DiGiSPICE

Date: **16th February, 2024**

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 9th February, 2024

Dear Sir/Madam,

In continuation to our letter dated 1st February, 2024 intimating you about the schedule of the conference call for Investors/Analysts held on 9th February, 2024 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**

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(Ruchi Mehta)
Company Secretary & Compliance Officer

Encl.: as above

DiGiSPICE TECHNOLOGIES LIMITED
Q3 FY24 Earnings Zoom Webinar

February 9, 2024

Management Participants:

Mr. Dilip Modi, Chairman, DiGiSPICE Technologies Limited;

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

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

DiGiSPICE Technologies Limited
Q3/9M FY24 Earnings Call Transcript
February 09, 2024

Moderator: Good afternoon, everyone. A very warm welcome to the earnings Zoom webinar of DiGiSPICE Technologies Limited for Q3 and 9 months FY'24.

We have with us Mr. Dilip Modi – Chairman of DiGiSPICE Technologies Limited , Mr. Sanjeev Kumar - Co-founder Executive Director and Chief Executive Officer, Spice Money Limited and Mr. Sunil Kapoor - Whole-Time Director and Chief Financial Officer, Spice Money Limited.

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. It has also been uploaded on the exchanges.

We will commence the call with the management talking you through the operational and financial performance for the period under review, following which we will have an interactive Q&A session.

I would like to now invite Mr. Dilip Modi to commence the presentation. Over to you, Dilip. Thank you.

Dilip Modi: Thank you, Amit. Good afternoon everyone. Namaskar. Given that we are meeting for the first time in the New Year, let me wish all of you a very, very happy 2024.

As we move towards close of this financial year, it's always a great opportunity to be able to use this platform to engage with everyone, to share our progress as a company, how we are moving, where have we reached so far and where are we going. So, I really look forward to this opportunity to interact with all of you who have taken time out to join this call, hear from you, share with you and have a very open conversation in terms of the challenges and opportunities we are seeing in our chosen space of growth.

Friends, as you know, at DiGiSPICE Technologies, we took some decisions at the start of this financial year. As some of you may be aware, over the last few years, we have been operating in multiple business segments. We had called them out in two separate segments, Digital Technology Services and Financial Technology Services segment.

Earlier this year, we took a decision to bring about focus in the company and we said we will only focus on one segment, which is FinTech. And that is why now you see that over the last two quarters, we have been basically talking through the progress on our FinTech business and this is a business that we want to grow going forward.

So, today, DiGiSPICE Technologies from a business point of view has become a pure FinTech platform company and I will talk you through some of the updates on the digital technology side as well.

For us, friends, I think it's a great opportunity because as many of you would have read in the papers this morning, the RBI has also commented on Aadhaar-enabled Payment System, which is our core product at Spice Money and we really want to use this platform as an opportunity to share with you our thoughts on this segment, which we believe is fundamental to connecting rural India to the formal banking system.

So, let me start, if we could get to the presentation. Let's start with the table of contents, please. So, we will use this opportunity, as I told you, that at DiGiSPICE Technologies, we have become now a pure FinTech platform company. So, basically, we are going to be talking to you through on the key business update around Spice Money, which is our FinTech platform business, take you through step by step on all the key services that operate on our platform, talk you through some of the financial highlights of the business and also the consolidated results of the company.

So, let me start by sharing with you some key highlights of quarter three. What we have done here is use this as an opportunity to share with you the performance of the company over the last nine months. This is basically with respect to what we are calling the continued operations.

As I said, at the start of this financial year, we took a decision to exit the digital technology service segment, which was one of the two segments we were operating in. In the P&L and the financial statements that we share with you every quarter, we refer to this as discontinued operations and we have a section of that in this presentation as well, but really the results that you see here for the nine months of this financial year compared to the last nine months is for the continued operations, which is the focus of the company.

If you see the numbers, one of the key metrics that we track is the gross transaction value of the customer transactions on our platform. We have seen for the nine months, it has grown to Rs. 82,000 crores compared to Rs. 75,000 crores last year, so we see close to a 9% growth. This is translated into a growth in gross margin of the business.

This is where we see our key income, what we refer to as gross margin, about Rs. 127 crores for the nine months compared to Rs. 122 crores last year nine months, 4% growth. But more importantly, what we have seen in these nine months compared to the previous nine months is a growth in EBITDA and profit after tax. So, both numbers are close to Rs. 8 crores, both in terms of EBITDA and PAT for the continued operations.

So, let me start by saying that, you know, for us at DiGiSPICE Technologies, at the start of the year, the first decision we took was focus. We said we will focus on a business, which is the FinTech platform business of Spice Money, and we will exit all other businesses. We started that journey at the start of the first quarter. Our goal is that by the end of this financial year, we should have completely exited the business of non-FinTech.

What we have seen in these nine months is that the core payments business of the company, which comprises basically of three key products, one is Aadhaar-enabled Payment System, second is Cash Management Services, and third is Bharat Bill Payment System, referred to here as AePS, CMS and BBPS. This business continues to remain on a growth trajectory. We have seen 15% year-on-year growth in this business and about close to 1.5% quarter-on-quarter.

Within these three product lines, we have seen how CMS and BBPS continues to show strong headroom and we will walk you through some of the key numbers and the underlying metrics on each of these product lines.

AePS business, however, has been facing strong headwinds in the last nine months. There has been a lot of narrative in the ecosystem around the issue of frauds that has hit this space and it is very important that as a responsible member of this ecosystem, we work closely with all the stakeholders to see how to reduce fraud. So, there have been a lot of steps being taken in terms of two-factor authentication which creates friction in transaction, but it's all with the intent to make sure that, as an industry, we reduce any concerns that come around frauds.

AePS is a very strong gateway to formal banking system for rural consumers and small businesses and therefore it is our responsibility to work with the regulator and with NPCI to ensure that we put in the right checks and guardrails.

As a company we have over the last few months also been focusing on new business lines, particularly around banking and credit, and what is keeping us excited is the fact that the results that we have seen in the last nine months shows us that there is an underlying demand for products that banks have to offer with respect to opening of current and savings account as well as credit in the markets that we are present.

