Date: **November 22, 2022**

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 15th November, 2022

Dear Sir/Madam,

In continuation to our letter dated 12th November, 2022 intimating you about the schedule of the conference call for Investors/Analysts held on 15th November, 2022 with senior management team of the Company and its material subsidiary, please find attached herewith the transcript of the aforesaid conference call.

Further, this is to confirm that no unpublished price sensitive information was shared/discussed in the aforesaid call.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

(Ruchi Mehta)
Company Secretary & Compliance Officer

Encl.: as above

DiGiSPICE Technologies Limited

Q2 and H1 FY23 Earnings Zoom Webinar

November 15, 2022

Attendees:	Mr. Vinit Kishore, CFO, DiGiSPICE Technologies Limited;
	Mr. Sanjeev Kumar, Executive Director, Co-Founder and CEO, Spice Money Limited;
	Mr. Rajneesh Arora, Executive Director, Co-Founder, Chief Product, Strategy Officer, Spice Money Limited; and
	Mr. Sunil Kapoor, Executive Director and CFO, Spice Money Limited.

Shiv: Good afternoon everyone. A warm welcome to the DiGiSPICE Technologies Limited ('DiGiSPICE Technologies') Q2 and H1 FY23 Earnings Zoom Webinar. We have with us Mr. Sanjeev Kumar - Co-Founder and CEO of Spice Money Limited ('Spice Money'); Mr. Rajneesh Arora - Co-Founder and Chief Product and Strategy Officer, Spice Money; Mr. Sunil Kapoor - Director and CFO, Spice Money and Mr. Vinit Kishore - CFO, DiGiSPICE Technologies.

Before we begin, I would like to state that some 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. Rajneesh Arora to commence the presentation. Over to you, Rajneesh.

Rajneesh Arora: Thank you, Shiv. Good afternoon everyone and very warm welcome. Thank you for taking out the time to listen to our story. So this presentation that we are going to run through is available on our website, hope you got a chance to go through the same and I would also like to state that some of the slides in the presentation which talk about our strategy are repetitive, I mean some of them were there in the last quarterly presentation also, but since we get new audience every time, we thought it will be good to kind of include them in this quarterly presentation.

So as you all are aware that DiGiSPICE Technologies is the listed entity and we have primarily two businesses within that or two segments you can say, one of the segments is a Rural Fintech Platform called Spice Money and the other is a Digital Technology Services business. On an overall basis, more than 90% of the revenues come from Spice Money or the Rural Fintech Platform and the other segment contributes less than 10%. For the purpose of our today's discussion, we will focus on the Spice Money business. This is something that the management has been focusing on and growing over the last 2 to 3 years.

Spice Money, we are a Rural Fintech and therefore we serve rural and semi-urban areas within the country. Just some high level numbers, we have about 1 million plus Adhikaris on our network. These Adhikaris are local village merchants and entrepreneurs who help serve customers within their village. On an annualized basis, we are clocking a GTV of about Rs. 1,63,000 crores, so this is the annualization of the current quarter gross transaction value. In AePS, which is Aadhaar Enabled Payment System which is our key or hook product, we clocked 17.2% market share and we are leaders in this particular product category. On a coverage basis, we cover about 6,400 blocks, so by blocks we mean small towns, so if you look at the country administratively it is divided into about 700 plus districts, about 6,400 blocks and 6, 00,000 villages. So we are present in almost all the 6,400 blocks within the country and out of the 6, 00,000 villages we are currently serving customers in 2, 17,000 villages and from a pin code basis, we are present in most of the pin codes that the country has. So our objective is to achieve deep penetration right at every village level.

I think we all know that overall India is really expanding when it comes to the digital payment ecosystem. As per some reports, by the year 2026, about 65% of penetration will be reached by digital payments and however, what is important to note is that what has driven the growth till now versus what will drive the growth for the next billion users, I think the parameters are going to be different. I think addressing frauds, building customer trust, simplifying the customer onboarding, improving the whole economic model around payment players and further enhancements in the digital infrastructure, these are going to be the key drivers of future growth and we believe that when it comes to enabling customers with simpler onboarding and enabling trust, I think we believe that as Spice Money, we intent to play a significant role there.

So we all know that the India's economy for some time now is being propelled actually by the rural market. Rural is now seen as the relevant market for driving India's growth in many segments. Just few numbers on this, 46% of the national income is today contributed by rural economy, 35 crores people are employed within rural India and all of this, the rural banking revolution has been brought out by a JAM Trinity called Jan Dhan, Aadhaar and Mobile, so everyone having bank account, everyone having an Aadhaar and everyone having a mobile that is what has kind of been the building block of enabling financial services to rural.

Having said that rural is a large opportunity, it is also important to understand that the rural market has very different characteristics from the urban market, whether in terms of how people shop, how do they take decisions, what are the kind of ticket sizes that they deal in, whether they need assistance and all, so all these parameters the market characteristics are very different and therefore the approach to solving or accessing the rural opportunity has to be very different in urban and therefore it means that it could be a different go-to-market strategy, user experience, products and a whole different community led business model which is the relevant model for accessing rural opportunity.

