Date: August 3, 2026

To,

BSE Limited,
20th Floor, P.J. Towers,
Dalal Street,
Mumbai - 400001.

BSE Scrip Code: 544606

National Stock Exchange of India Limited,
Exchange Plaza, C-1, Block G,
Bandra Kurla Complex, Bandra (E),
Mumbai – 400 051

NSE Scrip Symbol: PINELABS

Subject: Transcript of the Analysts / Institutional Call

Dear Sir/Ma'am,

Pursuant to Regulation 30 and 46 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, we are enclosing herewith the transcript of the conference call that was organized with the Analysts/Investors on July 29, 2026 and the same can be accessed at www.pinelabs.com/investorrelations/financial-results?tab=quarterly-results.

We request you to kindly take the above on record.

Thanking you.

For Pine Labs Limited

NEERAV MEHTA
Digitally signed by NEERAV MEHTA
Date: 2026.08.03 11:56:11 +05'30'

Neerav Mehta
Company Secretary and Compliance Officer
Membership Number: A20949

pine labs

"Pine Labs Limited Q1 FY2027 Earnings Call"

July 29, 2026

Management:
Mr. Amrish Rau – Chief Executive Officer
Mr. Sameer Kamath - Group CFO

Moderator: Hello, everyone. Welcome to the Pine Labs Limited Q1 FY2027 earnings call. Please note all participant lines 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. The call will begin with opening remarks from Mr. Amrish Rau, including the business highlights and performance, followed by a Q&A session. Before we begin, please note 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 that you please disconnect. Please reach out to the Company's investor relations team for any questions. With that, I now hand the call over to Mr. Rau. Over to you, sir.

Amrish Rau: Thank you. Good morning and thank you everyone for joining us early at the start of the day. As you know, we released our Q1 results yesterday. I hope you all have had the time to look through that Q1 results. What I want to do is before we take the Q&A and go into the financials, many questions around the financials. I just wanted to give a very quick overview of where the business is and what is happening in the marketplace, however, we are thinking about it, what are we building towards and what are we most excited about. Just to reiterate, obviously, I would first want to reiterate the vision of the Company. We have been pretty much consistent with our vision where we think that we have an opportunity to build a world-class fintech coming out of India, coming out of the Asian markets, and we are building our products in that direction. These are the quick financials. We will come back to it.

At a very high level, what I would want to reiterate is another very strong, powerful performance. We came in at about 20% on a year-on-year growth. As you would know, we had guided to about a 21-23.5% growth on a full year basis. We had also said that the Q1 generally would be on the lower end of it. We feel very, very comfortable with where we are. When you look at our EBITDA and you look at the adjusted EBITDA on an adjusted EBITDA basis, you would see that we came in, again, with a very strong performance. But I think there were some forward-looking investments that we made very early and that just comes out of the confidence that we are getting to see in the market. I will go a little bit more deeper into what we are getting to see and why we think that it is time for us to invest early into that part of the business. On the PAT basis, we came in close to about Rs.20 Crores. But if you actually look at the PBT number, the PBT number was quite interesting. and Sameer will go through that a little bit more in detail. As far as operating cash flow is concerned, we came in at about 16%. We have guided to trying to keep this under the 15% range on a full year basis. There will be variance between various quarters.

We, again, feel very, very comfortable with where we are when it comes to the operating cash flow and where we think the full year would go to. Net-net summary on the financial side, very powerful performance, continue to execute in the field. But let me give you a little bit more deeper into what we are doing and how we are continuing to build. Remember, we are a tech Company and we continue to build new technology and new payment services. So what I have out here is really the value chain of all the areas that we are currently operating in. But what I have grayed out here, that is the payments infrastructure, that is the payments rails that we have created, both in the online world, as well as in the offline world, both in the acceptance side, but also on the issuing side. As you know, in every transaction, there is somebody making the payment, somebody receiving the payment. And each of the areas, there is a lot of tech which has to be built. The entire world is changing when it comes to fintech and what it means in terms of tech architecture. We are continuously investing into building that technology capabilities out there. We continue to charge for payment acceptance, payment processing, and in many cases for any issuance or credit issuance that we do using our tech platforms. Around it then comes the flow-based services.

On the flow-based services, what we basically do is, we help brands, banks, financial institutions, acquire new customers, convert those customers, engage with those customers. So that is what we put under the flow-based services. And even in flow-based services, we are getting to see huge change in the marketplace. And it is not just about EMI, but there is EMI, there are offers, there are consumer communications which are happening at the point of purchases. We are getting to see a completely new range of fintech which are coming and wanting to address their consumer base at the point of purchase. We are enabling all of them on our platforms and hence our flow-based income, flow-based transactions continue to rise steadily. We are taking the same playbook to international markets. Let me tell you this, in Malaysia, we have now become the single largest installment payments provider in that market. And except for one large bank, we pretty much have about eight or nine banks where we are doing installment payment services in the Malaysian market. We have replicated that in Singapore. We are about to launch all of those services in the Dubai markets too. So our abilities to take our tech stack, take our flow-based capabilities into international markets that is going extremely well. I feel very comfortable that we are making progress from a technology layer standpoint, architecture and also from a distribution standpoint.

Purely in terms of what we doing on the AI side, in terms of the products that we are releasing in the market, and these are all completely new products, we have actually now signed up with six banks and NBFCs doing what we call a SignalIQ. What SignalIQ does is it allows banks to integrate their data, integrate the consumer's data and then look for signals and information in the consumer's data so that they can underwrite that consumer better. One of the things I have talked for many years is that th future of payments is not going to be only in terms of money movement, but also in terms of data movement. So payments and data is something that we have been investing into. Second piece is, as you would know, NPCI is being promoting credit on UPI. We have a full tech stack on credit on UPI in place. We actually have a bank, which has gone live with us, which is J&K Bank on credit on UPI. We continue to expand into that area. Third, as I told you, the EMI product is going global. And fourth, what has now started to become fairly significant in our revenue stream on a full-year basis is we are actually working with brands and working with large enterprises so that we can give them insights about what is happening in their stores, in their businesses, what kind of transaction and what kind of consumers are coming to us. So we built out an entire tech platform around what we call as growth hub and that revenue has now started to become fairly interesting for us and we have continued to invest into that area. The other piece which I do want to talk about is what is happening on the AI front.