To date, since we started and we started about a year ago, we have opened close to 3 lakh accounts which have balances close to about Rs. 100 crores in them and we have distributed close to 93,000 loans through our platform. So, effectively our core payments business continues to grow despite headwinds in the AePS segment and within that we have seen growth, which we will talk to you about. And on the new business lines, we are seeing that there is strong demand on the ground and as we are building the products for both banking and credit, we have lots of learnings on the back of which we are looking forward to these adding significantly to the growth going forward.

Now if you look at our right to play in all of these areas, it is because of the merchant network that we have created across key markets in India. So, if you move to the next slide, the customers of our platform, we refer to them as Spice Money Adhikaris. These are micro entrepreneurs, living in, operating in semi-urban and rural India and we have seen over the last now close to five years how we have on-boarded more and more of the micro entrepreneurs onto our platform.

So, if you see from FY'20 to now close, we are closing on FY'24, over the last five years, we have seen numbers scale up from 241,000 merchants who operated on our platform to now close to 1.35 million merchants who are operating on our platform.

Now if you see this graph, you would see that, in the first two years, FY'21 and FY'22, we added more merchants, nearly 35,000 a month, and then between FY'22 and FY'23, that number came down to about 20,000 a month, and now this year we have seen about 12,000 a month. This is because of what you see on the right hand side, which is the graph of India. If you see over the last 5 years, we have built a very strong presence in the North and East of India, what is shown in dark, and this is a very dense network of merchants on the ground who are using our platform to deliver financial services to their communities. We have now reached over 2.4 lakh villages and close to 6,469 blocks.

So, there is a lot of coverage which has already been achieved and if we look at financial inclusion, it's really the North and East that has been really wanting in terms of deep penetration of all our financial services. Of course, as we look at growing in banking and credit, we are equally excited about the South and West markets, and that is a growing opportunity that we are going to look at as we think about new product lines.

So, effectively for us, there is a certain amount of adequate coverage that we have already achieved in many markets in the North and East, and we are going to be looking at consolidating our presence in terms of focusing on the merchants with whom we can now grow multiple products and services.

So, I think for us, we are excited about the fact that we have now a very good network in place and we can work to see how we can now leverage this network to deliver our more products and services, which will translate into operating leverage in the financials of the company. I look forward to any questions that you have later in the Q&A session, but for now I will hand over to Sanjeev who will walk us through some of the key business update and service line updates on the platform business numbers for last quarter compared to the previous quarter and to the previous financial year. So, over to you, Sanjeev.

Sanjeev Kumar: Thank you, Dilip. Good morning everyone and thank you so much for joining today. I genuinely look forward to this conversation of where we can exchange our strategy, business numbers, operational details and more than happy to take any question that you might have at the end of the presentation. Can you zoom the slide please?

I am carrying forward the conversation that Dilip just concluded on the network. The key business updates today are gross transaction, the GTV value that we measure the customer gross transaction value, that's grown 11% Y-o-Y from Rs. 24,900 crores to Rs. 27,600 crores. In the same year, Y-o-Y, the service fee revenue grew 6% from Rs. 101 crores to Rs. 108 crores and gross margin (GM) grew 11%, Rs. 37.7 to Rs. 42 crores. So, on a Y-o-Y, customer GTV grows 11%, service fee grows 6% and our GM grows 11%. While on a quarterly basis, the customer GTV has grown 2%, but our service fee revenue has de-grown 2% and likewise our GM has also de-grown by 4%.

What are the reasons for it? I am going to talk about it in detail, but if I were to summarize, it's primarily because of the headwinds that we are facing on the AePS business. So, the de-growth is primarily because of two big reasons. One was AePS, which is because of a de-growth in the AePS business, which I am going to cover in the next few slides. We had a shortfall of one and a half, nearly Rs. 1.4 crores.

Second was subscription packs. So, you will recall from the last few quarters, we have launched service rental subscription packs, which ring fences our top Adhikaris. And again, given the headwinds on AePS business, we had a shortfall on that business last quarter. And these are the two reasons for de-growth in our GM. However, collection business continues to scale and the GM has grown even on a quarterly basis.

So, overall, on a year-on-year basis, we continue to grow on a 10% average on GTV and GM. But on a quarterly basis, we have seen a de-growth, primarily because of the AePS headwinds. We will cover that more in detail.

Next slide, please. If you recall over the last few quarters, I have been talking about one of the big objectives at Spice Money is how we move out from just being a Cash-in-Cash-out business to multi-product business. Can we demonstrate that both on this Adhikari network, we are able to offer more financial services products to consumers in emerging India.

And again, staying on that piece, if you look at the graph again on Y-o-Y basis last quarter, and that also at a larger GM. So, on one side, we need to continue to grow our gross margin. And at a larger gross margin, can we continue to grow alternate business lines, additional business lines, to demonstrate that we are now diversifying our cash-in-cash-out to a multi-product.

So, what we were, a Rs. 37.7 crore GM last quarter, we are Rs. 42 crores. And in that, the cash-in-cash-out percentage contribution from 76% has come down to 69%. This clearly demonstrates that the new business lines that we have set up have started to deliver and they are contributing more than the Cash-in-Cash-out. So, the overall pie continues to grow. The share of new business lines continue to increase.

Clearly, what's standing out is collections, which was a 6% contributor to GM. Last quarter is contributing at 14% this quarter. Second was the rental pack that we introduced, which is now contributing to 6%. Then the other new business lines, which we are building, which I am going to talk about, banking and credit, we believe that they will demonstrate to increase more contribution to the GM in the next few quarters.

Next slide, please. So, now I am going to cover on the four services that we are building. And then we have spoken about it. One is our AePS, which has been a hero product for business, which has given the right to play in this emerging India. Second, is collections that we keep talking about, which is the next business line that we have grown. It's already showing considerable growth over the last six to eight quarters now. And the two new business lines of banking and credit. So, these four, I am going to talk more in detail.

