August 06, 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 July 31, 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 July 31, 2025

In continuation to our letter dated July 22, 2025 and July 31, 2025, please find enclosed herewith the transcript of the earnings call with the investors and analysts held on July 31, 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

RISHI GUPTA
Digitally signed by RISHI GUPTA
Date: 2025.08.06 12:36:21 +05'30'

Rishi Gupta
Managing Director & CEO
DIN: 01433190

Place: Navi Mumbai

Encl: As above

"Fino Payments Bank Limited

Q1 FY '26 Earnings Conference Call"

July 31, 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. KUSHAL NAIK – GO INDIA ADVISORS**

Moderator: Ladies and gentlemen, good day, and welcome to the Fino Payments Bank Limited Q1 FY '26 Earnings Conference Call, hosted by Go India Advisors. As a reminder, all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing star, then zero on your touch-tone phone. Please note that this conference is being recorded.

I now hand the conference over to Kushal Naik from Go India Advisors. Thank you, and over to you.

Kushal Naik: Thank you, Vishakha. Good afternoon, everyone, and welcome to Fino Payments Bank's earnings call to discuss the Q1 FY '26 results. We have on call with us 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 risk that the company faces.

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

Rishi Gupta: Thank you, Kushal. A warm welcome to all of you joining us today for our bank's quarter 1 FY '26 earnings call. Coming off a landmark FY '25, we entered FY '26 with a much sharper focus on risk calibrated growth in light of the changing and challenging ecosystem. The first quarter was marked by heightened regulatory scrutiny, industry-wide efforts to tackle digital fraud and a tightening of operating environment, all of which pose headwinds to the broader ecosystem.

In this evolving landscape, our approach remains very clear. We are consciously choosing sustainable and compliant growth over short-term acceleration. We believe that taking a measured path today positions us to build a stronger and a more resilient institution for the long term.

This quarter, we also saw some more than expected muted government benefit disbursements, especially in contrast to the quarter 1 FY '25 when the country was going through national elections. This affects our new customer additions, liability build-up and transaction business.

Another ecosystem challenge faced by the industry -- banking industry specifically in recent months has been the sharp rise in the mule accounts, which are the accounts used for fraudulent or unauthorized transactions. This has not only drawn regulatory attention but also led to reputational and operational risk for the sector.

At Fino, we have proactively strengthened our onboarding protocols, enhanced transaction monitoring systems and undertaken detailed customer risk assessments. These measures, while temporarily impacting our account additions and transaction volumes, are essential to building a secure and trusted ecosystem that can scale responsibly. Over the past one year, we have witnessed significant evolution of our business, which is evident in our product mix.

In quarter 1 of FY '25, traditional business of cash transactions, which contributed to more than one-third of our revenue, whereas it is now only one-fifth of the revenue. This strategic shift in our business is in line with our TAM strategy, which is transaction to acquisition and monetization, wherein the entry-level products serve as footfalls for higher-margin ownership business. Changing product mix has led to expansion of net revenue margin by 250 bps on a year-on-year basis.

We have calibrated our business into 3 segments; growing business, stable business and traditional business. Growing business includes business of liabilities, CASA and digital payments. Whereas stable business includes cash management services and corporate BC business. Traditional business comprises of our legacy cash transaction business of remittance, micro-ATM and AePS.

Let me talk about our growing business -- let me first talk about our growing business, which includes ownership through CASA and digital payments. Even within this moderated environment, we added approximately 7 lakh new accounts during the quarter, taking our total CASA account base to nearly INR1.5 crores. This continued growth despite a cautious approach reflects the brand trust we enjoy and the sustained relevance of our offerings in the market. We expect this to -- we expect the customer addition numbers to improve in quarter 2 onwards.

As we have enunciated earlier, our focus over the past couple of quarters is not only to add new accounts but also improve the balances and gradually enhance the profile of our customers, thereby setting a robust base for monetization in the event of opportunities which can come in future, including evolution of small finance bank license.

Our average deposits for the quarter rose 34% year-on-year to INR2,275 crores. For the new customers, their average balance during the 3 months of onboarding is INR1,750, a significant increase of 22% in the last 2 years. This reflects the evolution of our customer segment and quality of new customer acquisition.

One of the key components of our CASA drive is renewal income, which has increased by 38% year-on-year, and we continue to be bullish on this growth trajectory in times to come. In this year, we have also divided our channel team -- our channel sales team between CASA and merchant onboarding. We expect to see good results due to improved focus over the next couple of quarters.

Coming to the digital segment, we handled transactions worth approximately INR68,000 crores, which now comprises to 55% of our total throughput. However, the segment continues to face certain headwinds due to enhanced due diligence on merchant onboarding proposed by the regulator on account of elevated risk, particularly due to the rising instance of fraud and money laundering. In response, we have adopted a cautious risk-calibrated approach, tightening scrutiny around merchant onboarding and strengthening monitoring protocols.

