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BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400001

Scrip Code: 517214

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block
Bandra – Kurla Complex, Bandra (E)
Mumbai – 400 051

Scrip Code: DIGISPICE

Sub: Transcript of the Investors/Analysts Conference Call held on 23rd May, 2023

Dear Sir/Madam,

In continuation to our letter dated 18th May, 2023 intimating the schedule of the conference call for Investors/Analysts held on 23rd May, 2023 with senior management team, please find attached herewith the transcript of the aforesaid conference call.

The transcript will also be available on the website of the Company at <https://investorrelations.digispice.com/information.php?page=transcripts>

You are requested to kindly take the above on record and acknowledge the receipt of the same.

Thanking you.

Yours faithfully,
for **DiGiSPICE Technologies Limited**

(Ruchi Mehta)

Company Secretary & Compliance Officer

Encl.: as above

**DiGiSPICE TECHNOLOGIES LIMITED
Q4 and FY23 Earnings Zoom Webinar**

23rd May, 2023

Management Participants:

Mr. Dilip Modi, Chairman, DiGiSPICE Technologies Limited;

Mr. Sanjeev Kumar, Co-founder, Executive Director & CEO, Spice Money Limited;

Mr. Sunil Kapoor, Whole Time Director & CFO, Spice Money Limited

DiGiSpice Technologies Limited
Q4 & FY23 Earnings Concall
23rd May, 2023

Shiv Muttoo:

Good afternoon everyone. A warm welcome to the earnings Zoom Webinar of DiGiSpice Technologies Limited ('DiGiSPICE' or the 'Company') for Q4 and FY23. We have with us Mr. Dilip Modi – Chairman of DiGiSPICE, Mr. Sanjeev Kumar - Co-founder, Executive Director and Chief Executive Officer ('CEO') of Spice Money Limited ('Spice Money') and Mr. Sunil Kapoor - Whole Time Director and Chief Financial Officer ('CFO'), Spice Money.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward-looking in nature. The actual results may vary as they are dependent on several external factors. A statement in this regard has been included in the result presentation sent to you earlier. We will commence the call with the management taking you through the operational and financial performance for the period under review, following which we will have an interactive Q&A session. I would now like to invite Mr. Dilip Modi to commence the presentation, over to you Mr. Modi.

Dilip Modi:

Thank you, Shiv. Good afternoon, everyone. On behalf of DiGiSPICE, I would like to welcome you all to the FY23 and Q4 FY23 presentation. We have been, as a team, engaging on this platform with all of you over the last two to three years. It's been quite a journey that we've had at DiGiSPICE over the last three years. We've always been looking out for the digitization agenda that our country is been working on across sectors, and particularly in the banking and financial services space. We've seen the digitization agenda only become bigger and bigger over the last three years. The last time we spoke, I mentioned to all of you that at DiGiSPICE, we have two segments that we report in our consolidated financials, and we've done that consistently over the last two to three years. One is what we call the Financial Technology Service Segment and the other is Digital Technology Services Segment.

We've also been calling out the numbers separately in our more detailed presentation packs on calls like this. The last time we spoke on such call, I did mention to you that, on the Digital Technology Services Segment, wherein, we basically work with enterprises, largely telcos in the region, offering them B2B solutions, we've been seeing challenges when it comes to costs preceding revenue. This is basically a B2B business, where historically we've been working with telecom operators over the years in providing them a lot of value added services, starting with voice based services, SMS based services, and then moving to mobile applications and various kinds of platforms. As that industry has moved more towards data and more OTT services, sitting on the telco platforms, and many of the telcos themselves launching their own OTT services, we have seen a big shift in their focus away from working with third parties on pure value added services to working with more OTT partners building mobile apps directly targeting consumers. Looking into the kinds of platforms we worked on,

we tried to work in the area of enterprise communications platform as a service. We looked at mobile apps around music, content, gaming and basically we've been working in the region. During COVID, we really observed that working in the B2B enterprise space proved to be very challenging because a lot of the partners held on to their vendors during this period of time. Therefore, penetrating new accounts became a challenge and existing partners moved aggressively towards building out data networks and focusing on data services. So, a lot of the services that we were working on the focus from the telcos reduced significantly. So, we saw a sharp decline in our revenues and margins associated with the Digital Technology Services business to the extent that last financial year 2023 of our consolidated revenues, the digital technology services segment only contributes around 7%. However, the indirect cost in our consolidated accounts still account for about 25% in the FY23 numbers.

So, looking at where we are coming from, looking at where the segment is going, the Board of Directors of DiGiSPICE met at the close of the financial year, early April to review the performance of the segment and looking at all the factors, strategic and regulatory and all the other aspects across the region, across markets, the Board took a decision that we would exit the Digital Technology Services Segment as a company and we would double down and focus on the financial technology services segment, and I want to talk to you about that. So, we have now taken a decision, since it's a B2B business we have contracts with enterprises and mainly telecom customers in the region, we also have contracts with banks and other utility companies. Given the duration of those contracts, given the kind of commitments we've made, the management is working to smoothly pace out of these contracts. So, directionally, we're not going to be investing in this space, we're going to be focusing our investments in the Financial Technology Services Segment. So, that's the first piece of information I want to share with all of you. And I'm more than happy to take questions at the end of the presentation on this particular segment. So, going forward, our focus from this year and beyond is going to be on the financial technology services segment.

