

Date: **7<sup>th</sup> February, 2023**

**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 31<sup>st</sup> January, 2023**

Dear Sir/Madam,

In continuation to our letter dated 24<sup>th</sup> January, 2023 intimating about the schedule of the conference call for Investors/Analysts held on 31<sup>st</sup> January, 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**

**31<sup>st</sup> January, 2023**

**DiGiSPICE Technologies Limited**

**Q2 and 9M FY23 Earnings Zoom Webinar**

**31<sup>st</sup> January, 2023**

**Attendees:** Mr. Dilip Modi, Chairman, DiGiSPICE Technologies Limited;  
Mr. Sanjeev Kumar, Co-founder, Executive Director & CEO, Spice Money Limited;  
Mr. Rajneesh Arora, Co-founder & Chief Product & Strategy Officer, Spice Money Limited; and  
Mr. Sunil Kapoor, Whole Time Director & CFO, Spice Money Limited.

## DiGiSpice Technologies Limited Q3 and 9M FY23 Earnings Concall 31<sup>st</sup> January, 2023

---

**Shiv Muttoo:**

Good afternoon everyone. A warm welcome to DiGiSpice Technologies Limited Q3 and nine month FY23 earnings Zoom Webinar. We have with us Mr. Dilip Modi - Chairman of DiGiSPICE Technologies Limited ('DiGiSPICE' or the 'Company'), Mr. Sanjeev Kumar - Co-founder, Executive Director and CEO of Spice Money Limited ('Spice Money'). Mr. Rajneesh Arora – Co-founder and Chief Product and Strategy Officer, Spice Money, Mr. Sunil Kapoor - Whole Time Director and 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 Dilip.

**Dilip Modi:**

Thank you Shiv. Good afternoon everyone. Thank you for joining us on the FY23 Q3 earnings call. It's a pleasure to reconnect with all of you and I hope that today's call will help you gain more insight in depth about what we are doing at DiGiSPICE and we get this opportunity to provide any clarifications or answer any questions that you might have. So let me start by sharing with you what all sits in DiGiSPICE. As you're well aware, we report two (2) segment revenues. One is a rural technology segment and the other is a digital technology segment. As you've been seeing over the quarters, the financial technology segment is actually contributing a significant part to the consolidated revenues of DiGiSPICE. As on Q3 of FY23, it is now close to 95% of the consolidated revenues of DiGiSPICE. The digital technologies business, which is the B2B business, has now become closer to 5%.

So, we have always been talking more around Spice Money which is the Fintech business of the Company because this is where we see the major growth going forward. As far as the B2B segment is concerned, as you will see in the presentation, we have invested in that business but this has been a legacy business where we've been working with telcos in the region. This is a business that we've been doing for a long period of time, and as the telcos have migrated to becoming more data and OTT-led businesses, we've been trying to invest in new platforms. But there has been a lag between revenues and costs and if you see the consolidated financials, while this contributes 5% of the revenues, it still contributes close to 20% of our consolidated costs. So this is a segment that we are going to be looking at the board level, because this is the segment that's actually creating a drag on the profitability of the overall DiGiSPICE consolidated report. So we will come back to you with respect to our strategic view

in this segment. But really, what we want to focus with you is the main growth engine of DiGiSPICE, which is our Rural Fintech business 'Spice Money'.

Before I hand over to my colleagues, I'd like to make a couple of points here. As you're aware, the rural ecosystem is a big focus area for both, the Government as well as public and private sector. In terms of driving the GDP growth of our country, both in terms of infrastructure and consumption led growth and we're talking about building a \$5 trillion economy. Almost everyone's talking about the role that rural India will play in this GDP growth objective that we all have as a country. Today, at Spice Money we've built very clearly, one of the largest mobile based ATM banking networks in deep rural India. You will see the numbers but it is very clear that we've extended our reach to villages in deep rural. The platform today, Spice Money, both mobile and web are used by young digital entrepreneurs living in those villages who are effectively driving digitization of rural India. So this is a big trend on the back of which Spice Money is riding.

Now what further excites us is that there is a huge investment that's happening in the digital public goods infrastructure both in partnership with government as well as public goods being built in a private spirit whether we look at ONDC, OCEN, Account Aggregator, many other industries, we see a lot of work happening in digital public goods. We all know about UPI. UPI has still not reached Bharat, and this is something that we are very excited about. How do we take these open platforms and push them to solve for lack of access of services in rural India. You will hear about that in the presentation.

Finally, we're very excited because we believe that we have the starting point where we can solve for many issues, starting with delivery of formal banking and financial services. So one of the things that we've been sharing with you is how we do not want to restrict ourselves to just being an AePS (Aadhar enabled Payment System) led ATM banking platform in rural India, but move on to a much larger opportunity where we can leverage digital platforms to drive access to financial and digital services in deep rural. We will, in today's presentation, give you an update on where we are in each of those legs on moving to a larger opportunity and finally, because we're excited about this large opportunity, that's opening up in rural India and how tech led platforms are going to drive growth in rural India, we're going to be investing behind them. So I would encourage all of you to look at us more from the point of view of the investments we are making, which mostly flow through our P&L because it's mainly in manpower in teams. We're going to talk about today, a breakup of how our investments are flowing through the P&L. But more importantly, look at us from the length of how we are driving overall, GTV and income and margin growth. We will continue to invest because we believe that there is a window in which we can build large platforms that can drive and solve for the problem of lack of access in rural India for banking and financial services. Very excited about this and would be more than happy to answer any questions that you might have. I'd like to pass on to my colleagues starting with Rajneesh who is going to walk you through specifics around the rural ecosystem and some of the digital public goods

infrastructure that's getting built out there and then we'll go into further details. Over to you, Rajneesh.