On the AI front, we have already actually published information out there. One, at least four divisions of Pine Labs, 90% of all new code which is being written using AI. That is one piece to know. Second is, obviously, in our call center and back offices, we are using AI fairly, fairly aggressively. And what we have been able to do is we have been able to drive efficiency out of it. But for me, the most interesting part is we were the first payments company in India to deliver an end-to-end agentic payment transaction. We actually demonstrated that when we brought in the analysts and investors on our investor day. What we really did was we actually had a buyer agent, a seller agent, both communicating with each other. We used the UPI mandate capabilities below it, and an entirely agentic payment transaction was completed. As we speak, we are seeing great demand in the Indian market, especially on the agentic payment side. But the flow of that is actually being seen in our online business. Our online business, which is very closely associated with what is happening on the agentic front, is getting a lot of traction in the market. As you know, in the online space, already there has been a consolidation and more and more merchants are looking for options and looking for other partners out there. So you have actually gone live with some very interesting brand, which I mentioned out there on the right. We went live with IRCTC. We are already doing huge amount of transactions for Zepto, Croma, Reliance Digital. We actually went live with transactions on Lenskart.com, very interesting brand out there. Lenskart.com has been our client for a long time on the offline side. We actually have now gone with them on the online front. We think online and what is going to come around agentic payments is going to be very interesting for Pine Labs. Our revenues in that business have continued to grow for a longer long period of time over the last three, four years.

Coming to the offline side of the business, I wanted to give a little bit more insight in terms of what is happening on the offline side of the business. Very interestingly, what I wanted to share with you is that almost 70% of all transactions on our offline POS today is actually on UPI and that number continues to increase. What I also want to share very interesting with you is the average ticket size of UPI on our platform is now north of Rs.1400. So we are getting to see premiumization of payment happening. But what that means is merchant also wants a premium experience when it comes to UPI. So merchants are also going for a screen-based device when it comes to UPI transactions. So that whole conversation where what will happen when UPI comes through, that has already happened. We are already at 70% plus of only UPI transactions on our offline POS devices. That is one. The second thing what we are getting to see is more and more merchants are actually looking for a full big screen device not just for ordering, but also for payment transaction completion. We have now partnered with various players on that invoicing software, ordering software, but that is something that we are finding as a very interesting new opportunity. The second piece of what I wanted to call out here is the complexity of payment transactions is continuing to increase. So we are getting to see even a mid-market merchant asking for complex integration where payments become part of their workflow. That is an area that we feel is our sweet spot. We will continue to work in that area and we will continue to win in that space. The last part out here, what I wanted to just very quickly cover is we do believe Apple Pay will enter the market before the end of this year. What that is going to do is going to give a flip and is also going to create a spread in terms of how payment transactions will happen. More and more payment transactions will go back to credit card as credit card plus UPI continues to grow in the market, credit card transactions will be again back in the field. We are already getting to see there is almost 10 to 15% growth in credit card payment transactions in the market. We think that that is very good for somebody like us because more diversified the payment types, the more powerful the payment stack of Pine Labs. So we are feeling that the market opportunity is looking real.

Before I stop, I just want to give you a feeling of what is happening in the market. What we are getting to see is because more and more merchants are actually keen on bringing in digitization in their stores, they are actually calling Pine Labs in. And over the last six months, we have actually invested in 500 new sales people in the company. Just the way the market works for us is, as you invest into sales people, about six, nine, 12 months after that, their full productivity starts to come through. We have gone ahead and front-loaded our investments in sales people. We also front-loaded some of the investments that we had to do in terms of telecom infrastructure, network infrastructure, and also some cloud capabilities on our side. That has impacted our EBITDA slightly, but we will happily go through that and discuss that when we walk through some of the questions. With that, I am going to stop and take any questions which might be out there.

Moderator: Thank you, sir. Ladies and gentlemen, if you wish to ask a question, you may click on the raise hand button from the bottom toolbar of your screen. The operator will announce your turn. We will wait for a moment while the question queue assembles. We have a question from Pranav Kshatriya of Emkay Global. Please go ahead.

Pranav Kshatriya: Thank you for the opportunity. My first question is regarding issuing and acquiring platform contribution margin that seem to have dipped sharply and there is a commentary in your deck, which says that the growth in the processing or rather the growth in distribution is higher than the processing and that is the reason for the contribution margin has gone down. I just want to know how should we think about it? Because, first of all, I mean, that also corroborates with the international growing faster. So should we see this kind of growth continuing and hence, margins coming down because my understanding is that processing has a much higher margin than distribution. And hence, if the distribution continues to grow faster than the margin would sort of trend down at least at the contribution margin. So want some color on that.