So at Spice Money, what we have been doing is we have been leveraging all the public good digital stacks to enable access to rural India, so whether it is the JAM Trinity, whether it is AePS which is built on Aadhaar stack, UPI, or Bharat bill payment system or UMANG which is a Government to citizen platform, all of these platforms are digital stacks we have leveraged on to solve for access and we are very bullish about all the new emerging stacks to further help us solve more problems within the rural India. So whether it is open network for digital commerce or open credit enabled network, or account aggregator, all of these we believe are going to further help players like us to use these digital stacks and therefore enable more services whether it is commerce, credit, healthcare, these stacks are today emerging. So net-net, we are going to democratize financial and digital services for the underserved using all of these stacks.

May I now request Sanjeev if you can take us through the next slides, please.

Sanjeev Kumar: Thanks, Rajneesh. Good afternoon everyone. Thank you for joining in. What I will do is over the next few slides, I will focus on explaining the Spice Money business model and also touch base on key business metrics.

Our business model, what are we building, we are building a Super App for Bharat. In the slide on the left, these are services which are live, the basic banking, payments, travel and collection. On the right, our other services are as a roadmap for our planned launches. At business model, if there are two big building blocks that I can convey to you what is the business model installed, the first is building this network of entrepreneurs in rural India at village and the block level; second, who is enabled with the technology platform which is provided by Spice Money. A combination of this is what is used to offer services of financial and digital services to a billion users. That is the business model. What we also do, we use this data on the platform to innovate, design new products and services, particularly cater to rural India.

If I extend the last slide, how we are building the Super App, let me then focus more detail on that is if you look at the slide, in the middle we have there, entrepreneurs whom we call Spice Money Adhikari, they use the app, they are at a village and a block level. On one side, we have service partners whose products and services are integrated on our platform who are wanting to access this set of 1 million users of rural India and have not been able to access it till date, due to many reasons. Here we come in between, on our platform, these product partners get integrated with their products. Our entrepreneurs use our platform at a village and a block level to provide services to rural India across all the services that we spoke about in the phygital lab, the financial industrial services. So in very simple words, if you have to look at it, we believe that this model is a win-win for everyone. A product manufacturer, who was not able to access rural India, the Spice Money entrepreneurs who are in the community who have been living there, who have been working there, they have an alternate additional income and third for rural consumers who didn't have access to these products and services just because of the infrastructure problem in rural India.

We have spoken about the slide in the last call also and I want to take some time to reiterate this. Spice Money is headed to a larger opportunity and let me explain what I mean when I say this. Fundamentally, what are we trying to do is solving an access challenge in rural India. A billion rural Indians, there is an access challenge with lot of products and services, can we using technology and entrepreneurs in rural India solve that. What have we done in the last few years, we built the largest ATM banking network. On this network, now we are building the largest collection network. On that, we are building the largest banking and financial services platform, then after financial services, we also built the digital services, travel has already started, there are other services, e-commerce, healthcare, H2C what we will go live with and then we will also have a direct-to-consumer platform which is for the rural consumers who will go digital faster than others. That is the larger opportunity that we are chasing.

Let me cover some key operating metrics, there are four of them here. The first is the network which/ whom we call the Spice Money Adhikaris. We have about 1 million plus Adhikaris now at Spice Money. On a Y-o-Y basis, we have grown about 43%, on a quarterly 7%, obviously this is also at a much higher base. The customer gross transaction value, the second key operating metric that we measure here, has grown 26% on a Y-o-Y basis, however, on a quarter basis, I must point out that it has de-grown 5% from Rs. 26,000 crores last quarter to about Rs. 24,000 crores in this quarter. Because of the de-growth in customer transaction value, the GTV, the Spice Money service fee, this is the third operating metrics, has also de-grown by 5% in this quarter, so Rs. 103 crores of service fee revenue in Q1 of this year has de-grown to Rs. 98 crores, however, on a Y-o-Y basis, we will continue to grow at over 20% ratio. The fourth key metric which is very important for us as we build this business line is the AePS market share because the first step we took was to build the largest ATM banking network and that market share has been growing. If you look at the last 3 years, even this year, the H1 from 16.4% what we closed in March 22, we are at 17.2%, so we will talk about the GTV de-growth in the next few slides, but what is definitely important to highlight is the market share, we continue to grow as we build this business.

I am carrying forward the customer GTV business now into different services. I want to touch base about six of those in the next two slides. The first is AePS which is a lead product as of now. The AePS GTV, the gross transaction value, has declined by 9% on a Q-on-Q basis, but this is in line with the AePS OFF-US industry has also degrown by 9% in this quarter. The breakup has been 5% in ticket size and also 4% in volumes, however, AePS GTV on a Y-o-Y basis we have grown 23% and we have also grown our market share. The mATM business has also degrown this quarter 8%, but driven primarily because of the ticket size per transaction, which is not a one-off, it happens in certain quarters. The bill payments GTV has witnessed a growth of 60% on a Q-on-Q and more than 100% Y-o-Y. The bill payment here is broken into two parts which is, one is EMI collection and the other is what I call utility payments, all payments and those are the two boxes, breakup of the two is what we see in the graph of bill payment.

