Management Discussion

Anoop Poojari - Client Manager, Citigate Dewe Rogerson
Thank you. Good evening, everyone, and thank you for joining us on MPi's Q1 FY '27 Earnings Conference Call. We have with us Mr. K. Girish Kini, CEO and Executive Director; Mr. Ramanath Pai, Chief Financial Officer; and Mr. Mayank Bhotika, Head, Strategy, Finance and Treasury. We will begin the call with a presentation by the management, following which we'll have the forum open for an interactive question-and-answer session.

Before we start, I would like to point out that some statements made in 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 Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Thanks. Good afternoon, ladies and gentlemen. Thank you for joining in. So, before we embark on Manipal Payment, because this is a maiden call, just wanted to give you -- take you all through the Manipal Group. So, we represent the Manipal Group promoted by Mr. Gautham Pai. Mr. Gautham Pai is a third-generation promoter and has joined the business late 1990s, early 2000s.

Just to give you a quick down on 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. So, the Pais originally wanted to formalize banking. And once banking was formalized, the Group ventured into other businesses, for example, education, healthcare, media, print and so on and so forth.

Fast-forward to today, the Group has around 14 plus businesses divided into three major platforms, which is the legacy BFSI platform where Manipal Payment is a flagship arm, the consumer platform and what we call ancillary platforms where we house businesses like EPC, print, advertisement and so on and so forth. 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 threefolds. For any corporate actions, C-suite hiring, which means leadership minus one and for any strategic direction which he would embark on the operating entities. So, in that sense, we operate more like an evergreen fund. Manipal Payment is the first-out of many, which has now got listed and we believe that the Group has the potential for a few more companies to look at the capital markets in the near-future.

I would now like to move forward and ask Girish to basically take-over the business.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Good evening. I'm Girish, the CEO for the company. I've been part of the Group for last 30 years and been part of MPi since the inception. Welcome you all to the first earnings call of MPi. I'll be covering the overview of the business and later I'll summarize the entire Q1 summary.

So, we are a leading player in the domestic payment card market with 31%-plus market-share. And credit cards, we have higher market share at 36.4%. We have done more than 1 billion national ID cards on 12-plus languages. As a part of our driving license contract, we have offered multiple services at more than 88 RTOs in multiple states of -- in the country. And now we are present in 15-plus countries with four subsidiaries.

Globally, we are ranked in the 10th position in terms of shipment of Visa and Mastercard ex-China. And if you see the global market, close to around 20 billion cards are in circulation and growing at a CAGR of around 2.7%. And top-10 players hold around 71% market share. It's highly gated by certifications and presence in multiple markets.

India business last year close to around 327 million cards were shipped and it's growing at a steady CAGR of 13.1% in terms of growth. Top four players hold share of close to around 90% and MPi holds a share of close to around 31.7%. We have a short video, which will give you an overview on what we do within the business.

[Video Presentation]

So, our business is highly regulated and we need to have certification from multiple payment schemes. So, entry barriers are very high. And each and every product we manufacture will -- is covered by a secure data, which makes it unique and data is a very sensitive element in the business. We need to be certified by PCI DSS and CERT-In certified. We are heavily invested in our IT infrastructure -- the IT infrastructure and even the manufacturing certification. We just don't offer products. We've offered technology, we offer solutions, and we offer services bundled around the overall offering.

We have categorized our business majorly into two major categories, core business and emerging segments. Within core business, we have our domestic payment cards, followed by government ID, digital automation and bundle offering and secure logistics are at the extended arm of domestic payment card. Within the emerging business, it's more of a high-growth engine scaling from India to the world. So major vertical is the exports -- export into more than 15-plus countries having four subsidiaries. Then we have metal both in domestic as well as the global market. We have a tax stamp business leading into the revenue assurance and revenue savings space. And RFID and IoT is a new vertical which we have started during last year.

Overall, MPi as a company has been innovative from the beginning and MPi -- when industry evolved, MPi has led the chain. When magstripe cards converted into chip-based cards and chip-based cards converted to chip plus, your, tap-based cards, when metal came into India and especially in the identity space when driving licenses were converted onto polycarbonate, plus when tax stamps were launched with intaglio and even instant issuance when it was launched in the country. So, all these changes were driven by MPi. And today we are a global company offering all these services across multiple markets.

So, I would like to cover a glimpse of our domestic business. So, we are -- we have relationship with each and every -- almost each and every bank in the country. If you see our relationship, it's more than 15-plus years with all the top banks and our revenue mix is very even between PSU and private bank. We have onboarded more than 60-plus fintechs in the payment card space. And in terms of government, we are having more than 17-plus contracts with both state and central government and these are all multiyear and long-term contracts in nature.

In the NCMC and transit space, we are leaders and we have rolled-out multiple projects for multiple metros and public transports, especially in the state of Maharashtra. So overall, in terms of operations, we have 19 locations and four locations we have -- we offer completely one-stop bundled solution from this location. Our long-standing relationship with the customers act as an entry barrier against all the new entrants in the business.

Digital automation business, here we help the banks to automate the services in their branches. We

have multiple offering in this space like instant account opening, instant card issuance, your check depositing, passbook printing, multifunction kiosk and here we offer hardware plus software, software, which is deployed across multiple branches and the services managed around both the hardware and software in this offering. So overall, we have more than 5,000-plus deployments across multiple banks in the country.

Globally, we have deployed more than 30-plus kiosks in multiple European airports where any customer can -- for a large neobank and any customer walking to -- into the kiosk can scan the QR code, can instantly get a personalized card or a forex card or a prepaid card from the kiosk. We have significant demand coming up from Tier 1 and Tier 2 banks globally.

Government ID, we have multiple offering in this space like citizen card, voter ID card, driving license, registration certificates, national ID. So globally, driving license was on a material called polycarbonate with laser technology, where the shelf-life of the card would last for more than 10-plus years. We were the first one to launch this in Maharashtra, State of Maharashtra, for a period of eight years and Chhattisgarh for a period of 10 years and Andaman for a period of five years. So, it's a big segment and a large offering within the domestic space.

And national IDs, we have been doing for last 10 years, more than 10 billion -- 1 billion cards we have supplied to the national ID and it is an -- 12-plus languages. This is an annulated business when there is an individual born on -- when an individual turn 18 years and when the address is changing, these cards are being issued. So overall, with the volumes we have done in India, today we stand in a very front-foot position where to address all the global requirement and we have participated in more than seven to eight large projects globally for driving license and ID globally.

Exports, we started our journey almost four years back and we have people working -- we have a sales team working around multiple markets and partners also in the multiple markets. And we are now present in five regions, APAC, your U.K. and Europe, Middle East and Africa, LatAm and U.S. So, our whole model here is manufacture in India for the world.

So, if you see the card, 90% revenue of the card comes from the base card, which has the bank branding and the scheme branding. This portion of the card gets produced in India and the remaining 10%, which is the personalization, basically the name, number and the secure information which goes inside the chip. This gets manufactured out-of-the local market as there are data localization laws and this portion of the activities will have to be done out-of-the local market.

We -- our Nigeria bureau is fully operational and we have supplied base cards and personalized cards to multiple banks in this market. And if you see our revenue, it's been growing at a CAGR of 116%. FY '26, close to 7% of our revenue was from exports. And in Q1, we are at around 15% in terms of our overall revenue and INR64 crore worth revenue we have delivered in Q1. Very, very confident to expand the export business, our international business, in the payment card space.

Metal card is a very niche segment, premium segment and what we are seeing is significant amount of movement is happening into HNI space, in the payment card space, and the realization per card is almost 20 to 25 times of the traditional card. And during the last year, close to around 64 million cards were issued globally, which is growing at a CAGR of around 15%, U.S. being the largest market. And in India, the CAGR is around 47% and close to around 2 million to 2.2 million cards were issued on metal. And within this space, there are very few players globally manufacturing metal. And this falls in the branded category like the pharma where manufacturers have patented and have got grants in multiple markets. And today we are one among them and we have got a patent granted in India and multiple markets.

