

Manipal Payment & Id

Operator: Ladies and gentlemen, good day and welcome to Manipal Payment And Identity Solutions Ltd. earnings conference call. As a reminder, all participant lines will be in listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Please note that this meeting is being recorded. I now hand the conference over to Mr. Anup Pujari from CDR India. Thank you, and over to you, sir.

Anup Pujari – CDR India: Thank you. Good evening, everyone, and thank you for joining us on MPI's Q1 FY27 earnings conference call. We have with us Mr. K. Girish Kini, CEO and Executive Director; Mr. Ramanathan Pai, Chief Financial Officer; and Mr. Mayank Botika, Head Strategy, Finance and Treasury. We'll begin the call with a presentation by the management, following which we'll open the forum for an interactive question-and-answer session. Before we start, I would like to point out that some statements made on today's call may be forward-looking in nature, and a disclaimer to this effect has been included in the earnings presentation shared with you earlier. I would now like to hand over to Mayank to begin the presentation.

Mayank Botika – Head Strategy, Finance & Treasury: Thanks, Anup. Good afternoon, ladies and gentlemen. Thank you for joining us. Before we embark on Manipal Payments, because this is our maiden call, I wanted to take you through the Manipal Group. We represent the Manipal Group, promoted by Mr. Gautham Pai. Mr. Gautham Pai is a third-generation promoter and joined the business in the late 1990s or early 2000s.

Just to give you a quick overview of the history of the group, Gautham's grandfather was instrumental in setting up Syndicate Bank before independence. As you know, coastal Karnataka has been a citadel of banking. A lot of banks originated from that geography. The Pairs originally wanted to formalize banking, and once banking was formalized, the group ventured into other businesses, such as education, healthcare, media, print, and so on.

Fast-forward to today, the group has around 14+ businesses divided into three major platforms: the legacy BFSI platform, where Manipal Payments is our flagship arm; the consumer platform; and what we call ancillary platforms, where we house businesses like CPC, print, advertising, and so on.

In terms of how we operate, all of these 14 businesses are managed and operated by individual CEOs running professional teams, and the CEOs own the P&L for the business. Gautham's intervention in the business is predominantly threefold: corporate actions, C-suite hiring, which means leadership minus one, and strategic direction in which he would engage with the operating entity.

In that sense, we operate more like an evergreen fund. Manipal Payments is the first of many companies that has now been listed, and we believe that the group has the potential for a few more companies to access the capital markets in the near future. I would now like to move forward and ask Girish to take over the business.

K. Girish Kini – CEO & Executive Director: Good evening. I am Girish, the CEO of the company. I've been part of the group for the last 30 years and have been part of MPI since inception. I welcome you all to the first earnings call of MPI. I'll be covering an overview of the business, and later I'll summarize the entire Q1 performance.

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We are a leading player in the domestic payment card market, with a market share of more than 21%. Among public sector banks, we have a higher market share of 27.4%. We have more than a billion National ID tags in 12+ languages. As part of our driving license contract, we have offered multiple services at more than 80 locations across multiple states in the country. We are now present in 15+ countries with four subsidiaries.

Globally, we are ranked 10th in terms of shipment of Visa and Mastercard cards, excluding China. If you look at the global market, close to 20 billion cards are in circulation and the market is growing at a CAGR of around 2–2.5%. The top 10 players hold around 71% market share, which is highly gated by certifications and presence in multiple markets.

In India, close to 377 million cards were shipped last year, and the market is growing at a steady CAGR of 13.1%. The top four players hold a share of close to 90%, and MPI holds a share of close to 21.7%. We have a short video that will give you an overview of what we do within the business.

Corporate Video Narration: Every time a card is swiped, an identity is verified, or a payment is completed, trust is at work, and trust deserves the right place to belong. It starts with us.

We are Manipal Payment And Identity Solutions Ltd. Our roots run deep, born from the Manipal Group's legacy of trust, established post-independence in 1948 with printing and later expanding across media, banking, energy, and infrastructure.

As payments evolved from paper to plastic, MPI embraced the change, designing and producing millions of cards that carried security and style. We handle data on the chip, encrypt and decrypt on it, and innovate at every layer, from applets to design, to keep every transaction safe. This trust is upheld by certifications from Mastercard and other global payment networks and defined by a flawless history of zero security breaches.

We proved our mettle with metal, transforming laser-cut technology into an art form, engraving every card with precision and refined beauty. The quality of our metal card engraving resonated globally and aligned with industry standards. Our globally patented metal card process has earned the trust of India's top metal card issuers and leading fintechs worldwide.

At our high-security facilities, we craft cards that endure pressure, heat, and time, built for a world that never stops moving. We take banking beyond branches with advanced multifunction kiosks that accelerate customer onboarding beyond just passbook printing. They enable instant account opening and card issuance.

With more than 5,000 kiosks in India and globally, we power one of India's largest and most trusted kiosk networks. We don't just build solutions; we power them faster, smarter, and always alive. We are evolving with the future of payments, from contactless wearables to seamless FASTags, and strive to make every transaction effortless.

When nations needed deeper protection, we created Intaglio ink tax stamps with more than 18 advanced security features, built on both paper and polyester. As global supply chains grew, we matched their pace with IoT and traceability platforms that track products across continents, assigning every item a tamper-proof digital identity.

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We provide secure and personalized identity documents, from driving licenses, registration certificates, voter identities, and national identities. Our technology personalizes each of these documents with tamper-proof assurance.

As cities grew faster, we helped them move smarter by building transit systems that track vehicles, manage routes, and protect every passenger. When authenticity matters most, our holograms safeguard identities, brands, and even elections. They don't just shine; they protect.

With four global subsidiaries, sales teams across multiple international markets, and our products exported to more than 40 countries, our presence is truly global and continually expanding. We are MPI, a part of the great Manipal legacy, where innovation meets integrity and expertise evokes trust, now and in the future. MPI: engineering the future of payments, identity, and smart tagging.

K. Girish Kini – CEO & Executive Director: Our business is highly regulated, and we need to have certifications from multiple payment schemes. Therefore, entry barriers are very high. Each product we manufacture will be covered by secure data, which makes it unique. Data is a very sensitive element in the business.

We need to be certified by PCI DSS and ISO 27001 and 27035. We have heavily invested in our IT infrastructure, cybersecurity infrastructure, and manufacturing certifications. We do not just offer products; we offer technology, solutions, and services bundled around the overall offering.

We have categorized our business into two major categories: Core Business and Emerging Business. Within Core Business, we have our domestic payment cards, followed by government ID, digital automation, bundled offerings, and secure logistics, which are the extended arms of domestic payment cards.

Within the Emerging Business, it is more of a high-growth segment, scaling from India to the world. The major vertical is exports to more than 15 countries through our four subsidiaries. Then we have metal cards, both in the domestic and global markets. We have a tax stamp business leading into the revenue assurance and revenue security space. RFID and IoT are new verticals that we started during the last year.

Overall, MPI has been innovative from the beginning. As the industry evolved, MPI led the change. When magstripe cards were converted into chip-based cards, and chip-based cards were converted into chip-plus-tap-based cards; when metal cards came to India; and especially in the identity space, when driving licenses were converted to polycarbonate; when tax stamps were launched with Intaglio; and when instant issuance was launched in the country, all these changes were driven by MPI. Today, we are a global company offering all these services across multiple markets.

I would like to cover a glimpse of our domestic business. We have a relationship with almost every bank in the country. If you look at our relationships, they are more than 15 years old with all the top banks, and our revenue mix is very even between PSU and private banks.