**Rajneesh Arora:**

Thanks Dilip. What we are doing currently, I mean fundamentally as Spice Money we are solving the problem of access and currently making financial services accessible to the Indian rural citizens. Some of the highlight numbers as of now are that we have 12 Lakhs plus Adhikaris. These are digital young entrepreneurs in rural India who are working on Spice Money platform. We do transactions worth of Rs. 1,61,000 Cr. in terms of the GTV, so gross transaction value is Rs. 1,61,000 Cr on an annualized basis, annualized on the nine months of the current financial year. And on our key hook product called AePS, we have a leading 17.1% market share which we have been growing over the last few years.

In terms of our coverage, we are present in deep rural. We are a rural Fintech and our focus is in blocks or small towns and villages so we are present in almost all the blocks of the country which is 6450 blocks or small towns and, 2,26,000 villages out of the total 6 lakhs villages in the country and in terms of pin codes we are present in most of the pin codes of the country. So this is our current coverage and we are achieving deep penetration at a village and block level.

As Dilip spoke about the key growth in GDP for India to become a 5 trillion economy, everyone is looking at rural, so whether it is the Government or the private sector, we are all aware that the opportunity really sits in rural. Looking at some numbers today, about 46% of India's national income is coming from rural economy. Over the last almost a decade now, the rural economy growth has been surpassing urban economic growth. So basically rural has already been driving growth of Indian GDP and going forward the contribution of rural economy is only going to grow. Rural contributes about 68% of the total workforce of the country, so at about 35 crore people is what rural India employees today and in terms of internet penetration, again, the entire growth of Internet penetration is now coming from rural. The growth rate in number of subscribers, internet users in rural are now 20% more than urban India.

Also, the key building blocks as infrastructure for rural India which has enabled progress in the financial services segment is the JAM trinity Jandhan, Aadhar and Mobile. So Jandhan is a bank account, it is a basic Savings Bank account which is now available to 46 crores, most of them being within semi urban and rural areas. Almost every citizen of the country has Aadhar and most of these Aadhar is now linked to the bank account and we now have 75 crore smartphone users in India and this growth is also being driven in rural. So I think these are the key building blocks along with the digital public infrastructure that we spoke about and we'll talk about that, which is enabling players like us to build products and services and enable them to reach every nook and corner of the country. So it's a tech inclusive framework, which we are riding on and leveraging the rural opportunity.

Next slide please. Our core belief, one is that there is an opportunity in rural India. The other key question to answer is that what is the key to solving that opportunity in rural and our key belief is that urban and rural are very different markets. It's not just different in terms of economics, but diverse in terms of the way rural India lives, thinks, shops everything. The key to solving those problem statements and accessing that opportunity is also different. So let's look at some of the key characteristics which are very different between urban and rural markets. So if you look at merchants, in urban, we find merchants or retailers being very specialized in one category but the moment you go to small towns it becomes multi category and the moment you go rural I think it's like every rural merchant is doing multiple things, it is not just products but products and services and not just single service but multiple services. So rural merchant is actively looking for more and more opportunities to grow business and serve the customers.

In terms of the relationships, specifically between a merchant and a consumer, in urban, these relationships are led by transactions. In rural, these are led by communities, so over the generations the retailers in the same community serve the customers in the same community. As a result of these relationships, the trust that any brand drives in urban market is largely through advertising and in rural it is almost entirely through word of mouth. So if somebody has benefited from a particular product or service, that is more likely to make other people use the same product or service, compared to any kind of advertising, so the brand and the trust is largely built by word of mouth. Ticket sizes we're all aware because of propensity to pay there is a demand for larger ticket size in urban. In rural we've seen in the case of FMCG industry that reducing the ticket sizes or making the product sachet size has led to significant growth. The same is true even for financial services, for example, for an insurance product or a savings product or a credit product in rural in terms of ticket size is much smaller and therefore the way this opportunity has to be chased also becomes very different. So to make a smaller ticket size viable, the business model has to become very different. Also for example, assistance, so we do see a majority of the rural population seeking assistance and this is not just because while there is an element of literacy which is now improving at a fast pace, but there is also an element of trust because people do consult others. So there is an element of influence that people are able to make within rural markets, compared to urban markets where largely the decision is more like do it yourself not only in terms of the activity, but also the decision making.

So as a result of this what rural needs is a very ground up approach and a multi-pronged ground up approach in terms of product, in terms of user experience and also in terms of a business model. So in rural a community-led business model is far more likely to succeed compared to direct business model and that is what we've seen in case of Spice Money. Also our success has been largely attributed to the local digital entrepreneurs, the youth of rural enabling digital services for consumers within Rural.

Next slide, please. So again, as Dilip spoke about the various public good infrastructure that is getting laid in the country, and I think India is one of the unique countries where a large public and open infrastructure is getting created on which private sector can build products and services. We are very excited about not only the current stacks that are available, but all the emerging digital stacks that are coming up. So if we talk about ONDC - Open Network for Digital Commerce, it is a great opportunity enabling democratization of commerce. So no longer will e-commerce be restricted to few large organizations who can invest billions of dollars upfront, by virtue of it being open and by virtue of unbundling the various services. So whether it is as a platform, e-commerce had to bring in sellers, buyers, set up the logistics infrastructure themselves, like as one entity. In case of ONDC they've really unbundled all of these pieces, so somebody could bring in sellers, somebody could bring in buyers and somebody could play a logistics role. Specifically, in context of rural we see a huge opportunity in creating business models riding on ONDC to leverage the un-cracked e-commerce opportunity within Rural.

