Date: **27th November, 2024**

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
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 21st November, 2024

Dear Sir/Madam,

In continuation to (a) our letter dated 16th November, 2024 intimating you about the schedule of the conference call for Investors/Analysts held on 21st November, 2024 with senior management team, ; and (b) letter dated 21st November, 2024 sharing the investor presentation, please find attached herewith the transcript of the aforesaid conference call.

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

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

Thanking you.

Yours faithfully,
For DiGiSPICE Technologies Limited

RUCHI MEHTA

(Ruchi Mehta)
Company Secretary & Compliance Officer

Encl.: as above

DiGiSPICE TECHNOLOGIES LIMITED
Q2 & H1 FY25 Earnings Zoom Webinar

November 21st, 2024

Management Participants:

Mr. Dilip Modi	Chairman DiGiSPICE Technologies Limited Chief Executive Officer, Spice Money Limited
Mr. Sunil Kapoor	Whole-time Director & Chief Financial Officer, Spice Money Limited

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Moderator: Good Morning, everyone. A warm welcome to the Earnings Zoom Webinar of DiGiSPICE Technologies Limited for Q2 & H1 FY25. We have with us Mr. Dilip Modi, Chairman of DiGiSPICE Technologies Limited ('DiGiSpice' or 'DiGiSpice Technologies') and Mr. Sunil Kapoor, Whole-time Director and Chief Financial Officer, Spice Money Limited ('Spice Money'). Before we begin, I'd 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 and also uploaded on the exchanges. We will commence the call with the management taking you through the operational and financial performance for the period under review, following which we will have an interactive Q&A session. I would now like to invite Mr. Dilip Modi to commence the presentation. Over to you, Dilip. Thank you.

Dilip Modi: Good morning, everyone. Welcome to the quarter 2 earnings call for DiGiSPICE. It is indeed a pleasure to connect with all of you once again on this call. At DiGiSPICE, you know, this is a great opportunity for us to engage with the investor community at large, to share with them the progress that we are making at the company, provide any clarifications on how we are progressing, share with you strategically how we are looking at the business going forward, share with you of course in more detail the earnings that we have achieved in the quarter gone by and what is the trend looking like, provide any answers to any questions you might have, But thank you for taking the time out to be on this call and to spend this time with us. It's really an honor to get to spend time with all of you.

We have a brief presentation followed by which we will want to take questions. But just to share with you, just as a recap. We were a company doing multiple businesses in the technology space. Last year, we took a decision to just focus on our Fintech business and exit all other verticals. That is something that we've now managed to achieve. DiGiSPICE Technologies is now a very focused Fintech company targeting to serve the unmet formal financial needs of Bharat, the emerging Bharat in semi-urban and rural India under our brand Spice Money. As you're aware, we are also going through a process of merger of our subsidiary Spice Money into DiGiSPICE Technologies. So effectively, I would encourage all of you to see us as Spice Money going forward. Obviously, all our presentation is going to be on our fintech business in terms of how we are progressing. Also, in terms of our discontinued business, you will see in the financials of how the numbers have also moved and how we have brought down the costs associated with the discontinued business, something that Sunil, our Finance Head will walk us through. And then of course, we'll talk about some of the new businesses within the Fintech area that we are focusing on. So we'll start the presentation. Can I request if you could move to the executive summary, please.

So friends, if you look at it, we are very focused on four key building blocks for our strategic vision. The first is to consolidate our share for the core assisted payments industry. As you know, digital payments continue to grow exponentially in our country, and there are two models of self-serve and assisted. At DiGiSPICE, we are significantly growing our business in the assisted digital payment space. This is an area that we will continue to consolidate our share and grow our share of the market and eventually double down in terms of topline growth, which will finally convert into bottomline growth going forward. So this will continue to be our focus in terms of our core business.

In terms of then leveraging this platform business that we've built, in terms of the network of merchants we have and the platform through which we are able to access these merchants will give us an opportunity to continue to bring strategic formal financial products to many parts of India, which otherwise from a unit economics point of view, product manufacturers are unable to reach. So, whether it's in the area of savings or investments, our goal is to connect formal financial providers to customers and merchants in semi-urban and rural India at cost economics that are really attractive. Of course, credit is something that is part of our growth strategy going forward. As you know, we have put in plans to bring in an NBFC into the structure. And this is something that we're going through with the regulator in terms of seeking approvals and their blessings to be able to start this business under Spice Money.

And then our final fourth building block is around UPI, this is an area where we as a country are totally committed. At about 400 million UPI users in the country, the opportunity and the challenge we have as a Fintech ecosystem is to get the next 200 million customers on board. At Spice Money, we are a market leader in the AePS segment, which is also 400 million as a market. So there are 400 million UPI users in the country and there are 400 million AePS consumers in the country.

We at Spice Money have a 17% market share in the AePS segment. And our goal going forward is to grow this market share in AePS and also contribute towards the next 200 million UPI users in the country and I will talk about that. If you look at the quarter gone by, which is quarter 2 FY25, the two main highlights I would like to call out is on our collections business and on our saving account business. While we look at numbers in more detail, we've seen that how this quarter over last year has now shown a growth in gross transaction value (of collection business) by close to 30%. In the AePS segment, which is our core product business as well, we have been able to maintain a market share above 17% and our goal is to continue to grow this going forward and we have plans in place how to do that.

On the current account saving account business, this has been a significant focus product for us at Spice Money. And the goal is to be able to enable customers in semi-urban and rural India to be able to open zero balance bank accounts, but then start using our network to transact with those bank accounts and effectively move cash to digital. We've seen significant growth in this product in the last one year. And today we are opening over 2000 accounts a day. So a run rate of nearly 60,000 new accounts being opened on a monthly basis.