While this may moderate growth relative to earlier phases and lead to marginally higher compliance costs, we believe it is necessary to ensure secure and sustainable expansion. At the same time, we continue to invest in enhancement of our technology stack to stay ahead of the evolving market needs. There are some expectations -- there were some expectations which got built up in the last quarter around MDR and P2M incentive. But as things stand now, there seems to be a little hope.

We have taken a cautious approach on introducing new payment products in line with the regulatory landscape and expect to introduce a couple of payment products in H2 FY '26. However, we plan to introduce additional features through UPI platform aimed at improving customer experience, strengthening risk controls and supporting future monetization opportunities.

In anticipation of the growth in digital business and new product lines, we have also added new employees in the digital sales team. We are also in active discussions with some of the leading payment aggregators to build new partnerships and payment products, hopeful of launching with some of them in H2 FY '26. Our growing business such as liabilities and digital payment services have contributed to 57% of the revenue in quarter 1 FY '26 and has grown year-on-year by 40% and have better margins as compared to other business.

Let me now talk about our stable business, which is the CMS, cash management services and corporate BC. Cash management services saw a very active competitive pressure and our teams were on top of it to bring it more in line -- more in volumes at our terms. It has been a mixed bag in this quarter with growth in transaction value by more than 5% as we continue to face headwinds in the micro finance sector and reduced take rates on account of competition.

However, we are beginning to see early signs of revival and remain focused on identifying new use cases and client segments to sustain the throughput in the coming quarters. We have also beefed up our CMS sales team in the last quarter. Corporate BC business remains stable with existing partnership with banks and continue to maintain the same in the financial year.

Let us talk about the traditional business, which is our cash transaction business around remittances, micro-ATM and AePS. The cash transaction business witnessed a decline this quarter. The Remittance business, in particular, saw almost a 60% industry-wide slowdown following the regulatory changes introduced in November '24. We have taken a conscious call to remain fully compliant on the RBI recent changes on remittance guidelines, resulting in sharp drop in our transaction volumes in comparison to some of the other alternative arrangements prevailing in the market.

Additionally, a portion of this decline is also attributable to customers shifting from assisted channel to our own banking platform, which, while impacting transaction volume supports deeper customer ownership. AePS business volumes are holding ground but are not improving drastically. This legacy business continues to decline. We are not seeing it having significant impact on our customer -- on our CASA acquisition due to this. This is attributable to our approach on focusing in the right segment and profile in the right customer acquisition.

Let me come to technology. Our core banking system migration is also underway and in fact, in the final phase, and we expect to complete this transformation before the end of this calendar year. We expect significant improvements and ease of doing business once the new technology platform stabilizes. Bank is enhancing its UPI stack with new product offerings aimed at boosting digital throughput, improving user experience and strengthening platform level monetization opportunities. We are also investing in building AI tools to enhance customer experience, better fraud and risk management, improving our cybersecurity monitoring and automating many manual processes.

Let me come to the section on small finance bank. As many of you are aware, we have formally applied for a small finance bank license. The regulator is in engagement with us and has a process being run by them on evaluation. In the meantime, we have started to have intensive internal discussions on products, geographies, technology and teams, and though this is at a very high level right now. We are quite hopeful of starting the lending business within one year of the in-principle approval.

Overall, to summarize, while the first quarter presented certain headwinds, we remain confident in our long-term strategy. Our focus continues to be driving sustainable growth through disciplined risk management, a compliance-first approach and a sustained investment in digital infrastructure.

As I've repeated before, our priority is to deliver steady and predictable bottom line growth rather than pursue exponential top line expansion. We want to do what is best for the consumer as we deal with the consumer base, which is not so sophisticated financially. Given the current industry-wide headwinds, we have consciously chosen not to issue any forward-looking guidance. However, we believe the second half of FY '26 will offer a more conducive environment for growth, and we are well positioned to respond with agility and resilience.

With this, I would hand over to Ketan for taking us all through the details on financial results and the perspective of products.

Ketan Merchant: Thank you, Rishi. Good evening, ladies and gentlemen, and thank you for joining us today. The first quarter of FY '26 began on cautious footing, shaped by external headwinds and heightened regulatory scrutiny in both our growing products. Our risk management framework ensured we could navigate the volatility effectively, while a deliberate shift in product mix helped us in enhancing our margins.

Let me begin with the quarterly financial performance. We recorded a revenue of INR453 crores for the quarter, registering a 4% Y-o-Y growth. Our EBITDA stood at INR62 crores, reflecting a 16% Y-o-Y increase and cash profit stood at INR50.5 crores, a growth of 20% on a Y-o-Y basis. Whilst the decline in remittance revenue weighed on the top line, the impact of profitability was offset by favourable shift in the revenue mix towards high-margin offerings of CASA and digital payment services.