Coming to OCEN, which is Open Credit Enablement Network. So what ONDC is doing in commerce, OCEN is going to do in credit. At a very basic level, it is going to bring borrowers or loan service providers on one hand and lenders on the other hand, and bringing them on one common API based platform in order to extend the relevant credit products to borrowers. So again, this is early stage in terms of its rollout, but in terms of the design and the thought, we are very excited about the fact that this can do wonders in terms of enabling access of credit to rural citizens and rural businesses and we want to participate in that.

Account aggregator again, this is going to help leverage power of data, at a very basic level based on customer consent, the data that the customer holds in the form of, for example, bank accounts, insurance policies, pension details etc. All of this is going to become available at a click of button based on user consent enabling alternate data based underwriting for the lenders. So again, this along with OCEN will significantly help delivering credit and democratizing credit. And then there are new areas around, for example, creation of Udhya Aadhar, so basically Udhya Aadhar starts to create a unique identity for MSMEs. So like there is an Aadhar for citizens, there is an Udhya Aadhar for MSMEs and based on that one identity there is an ability to get all the Government benefits and all the data related to the MSME - so that's the thought process. There's another digital health ID that is being created for all the Indian citizens. So I think the point is that our intent of using the digital infrastructure to enable all of these services to rural India and all of these infrastructure comes like a core building block and we are working closely with most of these emerging digital stacks to also see that how do they become very, very relevant for rural upfront. Next slide. Sanjeev, may I request you to take it forward from here.

**Sanjeev Kumar:**

Thank you Rajneesh. Good afternoon everyone and thank you so much for joining in and what I'll do is over the next few slides I'm going to talk about what our business model is. It might be repetitive for a few who attended the previous quarter results. But I would want to

continue to talk about it since it just reconfirms that we continue to stand on the operating model that we've been talking about and we continue to build it. We also touch upon the few of the key metrics and our growth on the larger opportunity that we are seeing in rural India.

So essentially, if I were to marry the last few slides of talking about rural India, the digital stacks that are now built and what we're trying to do is we're trying to democratize those services in rural India using those digital stacks. Eventually, what is it that we're building? We're building a Super App for Bharat. What does this mean? It very simply means that if you go to talk about rural consumer and put down what are his use cases, what are his needs, it is about banking, payments, financial services, and digital services lot of those pieces. These are the services that he needs and if I can build all of those services onto a platform, and if you can build on a network of entrepreneurs at each block and village level, then why does that rural consumer have to step out of the village! Something like this in my opinion, was not possible earlier and the reason was technology. Today given the digital stacks and technology, today this is a possibility.

So in this slide if you notice five of these boxes, five of these big services are already live. The latest one is the government services. G2C services UMANG has gone live in the last quarter. The remaining four are work in progress at different stages and over the next few quarters we will have them also live, which does complete this pie of offering all of the services to the rural consumers.

Next slide, please. I'm extending that slide of saying we're building a Super App for Bharat. What does it mean? It means that there is this entrepreneur in rural India called Spice Money Adhikari. He's a merchant. He is now digitally onboarded with us. He's using our app and through that app, he's providing services to consumers who walk up to him to avail those services. For example, there's a customer who wants to withdraw money, he does not have to go to a bank branch which is about 25 kilometers from his village, he comes to the Spice Money Adhikari at his village, does his Biometric authentication, gives mobile number and withdraws money. He wants to buy a ticket, he does that. He wants to transfer money, he wants to pay bills. He wants to pay for his EMIs. All of these services that I mentioned in the last slide now is available at the door step at a village. So on one side we are marrying suppliers, product manufacturers, service partners and in the middle of this is a Spice Money entrepreneur and on the right side is his consumers who are walking up to him to avail these services.

Now if you look at it at the core what makes it more unique, it is a win - win for everyone. For the product manufacturers and service partners, which could not access in rural India, now there is an opportunity for them to access at a very reduced cost. In the center the Spice Money entrepreneur, who now has found a new source of earning and like we spoke about 70% of our network is below the age of 30, which is the youth of rural India who is adopting this faster than others. Hence, there's entrepreneurship that is being created in rural India



and 3<sup>rd</sup> is for rural consumers who now do not have to walk 25 kilometers away from the village. They get the access of all of these services at the doorstep at the village through assistance.

Next slide, please. We've spoken about it last time I want to give an update on this. If we continue to the basic problem statement of solving for access in rural India, like I said last time while we started with building the largest ATM banking network, we're moving to build a larger opportunity for rural India. I want to give an update on this today, the journey that we had, we built the largest kitty in banking network. Today we are a network covering 2.26 lakhs villages and we are a leader of AePS with market share of over 17%.

The second business line that we moved on, it has been about 6 quarters now is to build a deep cash collection network. Today we have on boarded over 60 plus rural focused enterprises, and we're also doing the collection for over 100 billers because we also have this license. The third business line over this is building the largest banking and financial services. We've been doing some pilot on using data and transaction data on our platform to provide alternate underwriting and using that, to do lending for our Adhikari network.

Moving beyond financial services or traditional services- we're doing a pilot with ONDC on the ONDC network. And the idea is can we build a platform to enable e-commerce in rural India. Now this will be in 2 dimensions. One is for the merchants, so Adhikari as a merchant who can buy goods and services that he needs today to sell. And second he can also do assisted commerce for the consumers in rural India. Apart from that, we've also partnered with UMANG towards delivering Government services to rural citizens. This is the service that went live in the last quarter. Eventually we also believe that, even the consumers in rural will go digital faster. By when is a matter of anyone's guess, but there is this youth of rural who is adopting digital faster and for that segment we're also building first of its kind rural focused, for the youth, a digital payments app. This is a larger opportunity. It's very important for us to visualize that Spice Money is just not an ATM banking network. It started with an ATM banking network and built a largest ATM banking network. It started to leverage other business line with products and services. Very adjacent was the cash collection, we have some good success on it we continue to build that. And now we're building a banking and financial services business model over there and then, apart from that, there's digital services and then also a digital consumer offering for the rural youth.

