Network People Services Technologies Ltd.
427/428/429, A-Wing, NSIL, Lodha Supremus II,
Near New Passport office, Road No. 22,
Wagle Industrial Estate, Thane (W) – 400604
Tel.: +91 22 61482100 | www.npstx.com

SYMBOL: NPST
ISIN: INE0FFK01017

Dated: 30th April, 2024

To,
The Manager-Listing Department,
The National Stock Exchange of India Limited,
Exchange Plaza, NSE Building, Bandra Kurla
Complex, Bandra East, Mumbai-400 0513
Fax: 022-26598237, 022-26598238

Subject: Transcript of the Earnings Conference Call for Fourth Quarter and Financial Year ended 31st March, 2024

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 for Fourth Quarter and Financial Year ended 31st March, 2024.

The same will also be 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
Digitally signed by Ashish Aggarwal
Date: 2024.04.30 17:35:23 +05'30'

Ashish Aggarwal
(Joint Managing Director)
DIN: 06986812

"Network People Services Technologies Limited Q4 FY '24 Earnings Conference Call"

April 25, 2024

MANAGEMENT:	**MR. DEEPAK CHAND THAKUR – CHAIRMAN AND MANAGING DIRECTOR – NETWORK PEOPLE SERVICES TECHNOLOGIES LIMITED** **MR. ASHISH AGGARWAL – JOINT MANAGING DIRECTOR – NETWORK PEOPLE SERVICES TECHNOLOGIES LIMITED**
MODERATOR:	**MR. ABHISHEK YADAV – KIRIN ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to Q4 FY '24 Result 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 "*" then "0" on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Abhishek Yadav from Kirin Advisors. Thank you, and over to you, sir.

Abhishek Yadav: Thank you. On behalf of Kirin Advisors, I welcome you all to NPST Limited Q4 FY '24 Conference Call. From the management side, we have Mr. Deepak Chand Thakur – Chairman and Managing Director, and Mr. Ashish Aggarwal – Joint Managing Director.

Now I hand over the call to Mr. Deepak Chand Thakur. Over to you, sir.

Deepak Thakur: Thanks, Abhishek, for the introduction. I also have Ashish with me on the call. First of all, I welcome all the shareholders for this FY '24 call as well as the Q4 Results that we are declaring right now.

We keep meeting our other pillars every single day, maybe our clients, maybe our employees. We keep interacting with them, but shareholders' meeting is just once a quarter or so. So, we always look forward to it. Thank you so much everyone for joining.

A very quick understanding about what we have done in past quarter or maybe some information about the organization in last one year. And then, letting you know about the numbers and post that, I will just go ahead with Q&A straight away, hand it over to you guys. This is your day, of course.

With all your support, your NPST has so far evolved in the direction that we always thought about last year. We set a very strong and very aggressive roadmap for the organization to scale further. Reason being, we being in fintech segment is not just an opportunity, but also a scale and the pace that the organization requires to catch up with the aspiration of India and with the aspiration of digital India that we all talk about is an added responsibility and the opportunity both that NPST carries.

For that, last year, we took several decisions. We decided that we will continue to scale in two segments, which is being technology service provider to bank, as well as how do we build the underlying digital rail for those who need payments. How do we bridge the gap between banks and the payment ecosystem, including your payment aggregators, merchant aggregator, or pay tech industry, or all those who require payment to fulfill the services. So, these were two underlying factors or I would say focus areas where the organization worked on.

We added two more products including Bharat Bill payment, which has great scope going forward. We not only added that product last year, but we also got to order book. At the same time, we also added online dispute resolution and we got to more order onto it. So, when we gave our annual report last year, we said that our eyesight is not just on the vertical scale, that means adding new accounts, but also to bring in horizontal scale to the organization by increasing its horizon across multiple new products that the industry will require. And that is what we have been doing.

We not only worked on the collect model of the industry, where we can help the aggregators, merchants, and everyone who can use a railroad to collect payments, but at the same time, how do we solve the problem across the remitter side of the story. So, we worked on the payer solution as well, which is in POC stage right now, and we will be completing the pilot very soon.

Furthermore, we also found an opportunity in the offline payment model, which is our product Qynx, and we got four banks, whom we were able to acquire in the merchant acquiring space. We were able to get about 20,000 odd additional merchants on this platform those who are now using our services for the offline payments. So, that's a new category we were able to bring in. I see that FY '25 will have an addition of revenue and businesses coming in from these segments, whatever I have mentioned right now.

Moreover, a consistent scale in the platform around how we provide the scalability to our customers in banking as well as fintech segment, that can be ascertained from the fact about how we are allowing, I mean, how we are scaling our system to do about a billion transactions. That is what our goal was. How do we reach a billion transactions on our platform? And at the same time doing about, you know, managing about 20 million odd customer base on this platform. So, that talks about the scalability that we have been bringing in this particular segment. Along with this, a consistent growth in our existing client base, where we have seen the add-on to the services that we have been offering to our existing clients and how that particular portion can bring in additional revenue to the organization. So, these are all areas where we have worked a lot.

At the same time, we have taken a lot of proactive steps, working very closely with our banks on understanding fraud and risk monitoring, the preventions that can be taken care to strengthen the compliances. So, these are several areas that the organization has taken proactive steps.

We have also ventured into pulling out how we can use AI, where exactly we can start initiating the utilization of machine learning system. So, all these areas the organization has already ventured.

With this, you can see the overall impact on our numbers. Thanks to the decisions taken around not just technology, but also decisions taken around the horizontal and the vertical scale and also looking after the long-term sustenance of business for the next three, four, five years, how do we go about it?