We have supplied cards to all the top four issuers in the country and we have supplied all the top-notch variants like HDFC Infinia, Diners, SBI AURUM in the country. And we have supplied to the largest neobank in the global market, plus multiple other customers we have supplied these cards in the global market. And this segment falls in a high-margin and high-growth segment for us going forward.

Tax stamps, each and every state today generates revenue by sale of liquor and a state like Karnataka would generate close to around INR40,000 crores in terms of revenue. And this tax stamp with the intaglio technology secures the revenue for the state. And if you see all the global currencies, including the Indian currency has this intaglio technology and we are offering this to multiple states in the country. And we are just not offering the product. We are also offering the authentication solution where the movement of liquor from distillery to warehouse, warehouse to retail, and the authentication of the -- what is the tax stamp by the inspectors in the field is completely verified on our platform. And we have significant opportunity coming up even in the global markets where the governments are looking at protecting tobacco, alcohol and pharma revenue in the global market. This also is a high-growth and high revenue segment for us going-forward.

RFID, we invest -- RFID and IoT, we invested heavily during last year for converting, then inlay manufacturing and personalization. And our whole idea is to offer soft tag, hard tag, hardware solutions and software platforms for multiple segments. Retail has gained significant traction over a period of time and their large retail customers have got real-time control on their inventory movement from the warehouse to the retail shop to their online store. So, we have done large business with large retailer in the first quarter and we are working with multiple retailers to expand our foot in the RFID space. Plus, we are also looking at other segments like jewelry, logistics and pharma in this segment. This is growing at a CAGR of around 15% and we clearly see opportunities outside-in -- outside the domestic market. As we are present in other markets, we are looking at addressing these requirements in the other market.

I will cover now the Q1 highlights. We closed Q1 revenue of INR419 crores. This is 48% higher than the last year. Now that is a good number, but honestly, what I'm 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. They are now 37% of our revenue. So, we are building the new without slowing down the old that I think is a real story of this quarter. And within the core business, banks don't come to us just for a card. They come to us for the whole job. With our bundled offering, a bank gets a card, the checkbook, the welcome kit and the secured delivery right to the customer's doors all from one partner. That's why they stay with us.

Some of the wins in the first quarter, we won more than nine contracts and renewed one more -- one large public sector contract with small finance bank, rural and cooperative bank. We also supported around 10 new card launches. And in the digital automation space, a large public sector bank placed an order for more than 360 passbook kiosks. NCMC card, one area I personally I want to highlight is transit. We were among the early players in NCMC transit cards that is one card for metro, for bus, for every day payment. Today, leading payment players, including a large prepaid and payment company issues their NCMC cards with us as more Indian cities bring the metro and bus network onto this standard. The demand for these cards grow with them.

Now metal cards, we supply India's four largest card issuers. This quarter, we added three new

metal card customers and now we have more than 10 metal card designs in the market across leading issuers. International, if you ask me what has changed the most at MPi, in the last three years, it is this in financial year '23, international was about 1% of our revenue. In FY '26, it was 7.2% and, in this quarter, it is 15.3%. The model is actually quite simple. We make the cards in India at India cost and we personalize it close to the customer, either in our bureau or with a local partner or inside the bank.

In Q1, we have added 10 new banks and fintech customers abroad and entered into four 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 South Africa, South Asia also has -- also gave us more business. Our Nigeria bureau is now fully certified and delivering cards to the banks. And our 31 kiosks are issuing cards in Spain today. So, we are not just exporting a card anymore. We are exporting the card, the personalization, the metal upgrade and the kiosk.

In our tax stamp 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 officer checks our labels in the field using our mobile app. This quarter, we have added a new multiyear tax stamp contract. And in RFID, a large retail program scaling up during the quarter.

Now what connects -- all of -- all this is technology we have built ourselves. Our own software personalized card securely issues them instantly at a branch or at a kiosk and tracks every secure delivery across more than 19,000 PIN codes. We also built our own chip software and we have five registered patents with more than 30 more filed.

So, to sum up, we are growing at home, we are growing faster abroad, and the IPO has strengthened our balance sheet to support both. A number of contracts we have won this quarter and are still in the early stages of billing. So, for us, the focus is very simple, execute quarter-on-quarter.

With this, I hand over to Ramanath to cover the financials of Q1.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Thank you, sir, for providing detailed business highlights.

Before I jump into the Q1 numbers, I would like to give a brief on historical financial performance, so that it gives a fair idea about how our financial has been performing over the last two, three years. In terms of revenue, we have grown from INR902 crores to INR1,326 crores at a CAGR of 14%. And this revenue increase is coming from twofold. It's a combination of value as well as volume. And directionally, we are moving towards high-value products like be it rPVC or bundled offer rates or metal cards.

Now within the revenue, export has increased significantly. It has grown 10 times over last two, three years. It has grown from INR9.5 crores to INR95 crores. And today we have a reach across 15-plus countries through our four international subsidiaries and five sales offices. EBITDA, it has expanded significantly over last three years. It has increased from 19%-plus to 33%-plus. And the major contributors for this margin expansion in the EBITDA margin is favorable product mix. The share of our revenue in digital automation, metal cards, and tax stamps has increased substantially.

Economies of scale and the operating leverage which we are getting because of the increased revenue, it is favoring the overall margin expansion. And of course, the backward integration which we have done. Today, we have our own RuPay chip applet. The inlay which goes into the cards we manufacture it in-house. And the technology platform, which is required for running the entire show, it has been built by our own IT team. PAT is increasing in line with the EBITDA margins with the

typical conversion between EBITDA to PAT being 60% which has grown today from 13% to 18.68% as on FY '26. And literally, we do not have any funded debt in the balance sheet.

Coming to the working capital cycle, we have a standard 70 days working capital cycle, 55 days is inventory, 45 days is the receivable cycle, minus 30 days of payables. In terms of return metrics, our return on capital employed is upwards of 32%. This is despite the significant investment which we have done over the last two to three years and the cash balance which we are holding as on 31st March '26, which is more than INR220 crores

Over last two to three years, we have invested roughly around INR300 crores into capex, which is mainly for increasing our capability or the capacity into domestic as well as international operations. Again, we do not have any debt in the system. We are completely debt-free apart from the non-fund-based limits which we use for providing the bid security to the customers. Now we have IPO proceeds of INR320 crores, out of which INR238 crores is earmarked for the expansion of manufacturing capacities, which is mainly for metal cards, tax stamps, and the international operations.

Coming to the customer profile, I think overall vintage of the top 10 customer is more than 12 years. So, our customers are highly sticky in nature. Coming to the customer concentration, we have been adding multiple regions and multiple businesses over the years. And accordingly, the customer concentration has dropped from 62%-odd to 58% in FY '26.

I will now move to Q1 FY '27. These are our first quarter results since listing and the quarter has seen strong growth across both core and emerging businesses. Revenue from operations has grown 48% year-on-year to INR419 crores. EBITDA has grown 44% year-on-year to INR124 crores with a margin of close to 30%. EBITDA has grown to 77.7% [Phonetic], which is 2.3 times of last year. And again, a margin is significantly increased to 18.3%. Our share of international business today has reached 15.3% compared to 3.9% in Q1 FY '26.