Next slide, please. Few of the key operating metrics first, as we said before, we are 12 lakhs Spice Money Adhikari over 2.26 lakhs Villages, 33% growth over the last year. Our gross transaction value is about Rs. 24,000 Cr. Again a 13% growth in the last year and 2% growth over last quarter. Service fee revenue at Rs. 99 Cr this quarter, 10% of growth over last year, 1% over last quarter. AePS market share we are over 17% now. We were 16.4% ending March 2022.

Next slide please, on few of the services. AePS which is being a flagship product, we've grown up 12% viz-a-viz last year, but has been pretty flat in terms of quarter on quarter growth. We have spoken about it in last quarter results also, this is primary because in the last three quarters the OFF-US AePS market has not grown. It is pretty much static or actually de-grown a bit, but we continue to hold our market share and hence the quantum in business has been at the same level as last quarter. m-ATM has also seen a bit of decline than last year. This has been primarily basis few of the restriction that few of the banks have put. There's no alarming reason here. I think these are pretty much genuine practices being done by banks to prevent any kind of misuse on the cards, and I think that will be a regular practice. However, we will continue to build these businesses as both m-ATM and AePS has two devices - biometric and the card device which continue to help the cash out business opportunity. Bill payment, which is BPPS, again it's a very, very interesting opportunity for us. It's been going very well so in this part EMI section is what I want to call out here for a minute, which is where we're seeing significant growth, Rs 31 Cr business for Q3FY22 is now of at Rs 391 Cr. Even in quarter to quarter basis there has been significant growth in EMI collection in the overall bill payment. I am particularly calling out EMI collection because this is something we've noticed as a very, very important use cases and it's working very well in rural India and we continue to see super success on our network and this business as we continue to build this.

Next slide please. CMS is cash collection network, again a business where we've seen very, very promising growth. This is a business that actually started last year, scaled pretty well and this year again we continue to build this business. Compared to last year we are seeing a 40% growth on YoY basis and the 9% on the QoQ basis. Recharge again has not seen any incremental growth this quarter. I don't see any other reason for it. I think it's just a cyclical business. There are cycles we've seen this business go down and come back again on a quarterly basis. Nothing alarming here. Travel is another business we've grown last year. We see some promising business opportunity going forward. Again, we'll see on this. We've seen some cycles of this business, but we're seeing this business coming back and I'm very confident that this business is going to grow again. Next slide. I'm going to request Sunil, now to take us through the financial highlights, Sunil over to you please.

**Sunil Kapoor:**

Thanks Sanjeev, Good Evening all. This slide contains the Spice Money financial highlights and first I will be covering with respect to the Q3 financials. Customer GTV for Q3 has grown by 2% on QoQ basis from Rs. 24,421 Cr to Rs. 24,913 Cr. The service fee revenue which we are focusing has grown by 1% and thus the gross margin has improved by 4%, which is service fee GM on service fee revenue has improved from 35% to 36% in this quarter. And if we see, indirect cost is kind of static, it is same as compared to the last quarter, and thus the EBITA, has improved from negative 50 lakhs to positive 60 lakhs.

If I cover the nine months progress, that's 9M FY23 vs 9M FY22, we have grown in customer GTV by 27% and in line with that service fee revenue has grown by 25%. Gross margin is better with 38%. Indirect cost if we see, what we have invested in last nine months, that's

almost Rs. 48 Cr increase in the indirect cost, which is 71% over the last nine months of the previous financial year. I will take you through those indirect costs where we have kind of invested in the business segment or the functions.

Can we move to the next slide please. So here is the 9M FY23 vs 9M FY22. We have almost invested Rs. 48 Cr in indirect costs, which consist of primarily 81% investments in employees and related costs and the rest 19% is in call Center, technology, infra, marketing, promotions and other admin costs. So primarily out of this Rs. 48 Cr, Rs. 39 Cr has gone into the employees and related cost, which is on the right hand side of the pie chart, where we can see that 93% of this Rs. 39 Cr has been invested into sales and distribution, product and technology and leadership team. This is majorly to strengthen these functions and activities to take on other opportunities or activities which we have planned for the future. So this is an investment that goes into these areas to give an idea about where we are investing to strengthen the company as a whole.

Can we move to the next slide, please. This slide contains the consolidated financial summary, which contains the Fintech segment, which is Spice Money that I have covered in the previous slide and the other segments primarily consisting of DiGiSPICE platform business. So if we see in Q3 FY23, the revenues and gross margins are pretty flat and indirect costs have moved up a little bit due to some Forex losses and Forex translation reserves and that has created this Rs. 3 Cr indirect cost. So primarily at the EBITDA level we are at a loss of Rs. 8 Cr compared to previous quarter where it was a loss of Rs. 6 Cr and in nine months, if we see there is a swing of Rs. 13 Cr negative from a positive one. But that's what we have explained for the Fintech segment that we have invested in the indirect cost with respect to the strengthening of the leadership team in sales and distribution. May be in the coming future for the other segment, as Dilip Sir has mentioned in his opening remarks, that we are figuring out how to kind of take a strategic call on this segment. So that's all from my side. Thanks and back to Shiv.

**Shiv Muttoo:**

Thanks. So that brings us to close of the DiGiSPICE management opening comments and we will now start the Q&A session. Please use this opportunity to interact with the management team. Please raise your virtual hand and state your full name and the organization that you represent before asking your questions. In addition to the questions on this call, we'll also accept questions in the chat box available to our participants. Anyone who wants to ask questions. Navdeep Mehta, you may ask your question please.