Several steps taken about a couple of years back have paid results in FY '24. And you can see that our quarterly result, which last year our revenue, which was about 21.4 crore has gone up by about 108%, maybe we have got 44.7 crore in revenue. EBITDA, which was about 6.63 crore has gone up by about 15.3% and the overall percentage, which was about 13.9%, has gone to about 34.2%.

So, that again talks about the non-linearity model, which comes into this particular business and is organization capable enough to handle such kind of growth trajectory? Yes, I think this number will talk about further what we have done on this is the direct impact on net profit, which has gone from Q4 FY '23 about 3.8 crore to about 10 crore. Again, about 160% increase from quarter four last year to quarter four this year.

If you look at the half yearly results, I think you will find a similar number where we did about 31 crore in H2 FY '23. We have been able to post about 76.8 crore in FY '24 for the half year ended March '24. EBITDA has risen by about 161% from 10 to 26 crore and at the same time, net profit has gone from 5.6 crore to about 16.5 crore.

This is again something that we were closely watching as an organization. The management was very closely watching because you see last multiple calls if you pick up, we said that our base will increase and that is where the organization has to focus. So, our base started increasing from Q3 last year.

So, half yearly last year to half yearly this year is what we were closely watching, and I think the organization has done a fair job to have the scale around this as well, where the revenue itself has grown about 142%. And if you talk about the entire year, 41 crore, which was last financial year, I think we did more than that in the last quarter itself, which made about 130 crore the entire financial year '24. Almost 216% growth.

At the same time EBITDA, which was about 12.3 crore, we were able to take it to 43 crore in fact this time, which is about 252% up. Even if you look at the EBITDA contribution, EBITDA percentage growth, it has gone from 30% to 33.5%. Again, I am talking about non-linearity and your net profit has gone from 6.5 crore to 26.7 crore.

What we were really excited was the EPS, which was about 3.36 has gone to 13.78. This gives a lot of strength to the organization in the next financial year, which is FY '25. We are really looking up to whatever plans we had made in last year or a year before that, how it is going to impact my FY '25 and how we are going to scale further hereon.

At the same time in the journey, we got awarded by Economic Times MSME award as best BFSI grant. BNB also recognized us for Innovation in Banking and Payment. Commitment to shareholders was also done with about 2 is to 1 bonus issue.

Now going forward, it is not just about scaling business, it is not just about being innovative, it is also bringing more and more leadership positions in the organization, more and more strong mindset in the organization to have a multiplying effect beyond management. So, it is not just management right now but these leaders who have to scale the organization way beyond this.

That is where we were able to add senior leadership in marketing and HR and also we were able to add executive director at board level who has tremendous business acumen around domestic as well the global scale. And not only that, I hope you all are aware, we have also strengthened our board by bringing Mr. Ram Rastogi, who is a well-known veteran in the FinTech world, and we will just not stop here. We continue to bring in more and more leaders at every single department who can take the torch further.

So, that is what from my side, I think I will open this up for Q&A to all my shareholders. Thanks, Abhishek. Over to you.

Moderator: Thank you very much. We will now begin the question-and-answer session. Enable "*" then "1" on your touch-tone phone. If we wish to remove yourself from question queue press "*" and then "2" on your touch-tone phone. Ladies and gentlemen, we will wait for the moment till the question queue assemble. The first question is from the line of Saurav from Saraswat Capital. Please go ahead.

Saurav: Hello. Congratulations on great set of numbers. Deepak I just wanted to get your thought on the Razorpay coming up with a switch. So, Razorpay already has a very huge, is already handling a large number of transactions in the UPI space via their payment gateway. Now they are coming up with a payment gateway switch and they are catering to Airtel Payments Bank and so is RBI keen on restricting them? Because I think that the transactions that they would be addressing via the switch now and already the payment gateway volume, that would be much larger now.

Deepak Thakur: Saurav, let us understand the ecosystem well before I answer this. Razorpay of the world are actually, you know, so we have two businesses. One is technology service provider where we have switch. On the other hand, we build the API rails for payment aggregators and gateways to operate payments like Razorpay and all.

Now what has happened is Razorpay would go to a bank and from there they would consume the API and they will deliver it to the services. Razorpay themselves are PAPG. Now what this essentially means is it further strengthens our thought and what we have been doing for the last few years that about the value chain. So, what they have done is they have brought their own switch now which is going to strengthen their position in the segment that they are operating in.

Now what this does is they, you mentioned Airtel Payment Bank. So, they would align, they will have Airtel Payment Bank as an alliance. They will use their own switch and they will go ahead and reach out to the larger audience delivering the services.

Now, in this case, neither Razorpay is my customer, first of all. So, I don't see that impact. Secondly, neither they are bringing in, neither my TSP business for UPI is on a pay per transaction model. So, we still cater to banks delivering services to banks on the switch model and the API still deliver to the other payment aggregators. As a payment aggregator to payment aggregator, I don't think that model exists. What they have is obviously selling services directly to merchants. We sit between bank and payment aggregators.

So, what may so happen is the incremental traffic in UPI ecosystem, the tremendous increase which the ecosystem is giving right now which is 12-13 billion is monthly transaction. We anticipate this being taken to 30 billion and much more beyond that. And then when you say merchant transition in the ecosystem, the contribution of merchant transaction increasing further, then adding credit card, credit lining, all this new product which gets added to the ecosystem, it is only going to give further push to the market.

So, really appreciate that Razorpay have been able to build the entire platform where they will be strong enough to acquire the business from the merchant ecosystem. Whereas for us on the switch business, we are still service provider to banks. That is not the business where we work on the Razorpay business, and we deliver the bridge to the other payment aggregators who still need API to service their merchants.

So, Razorpay, BillDesk, Cashfree, the large entities were never our customers, nor they were ever our target audience. So, yes, we did work across with few of the large players, but then the aspiration around building switch is different. Their model is completely different.