As far as our corporate restructuring plans are concerned, we do have that process on the way. It's going through various steps and we are working with the advisors and going through that. Eventually our end goal is to merge Spice Money into DiGiSPICE or DiGiSPICE Technologies become Spice Money. And with the blessings of the regulator, if we were able to receive them, we'd be able to also bring in an NBFC under the structure as a subsidiary. So overall at DiGiSPICE, we are now a focused fintech company with a mission to serve the unmet formal financial needs of Bharat. And this is something that we are excited on all three elements of AePS, UPI and credit.

Moving to the next slide, our customer base, are the small merchants in semi-urban and rural India, who we refer to as Spice Money Adhikaris. This network, over the last five years, has continued to grow and we've seen from 241,000 merchants or Spice Money Adhikaris in FY20, we've closed September FY25 at close to 1.4 million. So we've seen significant growth, from the close of the financial year 24 to September, we've also seen a 5% growth. We have now got a pretty dense network in a large part of India, North, East, Central, and we are now expanding in terms of density in the South as well. So, more than number of Adhikaris, it's going to be now in terms of number of transacting Adhikaris and also in terms of number of products per Adhikari. So eventually, our goal is to consolidate this network and to be able to drive more products penetration through this network, because now we achieved a good size in terms of over 1.4 million Spice Money Adhikaris on-boarded on the Spice Money platform.

We are present in close to 2.5 lakh villages in the country out of total 6 lakh and in all the blocks in the districts that we are, 6475. So we have a point of presence across India. When you see the darker shades, it's more about dense presence versus lighter presence. The fact that we are present across India gives us an opportunity to tap into each of the markets, but our goal is to make sure that if you look at the India map, mostly all of it goes dark in the next couple of 2 to 3 years where we are lighting up the villages with our Adhikari points, both in terms of ATM and banking products.

Can we move to the next slide, please? These are the three headline metrics that we track, the customer gross transaction value, associated with that our service fee revenue, and associated with that our service fee gross margin. If I look at quarter-on-quarter, we've seen a 2.5% growth in our customer gross transaction value, Rs. 26,300 crores from last quarter Rs. 25,600 crores. The impact of this is reflected in our service fee revenue growth of also 2.8%, which is about Rs. 104 crores compared to Rs. 101 crores in the previous quarter, and a 4.6% growth quarter-on-quarter at the service fee GM level, which is Rs. 42.6 crores from Rs. 40.7 crores last quarter.

You would see that compared to the 2.5% to 2.8% growth in the topline, we've seen a 4.6% growth in our gross margin, and this has been due to product mix, which I will explain on the next slide. Year-on-year, our Q2 customer gross transaction value and service fee revenue has dipped. A lot of this dip in customer gross transaction values because of the headwinds we faced in the AePS business, something I will talk through in more detail. But really, we've been focusing in terms of our product mix to make sure that we can continue to have a healthy growth in our gross margins. And you can see this on the graph that we've seen quarter-on-quarter growth.

Moving to the next slide, we'll show you in more detail the different product lines that we have and what is the contribution of each of the product lines to our gross margin number. So if you really see, our product lines are split into two key buckets. One is our transaction business and the other is our distribution business. So transaction business is really linked to what we call the gross transaction value. And the distribution business is more in terms of number of accounts, number of loans and number of other products that we enable. So these are two different buckets. The first bucket of transaction is linked to the GTV number that you saw on the previous slide. So if you really look at this slide, you can see we've highlighted in green three key product lines of collection, subscription pack and banking. And the share of these three product lines has grown year-on-year. So from quarter to last year, these product lines were contributing close to 26%. Now these product lines are contributing close to 33%. And it's really the shift from 26% to 33% to our gross margin that has led to an absolute gross margin growth both year-on-year and continues to be quarter-on-quarter as well. So collections and banking, something I highlighted in the executive summary, continues to be a big growth strategy for us. Subscription packs has been an interesting one because having on-boarded a significant number of Spice Money Adhikaris on our platform, now we are focusing on driving lifetime value from the merchants. Subscription packs is a great opportunity because it helps us build a loyalty program with all our merchants where they subscribe to a monthly, bi-monthly, two to three month packs. And because of that, they get high commissions per transaction, but it also allows them to focus to bring more of their counter-share on the Spice Money platform. So it is a win-win situation and it's something that is helping us on our gross margin front as well.

Moving on, I'd like to talk about each of the service lines that we have. Can we move to the next slide, p lease? So if you look at the first core product of ours, the Aadhaar enabled payment system, these are three buckets and for those who've not seen this format earlier, I'd just like to walk you through this. So what we show is both in terms of year-on-year, as well as quarterly updates. So if you focus on the first bucket, the one in highlight, the overall industry of Aadhaar enabled payment system, on a quarterly basis about Rs. 70,000 crores, right? Which is basically the money being withdrawn using the AePS stack by customers. Out of this, about nearly Rs. 12,000 crores in quarter 2 has been the transaction value done on the Spice Money platform, leading to a market share of 17.19%. So when we say we have a market share of 17%, it's really the amount of gross transaction value using AePS stack on the Spice Money platform compared to the industry. If you really look at it at an industry level, we've seen decline and that's why you've seen an year-on-year decline on the GTV front. Obviously, this is something that if you see year-on-year, we went from Rs. 81,450 crore as an industry down to Rs. 70,000 crores, which is nearly a 13% decline. And obviously that translated into a decline of nearly 13% on our gross transaction value as well. Now, the way we read this is that this is an ongoing dialogue we're having within the industry, in terms of looking at new use cases that this network can be used for, because majority of this gross transaction value is linked to cash withdrawal.