We have onboarded more than 50 fintechs in the payment card space. In terms of government, we have more than 17 contracts with both state and central governments, and these are all multi-year

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and long-term contracts in nature.

In the NCMC and transit space, we are leaders, and we have rolled out multiple projects for multiple—

Management: Metro and public transport, especially in the {? must state ?} of Maharashtra. Overall, in terms of operations, we have 19 locations, and at four locations we offer completely one-stop bundled solutions. Our long-standing relationships with customers act as an entry barrier against all the new entrants in the business.

In the digital automation business, we help banks automate the services within their branches. We have multiple offerings in this space, such as instant account opening, instant card issuance, cheque depository, passbook printing, and multifunction kiosks. Here, we offer hardware plus software. The software is deployed across multiple branches, and the services are managed around both the hardware and software in this offering.

Overall, we have more than 50,000 deployments across multiple banks in the country. Globally, we have deployed more than 30 kiosks in multiple European airports, where any customer can walk in, including customers of a large neobank. Any customer walking into the kiosk can scan the QR code and instantly obtain a personalized card, forex card, or prepaid card from the kiosk. We have significant demand coming up from tier-one and tier-two banks globally.

In government ID, we have multiple offerings in this space, such as citizen cards, voter ID cards, driving licenses, ration certificates, and national IDs. Globally, driving licenses are made on polycarbonate cards with laser technology, where the shelf life of the card lasts for more than 10 years.

We were the first to launch this in the state of Maharashtra for a period of 8 years, in Chhattisgarh for a period of 10 years, and in the Andaman Islands for a period of 5 years. It is a large segment and a significant offering within the domestic space. We have been producing national IDs for more than 8 years. We have supplied 100 million cards for national IDs in more than 12 languages.

This is an annualized business. When an individual is born, turns 18, or changes address, these cards are issued. Overall, with the volumes we have achieved in India, we stand in a very {? soulful ?} position to address all the global requirements. We have participated in more than 7 to 8 large projects globally for driving licenses and national IDs.

We started our export journey almost 4 years ago. We have people and sales teams working across multiple markets, as well as partners in multiple markets. We are now present in 5 regions: APAC, the UK and Europe, the Middle East and Africa, LATAM, and the US.

Our entire model is to manufacture in India for the world. If you look at a card, 90% of the card's revenue comes from the base card, which carries the bank branding and the theme branding. This portion of the card is produced in India. The remaining 10%, which is personalization—basically, the name, number, and secure information that goes inside the chip—is manufactured in the local market because of data localization laws. This portion of the activity has to be carried out in the local market.

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Our Nigeria bureau is fully operational, and we have supplied base cards and personalized cards to multiple banks in this market. Our revenue has been growing at a CAGR of 116%. In FY23, close to 7% of our revenue was from exports. In Q1, we are at around 15% of our overall revenue, and we delivered revenue worth 64 crores in Q1. We are very confident about expanding the export business and our international business in the coming quarters.

Metal cards are a very niche and premium segment. We are seeing a significant amount of movement in the HNI space in payment cards, and the realization per card is almost 20 to 25 times that of a traditional card.

During the last year, close to 64 million metal cards were issued globally, growing at a CAGR of around 15%. The US is the largest market. In India, the CAGR is around 47%, and close to 2 to 2.2 million cards were issued in metal.

Within this space, there are very few players globally manufacturing metal cards. This falls into the branded category, like pharmaceuticals, where manufacturers have patents granted in multiple markets. Today, we are one of them, and we have patents granted in India and multiple other markets.

We have supplied cards to all the top four issuers in the country. We have supplied all the top-notch variants, such as HDFC Infinia, Diners, and SBI Aurum, in the country. We have supplied cards to the largest neobank in the global market, as well as to multiple other customers in the global market. This segment is a high-margin, high-growth segment for us going forward.

Every state today generates revenue from the sale of liquor. A state such as Karnataka would generate close to 30,000 crores in revenue. This tax stamp, using Intaglio technology, secures revenue for the state. All global currencies, including Indian currency, use this Intaglio technology.

We offer this to multiple states in the country. We do not just offer the product; we also offer the authentication solution, where the movement of liquor from the distillery to the warehouse and from the warehouse to retail, as well as the authentication of the tax stamps by inspectors in the field, is completely verified on our platform.

We also see significant opportunities in the global market, where governments are looking to protect tobacco, alcohol, and pharmaceutical revenues. This is also a high-growth and high-revenue segment for us going forward.

In RFID and IoT, we invested heavily during the last year in converting to inlay manufacturing and personalization. Our objective is to offer soft tags, hard tags, hardware solutions, and software platforms for multiple segments.

Retail has gained significant traction over a period of time, and large retail customers have real-time control over their inventory movement from the warehouse to retail shops and online stores. We conducted significant business with a large retailer in the first quarter, and we are working with multiple retailers to expand our presence in the RFID space. We are also looking at other segments, such as jewellery, logistics, and pharmaceuticals.

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This business is growing at a CAGR of around 15%, and we clearly see opportunities outside the domestic market. As we are present in other markets, we are looking to address these requirements in those markets.

I will now cover the Q1 highlights. We closed Q1 with revenue of 419 crores, which is 48% higher than last year. That is a good number, but what I am more pleased about is where the growth came from, because it came from two directions at the same time.

Our core business, the business many of you know us for, grew 22%, and our emerging business grew 2.3 times. Emerging businesses now account for 37% of our revenue. We are building the new without slowing down the old. I think that is the real story of this quarter.

Within the core business, banks do not come to us just for a card. They come to us for the entire job. With our bundled offering, a bank gets the card, cheque book, welcome kit, and secure delivery right to the customer's door, all from one partner. That is why they stay with us.

Some of the wins in the first quarter include more than 9 contracts. We also renewed a large public sector contract with a small finance bank, rural bank, and cooperative bank. We supported around 10 new card launches. In the digital automation space, a large public sector bank placed an order for more than 360 passbook kiosks.

One area I personally want to highlight is NCMC cards and transit. We were among the early players in NCMC transit cards. It is one card for the metro, bus, and everyday payments. Today, many payment players, including a large prepaid and payment company, issue their NCMC cards with us.

As more Indian cities bring their metro and bus networks onto this standard, demand for these cards will grow with them. We supply metal cards to India's four largest card issuers. This quarter, we added 3 new metal card customers, and we now have more than 10 metal card designs in the market across leading issuers.

If you ask me what has changed the most at MPI in the last 3 years, it is the international business. In FY23, international business accounted for about 1% of our revenue. In FY24, it was 7.2%, and in this quarter it is 15.3%.

The model is quite simple. We make the cards in India at the India cost and personalize them close to the customer, either in our bureau, with a local partner, or inside the bank.

In Q1, we added 10 new banks and fintech customers abroad and entered 4 new countries. Five of these customers are in the Middle East and Africa, including a large bank in Africa. Our existing customers in Europe, Africa, Latin America, and Southeast Asia also gave us more business.

Our Nigeria bureau is now fully certified and delivering cards to banks, and our 31 kiosks are issuing cards in Spain today. We are not just exporting a card anymore; we are exporting the card, personalization, metal upgrade, and kiosks.

In tax stamps and RFID, the question we answer is the same: Is this product genuine? By industry estimates, we run one of the largest excise label systems in the world across multiple states. Excise officers check our labels in the field using our mobile app.

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This quarter, we added a new multi-year tax stamp contract, and in RFID, a large retail program scaled up during the quarter.

