way to go.

Dhruv Shah: Fair enough. And Ketan, just the next question is on effective tax rate for this year, if you can just guide us through that.

Ketan Merchant: So in FY '25, we had our tax coming in with effect from second quarter, which is why effective tax rate for last year was in the range of 17%. This year, it is a full tax rate, which we are looking at in the range of 25%.

Moderator: The next question is from the line of Harsh Sheth from Anand Rathi Institutional Equities.

Harsh Sheth: Have you observed any shift in CASA customer retention patterns in the recent year? Like, historically, the retention rate was around 60 %. So how do cohort from FY '23 compared to like FY '25 in terms of engagement level? And are newer customers transacting more actively and increasingly using their Fino bank account as their primary account? That's one.

The other question is that you have invested more than INR150 crores in technology during FY '25. So what specific efficiency improvement do you anticipate from this investment over the next 2 to 3 years? And what depreciation time line is being applied to this capex? And how should we think about its impact on the near-term profitability?

Rishi Gupta: So I'll answer the first 2. Ketan can answer the third one. On the first part, which was your -- the renewal rate and the UPI. So you are bang on. Actually, when we started a -- 3, 4 years back, our renewal rates were less than 50%. Now we have reached more than -- or around 65%

as such, so which is a very healthy rate, largely because of the UPI transaction flow and the activeness on the UPI.

Our average balance also for active customers is in the region of INR 1,900 to INR 2,000. For UPI active customer, it is more than INR 2 ,500, so from an overall point of view, we have seen a good shift coming in the activeness on this year, in FY '25. And that's why we have shown a 48% growth on our renewal income per se. Coming to the second question, in terms of the...

Harsh Sheth: Are newer customer transacting...

Rishi Gupta: So on the second question, in terms of the bank account, still I would not say that Fino is a primary bank account. Fino is more of a transaction bank account. And as I mentioned earlier, people who want to do small-value transactions don't want to give so much of money because of whatever reasons, don't want to crowd their bank statements, are largely people who are opening accounts with us.

And we have seen that the activity level of customers who open a bank account who are transacting is far more than what it used to be earlier. Earlier, it was in the region of less than 50%, as I said. Now it has become more than 65% or so. On the technology part, I'll answer the first part. The second part, Ketan can answer.

The first part, for us, technology is not about efficiency alone. We are a technology-led bank. For us, technology comes first. And banking is there because of the technology which we have enabled. We don't have a branch model, so to say, so large part of our ecosystem runs on a very robust technology, which is -- which does nearly INR 1,400 crores -- in fact, in March quarter, we touched more than INR 1,450 crores of transactions per day.

This would not be possible without a very robust technology platform. And with UPI, on a particular day, we did more than INR1 crores UPI transactions also in March quarter. So that level of transaction volume which the -- our technology is able to handle is only because of the investments which we have made in the last 3, 4 years. Just to give you a heads-up in terms of -- our first investment was done in the year FY '16, '17, when we started the bank.

In 2022 onwards, we started to invest nearly INR80 crores to INR100 crores per year. And this year, because of a lot of WIP as well because of the migration which is happening on the -- our platform, that's why the investment figure is about INR150 crore-plus.

It's only because of the technology that we have ability to handle so many transactions is -- there and, without any high latency and low technical declines, our ability to offer more products and ramp it up at that speed. I think technology, to my mind, is a very central theme in our everyday strategy -- or not strategy, every conversation as well as on the strategy conversation.

Ketan Merchant: Ketan here, just to answer your specific point of we have around INR165 crores of technology capex in FY '25. Approximately 50 % of that goes into the up gradation of our core banking system. Rishi has alluded to the reasons for core banking systems. I think -- let me just add only one point of efficiency.

For us -- earlier in the conversation, I did mention about digital is growing in multiple times over last year. Now digital as a gross margin is clocking around 21%, 22% vis-à-vis our 30%-plus. However, when it comes to the bottom line, and I mentioned it earlier, if I just draw a parallel P&L of digital, the PBT comes to in the range of double digit, as opposed to 6%. That itself answers that how -- and this is after factoring the depreciation, itself answers how that we are looking at in technology as an enabler for our business.

On your last point. Typically, technology gets done over a 5-year period. And that is depreciated over 5-year period. And in all our business models, we've already factored that as well. And last one: I also mentioned it off, that our technology investment will continue. Earlier, in the -- in our commentary, we had mentioned that up. So this year also, we're expecting amount which I had quoted earlier to continue on the technology investment.

Moderator: The next question is from the line of Prateek Giri from Subh Labh Research.

Prateek Giri: Rishi, I want to understand more about the DE growth in the remittance business. My -- in my limited understanding, it gives us a lot of visibility to feel among users. So in case this DE growth continues, do you foresee some damage happening between Fino's other brands? My first question.

