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BSE Limited

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SCRIP CODE: **511147**

Company: **Wall Street Finance Limited**

Sub: **Transcript of earning conference call**

Dear Sir/Madam,

We are enclosing the copy of transcript of the Earnings Conference Call held yesterday i.e. 19th June, 2020. The same will be uploaded on the website of the Company, www.wsfx.in

You are requested to take the same on your record.

Thanking You,
For Wall Street Finance Limited

Chaitali Desai
Company Secretary

“Wall Street Finance Limited Q4 FY 2020 Investor Conference Call”
June 19, 2020



MANAGEMENT: MR. N. SRIKRISHNA – WHOLE TIME DIRECTOR & CEO
MR. DIPESH DHAROD – CHIEF FINANCIAL OFFICER

Moderator: Ladies and gentlemen, good evening and welcome to the Q4 FY 2020 Investor Conference Call of Wall Street Finance Limited. As a reminder, all participant lines will be in the listen-only mode. And there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing '*' and then '0' on your touchtone phone. Please note that this conference is being recorded.

Material and information in this conference call is general background about the company's activities as at the date of this presentation. Information in this presentation should not be considered as advice or a recommendation to investor, or potential investors, in relation to holding, purchasing or selling securities, and does not take into account your particular investment objective, finance situations or needs. This information is given in summary form and does not purport to be complete.

I now hand the conference over to Mr. N. Srikrishna – Whole Time Director and Chief Executive Officer, and Mr. Dipesh Dharod – Chief Financial Officer. Thank you and over to you all.

N. Srikrishna: Good evening every one. This is Srikrishna here along with Mr. Dipesh Dharod, Chief Financial Officer.

Dipesh Dharod: Good evening, everyone.

N. Srikrishna: It is a pleasure to connect once again with our investors and present our audited financials for Q4 and the financial year 2020. I will start with a small presentation of the company, the strategic direction that we are taking and update on the digital initiatives which we have been talking about and where we are as of now and also the results. We have already uploaded the presentation on the company's website as well as the BSE website.

We are RBI authorized AD Category II player. Wall Street has more than 30 years' heritage and the last two and half years we have been a pure play foreign exchange player, we can say that we sold our MTSS business in 2017 and now in the last two and a half years we have been literally focused on Forex and transformation of Forex business to a digital Forex tech companies.

We have a network of branches across India, but our growth has not been based on branch, it's more through the digital reach. We have come up with digital solutions for corporates, agents and retail customers. We also provide travel insurance. Today we have a network of 18 branches, we have reduced two branches because of the Covid -19 situation.

For the forex card product, we are partners with YES Bank and Thomas Cook, we have our own smart currency card which is a big sponsorship arrangement with YES Bank. For our AD II remittance and the referral part we deal with IndusInd Bank, YES Bank and Axis Bank. We have a large customer base. Today we have added companies like E&Y, Mphasis, Novartis, L&T,

Siemens, all these entities deal with us for the foreign exchange requirements and from a remittance perspective, we are tied up with major agent partners, education consultants, one of our key account is HDFC Credila.

Now, let us talk about the key highlights of Q4, what has happened in Q4, what is the outlook on Q4? we started well in January and the business was good in January and we had a very upswing in our remittance business because as a Company we have been always focused on student's remittances, but from the last week of February, we got hit because of the COVID-19 pandemic, it had a minor effect in February and a major effect from March onwards. So the key drivers for that quarter was remittance and 3-4 large corporates. Slowly we have also added a lot of clients in our corporate and agent platform and we are getting good turnover through these platforms.

Now one of the big thing which happened was the COVID-19 pandemic, which had a very direct impact on the business. In fact, we had also given a note on this to the stock exchange. So from the last week of February, we could feel the impact of COVID-19 and from March onwards, the impact was drastic with the country getting into lockdown from 24th March and in Mumbai literally it was started closing from 15th itself. Essentially, we had a business continuity plan in place. luckily since we are more a technology enabled company, we were able to quickly ramp up the work from home support for our activity. Even though there was a major business impact in our activity, we were still able to do right during all the lockdown periods. We did student remittances, living expenses and also card reloads, because since international flights are not there is no fresh currency or card business.