Saurav: And can you also share update on what is happening with TimePay now that we have launched and how many customers are we catering to and what is the transaction volume that we are addressing?

Deepak Thakur: The TimePay, we launched our GFF, and we opened up increasing the numbers in TimePay on a pilot phase in the first week of February. We have about 250,000 odd customers on our platform already and we are doing about averaging about 100,000 transactions every day. So, it is TimePay for us right now.

Moderator: Thank you. The next question is from the line of Yashwanti from Kojin Finance. Please go ahead.

Yashwanti: Thank you for the opportunity. Congratulations Deepak and Ashish for good set of numbers. What to tell you, revenue by 3x and profit by 4x, really amazing. So, I believe business excellence and expansion seems to be a strategy and that is working on. So, what we are headed for, for the next two to three years? What kind of a growth you can see at the CAGR level?

Deepak Thakur: See, we have already posted that last three years, post IPO, we have our CAGR is 128%. But that starts at a very low base, which was 19 odd crore when we actually raised the funds in SME IPO. Here onwards what we see is that the base will only increase. However, we still want to maintain the growth trend which we have set in last year Q1 odd majorly because when we actually thought about this growth trend and the guidance that we gave last year was very carefully thought about guidance as in how we are going to sustain the growth from quarter-to-quarter and let's not look at what we did two years back or one year back.

So, what we are looking at is as an organization, when we will be closing our AOP, in fact, we have almost done that, we are looking at 75% to 100% growth trend for NPST in the coming years. But for that we have to closely watch every quarter and every half year, how the plans get executed, how the landscape changes, what more opportunity comes in and how do we strengthen the team. It is not about business all alone. It is also about long-term sustenance.

So, we will definitely not be building products for FY '25, but we will be building products for '26, '27, '28 in the year FY '25. And then we will anticipate certain growth going forward. So, this year I can say that we still maintain the 75 odd, 75% to 100% growth rate. That is what we should be looking at. Addition of leadership, looking at larger opportunities, our aspiration to go global, you know, all these things will play an important role where the numbers will land.

Yashwanti: Sir, our next question is like other than FinTech, I mean within the financial and the banking, do you see NPST find its scope in any other vertical of any industry? Are we looking into it or we want it to be a FinTech leader going forward?

Deepak Thakur: See, let's go back to our company's vision. Payment technology across the financial value chain. That's all. We will not be deviating from our vision, which has remained consistent all through and I think that is the driving factor. What we further foresee is the opportunity in other segments around payments. But only if it is payment, we will touch base on that. Anything which is beyond payment, we will collaborate with others. If at all our offering is incomplete, we will look for experts and we will look for the best in the industry with whom we can collaborate and see how we can go forward. But the payment remains the baseline. That remains our vision.

Banks, FinTech, aggregators, merchants, users, now let's say if at all this opens up our opportunity in insurance, AutoPay gives us an opportunity in insurance. Payout gives us an opportunity for those who are into cashbacks and rewards. And if at all AutoPay gives us an opportunity into NBFCs or mutual funds, those areas. So, what may so happen is the product line, the baseline remains the same. However, the segment around payment will multiply. In order to deliver that, if at all there is an ERP need or there is a need which requires heavy lifting, in that case collaboration will play a role.

Yashwanti: Sir, you also spoke about the AI, usage of the AI or the involvement of the AI going forward. So, how do you see AI as a boon to our industry? This is one. And secondly, as we are expanding our base and offering quite a few services in digital payment or as a payment aggregator, what kind of a technology spend you foresee or technology investment you foresee going forward year-on-year?

Deepak Thakur: See the cash flow, everyone knows that the organization has a good OCF. Now what we want to carefully do is expansion. Technology is part of the expansion. It cannot be the only way to look at. AI is part of our technology expansion. When I say AI, what we further look forward to is the problem which we come across in the payment industry. How do we solve that problem? In order to solve that problem, what role AI can play? So, that is where it's not just that we want to do AI. It's wherein there is a need of a solution which can be solved only through an AI. So, is there a prediction about fraud? Is there a possibility to reduce the risk associated with the payment business?

So, these are challenges that we have come across during our journey. And while doing so, we realized that, you know, this is one area that an organization should invest into, not just to scale its existing business and reduce the risk associated with the transactions that my merchant may be going through, but it can also provide further value addition to the merchants which can help them grow the business. And at the same time, it can be productized for the industry.

So, it may not look as a potential for this year, but at least, like I said, if we do something this year, two years, three years down the line, it will give certain returns, which we have already seen. The decision which we took in 2018, the decision which we took in 2021 has given us results in 2024. So, AI and new technology, new innovations to solve the problem we anticipate in the industry right now, what value addition we can do to the business of those who are taking our services, and furthermore, how it can be productized and taken to the industry. And of course, AI has a global reach. So, can it be taken at a global level? These are the areas that we look up to.

Yashwanti: With regard to this, if I can ask one more question, I just wanted to know what are your efforts till date or maybe you are pursuing to increase our presence or to looking at the international landscape for our business?

Deepak Thakur: To increase our what?

Yashwanti: Our presence or the business expansion at the international level.

Deepak Thakur: I think Q3 also I have answered this and we maintain the same answer. This year, although we are making all the efforts, we will still not commit any number coming from the global expansion. We are making all the efforts, but two years down the line, we see that it will substantially add value to the organization, but there is so much in the domestic market and there are so many use cases. There are so many challenges to be solved here that we are completely absorbed in this particular market. So, we are still seeing how bringing in leaders and how bringing in more visionaries to the organization can help us multiply our scale. So, it's not about the opportunity. It's about the scale that the organization will have to work on. And about increasing presence, the guidance which we gave last year that it's not just about the vertical scale about adding new clients, but also investing into newer products, newer engines and newer technology in the payment and the associated segment where we can scale the offering, where we can create a solution which is unique in market and can we be the first mover. So, those are the areas that we work on.