What connects all of this is the technology we have built, Ardent. Our own software personalizes cards securely, issues them instantly at a branch or kiosk, and tracks every secure delivery across more than 19,000 PIN codes.

We also built our own RuPay chip software, and we have 5 registered patents with more than 30 additional patents filed. To sum up, we are growing at home, growing faster abroad, and our intellectual property has strengthened our balance sheet to support both.

The number of contracts we have won this quarter are still in the early stages of billing. For us, the focus is very simple: execute quarter on quarter. With this, I hand over to Ramnath to cover the Q1 financials.

Ramnath: Thank you, sir, for providing the detailed business highlights. Before I move to the Q1 numbers, I would like to give a brief overview of our historical financial performance so that it provides a fair idea of how our financial performance has developed over the last 2 to 3 years.

In terms of revenue, we have grown from 902 crores to 1,326 crores at a CAGR of 14%. This revenue increase is coming from two factors: a combination of value and volume. Directionally, we are moving toward high-value products such as {? NCMC ?}, bundled offerings, and metal cards.

Within revenue, exports have increased significantly. They have grown 10 times over the last 2 to 3 years, from 9.5 crores to 95 crores. Today, we have reached more than 15 countries through our four international subsidiaries and 5 sales offices.

EBITDA has expanded significantly over the last 3 years. It has increased from more than 19% to more than 33%. The major contributors to this expansion in the EBITDA margin are the favorable product mix. The share of our revenue from digital automation, metal cards, and tax stamps has increased substantially.

Economies of scale and operating leverage, which we are getting because of the increased revenue, are favoring the overall margin expansion. Backward integration has also contributed. Today, we have our own RuPay chip applet. We manufacture the inlay that goes into the cards in-house, and the technology platform required to run the entire operation has been built by our own IT team.

PAT is increasing in line with the EBITDA margins, with the typical conversion from EBITDA to PAT being 60%. PAT has grown from 13% to 18.68% as of FY24. Currently, we do not have any funded debt on the balance sheet.

Coming to the working capital cycle, we have a standard 70-day working capital cycle. Inventory is 55 days, receivables are 45 days, and this is reduced by 30 days of payables.

In terms of return metrics, our return on capital employed is above 32%. This is despite the significant investment we have made over the last 2 to 3 years and the cash balance we were holding as of March 31, which was more than 220 crores.

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Over the last 2 to 3 years, we have invested roughly 300 crores in capex, mainly to increase our capabilities and capacity in domestic as well as international operations. Again, we do not have any debt in the system.

Management: We are completely debt-free, apart from the non-fund-based limits that we use to provide bank security to customers.

We have IPO proceeds of 320 crores, of which 238 crores is earmarked to start the expansion of manufacturing capacities, mainly for metal cards, tax stamps, and international operations.

Coming to the customer profile, the overall vintage of the top 10 customers is more than 12 years. Our customers are therefore highly sticky in nature. In terms of customer concentration, we have been adding multiple regions and multiple businesses over the years. Accordingly, customer concentration has dropped from approximately 62% to 58% in FY26.

I will now move to Q1 FY27. These are our first quarterly results since listing, and the quarter has seen strong growth across both core and emerging businesses. Our revenue from operations has grown 48% year-on-year to 419 crores. EBITDA has grown 44% year-on-year to 124 crores, with a margin of close to 30%. PAT has grown to {? 75.7% ?}, which is 2.3 times last year, and the margin has again improved significantly to 18.3%. Our share of international business has reached 15.3%, compared to 3.9% in Q1 FY26.

Coming specifically to international businesses, in Q1 this year we added Nigeria as a region. It is fully operational and certified, and we have started supplying cards from there. Today, in Q1, this is the largest international bureau for our business.

Our core business has delivered growth of 22%, and the emerging business is 2.3 times last financial year. I will take you through the core and emerging businesses shortly.

Let me now walk you through the P&L for the quarter in a little more detail. Revenue from operations has grown to 419 crores, which is 48% year-on-year. Of this 135 crores increase over Q1 FY26, more than two-thirds of the contribution is coming from emerging businesses. The entire quarter was led by emerging businesses, with the core business continuing to grow steadily.

Operational EBITDA grew 44% to 124 crores, which is roughly {? 0.8% ?} lower than the Q1 FY26 number, but it is higher by 1.7% sequentially.

This quarter, we faced a couple of headwinds in terms of input costs. Geopolitical issues have increased our raw material costs, and the weak rupee has increased our overall imported material costs. Despite this, the overall operating leverage we are obtaining has helped us hold on to our margins, which are around 30%.

Our overall fixed cost has increased from 104 crores to 126 crores, an increase of roughly 22 crores, whereas our overall revenue has grown by 135 crores. This is the overall leverage we are obtaining. As a share of revenue, overall fixed costs have {? decreased ?} from 36.5% to 30%.

PAT grew to 2.3 times year-on-year. PAT margin increased substantially by 6.7%, and EPS grew from 1.57 to 3.39. One thing to note is that PAT is after absorbing 7.7 crores of {? seeding and

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development cost ?} for our new initiatives.

We classify our business into core and emerging to provide better visibility into where our growth is coming from. We have built our core business over a decade, which has reached approximately 1,000 crores over the last 10 years, and it is now compounding at a healthy rate.

During the quarter, the core business grew 22% year-on-year. The major growth drivers for the quarter were increased adoption of co-branded cards, NCMC migration, and bundled offerings.

The emerging business is the real growth engine of the company. It includes international business, metal cards, tax stamps, and IoT solutions. Emerging revenue grew from 69 crores to 159 crores, and its share of revenue increased from 24% to 37% in 1 year.

Internationally, we have reached more than 15 countries through 4 global subsidiaries and 5 sales offices. In terms of tax stamps, we added a significantly large contract during the quarter, which is a multi-year contract running for 5 to 8 years.

Our metal card portfolio has expanded to more than 10 variants across the top 10 issuers. The benefit here is the ASP leverage we are obtaining. While the ASP of a metal card is 20 to 25 times that of a traditional card, metal cards and {? Tassterm ?} are directionally {? high, margin accretive ?}.

As the share of emerging businesses rises, these businesses can potentially yield better margins. Together with the operating leverage we are obtaining from incremental revenue, this can support our margin profile over time.

To summarize this quarter, the core business is compounding at 22%. The emerging business is scaling at 2.3 times. Operating leverage has absorbed input-cost headwinds, and we have a debt-free balance sheet, with IPO proceeds earmarked largely for capex in metal cards, tax stamps, and international capacity. With that, I will hand it back to the moderator for the Q&A session.

Operator: Thank you very much. We will now begin the question-and-answer session. Participants connected through the audio call, please press star and 1 on your touchtone telephone. If you wish to remove yourself from the question queue, you may press star and 2. Participants are requested to use handsets while asking a question. Participants connected on the Zoom app may click on the raise-hand icon to ask a question. Please accept the prompt, unmute your audio, and proceed with your question. We'll wait for a moment.

The first question is from Analyst1.

Analyst1: Am I audible, sir? First of all—am I audible?

Management: Yes, sir, you're audible.

Analyst1: Okay. First of all, congratulations on your excellent set of numbers. My first question is about the debit card market. I would primarily like to ask how management views the debit card issuance market going forward. Considering that we are coming out of a lower base in FY25, I expect it to grow in the near term. However, I would also like to ask about the impact of new

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payment methods such as UPI. How do you think overall debit card issuance is expected to grow, according to management?