As of now, cash deposit using the AePS stack on the office network has not been enabled across all banks. We believe that this network today is serving more like an ATM network and it can also move towards serving as a CDM network. So from cash withdrawal, it can also become a cash deposit network. And this is a big need in semi-urban and rural India where consumers are also looking at ease of deposit as much as ease of withdrawal. So then there are other initiatives we are working on. So our goal is to grow the pie, which is right now close to a run rate of let's say Rs. 2.8 lakh crores. How do we grow this pie? And these are areas which we believe will help us to grow the pie. As far as transaction metrics are concerned, quarter-on-quarter, this quarter we've seen growth. So 7.4 crore transactions attempted in quarter 2 compared to 7.2 crores in quarter 1. Our success rate has also improved and the number of transacting customers have also improved. The reason this has happened is because to control risk, there was an industry-wide implementation of a two-factor authentication for every transaction. In quarter 2, this was removed for every transaction to just the first transaction of the day. And that has translated into more transactions happening because of the ease of having removed the two-factor authentication on every transaction. The good news is that the fraud and the risk associated with the product, which was a major concern in the ecosystem has been addressed. So we are feeling like now as things are easing up, we'd be able to control risk as well as drive transaction growth.

In terms of the Spice Money Adhikari metrics, we segment them in terms of large, medium, small. This is in terms of throughput per merchant and throughput per Adhikari. What we call the large AePS SMAs, our SMAs doing a gross transaction value of greater than Rs. 5 lakhs a month. The medium, what we call Aadhaar Enabled Payment System, SMAs are the ones doing one to five lakh a month and the small ones are less than one lakh. Our goal continues to be to grow number of transactions per Adhikari. Obviously, some of the large Adhikaris have got more impacted because they had more footfall and because of these restrictions, it impacted them more than the smaller ones. But effectively we think that this will start kind of improving as new products like cash deposit get enabled on the platform. And this is something that we are committed to enabling. We do have a significant concentration in a few states compared to others. So UP, Bihar, West Bengal continue to be our top markets which contribute to more of the AePS GTV and as we grow density in the other states, we see this growing as well. So AePS continues to be an area that we will work on in terms of new product lines as well as growth in our transacting base. So this is something that we will continue to focus because it gives us an opportunity to extend the reach of ATM banking to every part of rural India.

Moving on to collections, next slide please. This is the cash management services product line. So within collections, we have two product lines, cash management services and Bharat Bill Payment System, and I'll talk about both of them. This slide is about cash management services. This is basically a product where we tie-up with MFIs, NBFCs, e-commerce companies who are looking to collect cash and bring it to their branches, and then from the branches going to deposit this cash in the bank.

What we enable to them is to reduce their cost and time to cash, which is basically, bank branches being closed, weekends, odd timings. Instead of having to travel to the bank branch, they can come and deposit that cash at our Adhikari point near to them, and we can help them to move that money digitally to the bank. This is a business that is something that we've seen very good growth, and effectively we're becoming like a utility platform when it comes to collections for MFIs across. So if you look at the number of large CMS, SMAs who do more than 30 lakhs collections, GTV per quarter, this actually increased 15% year-on-year. And we've also seen that the business that they are contributing, has also increased by 31% year-on-year. So basically it's a sign that bigger enterprises are doing more business for us.

If you look at quarter-on-quarter GTV, now we are at a run rate of 8,836 crores for quarter 2 compared to 7,924 crores in the previous quarter and 6,874 crores in the last financial year quarter 2. So we're seeing good growth and really this is a sign that as a utility platform, we are offering a much more efficient way for the enterprises to deposit cash back into the bank. Effectively, we've seen the number of transacting enterprises grow. We've consolidated and therefore the idea is more business per enterprise, more large enterprise and more large CMS SMAs. So if you look at the number of CMS SMAs that are in the large category, like I said, it's seen a growth of 15.6% year-on-year and 3.2% quarter-on-quarter. So now we are nearly like on a quarterly basis, 4,000 large collection counters in the country. And it's effectively becoming a great, again, a win-win situation where agents are able to deposit their collections closer to from where they collect it, which is having multiple benefits in terms of cost, time and effort involved. So our goal is to continue to onboard more large enterprises, demonstrate the value to them and continue to grow business per enterprise.

I also want to say that both the CMS business and the AePS business are significantly complimentary to each other, because effectively in one business you're collecting cash and the other business you're dispersing cash. So there is an efficiency sitting in terms of cash availability and making sure that we are able to reduce the cost of cash management and therefore, enable efficiency across the board.