Coming specifically to international businesses. This year, we have added -- specifically in Q1, we have added Nigeria as a region, which is fully operational, certified, and we have started supplying the cards from there. And today in Q1, this is the largest international bureau for our business. Our core business has delivered a growth of 22% and emerging business is 2.3 times of last financial year. Anyway, I will be taking 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 INR419 crores, which is 48% year-on-year. Of this, INR135 crores of increase over Q1 FY '26 to more than two-third of the contribution is coming from the emerging businesses. So, the entire quarter is led by emerging businesses with the core being continuing to grow steadily. Operationally, EBITDA grew 44% to INR124 crores, which is roughly around 0.8% lower to FY '26 Q1 numbers, but it is higher by 1.7% sequentially.

Now this quarter we faced couple of headwinds in terms of input cost. Geopolitical issues have increased our raw material cost and also weakened rupee has increased our overall imported material cost. Despite this, the overall operating leverage which we are getting has helped us to hold on to our margins, which is at around 30%. Our overall fixed cost has increased from INR104 crores to INR126 crores, which is roughly around INR22 crores, whereas our overall revenue has grown by INR135 crores. And this is the overall leverage which we are getting. And as a share of revenue, overall fixed cost has grown or decreased from 36.5% to 30%.

PAT grew to 2.3 times year-on-year. PAT margin has increased substantially by 6.7% and the EPS

has grown from INR1.57 to INR3.39. One thing to note is that in PAT, the PAT is after absorbing INR7.7 crores of seeding and development cost for our new initiatives. We classify our business into core and emerging to give a better visibility into where our growth is coming from.

We have built our core business over a decade, which has taken or which has reached a significant around INR1,000 crores-odd over last 10 years and now it is compounding at a healthy rate. During the quarter, core business grew at 22% year-on-year and major growth drivers for the quarter are increased adoption of co-branded cards, NCMC migration, and the bundled offerings.

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 INR69 crores to INR159 crores and its share of revenue increased from 24% to 37% in one year. Now internationally, we have a reach across 15-plus countries, four global subsidiaries, five sales offices. In terms of tax stamps, we have added a significantly large contract during the quarter which is again a multi-year contract runs into five to eight years.

Our metal card portfolio has expanded to 10-plus variants across top 10 or top issuers. Here the beauty is that the ASP leverage which we are getting. While the ASP of the metal card is 20 to 25 times of the or 20 to 25 times of the regular traditional card. So directionally, metal cards and tax stamps are margin-accretive. As the share of emerging rises, this business can potentially yield better margins and together with the operating leverage which we are getting because of the incremental revenue, this can support our margin profile over time.

To summarize this quarter, core is compounding at 22%, emerging 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, tax stamps, and international capacity.

With that, I will hand it back to the moderator for Q&A.

Questions & Answers

Operator
Thank you very much. We will now begin the question-and-answer session. [Operator Instructions] We'll wait for a moment while the question queue assembles. First question is from the line of [Technical Issues] Aditya [Phonetic], please go ahead with your question.

Aditya - Analyst
Hello?

Operator
Go ahead, you're audible.

Aditya - Analyst
Hello?

Operator
Yes, Aditya, you're audible. Please go ahead.

Aditya - Analyst
Hello?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yes, Mr. Aditya.

Aditya - Analyst
Am I audible, sir? First of all -- am I audible?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yes.

Operator
Yes, sir. You're audible.

Aditya - Analyst
Yeah. Okay. First of all, congratulations on your amazing set of numbers. First, my first question is towards the debit card market. Primarily, I would like to ask about how the management is looking into the debit card issued market going forward on a future basis. Considering we are coming out of a lower base in financial year '25, I expect in the near-term, it is expected to grow. But again, I would also like to ask the management on the onslaught of newer payment methods like UPI and everything, how do you think the debit card market overall issuance is expected to grow according to the management.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, recently, [Technical Issues] net worth, which is completely getting migrated onto an open-loop. There are re-cardings to be done across all metros as well as all the fresh issuance to be done across the metros, plus public transport as well as the public bus transport is gaining significant traction for the senior citizens, for the concessions to get on the student passes. All that is moving on the card base and government is encouraging to migrate this on the -- completely on the card platform.

Coming to UPI, see, our UPI in terms of UPI is more in terms of the number of transactions which are there and what we issue in terms of number of cards and the number of transactions are two different subjects. So, what we believe is the debit cards will continue to grow at around 13% overall in terms of growth in the industry.

Aditya - Analyst
Okay, sir. My next question is on the metal cards. Can you give me a light on how -- like per unit realization of our metal cards, if at all possible? And going forward, how do we look into the realization from our metal card? We have already told some around difference like a magnificent difference between the PVC cards and the metal card. Is there any number which you can quote on the realization per metal card if so possible?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. So, when we speak about metal card, there are multiple types of metal card today globally and typical ASP leverage is between 20 to 25 times of our traditional plastic cards. And as we move ahead, definitely, there will be significant premiumization factor, which we are already seeing in the country, which is led by U.S. currently where total issuance is roughly around 35 million to 40 million

cards every year. And in India, last year we have seen hardly 10 to 12 lakh cards being issued. But that significant premiumization push which is happening today and the aspiration of the people to have a metal card in their portfolio, which is completely driving this overall metal issuances. But on the ASP side, definitely it is between 20 to 25 times of the traditional plastic card.

Aditya - Analyst
Yeah, sir. Thank you. Thank you. That's it from my side.

Operator
Thank you. [Operator Instructions] Next question is from the line of Nitin Aggarwal from Motilal Oswal. Please go ahead.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Yeah, hi, team. Congratulations on good results and a good start as a listing -- listed company. I have a couple of questions. One is on the international business, like if you can talk about as to what kind of order book do you have, this business has been growing very fast, already forming 15% of revenues. So, within the total order book that is outstanding, what is the mix of international order book? If you can comment on that.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, we are now present in more than five regions, APAC, Middle East and Africa, LatAm, U.S. and U.K. and Europe. And the revenues are coming from all the five regions. And we are looking at expanding into growth markets and it will be both for traditional payment card as well as metal. And we clearly see an upside coming from the -- our international business side.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Right, sir -- but from 15% revenue, say, next couple of years, where do you see this number climbing in terms of the overall revenue mix for international?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, thank you, Nitin. Excellent question. So, as you know, as Girish alluded, the business is -- we are kind of focusing on international business, which is currently 15% and this will start as the revenue profile grows, the international business would also grow at a faster pace. We believe that it should be around 20% to 25% of our total revenue profile moving forward in the near-term.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Okay, okay. And will it also be possible to share the EBITDA margin because we have been guiding 30% EBITDA margin, which is similar to what we have done in the past. And while the mix of high-growth, high-margin products is increasing, but we are -- so I just want to assess like is it a conservative guidance of 30% or do you see upside risk to this number, some color between international EBITDA margin and domestic EBITDA margin? So, some color around this, if possible, you can share?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. So, Nitin ji, Ramanath here. On the EBITDA margin, specifically between the products, we do not compute mainly because there are a lot of common infrastructure, common cost, common raw-material, which we use across the product. So, it is not a possible for us to compute properly

the EBITDA margin for each and every products, okay? But having said that, as we move ahead, as the mix changes, I've already indicated that directionally metal card and tax stamps are the margin-accretive businesses for us and also as the revenue is increasing, that operating leverage is working in our favor. However, having said that, global geopolitical issues could be there. So, considering all those things, we have guided roughly around 30%, but I will leave it to the market to guess the overall numbers.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Sure. And the other question is on the Nigeria business, which has fully come on-stream and started like delivering onto the revenue lines. So, what is the capacity utilization in Nigeria? And likewise, if you can also share the timelines of what other capacities are coming over the coming quarters?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So here one thing to be noted is that the model which we have is a hub-and-spoke model where majority of the manufacturing is based out of India, which is a common infrastructure altogether. And for plastic cards today for Q1, the capacity utilization roughly between 75% to 80%. And specifically in Nigeria, we are handling personalization of the cards which is around 60% as we speak today. And overall, as the demand increases, we will definitely increase our capacity. That's not a challenge at all.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Okay, okay. And the timelines of the upcoming capacities, because we did talk about the other Europe and the U.S. capacity. So, any like timelines if you can give fresh on where are we on that?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. So multiple things here. One is that we are increasing the overall capacity requirement for our international operations in India for base card manufacturer. We are also significantly increasing our capacity into metal cards. And in the developed markets, we'll be having a personalization bureau and each personalization bureau will cost roughly around INR30 crores for us to establish and start operations there. And this year, we might add one more international bureau and in development market. And to cater those volumes, we will increase our capacity here in India as well. And overall, if you see in the IPO proceeds, INR238 crores has been earmarked for capacity increase itself. And out of that, roughly around INR100 crores to INR120 crores is set for current financial year.