Management: Recently, the largest PSU rolled out an RFP, and its overall issuance for the next 3 years is almost double. What we clearly see is that multiple use cases are emerging in the debit card space, especially in transit.

All the metros are on a closed-loop network, which is completely being migrated to an open loop. There are re-cardings to be done across all metros, as well as fresh issuance across the metros.

In addition, public transport facilities and public bus transport are gaining significant traction. For senior citizens, concessions and student passes are all moving onto cards. The government is encouraging the complete migration of these services to the card platform.

Coming to UPI, UPI is primarily about the number of transactions. What we issue in terms of the number of cards and the number of transactions are two different subjects. Therefore, we believe debit cards will continue to grow at around 13% overall in terms of industry growth.

Analyst1: Okay, sir. My next question is on metal cards. Can you give me some guidance on the per-unit realization of our metal cards, if possible? Going forward, how do we view realization from metal cards, given that you have already indicated a significant difference between PVC cards and metal cards? Is there a number you can quote for realization per metal card, if possible?

Management: When we speak about metal cards, there are multiple types of metal cards globally. The typical ASP leverage is between 20 and 25 times that of traditional plastic cards.

As we move ahead, there will definitely be a significant premiumization factor, which we are already seeing in the country. This is currently led by the US, where total issuance is roughly 35 to 40 million cards every year.

In India, we saw only around 10 to 12 lakh cards issued last year. However, the significant premiumization push taking place today, along with people's aspiration to have a metal card in their portfolios, is driving overall metal card issuance.

On the ASP side, it is definitely between 20 and 25 times that of traditional plastic cards.

Analyst1: Yes, sir. Thank you. That is all from my side.

Operator: Thank you. Participants, you may press star and 1 to ask a question. The next question is from Nitin Agarwal from Motilal Oswal. Please go ahead.

Nitin Agarwal – Motilal Oswal: Hi, team. Congratulations on the good results and a good start as a listed company. I have a couple of questions. One is about the international business. Can you talk about the order book you have? This business has been growing very fast and already forms 15% of revenues. Within the total outstanding order book, what is the mix of the international order book, if you can comment on that?

Management: We are currently present in more than 5 regions, including the Middle East and Africa, LATAM, the US, and the UK and Europe. Revenues are coming from all 5 regions. We are

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looking at expanding into growth markets, both for traditional payment cards and for metal cards. We clearly see an upside coming from the international business.

Nitin Agarwal – Motilal Oswal: From 15% of revenue, where do you see this number climbing over the next couple of years in terms of the overall revenue mix for international business?

Management: Thank you, Nitin. That is an excellent question. As we have indicated, we are focusing on the international business, which currently accounts for 15% of revenue, and this will start as the revenue profile—

Management: The international business should also grow at a faster pace. We believe that it should account for around 20 to 25% of our total revenue profile going forward in the near future.

Nitin Agarwal – Motilal Oswal: Would it also be possible to share the EBITDA margin? We have been guiding to a 30% EBITDA margin, which is similar to what we have achieved in the past. While the mix of high-growth, high-margin products is increasing, I want to assess whether 30% is conservative guidance or whether you see upside risk to this number. Can you provide some color on the international EBITDA margin versus the domestic EBITDA margin?

Ramnath: Nitin, Ramnath here. On the EBITDA margin specifically between products, we do not compute it, mainly because there is a lot of common infrastructure, common costs, and common raw materials that we use across the products. Therefore, it is not possible for us to properly compute the EBITDA margins for each product.

Having said that, as we move ahead and the mix changes, as I have already indicated, metal cards and {? Tassterm ?} are directionally margin-accretive businesses for us. As revenue increases, operating leverage is also working in our favor.

However, global geopolitical issues could continue. Considering all these factors, we have guided to a clear 30%. I will leave it to the market to evaluate the overall numbers.

Nitin Agarwal – Motilal Oswal: The other question is about the Nigeria business, which has fully come on stream and started contributing to revenue. What is the capacity utilization in Nigeria? Likewise, can you share the timelines for other capacities coming up over the next few quarters?

Ramnath: One thing to note is that our model is a hub-and-spoke model, where the majority of manufacturing is based in India, which is common infrastructure for the entire business.

For plastic cards, capacity utilization in Q1 was roughly between 75% and 80%. Specifically in Nigeria, we are handling personalization of cards, which is around 60% as we speak today.

Overall, as demand increases, we will definitely increase our capacities. That is not a challenge at all.

Nitin Agarwal – Motilal Oswal: What are the timelines for the upcoming capacities? We had discussed the other European and US capacities, so can you give us an update on where we stand?

Ramnath: We are increasing the overall capacity required for our international operations in India for base-card manufacturing. We are also significantly increasing our capacity for metal cards.

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In developed markets, we will have personalization bureaus. Each personalization bureau will cost roughly 30 crores to establish and start operations.

This year, we may add one more international bureau in a developed market. To cater to those volumes, we will increase our capacity in India as well.

Overall, 238 crores from the IPO proceeds has been earmarked for capacity expansion. Of that amount, roughly 100 to 120 crores is allocated for the current financial year.

Nitin Agarwal – Motilal Oswal: Thank you so much, Ramnath, and I wish you all the very best.

Ramnath: Thank you.

Operator: Thank you. Deepak Agarwal has requested to come back for a follow-up question. The next question is from the line of Abhay Joshi from Baroda BNP Paribas Mutual Fund. Please go ahead.

Deepak Agarwal – Param Capital: Can you hear me?

Operator: Yes, go ahead.

Deepak Agarwal – Param Capital: This is Deepak from Param Capital. Congratulations to the Manipal team on the listing and on a good set of numbers. I have a couple of questions. Last year, how many debit cards were printed in India? I believe the presentation indicates that we have around 31% to 32% market share. For India as a country, how many physical plastic cards were manufactured by the industry?

Ramnath: Overall, around 327 million cards were shipped during the last year. Our share would be close to 31% of the total market.

Deepak Agarwal – Param Capital: That would be approximately 11 to 12 crore cards, with a realization of roughly 90 rupees, so about 1,200 to 1,300 crores of top line is explained by that. Is my understanding correct?

Ramnath: Broadly, that is the volume range. In terms of ASP, we will need to assess it separately, but broadly, in terms of volume, that is the number.

Deepak Agarwal – Param Capital: Total debit cards in force in India would be around 150 to 160 crores, based on my understanding of the industry. Is that correct?

Ramnath: No. Debit and credit cards combined, the industry is around 120 to 125 crores. Of this, debit cards are approximately 107 to 110 crores, and credit cards are in the 12 to 15 crore category.

As we mentioned, when we say we are growing at around 8% to 10%, we are assuming that the credit card market will grow at a higher rate compared with the debit card market.

Deepak Agarwal – Param Capital: To understand the replacement card market, a very large part of your growth would come from replacements. As I understand it, the expiry of the card is now up to the bank, but roughly 4 years is the period after which a new card has to be issued. Is that correct?

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Ramnath: We operate in multiple markets, and renewal cycles are different in different markets. For example, in Nigeria, cards are renewed every 3 to 4 years. In the US, credit cards are renewed every 2 to 3 years. On average, I would say the renewal cycle is close to 4 to 5 years broadly across the world.

Deepak Agarwal – Param Capital: If I understand your growth over the next couple of years, with 120 to 125 crore cards and a 5-year cycle, 25 crore new cards would be generated simply through renewal of the existing stock in the system, at the industry level. In addition, there is your natural market share and the opportunity to gain more market share.