Amrish Rau: So Pranav, all that you said is fairly correct, but let me give you a little bit of a background in terms of how we are looking at it and what we are trying to do associated with it. And I am just going to use this brand name out here, not being very specific, right? Let us say you are going into a market like Singapore and you want to play on to the closed loop prepaid side. One of the lowest hanging fruit out there is around distribution. And if you can get in on distribution, then go up the value chain onto the processing side. That is a good thing for us to do to establish ourselves in that market and then continue to expand from there. And we have actually done that in many areas. So for example, we partnered with Amazon in Singapore when it comes to distribution services with Amazon. We partnered with one of the biggest restaurant chains in the US for distribution services, but we are now doing their entire processing services too. So it is much more of an entry strategy and then as we establish ourselves we then go into the processing side of it. But just to be very clear we have actually been very proud of the fact that we keep our contribution margin extremely high. I mean, just for fun sake, I do not see any other company which is at about 72%, 73%, 75% when it comes to contribution margins. We do want to continue to remain in that space where we continue to have that contribution margin in that range, I do see contribution margin in the second half of the year going higher. And there are two reasons for it, right? One, as the festive season starts, more processing will happen on our issuing side of the services, that is one. But second, what happens is our flow-based revenues will start to increase as an overall proportion of our business. And because of that, what you will get to see is the contribution margin will go higher. So that is one part out of it. But there is another part which I have not been calling out, but I do want to call this out, right? So if you see one of the things what has happened out there is I have been able to manage my depreciation line fairly aggressively over the last few years.

So if you actually look at the last six quarters and you look at the depreciation line when it comes to terminals, we have been able to keep it flat while we continue to grow. What that means is we are asking merchants to make upfront payments when it comes to partnering with Pine Labs. And generally, that upfront payment is where we are asking them to take the terminals and buy the terminals of us so that we do not take the inventory on our books. Obviously, what that means is some low margin business starts to come into our revenue stream out there. But I have to tell you, that solves for me two points, right? One, it solves the depreciation problem for me, but it also solves for me the attrition problem. So what happens on the attrition side is, once the merchant has invested with Pine Labs early, when it comes to the device, they do not actually change you midway and they want to continue to work with you for a longer period of time. All of those things do come in and impact the contribution margin line. But I want to be very clear, I do believe that over the especially the last two quarters of this year, we do expect that the full year contribution margin will again go back closer to the 73-74 % range.

Pranav Kshatriya: Okay, thank you. That is very helpful. Second question is on the international growth. So if I look at your international business has grown on the issuing and acquiring side at 40 plus percentage, but overall growth is 21%. That implies that possibly DITP has seen some decline. Any color which you can throw on that?

Amrish Rau: Look, I do want to clarify. We do not do much. We do, I would say, about 20% of DITP kind of revenue stream in that business. Even if we, sorry, when I say DITP, let me clarify. Classically, when we go outside of India, what we are not doing is we are not trying to invest into terminals and terminal deployments. What we want to do is we are saying we are a software provider, we are a tech provider. You go buy your own POS, but the software and the backend processing technology that you require for that, please come to me. So again, giving us a very specific example of GCash. Think of GCash as to be the biggest consumer payments company in Philippines. Think of it as to be the Paytm or the PhonePe of that market out there.

Now there, they used to be into QR payments. They now want to go into full stack terminal-based deployments. In the last nine months, we have deployed 30,000 terminals with GCash, but all of them have been on software and transaction processing basis. We really do not do anything on the terminal side. So I just want to clarify, we are continuing to be on the tech side and on the transaction side out there. Yes, you are right. In Q1 especially, we had some dip in transactions in the international markets. But as you know, we do have a significant business in UAE and Dubai. We have two large customers off in that market, but nothing which I would say structural or long term. We continue to win many opportunities in global markets. I am investing heavily there. I will just give you some numbers, right? I have got a five people team in Australia, We have a five people team in the US. We signed up, as I told you, the biggest restaurant chain, organized restaurant chain for processing services in that market. And we just signed British Airways when it comes to gift card program. So the entire gift card program from British Airways will now run on the Pine Labs stack when it gets implemented. Right now we have just signed. So I feel extremely comfortable with where that business is and how we will be able to drive growth in that business.

Pranav Kshatriya: Okay, my last question is on the sales force addition, you know, you added 500 odd employee. Now, where should we sort of start seeing impact of that, which revenue item is, will it be largely on the devices side or gift card side or affordability?

Amrish Rau: As far as the issuing side and the prepaid gift card side of the business, we think we have a good enough a sales team in India. We are still investing into global markets and expanding in the global market. So for example, we hired the sales leader for the Singapore market. So there you should think about international markets. In India, when the 500 number is, we are seeing very big opportunity coming our way, both in terms of online payments and also on offline payments. So, we believe that more and more D2C internet merchants are looking for options out there. So we are increasing the team on that front. We are also increasing the team when it comes to sheer deployments because we are already getting to see to the right level of per month sales number coming through. So those 500 will be into offline merchant sales enterprise and similarly on the online side.

Pranav Kshatriya: Okay. Thank you. That is it from my side.

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

Jayant Kharote: Thank you for the opportunity and congrats on meeting the growth guidance, Amrish, that we discussed in the last call. First question is on the EBITDA slight margin dip that we have had this quarter. I can see the data cloud and tech costs seems to have led this miss. So if you can spend some time and help us understand where have you invested? Is this a cost saving measure or is this a revenue driver? And second question is obviously now how do we think of the next three quarters? This cost is recurring. The worry is because of cloud costs going up globally after the AI rally, right? So is this recurring? Is this one-time? Maybe you can shed some light on that.