Talking about the financial technology services segment, we continue to be extremely bullish on the opportunity. We are very much committed to solving for lack of access to financial and digital services in semi urban and rural India. Over the last one year, we've focused on both growing and deepening the network in semi urban and rural India, focused on bringing in new products on our platform to drive income for our Merchant Adhikari's, as well as, to provide access to customers in semi urban and rural to more services. We will talk about that during this presentation. We believe that some of the tailwinds that we spoke about the whole digital public goods infrastructure that the government is working on, whether it's in the commerce space or the credit space, we believe in laying great foundation for our platform going forward. These are areas that we will continue to explore in the coming years and I'm very confident that new revenue pools will get created for us and our Adhikari base in the future. So, with that, I would like to invite Sanjeev to start the presentation to take you through some of the key metrics on Spice Money, which is going to be the business of DiGiSPICE and post us going through all the numbers, I look forward to having an interaction

with all of you, getting to hear your observations, your comments and more importantly, answering some of your questions or some of the clarifications you may have.

I also look forward to an opportunity when the year closes at the Annual General Meeting, and I really look forward to that as well. But I'm hoping that today we will be able to have a dialogue around the space that we as DiGiSPICE focused on and what we believe, we see as the opportunities and even some of the risks and challenges in this space. So, looking forward to that conversation. Now, I would like to hand over to Sanjeev to please start the presentation. Over to you, Sanjeev.

Sanjeev Kumar:

Thank you Dilip. Good afternoon everyone. Thank you so much for joining this session. What we'll do is between me and Sunil over the next few minutes, we'll try and cover five sections. I'm going to talk about overall Spice Money performance in a snapshot and then I'll hand it over to Sunil to cover the financial highlights, and then I will come back to talk on the business model.

Few of the key metrics that we measure at Spice Money, if we were to just take a year view from FY23 versus FY22, the first very most important is the customer GTV the top line number, growing at more than 20% from Rs. 83,513 Cr to Rs 100,602 Cr. The next important bit is again service fee revenue, which is from Rs. 341 Cr to Rs. 401 Cr and service fee revenue is the revenue which we make on the transactions on the platform, there's again about a 17% rise and the third which is the service fee GM Rs. 114 Cr to Rs. 145 Cr, which is again about 25% growth. EBITDA does look lower than last year, but we'll talk about it, like we've said earlier, while we maintain to grow the core business but there are other emerging businesses that we want to focus on, because we believe we're standing at a unique opportunity with the right domain. Hence, it's important for us to build those emerging businesses also, we'll talk about that. Number of Adhikaris were 1 million when we started the year, we have 1.2 million now. Number of villages, again just to demonstrate our focus on rural India, grew from 2.05 lakh to 2.29 lakh and the number of blocks which is similar to previous year. So, these are a few very key important matrices. We'll talk about details on each one of them in the financial matrices.

Next slide, please. Similar matrices are quarterly basis Q4 Rs. 24,320 Cr to Rs. 25,505 Cr, a 5% increase, service fee is pretty much flat. Service fee GM again roughly about 6% increment, EBITDA is lower when you look at Rs. 3.5 Cr, but when you look at the details in the financial highlights which Sunil is going to touch base upon, on the back of Rs. 9 Cr you will realize the way the trend has moved up in the last quarter. So, that's something that is going to come out in a stark manner in the next few slides. So, Sunil may I request you to take over the financial highlights now. Can we go to the next slide please? Sunil over to you.

Sunil Kapoor:

Thanks Sanjeev, Good Evening Everyone. So, in this slide, we are covering the financial highlights of Spice Money, on the left hand side there is a four years trend of how we have performed. Our Customer GTV is growing by 66% CAGR YoY though this year the growth has

contracted to 20%, in the same manner, but the gross margin has grown in the last years by 27% YoY. So, due to some investment in the indirect cost which is almost Rs. 50 Cr, this year our EBITDA is Rs. 9 Cr. and EBIT is Rs. 1 Cr, I will explain the breakup of why there is a contraction in EBITDA overall basis, in the next slides. If we see the Q4 FY23 performance, our customer GTV has grown by 5% YoY, the gross margin has also grown by 5% YoY and the indirect cost is stable in this quarter in comparison to the previous quarter. EBITDA is Rs. 3.50 Cr in Q4 of FY 23, if we compare from the Q3 of FY 23 EBITDA was of Rs. 0.60 Cr. And if we see the service fee GM on service fee revenue, that's improving over the years from 28% to 36%, which in the last quarter it's 38% on the product portfolio.

As in the previous slide, we have seen there is a contraction of EBITDA in FY23. If we see here on this slide, we have bifurcated our business into two segments, core and new business lines, for better presentation, how we are performing in our core business lines and where we are investing in the new business lines. The classification of core business lines and new business lines, will be covered by Sanjeev in the following slides. If we see, core business lines have stable EBITDA, though we have increased our gross margin from the last financial year from Rs. 127 Cr to Rs. 165 Cr, which is almost an increase of Rs. 38 Cr, however we have made similar investment to expand our channel. Therefore, the EBITDA of the core business line is on the same line as previous year. On the new business line, we have added more lines from the last financial year, therefore there is an EBITDA loss of Rs. 10 Cr. This is because these business lines are emerging and they will show the results in the coming period. On the same line if I explain the EBIT for the year, in comparison to Rs. 22 cr. of EBITDA in the last financial year, EBIT was Rs. 21 Cr. The difference lies in the higher depreciation, though we have another income of additional Rs. 2 Cr, but we have Rs. 8 Cr of depreciation and amortization which was primarily due to the devices what we have deployed in the market and we have depreciated those devices. Also, we have taken a call with respect to some exceptional item which you can see in the results with respect to whatever the devices we were having in the market, we have capitalized and written off, as physical verification and taking the control of those devices is practically difficult. From that perspective, we have taken a call to take a hit one time as a special item. Therefore, going forward, the depreciation will be very minimal in comparison to the Rs. 20 Cr figure, may be almost 15% of what we are seeing here on the slide for this financial year.