Nitin Aggarwal - Analyst, Motilal Oswal Securities Ltd.
Right, right. Got it. Thank you so much, Ramanath, and wish you all the best.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Thank you.

Operator
Thank you. Next question is from the line of Deepak Agarwal. Kindly accept the prompt announce your company name and proceed with your question.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Yeah, hi, am I audible?

Operator
Yes, go ahead.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Yeah, yeah. Hi, this is Deepak from Param Capital. Congrats, Manipal team on the listing and good set of numbers. A couple of questions from my side. Just to understand, so last year, how many debit cards were printed in India? And of that, I believe we have shared in the presentation in terms of about 31%, 32% market share. So just a -- so as -- India as a country, how many physical plastic cards were manufactured as an industry?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
See, overall, around 327 million cards were shipped during the last year, and our share would be close to around 31% of the -- of that shares.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Okay. So, about 11 crore, 12 crore kind of cards and maybe a realization of about INR90-odd so, roughly about INR1,200 crores, INR1,300 crores of top line is explained by that, right? Is my understanding right?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Deepak ji, you are -- so broadly in that range in terms of volume, in terms of ASP, we will -- broadly, if you look at it, we won't be able to give the individual ASP for the business. But broadly, if you look at it in terms of volume, that is the number, yes.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Got it. And a total debit cards in-force in India would be about 150 crores, 160 crores as an industry is what I understand, right?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So -- no, no. So, debit and credit combined, the industry is around 120 crores to 125 crores, out of which debit cards are approximately 107 crores to 110 crores and credit cards are between 12 crores to 15 crores currently. Where -- as we mentioned, when we say we are growing at around 8% to 10%, we are obviously assuming that the credit card market would grow at a higher CAGR vis-a-vis the debit card market.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Fair enough. And just to understand, so in terms of the replacement card market, right, because a very large part of your growth would be the replacement that as I understand for -- now it is up to the bank in terms of the expiry of the card, but roughly say four years is what the -- when you send a new card in four years give or take a new card has to be issued.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, see, now we operate in multiple markets and the renewal cycles are different in different markets. For example, Nigeria, the renewals are in say three years, four years. U.S. co-branded cards are just two years, three years. So, on an average, I would say close to around four to five years would be the renewal cycle, Deepak ji, for the renewals.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Essentially about -- if I have to understand your growth levers for next couple of years, that 120

crore, 125 crore cards and say five years, so 25 crore new cards are just by the renewal of what is existing stock in the system, right, as an industry. And then obviously that is one is your natural market share of what you have and how much more you can grow on the market share, sir.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yeah. Typically, one-third of the card base will be [Indecipherable].

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Deepak ji, you are absolutely right. So, which is where we kind of keep highlighting that the domestic plastic card business and the core business has become like an annuity business, which is growing at a certain, let's say, around 8% to 10% CAGR. And while the growth businesses and the emerging businesses is basically which is generating the incremental growth going forward and which is why we have divided the business into core and emerging as we speak.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Got it, got it. Interesting. So, second question comes in terms of the margin profile, we have been closer to that 30% margin profile in last three, four years. Now -- and if you go back little bit in history, we used to be a little lower in terms of margin. So, can you share with us in terms of what explains this margin expansion? And as I understand, we seem to be pretty confident that 30% kind of margin profile should be sustainable in the short-to-medium.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Maybe I would like to give answer in a twofold here. One is that historically, if you see the product has evolved continuously. When we had started the business, it was only a magstripe card which was sold at around, let's say, single-digit in terms of realization. Then we move to EMV-based contact cards, which -- where the realization increased by 4 times and then we moved to roughly around 2023, 2024, we move to dual-interface cards where both contact and contactless features are enabled in the card. Again, the realization doubled from EMV card.

So, there is a continuous technology enhancement which has happened in the card. And similarly, at the same time, our volumes have grown significantly. If you see FY '21 to FY '26, our overall production has doubled, right? So that operating leverage coupled with the technology enhancement which has happened, that has led to the overall increase in the margin and also the backward integration which we have done in the entire business.

Now to benchmark the overall margin profile, if you see the top four payment card manufacturer in the world, right, their margins are in the range of between 30% to 35%. So, we strongly believe that the range which we are there currently, it is benchmarked in the -- as per our industry standards.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Great, great. Got it, got it. Interesting. Also, in terms of you did mention on the capex side, so as a part of the IPO proceeds, we have a -- I think INR240 crore kind of fresh money we raise for capex. So, from -- we have roughly about 13 crore, 14 crore card capacity right now, how much is our existing capacity and after this INR240 crore capex, where does our card capacity go in next two years?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. So basically, we are significantly increasing our capacity into metal. So, if you see our RHP

also, as on 31st March '26, our capacity was 670,000 cards. From here onwards, we want to at least increase it by 3 times. And traditional plastic, as on 31st March '26, it was 12 crore cards, but overall requirement for the international market will be increasing the capacity, but our foremost -- first and foremost focus will be on the metal cards as we move ahead.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
And you are seeing enough visibility from your both large international and domestic claims in terms of order book and all.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yeah. Yeah, we are getting clear visibility from the major markets like U.S. and LatAm and this market. And growing market, there is a significant demand coming including the domestic market.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
And anything you can -- sorry.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
And also, if you see India today, the debit card platform also has moved on to metal. Large PSUs have started issuing on metal. A large private bank has issued significant -- or is planning to issue significant volumes on metals. So, we clearly are seeing, what do you say, transition happening onto the premiumization space in metals.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Great, great. And Q1, I see that revenue is up 48% year-on-year and EBITDA is about 44%. So now as an investor, if I have to see, so this full year, can you help us in understand how should we look at growth both in revenue and EBITDA and anyways you're saying it will be closer to this 30% margin profile. So, this growth should continue, it would slow-down. Anything you can share on growth, how should we look for FY '27 full year growth.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, before we answer that, Deepak ji, we wanted to give you a go back to the basics and give you an idea about how the business operates. So, if you look at the company is into -- generally into multi-year contracts and these are lumpy in nature, which essentially means that once the contract is won by it, these are multi-year contracts which are long tenor and which leads to sequential -- it's a lumpy growth in the businesses.