Here, I would like to draw attention to Slide 16 of our investor deck, wherein growth and margin correlation depicts that our CASA and digital, which are our growing businesses have increased by 40% Y-o-Y and now constitute around 57% of our revenue pie. Margins of these are at 39%, which is 15% higher than our weighted average margin of around 33.5%. PBT for the quarter remained stable at INR24.6 crores, impacted by increase in depreciation expenses as anticipated, which were arising out of capital expenditure undertaken last year, particularly investment in technology.

Inflationary pressures and higher compliance-related costs are also contributed to a marginal increase in our cost-to-income ratio. Nonetheless, we continue to exercise operational discipline and expect the ratio to be range-bound within 25%, 26%, in line with our prior conversations.

PAT for the quarter stood at INR18 crores. As you are aware, we became a full taxpaying entity from quarter 2 of last year, which explains a year-on-year dip in PAT. Adjusted for tax, our pre-tax profitability reflects a strong business mix and continued cost control.

As Rishi also highlighted, current lack of clarity around MDR and P2M incentive persist. Should a favourable policy framework be introduced, it has potential to provide a further boost to our margins. However, this is currently not factored in our business model or financial model.

The rise in mule account has led to the industry to adopt a more cautious stance and has resulted in slight moderation in pace of our BC store merchant additions. We still onboarded approximately 43,500 merchants during the quarter, taking our total count to around 19.5 lakhs, sustaining coverage across 97% of India's pin code.

Now moving on to segment-wise financial performance. On the CASA front, we posted a revenue of INR154 crores, registering a 30% Y-o-Y growth. The slightly slower growth pace was due to moderated accounts addition for the quarter, following a cautious approach in light of broader industry challenges. We added around 6.8 lakh plus CASA accounts during the quarter, taking our total account base to nearly 1.5 crores customer accounts.

Additionally, the reduction in repo rates during the quarter led to some compression in spread income. However, our continuous focus on strengthening relationships with existing customers supported the growth in both renewal income and deposit base. Renewal income rose by 38% Y-o-Y to INR56 crores, reinforcing the strength of our customer ownership and retention strategy.

This consistent growth in individual balances and overall deposit reflects the growing trust of our customer in our banking services. Overall, continued growth in deposit, along with steady rise in renewal income underscores the strong customer engagement and sustained product stickiness, which we are looking at.

Digital Payment services revenue grew 59% Y-o-Y to INR106 crores, contributing 23% of the revenue. There was a sequential dip from previous quarter. Excluding the one-off UPI incentive, the dip is only 10%. In this segment as well, we've adopted a risk-calibrated approach in terms of quality of merchants and partners.

We've strengthened our B2B onboarding protocols and tightened transaction monitoring controls. While this may temper digital throughput growth marginally and increase compliance costs, we believe this measured approach is essential to build a secure, scalable and sustainable digital franchise.

Despite these precautionary steps, we reported a digital throughput of 54% of -- digital throughput growth of 54% Y-o-Y. Throughput crossed INR67,800 crores in quarter 1, accounting for 55% of total throughput.

Digital active customers increased to 53 lakhs plus with over 65,000 new digital accounts added during the quarter. On the Fino platform, the total transaction rose by 39% Y-o-Y to 97.9 crores. We maintained a UPI market share in the range of around 1.5%.

The CMS vertical remained stable with continued headwinds in MFI and NBFC segment. It recorded a throughput of around INR20,400 crores and posted a revenue of INR34 crores. However, early signs of revival are emerging, and we are actively exploring new sector-specific use case to diversify throughput. Take rates, which is in the range of 17%, 18% are expected to remain range bound in CMS from here on.

In transaction business, remittance volumes remain under pressure due to regulatory changes. Additional compliance requirement in this segment led to a significant slowdown across industry and part of the volume decline was due to customer transitioning from off us to on us. While the shift reduced remittance volume, it contributes positively to the account level monetization.

AePS posted mild growth of 3% Y-o-Y, reaching to INR30 crores in revenue. mATM revenue on the other hand stood at INR13 crores. Muted DMT-linked inflows during the quarter also kept the transaction business growth subdued. With the changing product mix, net revenue margin expanded by 250 basis points on a Y-o-Y basis. We anticipate these enhanced margins to remain range bound around 33%, 34% from here on for next couple of quarters.

Operating costs have increased on account of inflation, compliance cost primarily relating to transaction monitoring, AML aspects and certain technological expenses. We believe operating costs will remain similar in the range as quarter 1 for the coming quarters of this financial year. In the previous quarters, we had highlighted about increasing technology costs due to enhanced regulatory requirement. The costs for Q1 are in line with the estimations.