We can move to the next slide please. This sheet contains the overall consolidated financial summary of the Fintech segment and other segments. Fintech segment I have already covered, on the other segment, Mr. Dilip has already provided the details that this segment primarily consists of Digital Technology Services Segment that we are exiting, if we see that this segment was dragging our overall results. EBITDA for this financial year was negative Rs. 14 Cr. and in that the other segment had an EBITDA of negative Rs. 23 Cr. The other segment had an EBIT of negative Rs. 14 Cr. Going forward, as we exit this business, which we have already announced, we will be seeing the overall loss coming down. The exit will happen in the next may be 9-12 or more months as we have to honor some existing contracts.

So, this slide contains some key operating metrics which we track and which we intend to share with you. One is the service fee revenue that in last three years has grown at a CAGR of 45% and quarter-on-quarter so there is not much increase, but on an overall basis it is increasing and the same way the customer gross transaction value has also grown at a CAGR of 48%. On a quarter-on-quarter it has grown by 2%. Our primary and major product is AePS where we have gained the market share year-on-year basis, where in the last year, we were at 16.4% and we have gained 8 bps that's 17.2%.

This slide contains how we have performed on our key products. On the left hand side that's AePS GTV that has grown by a CAGR of 36%. Despite the headwinds in this sector we have grown significantly. M-ATM we have grown at a CAGR of 24% and there's some contraction on that on quarter-on-quarter basis. Recharge GTV has grown by a CAGR of 19% and has contracted this quarter. Although, that's not very significant, but it's settling down. There is not going to be a hockey stick growth always, some quarters may have some contraction due to one or other reasons.

The bill payment GTV, has also grown by a CAGR of 130% in the last three years. On a quarter-on-quarter basis it has grown by 19%. Bill payment has been split into EMI and others, into this Bill Payment and EMI has also improved from Rs. 391 Cr to Rs. 533 Cr. So, there's a significant jump in the EMI GTV that is getting through AePS payment system. CMS, which is an agent based collection for the enterprises, has grown at a CAGR of 562% since FY21, when it was launched. On a quarterly basis, CMS has grown 9% QoQ and 34% YoY. So, these are our key products which have fairly done well.

We can move to the next slide please. I will request Sanjeev to take it forward from here.

Sanjeev Kumar:

Thanks Sunil. So, I will just continue to what Sunil said. To summarize there are two- three points, one is the core business which continues to grow, the key matrices are on being the largest ATM banking network driven on the back of AePS as a product. We continue to gain market share, we are over 17% now. The next big business line which we started was collection, which has shown significant growth in the last two years, has helped in growing the overall GTV for Spice Money. And now coming to the third, which is the entire network. Today, we are at 1.2 million and if you look on the right which is the country's presence, it also will give you that there is enough scope of opportunity left for us to grow this network. We are definitely strong in few states and few markets. But, there is still enough opportunity for us to increase the network. That is the next big headroom for growth. We continue to grow the Adhikari network.

Few slides just recapturing our business model. Spice Money entrepreneur, which will be called Spice Money Adhikari uses an App which is the Spice Money Adhikari App, at the center. On one side, there are product manufacturers, service partners who want to on-board rural India, we have on-boarded those services onto our platform, which is what the Spice Money Adhikari does. And on the right is a rural consumer who comes to the Adhikari to avail

the services. So, fundamentally, what are we doing we're solving for the problem of access in rural and semi urban India. Rural India consumers, they need assistance and hence this is unassisted market. We started with ATM banking, followed by basic payments, and then we moved to collections. Then obviously, there are many more products that we want to enter to solve the problem of lack of access for the rural Indian consumers.

Next slide please. At the core of it, let me give you two pieces - One is the technology and second is community. When I say both, let me just explain, when I say technology it means building on the Digital stacks, which public goods which has been built in this country. And the second was community which is our Spice Money Adhikari. So, there is a community influence that he has in rural India and hence, he's been able to offer those services to the consumers in rural India. Our business model is hinged on these two verticals. There are digital stacks which has helped us to grow till here but on the back of obviously AePS, BPPS and UMANG. And there are emerging digital stacks, which we want to leverage, which is the ONDC account aggregator, and in future even the digital health ID and the fact that since we've been able to leverage the current digital stack in rural India, we believe that even the emerging digital stack is something that we want to leverage. And we want to solve for the problems of commerce, credit, and even healthcare going forward.

Next slide, please. And then if I were to summarize all of this, ultimately what is it that we're trying to do, we are building the Super App for Bharat. Few of the services that I just spoke about which qualify under core is what we were live on and have been able to build on this. We've done some investment on it, however, we've grown this business significantly. There are the new business lines, which we are also equally excited about. There are opportunities in rural India, we've been working to solve for them. These are places where we've made some investments last year, we continue to make some investments even in this year, but few of them will start to show results as we move from now.