**Navdeep Mehta:**

Actually, I'm an individual investor and I'm holding DiGiSPICE shares from last 3-4 years and I'm reviewing financial results every quarter. So my question is, digital revenue is going down quarter on quarter and what is happening on Korero front.

**Dilip Modi:**

So last two years Navdeep, ever since COVID happened in March 2020, historically, at DiGiSPICE we've had the enterprise SMS business where we've been working with large

enterprises to deliver SMS based services, which has been a business that we've been doing for 10 years. And we have large banks, in fact the largest is Bank of India as our customer that we were working with. When we saw that, what is the opportunity to convert this into a new business opportunity we came across this opportunity to convert it into a communication platform as a service business and that's when we imagined about Korero. But as we've tried to reach out, we invested a year and half in terms of building out and building other channels, whether it was voice, WhatsApp and other channel integrated into the platform, one assumption was that we'll be able to penetrate a lot of customers using on a multi-channel strategy, not just SMS but multi-channel, and that's what we branded as Korero. What we're seeing in a B2B sales cycle however, is that especially during COVID, a lot of customers they sell in two categories, one was the RFP business and the non RFP business. In the RFP business a lot of the large telcos themselves jumped into the business and really quoted very aggressive pricing which was just economically unattractive for non telco players, so because of that it became very difficult to compete on the RFP side and we had a lot of RFP business sitting there which we were trying to move to Korero. And on the private side we've been working to invest in sales organization in product build out and all that, and we've seen a very hyper competitive environment there. So while we continue to drive it and teams are vested in it, like I said, nearly 20% of our consolidated costs at DiGiSPICE continue to be in the B2B segment while it only contributes 5% of the revenues, I'm finding that there is a big lag between costs and revenues and that is what now we're very closely observing at the board level in terms of looking at the funnel of business we're getting for Korero and really seeing the investments that we need and what is the viability of building out a profitable business in the short term. So to that extent, you know we will be looking at options. It is having a lag on our P&L in the short term, but we continue to engage with both our existing customers and new customers, but this is taking time and that's why I mentioned up front that we're going to be evaluating what are our options because we do not want the P&L to drag because of this delay in revenues linked to cost and investments. So I'm going to come back and talk to you further about this in the coming quarters.

**Shiv Muttoo:**

The next question is from Praveen Sharma.

**Praveen Sharma:**

So I just had two questions. I just wanted to understand what is the typical customer transaction cycle with an Adhikari. How long does it take to execute the transaction? And by when does the Adhikari receive the payout? So that is question one. The second question that I had is the indirect costs have been rising every quarter. So could you probably elaborate where are these investments being made and when are we expecting to see the operating leverages in this business? Thank you that is it from my side.

**Rajneesh Arora:**

So I think in terms of the time it takes for the customer to transact at the Adhikari point, so I think the biggest time that it takes is for AePS, where the customer has to give his Aadhar number give his bank name and then authenticate, put a fingerprint, but that takes like under one minute and most of the other transactions are pretty much very quick. I'm talking about

the total time. The actual transaction time on the system is everything is in like milliseconds and for AePS at best at one or two seconds. So that's the time it takes. It's not an area of concern or worry and we've been able to minimize and build the usage in a manner in which it kind of minimizes the entire time it takes for the transaction to complete. So what was the other part of this same question you had around customer transaction?

**Praveen Sharma:** How much time does it take for you to get his money?

**Rajneesh Arora:** OK, so the commissions to the Adhikari - in most of the products, we pay instant commission to the Adhikari. So the moment that transaction is through the commission is credited to his wallet.

**Sunil Kapoor:** So as I mentioned in the presentation also, that in the last nine months, we have invested Rs. 48 Cr for strengthening the organization at different levels, which will yield in the coming future. Having said that, we will continue to invest further where we have kind of identified the opportunities as you have seen on the Super App, that's the wheel we have shown, so we will continue to invest on that. But having said that, whatever invested that will start yielding in the coming quarters, but investment will continue till what we have envisaged for in next two to three years.

**Shiv Muttoo:** The next question is from the chat box, Rishu Dhawan.

What is the breakup of depreciation- which is legacy system versus Spice Money? It's around six cores of the latest P&L statement. Do we see the depreciation continue to grow at the same pace as we continue to invest in technology Or do we have any specific asset or amount that needs to be depreciated overall?

**Sunil Kapoor:** We invest in the devices to be placed with the Adhikaris, so that we are capitalizing for a period of one year due to which the depreciation is on the higher side, but having said that, this will not be at that tune or to the level at which we are as of now. In the coming quarters there will be lower depreciation for the financial year QoQ.

**Shiv Muttoo:** Next question from Saurabh Gupta. Please ask a question, thanks.

**Saurabh Gupta:** Yes, so I have one question with regards to the industry. So the AePS industry has been quite stagnant in the past few quarters and companies like FINO payments has already reported a slow growth from this segment. And in our case the reported numbers show a similar trend. So is this expected to continue for the next financial year as well?

**Sanjeev Kumar:** I don't think it'll be fair for me to predict if it is going to continue. I don't think there are any signs like this. But yes, for the last two quarters it's been static and there's degrowth from the first quarter of this year. But very difficult to say right now, I don't think historically and as per

all other reports that we have, we believe that this business should grow and will grow. I don't want to comment on what percentage of growth we can see, but directionally this is a business that should continue to grow over the next few years.