CMS, the cash management service business that is grown on 11% on a Q-o-Q basis and 76% Y-o-Y and this is primarily like we had spoken about earlier in the cash collection business, we are onboarding more and more new enterprises on our platform for collection at our network. Travel business has also grown this quarter on a 5% Q-o-Q and 19% Y-o-Y, obviously because travel is coming back to normalcy post COVID. Recharge has seen a dip of 5%, but primarily because of drop in ticket size per transaction. On a Y-o-Y basis, there has been a growth, primarily driven by the growing network of Adhikaris. That is all on the business side.

I am going to request Sunil now to come in and take us through the financial metrics, please.

Sunil Kapoor: In this slide, we are covering about Spice Money, that is the financial technology business and have the summary financial highlights. On the left hand side, we have year-on-year numbers, how we have grown and in the middle there is Q2 results in comparison to the previous quarters sequentially and last year same quarter and on the extreme right side, we have H1 results in comparison to the previous year H1. As Sanjeev has covered in his slides, there is a drop in the GTV of AePS Q-o-Q due to degrowth in the AePS OFF-US industry by 9%, thus our revenues and the gross margin, service fees revenue and the gross margin has also dipped on the same line and if we see that on the indirect costs, we have continued to invest in both capacity and capability of the organization, network reach, technology and brand as well. Further, we also continue to invest in new product offerings to have operational efficiency, operational leverage and in this quarter, the EBITDA is negative of 50,00,000 due to these two factors, the investment in the indirect cost and a drop in the industry numbers on the AePS which is the prime product for us, that is the cash out product and so there are impacts on the EBIT, however, Y-o-Y growth, 35% Y-o-Y growth in the customer GTV and revenues and consequently the gross margin has also increased by 50%, so that we can see in comparative of H1FY23 versus H1FY22.

This slide covers the same format for the consolidated numbers as it was in the previous slide. This has the Fintech segment and the other segment. Fintech segment, we have covered in the previous slide and here the other segment, though the revenue has grown in Q2 in comparison to Q1 from Rs. 12 crores to Rs. 17 crores, however, the gross margin due to the product mix was on the same trend and consequently the indirect cost, EBITDA is also on same line. So there is not much change with respect to EBITDA and indirect cost and thus the consolidated results for the quarter is an EBITDA loss of Rs. 6 crores versus the previous quarter we had done an EBITDA of Rs. 1 crore due to the factors we have explained. H1 numbers also have an EBITDA of Rs. 5 crores in comparison to the previous period, Rs. 11 crores, so the reasons are primarily the same. That is all from my side. I am handing it over to Shiv.

Shiv: Thanks, Sunil. We will now start the Q&A session and I would request all participants to name themselves and the organizations they represent before asking their questions and before asking a question, raise your virtual hand to ask a question and you will be let into the queue. The first question from Rishu Dhawan. Can you take that question, please.

Rishu Dhawan: Good afternoon. Thank you for giving me the opportunity to ask the question. I have been following DiGiSPICE Technologies or Spice Money quite some time for more than last 2 years or so, I have been an investor in two years, so my question is more around, how do we see DiGiSPICE Technologies turning into generating good profits, what is the benchmark or goal we have on our mind, of course, yes, the metrics we talked about, customer GTV, the number of Adhikaris or the number of AePS transaction, anything or everything, we are performing brilliantly in those numbers, but my question is, if I have to see it from the perspective or from the lens of how much profits we are generating, I think we are lagging behind to much extent, so I want to understand what is the vision of management that okay if this happens we will be churning good amount of cash or if this is the benchmark the threshold beyond this will be in a good position, so what is that we are aiming in the coming years or in the coming quarter that will potentially push us into higher orbit into the profit, if I see the employee cost, I see it has improved drastically, of course, I understand there is a good amount of investment into the talent, and the resources which we have had from the outside and that is perfectly in the direction, but what is the vision for the management to make it into a profitable business going forward?

Sanjeev Kumar: Thank you so much for the question. Let me take that first and then may be Rajneesh if you want to comment you can. Rishu, while I don't want to get into numbers, but I think directionally we see rural as a very large opportunity for us for all the reason that we have spoken about. (1) - we see ourselves very placed to seize this opportunity. (2) what we believe and I think this is about how we balance growth with profitability is on this large opportunity, we have built a business operating model and how we are going to leverage more products and services onto this model which will generate operating leverage for us. That is something that we have seen, what like you very well put down, is that the current cycle of Spice Money for the last may be last 2 years definitely and may be as we are doing, there has been a lot of investment in building the institutions for all the businesses that we are doing today and what we want to do tomorrow. I think that is where we have been trying to balance. The good part is and I think that we take immense pride in that the entire investment has been built from the money that we have made, the revenue that the institution has generated and we have not been in a situation to borrow money, but we believe this model is very well placed to generate operating leverage as we go forward Rishu.