That's the last slide. So, thank you so much, everyone, I'm handing it over back to Shiv. More than happy to take any questions.

Shiv Muttoo:

Thank you Sanjeev. With that we conclude our opening remarks in this webinar. We now open the floor for questions from participants. The first question is from Sunil. Sunil please ask your question. Thanks.

Sunil G:

My question is, first of all let me understand what is the business model of our company. Is it like a payment aggregator or are we providing the finance to the MSME, or the individuals?

Sanjeev Kumar:

Sunil so, if I were to talk about our business model in very simple words, we're trying to solve for the problem of lack of access to a semi urban and rural consumer. What does that mean, it means that if I want to put a rural consumer in the center, if I were to write down his or her use cases, then there are banking, savings, payments, insurance, so there are about 10 to 12, such big use cases. If I were to get all the use cases onto a platform, and if I want to build a

network of entrepreneurs who are desperate, savvy at every block and village level, then why does a rural consumer have to step out of the village. Let me explain that in more detail with an example. That today, as a rural consumer, if I want to withdraw money, or deposit money, I would have to travel 20 to 25 kilometers to a bank branch to do that transaction. Now, in today's world with the technology available we said, what if we onboard that service using technology let's say the AePS service of India stack on our platform, and we're telling the rural consumer, and we have on-boarded a Spice Money Adhikari, who is an entrepreneur at a block and a village level. Then the rural consumer today goes to him and he said, I have an account here, this is my Aadhaar number and he will use biometric authentication and withdraw money and go home. So, now he doesn't have to send, he doesn't have to travel a long distance to avail the same benefit that you and I probably avail within walking distance of where we stay. Likewise, there's an electricity connection in every house, there is a Tata Sky DTH, there's an LPG cylinder, what does the customer do, where does he do the payment, he doesn't have to walk anywhere, he just goes to a Spice Money Entrepreneur, and he does all the payments there. So, the problem of lack of access is what we are trying to solve. He wants to buy a railway ticket he does it at our outlet. So, if I were to summarize, all such use cases, for a consumer we are trying to enable on our platform and in an assisted manner, the Spice Money Adhikari or the merchant is able to provide all those services to the rural consumers. Today, we service from the 1.2 million Spice Money Entrepreneurs who service about 25 million consumers every month on our platform.

Sunil G: So, next time can you please add a slide in the PPT, highlighting all the different kind of services we are providing so that we can know better about the company?

Dilip Modi: Maybe if we can go to slide #15 on the presentation. Sunil G can you see the slide.

Sunil G: Yes.

Dilip Modi: So, if you look at the boxes in the red basic banking, payment utility services and cash collection, and you look at basic banking, MATM, cash withdrawal, current account, saving account, cash deposit, balance inquiry, remittance. So, under basic banking, we provide our 1.2 million merchants who have been on-boarded on our mobile app, they provide all these services to consumers in their community. So, all the ones highlighted in red are what we are calling core business lines. And the ones in blue are new business lines, so directionally you will see that we are trying to make the whole circle as red as possible. So, from basic banking towards cash collection, to travel services, to government services, to financial services, to healthcare services. So, the idea is to be able to offer all these products and services on our mobile app, through the merchant to the consumer in the semi urban and rural India.

Sunil G: So, are we also planning to give loans and also have the wallet?

Dilip Modi: So, if you look at it, under financial services we do have it and we have already started piloting to begin with operating as a marketplace where third party lenders can provide credit

to our own merchants, our own Adhikari's, and moving forward also to the customer, the end customer in the semi urban and rural India. So, yes if you look at financial services, that's a big part of the go forward strategy, of merchants using our platform to offer credit to consumers in semi urban and rural India.

Sunil G: Yes, that's good. Because actually we have been for quite some time and always burning the hard earned money, because a lot of initiatives have been taken since the time there was mobile services. Anyways so, now few things for example, in financial services, in loans and insurance we have seen that presently the market leaders are almost coming to the EBITDA positive, yesterday there was result of Paisabazaar and Insurance Bazaar and also Paytm. But, now you will be competing with those big giants, so, what is the strategy to compete against Paytm and compete against this Paisabazaar.

Dilip Modi: No Sunil. Very honestly we are operating in two different ecosystems, if you look at Paisabazaar and Paytm some of the examples you have taken, this is end consumers using these apps or platforms to get access to products and services. Our app, is used by small merchants and entrepreneurs who are operating their shops in rural India. They use our app to deliver credit and insurance to consumers around them. So, our model is very different from some of the companies you have mentioned.

Sunil G: Sir our GTV, it has been totally static for last five quarters like in March 2022 it was Rs. 24,000 Cr and for the full year it is Rs. 100,000 Cr. So, almost a similar kind of plateau is there. We have been intensively present in three states, like Bihar, MP and UP and we have seen you want to spread to the other part of the country also. So, why there was no growth in the last year. One year has passed post COVID, economy is booming why didn't we take any appropriate action to grow our GTV?

Dilip Modi: So, if we can go to Slide #11, please. So, if you look at this, we have grown on the AePS GTV in a year when the overall industry has not grown as much in AePS. So, during the COVID period we saw significant growth in the AePS industry, which slowed down post COVID. So, what happened is last year, the industry only grew 11% on AePS, while we as a company grew over 16% that's why we grew our AePS market share. So, we grew faster than industry, but because the overall AePS industry growth slowed down, that had an impact on the overall GTV. But as Sunil explained, if you look at our new lines within the core business lines of bill payment and CMS, you've seen how we are adding new GTV lines of growth, and that is why our overall GTV has grown, to Rs. 100,000 Cr. So, it's the product mix and effectively in our core product also we have grown market share.