**Rajneesh Arora:**

So AePS today, the numbers that you see are coming out of cash withdrawal product, but AEPS is a platform that also enables cash deposit. This is something with which the product is ready but is yet to be rolled out in terms of all the banks. The cash deposit as part of AePS, we see as a huge opportunity which can take, I mean which can grow the AePS industry significantly, just that whenever such things go live, they generally do take a bit more time than anticipated, because a number of banks like 100 plus banks have to go live on that. But in the next few quarters we do expect that to start playing a role in the growth of AePS industry.

**Shiv Muttoo:**

I will take a follow up question from Rishu Dhawan.

**Rishu Dhawan:**

So my question is more around profitability for DiGiSPICE like Mr. Modi said in the beginning that. Firstly, we can address it maybe by hiding buffer or restructuring, whatever the legacy DiGiSPICE business. But even that the Spice Money level, if I see the latest statement, we are in red where when I see the segment wise result this Spice Money business is not at the breakeven level, it's still in the red. So what is our plan in terms of road to profitability that DiGiSPICE overall is kind of stagnating from the last couple of quarters. Yes, like Sanjeev said, maybe over a couple of years it will continue to grow. However, do we have a plan in place to move towards generating profits overall because see I'll be honest, just fairly good metrics like the management is saying that the GTV is increasing, the Adhikaris are increasing, the other metrics which are as a part of the management fees and value the company they are performing well. But however if I see it from the investors' perspective. My key metrics are generating profits? Are we EPS positive? What is the PE multiple? What is the cash flow? So from that perspective, I don't see things are improving. I'm an individual investor and have been into this company for more than a year now looking at the promising industry. But I want to hear from you Mr. Modi what is our plan and what will drive profits ultimately, and when do we see the profits getting generated.

**Dilip Modi:**

I was waiting to come in and answer your question. First of all, thank you for believing in us and being a shareholder for the last one year. I would say what's happening in rural India with the penetration of smartphone, Internet and all these open stacks, we're at the start of with the brink of something really big that's going to happen in rural India. If you looked at some time back in urban India and we spoke about, if I take it long back right about growth of e-commerce, growth of UPI, we couldn't have imagined that normally consumers would be ordering online. Or how many consumers would be instantly paying money using mobile phones. I think rural India is going to go through a similar revolution. That's what excites us because what is happening today is where roads have not reached mobile phones and smartphones have reached. And now with all these open stacks, there's an opportunity so all

the players want to access rural India. The problem has been that of economic viability. How do you access rural India? But we've managed to do with AePS as a hook product because when the government came to power in 2014, they decided to open bank account for every citizen of India. So 40 crore Jan Dhan accounts opened. But there wasn't that last mile banking infrastructure. What AePS has done is created a hook for a small merchant and an entrepreneur in a deep village in rural India to onboard themselves and start offering a basic product of giving people access to their own money. And that is why we've seen the AePS industry really grow over the last several years and there's going to be lots more products coming on, like we said cash deposit so what's going to happen is that right now if you look at our AePS numbers, it's just around cash withdraw. But the same network is going to double up to enable cash deposit. So when we talk about operating leverage, the same infrastructure, the same Adhikari, the same app, the same support system and the consumers are now going to be able to do cash deposit as well as cash withdrawal. So what we've been doing over the last three years, especially we've been focusing on layering more and more use cases; collections it's a big use case. The same Adhikari now in the village itself can serve as a collection point for both the agent of the MFI as well as the end customer, who's a borrower of an MFI, coming and depositing cash and this has huge economic benefits for the enterprise, and therefore there's an opportunity to share in that value chain for us as a platform. And then when we get into full banking and financial services, whether it's account opening, whether it's credit, whether it's insurance, this is a journey and we have two options. One option is you know we stay as an ATM network, we do not invest in infrastructure on the ground, technology capability, data mining, data science, product management, leadership which can enable us to build new centers of excellence around collections, around banking, around financial services, around insurance, around commerce, we can just stay where we are, which is just an ATM banking network and deliver on profitable growth. But like you and the earlier speaker said, that we've seen a slowdown in the AePS cash withdrawal, we think cash deposit will come and make up for that. But what's the larger opportunity? The larger opportunity is that if we invest in the infrastructure in the ground, after some point of time, the number of things we can do using both the people and the technology infrastructure, the impact of that will flow to the bottom line. But that's going to need that focus and investment in infrastructure over the next two to three years. Because having gotten there early, it will be really a missed opportunity if we don't consolidate our position in the market and if we can consolidate tomorrow whether it is UPI for Bharat, whether it's commerce for Bharat, whether many other things for Bharat. We have the early mover advantage to ride on that issue. So I can only say this that as a promoter, as an investor myself, I'm taking a long term view on this business because I do believe that businesses like this need a longer term perspective. If you see the way we have been investing in this business, it's all bootstrapped, it's all money is being generated. We are cash flow positive. So all money is being generated from within the business getting reinvested in the business. We're not raising equity or debt. We're a zero debt company. So we're not going down that path of raising crazy capital and just, you know, investing it to acquire

consumers. We are really trying to build through viable business models, but there will be a lag between investment and return. We do want to believe to invest in a bank grade compliant infrastructure that will require investment that require people on the ground and we want to make those investments because then large banks, large NBFC's will trust us with their products on the ground. So well, it really depends on the lens you're wearing, is there a short, mid or long term lens. But I do believe that we have an opportunity to really build long term value and that's how that's the lens through which we at the board and at the management level are looking at this business.

**Shiv Muttoo:**

I'll take there's one more question from Rishu, but I'll take that subsequent to some more people over there in the queue. We have a question from Navdeep Mehta. Is there any plan to start lending business or will you continue as an aggregator? Is there any plan to demerge Spice Money business anytime? Any fundraising plans?