Ramnath: Yes, specifically, one-fifth of the card base will be renewed.

Deepak Agarwal – Param Capital: Understood.

Ramnath: You are absolutely right. This is why we keep highlighting that the domestic plastic card business, or the core business, is becoming like an annuity business, growing at a rate of approximately 8% to 10%. The growth business and the emerging businesses are generating the incremental growth going forward. This is why we have divided the business into core and emerging businesses.

Deepak Agarwal – Param Capital: Interesting. My second question is about the margin profile. We have been close to a 30% margin profile over the last 3 to 4 years. If we go back further in history, margins were somewhat lower. Can you share the extent of this margin expansion? We seem confident that a 30% margin profile should be sustainable in the short to medium term.

Ramnath: I would like to answer that in two parts. Historically, the product has evolved continuously. When we started the business, it was only a magstripe card, which was sold at a single-digit realization. Then we moved to EMV-based contact cards, where the realization increased by 4 times.

Then, around 2023–2024, we moved to dual-interface cards, where both contact and contactless features are enabled. Again, the realization doubled from the EMV card. Therefore, continuous technological enhancement has taken place in the card, and at the same time, our volumes have grown significantly.

From FY21 to FY24, our overall production doubled. That operating leverage, coupled with the technological enhancements, has led to the overall increase in margins. The backward integration we have carried out across the business has also contributed.

To benchmark the overall margin profile, the top four payment card manufacturers in the world have margins in the range of 30% to 35%. We strongly believe that the range we are currently in is benchmarked against industry standards.

Deepak Agarwal – Param Capital: In terms of capex, as part of the IPO proceeds, we raised approximately 240 crores of fresh money for capex. We currently have approximately 13 to 14 crore cards of capacity. What is our existing capacity, and after this 240 crore capex, where will our card capacity be over the next 2 years?

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Ramnath: We are significantly increasing our capacity for metal cards. As indicated in our RHP, as of March 31, 2024, our metal card capacity was 670,000 cards. From here, we want to increase it by at least 3 times.

For traditional plastic cards, as of March 31, 2024, capacity was 12 crore cards. Overall, we will be increasing capacity to meet the requirements of the international market. However, our foremost focus will be on metal cards as we move ahead.

Deepak Agarwal – Param Capital: Are you seeing sufficient visibility from both international and domestic clients in terms of the order book?

Ramnath: We are getting clear visibility from major markets such as the US and LATAM. In the growing markets, there is also significant demand from the domestic market.

In India today, the debit card platform has also moved toward metal. Large PSUs have started issuing metal cards, while large private banks have issued significant volumes and are planning to move more volumes to metal. We clearly see a transition toward premium-range cards in India.

Deepak Agarwal – Param Capital: Q1 revenue is up 48% year-on-year and EBITDA is up approximately 44%. As an investor, how should I look at growth in revenue and EBITDA for the full year? You are indicating that you will remain close to a 30% margin profile. Should this growth continue, or will it slow down? What can you share about FY27 full-year growth?

Ramnath: Before answering that, Deepak, we wanted to go back to the basics and explain how the business operates. The company generally operates through multi-year contracts, and these contracts are lumpy in nature.

Once a contract is won by us, these are multi-year, long-tenure contracts, which can lead to lumpy growth in the business from quarter to quarter. Having said that, there is visibility in terms of the business.

Coming back to your question about FY27 growth, this year we believe that the top line will increase by around 30% to 35% compared with FY26.

In terms of an average growth rate for the next 2 to 3 years, because of the lumpy nature of the business there could be timing differences. Broadly, however, we are looking at potential CAGR growth of around 20% to 25% over a 3-year horizon going forward.

Deepak Agarwal – Param Capital: Those would be very good numbers if you deliver them. For a services business, this kind of ROCE profile is exceptional, particularly given the operating leverage that will be visible in your numbers over the next couple of quarters.

Ramnath: We certainly believe that, Deepak. We are very hopeful. As you also mentioned, in terms of margin sustainability, we believe that EBITDA growth would be in line with revenue growth. As operating leverage starts coming in, there could be a potential increase going forward.

Deepak Agarwal – Param Capital: My last question is about the tax stamp business. Can you share more about how many states we currently serve, how many states use tax stamps, and whether you

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see a pipeline of more states adopting them?

Deepak Agarwal – Param Capital: I understand that the entire liquor category is being converted to this system. In the foreseeable future, can you share anything about how the pipeline is building up?

Management: In the domestic market, there are two types of products. One product has holographic features with paper-based features, while the other tax stamp is polyester-based.

Around 15 to 16 states use polyester-based tax stamps, and the remaining states use paper-based tax stamps. Due to the plastic ban, where products below 50 microns are being banned because they are not collectible, state governments have started banning these products.

There is a good opportunity for significant transition from polyester to paper. Today, we are at the forefront of offering paper-based tax stamps along with high-security features to the market.

Globally, we see significant opportunities in the African continent, especially in the Middle East and these markets, in the tax stamp space.

Deepak Agarwal – Param Capital: As of now, how many states in India have completed contracts, and how many actually use paper stamps? How many states are there?

Management: There are close to 4 to 5 states operating with paper-based tax stamps. With our proprietary technology, Insight, we are the only ones offering this today in the country.

We are also getting a good amount of traction from states using polyester-based tax stamps. We will again approach them because these are long-term contracts. Going back to the fundamentals, these are multi-year, long-term, typically monopolistic or bilateral contracts.

The idea is that once we establish a presence in a state, it gives us lumpy business as well as annuity business, both of which are long-term. Typically, in a cycle of 5 years, 3 to 4 states come up for renewal. Our objective is to continue gaining states year-on-year as renewal cycles begin.

Deepak Agarwal – Param Capital: Would the margin profile be closer to that of your existing business? How should we look at the margin profile?

Management: We do not have exact numbers computed for this segment. However, based on the overall high-level numbers, it is more or less in line with the blended numbers, but slightly higher than the existing numbers.

Operator: Thank you. The next question is from the line of Abhay Joshi from Baroda BNP Paribas Mutual Fund. Please go ahead.

Abhay Joshi – Baroda BNP Paribas Mutual Fund: Hi, team, and congratulations on the excellent results. I have a couple of questions. The first is about the metal card business. Can you provide some color on how many countries we are currently present in and how the order pipeline is building up, particularly in the highly concentrated US market versus Africa?

Management: Today, we are present in 5 regions. Within these 5 regions, we are addressing multiple countries in the APAC region. We also have significant traction coming from developed

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markets such as the UK and Europe.

The US is the largest market, and we have our footprint deployed there. It is a very mature market for metal cards, and we see very good traction for metal cards in these markets as well.

In India, we are pitching to all the top four issuers, and there is good traction in metal cards. Globally, there are limited players offering metal cards, and the research is very high when we meet customers in global markets. This is giving us a very good and significant entry point into new accounts across global markets.

Abhay Joshi – Baroda BNP Paribas Mutual Fund: My second question is about tax stamps. My understanding is that the moat is more technological than product-related. Are there similar use cases where we can use the same technology for different products and pitch them to governments? Are we building different products with the same technology that can have different use cases?

Management: In the government domain, we are looking at tobacco and alcohol. In retail, we are looking at many FMCG products. In the automotive space, we are looking at spare parts and other products. We are seeing traction in these areas in the near future.

As you rightly asked, if we look at IoT and the solutions, there are two solutions we are discussing. One is Taxim, and the second is RFID for total-issue business solutions, which we entered last year.