So, the first is on AePS. First, I want to draw your attention to the first table of the industry. The Off-US industry, which was Rs. 81,500 crores last year, quarter, same time, has degrown to Rs. 78,942 crores, which is a 3% de-growth. At a 3% Y-o-Y, Spice Money GTV has degrown by only 1.8%. Why is that so? Because our market share, which was 17.08% last quarter, is now at 17.31%. So, acting on a degrowth industry on AePS, Spice Money is holding its market share. It's actually increasing in market share. And hence, at a GTV level, what was Rs. 13,917 in last quarter last year, is Rs. 13,663, which is a small degrowth, not as big as the overall industry.

The question, how is this happening, is what I am going to explain in the next two tables. So, why is it that at a higher degrowth of the industry, Spice Money is able to increase that market share, and hence, hold on to this business and actually look to actually consolidate this market and grow further, is what we are seeing here.

So, the second table is about transactions. So, if you look at the first row of transactions attempted, which tells you that last quarter, 9.1 crore transactions were attempted on a platform, last year quarter, Q3 FY'23, this year quarter 3, 9.38, which tells you that the number of customers coming to our platform has only increased. And that actually brings a lot of comfort to us that Spice Money continues to be the chosen platform for AePS business in emerging India.

Now, what has happened is, while the customers continue to come, transactions increased, but the success rate has gone down, which from 5.64 of last quarter has come down to 5.6. And that's primarily because of limits that have been put by the issuer banks on the Off-US business. And there also has been a surge on AePS frauds, which is where, regulator or NPCI or banks have put in secure checks, which is a two factor authentication to limit frauds. And I think that's a very welcome step. And such measures have actually led to a higher rejection, and hence a lower success ratio. So, the second table I am summarizing is customers in emerging in that continue to come to Spice Money platform.

The next table, which is again very interesting and that will draw comfort on how we are looking at this business going forward, is when we break our SMAs into three categories, the large AePS SMAs, which are contributing to about 50% of our overall GTV, the medium and small.

When you go deeper in them, you realize that the large AePS SMAs, that business has grown despite the de-growth in the AePS industry. So, they contributed Rs. 6,605 crores of GTV in Q3 FY '23, their contribution has grown to Rs. 6,638 crores in Q3 FY '24. This and I am going to summarize this conversation slightly later. And when you look, go deeper, is the small AePS SMAs GTV where we have seen a considerable dip. So, what they were contribution Rs. 1,597 crores in Q3 FY '23, they have reduced to Rs. 1,431 crores.

This tells us two things. First, the Adhikaris who are serious in this business, who are committed to doing this business are staying. Those who don't see this as an attractive business opportunity are moving out, Number one.

Number two, the large contributing Adhikaris continue to choose Spice Money. This shows that they are committed to this platform. This shows that they are wanting to grow with Spice Money. This shows that our platform is serving them well for the Adhikaris who are committed to do financial services leading from AePS in emerging India.

The second data point that I want to draw your attention is, AePS, when we look at our states, the geographical stand point, our AePS GTV in the top 3 states has actually grown. So, from Rs. 7,311 crores in Q3 last year it's gone through Rs. 7,367 crores. I am saying this is again despite industry degrowth. This tells us that states where we have dense distribution, we are able to consolidate market. We are able to consolidate this business and this business continues to grow despite the Off-US industry stagnating or degrowth.

However, when you look at the GTV in the remaining states, we are showing de-growth. There is also a learning for us and an opportunity, which means that we need to grow density. So, when density grows beyond a certain threshold is when you start to consolidate that market. This is another finding that came out from our BCG project, when we did an exercise with BCG on a strategy and it is getting validated in the data that we are seeing.

So, what we see as key drivers of AePS business is number one, what we call platform stability. Second is what we call network density. So, we have to have a minimum threshold of Adhikaris in that network per population. And third is fraud controls. We have to be responsible players. We cannot have customers coming onto our platform, Adhikaris using our platform and customers or Adhikaris being subjected to frauds and this we will play a significant role to stop this.

Next slide, please. The second services I want to talk about is collection. In the collection, I want to break this into two categories. First, I will talk about agent collection, which we call CMS and the next one is customer, we will call, that is BBPS I will call, I will talk about that in the next slide. When you look at your collection business, it continues to grow over 50% on a Y-o-Y, this is the second business line, which we started about two and a half years, actually three years now. And over the last two years has significantly grown. We are live with 61 CMS partners.

And now if you go deeper on this, and I am going to draw your attention to this slide, to this table below the graph. Wherein if you look at the large CMS SMAs, which means SMAs doing greater, Adhikaris doing greater than 30 lakhs of collection business in a quarter, that was 2,616 of them in Q3 last year. It's grown to 3,574. So, that's been the 37% growth in the number of large counters Adhikaris doing collection business, CMS business. And needless to say that GTV growth has been higher from around 4,000 crores to 6,716 crores, which is a 67% growth.

What is and why is this happening? Actually, there are two reasons that's happening. One is, as you grow partners, so our enterprises, which grew from 55 last quarter FY '23 is going to 61. What happens? It takes about one to two quarters for us to significantly take a share of the enterprise collection and that's exactly what we see here and we are seeing a reflecting in the numbers over a quarter or two. That means per enterprise we are now able to demonstrate more business. That's the first key sign of growth here and that's the opportunity for us. Can I extract more business per enterprise? Number one.

We have 61 CMS partners. Can we increase the number of CMS partners? Answer is yes, we will continue to work on that. And third, which is today at 3,574 large CMS SMAs, can this number grow more? Answer is yes, this number can significantly grow. So, these are the three again big driving levers for us to grow the agent collection business, what I call CMS.

Next please. Again, one of my favorite slides. This is what we call consumer collections. Now this is a very, very interesting slide and I want to draw your attention here. This business again, on a Y-o-Y basis has grown from Rs. 871 crore to Rs. 1,096 crore which is a 74% growth. What is far more interesting here is something again I am going to talk about in the table that's below the graph. Sorry, let me also articulate BBPS, what we call the two big categories here, obviously the first big category is the loan repayment. So, this is EMI paid, MFI consumers, NBFC consumers onto our platform through BBPS. So, they are walking up to an Adhikari and paying their EMIs.