**Dilip Modi:**

So I think on the lending business in the update we have shared that today we already started with doing alternate database underwriting to our own Adhikaris so they are the first point of call for us to participate in the lending value chain. And this is like end to end digital, from origination, to underwriting, to collections. So to that extent we are participating in the lending value chain. Whether we would end up moving into our own balance sheet based lending and all that Navdeep is that's what you're seeking in terms of a question, I think it's a journey, right? I think all I can say is that we are closest to the consumers in rural and therefore we want to solve for that problem in terms of putting risk capital to work. But are we there yet? No. Will we get there? I think we will attempt there because there is a problem of capital in rural, people are looking for credit. People are looking for formal capital. People are looking for reduced cost of interest. Can we solve it using digital? We truly believe we can, so we've started with the Adhikaris. We want to lend to them. We want to enable them. We want to learn through that. And then from there how do we move towards balance sheet, that's a journey we will go. Is there any plan to demerge Spice Money business? No, there is no formal plan as of now that we've considered at the board. If you see Spice Money now predominantly contributes the significant amount of DiGiSPICE business. In fact, de-facto, I would say that Spice Money and DiGiSPICE are very closely now mapping each other in terms of Spice Money numbers and consolidated numbers, we have to take a view on the other segment business and believe me, we'll take this view earlier than later. Any fundraising plans for Spice Money? As we are all firm believers, that internal accruals are the best way to to invest. We have been generating capital and we've been reinvesting that money when we raise funds. Yes, as we roll out these experiments and these pilots and we realize that there is a need for us to require significant capital upfront to chase some of these opportunities that we've piloted and when we find the product market fit, we may consider coming back and looking at fundraising options. But right now we are working with our own capital to do these pilots to figure out which ones to chase from a scale point of view and



therefore what kind of capital we need to provide for it to be able to get the best output from what we're chasing.

**Shiv Muttoo:** Next question on the chat box, Saurabh Gupta - the growth in Adhikaris has been flat for this quarter. What number are we expecting to close this quarter?

**Sanjeev Kumar:** I think the point is I don't want to get into a number, but I think directionally the point is, the network is grown to a size, which is significantly large and I think the opportunity then we go deeper and in a design format rather than just spreading the number, I think that is the way we're taking. In terms of, let's say village coverage, we are at 2.26 lakh villages. Can we make this more? Answer is yes and I think that is what we will approach rather than taking on numeric goal. I think the way we are progressing is a far more in a design-led format of growing this network.

**Shiv Muttoo:** The next question is from Rishu Dhawan - follow-up question. What are the margins in CMS and the EMI collections?

**Rajneesh Arora:** I think in terms of the percentage on GTV or the bps, I think CMS business is more around 8 to 10 bps. And the BBPS loan repayment businesses more around 10 to 13 bps. So that's the range.

**Shiv Muttoo:** The next question is from Aniket Redkar. Aniket please introduce yourself and ask your question, thanks.

**Aniket Redkar:** I have two questions based on ONDC. So currently what is the status of the ONDC platform? I think it was expected to launch in January. So is it live right now? And if yes, then what is the feedback from the users?

**Sanjeev Kumar:** So Aniket, ONDC is live. Obviously, it's a phase wise launch plan and in a city wise manner. We are live as a buyer app on ONDC. We started with Bangalore. I think there is some business that we've done there. We want to extend this to a larger network depending on how the sellers will get on boarded, but this is we're very excited about the opportunity like we spoke about. It's a very important stack and network for enabling local commerce, local merchants in rural India, come on a platform on a digital platform to buy and sell goods to a larger audience and that is something we're very excited. So we were watching this place. We work very closely with the ONDC and we'll continue to build this.

**Aniket Redkar:** And Sir, how will the business model for ONDC work? And what will be the revenue that we can expect from this ONDC?

**Sanjeev Kumar:** So ONDC is a gateway, I think this is just what it does is it is unbundled ecommerce and is providing a gateway. The role that we are choosing to play is both as a buyer app and a seller

app. And again, it's very early days right now, we are piloting few of these opportunity that we are seeing. The revenue share, however, is about the way we're doing today in Spice Money, it is transaction based. So every good that you sell will have a transaction income, a percentage of that, is what we will earn.

**Shiv Muttoo:**

Hina Parekh. Please ask the question.

**Hina Parekh:**

I have a few questions so I wanted to know what is the status on the other services that we are planning to launch like insurance, e-commerce or any other and by when are we planning to go fully live with all the services and what kind of traction are we expecting to see from these services.

**Dilip Modi:**

Basically, each of these services that you mentioned commerce, insurance and all are industries in themselves, and what we need to do is we want to make sure that we are able to get the right product market fit like we showed in our presentation. In rural India whether it's assisted led, the sachet of the products, the nature of the product is it the simplicity with which we are able to enable the consumers. There's a reason why there's an under penetration of these products in rural India, and so we try to solve for multiple things before we are able to see scale in each area. So I would say that it's a journey, but what's exciting is that, when we are onboarding digital entrepreneurs we can train them and they can self-train themselves to be able to deliver multiple services using our platform. And so to that extent in this journey we have to go step by step. So the approach we're taking is for each set of services to figure out right partners, do a pilot, do a proof of concept, get the product market fit right, get the economic model in place and figure out a way to scale. So I think that's the road map we are on and that's why quarter on quarter we are providing an update in terms of any new services. When we started like 8 quarters back providing an update, we used to talk about 2 services, now we're talking in detail about 6 services as well as 3 more going in pilot phase. So every quarter we kind of giving an update in terms of how we're progressing. So there was something like Bill collections, we showed the numbers, compared to last year when we did a GTV of about Rs. 31 Cr, in Q3 this year it's Rs. 391 Cr, just on Bill collection, on BPPS. So this is a product we've been working on for some time, and now we're seeing the take off in terms of return. So I guess each segment is going through its own journey and as we understand as to what's the relevant product, what's the business model, and we've tested it out in a particular market, we can start reporting numbers around it. So we're kind of building and imagining or reimagining those products in a rural context and then working with partners to build for that.