To conclude, despite a softer quarter, our strategic fundamentals remain intact. Our business model is resilient and our execution remains disciplined. Deposit balance in CASA focus continues and the momentum is expected to continue. Our approach for '25-'26 is on maintaining the elevated margins achieved in this quarter, and we remain bottom line focused for the remaining part of the year.

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

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Shreya Shivani from CLSA.

Shreya Shivani: I have 3 questions. First is on these mule accounts that you mentioned about, can you elaborate a little? Because when I saw the numbers, I thought you've done great on adding 46,000 more merchants this quarter, which is higher than the addition rate in the past 2, 3 quarters. So I thought that -- I mean, I'm not able to correlate the commentary around mule accounts. Are these mule accounts -- because your sales people meet the kirana store owners when you onboard these guys, right? So, I'm not able to correlate -- I'm not able to understand what has happened.

My second question is on the CASA account slowdown -- I mean, slowdown that has happened. Is this also somehow related to the fraud that you're talking about? If you can elaborate on that? And also, please give CASA new subscription revenue that you have spoken about? And lastly, can you also talk about the micro-ATM channel? The yield decline is very sharp over there. Is it because less -- incrementally lesser and lesser of mATM machines are being sold? Or how should we understand that?

Rishi Gupta: Okay. Let me just try to answer the first 2 questions on mule accounts. So, both of them are actually related in a way. And mule accounts are largely accounts which are opened or are sold for fraudulent purposes. And specifically in some districts, some geographies, this is more prevalent. So, this has resulted in some of our active CASA merchants declined by about 5% to 8% as such.

Basis that decline, you would see that there is a little slowdown on the CASA number because the merchant in those geographies where there were high mule accounts, which were getting generated, have been closed and to control the mule account management. So, in line with that, the CASA slowdown has happened.

So, CASA slowdown has happened on account of 2 factors. One is because of the slowdown, because of the mule accounts, we have to close some merchants. And secondly, also because this was to our surprise also a full quarter, there was nothing -- or I should -- there was not substantial government grant or DBT, which came out or new jobs getting created in NREGA, which also resulted in low CASA penetration as such. I think the other 2 questions on new subscription and new mATM...

Shreya Shivani: So just one follow-up over there. I get the CASA portion of it. But your merchant addition has picked pace. So, the 46,000 new merchants that I can see between last quarter to this quarter is most of it towards your own merchants, I'm assuming because if there are more mule accounts, you may not be onboarding the third-party merchants, right?

Rishi Gupta: On the new merchant addition, you would recall in my commentary, I had said that we have broken -- divided the channel sales team between merchant onboarding and CASA. So some of that is also resulting in increase in the new merchant addition. Roughly, you can say about 55%, 60% is on our own account and about 40% is on account of the API partners on account of that.

So mule account doesn't impact new merchant addition because in some geographies where we are not adding new merchants, but other geographies are open. But CASA, it affects because CASA is a running merchant who is adding CASA accounts. And if we close that merchant, the entire -- or that district or that pin code, then the entire -- all the merchants in that category get affected.

Ketan Merchant: Thanks, Rishi. Shreya, coming to your other question on subscription revenue. Subscription revenue for this quarter stands at 21.9cr. I think Rishi just explained that this typically around 7.5 lakh accounts are open for the reasons which we discussed mule and our cautious approach we have taken around 6.84 account -- new accounts for this quarter. So subscription revenue stands at 21.9cr. Your other question, actually, you answered it yourself as well that mATM yield is lower on account of the incremental new guys who have been onboarded for mATM along with the devices. So your assessment out there is fair.

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

Anand Dama: My first question is on the remittance business. I understand there are business disruptions which are happening in the competition and all, but the dip in the remittance business seems to be very high. Is it all explained basically because of the remittance business or regulated disruption or there is something more to it?

Rishi Gupta: So on the remittance business, there are a couple of things which have happened in the last one year. Most -- I would say I will break this into 2 big significant events which happened. One event was in November -- from November 1, 2024, RBI came out with new guidelines for bank-led domestic money transfer, in which, some new checks and balances and some new process was enhanced so that some controls can be put on misuse of remittance, which was happening previously. So that resulted in the bank-led DMT becoming more difficult and tedious compared to some of the other options which were -- which were available and which can get implemented. So one was that factor.

Secondly, once the new guidelines came into effect, some of the other players in the market who may be not regulated or semi-regulated to that extent, started to do remittances through, I would say, non-regulatory or non-compliant way of doing it. So that has also resulted in a large portion of remittance business moving away for the industry from bank-led DMT to non-bank-led model of bank transfer. It could be through some other options like PPI or payout kind of services.

Anand Dama: But now obviously, I mean, this is what has happened, but do you see this happening -- I mean, reversing at any point of time? Or like you believe that this is gone through and this will not come back?