Yashwanti: And what kind of a risk do you foresee when you are growing and when you are looking this as a good growth opportunity?

Deepak Thakur: What kind of risk?

Yashwanti: Yes, business risk you foresee?

Deepak Thakur: Our pace, if we slow down, we see that we may lose the edge. That is one big risk. Second is, we have to ensure that we continue to continue to increase our alliances and relations as much as we can in the industry. That gives us an added advantage. Furthermore, we also intend to see that beyond what we are investing, is there anything that we have missed out? So, those are areas that we are always worried about.

Yashwanti: Thank you so much for answering my questions**.**

Deepak Thakur: Thank You.

Moderator: Thank you. Next question is from the line of Parikshit Kabra from PKD Advisors. Please go ahead.

Parikshit Kabra: It's really exciting to see. And of course, Deepak, as always, you say all the right things to make us believe that you have the long-term vision of the company in mind as you are building it out. So, you know, always good to hear that and reconfirm that.

First, let me get a few data points that I always ask you out of the way so that I can go to the other question. The revenue split between TPAP and TSP is that remains 30/70, 60/40? What is it this quarter?

Deepak Thakur: Ashish, you may have the number.

Ashish Aggarwal: Somewhere about 30 and 70, Parikshit.

Parikshit Kabra: Thank you, Ashish. And what about GTV for this quarter for the TimePay? Not TimePay, sorry, Evoke, sorry.

Ashish Aggarwal: I think it's somewhere about 7K, 7,000.

Parikshit Kabra: 7,000. And from a TPAP customers added this quarter, new customers acquired this quarter, will you be able to share those numbers for both TPAP and TSP?

Deepak Thakur: TPAP I said it's about 200,000 maybe. Out of 250 maybe 200 or 190 was last year, last quarter.

Parikshit Kabra: Sir, you are talking about TimePay. Is that right?

Deepak Thakur: TPAP in TimePay no?

Parikshit Kabra: Sorry, no, my mistake again. Evoke, the new API. Evoke.

Deepak Thakur: Evoke. I think that number we have shared. One second. Let me see.

Ashish Aggarwal: Parikshit, we are approx. 100 aggregators, as of now and about 14 banks you can say.

Parikshit Kabra: 14 banks, TSP. Got it.

Deepak Thakur: The penetration for the merchants which we are calculating the downline is about 10,000 odd.

Parikshit Kabra: 10,000 merchants. No, so I was basically trying to see how many aggregators we have as our customers and that I think Ashish mentioned, 100 is the approximate number.

Deepak Thakur: All taken together. Yes.

Parikshit Kabra: All taken together. And 14 banks.

Deepak Thakur: Yes.

Parikshit Kabra: So, if the number is available, how many were added this quarter? That would be good to know. If it's not available right now, that's fine. I can follow up with that.

Deepak Thakur: See, I have the sub-merchant number which I gave. The other one, I will share it with you. At the master merchant level, I will share it.

Parikshit Kabra: So, then the question, the non-data point question. So, as you said, Deepak, NPST has been investing in the future, like, looking in two to three years into the future and while building their product pipeline and that's a fantastic vision to have. And hence last year, when the start of the year, you gave this guidance that eight quarters you are expecting 15% Q-on-Q growth and you have delivered on that. In fact, delivered more than that. But now that four quarters are gone, I understand that the guidance for the next four quarters remains the same, 15% Q-on-Q or 75% to 100% growth. But what about four quarters post that? Will you be able to give us any thoughts on what you are expecting post the next four quarters?

Deepak Thakur: So, Parikshit, if we are looking at three years horizon, for me right now to predict what will happen three years later, I mean, I can still say that we would like to maintain the same track record for the next three years considering the growth trend and the expansion that we are seeing for the India's digital payment products now and how it will be absorbed globally. So, these, there are certain trends that we are looking at right now.

However, what may also happen is, we also need to look at the change in landscape which I cannot predict two years, three years down the line. For example, RBI coming up with an excellent case of CBDC around wallet, interoperability around PPI. The question that came to us, why we don't have it? The immediate question that came to us. So, what kind of opportunity that we probably have to grab? So, those are the points. That's why I don't want to give you those kind of numbers. The nearest one, which is extremely close to me, visible, that is what I can give you. But yes, if you ask management what their aspiration is, I have already given that for the three years.

Parikshit Kabra: And this question was asked by someone else earlier in the conversation about Razorpay's launch of the Switch. I understand that we are not Razorpay's on a customer and Razorpay will probably use it as captive consumption for their own customer base. But in some sense, Razorpay is the competitor of our customers, right? And so, with this instant refund capabilities and this 10,000 transactions per second switch capabilities, are we afraid that Razorpay might take market share from our customers?

Deepak Thakur: So, two trends. One is, what is the market share growth? 4x maybe every year. No, it's not every year. Going from 13 billion to 30 billion, we still have 3x growth and if we take only merchants with maybe around let's say 45-50% odd and if we take that scale, we are still talking about 3x to 4x growth. So, there is still a need for people to innovate and bring such kind of solutions. And you are absolutely right. They will be using for captive, and they will be empowered and they will be competing with our customers.

Now that opens up opportunity for us, whether we have much stronger performing engine, and can I bring such kind of engine where they can now compete with Razorpay. Now that opens up gate for us to create more value-added services, a platform where I can make my customers more competitive.

So, those are the areas now we have, in fact we have been working on it. I already gave a number; wherein can I do a billion transactions a month? So, can I have that kind of TPS? And which we have already delivered, which we have already done. So, a few more alliances, which just like SBM having, sorry, just like Cosmos, SBM going live on our platform, that can further bring more value to our offerings. So, that's how the overall area, overall business has to be looked up to in this area, in this side.