The other categories on BBPS primarily is electricity bills and other utility bills. This is the category, I just want to bifurcate the bill payment here. When you look at this, when you look at the table below, you will see that the number of consumers coming to our platform to give their bills, which was 9.6 lakhs in Q3 FY'23 is 19.6 in Q3 FY'24. So, on a Y-O-Y basis, this is the 2x. So, the total transacting consumer base walking up to our Adhikaris to pay their EMI bills or utility payments has doubled.

The most interesting is the second line; is how many of them are coming back again or was it just a one-time exercise? 5.48 lakhs was repeat customers in Q3 last year. This Q3 it is 13.89, which means the repeat customer is growing at a faster rate, 2.5 times. What does this show? This demonstrates to us that this consumer has a relationship with, respects, understands this Adhikari. He trusts this Adhikari. He knows that there is an Adhikari point where I can go and deposit my EMI collections, and I can pay my bills.

So, it is now started to attract consumer relationship on my Adhikari network. What is unfolding it is a customer relationship, a customer engagement at my Adhikari point. And which kind of customers are these? These are customers who have taken loans, the customers who are paying an average ticket size of Rs. 1,700/-.

So, it also gives you a segment of consumers that we started to attract. They are just not Aadhaar oriented who are withdrawing money. And for us the opportunity is then over a period of time. Is this a consumer base that we want to cross sell other products like savings, deposits, even credit? So, here the big growth is, there are, today we have, 135 lenders. There will be more billers. We continue to grow billers. BBPS is continuing to add more and more lenders. We will continue to do that.

Second is have more density. We have more Adhikaris activated on this, have more places where consumers can reach out, can reach out to our Adhikari network. We want to work on that more. And hence, that will lead, in our opinion, our data says that it's an organic repetition of consumers coming back to our Adhikari again and again.

Next slide please. Now I want to talk about the two new business lines that we have been building. First is the banking. So, you will recall last year, same quarter is when we had launched banking, our first relationship was with Axis Bank when we started to distribute CASA. That quarter we did 64,518. That number, by this quarter, we have done 2,56,620 savings accounts. Current accounts, likewise, 230 has got scaled up to 16,465.

Now, this is clearly showing an opportunity of growth for us. And over the last one year, we have taken a lot of steps to work with Axis Bank and second is to onboard another payments bank which is NSDL. So, with now, Axis and NSDL, we believe we are sitting on another opportunity to scale banking in emerging India. Roughly, this 3 lakh accounts today have a float of nearly Rs. 100 crores, Rs. 98 crores to be precise. And if you look at the average balance, in our opinion, it's a very healthy balance to start with. We are very confident that this balance will actually increase with time and with vintage.

The other interesting data point here is that since you start a new business line, it might takes time for Adhikaris to start adopting a new business line. And here again, the number of Adhikaris who opened more than 5 accounts has from 2,754 has now become 10,000. So, there are 10,117 Adhikaris who opened more than 5 accounts. That means there is a segment of Adhikaris who have started to understand offering banking to the consumers in their community and we believe that this number will only increase.

So, what is our focus here? One is we will have now two multiple, two banks. One is a payment bank. One is a very large private sector bank. We continue to work with both of them. Today we have 37,000 Adhikaris who are live on this, on CASA. Can we increase this? We have headrooms to grow here. With headrooms we believe that the number of Adhikaris who will take this up as a significant new business line will increase. Today they have 10,000 Adhikaris who open 5+ bank accounts. We believe that this number will increase. And as they increase the balances will increases and with balance, the opportunity for us to get more consumers onto our platform and hence offer more cross-sell products like even deposits will increase.

Next slide, please. On credit, again, a business line that we scale up over the last 12 months. We have disbursed about 93,000 loans over Rs. 250 crores till date. 2,407 was the number of Adhikari and Grahak Loans that we disbursed last year, same quarter. That's 22,400 this quarter this year. It's 8 times and amount of Rs 7.9 crore was the value of disbursement last quarter, is Rs. 30.5 crore this quarter. Is there headroom for growth? The answer is yes, there is headroom to grow. Again, a new business line will take some time for us to grow. But we are seeing a very, very strong affinity of our own Adhikaris to do this business and consumers walking up to Adhikaris for this business.

We are working a lot on getting lenders on our platform. We are working a lot on customizing products. This is rural India. You have to have the right product set. What will work in Mumbai and Delhi might not be the right product that will work in emerging India. Hence, customization of products is very important. And how do you offer them? How do you make an Adhikari seamlessly offer? Like just an AePS transaction or a CASA account opening, credit products in rural India will be key. And these are the two, three big building blocks that we work on as we scale up the credit business.

I am going to hand over to Sunil to take us through the financials. I am more than happy to take any comments and questions post the financial highlights. Sunil, over to you, please.

Sunil Kapoor: Good afternoon, everyone. This slide contains about the Spice Money financial highlights with respect to the standalone company where the FinTech business is lined. And if we see that we have grown quarter-on-quarter in terms of the customer GTV by 2% and the year-on-year growth is 11%, and 9% growth is for the 9 months ended.

Consequently, there is a little bit dip on the service fee revenue quarter-on-quarter, but on year-on-year basis, it has grown by 6%. And the gross margin, little bit headwinds on the AePS side, which we had explained in the earlier slide, that has caused reduction in the gross margin, which we see that will have an impact in the JFM (January, February, March) quarter also, but we understand that will get stabilized in this quarter because there is a change of how to do the transactions on the ground or on the platform with the 2FA introduction.

And on the indirect cost sites, we have done some operational efficiency with respect to that indirect costs from the last year same quarter, has come down by Rs. 2 crores. So, in result of that, EBITDA is Rs. 4.3 crores against the Rs. 5.6 crores. And if we see the nine months period, and year-on-year, there is a significant growth in the EBITDA.

And on the EBIT side, which is flowing straight from EBITDA to EBIT, Rs. 8.7 crores against the Rs. 10.1 crores. And on the PAT side, this is a better PAT due to the consultant cost was in the previous quarter, that was an exceptional item. And that's why the PAT has improved in comparison to the EBIT, lower EBIT from the previous quarter. And if we see on the nine months ended, the EBIT has from negative to Rs. 25 crores, which is an overall impact on our financials and growth prospects. And consequently, the PAT has also from negative Rs. 1.7 crores to Rs. 7.1 crores.

