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“Pine Labs Limited
Q2 FY2027 Earnings Call”

October 29, 2026

Management: Mr. Amrish Rau – Chief Executive Officer – Pine Labs Limited
Mr. Sameer Kamath – Group Chief Financial Officer – Pine Labs Limited

Moderator: Hello everyone. Welcome to the Pine Labs Limited Q2 FY2027 earnings call. Please note all participants will be in the listen only mode and this call is being recorded. Joining us from the Pine Labs management team are Mr. Amrish Rau, CEO, and Mr. Sameer Kamath, Group CFO. We will begin the call with opening remarks from Mr. Amrish Rau followed by a Q&A session. Before we begin, please know that some of the statements made during this discussion may be forward looking in nature. Actual results may vary significantly due to various external factors. The Zoom conference call is intended solely for investors and analysts. So, if you are joining from a media organization, we request you to please disconnect. Please reach out to the company's investor relations team for any questions. With that, I now hand over the call to Mr. Rau. Over to you, Sir.

Amrish Rau: Thank you very much. Welcome everyone to our earnings call. I wanted to give a very quick overview of what is happening in the market. How are we looking at the business? How did we feel we performed in Q2 and then we will go into the Q&A section of it? I thought in Q2 there was good execution across Pine Labs. Every one of our lines of businesses continued to deliver very well and we were able to drive the growth that we were targeting for. So as you know, we came in at about 24% growth on the revenue side and as far as EBITDA is concerned, adjusted EBITDA is concerned, we came in at about 27% growth on a year-on-year basis, so across the company, good execution. I think what was most interesting for me across the company, may that be in the offline side of the business, the issuing side of the business, and online. each of these segments, we actually grew faster than the market. We gained market share in all the various businesses that we have been operating in. I would like to give you a little bit of a breakdown in each of the business and what is happening in each of the businesses. On the offline side of the business, on the enterprise accounts, we continue to hold on to 100% of our businesses out there. Our net revenue retention is extremely strong on the enterprise side of the business and every one of our logos and brands are intact. What I would say is we have gone ahead and added very strong brands. One of the

great examples is Tanishq where we did not have any presence in Tanishq for a long period of time and through this Q2 we are now deployed all across all the stores of Tanishq. We have also continued to increase market share with another large retailer where they are clearly seeing the value of what Pine Labs is delivering, so on the enterprise segment we have a moat and we have been able to protect our base out there, but what is interesting is on the mid market segment and when it comes to mid market these are apparel brands, these are coffee shops, the restaurants, duty frees, and airports. In those segments, we have continued to gain market share and there we have actually seen that on a trailing 12 month basis, we have almost deployed close to about 100,000 terminals in the mid market segment. So in the mid market segment, we are picking up new logos.

Why is that happening? It is coming down to a few simple points. Even on the mid market side, the merchant requirements are getting complex. They want us to be fully integrated either into their ERP or into their invoicing system and billing systems. Those complex technology changes required out there, Pine Labs is the only one who have been investing into it, and merchants are seeing a differentiation and wanting to work with us. So that is the reason why we have been able to win there. The second part is we have also started to do a lot of value added services, which is bringing in footfall into these mid-market merchants and these mid-market merchants are appreciating the fact that we are in partnerships which can potentially bring in consumers into their stores So they are partnering with us. We, in turn, are making a small take on flow-based income in those mid market segments also. So because of our distribution in enterprise and in the mid market segment, we have also been able to drive the flow based income in Pine Labs.

Coming to the flow based income, the flow based income in Pine Labs actually grew by about 25% on a year-on-year basis. The volumes grew in a little higher, came in at about 50% because we have actually again gained market share on the UPI side and that is the reason why the volumes are almost at 50%. But the flow based income grew by 25% on a year-on-year basis. We have added new revenue

streams in our flow based income. I mean, the good news is a lot of people are asking us about installment payment services, which is obviously more than what people used to ask us about POS, but our flow based income is now coming up with more revenue streams associated with data related services, marketing related services, distribution of marketing related products. All of those have gone into our flow based income and that has been a healthy rise on a year-on-year basis. On the issuing side of the business, we have again grown significantly on both on the processing side, but also on the distribution of prepaid cards and gift cards. On the distribution of prepaid cards and gift cards, again, we have grown faster than the market. We have gained market share on the distribution front. On the processing side, as you know, we already have about 80% to 85% of the market. This growth has come on the backs of new products, which we have taken in the market. Just to highlight two products out there. One, we have actually brought in some gaming related brands on our distribution when it comes to prepaid cards and gift cards. The mass transit program associated with NCMC, which is called Bharat Yatra, for example, we now distributed somewhere close to 25,000 to 30,000 cards on a monthly basis on the Bharat Yatra prepaid card, which is being used for daily transit. Now we are effectively distributing almost 1000 NCMC cards on a daily basis. These are cards which are distributed largely through Blinkit and Zepto being the channel for that.

What I am most excited about on the issuing side of the business, we are seeing more new use cases come up on the issuing side of the business and we will be launching them in the month of November. I think I have talked about it before. I wanted to share with it again. By the end of November, we will have an employee tax benefit card out in the market that effectively will allow us to go back to the corporates that we have any which way been working with and give them a solution which will be around the employee tax benefit area. That should be coming up towards end of November, early December.