Shiv Muttoo: I would like to interject There are some several other people who are there in the queue, wanting to ask questions. So, Sunil if you can just send us further questions on email or otherwise, we can get you to interact with the management and get your question answered as well. If you don't mind, next question will be from Praveen Sharma. Praveen, if you can just start with your question, please.

Praveen Sharma:

So, I had two questions from my side. Firstly, I wanted to understand what role are we playing on the ONDC platform and what is the timeline we are expecting for this platform to be fully operational. My second question is on the Adhikari network. So, what kind of contract do we have with them, is there some kind of exclusivity arrangement that they have with us and what is the targeted plan to achieve in term of Adhikari numbers in the coming years. So, these are my two questions. Thank you.

Sanjeev Kumar:

Thank you so much, First question on ONDC. Like I said, our entire business model has been leveraging digital stacks. ONDC is the next big business stack that we see coming up. And we believe it's a good opportunity to utilize our own network to democratize commerce, the opportunities that we are seeing over there about a few of them. While there is an opportunity to open it up on our own network and to provide in an assisted manner, commerce services to consumers, but a larger opportunity since you are very excited about and we will see how that unfolds is that, same Adhikari as a merchant, if he gets on-boarded as on the ONDC platform as a buyer, then he can buy a lot of inventory that he needs to sell from all suppliers across the country. And hence, it's a big opportunity, imagine if I were to give an example to illustrate. If I am a Mobile recharge shop and I'm selling accessories like earphones, today, what do I do as an Adhikari, as a merchant I go to a distributor who was sitting in a district headquarter to buy those inventory once a week and I come back and I sell that. Now, if I onboard him as a buyer on the same platform, on ONDC as a Spice Money Adhikari, he gets access to all sellers who get on-boarded on the ONDC platform by anybody. So, he gets an inventory, he gets a different price range, he gets a wider spectrum to order his goods. So, that is the opportunity that we are seeing. ONDC is at early stages, but yes it is moving fast. It is going to take some time as it evolves. And we want to be part of this growth story and that is the way we're looking at this one.

Your second question was on the Adhikari network and are they exclusive, answer is no they are not exclusive. They are entrepreneurs today, so legally they are not exclusive to Spice Money. We believe what differentiates a player and what is going to keep an Adhikari sticky on your network is going to be your platform stability and the number of products that you can offer, which does increase on it. That is what differentiates us and that is what we are working on. We are 1.2 million today, do we have a well-defined number that we want to chase? answer is no, we don't have a defined number we believe we will try to map out the opportunity we've done some analysis on, what is the density of an Adhikari that we should have in a market per population. And we will continue to follow that rule as we build this network. So, that's my answer to your question on Adhikari.

Shiv Muttoo:

Okay, we'll turn to some questions that appear on the chat box. The first question is from Rishu Dhawan. What will happen to the legacy system, Rishu was talking about the B2B business. Will it shut down as the contract expires in the next three to four quarters, but is there any opportunity to sell it off and generate some money as well? What will be the impact on the balance sheet and P&L for FY24?

Dilip Modi:

So, basically, these are all B2B contracts. So, to begin with, wherever we have built some intellectual property where we've been running these contracts, but we have some IP, we have an opportunity to sell off and generate revenue. Wherever, it is a contract which is as per tender, then there are guidelines in terms of ability to transfer, sell, because it depends on what's written in the contract. Directionally, our goal is to exit all these contracts by ensuring business continuity, because these are important relationships, and we had to honor our contracts as a company. So, wherever we see opportunity to generate revenue, we will look at it wherever it is a simple transfer of contract, we will basically just close the delivery of the contract as the contract expires. So, it's a combination of both the points that you mentioned. The impact on the balance sheet and P&L, of course our goal is to come out not with a lot of negative impact, because certain contracts we will have to exit and certain costs of people will have to carry for some time on our books. So, I will not be able to call out exactly the impact for this financial year. But needless to say that, directionally as I look at the year next, this segment which was holding back our growth and profitability will definitely not continue to do so. So, I will look at more FY24 versus FY23 because some of these contracts will play out during the course of this year. But we are definitely not investing in procuring new contracts or engaging to acquire new customers.

Shiv Muttoo:

The next question is also on the chat box from Harshit Jain. Just started looking into the Fintech business, what are the opportunities in the segment, what are the growth expectations three to four years down the line and what are the entry barriers in the segment. Also, who are the competitors and how do you plan to tackle the competition?

Sanjeev Kumar:

So, the opportunity what places us in a very unique position to capture this is and why we are excited about it is that there is a space wherein not many players are, I don't know how to define players but reality if you talk about it, in this area of semi urban and rural which is a very large market, which about 80 to 82 crore of population. To solve for this problem of access we don't see anybody, on one side there are payments banks, and on the other side there are business correspondents solving for one need which is about phone banking. We have taken a slightly different role, we believe that there's an opportunity to solve for all financial industrial services keeping rural consumer at the center. And that is what has played us, and in my mind it puts us in a unique position. The fact that we are not licensed with a platform business, which gives us an opportunity that provide all services that a consumer needs. In the market which we believe is unexplored, and it's very large, our unique model, leveraging technology and entrepreneurship which is community led this is the second big reason that I believe has given us at this place is the Spice Money model in a unique advantage. Third, the way we see directionally over the next three to four years. Like we said about that Super App, if I were to get all those services onto my platform make them red. And hence I'm able to offer all the products and services on my platform is the first checkpoint that we have internally. Second point if we do that, it definitely helps us as an organization to generate operating leverage, use the same networks that is the second big pool that we are looking at as an organization. Third, the ability to serve such a large

population. The fact that today on our platform lifelong about 15 crore consumers have been serviced, has placed us in a very advantageous fashion. And hence we are able to customize products for the rural consumer bottoms up, which is again allowing us to build more products and services hence more transaction to the platform, more dominance for the Adhikari and a much far deeper engagement between the consumer and the Adhikari. So, that's the answer to your question Harshit.