The next service update is a very strategic one for us. Can we go to the next slide, please? This is the Bharat Bill Payment System license that we have from the regulator. This is a product of NPCI. Again, something that we are super excited on because what this does is it enables people, enterprises to get onto one stack, looking for collections, starting with EMI, electricity bill, DTH, recharge, gas, water, number of use cases that are coming on this platform. If you see this product line from FY21, we were at Rs. 419 crores and FY24, we closed at Rs. 4,190 crores. So you can see the significant growth from Rs. 400 crores to Rs. 4,000 crores that we achieved in a matter of three years. So exponential growth in this product, quarter-on-quarter we've grown 6%. Like CMS is large collection counters, BBPS is smaller collection counters. So we have 4,000 per month over there. Here we have nearly 100,000 plus counters which are serving as collection centers in deep rural and semi-urban India. Our goal is that as more and more enterprises connect with us and use our utility platform to collect money, we can also work with them to encourage their customers to start depositing their EMIs and paying their bills close to where they live in the community itself using the BBPS tax. Even reducing the cost of their agent having to go to the village to collect cash, the customer can just come and deposit their EMI at a merchant point close to them. What I would like to highlight on the table below is the unique customer account. So if you look at EMI collections, we've seen a growth on this year-on-year. So if there were about 15 lakh customers in quarter 2 last year using the BBPS platform to deposit cash, now make their EMI payments, that's gone up to 19,000,000 customers. That's close to 1.9 million customers who are paying their EMIs using the BBPS platform. The other encouraging point for us is that majority of these customers, at least half of them are repeat customers, which means there's a behavior that's evolving where agents and customers are able to regularly use our Adhikari points as ways to go and deposit their EMIs. And there's a kind of a recurring behavior to this, as well as if you could see our average ticket size of collections is also growing both year-on-year and quarter-on-quarter. So from Rs. 1,696 quarter to last year, it's gone up to nearly Rs. 2,000. So a 23% year-on-year growth, a 10% quarter-on-quarter growth. Our goal here is to work with NPCI to see how to bring more billers on this platform, drive network density so we go as close to the customer as possible for him to pay his EMIs and bills and drive this organic repeat behavior. So effectively if you see the three key pillars of our transaction business is the AePS business, the CMS business and the BBPS business and all three we are focused how to grow gross transaction value and ultimately serve more customers which will also lead to gross margin improvement in our business. Needless to say that there is competition on the ground and therefore there continues to be pricing pressures on all these products. But as a platform that significantly scaled, we believe that we are perhaps better placed to absorb some of these pricing shocks and be able to work to continue to scale the business and offer more value to both enterprise as well as consumer.

Moving on to the financial products, Current account savings account. So I think to begin with, if you see the network that we've built out in semi-urban and rural India is really an ATM collections network, but now it's moving towards becoming more like a branch network for banks. So we have now on-boarded two banks with whom we work very closely, Axis and NSDL Payment Bank, to open accounts for them. If you see the first graph between last year, we closed quarter 2at about two lakh accounts. Quarter 2 this year, we've closed at nearly 5.8 lakh accounts. So nearly 1.7x growth and a 38% quarter-on-quarter growth in savings account open, 30% growth in current accounts open. And the last graph that I would like you to see is the SMAs opening more than five accounts and that's the number that we track. So out of our total base, nearly 22,000 Adhikaris, till the quarter gone by, open more than five accounts. So effectively they are becoming more like kind of digital bank branches. And the goal is now going forward to be able to cross sell more products into these accounts. Of course, we earn a margin per account, but the whole goal is to open more accounts and get people to use the accounts. The challenge we have as a country is that a lot of accounts being open, but if they are dormant, they have limited value because we want people to transact with their accounts. And having an Adhikari on the ground very close to them, functioning like a bank branch, can lead to more digital literacy education about what all can they do with this account.

So growth in average bank balance per account, cross-selling more products into this account and getting more SMAs, opening more accounts is the three key building blocks for this product. Our goal is to bank the underbanked and make sure that they can get access to formal saving and credit products. So we want them to not only open an account, but to transact with that account and then to be able to get the benefit of that account to grow income. So this is a kind of a strategic platform for us. So like we have a strategic platform for our transaction business, this is becoming a strategic platform for our going forward, our banking business.

Moving forward, I'd like to close with credit. This is an area that we are going very, very carefully. We are very conscious of the fact that we're working in rural India. While there's unmet needs of MSME in rural, as well as formal credit for the consumers, we want to be very careful because we have noticed that unsecured lending has been something that we all read in the newspaper has been something of a concern amongst MFIs. So if you see the collections business that we are building, the utility stack on collections that we're doing is actually helping the MFIs collect cash. And that's something that we hope can help them to reduce NPA pressures. But as far as ourselves giving credit is concerned or partnering with lenders is concerned on our platform, we are focusing more on secured loans. So if you see quarter 2 this year compared to quarter 1 this year, we've actually grown our secured loan book, work with lenders a lot more. So if you see in terms of number of loans, we were similar to about 1,700 to 1,600 loans, but effectively you see the value has gone up from Rs. 29 crores to Rs. 57 crores, the red part of the graph. And this is really secured loan products like loan against property, commercial vehicle and all that. As far as third party loan distribution is concerned, we've significantly moved from unsecured to secured. And our goal is to work with lenders more on the secured lending side. And that is something that we will continue to multiply in terms of offering our platform as a way for lenders to responsibly do secured lending and also help them on collections. So effectively help them to close the loop to build a healthy book in semi-urban and rural India. We do hope that we can help in robust lending, but also robust collections.

I'd like to now hand over to Sunil, our CFO of Spice Money, who can run you through the financials. I want to come back and talk about PPI, our UPI product that we launched 2 days back in Bihar. Something that we're excited about. We are really committed to the next 200 million UPI users in the country. And because of the base of merchants and through them the consumers we have, we see an opportunity for us to really add to the UPI growth story of the country, something that we can talk about during the Q&A and I'd love to talk more about that. So before that, over to you Sunil, if you could just run us quickly through the financials.

Sunil Kapoor: Yeah, thank you, Dilip. Good morning, everyone. This sheet contains about the consolidated financial highlights and I want to emphasize on the quarter 2 results where we have seen that customer GTV has grown by 3% quarter-on-quarter and consequently that the gross margin has improved by 4% better than the customer GTV and even the revenue is flat and service fee revenue is also increased by 3%. So we can see that there is an improvement in the gross margin due to the product mix. And if we see that where is coming from, that's primarily from the CASA that we are opening for the banks and increase in collections and the subscription packs which is important for us to engage our Adhikari to work with us for a long term. And if we see on the indirect cost side, there is an increase of almost Rs. 5.5 crores.