Just talking a little bit more in terms of the online and bill payments business side. On the online side of the business, we have now the top four Q-commerce companies using our payment gateway for daily transactions. We are also providing installment payment services on our online platform for these Q-commerce businesses, especially when it comes to electronics, mobile phones, and any consumer durables, which they could be selling. During Flipkart's Big Billion Days, we were one of the payment gateways that they had enabled for. What that is showing me is that we are actually making progress with the products where the largest and the biggest retailers are continuing to use Pine Labs in the online world also. I also wanted to very quickly share with you that one of the largest billers, consumer billers in the country has signed up with Pine Labs. It will go live in Q3. So we are again winning new deals on the bill payment side also.

Very quickly, touching upon the international markets, some of you have asked us what we have been doing with UAE and Dubai, and I have told you that we have partnered with Emirates NBD, and with Wio Bank, where we are providing the entire technology services, both for offline payments and online payments to both these banks. Just to highlight how big those businesses have become, in UAE, we are now starting to process 1 lakh transactions a day. That is the size and scale that we are operating in the UAE market. I also want to tell you, we are now getting close to 1 lakh POS deployed in the Malaysian market and in Philippines, now we have 50,000 POS machines, which is completely running off Pine Labs platform. So unlike what people believe that international is a small bit of Pine Labs, we are not just in those markets, but we are actually winning in those markets. As I just told you, these are numbers of scale where we are operating in. We are now present in about 22 countries and we are continuing to have very good wins in many of those markets out there.

Finally, I just wanted to very quickly touch upon what is my outlook for H2. We have had a very good H1. We have been able to prove the fact that there is enough opportunity in the market. We are seeing more opportunity come along in the

market, especially when it comes to offline, online, bill payment services, and in the issuing area. So we want to continue to invest on the sales side. Over H1, we have invested heavily when it comes to sales people. We are also deploying more sales people in the international markets because of these wins that we have created in the international market. So quite happy with what we have delivered in H1, and we are going to continue to invest so that we can continue to increase our revenues in H2 also. Some of the things to look forward to are in the second half of this year we should be able to scale our gaming distribution when it comes to gift cards. The employee tax benefit card is something to talk about. The data related services marketing and advertising related revenues will continue to increase. Affordability market is something that we are absolutely focused on in expansion. You will see a lot more of that in Q3 when we are going much more beyond electronic segment and then the final piece is the entire emerging opportunity around UPI. We gave a little bit of numbers when it comes to our UPI transactions in the earnings report that we sent out with. I have nothing more to add in terms of when UPI MDR will go live. Ball is completely in NPCI's court. So that is more or less in terms of what is happening in the market. Happy to take any questions. Operator, you can take any questions.

Moderator: Thank you, Sir. Ladies and gentlemen, we will now begin the question and answer session. Anyone who has a question may click on the raise hand button from the bottom toolbar. The operator will announce your turn in the queue. Ladies and gentlemen, we will wait for a moment for the question queue to assemble. We will take the first question from Vijit Jain of Citi. Please go ahead. Mr. Vijit Jain.

Vijit Jain: Great thank you. So my first question is in good to see the growth in India in the issuing and acquiring platform business sustaining Q2. India business, even that I see is up 40% Y-o-Y. I know this is a quarter with no big billion day sales and most of the sales event would have happened in 3Q. So I am just wondering despite that base if this- grew 40% would this likely grow even faster in 3Q because all the festive

season is kind of sandwiched into 3Q this year? That is my first question and I will just come back with it.

Sameer Kamath: Amrish, I will take that that first.

Amrish Rau: Sure go ahead, go ahead.

Sameer Kamath: So thanks, Vijit. I think, look, our prepaid business has multiple use cases, and it is not only that cyclical to a festive season or otherwise and if you see our core business continues to do well with some of our large players who have kind of renewed their contracts with us, etc. So there is a core base which is there and new use cases coming in. We found a lot of new use cases, as Amrish was also saying, across multiple lines, apart from just the core use case we found with some of the e-commerce companies. Like, for example, refund wallet is a very large use case, which has significant traction across the existing clients and new clients which have come in. Gaming is a new platform which has given us better take rates as well. So I think a lot of our use cases that we have been talking about and over the period building out have started seeing traction across counters and that is why you are seeing some of these growth rates come in. Nothing specific to our season per se in these things and I think that is something we are trying to build going forward as well.

Amrish Rau: I will just add a little bit more on to that one Vijit is that the October month is almost gone. In that period, we have actually gone through Navratri and Dussehra. Navratri and Dussehra were extremely strong. So as far as the Navratri and Dussehra period was concerned, I have nothing to worry about in terms of what has happened in those days. However, when it comes to Diwali, I think we will know in the next two weeks. We obviously have deployed our people on the field. They are in various stores, but we will have a better picture on that in about two weeks' time.

Vijit Jain: Correct and Amrish, just following up on that thing within your affordability business. Now that you have October behind you and we know that consumer

electronics prices have been going up pretty sharply this year. That generally brings to mind the question of whether EMI on cards will see higher penetration this time around. Are you seeing that in October and how do you think about that particular business? Whatever color you can give on affordability business in festive season so far would be super helpful?

Amrish Rau: Vijit, I am just going to keep the festive season only up to the Dussehra is what I am going to say and I am saying as far as Dussehra is concerned, it has been a good start to the quarter. Again, I am not ready to say much about Diwali because I think it also depends heavily in terms of what banks are going to be doing and also how the mood comes through in the Diwali period.