Shiv Muttoo: Thanks Sanjeev. The next question also again from the chat box from Avanti Reddy. What services are particularly covered in investments, in financial services category slide #15. Individual point of view and company point of view, as of now what are retail services and what are corporate services within financial services in slide #15, is what he would like to ask. Could you give an example as well?

Sanjeev Kumar: So savings, investment, insurance, credit, these are the typical financial services products. Under savings and investments, we look at core products like our micro-ATM, gold. We want to look at products in terms of even mutual funds, bonds but again it's going to have a life cycle of its own. At the present we're looking at very simple products that we can get, which will be easy to be sold from an Adhikari network.

Shiv Muttoo: Okay. The next question we see a raised hand from Sunil G once again. Sunil please ask your question. Thanks.

Sunil G: The other expenses in March 2022 was Rs. 18 Cr. Now, during the last year, our GTV is almost flat, but other expenses have increased from Rs. 18 Cr to Rs. 27 Cr, it is about 50% jump. So, what steps are we going to take to reduce it significantly in the next year?

Sunil Kapoor: You are referring to overall expenses or can you specify?

Sunil G: Consolidated.

Dilip Modi: Maybe we can go to Slide #9, if you can just zoom that please, just bring it up.

Sunil Kapoor: So, which number are you referring?

Sunil G: I am referring to the consolidated P&L account, other expenses Rs. 1806 lakhs in 2022 quarter, and this part it was Rs. 27 crore?

Sunil Kapoor: You are referring from the results not from this?

Sunil G: Exactly.

Sunil Kapoor: So, you're referring to Rs. 27 crore from Rs. 18 Cr right.

Sunil G: Yes.

Sunil Kapoor:

So, giving the explanation towards this Rs. 9 Cr jump, if you see that indirect cost, which is primarily these other expenses and employee benefit expense, this is a change on the marketing, traveling expenses, and some of the administration expenses. This is primarily a combination of both the segments. So, if we go through this separately, we have invested in the manpower on the ground, which led to the increase in travel expenses, increase in the admin expenses, which is other expenses, in March 2023, which is in this quarter. And there are also some of the expenses with respect to closing down of some subsidiaries on the DiGiSPICE. Those are the legal and professional expenses that has come up over there. But that will not continue going forward. And some of the other expenses, include some write off for the provisions what we have done for the collections in the DiGiSPICE services business. So, it's a combination of that, primarily, I will say on the operational side, what I mentioned with respect to the travel expense and the marketing cost and second, with respect to the foreign exchange loss and the provision for doubtful debts.

Sunil G:

See whatever it can be, it requires urgent attention, kind attention of Mr. Dilip Modi and Mr. Sanjeev Kumar because now I'll tell you something different because in FY22, the other expense were Rs. 65 Cr and in FY23 it is Rs. 93 Cr, it's Rs. 28 Cr jump, 45% jump which is totally unacceptable. If you further deepen it down it, you can see in the December quarter also, this expense is Rs. 23 Cr. So, like almost in four quarters it is in the range of Rs. 23 Cr whereas, it was only Rs. 16 Cr average in the last year. So, it cannot be like whatever expense you are saying for example, now we are present only in three states, and we are planning to spread to the other states also, if the same rate of the admin, travel expenses will continue, it means we will never be net positive. So, why don't we use the technology like mobile is free, net is free. So, why don't we use this technology to reduce our cost, when we spread to other states?

Sunil Kapoor:

You are right that we have increased the cost, but please appreciate that we have invested into the other segments also, for which we will be seeing the results in the coming quarters what we had shown in our presentation with respect to Spice Money. And for the DiGiSPICE business wherever the cost has increased., that is primarily we mentioned it out that we are bleeding over there, and that's why this decision has been taken. So, you will find that there will be a reduction in the cost due to the decision what we had taken to come out from the Digital Technology services Segment business.

Dilip Modi:

If I was to add, very clearly you will have to look at the other expenses between businesses we are exiting and businesses we are continuing. The business which we are continuing, which is the financial technology services business, we agree with you Sunil ji that we are very committed to building out a model where we are more tech lead than people lead however, we are working in an ecosystem, which is semi urban and rural India, where we cannot be pure digital, we have to be digital and physical. And that is our moat going forward because we have to also ensure that we are able to engage with our Adhikari on the ground, but we are leveraging technology wherever we can. So, we are very much conscious of the fact that

in this business we have to deliver operating leverage, and that will only happen if our revenues grow faster than costs, but we know that this is a business of scale and scope. So, we have to extend and build scale, which means reaching out to more parts of India and using technology and third party feet on street and second is increasing products on our platform and both require investment. So, we are trying to create a balance between ensuring that we keep growing the business and scale and scope as well as maintaining profitability, and that is why we have divided between core and new business lines. So, we are very conscious about the fact that we have to keep our head above water and profitability, but we have built out a platform in terms of scope of services Sunil ji in order to make sure that this business is competitive in the long term. And then we can create a foundation such that this business can then continue to grow with operating leverage.