This is because of three factors. One is with respect to that we are working on the corporate restructuring, which is one as a merger and also the acquisition of NBFC. So there's some costs related to that. And another is a cost related to the increment cycle for this quarter. And second, some new business investments, hiring the people for these new verticals of credit and spice pay or UPI. And consequently, the EBIT is having the impact of this indirect cost increase and PAT is negative Rs. 1.5 crores against positive Rs. 4.5 crores. However, if you see on the YTD side, then we have a Rs. 3 crores PAT against Rs. 4.8 crores in the last year for the first half.

On the eighth point, there is an investment we have in Digiasia Bios, which is a mark to market as per the accounting standard, we have to recognize if there is any gain or loss. So that has been recognized for Rs. 5.7 crores. So it's a mark to market gains and loss that has nothing to do with the impact on the cash flows. PAT, if we see on the discontinued side, that has almost come to closer to nil. So discontinued business of DiGiSPICE is almost done and we will be having very less impact. If we see on the last year, we have Rs. 38 crores loss and quarter 2 of the previous period was Rs. 7.4 crores loss. So this will help us to overall improvement in the overall result of the company at the consolidated level and consequently overall total PAT is negative Rs. 7.3 crores which is primarily coming from the mark to market gain or loss which has no cash impact.

Can we move to the next slide please? Yeah, here in this slide, we want to just emphasize on that whatever the investment we are doing in the new business, which is credit and UPI business. And if you see that we have increased investment in last two quarters, almost Rs. 3 crores and Rs. 4.5 crores in this quarter in these businesses, because these will be the more on the customer side, because we are as of now B2B2C player, but we are working on these two businesses on the direct B2C customer to own the customers and we can do have a cross-sell and upsell opportunities to capture. So in effect, the platform business is doing a positive EBITDA and barring whatever the one-time cost and we foresee that with these new businesses coming in, more engagement with our Adhikari network will be there and we will have a mutual kind of new business. And also in the platform business have better margin going forward and better profitability.

Thanks. That's all from my side. I'm handing it over to Amit.

Amit: Thank you, Sunil. And also thank you, Dilip, for those fairly detailed and, insightful opening remarks. I'd now like to open the floor for Q&A. Participants who wants to ask a question, can ask a question by raising their hand or by writing the question in the chat box . So I now like to request people, who want to ask the question, kindly raise their hands or put question in the chat box. We will wait for a moment while the question que assembles. Participants who want to ask a question can raise their hands or put the question in chat box.

Dilip Modi: So the question comes from Naman from Ventura. Two questions. First is pertaining to the credit distribution business. Is there some kind of default guarantee arrangement between you and the lender? And if yes, could you give me a brief idea about what are the terms of such a guarantee? And the second part is talking about the NBFC business, how do you plan to fund the operations of the business? Thank you, Naman, for that.

Basically, Naman, as far as the credit distribution business is concerned, there is no default guarantee arrangement we have with the secured loan providers. The whole goal is to become more a loan origination platform where we are able to generate leads for the lenders to be able to get access to customers and of course help them in terms of processing those leads. So that is something that as we go forward, our focus, as I said, Naman, will be on the distribution side, will be more on the secured credit distribution, where we will not want to enter into any guarantee arrangements, especially on the distribution side. We want to be more on the secured lending side. As you're aware, under the LSP guidelines, there is a first loss default guarantee arrangement that is allowed. And of course, if we were to do that, we'll kind of work in line with that but as of now our focus is more on secured loan distribution. As far as unsecured loan distribution is concerned, our focus is more on lending to our own Adhikaris when it comes to secured loans and that is going to be predominantly through our own NBFC once we have all the approvals in place and really on that we just want to make sure that we focus on Adhikari lending to borrowers who we know who are on our platform where we have more confidence on ourselves as a lender, how we can engage with them. As far as funding of the NBFC is concerned, Naman, as a business, as we've exited the non-fintech businesses, we are looking at the consolidated balance sheet of DiGiSPICE, something that's out there in the public domain. And we do have the balance sheet strength to begin to fund the NBFC acquisition as and when we get the NBFC as we get the approvals. And then going forward, we will see based on how the business evolves, how we should think about the capital requirements and the mix between equity and debt. So that's something we can consider. Sunil, you want to add anything to that?

Sunil Kapoor: Yeah, of course, that's what you have mentioned. I think from a lending standpoint of view, because we have distribution strength and we have an experience with some banks about the distribution of secured product. And we have seen early sign of acceptability and scalability. So, we will be focusing more on the secured distribution and where we will be able to participate with other lenders in co-lending on our balance sheet. So what Dilip mentioned is secured lending will be our focus.

Amit: Thank you both of you. Just one clarity. It seems the first round of question has gone directly into Dilip's direct message. So request if people can ask questions in the common forum. The next question is from the line of Mohit Bansal. He asks, when will the merger get completed and what will be the benefits to the consolidated entity? What will be the shareholding pattern post merger?