Vijit Jain: Got it, thank you. Understand that. My next question is on UPI. Thanks for the disclosure in the letter on the eligible GTV for 2027 and 2028 as well. I guess my question is the 2028 number is a good 60% Y-o-Y again over FY2027 and I am just trying to understand what are the key drivers of that. If I look at your devices, net device addition number, and I know that you have an aggressive plan of 1 million device adds as well. So I mean, are you looking at your device count aspirations and then projecting that Rs.32,000 Crores to Rs.33,000 Crores or is it something else? Whatever you can tell me would be super helpful.

Amrish Rau: First, let me just tell you what is happening in the market, right? What is happening in the market is if you are into organized retail, the retailer wants to have reconciliation, which is completely automated now, including when it comes to a UPI based transaction. Nobody is turning around and saying that I will keep UPI as a separate independent device or a sticker outside. So now, I said that in the last quarter also. 75% to 77% of the transactions on our POS machine is now a UPI transaction. Only 25% is a card based transaction. Now, those 75% transactions have grown at about 68% for compounding for the last two years and all which we have done is we have said that we think there is another 70% kind of a year which is coming up. In other words, what I am trying to say is that organized retailer is also

moving to a device-based UPI. We as a company who have not really tried to do a bit more in terms of having some soundboxes or having some screen based boxes at the merchant location. If we make in a little effort, I do not think so we should be short by 70% growth in the next year and at least for one more year. So I think we will be able to capture and that is one of the things, which led me to turn around and say that we will be deploying at least 10 lakh more soundboxes in the market.

Vijit Jain: Understood, Amrish. Super helpful that and one last bit within that. Since these are merchants, these are large enterprise merchants, right? So for you to pass on the 40 bps MDR to them, is that going to be an automatic process or do you have to go to the merchants one by one with your bank partners to kind of work this way out?

Amrish Rau: So just to clarify, from a technical standpoint, we do not need to do anything more. From a commercial standpoint, I absolutely do believe when it comes to the largest of large merchants that we have with us, there will be a commercial conversation to be had for sure.

Sameer Kamath: But Vijit, let me also add that we are seeing two levels of growth, transacting POS going up and also the value for transacting POS going up and a large part of our base also now comes from the mid market segment where they are going at 40% and we are all on the transaction rails there. So a large part of our volumes also now comes from the mid market and not just the large segment. So it is a well diversified pool of UPI-generating volumes.

Vijit Jain: Understood. Super helpful. Thank you.

Moderator: Thank you. Our next question is from Pranav Kshatriya of Emkay Global. Please go ahead.

Pranav Kshatriya: Thanks for the opportunity. I just want to dwell a little bit on the UPI MDR, what you commented. I mean thank you for the numbers what you have given. But of course of the 65% odd of the transaction value, which are about 2000, there will be certain

categories which will be excluded from the MDR or will have a very low MDR of Rs.5 cap? So what would be the addressable GMV and what we should look at as a take rate on that just to get a sense on how this will pan out financially?

Amrish Rau: Pranav, there is a reason why we put it out in the way we have put it out and that is because I do think that it is going to take a little longer to do that calculation, which says what will be the net take rate across our entire UPI base. So what we felt was everybody has heard the 40 basis points which are going to come out. I think it is fairly clear that to the acquirer going to be anywhere about 11 basis points. So we wanted to just give you the volumes associated with it, what comes through on some commercial negotiations, what comes through in terms of breakup between some of the changes which could potentially come-up in terms of MCC based pricing. We did not want to hazard a guess on that.

Pranav Kshatriya: No worries. Thank you. I will move on to the next question. I want to understand, it is good to see 25% plus kind of a growth on transaction-based revenue. And that I am just trying to understand what exactly is driving that growth, because affordability, I would assume that is the largest part of that. But this time, the festive season falls in Q3. Also, the electronics prices have been higher and that is why some of the media reports says that the GMV on the electronics has been down for the big billion so which I assume that will sort of impact Pine Labs affordability business also to some extent at least. So what exactly are the drivers if you can highlight let us say top two, three product or even if affordability is not impacted that also would be useful.

Amrish Rau: Pranav, to be honest, we have been very clear in explaining this for a long period of time. So under the flow-based income, anything that we earn as far as DCC, which is the dynamic currency conversion kind of payment transaction, that goes in there. Anything that we earn as an aggregator-based revenues, which is transaction-based, 10 basis points, 15 basis points, 20 basis points, on our regular payment transaction, we put it into the flow-based services. Anywhere where we actually

provide access to consumer internet companies, so that they can close a transaction at a merchant location. Whatever the fees that we earn associated to that transaction, we again go and book it into this line item. So that is third. Fourth, we have a lot of data-related, marketing-related, advertisement-related services in our portfolio. Now those revenues also go and sit in that same bucket here under flow-based. And then finally comes on the affordability side. As far as we are concerned, we are actually trying to grow all of these services. And some of these other services have continued to now become, I would not say significant, I will say become chunkier part of our overall revenues when it comes to flow-based income. And effectively, that has driven the 25% growth on a year-on-year basis. So I do want you all to think about this business to be much more broader than just a one-trick pony around affordability.

Pranav Kshatriya: Thank you for that explanation, but I assume that affordability was not at all impacted by seasonality or anything like that, or basically the electronic prices.