Parikshit Kabra: And just my last question, Deepak. In terms of our technical defect rates or technical decline rates, do we benchmark with the industry? Do we have a metric that we are tracking and trying to improve on? And if so, can you share that number?

Deepak Thakur: Of late, there was this evaluation we did, one very large entity. So, we came across some numbers and one is very clear. We are less than the required decline by NTCI. That is very clear. And at the same time, if we further split between our switch and the core banking, the number will further go down. So, we are almost there. I mean, I wouldn't say that the way the ad presents the TPS or the kind of performance, probably my marketing team will now have to work around those areas. Maybe we can also present a similar number soon.

Parikshit Kabra: Thanks a lot Deepak and Ashish and again good luck and Congratulations.

Moderator: Thank you. The next question is from the line of Bharat from NeoMile Capital. Please go ahead.

Bharat: I would like to ask, what part of your business contributed the most to the growth from the last year in revenues?

Deepak Thakur: Like I said, we have two verticals. Earlier I think when we started the year, it was 60-65 of API and 35-40 odd TSP, but now by the time we ended the year, we are seeing that API would contribute about 70% odd and the TSP would contribute about 30% odd. That's the split.

Bharat: So, going ahead, would you see the same contribution?

Deepak Thakur: I personally, 30-70 ratio is what we see going forward here onwards, but there are multiple more products in pipeline. A couple of big order wins in TSP domain can again take it back to

60-40. So, for example, the launch of BVPS and ODR, we got four order, but they were small in size. That hasn't scaled yet. This year, what kind of scale we get, that will further decide whether it will remain say 30% or it will be 35-40% odd.

Moderator: Thank you. The next question is from the line of Prateek Chaudhary from Saamarthya Capital. Please go ahead.

Prateek Chaudhary: Sir, on the Evoke side, roughly, would we be getting a higher percentage of our revenues from the gaming segment?

Deepak Thakur: We are trying to maintain the balance as we have in the industry. The impact that we are seeing right now are on GST and everything, all that taken together. We have, in fact, diversified into offline. We have diversified into other areas where we can start looking into. Like I said, adding about 10,000 odd merchants on offline business, having payout APIs, having your cash on UPI. So, those are all non-gaming.

Prateek Chaudhary: And what would gaming roughly be currently in our Evoke business?

Deepak Thakur: Approximately, Ashish, you have the split? Because we don't have the exact.

Ashish Aggarwal: Not now. We will let you know, Prateek, but we have to identify.

Prateek Chaudhary: Sir, as you said that SBM might go-live in some time. When do we expect that?

Deepak Thakur: This quarter.

Prateek Chaudhary: So, right now, like on TimePay and on your merchants on the Evoke side, everything gets routed to Cosmos Bank, currently. So, when SBM goes live, would the routing happen simultaneously as per the traffic? Or would the new merchants be on-boarded on SBM?

Deepak Thakur: See, there is always a choice with the merchants who would come up to us, right, or the aggregators, wherein right now you have one bank, which is Cosmos Bank, but going forward, the moment you look at having a choice with two banks, and both of them will be having different offerings. SBM may have few other offerings, in terms of what kind of account they manage, what kind of service they deliver. So, you know, in that case, what we are going to maintain initially is for sure, we will be giving choices to merchants. So, those businesses which have been missed out, in absence of choice, or those who look forward to working with SBM, or banks like SBM, which we don't have right now. So, those are the businesses we look forward to add.

Prateek Chaudhary: And post-AutoPay and payout, what is the API launch roadmap? Which are the other APIs we have on our radar post these two?

Deepak Thakur: There is a bunch of it, in the sense we are looking at the innovation around BBPS. Why BBPS can just be a switch? Why can't we provide an aggregator API for the merchants not just to get onboarded on bill aggregation, but also deliver customer COU, I mean, customer side APIs as well? So, that is one area that we are exploring. And I have already mentioned about cash on UPI, which will bring in ATM experience at the merchant level. So, yes, these are a few things that we are working on right now.

Prateek Chaudhary: And this, the Bharat Bill, as you just said, in that understanding, it may be a pay-per-transaction kind of, it may evolve into a pay-per-transaction instead of the TSP, which it is right now.

Deepak Thakur: Yes. So, we want to make it part of our Evoke ecosystem. So, along with payments, even the bill aggregation will be made available on our platform.

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

Yash: I just want to understand how many of the 14 banks did you have private sector?

Deepak Thakur: Karnataka, SBM, Jupiter we consider as new bank. Yes, these are three banks right now. BCB.

Yash: So, just from a broader perspective, because I understand that the top four, five, six banks, they would have already got fairly sophisticated switch products and super apps. So, what's the value addition then you would sort of provide for them to consider you? Just trying to understand more of your competitive strength to sort of displace them and acquire new private sector banks as your clients going ahead.

Deepak Thakur: See, let me be honest. When it comes to the existing product stack, the energy and the effort required and the cycle, the sales cycle required to penetrate the existing set of top 5, top 10 banks is way too high.

So, what we do is, although they are in our radar, we also concentrate on focus in bringing the newer product stack. And when that happens, so we being in this segment for 10 years odd, and also having the capability to deliver high volumes and good performance on the existing stack, opens up level playing field for us in the new product as and when it gets launched. So, that is how we look at it.

So, larger banks, I don't see unless and until there is an open opportunity around RFP or if there is a big decision change. So, those are areas that we have to look at. It's very slow. And only when it comes to new product or something very innovative in nature is where you get an opportunity to enter. So, that's about the large banks.

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

Srinivasu: My first question is about RBI. They are actually talking about the adoption of the CBDC and they also launched the pilot program where subsidy payments for form inputs has to be done and also corporate expense management. Are you participating in this pilot program? And what is the opportunity size for this CBDC?