**Sanjeev Kumar:**

So I think our intent is obviously, it's not about just getting a product on the platform, but it's important to marry the demand and the supply. And I think that is a very, very big task in rural India. It's not been done before. I think that's an opportunity, so we're trying to pick up product by product. Go deep into it, not only the product, the user journey but also the go to market operating plan and then you scale that up so all the product that you said yes they will

come on a platform, but they will come in a sequenced manner with a robust operating model.

**Shiv Muttoo:** Hina, do you have any further questions?

**Hina Parekh:** Yes, I think one more question. Can you please throw some light on what is driving the bill payments GTV? As you can see a huge jump in the segment on QoQ and YoY basis.

**Rajneesh Arora:** So within bill payment the key category that is growing is the loan repayment category. So the reason it has been growing now is because the billers, which means the lenders have come on the BPPS platform. So this category was opened I think about a year or two back and then the biller started to come on the platform. The key use case is, if you look at a lender, where most of the repayments by the lender today happen on a debit to a bank account, take any bank or any NBFC, they'll typically do a monthly EMI deduct from your bank account. But there is a big bounce rate in many of the lending category. So the bounce, I mean that we see on the day of EMI, so about 10%-15%-20% of the payments will fail because there's insufficient balance or whatever reasons. Now that is the payment, which is a problem then for the borrower as well as the lender in terms of how to pay, so how do you do you reach out to the customer? How do you pay, by those coming onto the BPPS platform it has become very easy for users to now pay so you can walk across to any outlet because BPPS is an interoperable platform and if the biller is live on BPPS, you can walk across to a nearest Spice Money outlet and pay the bill. So like in cases of other products it is offering that convenience to the person to be able to do a transaction at a nearby Spice Money outlet. In case of microfinance, where most of the collections actually happens largely in cash and it happens through a collection officer on a weekly or fortnightly basis going to the village, conducting a collection meeting, getting all the group members, five or six members together and then collecting the cash and then going back to the branch etc. and depositing. The microfinance companies are trying to find a way where this whole process becomes comparatively lighter, which means that because the collection is in cash, why does the collection officer need to go every time for the collection meeting just to collect cash. So one option is of course, why don't we make it completely digital where all of these digital apps come into play. But there is a reason there is a customer segment why this continues to be cash based despite digital tools being available. So the opportunity there is that the customer now instead of waiting for the collection officer to come and collect the cash from each of these individuals, they can deposit within their village at the nearest Adhikari. So it cuts down on this whole effort of the collection officer going and having to do it. So that is the value add that is the the convenience that this product brings and that is the reason we're seeing this growth. It is solving the problem for a microfinance industry and the borrower.

**Shiv Muttoo:** Thanks Rajneesh. We'll close the discussion today. Dilip, over to you for any closing comments that you may have.

**Dilip Modi:**

Thank you Shiv. Let me, on behalf of the DiGiSPICE family, thank all the people who took time out to dial in and listen to this conversation and ask their questions and give us an opportunity to being heard. I think if I just pick up the overall theme, how we going to get a road map to profitable revenue growth I think that's like a common theme that I hear across most of these calls, and as investors that's an important theme and a central theme to what we're building, but let me just assure you all that we are building a business which is going to be strong on fundamentals. Though we are a tech business, money matters to us in terms of delivering profitable growth. But the kind of opportunity we are seeing in rural today is huge and we see this truly as a tech led opportunity and we can participate in so many industry value chains and capture a significant part of so many industries in terms of value chain, when it comes to embedded financial solutions, that we do not want to change ourselves in terms of chasing that opportunity. So if you look at our road map to profitable growth I'll just make three points. 1st is that when we look at our segments, we're focusing on building Spice Money, which is our Fintech platform business. The rest of the business is just 5% of our revenues, but still contributing 20% of an indirect cost. So we're going to take a view on that business, so that's the first. The second point I would make is if you look at our growth and gross margin, as far as the Spice Money business is concerned, nine months to nine months, we've actually grown 41%. So effectively our gross margins have been growing and we'll continue to figure out products to drive that. Now, the only reason why you're not seeing operating leverage yet is because we are investing in the organization and most of that investment, 81% as we shared with you, is going in terms of people infrastructure and tech infrastructure and we truly believe that we are doing it because we see green shoots where we can build our long term growth. Now we make some mistakes that we go along, but this is the rule of the game. We have to experiment. We have to try our things, some things will work, some things will not. But we will really short change ourselves if we don't go for it and we're going to make sure that we make every rupee stretch. We're going to be focusing on cost efficiency along the way, but our main focus is growth because in growth lie answers across the board. So as investors, analysts and the larger financial ecosystem, I would just urge you to look at us as a long term play for rural India. If you believe in rural, if you believe in growth in digital and rural, I'm sure you will believe in us at DiGiSPICE. Thank you so much for taking out the time. I'd like to thank my colleagues who joined me on this call to answer questions. Thank you Shiv for helping us set up this call and co-ordinate everything. Please stay connected, tuned in. We are all reachable. We are a call away. Please do call us at any time, and we'd be more than happy to get ideas, suggestions, and clarifications. We're on this journey together. Thank you so much.

**Shiv Muttoo:**

Thanks Dilip. That brings us to the end of the Q3 earnings call of the DiGiSPICE. You may all disconnect from this call, thank you.

---

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