Rishi Gupta: So apart from this factor which is there, there is 2 more factors which have to be taken into account. One factor is that the entire people have started to use UPI more predominantly. And once they have the -- they put cash into the bank account and from that bank account, they transfer the money on their own. So do-it-yourself is becoming more prevalent and people are doing UPI P2P. You can see the volume of UPI, which has gone up.

Secondly, we have also converted or are also in the process of converting some of these customers into CASA customers. So once they become our own CASA customers, they don't do remittance. They do bank transfer in the normal course, which is there. So in the long run, I don't see this thing to be to revive or reverse unless and until the regulatory advantage, which is there for nonbank players is brought at par with the banking as such.

And let me also say that for this, there is multiple representations which have gone out from various banking forums to the regulator for them to review the disparity or the disadvantage which is there currently for bank-led domestic money transfer.

If that happens, and regulator brings in new rules and checks and balances or makes the other options available at par with banking option, then I see there could be some revival or we can see some growth in the business in times to come. But that is all subject to the regulatory intervention, which as of now, I can't say will happen or when will it happen.

Anand Dama: Sir, secondly, my question is on your digital payment business. So there, any new payment aggregator or merchants that basically you have added? And is that basically driving the throughput? Or is it the same customer segment that you had basically where the growth is happening?

Rishi Gupta: So it is a mix of both. I would say the older merchants also, we are looking at gaining share. But large part of the gains come from the new merchant additions or the new payment aggregator or the new payment partner we bring in as such. So it is a mix of both as such.

Anand Dama: Sir, is it possible for you to share like what is the new payment aggregator additions over there? And who are the prominent partners over there for us in terms of...

Rishi Gupta: Right now, I don't have that detail. We will connect with you offline to have a discussion on this.

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

Harsh Sheth: My first question is, could you share a breakdown of your technology-related cost, specifically how much is being capitalized versus its impact in the P&L directly? And the other question is, I understand your cautious approach, which is the reason behind the moderation in CASA -- CASA addition in this quarter. So should we expect this lower trend to continue? Or is it -- is a return of 8-plus lakh run rate anticipated in the coming quarters?

Rishi Gupta: So let me answer the second question first. On the CASA, on the cautious approach, you are absolutely right. This is both for the CASA as well as for the digital payment merchant onboarding. I believe looking at the July numbers, we should definitely look at a much higher number in quarter 2.

And that is why I said that we expect that the CASA numbers will start looking up from quarter 2 onwards because of both the government disbursements as well as from the mule accounts, the solutions and everything which we have put together.

On the digital payments merchant addition, I think it is still -- will take some more time because it's a very new business and the ecosystem, the industry is evolving. And maybe another quarter or 2, I think we'll have a better handle on that.

But having said that, we are also adding more merchants and more partners and also looking at more payment aggregators, as I said, also some large payment aggregators also to look at how we can beef up the volumes.

Ketan Merchant: On your technology expenses, I'll just give you some data out here. Typically, after including depreciation, our quarter 1, and I'm assuming depreciation is around INR17 crores plus and technology and infra cost is INR20 crores. So INR37 crores is the broadly technology and depreciation cost.

Your point on capex, I think we've said it in the earlier call as well, we've planned our capex in a manner, Rishi also alluded towards core banking system getting implemented over the next couple of quarters. So there is an element of when core banking system gets implemented, that will come as a capex cost. And eventually, we factor that as a part of depreciation coming into our model.

Also one thing which I essentially made a statement in my speech earlier was that we expect this cost -- technology operation cost largely in this range over the next couple of quarters. Depreciation, I anyway explained it separately, how it will eventually increase depending upon the implementation of the project.

Moderator: The next question is from the line of Kriti Tripathi from NVS Brokerage.

Kriti Tripathi: So my question might be a bit different. But here it is. So at the time of the IPO, you asked for a reverse merger with the parent FINO PayTech Limited, targeting completion around mid-2023. So post the RBI mandated 5-year lock-in, which ended in the June 2022, given the lack of public updates, and could you clarify basically what is the status of this merger? And what are the implications on the portfolio for clients who should hold it?

Ketan Merchant: Yes, I can actually say the bank -- yes, you're right at the time of IPO, we had contemplated or we were thinking about the possibility of the reverse merger. As you would recollect, that is subject to 2 things. One is the regulatory approval, which is essentially should come through, and it also depends upon how the holding company wants to function on that.

One more aspect which has also worked out, which Rishi also mentioned it off is that we are also exploring our evolution of SFB license for which we've applied across. So as we speak, there are some moving parameters, which are there in regards to any possibility happening and some of these are interconnected as well. So this is something which is being discussed at various levels. And currently, besides this, we do not have any further update on the timelines or on the probability or anything further.

Kriti Tripathi: Okay. So no update on timelines, right, sir?

Ketan Merchant: Yes, please. No updates.

Moderator: The next question is from the line of Divyansh Gupta from Latent Advisors.