Sunil G: Sir, I fully appreciate your views that's what my point was that it requires some sort of continuous internal audit also, because for example last year it was Rs. 65 Cr even if you allow 10% as inflation or whatever, so it will be Rs. 72 Cr, it is Rs. 92 Cr which is Rs. 20 crore more, if you can control it this year, we will be PAT positive. So, I'm only saying that please put internal audit system that whatever expense are coming from this Adhikari or from our team whatever, how can it be reduced and how can you optimize it, so that we don't bleed in these kind of regular expenses, because if this become a habit, it will be a habit forever.

Dilip Modi: Yes. No, I agree Sunil ji we are committed to driving cost efficiency in our business and I absolutely agree with you that, as we try and build a long term business, we have to make sure that we are efficient on cost. Sunil you want to add to this, you're saying something?

Sunil Kapoor: Yes, as I had explained, just to give you the exact figures where this cost has gone up, this cost has gone up almost Rs. 6 Cr. in the provision for doubtful debts and for an exchange difference which is in the DiGiSPICE business. Rs. 6 Cr. has gone into that and almost Rs. 1 Cr. is in the additional expenses with the legal and proficient what I had called out. So, Rs. 7 Cr. has gone into this, which is not a kind of a regular item and which relates to Digital Technology Segment only, because you were referring about that we have to expand into the other areas also the services. So, of course we are cognizant of that, and just for information nothing to offend you, we have our internal audit system and that reports to audit committee and we are cognizant of that aspect. And I want to assure you that we have taken this decision of exit from that Segment after much deliberation as we are not able to take that business positive and that was dragging our results and giving the picture what you are painting it, which is very much correct. I will say that whatever you are saying is correct and we have taken the cognizance of that and we are acting also on the same line.

Sunil G: Last question Mr. Sanjeev Kumar that for example, for FY23-24 what is the target for GTV, as against Rs. 1 lakh Cr, which we have achieved in year 2023?

Sanjeev Kumar: So, I want to start from the last conversation, then I'm going to go over here. It's very important because it's not about you, but it's for everyone there are two drags, the fact that

we are exiting the other B2B business which is dragging on the profitability is very important demonstration of profitability for us. Second, even if you look at the cost of the last two quarters for Spice Money you will realize that it has been at a static level of Rs. 39 Cr. to 40 Cr, which means our own lens to look at cost is a very-very important one and we will continue to do that as you build a business. Third, I do not want to call out a target number for GTV it will not be fair, but I definitely want to call out here, is that it's not only GTV as we scaled up, and it's been it's a large GTV business that we are on. The opportunity is also to increase more on the GM side. So, the service fee GM vis-à-vis service revenue I think the opportunity is to increase that and not just look at GTV. So, while GTV will increase by 7%, the opportunity to get more products, which can have far more revenue impact and GM impact this is going to be something key for us. So, that's how the way we are looking at the next year.

Sunil G: So, where do we see our company in three to five years and who are our main competitors?

Sanjeev Kumar: So, like I said there is payments back on one side, but then there are banks, they have their own limitations and advantages. We are uniquely placed being a platform organization, which allows us to offer all products and services which a rural consumer needs. That is one space which there is nobody in according to especially the space that we are in, the segment that we are in, the semi urban and rural and hence that is the advantage. Where do we see ourselves, like we said, across all products and services onto our platform, that is on the product side, which increases the transaction, which increases margin and revenue. And directionally this network has to be an operating leverage network, because we are in the service business. So, that is the nearer two big points that I can call out what we will be doing.

Sunil G: One humble suggestion sir, since our entire business is modeled on finance, be it the payment of electricity, be it whatever kind of thing. So, what inbuilt security has been made to avoid any kind of fraud by any Adhikari or by anybody in the chain? Is it all the money flows through the online or is there any cash movement also? So, what is the precaution we have taken for that?

Sunil Kapoor: Yes. Just to give you an idea about all the transactions are happening on the platform, which is stitched with the banking system or the NPCI. And as far as online transaction frauds are there, there's no such case exists because you with respect to the transactions happening, there are systematic checks by the NPCI or the banks already in place with respect to the value of the transactions, limit on the transactions. So, of course, there may be possibility of on the ground frauds and we are well equipped with respect to how to curb that and we have an in-house system that we can control and take the mitigation steps for any such actions on the fraud.

Sunil G: So, you're saying that there is no movement of cash, like everything is online?

Sunil Kapoor: Physical interaction of the Adhikari with the customer is there.

Shiv Muttoo:

I will move into the next question from the chat box. It comes from Shahrukh Joshi, what is the current state of the tech business for your CPaaS product. Considering it is a substantial industry, what is the projected growth forecast there?