Dilip Modi: Thank you for that question. I think we are working with the advisors where there are steps involved in terms of merger because we have multiple licenses at Spice Money which is being merged into DiGiSPICE Technologies. So the first step is to get the necessary approvals from all the authorities who've given the licenses as they move into the listco. And of course, then there is other statutory approvals that we need to go through. We are trying to see how to expedite the approvals, but what we are given to understand is that it is a 9 to 12 months process and therefore really it moves to the end of the next calendar year, but we are trying to see how to work to see how to do this as soon as possible. As far as the benefits are concerned, I think clearly the main business of DiGiSPICE which is the fintech business gets housed in the listco itself instead of sitting in a subsidiary, so it is kind of removing a layer. So it's simplifying the structure. And this is something that we've always received feedback on that simplification leads to value unlock better. So this is something as well as if you have multiple entities does lead to more costs. And therefore it also becomes a more efficient, cost efficient way of creating value. So simplicity, efficiency are the two key positives that have led us to take this decision of merger and something that we believe will allow people at large to then directly get exposed to the fintech business and participate in this journey with us.

Sunil Kapoor: The important thing is with respect to this merger is simplicity and also this will enable Spice Money business to have a subsidiary going forward with respect to any vertical business we can have or we can have a separate focus on that. So as of now, due to layer issue, we can't have a subsidiary of Spice Money that will also help us with that.

Dilip Modi: I think the primary reason behind the merger has to be simplicity and the Spice Money is the only business of DiGiSPICE now and by merging it, we are kind of housing the main business and like Sunil said, to reduce the number of layers tomorrow if you were to get the NBFC approval then it comes in as a subsidiary of the ListCo directly.

Amit: Thank you. Next question is from Rupesh. What is the primary objective behind this merger?

Dilip Modi: I think we've already explained that, Amit. Simplicity, convenience and housing the main business in the ListCo itself.

Amit: Next question comes from Siddharth Doshi. In what ways do the September 30, 2024 balance sheet figures reflect the company's strategic transition towards financial technology services?

Sunil Kapoor: So, as the management has decided last year to come out of the digital technology services business and focus on the financial services and Spice Money having you guys knows about the platform business and whatever the new business we mentioned in our presentation with respect to the credit and that's UPI or Spice Pay that we are focusing on. So now our group is primarily focusing on the financial services business and whatever the opportunities financial services business through to us are available on the basis of the reach what we have built on in last 5, 6 years, we want to write on that. So that's our main focus.

Amit: Continuation of the previous question from Siddharth himself. And to add on previous question, what steps is the company taking to address regulatory challenges and meet compliance standards in the fintech sector?

Dilip Modi: Siddharth, this is a very important question. And we believe that for us, one of the things, when we took a decision to focus on fintech, at the board level, it became very clear to us that the two key value drivers, like in any business is governance, but especially in the fintech business, it's compliance. When we think of ourselves as a fintech company, we see that it's fin followed by tech and not tech followed by fin. And so for us, being a responsible financial services participant, compliance is going to be key, both in terms of letter and spirit. As you know, this is an ongoing partnership and a journey of collaboration with the ecosystem. We are trying to solve the unsolved. We are working in an ecosystem where rules are evolving because we are moving from an unorganized space to making it organized. So we will continue to learn, and we are placing a lot of emphasis, if you look at governance, the kind of directors we have on board, coming from the banking space, coming from a background of having worked on these important subjects of compliance. We have a very dedicated risk compliance function, very rigorous, directly reporting into the audit committee. So for us, compliance is key. And if you really ask me, personally, I think, if given an option between growth and compliance, 100% focus on compliance led growth. We are in this for the long term, we are building a business over the next 25 years. We want to make sure we build it with the culture of compliance and strong adherence to the spirit of compliance.

Amit: Thank you. I would like to merge next two questions coming in from Rupesh and Mohit. It's about the NBFC business. When the business is going to commence operations and when will it reflect in our accounts? Also, how is the NBFC business funded as of now and its leverage in the business?

Dilip Modi: So obviously, we can only start the NBFC business once we get approvals from the regulator. We are awaiting that, we are hoping to get it soon. I'm hoping that we can get it within this financial year, but this is not in our hands. This is something that we will continue to be guided by the regulator. And as they get more comfortable, we will only be able to proceed once we have their blessings. So this is an optionality, that is there for us at Spice Money. But we believe there's value and therefore, we at Spice Money are hoping that we can demonstrate that there is value for us as a company to enter this space to the regulator. If they see merit in it, they will give us the approvals and if they give us the approvals, we can start. So this is something we will start once we get the approvals. We are organizing ourselves in terms of capability. Sunil showed us the numbers in terms of investments. We have invested in teams. We have people on board coming with an NBFC background. We have been working with third party lenders over the last three years. So we have learnings as a LSP, what works, what doesn't work, how to think of underwriting, how to think of collections, how to think of risk models. So it's a new business. And like I said, we're going to go through this very, very carefully. We're not going to rush into credit in terms of scaling up. For us, AUM is not going to be the key driver. The key driver is going to be a responsible credit provider that can enable our Adhikaris to grow income. And we're going to use that more as a metric of growth. As far as funding of the NBFC is concerned, I said earlier, we have the starting balance sheet. To start the lending, we'll be able to demonstrate with the money we have as to how the models work. We'll test out various models. And as we test out and demonstrate that we can build viable models, I'm sure we'll be able to figure out ways to raise growth capital to scale it. Our key goal is to make sure that we build a responsible credit business, a healthy credit business and a credit business that works to grow income rather than just size of book.

Amit: Thank you. Related to this is a question from Mohit. What would be the cost of funds for the NBFC and the credit rating right now?