Sameer Kamath: Pranav, to be very candid, look, whatever macro factors are there, macro factors that we have to stay. But adjusted for two, three things you have to keep in mind. You have to keep in mind also that festive season was actually driven, it was started early, late September, there was a GST cut, etc. If you were to adjust for those one-offs which are reasoned because of these movements of the festive period, we would have seen more or less reasonable numbers. I think across segments, two, three things you have to keep in mind for us, affordability has been predominantly in the past CDIT, but you have seen volumes across non-CDIT also grow in. So, I think non-CDIT plus some of the other initiatives have helped us build an overall portfolio of affordability and any short-term shock that you see in any of these segments, we are kind of getting compensated by all of these other segments.

Pranav Kshatriya: Fantastic. My next question is around the capex and some of the indirect costs. So capex has gone up quite significantly to 240 odd Crores rupees in H1. How should

we see this in the context of higher chip prices driving the higher devices, as well as your aspiration to deploy a lot more soundboxes?

Sameer Kamath: Pranav, I will take that question. So if you remember in Q4, we said that there was this global crisis which resulted into delayed procurements and some orders slipping up. So almost about Rs.35-40 Crores of capex actually slipped from Q4 to Q1 because of these chip problems, etc. So what you see in this year is an overflow of last year, number one about Rs.35 Crores, plus you also are now having to pay almost 80% advance to lock-in prices given that chip shortages are there, the vendors earlier worked on 20% advance, they want higher advances. So almost about Rs.20-25 Crores of advance for which procurements are still to happen, are sitting in the capex which you have seen. So I think adjusted for that, we are pretty much in the range, factored for two things. In the mid-market space, we are growing at about 39-40%. Some part of it is capex, some part of it is obviously device sold, plus we are also seeing a lot of soundboxes that we are going to deploy given the UPI opportunity. So there will be some procurement there. I think adjusted for these, there will be a normalized increase in the business given the opportunity we see. Otherwise, I think you will see more or less steady state numbers across the two years.

Pranav Kshatriya: Thank you for that. Last question from my side. On indirect costs, some jump, you talked about investment in marketing and hiring more marketing professional, especially in the overseas geographies. How should we think about this? Is Rs.425 odd Crores or Rs.426 Crores indirect cost is a new normal or it can further increase because it was very steady till Q4 FY 2026 and then Q1 was a jump then Q2 again is a sharp jump so should we expect this run rate to continue going forward.

Amrish Rau: Sameer, you want to take that.

Sameer Kamath: Pranav, two things are there. I think cloud and data cost is a real cost and I think we have always guided that when you look at indirect expenses, look at expenses which are linked to top line and which are variable. And cloud and data cost which

you see has always been trending in that 8.5% to 9% including the cloud infrastructure. I think we have put a lot of initiatives in place to optimize this, to modernize it because we are now leveraging AI and the resultant of that tokenization cost is the real cost. So that cost will remain variable to about 8% or 9% of top line. The other cost within which the indirect cost sits is the outsourced employees which are required for ground level execution across multiple initiatives, including, for example, we have won large OMC contracts, we want to penetrate into the non-CDIT segment, some of the initiatives about investing the sales people off-roll and on-roll come within the indirect cost as well. So I think those kind of expenses are variabilized, but are revenue accretive costs and that is where they will be there. Secondly, one item at a callout which is again a quarter by quarter callout, we are a large sponsor of GFF. GFF happened in Q3 last year, GFF happened in Q2 this year, so that is a cost which is switched between quarters but I think given the size of the event and the showcasing that we can do for products, I think that is an important spend for us to kind of showcase our capability and based on those capabilities we are able to monetize a lot of those opportunities. So I think one has to keep that calibrated and look from a long-term perspective. I think we are judicious about our costs. All of these costs are going towards either a new geography or a new opportunity or ground level presence to kind of build the rails for monetizing for the flow-based businesses.

Pranav Kshatriya: Thank you for your answer. Wish you all the very best.

Amrish Rau: Thank you.

Moderator: Thank you. Our next question is from Nitin Aggarwal of Motilal Oswal. Please go ahead.

Nitin Aggarwal: Thanks for the opportunity and congrats Amrish and Sameer on the results. I have a couple of questions. One is on the international business revenues. The mix was gradually inching up slightly every quarter. This quarter there is a slight dip. And if I look at Q-on-Q, this implies just 2%-3% Q-on-Q growth. So how do we look at that?

Sameer Kamath: I think look, I think overall if you see international businesses are growing in cohorts like if you see our oldest business Malaysia continues to grow at a faster click than the overall business. Some new businesses are building up. I think while the proportion is one way to look at it, I think we are looking at it as all engines of growth. If you see, there are a lot of vectors within our India business, as Amrish said, which are also becoming large and chunky. So mix is a long-term guidance. It is not something that can be trapped on a quarter-on-quarter basis. The good part is across each of the geographies, and I think Amrish gave some color on it, whether we are working in Philippines where it is becoming large, whether we are doing one lakh transactions a day in UAE, these are proof points of the fact that these geographies have accepted Pine Labs as a preferred partner for their payment and e-commerce solution business.

Amrish Rau: Sameer, I want to give one very specific reason associated with it. See, one of the things what we do in the international market, especially in Singapore, is we distribute gift cards, prepaid cards for some of the large brands. And without being specific, one of the largest retailers in the world has actually decided to move out of the Singapore market. So the distribution of those cards in the Singapore market is a business which has actually been reduced in Q2 for us very specifically. So if we actually start to keep Q2 as the base for the change which has happened from a merchant standpoint, you should be able to see that continued growth back into the business.