Rajneesh Arora: To add to this Rishu, I think as you have also picked up, we have been investing for the potential opportunity and I think where we are today, it is very difficult to put a timeline saying okay, we are into investment for the next 1 year, 2 years and then we will start to throw cash. Frankly, till now we have not driven this metric of throwing cash. The way we have looked at this is that whatever investments we need, how we make sure that they come out of the internal accruals. So we are not going from one extreme to the other like in terms of either just generating cash and not looking at the future or just looking at the future and not worrying about how much we can spend and we continue to believe that is the right way to build the business. Also having said that, while on few products we now have an established model, I think looking at the opportunity, there are areas where the business model will continue to evolve and we will keep working on evolving that. So I think that is the point, I think it is all about building for the future, building institution which can last and serve rural India for ages to come.

Shiv: The next question is from Tanay Kotecha. Tanay, can you ask a question please.

Tanay Kotecha: I am Tanay, I am an Individual Investor. I had couple of questions actually, so the first question is with regard to the Adhikaris that we have, so I wanted to ask what their take rate is, **what** like the kind of r**evenue** sharing arrangement, we have with them?. And the second question would be with regard to the how DiGiSPICE Technologies is different from Fino Payments or Niyogin Bank?

Rajneesh Arora: Let me take this, so I think the first question is around what shares do the Adhikari, what part of the revenue share the Adhikari get, so while it is different product to product, but on an average you would see that our gross margin on revenue is about 35% and major part of our direct cost is the commission that gets paid to the Adhikari or the channel in between, so to that extent, I think you can say it is two third to one third. So one third we retain and two third is passed on to the Adhikari, but it would vary product to product as well. And the second question you have is around how is DiGiSPICE Technologies different from Fino and I think you mentioned Niyogin. So I think very clearly Fino is a payment bank, we are not a bank, we are a platform and I think that is the core difference. So I think what I understand from your question is that you are drawing a similarity on the kind of products that Fino does and to the extent that Fino also uses merchants to deliver services. Yes, to that extent, there is similarity and therefore I can understand the comparison, but the key difference is between the bank and the platform. As a platform, we believe that we have the opportunity to be able to provide product from any financial or non-financial institution, so whether it is financial services or it is digital services and it is not restricted to providing your own product. And second, we are totally focused on rural, you can think of us as a rural digital network where we have Adhikaris at every village level and they can provide or enable access of multiple types of services to the consumers. So I think that is the difference in the focus we are really building a service delivery network in rural versus a bank what we know is. And I think as far as Niyogin is concerned, we understand that Niyogin has been an NBFC and off late they have been also creating a tech platform to be able to offer services like ours, to I think also other BC partners, so I think again the core fundamental difference is that we own the merchant who provide services to the consumers and going forward we want to own the customers and merchants as well, that is part of our roadmap and not just a provider platform to other parties to be able to or other players to be able to provide services.

Shiv: Kunal Shetty, you may ask your question. Kunal Shetty next in queue.

Kunal Shetty: Hi, good afternoon to one and all, and congratulations on a good set of numbers. So I have a couple of questions regarding the segments. My first question would be with respect to m-ATM, I would like to know how are we placed currently in this segment and what is the usual transaction size that we cater to?

Rajneesh Arora: Yeah, so I think as far as mATM is concerned, our understanding is that, so if you look at the whole cash withdrawal as a product, which is primarily a rural product, it's a mix of AePS and m-ATM and within cash withdrawal, we believe that we are the leaders in the market. In terms of the ticket size Kunal, the ticket size per transaction is roughly around, it hovers between 3,300 or so. I think that's the amount, that's the number between 3,000 to 3,500. That's the kind of range.

Kunal Shetty: Right. Thanks for that answer. My second question would be something related to bill payments. So bill payments have been observed to be performing better this quarter. So according to you, what has led to this growth and what run rate can we expect the segment?