Divyansh Gupta: So the first question was that I understand that, let's say, because of digital and everything, our traditional businesses are seeing a headwind of remittances and micro-ATM and stuff. But traditionally, this has been our hook product, right? You first acquire a customer through these channels and then convert them into a Fino Payments' customer.

Now with digital adoption, let's say, reaching whatever stage of maturity, our hook products are reducing. So what will be the new growth engines for driving customer acquisitions? Is there anything? Or these are the products and then how should we understand acquisition ramp up?

Ketan Merchant: Yes. It's a fair question. We've classified our business into 3 parts; growing, stable and legacy or traditional. Rishi also alluded towards TAM transaction, acquisition, monetization. You are right, these continues to be hook products, which were low-margin products as well, and these are not increasing. However, the answer lies in the question, which I think perhaps Shreya raised earlier, we are increasing our merchant network.

We've reached a 19.5 lakh with 43,000 or 44,000 plus merchants added this quarter as well. So the way acquisition in CASA will happen is while some of these businesses are not picking up, we have a separate set of merchant acquisition team and Rishi also alluded, we have a CASA acquisition team now separate on the field as well. So we are not seeing the challenge of the muted or relatively nongrowth of transaction business over our acquisition business as things stand now and for foreseeable future.

Divyansh Gupta: Got it. So effectively, what I understood is, let's say, if and when we get an SFB license, we will have a branch structure, we would require people. Some people we are already, let's say, pre-onboarding to develop CASA channel independent of, let's say, the hook products. Because even at the merchant side, if, let's say, people are doing digital, then merchant cross-selling any CASA product seems difficult.

Ketan Merchant: No. What I essentially meant was that the merchant acquisition, which is continuing, which is not our people. What we were referring to the team realignment was within the existing team. Currently, we've done a restructuring to enhance the CASA focus. The addition which we essentially -- the data which we and Rishi both quoted was about the merchant addition, which is nothing to do currently in terms of any incremental thing coming on account of SFB. So we are following our current model. However, the muted transactional growth because of the merchant addition, which we are separately doing on a focused basis may not impact the CASA acquisition.

Divyansh Gupta: Okay. Understood. The next question was the current tech expenses that we are doing is majorly focused on Payments Bank or this includes a lot of let's say, expenses that we are incurring in anticipation of SFB? Or in other words, if and when we get the SFB license, how much would these tech expenses go up only because of saying, let's say, building the asset side of the balance sheet?

Ketan Merchant: So currently, what expenses which we just quoted out, including the capex cost, which is coming for core banking system, it is just to enhance the volumes which we are seeing in our current space. This does not cover any SFB-related expenses, which is coming through. As and when we are exploring SFB or we will explore SFB, there will be an incremental cost, which will come through. At the current stage, depending upon how and when it comes through and how the model evolves, we will be publishing that separately.

Divyansh Gupta: Understood. A couple of more questions, if I may continue. What is our CASA balance today and the breakup between, let's say, the CA and SA and how much is from the merchants who enable the transactions? If you can give some light on it?

And the associated question is that given that there is INR2 lakh limit -- end of day balance limit on us, how much of balance, let's say, goes out to, let's say, our partner bank, probably ICICI, which would then move back to our balance sheet if and when the SFB license comes?

Ketan Merchant: Yes. Just give me a minute, please.

Divyansh Gupta: While let's say, you are getting that data, in the meanwhile, if you can just throw some light on the loan cross-sell initiative. So this is just a lead gen and where we don't get any, let's say, visibility on the credit rules, and we are just, let's say, sourcing and, let's say, helping in collections. Or are we getting some sense on the credit parameters, which will help us in the SFB?

Rishi Gupta: So on the lending part, while Ketan is looking at the data because you have asked many questions, one question has 5 questions inside it. So on the lending part, let me just say we have been able to maintain our quarter 1 lending number around INR200 crores, which was there in quarter 4 also. So that's the good news.

The other news in terms of -- we just get referral income. We don't participate in any risk as such. With different arrangements, we have different data availability or visibility, you can say. So with some lenders, we are able to get data for some of our customers. But for others, we don't get. So it's not like every lender will share the customer data, but some are ready to share that. So Ketan can probably answer the CASA, to really look deep into it.

Ketan Merchant: We mentioned it out, our average daily CASA balances was around INR2,275 crores for this quarter. Of this, around INR300 crores was the current account balances, remaining INR1,974 crores, and this is the average number, which I'm speaking about INR1,974 crores was the SA balances coming across.

On your other point, which you were saying is that how much is something as a float, which we need to put with other banks as well. And after SFB, how does it come through? That -- it typically, based on the current static balance sheet, it is in the range of around INR200 crores to INR250 crores.

Divyansh Gupta: Got it. On the balances, I was actually saying the, let's say, the end of month balance because this average is...