Dilip Modi: Sorry, cost of funds, I think initially, of course, the NBFC will be funded more through equity, which is our own balance sheet. And therefore, it's more higher cost because it's cost of equity, but we believe that we are trying to build an efficient NBFC. The reason we are bringing it under Spice Money is to make sure that we can build on the learnings and capabilities and then, of course, extend it to the larger MSME ecosystem in rural India. So of course, starting with equity and then hopefully, as we move forward and demonstrate models, we'll be able to leverage with lower cost capital in the form of debt. And I guess the rating will be a function of how we scale the business as well as the mix between secured and unsecured lending.

Amit: Thank you. Next question comes from Pritam Bajaj. Sir, is there a delay in NBFC and PPI rollout while both the new businesses will have a large investment to be done? Consider one in is a B2C play where investments in brand and customer engagement will have to be done. On the other side, there is a great opportunity on lending the Adhikari and the customer. How is the funding pipeline looking like? Also there is a peer now which is listed and has declared a profit and have a very similar model RNFI except for its business from an investor's perspective. We will have a direct comparison. While you have a Forex business as well, will it not be right to merge the business under one entity from a cost and identity in market?

Dilip Modi: So, Pritam, there are three parts to your question, PPI, NBFC and Forex. So let me try and cover all three, right? On the PPI side, Pritam, you're absolutely right. It's a B2C opportunity. It is basically the next 200 million UPI users in the country. The only difference for us, Pritam, is the way we are looking at it is that, unlike other players who are participating in this UPI ecosystem, we are participating on the back of the platform we already have, Pritam, which is our merchant network and their customer base. So we are hoping that we'd be able to leverage this to be able to bring down cost of acquisition for UPI. At the same time, we'd be working closely with NPCI and the other participants in the ecosystem to see how to create revenue models. We do see that while UPI using bank account has no interchange, but UPI using the wallet, there is talk with the authorities to bring in an element of interchange. So while bringing down the cost of acquisition, we will also see how to create a revenue model associated with the UPI business. So needless to say, we will continue to see how to efficiently invest and build the UPI business. As far as the NBFC is concerned, you're absolutely right. There's a great opportunity to lend to the merchant ecosystem, the Adhikari base we have. But like I said, we'll do it step by step. We will use the money that we have to test out various products to the lenders or to the Adhikaris, see what works. We have within the Adhikari base new to credit, existing to credit with different bureau scores. We're going to work closely. See, we're coming with a background of having scaled a collections business. So for us, we're going to make sure that when we lend, we can collect. And so we're going to see which products work, at what cost they work, because our challenge is to keep the cost of credit down at the same time to drive collections. So everything has to come together for us to build the lending business. It is a business that we're going to build in a steady way. We're not going to rush into it. We're going to make sure that we are able to make our Adhikaris into help them effectively become responsible borrowers and really help them to improve their income going forward. On the Forex side, yes, we do have another listed entity, WSFx Global Pay in the group. It is running as an outward remittances and Forex company. It's an independent space with a different profile of customers, which are mainly students and corporates and people traveling for leisure. It is again, kind of a Forex fintech company. So we do have two fintech companies in the group, Spice Money and WSFx Global Pay. As of now, there's been no discussion at either of the boards to think about a potential merger or something like this. These companies are building out in their own spaces and have their own growth journeys as of now.

Amit: Thank you for the detailed answer. Next question comes from Rupesh. He asks about the NBFC business, are there any fundraising plan? And if so, what would be the timeline for that?

Dilip Modi: So Rupesh, as far as NBFC is concerned, like I said, once we get the approvals, we'll start the business. We'll run pilots using capital of our own to be able to demonstrate the robustness of the products that we have. And then we can follow it with the capital raise in the new financial year.

Amit: Sure. Siddharth asks another question. He says, thank you, sir, for the answer on the compliance. Helps us evaluate the regulatory threats. Last question. As DiGiSPICE sharpens its focus on financial technology services segment, how will it strategically allocate resources and investment to drive its growth objectives successfully?

Dilip Modi: So I think, as we are becoming a focused fintech company, the profile of the people that we have on board, our own teams over the period of time, like I said, we are a fintech and not a Techfin business. So effectively, a lot of our team, which is coming from a tech background, we are kind of aligning with the demands and the skills needed on the financial services side. I think of course our focus is going to be to build more and more capability to be able to do more. We have business that has been built grounds up. So a lot of our understanding of products going forward will be depending on how we continue to see, what works and what doesn't work on the ground with our Adhikaris and through them and with them, we'll be able to chart out this journey of serving the unmet for my formal financial needs of Bharat using technology at the core.

Amit: Thank you sir. Next question comes from Harsh Sharma. Since we are in fragmented market/industry and there are peers in the same space, how are we trying to stand out in terms of tech stack?

Dilip Modi: So yes, we do, AePS, we have 17% market shares. Of course, there are other players who are operating in this space. But if you see today, Spice Money is the most preferred platform amongst the merchant ecosystem looking to offer AePS service. So we have invested significantly on our platform stability. I mentioned about new products that we are bringing on the AePS side. Today on the collection side, we are working with some of the largest MFIs and NBFCs in the country and that couldn't work if the stack did not work. We are investing in our capabilities to build on the UPI stack and of course on the lending stack as an NBFC. So I think when it compares to other players in the market, we have our own focus in terms of product lines that we are doing and Sunil showed some of the data in terms of investment in new businesses and a lot of that investment is going in terms of people and tech.

Amit: Thank you, Dilip. Next question comes from Pritam Bajaj. Also, Jio is expected to be seen in this space in the last quarter this year. How are we preparing ourselves for a giant player entering this space? Are we looking at any inorganic growth too?