Dilip Modi:

So, CPaaS as you know we called out platform referred to as Korero. And this is a segment two and a half years back we called out because we were very much present in the enterprise SMS business. And we thought that we could go omni-channel with our same enterprise customers. Because communication platform as a service is basically allowing enterprises to be able to get an omni-channel platform where they can communicate with customers not through just one channel which is SMS, but multiple channels of voice, email, WhatsApp and others. We did invest and build out the platform as we had communicated in our previous calls Shahrukh, but one of the things we realized during COVID specially, is that a lot of companies, the stickiness of large enterprise customers to their CPaaS platforms continued. So, we saw very little churn happening and every time someone went in with pricing as an option, the existing vendors match the pricing to cool down to the customer. We also saw global players in CPaaS enter the space and acquire some of the domestic companies. So, we saw a lot of M&A activity as well. Net net, we realized that the CPaaS space was a lot more competitive than we thought it was. And the fact that we had existing customers on our SMS business, that we would be able to move them from just doing SMS business with us to also consuming other channels, we found it very difficult. They continue to operate with their other vendors and many people came in with some of the CPaaS companies went public, and many of them got acquired by large companies, at very aggressive pricing. In fact, some of the telcos also jumped in with their CPaaS platform to offer very aggressive pricing to enterprise customers. So, this became a very, very aggressively competitive segment, so while there is projected growth forecast especially in digital channels going forward, but with the kind of investments companies are making now in chat bots, and in voice bots, and in automation, this industry in itself requires significant investment to participate in this growth. So, for us, we had a choice to make that, which is the segment we want to chase, where do we have a right to play and we decided that, compared to the Financial Technology Services Segment where we already have a head start, and we have a merchant base of over 1 million merchants, with whom we can double ground in terms of services and scope, that we would rather chase that segment, then invest in CPaaS. CPaaS is an investment game, and you have to make deep investments in order to grow in line or better than industry. And so strategically in terms of where are we better placed to extract better return and value for shareholders. We took a view that instead of CPaaS, let's focus on Fintech and that's where we are currently focusing. On the CPaaS product we have built out the product, we are running it with some of the enterprises. We will continue to see if there are potential buyers of the product we have, but given what we see in the market it's extremely competitive with lots of large and new startups who are entering this space. So our focus is to maximize our investment and opportunity in the Fintech segment, especially in semi urban and rural India. So, that's where we will continue to be focused going forward.

Shiv Muttoo: Thank you, Mr. Modi. The last question is a follow up from Harshit Jain. What is the expected margin that is operating margin going forward?

Sanjeev Kumar: While Sunil can answer in more detail, I would say that effectively as we add more products to the platform, the idea is to improve on our take rate. But Sunil, you want to just talk about margins?

Sunil Kapoor: Margins, depending upon the product portfolio, the core product portfolio some of products have a better margin than some others. For example, we are now providing CASA services, saving account services, there is no GTV attached to that and gross margins are high. So gross margin on an overall basis, as I mentioned it out in my presentation with respect to financials has increased from 28% to 38% in this quarter, and overall 36% on the service fee revenue. We intend to have a better margin and continue to try to optimize it. But having said that, we can't give the guidance with respect to that because a lot of other products as they will mature and start contributing significantly, product mix margin may get changed. But that depends upon which product, what product will take off and contributes more on the overall size of the opportunity. So, that's where we are, but of course as far as performance is concerned, we are improving year-on-year on that.

Shiv Muttoo: Okay, there's another question in the chat box from Shahrukh Joshi once again. He says thank you, Dilip for answering my question. My last question to the management team here. What are the current attrition rate across the organization, no one talks about people who help support the system that you build.

Sanjeev Kumar: So, Shahrukh let me comment, maybe not on the attrition rate but I don't know if you're aware we are 'a Great Place to Work certified' for the second year. And even there, we are in the top 50 organizations in the financial services industry in terms of rating. People is a very important aspect of Spice Money, I fundamentally call customer first and people first as two big pillars of Spice Money. There are many policies, many ways, many digital tools that we use today, internally to measure employee feedback, satisfaction and how we work with the employees to build this as one of the great place to work here. We have attrition in two cases obviously on the sales side and non-sales side. But we are pretty well within the industry benchmarks right now Shahrukh.

Shiv Muttoo: Thank Sanjeev. With that we will come to a close on the session. And I would request by Mr. Modi and management team to make any concluding remarks. Mr. Modi.

Dilip Modi: Thank you Shiv. Thank you everyone who took time out to be on this call, I definitely feel these are great opportunities for us to get real feedback on the business. We are in a very dynamic space, which constantly is throwing up new challenges and opportunities, we have headwinds and tailwinds all at the same time. And it's very important that we stay the course. We are definitely in an ecosystem which is underserved, which is semi urban and rural India. We believe the best way to serve this ecosystem is through a unique model of technology

and people and that's what we are building at DiGiSPICE, through Spice Money. We continue to stay committed to this path. We are a mission driven company and we will continue to remain that, but we are also very conscious that we are a listed company and we have to be able to generate significant profits, but we are in a dynamic space and therefore we have to balance between investment and profitability. And we are trying to as a management team, maintain that balance, I look forward to all our current shareholders and potential partners to continue to engage with us and give us the opportunity of feedback on a regular basis. This is a business of patience, we are building out the last mile digital infrastructure in deep rural India. And we do hope that this patience will pay out over time. I just, again would like to thank all of you for taking out the time for your trust and confidence, and at DiGiSPICE and Spice Money, we all will continue to ensure that we stay the course and stay committed to our mission of solving for lack of access in rural India. So, thank you very much to everyone.

Shiv Muttoo:

Thank you, Mr. Modi for the concluding remarks. And we'll conclude the session here and you may now disconnect from this call.

Note: This Transcript has been slightly edited at few places for clarity and accuracy.