Deepak Thakur: Great question, Srinivasu. So, CBDC is part of the top priority in our product roadmap where we are looking forward to getting a breakthrough in this opportunity. If you are talking for a very specific program, no, we have not been part of it. But when it comes to venturing into CBDC, we are in the midst of completing our switch and post pilot when other banks enter the fray. That is one area where we will be venturing into. Once that happens, then, is there a similar opportunity as that of UPI when it comes to modeling?

I am talking about not just switch but the Evoke kind of model. Do we have such kind of model available in CBDC? That is slightly farfetched. You took an example of fund distribution. If that happens through CBDC and we can be a channel, then we are definitely looking into it. But I think it will still take time to arrive there or still take time to get such kind of decision or clarity from the regulator.

Srinivasu: My next question is about the integration of UPI with credit card. So, how are we doing in this business?

Deepak Thakur: It's very simple. So, it's just for Rupay card right now. For Rupay card to be present on UPI platform, like Canva being our customer, they have a PSP app, so bringing UPI engine into their system. For Jupiter which we added, we created the credit card engine, not the Rupay engine, but UPI credit card engine which can connect them to the UPI and the card management system and bringing a separate engine all together based on UPI for the credit card piece. So, those are areas where we get an opportunity in the TSP side.

And when it comes to API, the same API which we are exposing for the QR scan or the API if we are exposing for collect, if at all there are credit card transactions, then it qualifies for the interchange. So, I would say that along with account-based transactions, the same engine can, the API can provide you the credit card-based transactions also. However, the revenue source will change. It will become, you will get the interchange fees share from the bank for whom you are delivering the APIs.

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

Aditya Mutha: So, you were guiding somewhere about 100% growth for next financial year also and seeing that...

Deepak Thakur: 75 to 100.

Aditya Mutha: 75 to 100, yes. So, seeing that growth, seeing operating leverage kicking in and the cash balance on our book, so, I am guessing next year end we could have cash somewhere near 100 crores in our book. So, what are your plans to deploy that cash for? I understand we are expanding our team. So, we will require cash for that. I also understand we are into some product development also. So, that is also a place where we will engage our cash. Apart from that, is anything in plan? Dividend or anything of that sort?

Deepak Thakur: See, there are two areas that is concerning for us and that's why we need cash. One is, how quickly we are scaling. I think I have already said this earlier, but the pace at which we are growing, in that there are two very critical components. One is, do we have the right set of people? And do we have right set of leaders to drive the organization? If so, what kind of industry experts we are bringing in? And what kind of ownership right up to the P&L level, can we empower them? So, this is one.

Second, if at all I have something in my roadmap to be built maybe 9 months down the line, is there a possibility to get it done in 3 months? Can I get it done from somewhere else and deploy it and start the journey of building business over it?

Once I build the product, it immediately does not give me the kick. In the sense, if at all today I am completing let's say AutoPay development and it is live now. It further takes another couple of quarters for me to get the full-blown result out of it, in the sense, how the operations may pan out, how the banks may utilize it, how the merchants will accept it, how the commercials may impact. So, can I shorten down that entire journey?

So, these are two very specific areas where the organization will be empowered now. Thanks to this cash flow. So, that's why our decision will be slower in terms of deployment because we have a lot in our hand. But for sure, again, our decision will be quick around these two areas where we want to scale.

Moderator: Thank you. The next question is from the line of Pawan Mundhra from 361. Please go ahead.

Pawan Mundhra: My question is, if you see Y-on-Y, the EBITDA margins from '22 to '23 moved up a lot. If you see the numbers, the EBITDA margins in '23 to '24 has moved by 3.5%. Whereas in '22 to '23, it was much, much more. So, is there any reason in '23 to '24 the percentages were much lower as compared to and what can we expect going forward when the company now looks all set for the next set of growth? So, what could be the scenario going forward? Also, if you see the breakup of the cost, in the heading other expenses, there is quite a few variations in the scheme wise. If you can throw some light on that actually?

Deepak Thakur: Ashish, you want to take that up.

Ashish Aggarwal: Pawan, regarding other expenses, actually other than employee cost and the purchase cost, everything, major reasons are other expenses. Like your rational, like your electricity, travelling, any kind of a expenses, other than employee and the budget cost, that will cover the other expenses. That is the reason we are showing. It is around if I am not wrong, somewhere about in this year, this is around 5-6%. These are the expenses.

Pawan Mundhra: Fall of the EBITDA margin?

Ashish Aggarwal: And regarding EBITDA, it is increasing every year till now. Which year you are referring?

Pawan Mundhra: Yes, it has been increasing. My question was in ‘22 it was 20%, in ‘23 it was 30%, the 50% jump and in ’24 it was…..

Ashish Aggarwal: Pawan, major reason is that last year we have added a separate business line, which is API business, Evoke business. Financially at September ‘22, we have only one business line. That is TSP business. In September, somewhere about we have added this Evoke business. That is the reason the EBITDA margin has increased.

Deepak Thakur: We need to understand that what we are doing is leveraging what we built over last 8 years. So, last 8 years we invested heavy into building our own IPR around technology. And now that we own our IPR, we went to the bank and then we told them that we will help you acquire merchants. We will build the platform wherein we can empower you digitally on our own switch and give you the railroad for bridging your UPI with the FinTech ecosystem. That was entirely built on our own IPR. And that’s why the moment we ventured into that space, it started giving us the higher margins.