Amrish Rau: I will give you two specifics and I will give you the number slightly lower so that you know I am not a misquoting on that one. So one is I would say about Rs.10 Crores to Rs.12 Crores, there has been an increase in on our cloud cost on the quarterly basis. Similarly on the network side, we had about Rs.10 Crores increase on the network costs across the market. I think the network costs that we have, and that network cost actually goes into the contribution margin line. It does not go below the contribution margin line. The network costs on the contribution margin line, I do think that 50% of that will continue to recover as we go forward. And the reason behind it is, as we went ahead and deployed in the petroleum segment, and we have continued to expand that to almost about 100,000 POS machines, network upgrade, SIM upgrade, those are the expenses that we had to take up out there. So that was one piece. Second piece to it is, as you go into global markets also, network needs to be upgraded in those global markets. So 50% of that cost, I do think will continue to be on the recurring side. When it comes to the pure cloud costs out there, we had already guided that cloud costs in general should grow by about 6% on a year-on-year basis. So again, out of the Rs.10 Crores, Rs.12 Crores where the cloud and the infra cost, which has gone up, I would say about 25% to 30% of that will continue to recur. The rest of that seems to be like a one-time cost for us. But we continue to work through those costing, managing those pricing, and try and keep that cost low. So maybe I should also share is that we did also sign a new multi-year contract on the cloud side with one of the leading cloud providers in the world. So we feel fairly comfortable that we have good pricing on the cloud infrastructure side, and some of these costs should not come back again.

Sameer Kamath: I will take some more points here, Jayant. I think in addition to what Amrish said, one of the things, as you would have seen, we put up in the deck as well, is we are making a lot of investments into AI. Because today the platform is what merchants are looking at for digitizing more and more. So we have actually landed up doing a lot of work on, for example, starting the trust-based enhanced services on AI, which is having self-healing terminals. All of this requires larger data packs, requires some bit of upgrade in terms of network reset. Today, almost 50% of our terminals are self-healing, which means it drives merchant stickiness. And over a longer period of time, the amount of field force required to service those terminals, the tag to recovery of those terminals, all of them will go down significantly. We are also doing a lot of work of integrating some of our Play Store-related items so that, whether the DCP's are from one EOEM or the other, they are all integrated to a certain platform. So the way we are looking at this is these are upfront investments because today the device is also a platform for the merchant to render AI-based solutions, bandwidth, both on the outside, which is the infra for the AWS, Google Cloud, etc., and on the data side for the merchant is what will drive long term flow through revenues, better monetization and also ability to serving better through actual ground level cost saving over the next few years. I think that is why we are making these upfront investments and over the next few quarters, hopefully all of this should come to fruit.

Jayant Kharote: Just to sort of reiterate the numbers thing because we started on a weaker margin this year. Full year we did 23.5 last year on EBITDA margin. Are you guys confident to expand from there? Because you have given us a contribution range and a revenue range, would you want to give a range on EBITDA as well?

Amrish Rau: I do not want to give a range on the EBITDA margin, but I do not see ourselves going below where we were last year for sure, without a doubt.

Jayant Kharote: Great. Second question was on the OMC contracts. Have they started contributing to revenue fully? Is it captured in this quarter or is there more scale-up that we will see?

Amrish Rau: Not yet. I do think that about 30%, 35 % will come in over the next, between Q2 and Q3. So sorry, let me clarify. If the contract, full term, we expect it to be $100, I do think we have captured 60% to 70%. There is more to be captured in the next quarter, in Q2 and Q3.

Sameer Kamath: I think we are rolling out these terminals. We are rolling out about 90,000 to 1 lakh terminals. And as we said in the Q&A also, these are flow-through revenues. So as you see the rollouts happen across all, you will see some of those opportunities play out to the full extent. I think we have captured a small portion of it now.

Jayant Kharote: Great. Thank you and once again, congrats on the revenue delivery over here. Thank you.

Moderator: Thank you. We now move to our next question from Vijit Jain of Citi. Please go ahead.

Vijit Jain: Thanks for the opportunity.

Moderator: Actually, Vijit, we cannot hear you now.

Vijit Jain: Yes, sorry about that. Yes, so my question was on the DITP segment, the GTV growth that you know, you have reported in the quarter is 4% Y-o-Y. Based on your answer to Pranav's question, I am guessing some part of that would be because of the international GTV. So could you tell me, what was the India GTV growth rate in DITP?

Amrish Rau: In DITP, the India growth rate was more in the region of about 20% to 25% when it comes to the DITP growth. The 4% GTV growth on a full year basis has largely been because of the bill payments business. As you know, on the bill payments business of ours, it is not an ad-valorem pricing. It is per transaction pricing that we do on the bill payment side, which we have under the Setu business. In that part of the business, we did have one of the clients move some transactions in-house. But that is on the bill payment side, there has been a drop. Across the board, when it comes to DITP, when it comes to online, when it comes to flow-based income and on the issuing side, generally all businesses have come in at about 20% to 25% at the minimum, if not higher from there.

Vijit Jain: Got it, thanks Amrish. Amrish, my second question on again teeing off some of the earlier answers. On the cloud tech and data costs, so you said a couple of things around, connectivity costs and investments and then some investments in cloud etc., right? So for the OMC business, I wanted to understand is, are some of these expenses for the full rollout, say 200,000 devices with OMCs are all front loaded and the device rollouts is what happens next and so monetization happens next or there will be cost increases related similar to what we have seen here as you go from 100K to 200K devices. That is on the OMC side. And I also wanted to just quickly check on the cloud cost. You said something along the lines of investment in terminal management system. In the letter, I wanted to understand if that is the Apple terminals switching from Android to iOS or something like that.

Amrish Rau: Now, a couple of things, let me start with the terminal management part earlier. So one of the things what happens in the market and just as an information to you is, let us say if you have a terminal provider A, managing that estate of all those terminals from a central office, the software for that is generally being provided by A only. Same goes for B and C or whatever the terminal providers might be. We have actually come up with a technology where through a central infrastructure, we can manage all the various terminals out of one single platform. Now that is a technology services that we are not just using it in-house internally, but we are also taking it to banks and financial institutions because they also have a very complex web of various terminal services. Now, as we moved into that area, we basically had to push out some more of data and more capabilities onto the terminal network. That is what we have explained on the terminal management side out there. That is one part to it. And then as we have started to continue to use some of the AI services and token services, there has been some marginal increase on the cost related to cloud. So that is on the cloud side.