Parallely, post March, for the Q1 of FY 21, we had also implemented a cost rationalization plan. From 17th May, in a phased manner we also started operating our branches. We feel that things are gradually improving and we feel that once international flights start, there can be a situation which can improve. But as I said, the situation is an evolving situation, so we will not try to comment on it. We are geared up both in terms of our digital path and to take advantage of the opportunity. But obviously, a lot depends on how the situation stabilizes. We also shared a note on the COVID-19 impact on our business to the stock exchange.

Now, coming to our performance part. We have given you the comparison between Q4 of this year and the Q4 of last year and also comparison between Q4 and Q3 numbers. If you see, our revenue was higher at Rs. 949.50 lakhs from Rs. 688.08 lakhs of the previous year same quarter i.e. 38% increase. Of course, other income was of Rs. 49.25 lakhs in Q4. PBT level, we were at Rs. (185.10) crores, because we took some provisions and we also had a hit in the February and March revenue numbers. From Q4 versus Q3, our revenue was of Rs. 949.50 lakhs against Rs. 873.67 lakhs i.e. 9% increase. Other income was of Rs. 49.25 lakhs against Rs. 50.77 lakhs. So, we had a loss of Rs. 185.10 crores. in Q4 and of course the provision has been added against the previous Q3 of Rs. 10.86 crores.

So when you compare it from a year-on-year perspective, our revenue from operations moved from Rs. 2,387.79 lakhs in FY 2019 to Rs. 3,632 lakhs in FY 2020 i.e. 52% growth. At PBT level we booked Rs. (73.88) lakhs, as against a profit of Rs. 7.14 lakhs the previous year, PAT was Rs. (58.46) lakhs against Rs. 16.85 lakhs. So, actually despite the COVID situation, if you remove the provisions, we are still at a profit at the PBT level. But we had to take certain provisions because the COVID due to delaying the recovery and also there was a time factor which was involved and we felt it is prudent to take certain provisions, hence, we have taken a provision of around Rs. 87.60 lakhs, because of which we declared loss of Rs. (73.88) lakhs. Considering the situation that the company was on the growth path and only last quarter we had an impact on the COVID and also keeping in mind the shareholders' interest, we have proposed a dividend of 15% which is Rs. 1.5 per share, subject to the members approval at the AGM.

Now to dive deep into the numbers, I hand over the call to Mr. Dipesh Dharod, Chief Financial Officer. Over to you, Dipesh.

Dipesh Dharod:

Thank you sir. Good evening shareholders. Since we are talking about quarter four and the annual results, I will run through these numbers for you. It is part of our presentation as Mr. Krishna mentioned, which we have uploaded on the BSE site and on our website too. During the current quarter, we have done a revenue from operations of Rs. 949.50 lakhs, a direct expense majorly consisting of freight and commission of Rs. 471.50 lakhs, giving us a net revenue of Rs. 478 lakhs. Other income of Rs. 49.25 lakhs and total revenue amounting to Rs. 527.24 lakhs.

Our selling and administrative expenses was of Rs. 568.18 lakhs, provisions was of Rs. 87.60 Lakhs which gives an EBITDA of Rs. (128.54) lakhs, a finance cost of Rs. 27.90 lakhs, depreciation of Rs. 28.66 lakhs for the quarter, giving a PBT of Rs. (185.10) lakhs for the current quarter. Taxes and other comprehensive income and compiling finally to profit after tax of Rs. (116.56) lakhs.

If we compare that the complete year, financial year 2019-2020 vis-à-vis financial year 2018-2019, we have got revenue from operations of Rs. 3,632.22 lakhs vis-à-vis Rs. 2,387.79 lakhs of the last year 2018-2019. Total revenue, including other income, for the current year is Rs. 2,404.34 lakhs, against Rs. 1,854.35 lakhs. Our selling and administrative expenses during the current year are Rs. 2,163.80 lakhs against Rs. 1,681.20 lakhs for the last year. Finance cost is Rs. 144.89 lakhs against Rs. 126.85 lakhs. A depreciation is Rs. 81.93 lakhs against Rs. 39.15 lakhs and profit before tax in this current year was of Rs. (73.88) lakhs after providing for Rs. 87.60 lakhs as provision, against Rs. 7.14 lakhs for financial year 2018-2019 and the profit after tax was of Rs. (58.46) lakhs against 2018-2019 Rs. 16.85 lakhs.