Having said that, obviously, there is visibility in terms of the business, which is why, currently, we are confident of having a -- you can say this year we believe that the top line will increase around 30% to 35% vis-a-vis FY '26. In terms of -- if we have to give a -- you can say an estimate of growth for next two to three years, because the lumpy nature of the business, there could be timing difference. But broadly if you look at it, we are -- we look forward to a potential CAGR growth of around 20% to 25% over a three-year horizon moving forward.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
It would be a really good number if you delay it because for a services business with this kind of an ROCE profile, it's exceptional in terms of the operating leverage, which will be visible in your numbers in next couple of quarters, right?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, we second you on that, Deepak ji. We are we are pretty hopeful on that. And as you rightly mentioned, in terms of margin sustainability, we believe that you can say the EBITDA margin -- EBITDA growth would be in line with the -- you can say revenue growth. And as operating leverage starts coming in, there could be a potential increase moving forward.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
Got it. And also, on the tax stamp side of the business, so can you share a little bit more of like as of now for how many states we do, how many states actually use tax stamps and any pipeline you are seeing or more-and-more states adapting it? Just to understand what could be the overall TAM [Phonetic]. I understand, one is the entire generic of entire [Indecipherable] is converted into it, but in foreseeable future, anything you can share how the pipeline is building up?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, if you see the domestic market, there are two types of products in the market. One product is, what do you say, holographic features with your paper-based features and the other tax stamp is a polyester-based tax stamp. So close to around 15, 16 states on polyester-based tax stamp and remaining around the paper-based tax stamp. And due to the plastic ban which has come in, where any polyester below 15 micron, the state governments have started banning this product because it's not collectible. So, there is a good opportunity of a lot of transition happening from polyester to paper. And today, we are the front-runners offering this today along various high-security features in the market. And globally, Africa, African continents, and especially Middle East and these markets, we clearly see significant opportunity coming in the tax stamp space.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
And as of now, how many are states in India are actually done with the contracts in terms of how many actually use these paper stamps as of now in number of states?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
There are close to four to five states operating on the paper-based tax stamp. And with our proprietary technology of intaglio, we are the only ones offering this today in the country. And there is a good amount of traction which we are getting from the polyester-based states, yeah.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Deepak ji, again going to the -- because it's a maiden call, again going back to the fundamentals. If you look at these are multiyear long-term typically monopolistic or a, let's say, bilateral contracts, which are long-term in nature. So, the idea is once you start, you can say having a state, it gives us lumpy business, it gives us annuity business which are long tenor. And typically, let's say, if you look at states, typically in a cycle of five years, three to four states come for renewal. And the endeavor is as we start moving forward to start gaining states year-on-year when the renewal cycle starts coming in.

Deepak Agarwal - Analyst, Param Capital Research Private Limited
And the margin profile for this would be closer to your existing business or how should we look at margin profile? Anything you can share on that?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. Again, we do not have exact numbers computed for this segment, but going through the overall high-level numbers, it is more or less in line with the blended numbers, but slightly, I think elevated to the existing numbers.

Operator
Thank you. Deepak Agarwal, I would request you 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.

Abhay Joshi - Analyst, Baroda BNP Paribas Mutual Fund
Yeah, hi, team, and congratulations on the great sets of results. A couple of questions. First will be on this metal card business. Any colors in terms of how much countries we are at present and what are the order pipeline building in terms of let's say, it is highly considered to the U.S. versus Africa?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So today we are in five regions. And if you see the five regions, we are addressing multiple countries in the APAC region. Yeah. And we also have significant traction coming up in the developed markets like U.K., Europe. U.S. being the largest market, we have our sales force deployed in the market. It's a very mature market for metal and we see very good traction coming for metal -- even from this market. And India, obviously, we are issuing to all the top four issuers and there is a good traction coming on metal. And globally, there are limited players offering metal and the reception is very high when we are meeting customers in the global markets and it's giving us a significant entry in terms of making entry into new accounts in all the global markets.

Abhay Joshi - Analyst, Baroda BNP Paribas Mutual Fund
Okay, fair enough. And the second question is on this tax stamps and all. See, what I'm understood is a more of a technological moat rather than a product. So, any use cases, similar kind of using the same technology, we can have a different kind of product and we can pitch onto the government side. Just on the product pipeline with a similar technology, are we building some different products and which can have different use cases as well?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, in common domain, we are looking at tobacco and the alcohol, but in the retail, we are looking at a lot of FMCG products as well as in the automobile space, we are looking at spare parts and other things. So, we clearly are seeing traction coming in -- even in this -- in the new segments per se [Phonetic].

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, as you rightly asked, basically, if we have to look at the IoT and the solution, there are two solutions which we are speaking about. One is the tax stamp and second is the RFID foray, which we -- as Girish alluded, which we forayed last year. Within tax stamps, we have proprietary tech and where we are market -- one of the leading private players in India within that particular technology and offerings. And now we plan to go global. In India, currently, the usage is for alcohol as well as liquor protection. But going forward, globally, we see use cases which is into tobacco and pharma. Coming to the RFID side, currently, we are into -- we have basically targeted retail, but we believe there is opportunities both in India and globally into apparel exports, high-end jewelry as well as

defense and pharma as we start building this business in the near future.

Abhay Joshi - Analyst, Baroda BNP Paribas Mutual Fund
Sure. And the last question is on this COGS. You mentioned that there is an increase in the raw material prices as well in the depreciation of currency. Going forward also for this quarter, we're expecting the COGS to expand because if you look at on the Q-o-Q basis has expanded sharply. So, are we expecting similar level of trajectory going towards the Q2 or it will normalize in Q2?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So overall, forex has -- is in the similar range. And also, if you see the overall geopolitical tensions, it has not yet settled on properly. So overall, if you see, Q2 could be in the similar range. But as we move ahead, we'll have to see how it unfolds.

Abhay Joshi - Analyst, Baroda BNP Paribas Mutual Fund
Just to clarify, in similar range means in the -- we're talking about a percentage of revenue, right?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Correct.

Abhay Joshi - Analyst, Baroda BNP Paribas Mutual Fund
Okay, fair enough. That's it from my side. And thank you all for the answering my question and congratulations again to the team. Thank you so much.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Thank you.

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

Pinaki Banerjee - Analyst, AUM Capital Market Private Limited
Good evening, sir, and thanks for the opportunity. Sir, actually, if you look at your revenue share, your share of credit cards was about 60% in FY '24, which came down to 58% and now in [Indecipherable] 57%. So, sir, can we interpret that you are going to look forward into diversification into other services also from your core business.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So, what we understand from your question is that, overall, the core business for -- the share of core business was higher earlier, which is reducing as we are increasing our overall revenues in the emerging markets. And as we explained earlier as well, we are very aggressively working on national markets and also the tax stamps and metal cards. And we expect that as we move ahead, this overall share of emerging should increase as we move ahead.

Pinaki Banerjee - Analyst, AUM Capital Market Private Limited
Sir, regarding your exports, which is now about 15% of your revenues. So, any scope of increasing that further?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So yes, so as we move ahead, we believe that within next two to three years, it should be somewhere around 20% to 25%.

Operator
Sir, can you hear us?

Pinaki Banerjee - Analyst, AUM Capital Market Private Limited
Hello?

Operator
Sir, your line is in talk [Phonetic], please go ahead.

Pinaki Banerjee - Analyst, AUM Capital Market Private Limited
Hello? Sir, am I audible?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yes, yes.

Pinaki Banerjee - Analyst, AUM Capital Market Private Limited
Okay.

Operator
We move on to the next question. Next question is from the line of Mohit Sukhani from IIFL Capital Services. Please go ahead. Mohit, may I request you to unmute your line and proceed with your question. Mohit, can you hear us? Due to no response, we move to the next participant. Next question is from the line of Ansuman Deb. Kindly accept the prompt, announce your company name and proceed with your question.

Ansuman Deb - Analyst, ICICI Securities
Yeah, hi. Am I audible?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yes.

Ansuman Deb - Analyst, ICICI Securities
Yeah. Hi, this is Ansuman from ICICI Securities. Congratulations on a great set of numbers. My question is -- was on the cost front. In terms of the global business, with all the rising crude prices and other cost-related metrics, how to look at the possible change in costs over the next -- considering the regulatory environment -- sorry, the geopolitical environment, how confident are we to able to maintain the costs as such?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. Thank you for that question. So overall, if you see this year itself in the Q1, there was a significant impact because of two factors. One is the forex impact, which was average USD was INR86 compared to USD last year, which is today, it is around INR95 to INR96. That is one aspect.