On the network side, we are in total, looking to be about 125,000 to 130,000 terminals deployments is what we are looking for. As Sameer told you, about 90,000 to 100,000 has been completed. As we go from 100,000 to let us say 125,000, 130,000, that sort of range, that is the more network-related costs which will be coming through in our business. But I do not see that to be any material and significant. Look, I think the bigger problem out here is, on a quarterly basis and then adjusted EBITDA basis, let us say we come in at Rs.126 Crores. I would have loved for this to come in more in the region of about Rs.140 Crores, you know, just in terms of that Rs.14 Crores out there. Every Crore then starts to count. But when you look at from a materiality standpoint, I think it is still 1 Crore, 2 Crores, 3 Crores here and there. But we felt it is important to address it saying that there is no pricing pressure, there is no market dynamics, which is impacting our business. These are proactive investments that we are making. But, it does show up as instead of what should have been like Rs.135 Crores, Rs.140 Crores kind of a quarter is coming in at 126. So that is why we have taken the pains to explain to where these costs have come in from.

Vijit Jain: Super helpful there, Amrish. Just one last question from my side. On the affordability, GTV, where would the growth have been in the quarter? And whatever you can tell me about how you are looking at demand and uptake for affordability in general in the second half of this calendar year.

Amrish Rau: Vijit, I am going to apologize. I am not going to be sharing the volume number. What I can share with you is that the affordability still continue to grow close to 20% on a year-on-year basis at a revenue level side. You have to remember that this was also one of the quarters where in terms of electronics, mobile phones, there has been huge price ups in the markets. There have been supply chain disruptions out there and still coming through that and if you actually look at the entire gamut of various activities that we are doing. I think we have done fairly well and we have executed well in this quarter to get it close to about 20% growth on pure affordability. I also want to share with you some more data points out there. We are getting to see some other revenue streams also getting to a meaningful level when it comes to the flow-based revenues out there. Over the next two quarters, what we would want to do is we will start to share with you some more information on other revenue streams, which are coming through on the flow based so that that also can be exposed and can be sort of seen and addressed by the market.

Vijit Jain: Okay, good. Super helpful. Thank you so much, Amrish. Really appreciate you taking the time. Thank you.

Moderator: Thank you. Our next question is from Rahul Kumar of Vaikarya. Please go ahead.

Rahul Kumar: Can you help me understand the growth rates which you are observing let us say in last two quarters on your core businesses like your flow based revenue and then your IAP side your distribution is growing but you would like processing also to pick up as you go along. So the guidance you are targeting of 21-23, what kind of numbers you are baking for these core businesses which are higher margin and also basically that growth rate is quite, opportunity is quite large there. So can you give us a sense of this what rate you are running at right in the last two quarters on flow based and where should it land to?

Amrish Rau: I do not want to talk into the future because that will allude to me giving very specific guidance on various business lines, but I will talk about a little bit into the past. So on the past, what we are getting to see is when it comes to our terminal side of the business, the terminal side of the business has been growing in the 12% to 15% range on a year-on-year basis. Our online and our bill payments business have generally trended to be growing at about 50% and higher. And when it comes to our flow-based income and also the issuing side of the business, that business has trended to be somewhere in the 25% range and slightly more higher from there. That has been the historical number. I do not feel any difficulty in that historical number to continue for some period of time.

Rahul Kumar: Right and in this IAP business issuing, query platform. This processing piece, do you expect it to also start growing quite well or that is not necessarily the key lever for you to deliver on what you are aspiring for? Not just one year, maybe over time. Do you think the processing can become big for you or this is more, we will see how it goes because your core focus is to get the distribution right.

Amrish Rau: No, we see this as a part of the value chain. I will give you an example. What we did was all the various brands that we process for, we actually took those brands and now we have published it on Zepto and Blinkit as we speak. So you can go to a Zepto or a Blinkit and actually order for a gift card. That is an initiative that we took it on our own because we felt that digital distribution through some of the digital channels is something that we are doing a decent job on, distributing it directly to the corporates, again, something that we are doing. But when it comes to close to home, we felt Blinkit and Zepto can do this. But for us, the way we look at it is that if the distribution channels are not good, the processing transaction will get affected. If you do not get more brands and do not give more choices to the clients out there by getting more brands to come in onto the gift card or the closed loop program out there, our distribution and uptake of gifting will get affected. So we are actually doing a combination on both sides. We do not see this business separate to each other and we continue to focus on both those areas, especially in the Indian market.

Rahul Kumar: Okay, great. The reason I asked this question was if I look at the absolute level of contribution margin at rupees crore, that growth is lower in this quarter and even last quarter is softer compared to what you would aspire this to be at.

Amrish Rau: Going back to the Pranav's first question, what we are getting to see actually, from a historical point of view, the processing revenue growth has been fine. What we are getting to see, especially in international markets where we are starting with distribution first, I think that growth is coming in higher that is the difference. But processing to processing, our growth rates have been fine when you look at it over a larger period of time over the last five years.

Rahul Kumar: Okay.

Amrish Rau: One thing I want to add out there is, see today we talk everything in terms of processing only on the gift card side, but the product stack is much more complex. So there is a gift card, which is really let us say you have a brand like a Nykaa wanting to come up with a gift card to manage their clients engagements, working capital, but we also have a prepaid card, where for example we have a forex prepaid card, we have a general purpose prepaid card, where a consumer can have a prepaid card when they are travelling outside of the country or we are getting to see many use cases where a consumer is coming up with a Visa, Master, Rupay branded prepaid card just for their general purchases, which could happen there. That is again a segment that we are investing into and you will be surprised to know that we have a very large business when it comes to credit and what we do on the credit side when it comes to issuing. I mean, that is one of the businesses, which is now present in almost about 20 countries globally. So now, I do not think so we talk about it separately, but that business on a full year basis is almost now Rs.100 Crores of revenues purely on what we do on credit processing, both issuing and acquiring. So it is a combination of three things that we do out there, not just gift card. I just took the opportunity to go a little bit deeper into it.