Within Taxim, we have proprietary technology, and we are one of the leading private players in India in that particular technology and its offerings. We now plan to go global.

In India, the current usage is for alcohol and liquor protection. Going forward, globally we see use cases in tobacco and pharmaceuticals.

Coming to RFID, we are currently focused on retail, but we believe there are opportunities in India and globally in apparel exports, high-end jewellery, defence, and pharmaceuticals as we build this business in the near future.

Abhay Joshi – Baroda BNP Paribas Mutual Fund: My last question is on COGS. You mentioned that raw material prices have increased and that there has been currency depreciation. Going forward, should we expect COGS to expand further? On a quarter-on-quarter basis, it has expanded sharply. Should we expect a similar trajectory in Q2, or will it normalize in Q2?

Management: Overall, forex is in a similar range. If you look at the overall geopolitical tensions, they have not yet settled properly. Therefore, Q2 should be in a similar range, but as we move ahead, we will have to see how it develops.

Abhay Joshi – Baroda BNP Paribas Mutual Fund: To clarify, by similar range, you mean as a percentage of revenue?

Management: Correct.

Abhay Joshi – Baroda BNP Paribas Mutual Fund: That is all from my side. Thank you for answering my questions, and congratulations again to the team.

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Management: Thank you.

Operator: Thank you. The next question is from the line of Pinaki Banerjee from AUM Capital. Please go ahead.

Pinaki Banerjee – AUM Capital: Good evening, sir, and thank you for the opportunity. If we look at your revenue share, the share of credit cards was approximately 60% in FY24, came down to 58%, and is now 57% in FY26. Can we interpret this to mean that you are looking to diversify into other services from your core business?

Management: The share of emerging businesses should improve as we move ahead.

Pinaki Banerjee – AUM Capital: Regarding your export mix, you are now at 15% of revenues. Is there scope to increase that further?

Management: Yes. As we move ahead, we believe that within the next 2 to 3 years—

Pinaki Banerjee – AUM Capital: Hello? Sir, am I audible?

Management: Yes.

Pinaki Banerjee – AUM Capital: One last question, sir. There are 5 accepted patents and 30 in the pipeline.

Analyst2: Good evening, gentlemen. A warm welcome from my side, and congratulations on the excellent set of numbers. Hello? Am I audible?

Operator: Since there is no response, we will move to the next participant. The next question is from the line of Anshuman Deb from ICICI Securities. Kindly accept the prompt, announce your company name, and proceed with your question.

Anshuman Deb – ICICI Securities: Am I audible?

Management: Yes.

Anshuman Deb – ICICI Securities: This is Anshuman from ICICI Securities. Congratulations on an excellent set of numbers. My question is about COGS. In terms of the global business, with rising crude prices and other cost-related factors, how should we look at the possible change in costs over the next period? Considering the geopolitical environment, how confident are we in maintaining the current cost structure?

Management: Thank you for that question, Anshuman. Overall, if you look at the COGS, which were higher in Q1, there was a significant impact because of two factors.

The first was the forex impact. The average USD rate was {? 82 rupees ?} compared with {? USD last year ?}, and today it is around {? 95 to 96 rupees ?}. That is one aspect.

The second factor is that overall crude prices and logistics prices have been affected by the global unrest, which has had a significant impact on our business as well.

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To offset this, we currently have significant operating leverage working in our favor. Our overall share of emerging businesses is also increasing, and these businesses are slightly margin-accretive. Both factors are working in our favor.

Having said that, the cost factors are currently external factors, and we may not be able to predict exactly what might happen in the future. However, as a company, the contracts we have with PSUs and private banks contain clauses that provide us with the opportunity to renegotiate prices if there is a significant cost impact in the process.

Management: Further adding to what Ramnath said, the proportion of exports as a function of total revenue is increasing significantly. This obviously gives us a margin advantage.

The company also has a Board-approved forex policy, which insulates us against any significant adverse effect from rupee depreciation, particularly because we are a net importer.

Anshuman Deb – ICICI Securities: Understood. By net importer, you mean that your revenue provides a hedge. But that is the hedge, correct? You do not have a separate forex hedging program?

Management: We have a separate forex hedging policy. For a particular period, we hedge the net exposure. Imports are predominantly raw materials for chips, while exports represent revenue generated through global subsidiaries. We hedge the net exposure through the Board-approved forex policy.

Anshuman Deb – ICICI Securities: Understood. To clarify further, if the rupee settles or appreciates slightly, and the geopolitical situation normalizes, is there scope for the current quarter's costs to improve further? Or do you expect offsetting factors to balance the situation as it is today?

Management: Anshuman, to be very honest, that is a very interesting question. However, if you ask us honestly, we are in the business of manufacturing and solutions, including cards and other global solutions. We do not speculate.

That is why we have a Board-approved policy, and we ensure that the policy is meticulously followed.

Management: The policy is adequately adhered to, and hedges are taken accordingly.

Anshuman Deb – ICICI Securities: I understand. Thank you very much. I will get back in the queue.

Operator: Thank you. The next question is from the line of Mohit Sukani. Kindly accept the prompt, announce your company name, and proceed with your question.

Mohit Sukani – IIFL Capital: Hello, ladies and gentlemen. I am Mohit Sukani from IIFL Capital. Congratulations on the excellent set of numbers.

My question is about the revenue breakup into core and emerging categories. Can you further break these categories into metal cards, RFID, and other segments, specifically in terms of numbers for the first quarter of the current year as well as for last year?

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Management: Thank you very much for that question. To give you some background, statutorily, we are not required to provide any further breakup in segment reporting.

For a better understanding of the business, we have been bifurcating it into core and emerging businesses. The emerging business includes all the new growth engines of the company, including metal cards, international revenue, tax stamps, and IoT solutions.

However, a further breakdown of revenue is not possible at this point. Perhaps at an appropriate time we will provide that. Of course, we have provided the international business breakup.

Mohit Sukani – IIFL Capital: Are there any plans to acquire other companies or open new subsidiaries for capacity expansion or any other purpose, considering that we currently have 4 subsidiaries outside India?

Management: Good question, Mohit. To explain our thought process regarding capitalization, the first priority would be to deploy capital for growth capex, as we have announced from the IPO proceeds and going forward.

Since the revenue base is increasing, this will entail higher working capital, and we would want to utilize capital for that as well.

We also want to be a dividend-paying company. The Board is currently deliberating on the dividend policy, but we definitely want to be a dividend-paying company in the future.

Once all these capital requirements have been addressed, if there is a possibility, the company is open to inorganic growth. If there are worthwhile acquisitions within our segment, the company would be open to them. This is how we are thinking about capital allocation going forward.

Mohit Sukani – IIFL Capital: Can we expect a dividend in this financial year?

Management: As you would appreciate, we have just been listed, and because of that the Board is currently deliberating on the matter. We will come back in a few quarters with our approach to dividends, but we want to be a dividend-paying company going forward.

Mohit Sukani – IIFL Capital: Thank you, ladies and gentlemen.

Management: Thank you.

Operator: Thank you. The next question is from the line of Nitin Jain from Fair Value Investment Advisory. Please go ahead.

Nitin Jain – Fair Value Investment Advisory: Thank you for the opportunity. What is your growth and margin guidance for the next 2 to 3 years? Which businesses do you specifically think will be the growth drivers during that period?

Management: Thank you, Nitin, for that question. As we mentioned earlier in the call, we believe that the company should grow by around 30% to 35% compared with last year.