We move on to the next slide which shows that how our revenue from operations during the last eight quarters have grown. We have represented in a graphical format, both revenue from operations at a gross level and at a net level. As you are aware, between the gross and the net is the direct expense which is majorly comprising of commissions and freight and other charges. So, we started the journey in Q1 2018-2019 at a gross revenue of Rs. 566 lakhs, grew to Rs. 590 lakhs to Rs. 544 lakhs, to Rs. 688 lakhs in quarter four of 2018-2019, subsequently to Rs. 820 lakhs, to Rs. 989 lakhs, to Rs. 874 lakhs and finally in the current Q4 of 2019-2020, we ended at Rs. 949 lakhs.

Similarly, for net revenue we started off with Rs. 389 lakhs in Q1 of 2018-2019, grew to Rs. 412 lakhs and then in Q3 it was of Rs. 356 lakhs, again grew back to Rs. 419 lakhs in Q4 of 2018-19, and in Q1 it was of Rs. 535 lakhs, to Rs. 643 lakhs, then a decrease in the Q3 of FY 2020 to Rs. 549 lakhs and finally ending at Rs. 478 lakhs in Q4 of 2019-2020. Our selling and administrative expenses are more or less have remained constant from Rs. 448 lakhs to Rs. 568 lakhs in the current quarter over the last eight quarters.

With regards to our priority segments, Mr. Krishna has already mentioned to us that our cards and the outward remittance have always been the priority for the company, and has shown a growth. Of course, the current quarter has shown a degrowth, as Mr. Krishna mentioned, due to COVID we have lost the entire month of March and the last week of February. The five weeks have been lost due to that. So if we are taking a base year in Q3 when we started the FOREX business as standalone, we are 35% from their upside and with regard to outward remittance, we are at 279% from that quarter, the highest being at 320%, which is generally a student season. As you see the two peaks, both in prepaid cards is due to the student season that prevails during the month of July and August, which the company has taken to its advantage.

Now, further with regards to the digital portal Mr. Krishna will take this forward from here. Over to you Mr. Krishna.

N. Srikrishna:

Thanks Dipesh. So, now coming back to our digital transformation journey. So we are happy to say on the day of the Board Meeting we launched our WSFx Smart Fx App. If you look at our digital journey, we started with a corporate platform in app, and then we launched our agent platform in app. The major event last year was our launch of our own smart currency card, a sponsored card with our dedicated app. Now we are happy to say we have launched our WSFx Smart Fx App, which we say the one App for all your Forex needs. Because this COVID also has shown us that going digital is the only way forward.

So, the company has taken is the right approach. We also written to RBI to ensure the digital KYC part of it. Once that is added, you will see we have a solution which is beyond our branch network, we will have a solution where we can take care of the requirements of anyone across India. So you can do your remittances, students remittance, LRS remittance, you can buy Forex card, link your

existing Forex card, that's my Smart Currency Card or buy currency notes through this app. So we have integrated even the card part of it into this app, so you can manage your Smart Currency Card through this app itself.

So, our focus has always been the student segment. In fact, we have grown year-on-year. Dipesh had shown you the trend on how the outward remittance goes and in outward remittance, 80% of our business comes from certain segment, maybe 70% to 80% to be more accurate. So what we have done is, in our app also we have a separate journey for students. It is a simple and intuitive app where sending money, buying Forex is in four easy steps. So your student can pay his university fees, GIC payments, living expenses by card. As a promotion student will also get free IACC card for the student which is a discount card for him.

The company has always targeted to be a digital Forex tech company. We can say that we are moved from a physical company in tech Company. We are also not bothered about having expansion through physical branch network which I feel is the right approach. Today, technology companies are saying work from home, but since we are a licensed entity we have to operate from an office. But through technology we are ensuring that we don't rely on brand expansion as the only way of growth. So we have now Smart Corporate platforms for corporates and agents which are live and running. We have launch WSFx Smart B2C app first and we will also have a portal shortly, but today everything happens in app, so app was our priority. We have also launched app enabled our Smart Currency Card.

So in a way, you can say that a major portion of our digital journey, the development part is done. Of course, the work remains now to make it acceptable, make it a choice for all of our customers. So, we are confident that we are on the right path, we have done one part of it, now taking it to the market, making it choice product of the customer is the next challenge for us, which we are going to do and create shareholder value.

So with this, I will come to the end of my presentation. I would like to thank you everyone once again, I now hand over the conference to the moderator. Thank you.