Rishi Gupta: So on the remittance DE growth, largely, I have said 2, 3 things. One is the regulatory change which happened in November last year, where it became more difficult and had more friction if you do remittance through the bank-led model. So that led to the DE growth. The second is largely because a lot of our customers who are our remittance customers are now starting to use CASA as a product.

So cannibalization of income on the transaction has moved to CASA income, but because -- now that our merchant network is quite entrenched into the entire ecosystem as such on the ground, so it -- we don't expect that the remittance DE growth will have an impact on our CASA numbers or reputation as such.

Prateek Giri: Understood, Rishi. Because I have seen a lot of footfall at Fino centers because of this requirement of transferring money from the urban centers to rural centers, which to a certain extent, in my understanding, converts to CASA as-a-service sort of product. So that is my one question.

Rishi Gupta: No. See. CASA -- see. Remittance customers are largely in the urban locations, so -- and it's largely 70% in rural. So even if with a drop in remittance -- we might lose some customers on the urban side but not on the rural side because rural customers are, anyway, getting money in some form. Or we are opening them even without a remittance product per se. So urban, there will be some challenges, but I don't expect that to be a large challenge in the coming years.

Prateek Giri: Understood -- and I'm sorry. Probably you answered this earlier, but till when do you see this DE growth continuing? Or is there an arrest to this fall?

Rishi Gupta: The DE growth is happening, as I mentioned, because of the regulatory thing and the cannibalization of customers per se; and also some other alternate channels which have come up for doing remittances, which we are also planning to launch in this quarter. So I think, quarter 4 FY '25, we have seen a good DE growth per se happening on remittance.

Our expectation is that we should see somewhere -settling it down in the next quarter or so or maybe this quarter. And then maybe there could be a U-turn, depending how the regulator looks at the new channels which have opened up for remittances.

Prateek Giri: Understood, very helpful -- sorry. One last question from my side. If I remember it right, probably, we had given some guidance regarding our aspiration to be a 10% PBT margin business. So does that remain still there, or is there any change to it?

Rishi Gupta: So 2, 3 things. You are absolutely right. The PBT margin 10% was basis on the TAM strategy, the monetization piece once we start the SFB process. So that was basis that. Secondly, also because of the cost which is going up on our entire IT spends, opex -- the entire UPI transaction volumes have grown. So that is somewhere hurting us on the costs side, so -- I would say let the SFB process run. I think then 10% is something which we would be able to achieve is what the guidance is.

Prateek Giri: Just one last question from my side. Ketan, what is the diluted number of shares we have at this point of time...

Ketan Merchant: Sorry...

Prateek Giri: Diluted number of...

Ketan Merchant: Shares at the bank level...

Prateek Giri: Yes.

Ketan Merchant: 8.32 crores.

Prateek Giri: Okay. And because of this outstanding ESOP, which is the outstanding probably ESOP, it is more…

Rishi Gupta: We have already overshoot 1-hour time. And there are still some people waiting in the queue. Can we take this question separately, Ketan?

Ketan Merchant: Yes, I'll take it offline.

Moderator: Ladies and gentlemen, due to time constraint, this was the last question for today's conference call. I would now like to hand the conference over to the management for closing comments.

Rishi Gupta: Thank you, Rajat. And thank you, everyone, for participating in the conference. Like I started, with a good revenue growth of 25%, good 26% growth on the PBT level, we continue to focus on building our digital platform and building on the ownership through our CASA offering as such. We have also seen a healthy liability growth of 37% or such and 42% on the CASA revenue. We hope to maintain the momentum in FY '25, '26.

As I mentioned earlier, there's a lot of regulatory advisories and other things which are happening because of the heightened mule accounts as well as on the digital frauds which are happening, so we are cognizant of that. Our growth obviously will be calibrated with the directions which we get from the regulators and the LEAs.

And hopefully, in the next -- and that is the target. In this quarter, we should be moving from our FIS to Finacle. That -- most of that integration, everything, is now complete. We are just waiting for 1 or 2 more solutions and final piece of closure from FIS. Once that happens by end of this quarter, we should be moving to our own systems, which will give us a lot of flexibility and our -- ability to do more with the products in the years to come. I think that's the broad guidance direction which we are looking at.

SFB part, we have already discussed. As such, we are hopeful and hoping that, in the next few months, we hear a positive outcome from the regulator. And if we all pray to god that, next time when we meet on the earnings call, we would have heard something from the regulator, but that is some time lines which I have absolutely no control and visibility to. But you also pray. And we'll also pray that we get the answer from -- a positive answer from the regulator in the next couple of months to come.

And with this, thank you again. And we wish you a very happy earnings season.

Ketan Merchant: Thank you, everyone.

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