Nitin Aggarwal: Right. Because the reason I asked also is because our profitability in the overseas market, the tax rate will be a function of the revenue line, revenue growth number or business size that we reach up to. And it may take longer if it does not grow fast to a certain optimum size. It may take longer for the business to deliver the full profitability that it can deliver.

Amrish Rau: So Nitin just to clarify on that one, right? So when you look at this international business of ours, except for this distribution of these gift cards that we do and the

accounting policy associated with it, most of the other businesses that we have is largely what in our head, what we call is net revenues or what we call at a very high contribution margin kind of a number out there. As far as those businesses are concerned and this is really what we are doing in UAE, Australia as well as in the Philippines markets, those businesses are continuing to scale very well and revenues are continuing to grow. This distribution of this e -commerce retailer's card, which was low contribution margin business, has actually been reduced in Q2. So some of that revenues have actually gone away, but you are not seeing any material impact of that when it comes to the EBITDA line.

Sameer Kamath: Also, we see an effective tax rate, Nitin, has gone down compared to the earlier quarter and we are given a bit of a medium to long-term guidance as you would have seen in this quarter as well. So I think keep that in mind. I think that is the way you should look at our trajectory.

Nitin Aggarwal: Right. And the second question is on the issuing and acquiring business GTV. It has been running like a very range bound manner for the last few quarters. While this quarter we have seen an improvement in the revenue line, probably the take rates have improved. So how should we look at that? And how do you look at the underlying GTV growth also?

Amrish Rau: Nitin, just to again clarify on that, right, so some of our businesses, there is a certain level of cyclicality in terms of the use cases that we are actually working through. So you could very well have, and I am just going to pick up an example, you could very well have some brands doing a lot of promotions associated with some specific programs, which could be happening in their businesses. And for example, next year, they do not have the budget for it, and they have not gone ahead and invested into that. That has a direct impact on the GTV, which is flowing through our platforms. But when you actually look at what we are able to bring in at a net revenue level, that impact is not very large. So I understand what you are saying when you look at a GTV level, but just because of cyclicality of the businesses that

we work with, sometimes GTV does not very well capture the revenue, which is associated with that business.

Sameer Kamath: And if you look at it from a trend perspective Nitin, H1, GTV has grown at about 20%, adjusting for that. So H1, the GTV has grown at 20% plus.

Nitin Aggarwal: Okay, and the last question is on the employee expense growth. It has been running at low single digits and how should one look at this? What is the total employee count and how do we plan to ramp that up as we now want to focus more on the DCP installations?

Amrish Rau: Sameer, you can give the specifics to it, but just at a high level, yes, we have increased our sales people across board, may that be in terms of post-sales, issuing side of the business, sales in that online segment, as well as what is happening in global markets. So we have made investments on the sales people side, which will have an increase from the number that you would have seen in Q1 and Q2 when it comes to sales people and the overall wage bill. We are not giving guidance in terms of where it could be. Sameer, you want to add into it?

Sameer Kamath: No, I think we are about 5200 people. If you see we have added net about 675 to about 680 people. Almost all of those people are in sales and are some bit of field ops, which support the sales in terms of incremental deployment. I think across the back office, tech, etc., we have seen very minuscule incremental hiring compared to, and I think we are in line with what we have been telling in the Street.

Nitin Aggarwal: Right. Thanks Amrish and Sameer. Wish you all the best.

Sameer Kamath: Thank you, Nitin. Thank you very much.

Moderator: Thank you. Our next question is from Jayant Kharote of Axis Capital. Please go ahead.

Jayant Kharote: Congrats Amrish and congrats Sameer for a great set of results. First one, I will pick your brain a little bit on MDR and UPI only. So, if we take this 20,000 current run rate and assume, let us say of the 11 bps through the acquiring group, you are able to retain 9, 10 also. We are making, at the least it is looking like a 140 Crore odd bump up. And then of course, we aspire to take it to this 4 lakh Crores sort of a run rate where at its peak, it looks like 230 odd Crores. And of course, because some of it may not be fully the fixed rates, Rs.5 one, some of it is capital market. I do not know if we have that, but I guess we may not have a lot of that. But which means at the lower end, it could be if we take as low as 5 or 6 bps, we are looking at 80 to 120 Crores. So, I am trying to build a spectrum of outcome from 80 to 230 Crores. All these numbers sounding correct or am I off?

Amrish Rau: Jayant, the numbers are correct, but I am going to tell you a funny back story here. So when we were a private company, anything which related to government handouts or PIDF and some of these things, we do not do booking until the money comes in the bank account let it come into the bank account, then we know that this is all thing is working fine, right? Similarly here, as far as MDR is concerned and the income associated with it, by your number in the spectrum is absolutely right. We built a resilient strong business on his own. As and when that comes in, only then you know you should really start to count our chickens. That is the way, at least the way I run my business out there. But the numbers and the calculation that you have shown in general is correct. If you ask me, having said that we just want to look at our business, what is under our control, and we will just wait till this whole MDR gets implemented.

Jayant Kharote: Perfect. So, I will take it to the second level. We assume this is correct and MDR on UPI is happening and then of course this plan of 10 lakh deployment, right? It feeds into, I am assuming A feeds into B. So, this is probably showing a pivot to more in investment phase starting in the company or maybe I am reading too much. So, is that the thought process or this is just something that was anyways going to happen and MDR and UPI has probably made it a little more positive.