Moderator:

Thank you. Ladies and gentlemen, we will now begin with the question and answer session. The first question is from the line of Nimish Sheth from GE Advisory. Please go ahead.

Nimish Sheth:

Congratulations on the launch of your Forex smart app. I have a bunch of questions. The first is actually relating to your P&L. The slide that you have, I think that's fine. You are showing an increase in your SG&A from around Rs. 17 crores in FY '19 to around Rs. 22 crores in FY '20, that's a jump of about Rs. 5 crores, (approximately, Rs. 480 lakhs actually). What I would like to know is what is the reason for the big jump? Is it to do with all the technology platforms that we have been investing in? and how much have you invested in these technology platforms? How

much is written-off? and how much is capitalized? That's the first question. I will come to other questions later.

N. Srikrishna:

Okay. So, first part, in terms of growth. So there are two parts to your first question. The cost part of it I will allow Dipesh to handle, from a business perspective, right from the last two and a half years there were two focuses for the company, one is in terms of customer segmentation. In terms of customer segmentation, we were very clear we are focused on corporates, we are focused on student segment. We in fact, were deemphasizing the wholesale operations, in fact our revenue from wholesale is dropped from an x percentage, because we felt that retail, especially digital retail and focus on students, which is a key segment for us and corporates was our focus. Second focus was to transform into a digital company. So there are two parts to it. So in the traditional model also the entire organization was focused on a particular customer segment, which really worked for us because our corporate business also grew. Our remittance business, which is a very asset light business, where we don't have to invest our own money, that grew phenomenally. In fact, we have a record growth in our remittance where in the last eight quarters if you see our remittance growth has been unprecedented. So our efforts in the traditional mode also paid off, we have one large customer called HDFC Credila also, which we signed up one and a half, two years back, which has come as a big customer for us. Besides that, we have signed up multiple student consultants, agents, etc. So that part really worked well for us.

Second is, from a technology perspective also, market which had become generic, we were one of the last guys to get into the corporate side where a lot of big players were there. There was nothing for you to go and differentiate, the technology really helped us to differentiate our offering, and go back to the corporates and say, "we have got a technology platform for you", that has helped us and the efforts got paid off where we are able to sign up a few big customers, by then this COVID issue happened. So essentially, we had an extra turnover coming through our corporate platform also. From an agent perspective, in the last one year we have shown a growth that we have at least around 10% to 15% of our turnover coming through the agent platform also. But, what worked for us was the growth was more driven through my remittance segment, which was concentrated in the traditional mode also and slowly the transformation to digital has started happening. In corporate, the digital only gave me the advantage to get into a corporate itself, because otherwise my offering generally was a generic money. So, that part is where we transformed. Today, now we are in a situation where we feel that the coming few years, next two to three years is where we are going to see a transformation and a major growth which will be much more than the traditional growth in both these areas, both in terms of corporate platform, in terms of our agent platform through which agent partners can refer business to me, both as a lead management or as an order processing system. So, this ensures that this will be our lasting advantage, digital will give us that extra mile of advantage to ensure that we are sustainable that is where things have worked for us.

As far as the cost part of it, Dipesh, you can explain how much we have spent on the digital part.

Dipesh Dharod: Mr. Nimish, thank you for your question. With regard to the cost that you have mentioned, from Rs. 1,681 lakhs to Rs. 2,164 lakhs that we have spent, it's about Rs. 475 Lakhs. So, majorly last year all the three years put together we have spent Rs. 6.45 crores. During the last year, that is financial year 2018-2019, we have spent almost about Rs. 3 crores on the intangible assets which are capitalized. So, they don't fall in the part of the P&L and in the current year we have spent about Rs. 135 lakhs which has been capitalized. So, the one major difference of about Rs. 1.7 crores is due to the less capitalization during the current financial year, one of the part from Rs. 480 Lakhs. The other is because of the increase in the business there is a normal 10% to 12% increase in the overall salary, incentives etc.

N. Srikrishna: Dipesh, I think Nimish wants to know only on the software part. So, I think you have completed that. So, Nimish, what has happened is we have spent around Rs. 6.46 crores. The major bulk of the development happened in the 2018-2019 where we were parallelly developing multiple platforms. Once we started launching that, we have reduced our capitalization and last year we have spent around Rs. 1.33 crores. So, totally amortization and capital work in progress will be equal to Rs. 6.46 crores.