Next slide, please. This slide contains about the consolidated financial summary for the continued business and it consists of what in the previous slide I have explained about the Spice Money numbers as a standalone and the second category is with respect to others. So, on the other segment, we were having a onetime higher income in the previous quarter of 2.7 crores due to which there was a better EBIT and PAT. So, that's why if we remove that impact, so we will be PAT neutral with respect to the overall results.

We can move to the next slide please. This slide represent about the discontinued operations in summary form where we can see that overall profit before tax on this business is reducing sharply even considering the onetime items also. So, there is a Rs. 5.3 crores from Rs. 21.1 crores in quarter 1 and we expect that in this quarter, JFM quarter, we will be having only the expense on the side of closure of the companies where this business lies and because it has foreign operations also, foreign companies also. So, we are in the process of closing those companies and going forward, it will be the range of kind of 1-1.5 crores only with respect to the closure of the business and legal and professional expenses.

That's all from my side. Thank you. Amit?

Moderator: So, thank you everyone for an excellent and a very detailed kind of a presentation. So, we can begin with Pratik Chaudhary. Pratik, over to you. You can ask your question now.

Pratik Chaudhary: Sir, on the AePS side, whatever has been happening in the industry which has led to the RBI putting in more checks and balances, where do we see, I mean, is there a possibility that consolidation will take place from here on and maybe the smaller players will close down or will get acquired or how? And consequently, how would you see our market share increasing?

Dilip Modi: So, Pratik, we clearly see that this industry is going to get consolidated. I think, we definitely view the fact that lots of players who enter the space through tying up with banks to start the AePS service will have to look into their processes and systems and RBI will surely set in certain guidelines which all the AePS service providers will have to comply with. So, we believe that a combination of the impact that we are seeing on the ground where there is people who do this business as their core business, which is what we call the large Adhikaris on AePS, they are growing. So, basically, there will be a consolidation at that level.

Second, we are seeing that players who have more presence on the ground and a scaled network will do better in terms of economics. And I think more importantly to your point, Pratik, that RBI setting in certain guidelines, which will call for a certain changes in the way players have been onboarding merchants on their platform and following certain guidelines. That in itself will create a situation where lots of smaller players may find it difficult. So, we do see a situation where there would be a certain level of consolidation in this space.

Pratik Chaudhary: And to what extent do we see our market share increasing? And also before that, these smaller players, what would be their percentage contribution in the industry or market share?

Dilip Modi: Well, it's a very long tail if it's fragmented at certain level. Of course, there are a few players like us and others who have a double-digit market share, but it is a long tail, Pratik. So, consolidation will happen. I think for us, as we showed in the presentation, we are very strong in certain states. Of course, we will protect and grow that share, but there is an opportunity for us to enter new markets and also on the strength of our platform and brand, get market share from smaller players there as well.

So, I think it's going to be a state by state market share growth story. At an all India level, we have a market share of close to 17%, but on a state by state level, as we build network density, we will be able to add to our market share in that state and therefore to the overall industry. I feel like we see UPI where you have few large players who are dominating the space. There is no reason why the same cannot apply to AePS, which also serves as UPI for rural India.

Pratik Chaudhary: We had on boarded Boston Consulting Group in the last year and there have been a number of new initiatives or new developments that have taken place post that. One is the Guarantee Yatra that I see on LinkedIn page, where a number of your senior management have been putting up. So, what is this Guarantee Yatra about? And also, you can tie up what have been our learnings or from Boston Consulting exercise and where are we sort of seeing our company transition or take benefits from those learnings?

Dilip Modi: Yeah, before I bring Sanjeev in, on this point, Pratik, since you mentioned about Guarantee Yatra for us, I think our vision for this business is a much longer-term vision in terms of building out a very strong last mile delivery network of formal financial and banking services to emerging India.

So, this yatra was more around, going to nearly 22 cities and meeting up with our distribution partners on the ground, and kind of updating them on the developments in the space, talking to them around the new products that we want our Adhikaris to be trained on, talking to them about other compliance and KYC norms that we want our Adhikaris to be followed. And therefore, a lot of this was about engagement, education, and also really effectively talking about the opportunity in terms of business growth.

So, the guarantee was more around that, we believe that if our distribution partners can work with us on the ground to deepen our presence in some of the key geographies, we believe that there is a strong possibility for them to earn significant income from this business.

So, the guarantee was more around, you know, a two way promise where they guarantee us that they will ensure a healthy network on the ground and we will ensure that we will keep bringing in products that can add to their income and the income of the Adhikaris on the ground.

So, it was an engagement process, a very deep engagement process and we learned a lot on that on the ground. On BCG, one of the main points they did talk about in our analysis with them was around network density. And that is also something that we touched upon in this yatra along with our distribution partners. But maybe I will let Sanjeev talk more about our engagement with BCG and how that has benefited us in our thinking about the way forward. Sanjeev!

Sanjeev Kumar: So, Pratik, our purpose of engaging BCG was again to narrow down on what we need to do, how we need to generate, be a more efficient organization, right, in our overall strategy. I think what is it is clearly laid out few tasks set out for us and how we work on one, let's say few key building blocks like density, like a very, very important organized playbook of how we engage them early when you onboard them and how do you remain in engagement? How do you engage with them over a period of time in terms of breaking them into different categories and engage with them? So, these are papers that we have designed with them and

I think that now what we are trying to execute is a very focused strategy in a very measured way and that's clearly reflected. So, that's the larger piece.

Second was, this has also helped us to identify the adjacent revenue opportunities. So, for example, in different markets of the country, how they have broken them down into potential, potential on credit, potential on savings, potential on even commerce. On basis of these, they have given us pin codes where the opportunity exists and then they very clearly told us that these are the areas that we should focus on building a network.

So, I think the larger point I'll say is two. One is have a very focused strategy for execution to generate more and more operating leverage. Can we build a better, more efficient organization? And second is what are the new business lines that we should chase and where? These are the two big ones that we have taken.

Pratik Chaudhary: And there was an announcement a couple of months back where we tied up with the Wibmo, which is a PayU company. What are the developments on that front?