Rahul Kumar: This is very helpful. Mathematically, the question I am trying to understand is if you get an absolute contribution margin, which is about Rs.125 Crores, but about Rs.130 Crores last quarter, the growth of that number is a bit slower. So is it also there some investments above the contribution line, which are keeping that number lower? Or is this purely because I know the margin dilution because of the mixed effect. But the absolute number itself is also not growing at a phase, which you would aspire to. Is there an investment below or above that line item?

Amrish Rau: No, there is no investment out there. There is no marketing quote-unquote investment also coming in out there.

Sameer Kamath: The only thing I would add here is when we go for distribution, there are three models of distribution we adopt. One is our own platform, which is the Gift Card Marketplace, Woohoo. We also have tie-ups with corporate, these are direct. And we obviously work with other large marketplaces like a CRED, like Amazon for distributing, as Amrish said earlier. Then we have listing fees. So listing fees obviously come as a part of direct cost there. I think the way you should look at it is distribution propels what we do for processing because we are on both sides of the business. It gives you further insight on growth and volume and also relevance to the brand. But one thing is, below the contribution line item, any incremental processing we do, any incremental distribution we do, comes straight to the bottom line. And look at it from that perspective, that this actually helps fund the long-term growth of that business. And that is why these are necessary strategic investments, as Amrish mentioned at the beginning, when Pranav asked about the rationale for doing this as well.

Amrish Rau: But what I would suggest to you on that side of the business, one of the things that which I will, I mean, again, we do not give it out, we don't share that in detail yet in various parts. The EBITDA margin in that business is something that we are continuing to expand on a year-on-year basis.

Moderator: Rahul, may we request you to return to the queue, please? There are several participants waiting for their turn. Thank you. We will take our next question from Gaurav Rateria of Morgan Stanley. Please go ahead.

Gaurav Rateria: Thank you for taking my question and many congratulations for acceleration in the top line. I have three questions. The first one just wanted a little bit clarity on the movement in the contribution margin for the DITP segment. It has gone down from 84.4% last year Q1 to 81.7%. I just want to tie this up in the context of the comment that you have been making that the pricing power is returning in this market for players like us. While at the same time, our CM is kind of coming down. So is it primarily a mixed shift issue towards the mid-market? How should we think about it?

Amrish Rau: Gaurav, thanks for that question. I sort of very quickly clarified that when Pranav asked me the question right up front. What I mentioned out there, I am just going to repeat it. On the terminal side, for the longest time, the only model that we used to have in Pine Labs was we used to actually take the devices on our books and we used to basically charge the merchants on monthly fee as we provide our services and capabilities. As you know, over the last six quarters, what we have done is we made a very conscious effort to make the business or the balance sheet lighter. And one of the things what we have tried to do is we have tried to move the devices off our balance sheet and we really have tried to maintain the depreciation line flat in absolute number. What that means is I will give you a very specific number that, I would say about 25% of the deployments or 30% of the deployments that we are doing, what we tend to do is now we say, merchant, you go buy the device, or we will supply you the device so that we can support your device, but you will have to pay for it upfront then and there. As you know, that is a low-margin business out there. We obviously earn for our tech capabilities, our software capabilities, and any of the flow-based revenues which comes on top of that. But what that means is that is a low-margin business which comes into our P&L, and that has impacted our contribution margin out there.

Sameer Kamath: Also, Gaurav, what you explained earlier on the network capacity is actually directly impacting that business, as we said. So I think the large part of that is not a mix change within the business. It is a strategic conscious call, like Amrish said, driving stickiness for long-term flow and other businesses and also some tech investments we made upfront. And that is why it's in the broad range, but it's still at about 82%, which is quite high.

Gaurav Rateria: Got it. Second, on the IAP segment, India business has grown 24%. And I understand that the growth is more skewed towards distribution, which basically means processing business may have grown slower. So what are the various levers and headroom to drive acceleration in the domestic part of the processing business here?

Amrish Rau: The processing business as you would know right now in India we are already like every deal that we go in the Indian market we tend to win those deals in the Indian market just full stop like that is just a reality of it that we win every deal on the street right so a large portion of our growth actually comes out of our existing customers and that existing customer base continuing to increase. And for example, addition of these brands that we are adding to our portfolio, like for example, in Q1, I think we added about 10 new brands and new logos to our base. But what we are getting to see is on two areas, right? One is what we are calling as open loop prepaid credit processing services, which we again combine it into the IAP business and the international markets and bringing on new brands on the international markets. Those are the three areas that we are investing heavily into right now so that we can continue to drive growth on the processing side. So what I can tell you is that if there is a new gift card program which is coming out in the market, there is an 85% chance, 90% chance that it will be us which is driving that.

Sameer Kamath: I think we have also added in our deck that there are 2-3 new segments for the India, like gaming, employee benefits, etc.