Nimish Sheth: Right. And what accounts for the new jump in the SG&A? Your SG&A has jumped from Rs. 17 crores to Rs. 22 crores, right? So, that's almost more than 25% jump. So, I am saying, what are the key components of why did it jump so much?

N. Srikrishna: It's income from remittances.

Nimish Sheth: No, this is your expenses I am saying, selling general and admin expenses.

N. Srikrishna: Okay, that I will explain. So, what happens is, if you look at it, Dipesh was explaining to you the next part of it, because the first part was what will be spent on the software. How did we spend it was, the software development is more in terms of cost in terms of the resources etc. So, we had capitalized around Rs. 3 crores of our previous year, whereas subsequent year was only Rs. 1.3 crores. So, that will explain that if you look at it, our amortization was less for last year. So, our expenditure increase, if you look at it from an operating expenditure increase, it was only around 10% to 12%, rest was more because of the amortization. Earlier we were doing a higher amortization. Last year since we are developed all the things we did a lesser amortization.

Nimish Sheth: Okay. So the bulk of this is now through, current year we can expect.

N. Srikrishna: Absolutely, we have reduced absolutely. In terms of amortization we came down to Rs. 1.35 crores, and this year it will be very marginal because we have launched our B2C also in the first quarter.

Nimish Sheth: Right. And the second question on the P&L is actually on the provision of Rs. 87.6 lakhs during the quarter and for the full year. What is this Rs. 88 lakh provision? I think in the previous was it quarter or two quarters ago, there was Rs. 56 lakh doubtful debt which you said we are looking to recover it, is it to do with that or is it a fresh one?

N. Srikrishna: No, last quarter on the previous quarter we had a debt of Rs. 67.06 lakhs, which is a receivable for a bulk sale debt to us through another money changer, which had got disputed. In fact, we had taken some civil and criminal action against them. We were confident of the recovery, but unfortunately because of COVID issue everything, our entire process of recovery got delayed. Now only we are able to even file a civil suit against them and the criminal stay which they had taken had also got delayed. So, naturally, as a prudent practice, we had to provide for it, but all actions are being taken to recover the same. And the second one is, the old insurance claim of Rs. 20 lakhs, that is actually a several years old claim, which has got delayed. So, even that claim we are confident of recovering. But since it's become very long, and now also the claim is not coming through because the insurance companies are close, they are not processing claims, we felt that part of it also we will provide for, because of the huge time gap which has happened. These are the two provisions which we have made.

Nimish Sheth: Right. I have got just two more questions. The third question is actually on the money that we received from the sale of one of our divisions a couple of years ago, some of it was paid back as a special dividend and some of it was retained by the company, I think an amount of maybe Rs. 25 crores or something. But that money part of it has been put into fixed deposits. And on the flip side, we borrow money actually for our working capital. So it's the same question every quarter we ask this, any relook at this that we are going to just not have fixed deposits and start moving all this money into working capital and borrow less from the bank?

N. Srikrishna: Yes, exactly. See, if you look at it, because of this global situation, obviously, the operations has shrunk. And obviously, when operations shrink, bank working capital also comes down, with the CC which they give us. But if you look at it overall, our operations, if you look at our business it has grown in the last eight quarters. And in money changing, whatever said and done, working capital is required and it's money. So, earlier also if you look at it, we used our fixed deposit. See, one portion of the fixed deposit we had earmarked for investment. In fact, today also when we gave the dividend, our Board has considered that, "Okay, we didn't do any investment, we should give a dividend". So, that was one perspective.

Second is we kept the fixed deposit to borrow more from the bank. So, one is to two or one is to three, because at some point we had some Rs. 15 crores of limits from the card issuing bank, that was all based on FD or a bank guarantee for which I had to keep an FD and second is, we have various limits which various banks for which we needed to give an underlying some sort of a deposit. But often a portion of the money was kept separately as fixed deposit, which in the AGM also we said that we will look at investments. And obviously, when investment is not there we will

also dividend it out was the thing presented to the investors, I think the company is doing that. But as of today if you look at it, we are not exactly trying to keep it in deposit and spend on interest. Today it's a much judicious mix we have come across. This three months is a little different because business has shrunk otherwise our business was taking up capital requirements of around Rs. 30 - 40 crores also which raised the debt from the banks.