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

Rajeev Sehgal: Good Afternoon. Congratulations on the excellent set of numbers. The way I look at the business of a company like NPST, I feel the critical success factor is the quality of its talent pool, its manpower, its people. And within the talent pool, one could think of thinkers and doers. And within thinkers, my definition would be people who can anticipate what is likely to happen in the market over the next 3, 5, 10 years. What are the customer aspirations? What are the high growth areas, etc.? Whereas doers would be the functional areas in terms of technical, engineering, product development, sales, marketing, so on, so forth. And when I say thinkers, thinkers does not necessarily refer to the board level. Thinkers also refers to the CEO minus one, CEO minus two level.

So, my question is, is NPST today in a position to attract, if not the best talent, at least reasonably good talent of thinkers and doers from the industry, from the colleges, universities, freshers who are coming into the market? That’s my first question.

My second question is, I feel NPST still needs to do a lot more in terms of visibility amongst the investor community. We don't see much of NPST in the print media or the electronic media. And it's my personal opinion. It's my personal belief that I think you really need to spruce up your investor relations function. And even if you look at the trading volumes, trading volumes even post bonus issue are still very low. And I personally feel that is due to lack of visibility of the organization. So, these are my two points. These are my two questions. I would appreciate management inputs.

Deepak Thakur: So, thanks for detailing it out, Rajeevji. So, first is about the talent pool. Thanks to the scale of the organization, and again, it is interlinked with the questions around the deployment of funds which Aditya asked a couple of calls back.

With this, two things wherein the way we have been scaling, the innovation that we are working on, those thinkers and doers, when they come for the interview or when they look at what we are trying to build and where we are headed to, they realize that we are actually trying to solve a lot of complexity which either exists or is part of the innovation that happens in the industry. This attracts people to what exactly we are doing.

So, I believe that it's a function of the organization's ability and the fitment wherein such kind of talents are required. And I have been saying this again and again. We need such people to be torchbearers of the organization. That is in fact the focus for FY '25. We added a very senior VP level resource at HR which wasn't there earlier at all. And now the core KRA for the leader is to bring in the second line and third line in the organization. So, that's the major focus. And are we able to attract it?

I think I have already answered, there are two things. One, can our organization afford? Two, is the organization fit enough for them to do a great job in the industry? So, I think both the offerings are available. Where we may lack is, I think where we have already invested is creating the presence of the organization in market. And that will not only help the shareholders but also those people who look up to the organization where they can actually deploy their talent.

So, that's one area where we have added the second line, which is VP level marketing resource, to the organization last quarter. So, these are two additions we have done. And that is the reason why we are further investing into relation building. And there is an entire team being structured within the marketing department, a team structured around investor relations, financial analyst. So, these are all open profiles in the organization where we are trying to bring in such talent.

We have, if you look at NPST's social media pages, you can see a great interaction. You can see what's happening in LinkedIn. Tremendous update includes presenting the organization as not just someone who can do the value add, but also those who are thought leader in the industry. So, NPST to be one of them. So, we have already started our journey. It's not an overnight call, but indeed a lot of effort that will come quarter-on-quarter. And that's part of our target this year.

Rest, I will take your viewpoints very strongly. What more can be done to bring in larger visibility among shareholders? That's something I will keep it as a takeaway of this call. And I will ask my team to work around this.

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

Nidhi: Hi Deepak and Ashish Congratulations on great set of numbers And I just wanted to firstly note that what are the currently intangibles in development? So, are we currently in the stage of building some product and giving it to the bank? Or are we doing it as a product for ourselves and then onboarding the banks at the moment? How is it?

Deepak Thakur: So, what we do is our existing product enhancement, that is part and parcel, that continues with my product team. And at the same time, my tech team continues to deliver what is required with the enhancement across the existing client list. That is one set.

Second is, obviously, we have a very clear target and being in this segment for a longer time gives us added advantage. So, our misses are very less. So, out of, let's say, four products as an opportunity, can we pick up two, focus on these two, which can reap reserves in this year, next year and a year after that? That is how we look up to the opportunity.

If I look at the development requirement, this majorly comes from our sales team or it usually comes from our alliances, wherein we come to know what exactly the requirement from the industry is, what can be built across. And the basis of that, we take it further for the development.

Nidhi: So, is it proactive or is it based on the market study that these intangibles are developed, or the products are developed?

Deepak Thakur: Market study.

Nidhi: So, currently, as I saw that based on your balance sheet, so last year we had intangibles of around 7 crore and also under development of around 3.8 crore. So, roughly around 11 crore. But as on 31st March of this year, we see only roughly around 4 crore, 3.8 crore. So, I mean, have we built it and sold it out and how is it that was actually...

Ashish Aggarwal: It's sold out, maybe. It's majorly depreciated, you can say. It's not sold out.

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

Sumit Poddar: Hi. Thank you for giving me this opportunity and first of all, congratulations on great set of numbers and with the heartening guidance that you are giving of further 75% to 100% kind of a growth going forward, which is 15% Q-on-Q. Just maybe if you could, I mean, while you mentioned that you have two parts of business, one is TSP and another is merchant solutions and which is what seems to be higher margin business and which is what has contributed during the last two years. So, maybe can you kind of further elaborate what kind of opportunity is there on the TSP side and especially when you said that you have segmented it between large and smaller banks? So, first question is what kind of opportunity that you have?

Second, I mean, the guidance which you have given, I mean, is it a clear visibility that you have in place that is leading to this kind of a guidance? And what all needs to be in place to achieve this guidance? I may have further follow-ups based on your answer as such.

Deepak Thakur: See, in the banking segment, banking as well as TSP, we obviously have the segmentation for large banks as a separate focus. I think if you have heard the earlier call…

Sumit Poddar: Yes, I did.

Deepak Thakur: The kind of cycle we have for banks like HDFC or top 10 banks. And then the other segment being your small finance bank, RRBs and all. So, our target is simple. What are the new product requirements across banking domains? And if so, what are the entry criteria when it comes to large banks? And what is the entry criteria for the other segments? So, this is how we look forward into business.