Ketan Merchant: Okay. I will give you the end of month balances. INR2,163 crores is the total deposit of Q1, of which SA is INR1,887 crores and current account is INR276 crores.

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

Kunaal: Most of my questions are already answered. I just have one data keeping question.

Ketan Merchant: Kunaal, You may be slightly -- you may need to be slightly louder, please.

Kunaal: Can you hear me now?

Ketan Merchant: Yes, it is far better.

Kunaal: Yes. So I was saying I just have one data keeping question. So in your presentation on Page number 31, you've given some throughput-related details, D2C customer UPI throughput and then UPI P2M throughput. I just wanted to get some clarity on whether this is -- I mean, the throughput, which is mentioned at the end of the page, which is INR52,829 crores for Q1 FY '26. Is this the total throughput or D2C throughput or B2B throughput?

Rishi Gupta: So this is -- if I break this chart into 2, the above chart talks about how the UPI P2M throughput has moved, which is, as you know, UPI has 2 legs, P2M and P2P. So this is the P2M business, which is a payment to merchants. The growth in the P2M business means that tomorrow, if the government introduces MDR or there is any revenue source which we can generate from the merchant, it is beneficial for us a growth. A healthy growth of 30% is there on that count.

If I look at the throughput and 45% on the number of transactions, which means that the average value of transactions is about -- it's much lower than the normal non-UPI business. The second part, when it comes to INR52,829 crores, it includes both P2P and P2M as such. Out of INR52,000 crores, you can say INR45,000 crores is P2P and INR7,000 crores is P2M.

Kunaal: Got it. So when we say...

Rishi Gupta: It's a direct to customer. This doesn't include the other digital payment B2B business.

Kunaal: Okay. So when we say that the total digital throughput is INR67,872 crores, so out of that, only INR52,829 crores is UPI and then the rest is from other digital.

Ketan Merchant: That is a digital B2B, which we were referring to.

Moderator: The next question is from the line of Shazad Shroff from Demeter Advisors.

Shazad Shroff: I had one question. So in CASA, our value proposition has been that we don't have minimum account balances, which enables us to charge fees. Now many of these public sector banks are waiving off their minimum balance requirements as well. So do you see any impact on our ability to charge fees on our offerings? Like do you see any impact on our renewal rates or additions going forward because of such competitive product positioning by the PSBs?

Rishi Gupta: Your point is valid. And definitely, there is a much increased competition coming from public sector banks, what we could see about a year back. And they are also going aggressively in the rural India through BC merchants, and that is something which we are witnessing as such.

Coming specifically to your balance -- zero balance account, I think Fino offers multiple category of accounts from zero balance, low fee account to a zero balance high fee account, but the product constructs are different.

See, where we score vis-a-vis other banks and specifically PSUs is our ability to open account much faster through the merchant network and ability to suck in cash so that we can use it for digital purposes as such.

Right now, for us to say whether that 0 balance waiver, which has been recently announced by the bank will have an impact on that, I'm not too sure because many times I have seen that while announcements are made, but in reality, it may have its own terms and conditions, and they -- it may not be that straight and simple.

So let's wait and see maybe in the next 6 months, if this really catches up or if there is anything which suggests that the public sector banks are able to bring a lot of new accounts because of this new 0 balance waiver. We will have to wait and see. But to my mind, it doesn't -- I don't think so. It will affect because the BSBD accounts, which were already there with PSUs were anyway zero balance zero charge accounts. So I don't think that this will have a significant impact or any impact for that matter.

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

Dhruv Shah: I just have one question, Ketan, on your guidance. You said that you are focusing on margins and bottom line this year. But with CASA bouncing back in Q2 and digital still taking Q3, will it be fair to understand that we will be growing in single digit for the full year?

Ketan Merchant: Dhruv, I think I go back to what Rishi just said that for XYZ reason which he elaborated, we're not putting a guidance per se. What I essentially meant -- am I audible?

Dhruv Shah: Yes, yes.

Ketan Merchant: What I essentially meant to say is that we have the way our product mix is essentially changing. We've seen a 250 basis points growth, which has come in our margins. We expect that margin to be range bound in the coming quarters. At the current stage, and I have also said in terms of our opex expenses as well. However, and Rishi, in the previous question mentioned about the CASA being -- continuing to be the growth product as well.

So all taken together, what we essentially meant is that the focus will continue on the bottom line as we are seeing for next couple of quarters coming through. We -- at the current stage, not putting any guidance in terms of our top line given the reasons which we have discussed earlier in the call.

Moderator: The next question is from the line of Nitin as an Individual Investor.

Nitin: Yes. So my question was actually the same about the guidance, whether 20% is something that we still look at as top line or it's too difficult with the regulatory changes that we are seeing. I think you answered that. The next question basically is that now that we are waiting for the SFB license, whenever we get that, do you think you're going to still take 18 months to really start lending or you are internally preparing yourself with your lending management systems and processes? I mean, are you confident that you would either get the license or probably payments banks will be allowed to lend themselves? So either way, if you are allowed to lend, how soon can you start lending basically?