Nimish Sheth:

Okay. Understood. And then the last question, and that's because typically you said in the second quarter which is basically July, August is when your remittances for students who are leaving for the U.S. or Canada, Australia, those remittances spike. Now that you have a smart card, FOREX card, you have a smart FOREX card linked with an app etc., do you see this business is reviving somewhat? I cannot expect a 100% revival but some revival in the coming quarter Q2 in terms of students actually utilizing this?

N. Srikrishna:

So, I will explain to you. We have built a product proposition, but unfortunately flights are not taking off. So, obviously, cards are dependent on flights taking off, no one is going to buy your card till the first international flight goes. Of course, a few transactions may happen because of this evacuation flights, but otherwise we are today only having reloads going on. So card is a proposition. When things start opening up card will pick up again. Till that time card and currency sales are not going to be there. And we foresee that today everyone says by August it will start, so we are also hoping for that. As far as remittances are concerned, we have seen people remitting money in the last two months, April and May. There has been a slowdown because universities have extended the time for the students to pay the fees because there has been a slowdown. But if you look at it, COVID situation is something which is taking it's an evolving situation, like people hear that maybe things will become alright, some people say there may be a second wave. So it's an evolving situation where you cannot have a fixed plan, you can only be prepared to handle the situation. We are geared up, we are prepared. We are doing transactions every day, right from April. We were never at zero percent at all, we were at 20%, 25% of our revenues in April also. So April, May, June also we have seen growth. So what we are saying is we are geared up, we have got a solution in place, we are going to take all of our efforts to reach the solution to the customer. But a lot depends on how the situation is going to evolve, but we are geared up. Now the situation is evolving, we will be there to take advantage of it, that much I can guarantee.

Nimish Sheth:

Perfect. Thank you so much. And wish you all the best and to you and your colleagues, stay safe. Thank you.

Moderator:

Thank you. The next question is from the line of Imran Contractor from Quantum Investment. Please go ahead.

Imran Contractor: Congratulations on the launch. Some housekeeping questions. The taxation if you see in the fourth quarter, we have a write back up about Rs. 67 lakhs credit. And in the consolidation, we have only Rs. 10 lakhs write back, though for the year totally we see the credit figure of Rs. 52 lakhs. So why is this big difference?

Dipesh Dharod: Yes, I will tell you. There are two effects to it. One is the depreciation effect, because under income tax for the intangible assets it is just 25% across, whereas in the books we have taken at seven years shelf life. So, that is one of the effects that has been given. Further, the second effect is majorly due to the shifting of, or rather the advances moving to capital for my subsidiaries, that is one of the other taxes that is there and third is the provision that we have done which is not allowable under income tax, but your profit before tax comes down. So, these are the three major factors.

Imran Contractor: Sir, you have digital businesses subsidiary, that is why it has happened?

Dipesh Dharod: No, the digital business is in Wall Street only, the subsidiary we are planning to strike off in the next one year.

Imran Contractor: What is the subsidiary?

Dipesh Dharod: S Global Insurance Advisory Limited and besides that, we have still opted for the old tax regime. I think last quarter you had asked, because we still have a MAT credit to it and we still have a business clause, because once we move from the old regime to the new regime, there is no coming back, but from old regime to new regime we can move it any of the years. So, probably we are taking advice from our consultants, our tax auditors also on this and they have been guiding us on this.

Imran Contractor: Right, okay. And coming to the operations, basically I understand we got disturbed by the COVID and from end of February to March to till now. But can you tell me for the first 11 months how were we running in terms of our net income?

N. Srikrishna: Dipesh had explained one chart, where we talked of gross revenue and net revenue, the slide if you see.

Imran Contractor: No I can see that, because that slide is for the quarter and the year. So I was just wondering if COVID wouldn't have happened, you see what is happening to the net income, after picking in two quarters earlier we are not reaching that same level.

N. Srikrishna: You have to understand, in money chasing money if you remember, every investor meet I tell one thing, money changing is in Q1, Q2, Q3 and Q4, Q3 is always the weakest quarter and Q4 will again go up. For us what happened was Q3 was dipped and in Q4 January was brilliant, we were

going to the levels, if you look at my remittance business, it would have grown, you must have seen even in the last quarter. But unfortunately, February also were there up to the 20th, in March unfortunately we had a two issues to handle, we had a YES Bank moratorium also and this COVID situation also, you must have understood, we are selling YES Bank cards also. So we had kind of a situation where March we had multiple situations which had started and had an impact on us. Otherwise, we were on a growth trajectory and we were in fact confident that we would have gone up to the Q2 level.