Amrish Rau: I would say it that way. The other thing is today if you look at soundboxes, soundbox costs what, Rs.500, Rs.600 or even lower than that. Honestly, 10 lakhs is not a material as a number from a capital expenditure standpoint also. What it is a material number is from the number of sales people and people which will be going up and signing up merchants. I think that is the more material number to look for. And that I have called it out saying that we have already been hiring for it and we have some strength which has already been built up. But in terms of pure soundbox-related expenses and capex, I still think that it is the immaterial number.

Jayant Kharote: Okay, so I will tell you why, a slight concern is last two quarters and then I had asked this to you last quarter as well that our EBITDA margins are tracking a little bit shy compared to last year. 1Q, we were told a slight one-offs that happened. But as I am seeing 2Q and I compare 1H to 1H, probably we are still tracking lower on EBITDA margins. Clearly great job on the growth and rightly so, but the worry is the incremental growth coming at a slightly dilutive margins for us and then do you want to revise your full year EBITDA margin guidance?

Amrish Rau: No, not at all. Not at all on both the topics. The way I am looking at it is, look, I am in that camp which says that, and I have been doing this for many, many years, payments business should be generally an EBITDA expanding business and it should be a significant cash generating machine over a long period of time because as you increase the number of transactions that you process on your platforms there should not be a direct incremental cost associated with it and hence your EBITDA should generally keep on expanding and at the same time you should be able to deliver cash in the business. So from my standpoint, I totally believe in the fact that you will have a business wherein your EBITDA will keep on expanding. However, what happens in the payment business is when you actually go ahead into a sales team expansion, the sales team becomes productive and remunerative only over a nine month period as such. So invariably for the first nine months, the sales people do not really return back the expenses related to their salaries and their costs and so on so forth. So that is the "pill" that we have to work

through. And you do that when you can see that there is enough opportunity in the market. Right now we are seeing enough opportunity in the market hence increase the number of sales people, hence be able to show that in nine months' time that should be able to drive revenue growth in your business. So that is how I am thinking about it. By no means I am actually trying to say that my EBITDA guidance will get lowered. Anyways, as you drive more of flow-based income of our platforms, our EBITDA will continue to expand. I do expect the H2 EBITDA will be at a much higher position than where it was for H1.

Jayant Kharote: So, so fair to assume, I think you were 21% last year, you are tracking 18, which means second half should be for the full year, you are still expecting something on top of 21.

Amrish Rau: I am, I am expecting to come in at 21 at least.

Jayant Kharote: Great, great. Congrats once again and all the best.

Moderator: Thank you. Our next question is from Pranav Gupta of Axis MF. Please go ahead.

Pranav Gupta: Just a clarification on one of the previous questions. The one million deployment that we are talking about, is it fair to understand the large part of it is to soundboxes rather than the full service machines or am I misunderstanding that comment?

Amrish Rau: See full service machine we have already taken care of it that is in our plan that I am not saying that you know I am calling it out separately at all so whatever is our natural growth of deployments or natural deployments in the market that is going to continue exactly in the same way. What we felt was that there were transactions that we were missing out of our existing merchant base because of a lack of having a soundbox at that same merchant location for which we said that we will go ahead and deploy about 10 lakhs more POS machines in that market. I just want to clarify out there, by no means I am trying to say that we will go after a lower segment of the market, go and sign up merchants which have not traditionally

been in the Pine Labs target area. That is not our idea. Our idea is where we are present in. If there are transactions that we are losing on UPI, let us capture those transactions. And that is where the 10 lakh soundboxes deployment number came from.

Pranav Gupta: Okay, so just a follow up to that. I mean, would not it be fair to assume that the merchants who are already using your full-service machines would already have UPI capabilities embedded in those. What am I missing here in terms of understanding?

Amrish Rau: Pranav, this is a nuance which, honestly, as a common consumer, you and I do not notice it every day. But what happens is you will have a merchant which will have, let us say, a POS machine out there. And just on the corner of the table, there might be another soundbox also kept there. So while the POS machine, which is fully integrated into their billing system, might be doing 80%, 85% of the transaction, there could be these 10%, 15%, 20% of the transaction which could be just going to the soundbox out there. Today, we have been taking an approach that says, do not want to bother with it. As it is UPI, there is no monetization out of it. So let it go where it is going to. Now I am saying, no, no, no, I want that 20% also to come to me and might as well put up a soundbox out there and keep it. Without getting very specific about the merchant name, for example, there is a large merchant, which has POS machines from Pine Labs and has soundboxes from somebody else. And I am like, you can do the same QR code transaction on the POS machine. You do not need soundboxes. But they still had the soundboxes those are the things which we have been missing. We said we should take that back.

Pranav Gupta: Right. But just for you to sort of belabor on this point, but only question was that is not this more of a sort of a lack of understanding or lack of whatever, being mindful on the merchant side and can be solved by just.

Amrish Rau: I do not disagree with you, Pranav, that it could obviously happen on the platform, but we are seeing enough and more such use cases where these transactions are getting missed. And I said, let us pull those transactions in.

Sameer Kamath: And Pranav, also, important thing is, it is also to interface, right you have to also think of a consumer, on a crowded day, if he sees it takes a little more time, he would want to easily swipe on a QR code on a soundbox. And that is the volume which we are okay to miss earlier because it was non-monetizable. Now that it is monetizable, you can get the full wallet share. So also keep in mind the consumer's behavior is coming into the large format store and using that service.