Rishi Gupta: We have applied and we are hopeful and we are working towards it. There's a regular dialogue with the regulator on the information flow, which is happening. Coming specifically to the second part of launching of the SFB. So we have already started to -- we have built a small team internally.

We have a running bank, and it's -- we can't just pull out people from there. We just can't also add more people on lending side without getting any signal from the regulator because the moment I start adding 10, 15 people, you will ask me a question, your cost has gone up, how will you manage your cost. So I have to balance between the two.

So within the existing line of people we have -- who have some lending experience, we have started to build an internal team and look at various options, whether it's -- I think I mentioned in my commentary also looking at geographies, what kind of products, what kind of right teams, the people, the technology. I think we have made some progress. We have identified a few geographies. We have started to build up a small sales team in those geographies who can help with some of the secured products which we want to build.

We have shortlisted or kind of shortlisted our technology partners also for LOS, LMS piece, but we'll wait for the regulator to give us a green signal on that. On products also, we have debated extensively. We have a kind of shortlisted product list also. And on the team, the org structure is still in work in progress because we have to be very careful in terms of building up the cost and because we want to build up a differentiated model in which we keep the cost of operations as low as possible and also use our internal resources and the foundation which we have built for Payments Bank for the SFB purpose.

So a lot of that work is happening which gives us the confidence, as I said also in my opening remarks, that we are hopeful of starting within one year of getting in-principle approval. Obviously, in-principle approval may have some conditions and everything which will come, which we don't know. We'll have to look at that. But from an operational purpose, we are working towards it.

Nitin: Okay. And again, so the 20% guidance is no more valid. I mean we're not sure whether we can come back to it anytime in the near future, at least for the next 2 quarters.

Rishi Gupta: We haven’t given any 20% guidance.

Nitin: I mean what we have been hearing in the last few quarters where you also increased your guidance to 25% in the last second half of last year. So what I'm asking is if we are anywhere confident of reaching that goal in the near future? Not like giving an official guidance, but are we even targeting that anymore or not really something that we are working on?

Rishi Gupta: To target not only 20%, but maybe higher percentage, but look at the condition specifically that our remittance business, which used to be 25% of our revenue has shrunk to 10% of the revenue now. In that scenario, 15% of my one line of business has been taken away for whatever reason, we have discussed that in detail in the last one hour. And also -- but it doesn't have a significant impact on my bottom line.

So that is where Ketan has been emphasizing that our focus is on the bottom line because the business has gone away from remittance. It will not be -- we'll not be able to build it that immediately. It will take us some time to build it up through other payment products. And that is what I covered in my opening remarks that we are building up a full stack payment solution. Some products we are expecting to bring in the quarter 2, quarter 3 also.

So we are trying to recover from that situation. But obviously, it's a big dent on the top line and limited a very negligible dent on the bottom line. So our bottom line should continue to be healthy as the top line because of the remittance may show a slowdown.

Moderator: Thank you. Ladies and gentlemen, we will take that as the last question. I now hand the conference over to management for closing comments.

Rishi Gupta: Thank you. Thank you, everyone, for patiently listening to us. As you can understand from the commentary, looking at the regulatory landscape, the concerns of the regulators, the LEA, the government, the general hygiene in the banking ecosystem around digital fraud, cyber frauds, the entire mule account conversation, the bank has taken a cautious approach to look at those very, very closely, and it has improved its systems of onboarding and monitoring significantly in the last quarter which to some extent has resulted in some muted growth especially on the CASA and also digital growth because of the merchant onboarding process has been strengthened and more enhanced diligence is now happening in line with the expectations of the regulator.

Having said that, we continue to see that there are green shoots which are coming, specifically on building up the CASA book as we have segregated our channel team also. And we are also launching new products on the CASA side as well as on the digital payment side, which will augment our digital payments business right now from only acquiring business to some other lines of businesses also in the next 3 to 6 months.

And our technology stack, hopefully, when we meet next time over the earnings call, we would love to have got migrated by then, which will open up doors for us to do new products much faster, more efficiently. Some of the AI tools also are lined up for implementation in this quarter as such.

And the SFB application also, hopefully, if everything goes well and the regulator is kind and God is kind, we might see something happening in the next 3 to 6 months is what we expect. But a lot of this is beyond us. It is external to us. And within that, we continue to focus ourselves in building up a resilient company and looking at the long term rather than only looking at the short term. So with this, I thank you all. And yes, that's it.

Ketan Merchant: Thank you, everyone.

Moderator: Thank you. Ladies and gentlemen, on behalf of Go India Advisors and Fino Payments Bank Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.