Rajneesh Arora: Yeah, so I will answer that and Sanjeev then I would want you to come in as well. So you know, as we said the key contributor to growth and bill payments so there is an organic growth as well which you see which is the standard utility bill payment category that is because of the growth in network and as we as we grow in other metrics, but the key reason of a major growth is a new category within bill payments, which is EMI payments. That category has got recently enabled on the Bill Payment Program and technically it has been enabled for a year but this EMI collection category has started to show results recently specifically for us because we operate in rural and there are microfinance enterprises, microfinance companies microfinance NBFCs, who lend to primarily in rural. So we already work with them when it comes to enabling an enterprise cash management product, right. So the core model for MFIs is that their collection officer would typically go to every village once in a week or 15 days, or a month, depending upon MFI to MFI and they will collect EMIs in cash, more than 95% of collections of EMI in microfinance is cash. That's the industry number. So they would collect it in cash. The traditional model was that they will go back to their own branch in the evening, deposit that money with the branch, the branch guy will keep it in branch overnight, and the next day somebody in the bank will pick it up or they will go and deposit in the bank. With the enterprise cash management product, what we did was that now this collection officer would collect right and would be able to now deposit to the nearest Adhikari in that or a neighboring village or he would go back to the branch and the branch guy would immediately then you know, be able to give it to the Adhikari and the MFI will get the same day credit of that amount as well. So it is not lying idle overnight plus it helps in saving cost, the collection officer having to go back to the branch, it also helps in all the risks that the collection officers take by taking large amount of cash and then storing it in the branch. So that was where the enterprise cash management product come in. The EMI collection product which is part of bill payment is where the customer can themselves now go and deposit at the nearest Adhikari right so it's like a Rs. 2,000 EMI which the customer can now directly go to the Adhikari and we have been actually working with a couple of MFIs initially as where we were encouraging, we have been encouraging them to encourage their customers to actually follow this model, because this saves them the whole time and cost and energy of the whole collection officer who has to just come to collect cash. Okay. So the result that you see is basically, I would say, just a tip of the iceberg in terms of the potential that this category holds and like we have seen in case of AePS, it is a win-win win, you know, kind of proposition for everyone in the ecosystem, you also see this as a win- win- win proposition for the ecosystem. So our efforts have basically, you have seen those results over the last one quarter, and we believe that we want to really build this, the opportunity size is much-much larger than what you see today. It might take a bit of time, because there is a bit of change of behavior that is needed here. But we are very confident, because it is a win- win-win for the ecosystem, that we will be able to build this business on a sustained basis.

Shiv: Next participant Prakash Prabhakar. Prakash, please initiate the discussion, your questions.

Prakash Prabhakar: Hi, good evening Shiv. Thank you for inviting over. Thanks a lot. First of all, congratulations to the team of DiGiSPICE Technologies for identifying very promising segments and well I would assume that there is more to be done than as just the earlier speaker said that it is about changing consumer behavior and I think that may be the one of the most important challenges from a business point of view that the team would experience. I mean, so just coming back to the three pillars that you mentioned at the start of the call, which is Aadhar, Jan Dhan Yojana, and digital payment system as being the three key pillars for this entire business model. My first question is on the macro level, what is the trend that you see of the average deposits, which is there in the Jan Dhan Yojana and so we know how robust Adhaar system is, and you also know how robust the digital payment system largely touted as one of the most advanced and persistent like, reliable payment system that India is currently boasting off, but the average balance in the Jan Dhan Yojana, How do you see that as a trend? Is it on the rise? Is it flat? Is it increasing? Because ultimately, end of the day it reflects the ability, the potential of your consumer who is your customer last customer, going to benefit from this brilliant set of services that you are bringing to them through your Adhikaris?

Rajneesh Arora: So I think, first of all, yes, the Jan Dhan balances trend has been on the rise, this data is available in the public domain, and it has been continuously increasing over the years, the trend is positive. Having said that, I think we use Jan Dhan more as a representation of the fact that every citizen now has a bank account and that is like the fundamental starting step towards any financial inclusion. However, that does not mean that the customers who access our services are just Jan Dhan customers. If you took over a village, a sarpanch, or a teacher, or a village or a, dairy farmer, to a to a very bottom of the pyramid, all of them in a village are our customers, because the basic utility, need of cash deposit or making bill payments, etc, is a need that every citizen had. So, from that perspective, our intent is to bring while AePS or a cash withdrawal is a very horizontal product, but our intent is to and we are working towards creating products for every segment within a rural ecosystem and by every segment, we mean enterprises, both small enterprises, whether it is agriculture, so I think there is a lot of work in progress in that direction. So look at the potential not just from a Jan Dhan bank account balance, while it's an important indicator, but from the overall rural ecosystem, and the services that can be provided to them to improve their livelihood.

Prakash Prabhakar: Thank you very much. That quite much answers my question. My idea of bringing in Jan Dhan was more from my point of view of the bank balance being the savings account balance and Jan Dhan being a reflection of whether prosperity is increasing or decreasing or contracting or whatever it is at the rural level. We have seen numbers of employment at the urban areas and we also have some idea of migration from the rural areas into the cities, which causes different kinds of problems but my idea was that the Jan Dhan Yojana is represented of, ultimately your services particularly at the MFI is and those kind of things will be tightly correlated with the disposable income that the people in the rural areas have, so thanks a lot.

Rajneesh Arora: We also believe that all these digital ecosystem that is getting created right all the stacks like AePS is just an example of one stack which we picked up and you know, it enabled us to reach all the villages – 2,00,000 villages, it is because there is a hook product that got created. We believe that with all this digital stacks getting created, as a nation, we should be able to move in the direction of solving this problem of people having to move from rural to urban to be able to earn their livelihood. We have seen that very successfully during COVID while that was an event that nobody would want again, but we saw that and we also saw, in fact, a lot of our Adhikaris coming back from cities back to the villages becoming our Adhikaris deciding that they want to stay there and do this. So I think the pace at which all of these new digital stacks are getting created, I think we do have a lot of positivity around that this problem statement can also be solved of enabling the livelihood within rural without going to urban.