Pranav Gupta: That is the first question. The second bit was on the…

Sameer Kamath: Sorry, Pranav, you have gone on mute. Pranav, we cannot hear you.

Pranav Gupta: Sorry. Apologies. So the second question was on the UPI GMV, and I think you already partially answered that. But could you give us a sense of a split of the non-CDIT, how the mix is in terms of the type of merchants or the category of merchants, specifically asking on the UPI TAM that you spoke about? So some bit of it would be CDIT, but within non CDIT, what would the mix look like?

Amrish Rau: Pranav, I am not understanding the question. Can you explain again?

Pranav Gupta: So you mentioned that 75% or 77% of transactions on all the devices are UPI transactions. What I am trying to understand is that for non-CDIT GMV, what is the mix of merchants or merchant categories for UPI?

Amrish Rau: So like, for example, you got DMart, you got Trent, you got Shoppers Stop, you have got Reliance, the grocery business. All of those are doing both UPI as well as card on our terminal. And even there we are getting to see more than 50% of the transaction at a minimum being on UPI.

Pranav Gupta: Sure. Okay maybe my question was a little different. I will take it offline. Thanks.

Moderator: Thank you. Next question is from Avnish Tiwari of Vaikarya. Please go ahead.

Avnish Tiwari: My first question is that your peer highlighted that on the online, at least on merchant side, there is a profitability pressure and they let go of some business there. You are growing quite well in your merchant business. I am assuming it is mostly offline and online is for you, a category you are building up. So any part of these two businesses, are you experiencing a profitability pressure either because of competition or bargaining power by customers which we should probably incrementally if you are hired. I know numbers are good, so Q2 have a good number maybe underneath are you experiencing any of those pressures?

Amrish Rau: Across our offline side of the business last quarter I did highlight that there is pricing power which is coming to the business. So I am not seeing any pressure on that side. On the online side of the business also, I appreciate the fact that sensible approach has been taken where price ups are happening in the market. The way I look at it was, if there are businesses which are doing price ups, there is a level playing field which is out there. It is allowing Pine Labs to actually gain market share from other competitors. So in our case, that becomes totally a net new revenue which is coming to us. So I am not finding any pricing pressure when it comes to the online side of the business.

Avnish Tiwari: Second question I have for Sameer. If I look at your margins, they have picked up the IAP. Early last quarter you had a bit of a mix which was affecting you. This quarter it has become better. Even your cash flow which you report has come out very strong this quarter compared to last quarter. So maybe you can just articulate. You have grown well also alongside. If you can articulate this cash flow rise, whatever you are trying to track for the year, are you experiencing positive or neutral or negative bias to that?

Sameer Kamath: Sure. So what happens is we have explained this unfortunately, now we have one full year of being listed to demonstrate it. Inter-quarter, you will have cyclical cash flows, but we have always guided and I think we have given a harder guidance that

between 13% to 15%, 16% of our net, of our top line, a net working capital will land and then obviously we have mentioned about early settlement etc. which again follows the cycle of the festive period. We are within that range so if you see even last year first quarter was negative, second quarter was positive, third quarter again lands up being a high cash flow but it evens out and for the full year you are within that range. I think this evidence is that having said that it has been a constant drive to improve our collection efficiency, improve our systems and processes. And I think we are seeing some benefits of that. I would not extrapolate this quarter. I would say we have done well in this quarter, but it is not to be extrapolated. But for the full year basis, we remain guided to that range, which we have, which is about 13% to 15%. So that is where we are on the cash flows. You also mentioned about the margins, right? You are talking about the CM margins?

Avnish Tiwari: CM margins, yes correct.

Sameer Kamath: So I think we have always guided that the CM margins are driven by a mixe change, which happens between the issuance business and the DITP business. Within those businesses, the DITP business continues to hold healthy margins between 81% to 82%, 83%. The issuance business obviously has seen a strength getting built out in the distribution business, especially on the international side and obviously now we are building new use cases. So it kind of compensates for that. So we have always guided that that will be in the range of 52% to 56%. We will be in that range. That is also because we have ramped up distribution because we are going as an integrated player for some of our use cases. We do not just create a backend. We also create a use case for customers to be brought into these brands. And therefore, distribution becomes a very important play. We have ramped up a lot of that distribution in the domestic side as well as we are building international. So I would say 52% to 55% is a range we would give. It will be in that range and the mix will kind of drive where the overall numbers are, which is between 72% to 75%.

Avnish Tiwari: Great. Just clarification, the Q3, seasonally speaking, will have a negative cash flow and then Q4 again positive. Seasonality aside, trailing 12-month is right benchmark.

Sameer Kamath: Absolutely. Because large part of the, depending on how the festive season goes, the early settlements will come in, offers come in. I think a lot of offers will come in during Diwali. So all of that will lead to that cycle. But that is something that we already planned for. Obviously, Street has looked at us now for every quarter and I think this is moving in that trend. But yes, internally also we are working a lot to build our overall efficiency within what we have as a working capital cycle.

Avnish Tiwari: Great. Thank you and wish you very best.

Sameer Kamath: Thank you.

Moderator: Thank you. Our next question is from Prakhar Sharma of Jefferies. Please go ahead.

Prakhar Sharma: Thank you and congratulations Amrish, Sameer and the team for great numbers and great disclosures. I just have two questions. On this investment towards this soundboxes sort of network, what is the thought process you have in terms of the type of merchants you want to deal with? Are these people already mapped within the system? And if that is the case, is there a rental that will apply like Paytm sort of a company recovers, let us say Rs.50-Rs.60 or so as a monthly rent. So should we think that there is a rent plus MDR or it is only MDR and the device that is included there?