Amrish Rau: Yes, can I go into that? Sorry, sorry, I should have gone into that. On the pure distribution side, one of the things that we have clarified out there is we think that there is a huge opportunity where there is an in-app purchases, which will happen and these in-app purchases which will happen that can be bought on gift card. So for example, if somebody is on Roblox and wants to make an in-app purchase in Roblox and Roblox gift card is something we are now distributing our platform. We think the entire legit gaming segment is a massive segment. We are investing into the distribution of that. So that is point number one. Point number two is, and we have said this before, and I am happy to again clarify on that one, is we will launch a meal card program, a fuel card program. We think what has come through in this budget gives a fillip to some of those services. So by October, we will have a meal card and expense card out there so that there is tax savings which will get created. Why we have a right to win on that one is we have all the grocery merchants, large number of food merchants, fuel merchants with us on our platforms today. We have one of the greatest issuing platform anywhere in the world. I think we have a right to win. So we are doing work so that we can grow that piece. So that is second. And then the third piece, what we are trying to do is we are coming up with direct-to-consumer play when it comes to some of these open-loop prepaid cards, Bharat Yatra. We are now distributing almost about 15,000 Bharat Yatra cards on a monthly basis, which is the NCMC metro-based cards. So these are some of the specific activities that we are doing across board to continue driving growth in the IP segment.

Gaurav Rateria: All right, last question for Sameer. On the operating leverage, you have always mentioned that the 50%, 55% of your incremental CM flows it through the adjusted EBITDA. But given that we have significantly affronted the investments in this particular year, should we think about this year to be slightly different than your regular year?

Sameer Kamath: Not really. As we said in the earlier questions as well, we remain confident the range of contribution margin and also the EBITDA margin and I think that flow-through will happen based on the broader direction that we have been given in the past about the flow-through. I think large part of this deviation you are seeing is largely because of the conscious up-fronted investment, which will kind of bear fruit through the year.

Gaurav Rateria: Got it. Thank you very much. All the best.

Moderator: Thank you. We take our next question from Preet Pitani from InCred AMC. Please go ahead.

Preet Pitani: Thank you for the opportunity. First on the international side, we mentioned that there are few losses in the entity, that is why our tax rate is little higher. Could you quantify the losses amount, what were the losses for this quarter and what would be the losses for last full year? And also if you could mention, when do we expect that to be breakeven?

Amrish Rau: We do not give out separate numbers for the quarter by each subsidiary. But directionally, let me tell you, like we basically given out a sense of how we look at the international business. We have businesses which are scaled up like Malaysia, where we are working with some of all the largest banks, we have deepened up product stack, we are quite scalable. I think in those businesses where we are mature, we are projecting at a very healthy EBITDA and a contribution margin, and those are extremely profitable businesses. Few new geographies where we are making inroads like Singapore, like Dubai, where we have feet on the ground, business is scaling up, we have got some early wins, and we have got large contracts which are underway for execution. Those are geographies where conscious investments in people tech are there in view of the contracts that we have already won. And

I believe over the next year or two years, we should start seeing break even in those businesses and then flow through as well. As you all know that on a full year basis, we have guided for a comfortable 28%, 29% ETR so to that you can land up seeing this because I think a lot of those businesses they you cannot absorb tax losses because of tax not being recognized on individual loss entities, I think those will bear fruit.

Preet Pitani: I mean, you want to reiterate how much of the PBT and then the flow through from PBT to...

Amrish Rau: I think PBT was about Rs.38 Crores this quarter and effective tax rate for this quarter is 46 because of the reason we have mentioned. But otherwise, I think on a full year basis, we are comfortable to be at about 29%, 30% tax rate. And obviously, it will gravitate more because obviously, we have tax rates for various geographies. India, we continue to pay at 25.1% tax rate.

Preet Pitani: Thank you, sir. That was very helpful. My another question on the line of take rate last few quarters and few years if we see our take rate on all the segments of the business has been continuously declining I know there is a separate reason for entire segment like for DITP we are going into lower margin segment on credit, on issuing and acquiring we are doing international is there any bottom line take rate that we will not go beyond that or this is the minimum take rate we would be charging something on the take-rate basis.

Amrish Rau: So actually, Preet, across segments, we have seen our take rates actually being strong or growing. Whatever headline take rates you are able to calculate mathematically is more driven by a mix change. Like, for example, in the flow business, it looks 28 bps because of the mix between what we do with UPI, which has been growing more than affordability. But if you look at the underlying take rates by each business, we have actually been strong or growing. Even in the DITP segment, we have held our take rates in terms of per POS calculations, as you said, and clarified on our earnings deck as well, that some of the additions on DCP for the OMC business have a flow-through revenue versus pure rental revenue. So mathematically, just for that, if you realize that the take rates are quite strong. On the IAP business, we have been continuing to maintain a healthy take rate of 1.3%. So I think whatever changes you are seeing on take rate are more arithmetic driven by a business mix and that has been separately explained.

Preet Pitani: Thank you. Thank you so much, sir. That was very helpful. I will join back in the queue.

Moderator: Thank you. Our next question is from Siva B. of ithought PMS. Please go ahead

Siva B: Hi, Amrish. My first question is that does Pine Labs earn anything at all from MDR? If not, why so?

Amrish Rau: No, we do, that number has been gradually increasing over the last few quarters that go into what we call as a flow-based income, which is what we earn on the MDR and the aggregator side. We do run that and that business has been increasing over the last few quarters.

Siva B: Could you maybe say like what percentage of revenue MDR contributes as well?

Amrish Rau: We have not shared that in detail, but I also don't have it off hand to tell you right now. Yes, but the growth rates in that segment are northward about 60%, 70% given the base effect. So a lot of these new merchants in the mid-market, the online business, the DCC volume that we speak about, all of those businesses are monetizing GTV businesses on the rails we have created, which is pure MSF. And therefore, as you kind of grow across the platform, as we go across the depth of what we do for merchants, you will see that business contribute a bigger share of our top line going forward.

Siva B: Understood. Thank you for that. And for our affordability segment, how does the income exactly flow to us? Is it like whenever I purchase a product using Pine lab's POS or EMI, we get revenue or what if I use my credit card and then convert it to EMI on my personal banking app, do we still get anything from that?