Prakash Prabhakar: **T**hank you very much. That was very encouraging and my really good wishes for you. Because that is like not just providing a financial services, a FinTech company, but almost actually solving a lot of problems. Coming back to the next question that I had these Adhikaris who are, like the grocers or the person who is slightly educated actually has some kind of influence in the village level and typically, we also have an idea what kind of people have an influence in the village level? So you know, like, I frequently go to my village and try to speak to people and understand what the nerve of the thinking over there is. So my question to you is that from the numbers that you gave is like you have about 25% margin on the revenues and out of that about 63%, you share with these Adhikaris, which is 37% coming to your kitty and 63% going to them? Do you currently face any challenge and obviously, I would assume that because you said that this payout is different for different kinds of services being provided or products being sold of principles. Have you found your data analysis been able to identify any kind of bias in the kind of product this Adhikaris push like? So the reason why I am asking this question from my personal experience, I am not a great believer of mutual fund investments and I find that most of the fund managers are not actually doing service, whether it is an insurance driven product or whether it is a pure, safe or investment driven thing. The kinds of allocation that they make to companies is actually appalling and they destroy a lot of value of the kind of people who trust them with their money with their life savings, I often tease my mother that have you trusted the insurance agent than you trusted me and she feels bad about it. Why did she buy a Bajaj Insurance product or why did she buy a life insurance product? So the question is, because the income that generates to these Adhikaris is different so they have they have a reason to, kind of push a particular product and not push another product, and they will always use to have a lot of influence. Do you play some kind of role in educating them or even do some kind of screening on the kind of products and services that you bring on the platform? The supply side? You got some check points for that?

Sanjeev Kumar: Let me answer that. I think your question is around two, three things. But first, let me point out one is, because of this Adhikari network, there is a lot of community trust that they hold, and what is the role we play in ensuring that the products that they offer from their network to the consumers are not of once which is just being pushed, because the product manufacturer wants to push it for higher earnings, revenue commission, whatever it could be, for example, and I want to come in there Prakash, because I think you are absolutely correct, if you look back at our business model, and the way we are at least looking ahead, we are very conscious of the products that we want to offer on our platform. There are a lot of products that we have ourselves not gotten into for multiple reasons, it could be the complexity of the product to be explained, number one, or even the fact that there are a lot of products which are which probably will get sold when you are able to establish the kind of trust and there is a brand that gets associated with it. So our product journey is factors in that part that you spoke about, being very conscious of what rural Indian consumer will want and can we offer to our network. Second, so I am answering that point is we are very conscious. We do not just there are many product managers thus we have an old network there are many product manufacturers come to us and says why do not we put that product onto our platform to offer. We are very conscious about it. We do not believe in that process of just onboarding a product. Number two, which is also important and I would want to elaborate that that we are very-very clear that the products that are offered to rural India is very different than what the products offered to urban area. So what we do and I have spoken about it is there is a lot of, even for a vanilla product, there is a lot of customization that we do in our own thinking of the way we design a product to be offered at the end before it goes live on our network. So I hope I have been able to answer that question Prakash, but we yes, we do filter at our end. The second point is you spoke about training, yes we have a calibrated training approach, depending on different products. Depending on as we are moving from a basic transaction business model of let's say, just cash deposit, cash withdrawal, wherein the training requirement was not as much, to moving into banking collection. We were hand-holding the Adhikaris, we were getting to training, and then onboarding them to offer and then distribute these products.

Prakash Prabhakar: Thank you very much. Very, very useful. Thanks a lot. But just one final question. What is the unit economics at the Adhikari level?

Rajneesh Arora: So we are a transaction unit economics positive model. So as I said, on every transaction that happens on our platform, we get paid, mostly by the service provider, in some cases by the clients, like in case of MFI as the clients would pay us, or in case of remittance services, the customer would pay, but mostly it is by the service providers, and a part of it is shared with the service Adhikari. So on a transaction level, we are net unit economic positive. At the Adhikari level, when it comes to the Adhikari acquisition, our acquisition is through what we call partners, or I mean, typically, you can also refer to them as distributors, who would go to merchants and convince them to become Adhikari because there is an additional earning opportunity. These partners also earn as the Adhikari earn, so they get some share of what Adhikari earns. So we do not spend upfront on acquisition of an Adhikari. So to answer your question, if you ask me, what is your acquisition cost of Adhikari and how much time do you recover? We would say we recovered from the first transaction itself, because we are not spending any direct cost.

Prakash Prabhakar: So you basically have almost infinite ROI on there's no CAP.