Amrish Rau: Prakhar, first of all, what I will clarify out here is that we are not going after net new merchant segment. And hence, I would see these to be consumed within the base that we are operating in today. Or there it might be an expansion in an adjacent kind of a merchant base out there, but we will not be going into another segment because that is not of interest to us. We want to be at a place where it is an organized retail and there is some technology requirement out there. That is the way I look at it. That is point number one. Point number two out there, no, on the

soundboxes, our approach will not be charging Rs.125 or Rs.130 because the way I look at it is, I do not see both happening at the same time. So a merchant giving Rs.130 and also giving 40 basis points or whatever the net of 10 basis points both, I do not see it happening in the market at the same time. One of the two will remain and we rather remain on the transaction instead of the base soundboxes number. Merchant cannot afford to be paying Rs.125 plus also being paying 40 basis points on every transaction. It is just price prohibitive for them. So we think that market going forward will have one of the two commercials attached to it. And from our standpoint, it will be much more on the transaction side.

Prakhar Sharma: Got it. And should we think that let us say 70%-80% of the people who will end up taking your soundboxes would be people who already have your EDC machine?

Amrish Rau: Yes.

Prakhar Sharma: Yes. Okay. So, you have this as part of VAS revenue that the QR code generation is part of your VAS line. So, are these machines not able to generate those dynamic QR codes or that is a costly affair? That is why you want to move with the standardized?

Sameer Kamath: So, Prakhar, we just explained that in earlier talk. So, I will quickly say, so while everything can be done, sometimes there is 10%-15% of the volume. On our existing counters where we may have a soundbox of some other player, who we have right now, let go because it was not a monetizable event and only a cost event. For the same counters, it could be for various reasons including what we discussed earlier, a customer wants to do it, it is more convenient, merchant education, etc. Today, we want to capture 100% of that. It is a captive base. So it is not that you have to go hunting. It is just you have to go and harvest those clients for the additional volume so that we get 100% of the wallet share. I think that is the simple strategy we are going. So identifying merchants, getting better wallet share, getting moving more into transaction based revenues versus just the pure rental because there is a certain volume scale up that we see across the business.

Prakhar Sharma: And for the Singapore client insight that you gave, assuming if it is metro, is the effect of that discontinuance already in the numbers in this quarter or we think that next quarter onwards is when we will start to see the full quarter effect, etc.

Amrish Rau: It is already there in the quarter. I also do want to highlight it is that as far as so from a distribution standpoint, this is revenue, which was getting booked out there. But in terms of a materiality from an EBITDA standpoint, it was still an immaterial one in our business, but it is already there in Q2 there. And now that you mentioned it, it is not metro.

Prakhar Sharma: Okay, sure. Thank you. Perfect. Thank you and best wishes. Thank you.

Moderator: Thank you. Our next question is from Divyansh Thakur of Finterest Capital. Please go ahead.

Divyansh Thakur: Actually great results and I saw in your presentation and press release that 89% of the code changes are being done by basically AI agents. And we have seen a great interest or increase in the AI agents across US with the launch of Muse collaborating with Shopify and everything. So I just wanted to get your view on that you see this space shaping up going ahead and with different because there will be many guardrails that will be coming around regulatory guardrails so how do you see just wanted to have your view on that.

Amrish Rau: Divyansh I want to point you to two artifacts, which are already being published by us you should look up an artifact called AgenticOrg on the internet and the second is called Grantex, grantex.dev. In AgenticOrg we have actually open-sourced agents and second on grantex.dev we again open source the guardrails which are required to manage agents. So what we did was we basically created the enabling infrastructure as far as agentic commerce and agentic payments are concerned. Second is, during GFF, the Global FinTech Festival, we actually demonstrated a transaction where two agents were transacting with each other, buyer agent and seller agent, and there was no human involved into it, and we were able to drive

those transactions. As you are rightly saying, we do see that in the future, there could be transactions more coming out of a Muse or Instinct. And from our technology standpoint, we are fully ready to power that. And then comes the final piece to it is consumers are still extremely uncomfortable to give their cards and their bank account information to personal agents. We have actually been working on the solution over the next two months and looking forward to what we will deploy when it comes to payment services from a consumer standpoint.

Divyansh Thakur: Okay. That is really great to hear and looking forward to much more progression. Thank you.

Moderator: Thank you. With that, I hand the floor back to Mr. Amrish Rau for closing comments.

Amrish Rau: Thank you very much. Look, as I covered in my opening remarks, we have had a fairly strong Q2 in the business. I think the most important takeaway which I wanted to leave with all of you is that we are seeing enough opportunities opening up in the market and not just around UPI, but in our core businesses around issuing services as well as on the acquiring services. We feel that this is the reason why we are feeling very confident that we will come in higher than the 23%, 23.5% of revenue growth that we had talked about at the start of this year. And for doing some of these, we do want to invest in when it comes to sales people. And that is something that we have already committed to. So in general, feeling good in terms of what we can see as far as two quarters out from today. Thank you very much for joining us.

Moderator: Thank you. On behalf of the leadership team, I would like to thank you for your time and for your continued interest in Pine Labs. Should you have any follow up queries that were not addressed, feel free to reach out to the Investor Relations team. Thank you everyone and goodbye.