Sanjeev Kumar: Pratik, we have a PPI license, we are a PPI license holder and we believe that there is an opportunity for the cash consumer to go digital in emerging India. Can we be a network that onboard them early and make them digital? That is the opportunity and for that we partnered with Wibmo to build a product with us.

Pratik Chaudhary: And just last question. The losses you were saying will not continue materially going forward, from the discontinued operations.

Sunil Kapoor: Sorry, can you repeat your question please?

Pratik Chaudhary: You commented on the losses from discontinued business. So, will March quarter, will it be the last quarter where we will be seeing these losses?

Sunil Kapoor: Effectively yes, and going forward only there will be an expense to kind of closure of those companies where this business was existing. So, in quick response, that's by 31st March we will be closing the operations fully and only the closure of the companies will have expenses with respect to legal and professional, what I commented about, which will not be kind of say 30-40 Lakhs per month to just closure those companies from legal and professional.

Pratik Chaudhary: And I was going through a LinkedIn page. There have been a number of very key people from very experienced backgrounds that have joined our company. And so if you could tell more about the same, you know, how are we transitioning in terms of building a very strong organization?

Dilip Modi: So, Pratik, once we took a decision that as DiGiSPICE Technologies we will focus on the FinTech segment and especially FinTech for emerging India, I think both at a management team level, on a board level we have been bringing on the team lot of experience and wisdom around growth in the space. As you would have seen, we have brought in senior professionals both in operations as well as in product and technology as well as in legal and compliance and even at a Board level, we have brought in people who have worked with some of the largest banks in India.

You know, when it comes to financial inclusion, as well as work significantly in rural banking, so both a combination of technology and experience in the banking domain because we do believe that FinTech is two words, fin and tech. And so, at the end of the day, we need experience of both financial services and technology. So, how we leverage technology without compromising at, you know, how do we run a sound, robust financial services business which has to work with guardrails. So, I think that is helping us and hopefully you will hear from some of these team members as we go forward. Sanjeev, you would like to add to that?

Sanjeev Kumar: No, I think you covered it.

Moderator: Thanks, Pratik. Before we proceed to the next question, anyone who wishes to ask a question, either raise their hand or type the question in the chat box. Thank you.

Next question comes from Harshit who has written a question. What is your outlook on the FinTech business with respect to the RBI guidelines which have come in? So, if you can talk a little bit about that, sir, differently.

Dilip Modi: I think, the regulator is really has been encouraging for the FinTech sector to grow in partnership with the banks. In fact, they have been very keen that banks and FinTechs work closely together. A lot of the narrative has been around guardrails. And I think in that context, there has also been discussion around setting up SROs or self-regulatory bodies, which FinTechs are part of. And therefore, there could be certain guidelines which the FinTech industry can apply to themselves in terms of self-regulation so that it doesn't come in the way of innovation.

But I think overall, directionally, you know, our experience has been that the regulator is very positive on growth and inclusion and innovation, but very clear around the right guardrails. So, I think there is a lot of emphasis on self-regulation and so therefore going forward I think the onus is on the FinTech industry to be able to self-regulate itself in terms of building guardrails, which can allow for sustained robust growth.

Moderator: Thank you, Dilip. Another question from the chat box comes from Urvija Shah. What is our KYC process in terms of compliance with respect to RBI guidelines and also role of an Adhikari?

Sanjeev Kumar: So, we follow the necessary guidelines for onboarding any Adhikari. There is a KYC process that has been defined by the banks and we follow that completely. Indeed, actually, we go few steps further and I have taken for few more measures from our side to ensure the identity of the Adhikari, the genuinely of the shop from where he is doing business, right? And there are certain, again, rails that we have put on transaction monitoring area that he operates all of that to ensure that we are able to comply from the more consumer from a more in the spirit basis rather than just taking few documents. So, the role of Adhikari, obviously here, I mean, the KYC is done on the Adhikari. The role of Adhikari like we just work in our entire business is, he is using our app, the Spice Money Adhikari app to deliver all the financial services to consumers who are walking up to the Adhikari to avail them.

Moderator: Next question also comes from the chat box from Preetam Bajaj. So, the recent event has actually is a guiding force behind several questions of same nature. What kind of impact can you see on DiGiSPICE business after RBI took the action on Paytm recently?

Dilip Modi: You see, for us, it's only what we read in the media about what's happening in this space on this company. I think for us, we are continuing to focus on our business model and on our journey, which we outlined. I think for us, we want to continue to scale as an assisted platform business on the ground. I think it's very clearly recognized that AePS will serve as the UPI for rural India where we will use the AePS rails to connect small businesses and consumers in emerging India to the formal banking system. So, we will continue to keep our focus on that. And as Sanjeev said, continue to build on the agencies, around products, around savings and credit.

So, I think for us we have a very clear roadmap ahead of us and we will continue to go down that roadmap. Of course, such events gives us an opportunity to also introspect and see that what are some of the, as you scale, what are some of the challenges one faces in terms of making sure that we have the right processes, especially around compliance and guardrails. So we will definitely show that we look internally to make sure that we are able to keep those in mind as we scale. But effectively, we are very focused on our roadmap and we will continue to in that path.

Moderator: Thank you. The next question comes from Shyamanand, again from the chat box. What are the company's plans on wallet-driven business and NBFC license? Also, what is the future of this industry? And next few years, if the management can spell out, how does the management sees the opportunities and growth potential for the company?

Dilip Modi: So, I think, maybe I will get Sanjeev and Sunil to also come in, but effectively, like Sanjeev said, we do have a PPI license. It's up for renewal, but we are hoping that the regulator will renew it, but it's up for renewal. So, the wallet license does allow us to talk about digitizing cash. It's a product that has been in the market for a long time, but with the inter-operability with UPI, suddenly a lot of use cases opened up. It also allows small ticket transactions to move from the CBS platform of the bank to the wallet system. So, therefore, there is an opportunity to build use cases.

I think the NBFC, directionally, lending is a big opportunity. There is a need for capital that small businesses need to grow in emerging India. We do have significant number of small businesses operating on our platform, looking for capital. And given that we have them, have digital access to them and data and ability to build customized products for them, there is an opportunity for us to do lending.