Rajneesh Arora: In a typical, you would say, okay, my customer acquisition cost Rs. 1,000. First year I will not earn anything, second year I will earn 100 rupees, eventually I will earn Rs. 5,000 from the customer, right? So, fundamentally, that is the difference in this business model. Now, having said that, we do invest in making sure that we are able to cover the geographies that we want to cover right because we do cover right till the village level. So we do invest in people at the ground level, at a district and block level who work with partners to make sure that they work in line with the company's strategy, in terms of coverage of new product that has to be enabled, etc,. But that does not mean that to do any transactions with the platform, there is a person needed who will go and sell something to the Adhikari then only he will buy. So the transactions continue on their own, you can think of like, our district leads of locking people who would do market making or roll out the products. I mean, they also do multiple things. So this person who will, if some Adhikari comes on board, and he does not know Spice Money, so they will create trust with them, they will handhold them on any complex product. They will also make sure that because we are in a regulated entity, so there are compliances, so they just make sure that whatever needs to be done is executed on the ground, but the economics model, if you will put it on a spreadsheet, you are right, it is an infinite ROI.

Prakash Prabhakar: Fantastic. One last question sir. You have been in operations for some time now. What percentage of your revenue is like an annuity income coming, like we acquired a customer he bought a particular product of a FinTech product particular financial inclusion product let's say an insurance product or whatever it is and there is a repeat purchase happening through the Adhikari or whatever so like so you have 35% is annuity income I may say transaction income, but out of the transaction income, how much is repeat previously so transaction was previously initiated.

Rajneesh Arora: So let us understand what has been our priority till now as a business, our first priority has been to make sure that we reach every relevant village in the country, with the product which is a hook product, which means that Adhikari is interested in providing that product and the customer is interested in going in accessing that product and that product we found cash withdrawal with a mix of AePS and m-ATM. Okay, so our first priority has been that, that is what fairly established, it is an auto mode, where we continue to grow and more and more villages, we said we are in 2 lakhs, the country has 6 lakh villages. So that is one, you can say one priority set, which, which has been set into the motion, and it is into an auto mode. The second priority for us now is to enable the Adhikaris with those products, which we will call evolved financial services product. So enabling customers to, for example, open bank accounts, and not just open bank accounts, but ensure that there are balances coming in there. That is one example, enabling customers to get credit from lenders, right, enabling customers to buy insurance, etc. I think in the order of priority, we are currently working on enabling liability products and asset products and we believe that insurance still needs a lot more work to be able to deliver it in a manner in which it can create impact. So that is how we are right now working. To answer your question in our current numbers, it is largely transaction driven. Having said that, in terms of repeat, our numbers say that two thirds of the customers every month are actually repeat customers, they transacted with us before and it is because we are adding to going to new geography, there are 1/3rd customers, which we are adding. So there is a repeat customer, even if right now, the customer is coming from a similar set of products. So the set of products are come and do cash withdrawal, when you are doing cash withdrawal, make a recharge top up, or come again, come twice in a month to recharge top up and then come for a bill payment top up and then hopefully now it will move into open a bank account. Even if you have a bank account, there are many reasons to open a bank account and engage better with the bank account. Let me can I get credit from this Adhikari or through this Adhikari? Can you help me get credit? So I think that is the mode we are falling within financial services and then of course on digital services like travel, can I book my train ticket here? Can I book my flight ticket here, a number of new airports are coming up in smaller towns now and then tomorrow, can I do e-commerce here? So as ONDC is coming up, it is democratizing commerce, so can Adhikari help me to commerce or can our Adhikari who is also merchant, Can we buy better? Because we are enabling him to buy better directly from a wholesaler in Mumbai, versus going through multiple chains. So all of those areas is where we are working on in terms of enabling more and more products onto the network.

Shiv: Yes, well, thanks Prakash. I think he is offline now I think next question from Chiku and depending on the time that we have at hand, we can take a couple of more questions here.

So Chiku, can you unmute yourself and start?

Again, there is no response, I think next question from Akbar Patel. Please ask your question please.

Akbar Patel: Sir thank you for the opportunity. So good afternoon, everyone. My name is Akbar Patel. My question is regarding the indirect costs, we have seen a growing trend past few quarters, which I understand is due to investments in new segments, I wanted to understand when do you see this cost stabilizing?