Ansuman Deb - Analyst, ICICI Securities
Right.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
And second is that overall crude, be it crude prices or logistics prices because of the global unrest

which has happened, there is a significant impact which has happened in our business as well, okay? However, to negate that, today we have a significant operating leverage, which is working in our favor as well as our overall share of emerging businesses are increasing, which is slightly margin accretive. That is all working in our favor. Having said that, the cost angles, which are currently external factors, we may not be able to exactly predict what might happen in future. But as the company -- the contracts which are with the PSU or private banks today, we have a force majeure clauses. If there are any significant impact in the cost then definitely we can go back and renegotiate the prices.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So further adding to Ramanath, see, as we had mentioned the proportion of exports as a total -- as a function of the total revenue profile, exports are increasing significantly. So that obviously gives us natural edge. And the company also has a board-approved forex policy which insulates us to any significant adverse effect on the rupee depreciation in terms of -- since we become -- we are a net exporter -- importer currently.

Ansuman Deb - Analyst, ICICI Securities
Understood. Net importer in the sense your revenue provides a hedge, I understand.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Correct.

Ansuman Deb - Analyst, ICICI Securities
But -- so that is the hedge, right? You don't have a separate forex hedging program, right?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
No, so we have a separate forex hedging policy where we basically -- a sense of timing difference, we basically hedge the net exposure, which is basically the imports are for raw material predominantly for chips and exports is through revenue generation through global subsidiaries. So, net of all is what we basically hedge through the board approved forex policy.

Ansuman Deb - Analyst, ICICI Securities
Oh, understood. No, that's very helpful. And to be on -- just to clarify a little bit more on this part, in the sense if, for example, the rupee kind of settles down or appreciates a little bit or maybe settle down, the current costs, the current quarter will kind of -- is there a scope to improve further if the geopolitical situation kind of normalizes or you think there will be offsetting factors to kind of balance as it is today.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So Ansuman, to be frank, a very tempting question, but if you ask us honestly, we are in the business of manufacturing and issuing cards and other global solutions. So, we do not speculate vis-a-vis -- which is where we have a board-approved policy and we ensure that meticulously the policy is adequately adhered and hedges are taken accordingly. Yes.

Ansuman Deb - Analyst, ICICI Securities
Great. No, I understand. Thanks a lot. Thank you. I'll get back in the queue.

Operator
Thank you. Next question is from the line of Mohit Sukhani. Kindly accept the prompt, announce

your company name and proceed with your question.

Mohit Sukhani - Analyst, IIFL Capital Services Limited
Hello, ladies and gentlemen. I'm Mohit Sukhani from IIFL Capital. So, first of all, congratulations for the great set of numbers. And a question from my side is that you have provided the revenue breakup into core and emerging categories. So can you further break these core and emerging categories into metal cards, RFIDs and other segments, specifically in terms of numbers for first Q current year as well as for the last years.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. Thank you very much for that question. So, see, to give you a background on this, statutorily, we are not required to provide any further breakup on the segment reporting, okay? Just for better understanding of the business, we have been bifurcating the business into core and emerging businesses. And these emerging businesses are all the new growth engine of the company and which includes a metal card, international revenue, tax stamps, and the IoT solutions. But further drill down into the revenues at this point of time, it is not possible. Maybe at appropriate time, we will provide that. But of course, the international business breakup anyway we have provided.

Mohit Sukhani - Analyst, IIFL Capital Services Limited
Okay, great. And another question from my side is like in terms of global subsidiaries, like currently we are having four subsidiaries outside India. So, are there any plans to acquire any other companies or open any new subsidiaries for capacity expansion or any other purposes?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So excellent question, Mohit. Just to give you again going back to the basics, how our thought process is in terms of cash utilization of also generated to internal accruals. The idea is we would first want to deploy capital for growth capex as we have announced from the IPO proceeds as well as going forward. Then as you would appreciate, since the revenue base is increasing, which will entail a higher working capital. So, we want to utilize it for that.

We also want to be a dividend-paying company. Currently, the board is deliberating what should be the dividend policy, but we can -- we definitely want to be a dividend-paying company in the future. And once all of these -- so you could say uses of capital is there, if there is a possible -- the company is open to looking at inorganic growth also. So, if there are any acquisitions which are worthwhile within our segments, the company will be open to it. And this is how we think in terms of capital allocation going forward.

Mohit Sukhani - Analyst, IIFL Capital Services Limited
Okay. And on the dividend, can we expect a dividend in this financial year for this financial year?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Mohit, as you would appreciate, we have just got listed and because of which the board is currently deliberating on the same. We would come back subsequently in a few quarters on how we would be looking towards dividend, but we want to be a dividend-paying company moving forward.

Mohit Sukhani - Analyst, IIFL Capital Services Limited
Okay, okay. Great. Thank you. Thank you, ladies and gentlemen.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Thank you.

Operator
Thank you. Next question is from the line of Nitin Jain from FairValue Investment Advisory [Phonetic]. Please go ahead.

Nitin Jain - Analyst, FairValue Investment Advisory
Yeah. Thank you for the opportunity. So, my question is, what is your growth and margin guidance for the next two to three years and which businesses specifically you think will be the growth drivers in that time period?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, thank you, Nitin, for the question. See, basically, as we had kind of mentioned earlier in the call, we believe that company should grow around 30% to 35% vis-a-vis last year. And because given the lumpy nature and multiyear contracts, we believe that the company should grow at around 20% to 25% potentially from a three-year CAGR perspective, but it will be difficult to give individual guidance year-on-year at this point how -- given the lumpy nature and contracts which come.

In terms of margin profile, we believe that the margin -- the EBITDA would be in line with the top-line growth. As operating leverage starts coming into the business because of the higher revenue base, there could be some margin accretion, but that is something which we will come back in the -- you can say coming quarters. From an overall perspective, we had already mentioned that some of our emerging businesses, specifically into metals as well as the tax stamp business, those are further -- those are high-growth businesses, which are more margin-accretive than the core business

Nitin Jain - Analyst, FairValue Investment Advisory
Right and there will be the growth -- revenue growth drivers as well, is it, going forward these emerging businesses?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. See, overall, again, if you have gone through the presentation, we have divided the entire business into two core business and the emerging businesses. While core is basically the traditional plastic cards, bundled services and the digital automation services which we are providing today, the emerging businesses are basically metal cards, international businesses, tax stamps, and IoT solutions, which are basically the growth engines of the company. And we believe that as we move ahead, there will be significant growth coming from this emerging business.

Nitin Jain - Analyst, FairValue Investment Advisory
Great. That's very helpful. And my last question is, what are your margins on the export business? Are they significantly different from the domestic margin?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So, at this point of time, we do not have exact margin breakup between the products, mainly because the majority of our infrastructure or costs are common in nature however if you see our entire product portfolio, metal card and tax stamps are the slightly margin-accretive businesses compared to others?

Nitin Jain - Analyst, FairValue Investment Advisory
Thank you. Thank you very much. That's all from my side.

Operator
Thank you. Next question is from the line of Yash Shah from Ekvity Investment Managers. Please go ahead.

Yash Shah - Analyst, Ekvity Investment Managers
Hi, am I audible?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yes.