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Given the lumpy nature of the business and the multi-year contracts, we believe that the company should grow at around 20% to 25% on a potential 3-year CAGR basis. However, it would be difficult to provide individual year-on-year guidance at this point because of the lumpy nature of the contracts.

In terms of the margin profile, we believe that EBITDA will grow in line with the top line as operating leverage starts coming into the business. With a higher revenue base, there could be some margin improvement, but that is something we will come back to in the coming quarters.

From an overall perspective, as we have already mentioned, some of our emerging businesses, particularly metals and tax stamps, are high-growth businesses that are more margin-accretive than the core business.

Nitin Jain – Fair Value Investment Advisory: These emerging businesses will also be the revenue growth drivers going forward, correct?

Management: As you may have seen in the presentation, we have divided the entire business into core and emerging businesses.

The core business consists of traditional plastic cards, bundled services, and digital automation services that we provide today.

The emerging businesses consist of metal cards, international businesses, tax stamps, and IoT solutions. These are the growth engines of the company. As we move ahead, we believe there will be significant growth from these emerging businesses.

Nitin Jain – Fair Value Investment Advisory: What are your margins on the export business? Are they significantly different from the domestic margins?

Management: At this point, we do not have an exact margin breakup between products, mainly because the majority of our infrastructure and costs are common in nature. However, across our entire product portfolio, metal cards and tax stamps are slightly margin-accretive businesses compared with the others.

Nitin Jain – Fair Value Investment Advisory: Thank you very much. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question is from the line of Yash Shah from Equitree Investment Managers. Please go ahead.

Yash Shah – Equitree Investment Managers: Am I audible?

Operator: Can I request you to speak through the handset, please? You are sounding distant.

Yash Shah – Equitree Investment Managers: Firstly, congratulations on the excellent set of numbers. The presentation shows that customer concentration is close to 60%, with the top 10 customers contributing 60% of revenue. Over the next 18 to 24 months, what are the plans to reduce this concentration, considering that we have relationships and partnerships with a number

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of entities?

Management: In the current quarter, we added more than 10 clients from multiple regions. We strongly believe that we will continue adding more customers from multiple regions, and the contribution from the top customers will reduce significantly.

Management: To add to that, although we state that revenue concentration among our top 10 customers is 58%, if you look at the products we serve within those customers, such as a bank, we may supply cards, POS terminals, metal cards, logistics, or cheque book solutions.

Therefore, the concentration has already been partly addressed through the range of products. As we expand into multiple regions and products, the business will become further diversified.

Yash Shah – Equitree Investment Managers: Is there any cyclicalities in the business? Which quarter is a strong-performing quarter for us, considering there is lumpiness in the business?

Management: That is a very good question. As we said earlier, the majority of our businesses are based on large contracts, and generally there is a step-up increase or growth when a contract is added.

Whenever we add another customer, particularly a very large customer, there can be a sudden increase in revenue. Having said that, regarding card issuance, there can be some seasonality within a quarter. It depends on the issuance program of the issuing partners, such as banks, NBFCs, or fintechs.

As we move ahead and expand our overall market presence, we are now also in international markets, where cyclicalities is completely different. We will have to wait and watch how it unfolds over the next 2 to 3 years.

Yash Shah – Equitree Investment Managers: Thank you. That is all from my side.

Management: Thank you.

Operator: Thank you. The next question is from the line of Sumit Jain from Nirmal Bang. Kindly accept the prompt, announce your company name, and proceed with your question.

Sumit Jain – Nirmal Bang: Sumit Jain from Nirmal Bang. I have 2 to 3 questions. First is about gross margin. You said it would be impacted in the near term, but as things normalize or you start passing on the cost to customers, can it return to the earlier margin of 63% to 64% after 3 to 6 months?

Management: Thank you very much for that question. We are not able to predict exactly how the situation will unfold today. These are industry-wide situations that currently exist.

As we move ahead, if you look at our overall business model, there is significant technological change taking place in the business. When we started, it was just a magnetic card. Then we moved to EMV-based contact cards, followed by dual-interface cards. We are now considering recycled PVC because of the ESG mandates that banks want to implement.

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There is also industry-wide news that by 2030 or 2032, the industry may move toward quantum-resistant cryptography. The entire dynamics are changing as we move ahead.

Whenever a technological change comes in, there is a significant margin increase in the business, as we have seen over the last 10 years. I will leave it there and come to the overall—

Management: Having said that, while there is some margin pressure because of the geopolitical issue, our overall EBITDA margins have not been impacted, mainly because of the operating leverage we are obtaining today. As revenue increases, this type of operating leverage will work in our favor as we move forward.

Sumit Jain – Nirmal Bang: I am not able to understand why you are getting such good pricing power in your business. Is it because of less competition, or because customers cannot shift to another supplier? What is the reason?

Management: If you look at our purchases, the 3 to 4 major items that we purchase are procured from multiple geographies. We categorize the products, and we have sufficient leverage in terms of pricing compared with other players.

Because of the scale of purchases we undertake in India and the volumes we handle, we obtain volume-based discounts on all our purchases. We leverage this in our procurement.

Sumit Jain – Nirmal Bang: You mean that because of your size, you receive a better advantage?

My second question relates to the core business, which grew by around 22% in the current quarter. Was there any one-off item or a new contract that caused it to increase by 22%, and can this growth be sustained in the coming period?

Management: One thing to note is that there was a base effect in FY23. In FY24, as we were in Q1, the issuance that took place was on a regularized basis.

We also added a couple of multi-year contracts, which should continue for at least 2 to 3 years as we move ahead. Overall, the number we have shown in Q1 FY24 is at a normalized level.

We operate in multiple segments in both our emerging and core businesses. If there is a shortfall in one region, we cover it through another business. There is clear Plan A and Plan B planning to ensure that revenue targets are achieved.

Management: Sumit, we also wanted to give you some color on what is giving us these margins. We need to go back to the basics. This is a highly regulated business, and a significant amount of certification is required—

Management: There is also a high entry barrier. As you would appreciate, data sensitivity and data security are key themes, which create high entry barriers in the business.

Banks also typically want to work with vendors that can serve their entire customer profile. These are generally bilateral, oligopolistic, or monopolistic contracts. Banks typically work with 2 to 3 vendors, and they also want continuity and supply from vetted vendors globally.

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Globally, as Girish mentioned in his opening remarks, the top 10 players hold around 70% of the market. India is also an oligopolistic market. This is why it becomes difficult for new entrants, and these are the moats that support the margins we see in the business.

Sumit Jain – Nirmal Bang: My third question is related to your emerging business, of which exports are one part. Exports have grown substantially in this quarter, but even excluding exports, the other two businesses, namely metal cards and RFID or smart cards, have also shown good growth of approximately 60%. Which one has shown good growth, or have both businesses shown similar growth?

Management: As I said earlier, we will not be able to provide an exact breakup of the multiple products within a business segment. However, as shown in our presentation, we added one large customer for the tax stamp business in Q1, which is also contributing incremental revenue.

Sumit Jain – Nirmal Bang: This customer added in Q1 will continue to contribute revenue for the whole of the coming year?

Management: Typically, our tax stamp business consists of multi-year, long-term product contracts with greater visibility. The new contract we won is typically a 5+3-year contract, so it will run for 8 years.

We are targeting similar contracts in both domestic and export markets for tax stamps. In metal cards as well, as we discussed, banks operating in domestic and global markets have long-term, multi-year contracts. Based on demand, we receive clear projections every month and deliver cards accordingly.