Rajneesh Arora: Akbar well, I think so, when we are investing the investment it is largely going in three four areas. So one of course as you called out is new segment, so basically we .//are putting teams to work on newer areas like banking, credit, travel, etc. and it does go through a process of finding the right product market fit before it is ready for scale. So there is a bit of gestation. So as Sanjeev earlier mentioned, it is not like you pick up a product from anywhere and put it in it will work right. It does not happen that way in rural India. So there is a bit of gestation period that happens with the new segment and we are also building a direct to consumer digital payments platform which will work along with our Adhikari platform. So I think these are something our areas of investment. But I think also fundamentally, we are also investing in network reach. So going to newer geographies, our goal is to be present in all the villages in the next two years be present in all the villages, which have a population of say more than 1,500 people. So that is one area, which is around network reach. The second area is around technology, both in terms of people as well as the technology infrastructure and tools that we deploy and most of our technology investments are in the OPEX model, most of our investments are actually in OPEX, therefore, you see them indirect costs and not in CAPEX. Also, not too much, but we have been consciously now investing around building a brand very little right now, but, there are some investments going there. So, I think the investments are going in also building Spice Money as an institution, which is not just focused on what the current product is and what the earning out of that is, but also going forward we would want to very clearly call out that. The way we are treating it, is that there is a certain investment needed, we see an opportunity, we put a team behind it, and we make sure that we are not overly going overboard in terms of what resources we have, and where we are investing, so that balance we are making, but we are not doing it because we are not operating the business in a manner that we have so much EBITDA target, or we have to achieve so much EBITDA or cash and therefore we cannot invest in an opportunity that we believe that there is an opportunity. So we are not driving EBITDA. As of now, I think EBITDA is a resultant. To answer your question, when will they start to see results? I think the investment that has gone on or is going into building an institution I think that is like building an institution to last, so you will see those results in more in sustainability than in saying, when is it going to convert into revenue, as far as new segments are concerned, the gestation period for every new vertical is between 12 to 18 months before it can start to deliver meaningful results and before it ready to come at a stage where we say, there's a product market fit and then let's scale and the scaling up time period is anywhere between 6 to 12 months, right. For example, if you tracked us in the past, in 2019, we launched this m-ATM product, but it actually showed significant results in the year 2020 and that is when it really showed growth. When it comes to this enterprise CMS, we invested in the year 2021 and in the year 2021-2022, is when we actually saw the results. So likewise, there are at least three or four new areas on which currently we are working on. And this is the kind of gestation period before you. So it is very difficult to call out as Spice Money when everything is ready because there are so many threads that are moving forward and we will also continue to add more threads where we believe that there is an opportunity and to solve for that.

Shiv: Akbar are you done with your questions? Any further questions from you? Okay, we will move on to the next question, which is coming through the chatbox from Chiku who was unable to ask his questions previously. The first question from Chiku is As one of the largest players in the AePS segment, is there any plan on entering the UPI segment in rural India and if yes, then will it be B2B or B2C products and what is the time period for any such plan?

Rajneesh Arora: Okay. So Chiku, yes, we are the largest player in AePS segment. We are the leaders there. So that's the answer for that. Are there any plans to enter UPI? The answer is yes. We are currently working on product development of a product which we believe is the right product market fit for the rural. It is early days because right now we are doing product development and it will go through its own phase of testing. At the same time, we also understand and we all know that as of today, UPI does not have an economic model, because the Government has made the MDR zero. So the only way any UPI player makes money by through payments is when you get, when the merchant pays an MDR and the person who has on boarded the customer, the issuer or the UPI player, they get paid. So as of now, while there is no economic model, we believe that we have insights into areas where we believe the right product can be built. This product is being built on our PPI license. So we have a PPI license, we have carried this license for a long time, but till date, we did not really see a large rural opportunity to be able to start offering digital payments. There have been few regulatory changes in the PPI product last year by RBI, which now enables PPI also to come up with UPI basically making PPI interoperable and now we believe that there is a product market fit. Is there an economic model in a pure direct to consumer, as of now, it seems there is no economic model. However, the whole industry believes that going forward, there will have to be an answer of, returns to players who on boarded customers on UPI. So we will watch that. However, having said that, we also believe that there are core use cases in rural enterprises that we can solve with that platform with a mix of PPI and UPI and we are going to we are in the process of understanding those and also initiating pilot in at least one of those and if those pilots move forward, then there is an economic model on that. Right. So to answer your question, in short, are we moving into UPI? The answer is yes. Is it B2C or B2B? The answer is both and third, when are we going to scale it up? I think it is going to be a function of both us finding the product market fit as well as the economic model. So in terms of the timeframe, I think you will have to continue, we will keep updating the forum on a quarterly basis on that.

Shiv: The next question from the same participant. Is there any plan to open Vakrangee Kendra type of branches in rural India as franchises model.

Sanjeev Kumar: So let me take that. As of now, we want to continue to stay on what we have, to build Spice Money, which is hinged on entrepreneurs and we do not see any reason for moving out of that, but if there is any, we will reevaluate. As of now we continue to build Spice Money.

Shiv: And the last question, what's the development on Tarya partnership? It has been one year since you partnered with Tarya and FinTech.

Sanjeev Kumar: So, both Spice Money and Tarya are committed to build this partnership and build a business together for rural India. We are at stages of evaluating and working on finding the correct segment and the product market fit. So there is a process, there are certain steps we have taken together to evaluate the business model, the segment and all. So we are working towards it. We are committed to make this happen.

Shiv: Well, thanks Sanjeev for your responses and I think that would be the last question there are no further questions and we close the discussions today. I now handover to the management team of Spice Money for closing comments.

Sanjeev Kumar: Thank you so much everyone who participated in this conversation. Just want to summarize, like I said earlier, we see rural India as a very, very overwhelming opportunity for us. We see ourselves very well placed and we continue to build Spice Money as an institution, which is going to solve the problem of access for a billion rural Indians. Thank you so much for joining.

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