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

Yash Shah - Analyst, Ekvity Investment Managers
Hello. Yeah. So firstly, congratulations on a great set of numbers. My first question is that we are currently shown in the presentation that we have close to 60% of customer concentration, top 10 customers contributing to 60% of our revenue. Moving forward, in the next 18 to 24 months, what are the plans to reduce this concentration considering that we have relationships and partnerships with a number of entities?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
If you see our international business, in the current quarter, we have added more than 10-plus clients from multiple regions. And we strongly believe that we will be adding more and more customer base from multiple regions and the concentration risk will significantly reduce in terms of concentration from our customers.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
And to second, Girish sir, the other thing is that though in our top 10 customers, we say that it is 58% of revenue concentration. But if you see the products which we serve within the customers, right, let's say a bank, I'll be -- we will be supplying the cards, we could be supplying kiosk, we could be supplying metal cards or we could be supplying a logistics or checks books solutions. So, in a manner, it is already a concentration risk has been taken care of, but further as we move ahead, as we increase our multiple regions, multiple products, it will be further diluted.

Yash Shah - Analyst, Ekvity Investment Managers
Okay, fair enough. My second question, is there any cyclicality in the business? What quarter is a strong performing quarter for us considering there is lumpiness in the business?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. Very good question. So again, as we said earlier, majority of our businesses are large contracts and generally, there will be step-up increase or the growth which has happened, okay? Whenever we add one more customer, let's say, it could be a very large customer and at that point of time, there could be sudden increase in the revenue coming up. But having said that, overall, if you ask me about the card issuances, yes, there could be some seasonality within the quarters. It all

depends on the issuance program by the issuing partners like banks or NBFCs or the fintechs. But as we move ahead, as we are increasing our overall market, we are now into international market there, the cyclicality is completely different. So, we'll have to wait-and-watch how it unfolds over next two to three years.

Yash Shah - Analyst, Ekvity Investment Managers
Okay. Thank you. That's it from my end [Phonetic].

Operator
Thank you. Next question is from the line of Sunil Jain. Kindly accept the prompt, announce your company name and proceed with your question.

Sunil Jain - Analyst, Nirmal Bang
Sunil Jain from Nirmal Bang. Sir, two, three questions. First is about the gross margin. You said that it will be impacted in the near-term. But as the things normalize or you start passing on the cost to your customer, can it go back to your earlier margin of 63%, 64% say after three, six months?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Thank you very much for that question. See, we are not able to predict exactly how it unfolds today. But exactly, see these are all industry-wide situations which are there currently. But as we move ahead, the thing is that, overall, if you see our overall market model, right, there is a significant tech changes which is happening in the business. When we had started the business, it was just a card, then we moved on to EMV-based contact card, then it is a dual-interface card. Now we are envisaging recycled PVC because of the ESG mandates which are -- which the banks want. And let's say in 2030 or 2032, there is a industry-wide news that it will be more towards quantum cryptography, right? So, the entire dynamics are changing as we move ahead. And overall, whenever there is a tech change which is coming in, there is a significant margin increase which is coming in the business, which we have seen over the last 10 years. So, this is -- I think I will leave it here and -- to the overall.

Sunil Jain - Analyst, Nirmal Bang
Yeah. Okay.

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
But having said that, while margin -- there is some pressure because of the geopolitical issues. But if you see our overall EBITDA margins, it has not impacted mainly because of the operating leverage which we are getting today. And definitely as the revenue increases, these kind of operating leverage will work in our favor as well.

Sunil Jain - Analyst, Nirmal Bang
So, basically, I'm not able to get how you are getting such a good pricing power in your business because of less competitiveness or less competition or a customer can't shift to some other supplier, what is the reason?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, if you see our purchases, the top, say, three or four major items which we purchase, we procure through multiple geographies. And we are all -- we fall in Tier 1 category and we have significant

leverage in terms of the prices being offered to other players and with the scale of purchases we do here in India. And based on the volumes we do, we get a volume-based kind of a discount on all our purchases and we leverage this on a -- on our purchase.

Sunil Jain - Analyst, Nirmal Bang
Okay, because of the size you mean to say you are getting some advantage. Sir, my second question relate to -- yeah, my second question relate to your core business, which has grown by around 22% in the current quarter. Is there any one-off or any new contract started because of that it has moved up by 22% and whether this can sustain in the coming period?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Very good question. I think, see, one thing we have to note is that there was a base effect which has happened in FY '26. And FY '27, as we are in Q1, the kind of issuances happened are at regularized basis. And also, we have added a couple of contracts, again, multiyear contracts, which should be there for at least two to three years as we move ahead. And overall, the number which we have shown in Q1 for FY '27, these are at normalized levels.

Sunil Jain - Analyst, Nirmal Bang
Okay. So, this is [Speech Overlap]

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
And we have today multiple segments which we operate in our emerging businesses and within the core business. If there is a shortfall in one business, we cover up -- cover it up with other businesses. And there is a clear plan A, plan B kind of planning in terms of ensuring that revenues are [Technical Issues].

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Sunil, we also wanted to give you a color. As you rightly mentioned, what is basically giving us is margins. One, I have to again go back to the basics. See, this is a highly regulated business. There is a lot of certification which is required and there are high entry barriers. As you would appreciate, there is data sovereignty, data security becomes a key theme because of which entry -- there is high entry barriers in the business and banks also want to typically, I'd say within the entire customer profile, either these are bilateral or oligopolistic or monopolistic contracts, they typically work with two, three vendors, which is -- and they are also wanting continuity and a supply from vendors -- reputed vendors globally. Globally also, if you look at there are around or as we mentioned, as Girish alluded in the -- in his opening remarks, around top 10, you can say, players hold around 70% of the market. And India, again, it's an oligopolistic market, which is why it becomes difficult and which -- these are the moats which helps for the margin which you see in the business.

Sunil Jain - Analyst, Nirmal Bang
Great, great. Sir, second question -- third question is related to your emerging business and export is one of the part of that. So, we can see that export has grown substantially in this quarter. But even if we exclude export, the other two business like what I understand is metal card and the RFID or stamp card -- stamp. So that has also shown good growth of almost around 60%. So, any -- which one has shown good growth and/or both the business had shown similar type of growth?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
So overall, again, as we said earlier, we'll not be able to give exact breakup of the multiple products within a business segment. However, if you see again our presentation, we have added one large customer for tax stamp business in the Q1, which is also giving us incremental revenues.

Sunil Jain - Analyst, Nirmal Bang
Okay. So, the customer which you added in Q1 that will keep on giving revenue for the coming whole year until the base [Speech Overlap]

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
If you see our tax stamp business, these are all multiyear kind of contracts and long-term in nature with clear visibility. So, typically, the new contract which we have won is five plus three years kind of a contract, which is there for eight years. So, there are similar contracts which we are targeting, both in domestic and export market for tax stamps. Even in metal, all the top-notch banks which we work in domestic as well as global market, we have long-term multiyear contract sign and based on their demand, every month we get clear projections and we deliver this -- the metal card space.

Sunil Jain - Analyst, Nirmal Bang
Okay, okay, great. Just last data question, if you can tell me how much is capex planned for FY '27 and '28?

Ramanath Pai - Chief Financial Office, Manipal Payment and Identity Solutions Ltd
Yeah. So overall, out of the issue of proceeds, INR238 crores is earmarked for the capex, which is -- which would be spent over next three years. Specifically for current financial year, we are looking at deploying roughly around INR100 crore to INR120 crores.

Sunil Jain - Analyst, Nirmal Bang
Okay. Great, sir. Thank you very much.

Operator
Thank you. Next question is from the line of Rajesh Vora [Phonetic]. Kindly accept the prompt, announce your company name and proceed with your question.

Rajesh Vora - Analyst
Yeah. Good evening, gentlemen. Congratulations.

Operator
Rajesh, sorry to interrupt, can you speak through the handset? Your voice is echoing.

Rajesh Vora - Analyst
Sure. One sec. Can you hear me?

Operator
Yes, go ahead.