Dilip Modi: Pritam, my experience has been focus on customer, not competitor. I think for me, I don't know where competition will come from. I just know that we are serving the whole of India with our Adhikaris and through our Adhikaris, we will stay the course, we'll stay focused. Very difficult to pre-empt where competition is coming from. What are they thinking? We are just focused on what we are doing and we are seeing result of that. So we'll just stay the course, Pritam and hope for the best.

Amit: Next question is from Rupesh. This is with regard to the question, can you shed light on the technology advancements and R&D initiatives that DiGiSPICE is focusing on to stay ahead in the fintech sector?

Dilip Modi: I think this is an amazing question and something that we are really committed to. You see, if you think about technology, and while I said we are fintech and not techfin, but technology is at the core of what we are doing. So what are the opportunities for us to work on technology. For example, there are barriers in terms of ease of use. So when we are entering UPI, how do we want to build our product which is very easy for first-time UPI users to use? So we're focusing a lot on UI and UX. Voice is going to be a big thing. So for us, we are a biometrics, we run on the back of a biometric stack. So effectively, Aadhaar-enabled payment system is using the thumbprint. Going forward, we're talking about face authentication and many of us who use DigiYatra, day in day out, at airports know that face authentication works. In biometrics, we are one of the leaders in the world around that. As Spice Money, we are committed to investing behind biometrics. And then the question on voice. I think with language barriers, 9 out of 10 new users on internet are non-English speaking. We have to figure out a way how to use Gen AI, new language models to build voice-based vernacular solutions. So biometrics and voice are two big areas that we're going to commit to on tech. We are looking to partner with, one of the things that we are excited about is to partner with Academia. There's a lot of innovation happening within institutions, which is low cost, frugal innovation. I had the opportunity recently to meet Professor Anil Gupta, who's working on Grassroots innovation, someone from IIM Ahmedabad background. As a country, fintech has made us really given a lot of confidence to us as a country that we can innovate. We were from followers who are becoming leaders on innovation and UPI has shown the way, right that the world is looking at UPI. And we believe that AePS is effectively going to become the top of the funnel for the next generation of UPI users in the country. So for us, technology is something that we are building homegrown as a country, as an ecosystem. Fintech is doing stuff, which is amazing and we at Spice Money want to participate and contribute to this. So, a lot of focus on technology. The key is going to be people. The key is going to be about attracting the right talent and working with the right talent. So that's something that we continue to work on. We hope that we can go out there and convince great talent to solve for rural. We are an impact story as much as a for-profit growth story. And I'm hoping we can, I met Professor Anil Gupta two days back and he made a statement. He said, can we create hunger amongst the best minds in India to serve the poor? If we can do that as a country and as a company, I think we'll see amazing tech being developed, which will solve for rural and we'll be able to demonstrate to the world that rural can actually implement the best of technologies and can actually compete and offer the best even to consumers who can't afford to pay a lot.

Amit: Amazing answer. Pritam says thanks for the reply to the question that you answered. Next question comes from Harsh Sharma. Also our presence in different geographies, has it remained stagnant? Any particular reasons for that?

Dilip Modi: I would not say stagnant, but yes, we've not grown as much in the South as we would like to. I think it's just a factor of time. I guess there have been lots of things that we've been working on the product side and on the tech side and all of that stuff. I think there's been competition also coming into some of our strong markets and we've been trying to make sure that we don't lose our positioning over there. But yes, to that extent, if you see our market share has been holding at 17%, ideally it should be growing. And yeah, that's the thing we have to turn the needle. We have to move from a holding market share to a growing market share. And we at Spice Money are committed to that.

Amit: Rupesh has a question, I think is in continuation of the previous question. What is the percentage of your overall budget which has been allocated to technology innovation? And how much has this changed over the past few quarters?

Dilip Modi: Rupesh, if you ask me, really, this is something that I think Sunil and I talk about a lot in terms of how to do the investments. We are actually now beginning to show the segment between investing in current business and new business. It's not as much as I would like it to be. Actually, I want to invest a lot more in technology innovation. I'm hoping that once our corporate restructuring is over, we can start allocating more capital to innovation. So right now, I don't want to talk to you about numbers because it's not as much as we would like it to be. I want this number to grow and maybe in the coming quarters we will talk more about this number.

Amit: As there are no further questions, I would now like to hand over the call to Dilip for his closing remark. Over to you, sir.

Dilip Modi: Well, I would just like to say thank you for all those who showed up on the call. I know many of you have come to these calls multiple times. It's so amazing to see people giving time to listen to what we are doing. I can just conclude by saying that we at Spice Money are a mission focused company. We are a purpose driven company. We want to solve for the unsolved. We want to solve for the unmet formal financial needs of Bharat. We have an amazing network of merchants-hungry, committed, driven to serve customers and small businesses in rural India.

We're very conscious of the ecosystem we are working in. We want to be a responsible participant in the financial services ecosystem. We share the concerns of the regulator when they talk about NPAs and the need to build a robust financial services sector. We want to be a responsible participant in the financial services space. Of course, it comes with a lot of responsibility, but it also comes with making sure that we give up on many opportunities if we feel that it could lead to concerns from a systemic risk point of view. So we will continue to tread very cautiously and very carefully because we are working in a part of India that's financially vulnerable because there are issues of financial literacy and we want to make sure that we as a responsible player are not only able to grow business, but also be able to organize the unorganized financial services sector. So we'll make our humble contribution towards that. Thank you so much for showing up on these calls. If there's anything, please do keep reaching out to us. We need as much support in this journey. We are on a long-term journey, but together we can build a fix in Bharat. Thank you so much.

Amit: Thank you, sir. With this concluding remark, we now close the call. You may please disconnect the call. Thank you.

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