Sumit Jain – Nirmal Bang: Can you share the capex plan for FY27 and FY28?

Management: Overall, 238 crores from the issue proceeds is earmarked for capex to be spent over the next 3 years. Specifically for the current financial year, we are looking at deploying approximately 100 to 120 crores.

Operator: Thank you. The next question is from the line of Rajeswara. Kindly accept the prompt, announce your company name, and proceed with your question.

Rajeswara: Good evening, gentlemen. Congratulations—

Operator: Rajeswara, sorry to interrupt. Can you speak through the handset? Your voice is echoing.

Rajeswara: Sure, one second. Can you hear me?

Operator: Yes, go ahead.

Rajeswara: Good evening, gentlemen. Congratulations on the successful IPO and on an excellent set of numbers. Your company has a very impressive business model. Could you explain the competitive advantage your company enjoys compared with other competitors that gives you such a high market share? What are the barriers to entry for a startup or a new company in this space?

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Management: It is a highly regulated business, and you need certifications from all the global payment schemes. These facilities are audited every year, and you cannot have any major non-conformance.

You also need references from the top banks and top customers. All such partners and vendors in these segments undergo capability audits. Data is also a very sensitive element in the business.

We have to keep investing continuously in IT infrastructure, and we are monitored centrally by the RBI and regulators on an ongoing basis because this is a very sensitive operation. Therefore, entry barriers are extremely high in this business.

Rajeswara: Who is the closest competitor to your company in India and globally, and what would their market share be?

Management: Rajeswara, this is a very consolidated market. As we mentioned, we have different competitors for different business lines. We cannot identify a single competitor across all business lines because the business covers payment solutions, identity, traceability, and security solutions.

Within payment cards, there are global listed multinationals. The top 10 players hold 71% of the market. Identity players are a different set of global competitors.

In India also, we have competitors in individual business segments. Broadly, because the entry barrier is so high, we compete with 2, 3, or 4 large vendors in each business segment, both in India and globally.

Rajeswara: Can you give us a couple of names?

Management: We will abstain from providing any particular name.

Rajeswara: In your opening remarks, you explained metal cards and how your company is building intellectual property and has many patents. Could you provide more granular insight into how this intellectual property is being built? If you build intellectual property, it creates pricing power, so it would be useful to understand this.

Management: Globally, there are only a handful of manufacturers of metal cards, perhaps 3 or 4. These companies have registered patents for the process of manufacturing the cards.

If you look at the entire card ecosystem, it is built around luxury. The entry of metal into the ecosystem creates a completely different situation.

These patents are typically valid for 5 to 7 years. When the cards are used, they have to work across the global markets where customers use them.

The important point is the manufacturing process. Patents are vetted against all existing patents in different markets before they are granted. Only then are manufacturers permitted to manufacture the cards.

Without the proper patent and grant, there is a possibility that a competitor may file a suit against the manufacturer.

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Rajeswara: You gave the number of metal cards globally and in the US. Is it possible for the company to win a large customer that is issuing metal cards and change the entire trajectory of the metal card business over the next 3 to 4 years?

Management: Rajeswara, we were not able to understand the question fully. In India, we are already supplying to all the large private banks, as Girish mentioned. We have been at the forefront of providing metal cards to the top 4 banks in India.

Globally, as we mentioned, there are limited players. As we move forward, global banks are also looking to diversify their vendors. Given the low cost of manufacturing in India, there are opportunities to pursue global exports in metal cards.

Those discussions are currently underway. If we secure any material contract, we will definitely provide updates in our quarterly calls.

Rajeswara: My last question is about which emerging segment is growing most rapidly. After 3, 4, or 5 years, could it reverse the current business composition? Is there potential for the composition to reverse?

Management: That is an excellent question. We need to go back to the basics of the company. The company has been at the forefront and a bellwether in innovation driven by R&D.

As Girish mentioned in his opening remarks, we were the first to launch Max-life biodegradable cards with EMV and dual-interface features. We now offer RU-PVC as well as {? content crypto ?}. The company has been at the forefront of innovation across cards and all our sectors.

As you rightly said, in 3 to 4 years, other form factors could emerge. However, the company begins seeding all of those in advance. You will see that this is an innovative company at the forefront of technology, and accordingly the revenue profile may change going forward.

Rajeswara: Thank you very much for your answers, and all the very best.

Operator: Thank you. The next question is from the line of Utkarsh Somaiya from I-CO Quantum Solutions. Please go ahead.

Utkarsh Somaiya - I-CO Quantum Solutions: Thank you for the opportunity. I wanted to understand more about the lumpiness in your business. Can you please help me understand it?

Management: That is an interesting question, Utkarsh. What we mean by lumpiness is that global requirements, as well as requirements in India, are generally addressed through multi-year, large-value contracts.

Because there are high entry barriers and a long gestation period for obtaining contracts, when a contract comes through, it is typically a multi-year, high-value contract. That is what we mean by lumpiness.

Once we have won a contract, the business progresses sequentially depending on the overall volume. When we refer to lumpiness, we are referring primarily to winning long-term, large-value contracts.

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Utkarsh Somaiya – I-CO Quantum Solutions: Are your quarter-to-quarter volumes largely dependent on card consumption, with banks placing orders based on that? How does the ordering work?

Management: We have multi-year rate contracts with banks, and banks provide clear visibility quarter-on-quarter. Purchase orders are released by banks every quarter.

Utkarsh Somaiya – I-CO Quantum Solutions: So we should not expect much variability in your revenue, potentially?

Management: As we said, these are long-term contracts, which means there is visibility. What we mean by lumpiness relates primarily to obtaining new contracts.

There are two broad principles. The average validity of a payment card is around 4 to 5 years, and approximately 65% to 70% of volumes are renewals, with the rest being new issuances.

There is renewal demand as cards expire and come up for renewal, as well as demand from new cards being issued. What we mean by lumpiness is that this demand is already forecast.

New lumpiness in the business refers to tax stamp business, targeting new banks globally for payment card solutions, and other verticals. These contracts take time because, as we mentioned, there are high entry barriers, development work, and a gestation period that must be factored in.

Once we obtain these incremental new contracts, they become long-term and multi-year contracts for us.

Utkarsh Somaiya – I-CO Quantum Solutions: For the 25% growth guidance over the next 3 years, is that based on the contracts and order book already in hand?

Management: As you rightly said, the company is growing across multiple segments. There are contracts already in hand, as well as contracts for which we have high visibility.

Once those contracts are materialized, they add to the revenue profile and become regular quarter-on-quarter revenue going forward.

Utkarsh Somaiya – I-CO Quantum Solutions: Do you see yourself becoming a 500 crore PAT company by FY30?

Management: Utkarsh, we have clarified multiple times during the call that, based on our guidance and revenue growth, from a 3-year perspective the company could grow at around 20% to 25% CAGR. Bottom-line growth should be in line with revenue growth. If operating leverage comes in, that will be further margin-accretive.

Utkarsh Somaiya – I-CO Quantum Solutions: Thank you very much, and best of luck.

Operator: Thank you very much. I now hand the conference over to the management for closing comments.

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Management: Thank you to everyone who joined this call. We will continue to ensure that we deliver these {? P&G ?} numbers. Thank you for joining us this afternoon.

Operator: Thank you very much. On behalf of Manipal Payment And Identity Solutions Ltd., that concludes today's meeting. Thank you all for joining us, and you may now disconnect.

Note: {? ... ?} indicates a figure or name where audio clarity was insufficient for confident transcription. Verify against the source audio or the company's published filings.

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