Rajesh Vora - Analyst
Yeah. Good evening, gentlemen. Congrats on successful IPO and a great set of numbers. Your company has a pretty interesting business model. If you could care to explain what is the

competitive advantage that your company enjoys vis-a-vis other competitors that gives you such a high market share? And can a startup or a new company -- what are the barriers to entry for a new entrant in this space would be very good to understand.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So, this is a highly regulated business and you need to have certification from all the global payment schemes. Every year the facilities are audited and you cannot have any major non-conformance and you need to get even references from the top banks and top customers. Only such kind of, what do you say, partners or vendors are capable into addressing this kind of segment. Plus, data also is a very, very sensitive element in the business. We have to keep on investing in the IT infrastructure on a continuous basis. And we are monitored and stringently monitored by the RBI and the regulators on a continuous basis as this is a very sensitive kind of an operation. So, entry barriers are extremely high in this business.

Rajesh Vora - Analyst
Very good. That's very useful. So, who is the closest competitor of your company in India and globally? And what would their market share be?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Rajesh ji, if you look at it, see, this is a very consolidated market. So, as we mentioned, we will have -- we have different competition for different business lines within the business. There is -- you cannot identify a single competitor across our business lines because as you would understand, the business is into payment solutions, identity, traceability and security solutions. So, within the payment cards, if you look at it, there are global listed multinationals who are there, top 10 players hold 71%. If you look at -- you can say the identity players, there is a different set of global competitors. In India also, we have competitors again into varied business segments. But broadly, if you look at it because the entry barrier is so high, we would be competing with two, three, four large vendors in each business segment in India as well as globally.

Rajesh Vora - Analyst
So, can you give a couple of names there?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Sir, we will abstain from giving any particular names because this is [Speech Overlap]

Rajesh Vora - Analyst
No problem. No problem. In your opening remarks, you explained very nicely about metal card where your company is building intellectual property and having a lot of patents. So could you give a little more granular insight as to how this intellectual property is being built and, of course, if you build certain intellectual property, there is a great pricing power that comes along with it. So, it will be very nice to understand that.

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
So globally, there are, say, a handful of people manufacturing metal cards, maybe three or four. And people have registered patents for the process of manufacturing the card. And typically, if you see the entire ecosystem of the cards, it was built for plastic and with the metal coming in -- into the

entire ecosystem creates a completely different kind of a situation. And these cards are typically valid for, say, five and -- five to seven years. And when the cards are used, it has to consistently work across the global market, but it is being used by the customers.

So -- and the important thing here is in terms of the process of manufacturing, the patents are typically vetted against all the existing patents which are there in different markets and then the patents are granted. And only then you are kind of allowed to manufacture the card. So, without a proper patent and proper grant, there is a possibility that the competition may go and file a suit against the manufacturers.

Rajesh Vora - Analyst
Interesting, interesting. And is there -- you gave the idea of number of cards globally on the metal card in India, 64 million globally, 35 million in the U.S. So is there a possibility that your company can win a big customer who is issuing this metal card and it can change the whole trajectory of your metal card business over the next three, four years. Is that possibility?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Rajesh ji, sorry, we are not able to get the question because if you look at it, in India, we are already supplying to all the large private banks, as Girish alluded, the top four banks in India. In fact, we've been at the forefront of launching [Technical Issues] ICICI metal Black, Diners, SBI Aurum. And now globally, as we mentioned, there are limited players. So, as we move forward, global banks are also looking for diversification in terms of vendors as well as given the low-cost manufacturing we have in India, there are propositions where we can look at global exports within metals, but those are discussions which are currently on. As we move forward, if there are material contracts, we would definitely come back and keep appraising in our quarterly calls and our wins for the quarters.

Rajesh Vora - Analyst
Sure. That's very useful. Last question from my side. Would you care to give what emerging segments is growing very rapidly after three years, four years, five years, can it be -- can it reverse the current composition? Is there a potential to reverse the current composition?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
No, so excellent question. I think, Rajesh ji, we will have to again give you basics about the company. The company has been at the forefront and the bellwether in terms of innovation-driven by R&D. So as Girish mentioned in his opening remarks that we were the first one to launch magstripe RuPay cards with the interface of EMV as well as dual-interface. And now we do rPVC as well as quantum crypto. So, the company has been at the forefront of innovations across cards and all our sectors. So, as you -- and as you rightly put in, three to four years, we believe there could be other form factors if it come in, but the company basically starts seeding all of those in advance and you would see that this is an innovative company which is -- which comes at the helm of technology and so would the revenue profiles change going forward.

Rajesh Vora - Analyst
Wonderful. Thank you so much for your answers and all the very best.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Thanks.

Operator
Thank you. Next question is from the line of Utkarsh Somaiya from Eiko Quantum Solutions. Please go ahead.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Thank you for the opportunity. Hi, I just wanted to understand more about the lumpiness in your business. Can you please help me understand that?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Interesting question, Utkarsh. See, basically what we mean by lumpiness is given the global requirements as well as India requirements, these are multiyear large-value contracts. Now once -- because there are high entry barriers and long gestations to get contracts, if the contract comes, these are typically multiyear high-value contracts. So that is what we mean by lumpiness. Once you have the contract -- once you have won the contract, there the business is sequentially growing depending on the overall volumes. When we mean -- so what we mean -- allude by lumpiness is to basically win contracts, which are long-term large-value contracts.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Okay. So is it -- so your quarter-to-quarter volumes, are they dependent on consumption of cards and that's how orders are placed with you by banks or how does the ordering work?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
We have rate contracts for multi-years with the bank and there is a clear visibility given by the banks quarter-on-quarter and the purchase orders are released by the banks for the requirement.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Okay. So, we shouldn't expect much variability in our revenue number?

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Yeah.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
No, so basically, as we said, these are long contracts, which means there is visibility. What we mean is to basic -- by lumpiness, getting new contracts. See, two broad principles. Broadly, if you -- as we mentioned, the average validity of a card, this is only the payment card business which we are speaking is around four to five years and around 65% to 70% is renewal and rest is basically new issuances. So given that there is renewal demand both on -- as cards expire and it comes for renewal as well as new cards which get issued. What we mean by lumpiness is, this is the demand which is already forecasted. What we mean by new lumpy businesses, whether it is, let's say, the tax stamp business or as we are targeting new banks globally for our payment card solutions and other verticals, those are contracts which takes a particular time because as we mentioned, there are high entry barriers, there are development works and gestation which has to be take -- has to be factored in. Once you get that -- those incremental new contracts, then those becomes long-term and multi-year contracts for us.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Okay. So, so far, the growth guidance for 25% for the next three years that you've given is basis the contracts or the order book you already have in hand. Is that right?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, as you rightly said, the -- we have certain -- see the company has been growing into multiple, you can say, segments, both -- so which is where there are contracts which are already in hand and there are contracts where we have a very high visibility. Once those contracts are materialized, that basically adds to the revenue profile and that becomes regular quarter-on-quarter revenue moving forward.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Okay. And just one last question. Do you see yourself being a INR500 crore PAT company by FY '30?

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
So, Utkarsh, we can't -- see, we have given you a clarity multiple times on the call that we believe that this year could be a 30% to 35% revenue growth. From a three-year perspective, the company could grow around 20% to 25% CAGR and the bottom-line growth should be in line with the revenue growth. If there is operating leverage which kicks in, that will be further margin accretive.

Utkarsh Somaiya - Analyst, Eiko Quantum Solutions
Okay, okay. Thank you so much and best of luck.

Mayank Bhotika - Head, Strategic Finance & Treasury, Manipal Payment and Identity Solutions Ltd
Thank you.

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

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Thank you all who have joined on the call and thanks for joining, and we will continuously work on ensuring that we deliver the Q-on-Q numbers and thanks for joining the call. Thank you.

Operator
[Operator Closing Remarks]

Kukkundoor Girish Kini - Executive Director and Chief Executive Officer., Manipal Payment and Identity Solutions Ltd
Thanks.