Furthermore, we also need to understand this is more of your software consumption. It can either be on-premise or it can be software-as-a-sale, on cloud or on-premise, that kind of model. So, smaller banks may have the requirement around cloud and the other large banks may have requirement around on premise.

So, that's majorly how we segment it. And it depends on the product. I mean, only if at all there is an open entry around the existing product requirement is where the opportunity opens up, it takes time. If it is new, then it is a level playing field. And if at all you look at the TSPs in market, we are obviously considered as one of the large TSPs. So, it gives us an added advantage to compete and have a strong presence in the RFPs or when it comes to tenders.

Second one, when it comes to guidance, what we are looking forward to is, furthermore, how can we add more segments or how do we add more products and sustain this growth? Basis that we have given you this guidance. We still intend to grow at the same pace. However, I have given a range of 75 to 100 so that if at all there is fallback, we should know where exactly we should be able to push our limits.

Sumit Poddar: And this visibility of maybe new product launches or services is already in place or is it on expectation?

Deepak Thakur: We started last year already. So, we have quarter-on-quarter plans. As an organization, I would say that the speed at which we were doing it, maybe in 2021-22, we may have slowed down this time. So, what we decided last year, we are now bringing into life maybe quarter one, quarter two, quarter three. And we are doing it right now, but of course it has lots of value addition, the way we have built it earlier, the way we are building it now, we have a strong product department joining in, the shape should be as per the market expectation, all those play a very important role.

Sumit Poddar: And Chief, as I understand this merchant payment services or API or Evoke as we call, I mean this is per transaction basis and which is what actually gives further leeway as far as the margin expansion is concerned. Is my understanding correct on that?

Deepak Thakur: Majorly what we are doing is, we are selling a payment platform-as-a-service. So, the model may change from merchant to merchant and client to client. So, if at all we are giving value-added services, what is that we get paid for that? And if at all it is non-financial API, what is that we get paid for that? If it is financial API, what is that we get paid for that? So, that is how it works. The answer is yes, when it comes to Evoke, it is based on volume.

Sumit Poddar: So, I mean just let me flip around the question. And what kind of leeway is available as far as the margin expansion is concerned for this 75 or 15%?

Deepak Thakur: The incremental product which we can bring in for the same set of customers or the incremental APIs that we can bring in to the same existing client list and the bigger bouquet which we can take to the largest set of audience or the product stack which was missing earlier due to which we were not able to target certain segment like AutoPay. So, although we have the same engine, we can further enhance this and look at the newer opportunities.

Sumit Poddar: I mean, more so the question is on the margins now, I mean leeway for expansion for margins from 32% or 30 plus percent to what level it can go up to?

Deepak Thakur: You are asking the specific numbers. See, the thing is, when it comes to margin, like I said, this being non-linear, of course it has an impact on margin. However, we foresee that the cost associated with scale of the organization and the impact that we are going to see in terms of acquiring newer businesses, those are areas where we see that this non-linearity will help us consume that cost. That’s why we don’t want to overcommit on a heavy incremental margin because we are seeing that cost this year will differ from what we did last year when it comes to ratios.

Sumit Poddar: That differ in the sense that the cost will increase or decrease?

Deepak Thakur: Increase. Yes, the cost will increase.

Sumit Poddar: So, what will be a fair assumption of margins may be as you may be shared?

Deepak Thakur: We will maintain, we will either maintain this margin or it will be slightly more than that.

Sumit Poddar: Slightly as in 100-200 or it could be three to 400?

Deepak Thakur: I cannot give you the exact number. Allow us to work Q-o-Q. Allow us to do our best. If it is not slightly, if it is much more, I will declare that also.

Sumit Poddar: Perfect understood and the last question as far as capitalization of any kind of R&D or product build-up expenses, while I think the person before me asked about a bit on the fixed assets and stuff like that, but generally, what is the policy as far as capitalization or R&D is concerned?

Deepak Thakur: Ashish, for you?

Ashish Aggarwal: Yes, if this is a product, then we will definitely think about capitalization. Otherwise, we will treat this as an expense.

Sumit Poddar: Correct, that's definitely the accounting policy, but from numbers perspective, anything that you have built up that...

Ashish Aggarwal: May be this year we are planning couple of products. last year I don't think so there is anything that is open as on 31st March on 2024.

Sumit Poddar: And what is the overall R&D that has been capitalized as such generally as a percentage of revenues?

Ashish Aggarwal: Till now nothing. No R&D cost we have capitalized till now.

Sumit Poddar: And just related to that, are we offering ESOPs to our employees?

Ashish Aggarwal: Yes, we have ESOP policy.

Sumit Poddar: What percentage of overall equity dilution could be there because of such ESOPs?

Ashish Aggarwal: 2%.

Sumit Poddar: And it's a continuous plan?

Ashish Aggarwal: Yes.

Sumit Poddar: Perfect and any charges that you have to do in the P&L for that?

Ashish Aggarwal: Yes, this year there is a small cost in my P&L. You can check. I think it's mentioned in the cash flow as a line item.

Sumit Poddar: So, when you say 2%, it's 2% each year or overall, 2%?

Ashish Aggarwal: No, the total, overall budget is 2%. Utilization is not even 30%-40% till now.

Sumit Poddar: That was quite heartening and wish you all the best for the huge growth that you are looking going forward.

Moderator: Thank you. As that was the last question, I now hand the conference over to Mr. Abhishek Yadav for closing comments.

Abhishek Yadav: Thank you. Thank you everyone for joining the conference call of NPST Limited. If you have any query, you can write us at info@kirinadvisors.com. And once more, many thanks to the Management Team and participants for joining the conference call. Thank you.

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