Amrish Rau: No, we do not get in the second scenario, we do not get anything out of it. In the first scenario, yes, we do get and the monetization is very simple. There are basically three or four people which come together. There is a merchant, there is a brand, there is a consumer, and then there is obviously the terminal at the point of purchase. We get fees from all the various stakeholders. That is the income stream for us.

Moderator: Thank you. We have time for one last question. That would be from Mr. Prakhar Sharma of Jefferies. Please go ahead.

Prakhar Sharma: Thank you, Amrish.

Amrish Rau: Yes, we can hear you clearly, Prakhar, go ahead.

Moderator: Mr. Prakhar, we can hear you. Please go ahead.

Amrish Rau: You are on mute, Prakhar. You can maybe unmute. We cannot hear you.

Prakhar Sharma: Yes. Is it audible now?

Amrish Rau: Yes. Prakhar.

Prakhar Sharma: Great. Sorry for that. And my question is basically on a couple of things. One is, when you look at from an issuing perspective and go towards distribution of cards, etc., is there a working capital intensity goes up? Do you have to carry value of goods on your balance sheet? So, how is the cash intensity? That is the first part.

Prakhar Sharma: Prakhar, that is a good question and I want to clarify this again and again. That is not a model that we follow. What we do not like to do is we do not like to use our balance sheet to drive revenues in the business. And hence, and by the way, that model totally exists. It is not that the model does not exist in the marketplace. We think our businesses, our revenues can scale further if we get into that. Or for example, what you could do is, let us say you go to a brand and tell a brand saying that, I will pre-purchase for you, I am just saying $100 worth of your inventory or your cards, and effectively then sell it over the next three months. You give me a higher rate of discount that becomes a very complex area. It starts to almost become like a lending kind of a business. We do not like to do that. It is not in our operating model.

Sameer Kamath: Just to also add, Prakhar.

Amrish Rau: One more thing. What we have in fact done with most of our brand partners is as soon as a customer buys a product, we basically create the inventory of the card on the processing side at that instance. So then what happens is there is no inventory which actually comes to our books or flows through our books and brands love that. And this is the kind of technology capabilities that we have built, the reason why we win in the market. It is not just about physical distributions, it is about what is the tech platform you have created, what is the workflows that you have created, how you are actually managing the finances for the brands also. Those are the things that we win on. We are not that whole classic distribution play. I will give you another example. In many cases what we do is we go and tell the brand saying that managing distribution is so complex, let us be your distribution platform at a technology level and even if you distribute through somebody else onto let us say a Gyftr, you still use my tech platform to do your distribution capabilities. Maybe I do not get to enjoy the benefits of the margin related to distribution, but my tech platform is being used.

Prakhar Sharma: Got it. Very quickly, how do you assess this thing? Slightly bit of a number discussion. So, Y-o-Y, your issuing revenues have gone up by Rs.56 Crores, approximately, your contribution in that segment has gone up by Rs.11 Crores. So there is a 20% incremental contribution margin that has come. So how do you look at that?

Amrish Rau: So very simple. Prakhar, I think if you combine what we have been saying is that, especially in the international market, if you remember many quarters back, we said that we are the full stack play in India by 90% plus market share because we have strong distribution and processing and that is why brands come to us. If you remember some quarters back when we spoke about international business, we said that the best way to win large brands and I am going to show you that earlier is to win distribution. And historically, as we have said, even when our margins changed a bit and directionally, we have been guiding that distribution business gives us the entry. They come at a lower margin because processing has almost 100% CM, distribution has about 30%, 40 % CM. It goes down. And I think as you go into some of these markets, I think these are market entry strategies. A large part of that distribution growth did come from international markets where presence on the ground for new markets like Singapore, Malaysia, UAE, help us kind of get visibility, relevance with the brand. And therefore, I think these are investments which have helped us build longer term strategic depth in that business and also lead to processing income where the contribution margins, even on incremental business, will start flowing through in the same level as the stock, which is there right now.

Prakhar Sharma: Got it. And last part, you are clearly handling multiple balls, while delivering on revenues and committing on contribution margin expansion. I just wanted to reconfirm that this normalization of contribution margin does not dilute the working capital cycles of the company.

Amrish Rau: So I think, look, Prakhar, we have demonstrated it in the full year of FY'26 that we continue to maintain a tight working capital of about 13% into 15% we have been given that as tight guidance. We are also said that Q1 is typically when large payouts happen. We called out those payments earlier as well, like employee payments, variable pays, certain advances that had to be paid for capex because of the supply chain. I think even despite all of that, we are coming at about 16% and we remain confident on the full year's working capital guidance, number one. As far as ICB is concerned or the early settlement is concerned, we have also given an explanation that there is a cyclicality because Q1 ramps up after a collection intensity of the Q3 coming into Q4. So, I think on that basis, I do not believe that working capital should change because of some of these contribution-related changes.

Prakhar Sharma: Perfect. Thank you so much. Best wishes to all of you.

Moderator: Thank you. That was the last question. I hand the call back to Mr. Amrish Rau for closing comments.

Amrish Rau: I think I am just going to reiterate the fact that the business seems to be trending very well. Quite happy to get to the 20% growth, but I think we have room to continue to execute better to get to a higher number when it comes to revenue growth. And associated with that will then come through on the EBITDA growth side. We made some very specific comments about where we think EBITDA would be or what the floor would be when it comes to EBITDA. And the last piece, we continue to build. We continue to build new technologies, new capabilities, go into new areas, release new products in the market. So quite comfortable in how much we are investing in the future at the same time driving revenue growth and EBITDA performance. Thank you very much. Look forward to speaking to you all more.

Sameer Kamath: Thank you, everyone. If there is any follow-up question, please do reach out to us at the investor relations deck. The email address and contact details are there. Thank you very much for joining us for the call today.

Moderator: Thank you, members of the management. 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 and have a good day. Goodbye.