We do believe that NBFC allows you to put in place a lot more systems and also get access to data because you then get regulated and it allows us to do more. So, we are seriously looking at the opportunity to get into that space. As of now, we operate more as an LSP, a loan service provider, as a platform. But we are keeping in mind the opportunity on the ground, seriously evaluating how to think about the NBFC license as an opportunity and we will come back to you once we have decided to take any formal steps in that direction.

Moderator: Thank you, Dilip. There is Pratik Chaudhary for a follow up.

Pratik Chaudhary: So, when is the license up for renewal? Which month?

Sanjeev Kumar: 30th June.

Dilip Modi: June this year, June '24.

Pratik Chaudhary: And in your experience or knowledge, have other licenses been renewed for other competitors of ours?

Sanjeev Kumar: Yes. Pratik.

Sunil Kapoor: So, it's a normal process.

Sanjeev Kumar: It's a normal routine process, Pratik.

Pratik Chaudhary: And also taking cue from the previous participant, what sort of growth we could see in the major focus verticals we are targeting in FY'25 or FY'26? Where do we see our organization going in terms of the total income we earn?

Sanjeev Kumar: So, Pratik, I don't want to hazard a guess on a number, but I think like we spoke on the four service lines, there are different stages on each line we said, I think the opportunity is very clear of consolidation. There are a few players who stay. Can we take a lead there? One, on collections we see definitely a lot of headroom to grow and we will continue to build that. Savings and credit just started. So, I think we just started there. So, again, those are businesses that should scale. So, I think on all four business lines, we are very, very bullish and we should continue to grow over the next few years.

Pratik Chaudhary: So, on the percentage contribution, AePS is almost 70% of our income. To what extent do you see AePS reducing over the next two years in percentage contribution? And the corollary to that question is, to what extent do you see banking and credit increase in percentage terms which are only 1% each right now?

Sanjeev Kumar: So, I will give you an answer to that. I think I had called this out about 2-3 quarters ago is that cash-in cash-out which was obviously larger cash-in cash-out which was a larger percentage over 90% earlier. Our first goal was one, at a much higher gross margin, can we bring that to 50%, which means not that that business numbers will go down but other business lines should increase at a faster pace. I think that is the opportunity. So, that is the opportunity, Pratik, we will see on all businesses. AePS also, again I continue to say, continues to be a hero product and at least for the next few years that we see, we definitely see it as a major contributor. And on the back of it, we see the other business lines contributing more to increase the overall pie.

Pratik Chaudhary: What would be the margin difference between say AePS and banking and credit?

Sunil Kapoor: So, as we mentioned it out that for the credit piece of lending, we are a LSP, and margins is on the kind of a referral and collection support. And from the AePS and CMS standpoint of view, these are the transactional business where our gross margin is kind of a fix in terms of percentage. So, I would say that with the product mix getting changed, our dependence on the AePS and cash-in product will go down, what Sanjeev has mentioned. So, from gross margin proportion standpoint of view, this will be, we look forward that we can reach out to a kind of a 50% share with respect to other products in the coming one to two years.

Dilip Modi: So, Pratik, if you look at building on Sunil's point, you see the graph on the take rate that we have, which is close to 40 basis points. As Sunil mentioned, as we move towards more products compared to product-led revenue compared to transaction-led revenue, the overall take rates will move up, right, as the share of those products, revenue grows. So, we will move anywhere between, you know, 40 bps will grow as the overall pie grows in that space because we are moving towards higher margin products.

Pratik Chaudhary: Sir, how do we see the, you know, there is an Airtel Payments Bank. I mean, in terms of our competitors, there are a number of private companies. There is an Airtel Payments Bank. There is someone like India Post, NSDL, and then there are players like BLS E-Services, which has got listed, each having, I mean, it's difficult to comprehend all of it into one, but if you could briefly tell about what is our differentiation with respect to these players and in terms of our reach, in terms of our current products and future roadmap, how would we be differentiating? And what are our strengths or weaknesses as against these players?

Dilip Modi: Pratik, let me first talk about, I think the two categories of players you mentioned, one is you mentioned about the payment banks, the three payment banks that you mentioned, And the second one you mentioned about a corporate BC, right? For us Pratik, we are neither, right? We are neither a payment bank nor we are a pure corporate BC. And so, while we definitely have our Adhikaris who are also retailers for some of the payment banks, our business model and our focus on which lines of business to focus on is very different.

We see ourselves as a platform business, unlike a payment bank or a corporate BC. And directionally, we focus more in terms of building our network where we are sitting between consumers, small businesses and formal financial institutions like banks, NBFCs and others. And so, as a platform player, while there are cross points with the payment banks, effectively, we are also partnering with them to enable distribution of their products and services.

As far as corporate BCs are concerned, these are pure corporate BCs. We are not at all a pure corporate BC. Our participation to be able to deliver these services is through a BC model. But we are not a pure corporate BC model. So, our approach is very different. Our business model is very different. For us to enable some of these services, we have to participate as a BC, but we are not a pure corporate BC. So, very clearly, we see ourselves as a platform business that's enabling formal access to formal financial services to small business and consumers in semi-urban and rural India. And we will continue to scale as a platform business.

Pratik Chaudhary: And on the, say, the MSME part, or like you also mentioned that you might, I mean, there is an NBFC plan as well. So, in the pin codes that you operate, what is the size of opportunity available in terms of the credit which will be given out to say MSMEs? So, will we be focusing on retail more and retail obviously because in rural areas, the ticket sizes would be very less? So, what on this front?

Dilip Modi: So, if you look at the lending opportunity, Pratik, very clearly there is a strong MSME lending opportunity for us in the market we are present. And effectively, if you look at our Adhikaris, they are MSMEs themselves. In fact, they are more micro than small and medium. So, the first part of the MSME, the first M, which is micro, is really the Adhikaris we already have on our platform.

So, Pratik, the biggest opportunity we have is to first lend to them. And this is a significant base. They have been transacting with us for a long time. We have data around them. We have access. And therefore, when we think about building a robust lending business, our first right to place by lending to our own Adhikari base. And I think that's what we are gonna focus on going forward. And I think this has significant headroom both in terms of secured and unsecured lending products. And therefore, our ability to provide them capital on terms that are better and more importantly, provide them more customized products, which is what perhaps is lacking in the ecosystem and the fact that we have digital access to them enable us to do it at unit economics that works for them. So, I think for us, that's the really low-hanging fruit when it comes to starting to think about building out the lending business.

Pratik Chaudhary: And how big would just the Adhikari themselves and in terms of whatever business they do and the larger ones on your platform that contribute majorly to your income, what sort of AUM ballpark you can roughly estimate that the Adhikari themselves would need in terms of credit requirement?

Dilip Modi: So, Pratik, I really want us to come back to you with more concrete plans on our lending business. But I think just to give you a sense, we have looked at credit score data of our Adhikaris. In fact, we have a product on our Adhikari platform which is Check Your Score. And many of our Adhikaris have used the product to check their score and it allows us to understand a lot about which are the existing to credit and new to credit Adhikaris. All I can tell you is that we believe that there is an opportunity to build a sizable AUM business on the back of lending to Adhikaris and that's why we are seriously evaluating the NBFC option.

Pratik Chaudhary: And these Adhikaris, as you said, that they also have retail for some of the payment banks. So, in terms of the major ones that you have, ones that are contributing majorly to you, the Adhikaris, in terms of their own income profile or their own earnings from their business, do you see that, I mean, is this the case that Spice Money is contributing majorly to their revenues and profits or is it that they are sort of equally being tied up with products and services from other payment banks or other entities?

Dilip Modi: I think, I would specifically talk about the payment banks, Pratik. Their focus continues to be on account opening and building up balances in accounts. We as a platform business are focused on plethora of financial products. And so, by definition, I believe that we have one advantage where we can bring more products to the table because as a platform business, our focus is on number of transactions and fee income.

So, we have more to offer to that Adhikari, which we believe will lead to more wallet share of the Adhikari compared to, in your example case, just purely a payment bank, which is more focused on opening up accounts and balances while our presentation, as you saw, is creating more products for that Adhikari and even going forward in the credit distribution space more products.

So, I think, directionally, we will look forward to offering the Adhikaris more products and opportunity to earn more income and I think the Adhikari will really skew their wallet share more in terms of who can enable them to grow income more and if we can create that like one of the slides that Sanjeev took us through was on EMI loan repayment where we are seeing significant repeat behavior and this is traffic that we are bringing to the Adhikari of customers coming and repeatedly, repaying their loans which is a source of earning for the Adhikari.

So, as we bring them both new and repeat customers and more products, I think, they will see significant earning opportunity to grow. So, our challenge, Pratik, is to keep making sure that we can help them earn more. And if we can make them earn more compared to what they earn from other partners, we will be able to increase our wallet share of theirs.

Pratik Chaudhary: So, there is one last question and it has two sub parts. One is that, are these competitors also sort of converting their services and giving it out as a platform? And second, there was this recent interview where one of the MDs of payment banks said that they are lobbying the RBI to probably allow payment banks to also lend. If that were to happen, how would it potentially change our potential or whatever we want to do in the credit space?

Dilip Modi: I think, Pratik, we don't know how the regulation would evolve. But yes, there is this talk about improving viability of the payment banks by enabling and this is a narrative or a discussion happening between the banks and the regulator. We will have to wait to see what happens, but for us as a platform play, we are already working on in the credit space. So, we continue to gather a lot of data and credit is a business that you need to do step by step. It's not a business you can just rush into. And therefore, we are also trying to figure out how to think about customer cohorts, underwriting models, and all of that.

I think the switch between payments business and lending business is not as automatic. Lending business is a different business to a payments business, and you need to build the requisite capabilities to do a successful lending business. And for us, we are already building some of the key building blocks around this.

So, I think to your point, will they function as a platform? Yes. To a large extent, they also offer CMS as a service. They also offer AePS as a service. So, they will look at those income streams as well. But as a payment bank, their focus continues to be on accounts and balances. And I think for us, it's more a matter of being able to do more with the Adhikaris with respect to products on our platform.

Moderator: We have two questions from the chat box.

Sanjeev Kumar: I think we have one question of Preetam. Any future plans of payment bank license?

Dilip Modi: No, we have no such plans.

Moderator: One last question from Pratik Chaudhary. Do we have metrics on how many customers enjoying MGNREGA are our customers?

Sanjeev Kumar: We don't have right now. Pratik, in case you want, we will try and see if we can take it out and share that with you.

Moderator: Thank you, Sanjeev. Before we end the call, one last request to all participants. In case of any question, you may please raise your hand or type your question on the chat box. I think that was the last question from the participant side. If I may hand over the call to Mr. Dilip now for his closing remarks. Sir, over to you now.

Dilip Modi: Thank you, Amit. Thank you, everyone, for taking out the time to come and listen into our presentation as well as participate in the conversation. This is a journey that we are on. It's a journey that we are taking very carefully and thinking through every step. We are hoping that, as we go step by step, as I said, we have started by saying, let's bring focus. So, let's focus on FinTech. That was the first part of the journey decision that we took.

Second is, how do we simplify? So, like Sunil said, we have many companies in the structure that we need to shut down and close or simplify the corporate structure.

And third is focusing on building a robust growth model for the company. And that is where Sanjeev and Sunil walked us through in terms of how we are looking at the business product.

I think overall, what continues to excite us is the opportunity that emerging India presents. I think if we have to develop build a developed nation, I think billion consumers that live in semi-urban and rural India have to participate in the development story of India. And financial services is the bedrock of economic growth of any nation. And so, if the emerging Bharat has to grow, financial services penetration in emerging Bharat have to increase. And we believe that at Spice Money, we are building one such platform to enable access to formal banking and financial services to small businesses and consumers in emerging India.

So, this is a long-term journey, but a journey that we are committed to. And we hope that we will continue to get your support, guidance, inputs as we go forward on this journey. Thank you so much. Once again, Namaskar. Thank you.

Moderator: Thank you, everyone. You may now exit the call. Thank you.