Imran Contractor: Okay and regarding this about Rs. 86 lakhs or whatever we provided, what do you sense, you will be able to recover or we write some of it and we will settle for somewhere in between?

N. Srikrishna: That actually is a court matter, so I cannot discuss in detail. See, since it's a legal matter I cannot even say confident, we are pursuing it in the best possible manner to recover the money. We feel we have a strong case.

Imran Contractor: Right. And this other expenses increase is primarily because of these amortizations?

N. Srikrishna: Imran, if you look at it, we have an x expenditure, we have huge growth year on year. Correspondingly, there are some variable costs which come in, salary increases etc., that operational cost increase was well within 10%, it is because of the amortization difference you feel there is a huge increase in expenditure. Otherwise, if you discount the amortization, it is an acceptable levels.

Imran Contractor: Okay. And going forward now, do you see changing or tweaking your business model somewhat of having less number of branches or less number of people or something like that? Is there any of these thoughts in your mind?

N. Srikrishna: So if we look at it, we are a company which, of course, in the last two and a half years we have rationalized our branches, from 37 branches we are 18 branches. We have rationalized because we said digital is the way to go. So our major network is on main cities only. So, our model has been, if you look at it, there has been a movement from an omnitech Forex company to a digital Forex company. If you see my last slide, it has changed, now we want to be a digital Forex company. So obviously, we are trying to integrate the entire back end operations also we are trying to automate so that we can really become a true digital Forex tech company.

Imran Contractor: Right. Sir, I am just looking at whether we are looking at any less amount of space or whatever, meaning there is a lot of talk about working from home and all those from going into all sorts of organizations. So are we going to be getting some benefit out of it? Or we will have to cross the bridge when we come to it?

N. Srikrishna: So essentially if you look at my biggest cost, it is only the head office. Apart from few big branches, all the small branches are already in very small space. Our average strength in any branch is only 4 to 10 people. So my biggest cause is corporate office. Even during this Q1 period we had got some rent reductions from the people. We are evaluating the work from home situation, because today everyone is working from home, Board Meeting I attended from the office, today I am attending this call from home. So essentially we are adapting to it and we will be based on the situation taking the necessary steps. If we feel it's a workable model, we will definitely reduce costs.

Imran Contractor: Sir, just to get your sense, now in terms of turnover we would be down by how much, 50%, 60% or?

N. Srikrishna: Shortly we will get the results, first quarter has been drastically affected, everyone is aware of it and our business is in a travel space, so you can understand there is an effect to that. But we also reduced the cost based on some cost reduction strategies, which include every area where we can reduce costs from rationalization to reduction of branches, everything possible we have done. But we have also done it in such a way, keeping the human value into consideration, keeping into consideration that we should not cut to the bone where we don't recommend. So we have to be also fit enough to run when things start improving, that is the objective in which we have handled it.

Imran Contractor: And then just one housekeeping question, your trade payables consolidated level is Rs. 2.73 crores compared to Rs. 6.76 crores.

Dipesh Dharod: Yes. So if you see both debtors and creditors, since there was no much business in the last one month because of COVID, even if you see the debtors has come down, the stocks have effectively come down. So both debtors, creditors and payables, it's like a bottom which are recurring, as Mr. Krishna mentioned. We still do some remittances or some card reload, so those are the things that are running in the payables.

Imran Contractor: Dipesh, I am just trying to be very cheeky. Do you think we need to keep these two things like gross fixed deposit which is high and a loan which remains, or it is because your business requirements keep on changing that you need to keep these two buckets separately?

Dipesh Dharod: Yes. As Mr. Krishna did mention, the FDs that are kept are not pure FDs, we leverage funds out of them, maybe two times or three times. And like you always see, there are peaks for us. So, during these peak, these are actually used. If you probably take a single date, there could be an outstanding of about Rs. 20 crores also on a particular day, it comes down the next day. So those peaks are always there when the business is at its peak. So we use it very judiciously and very calculatedly, and hence these are there. It's not that they are purely free, may be they can be free for part of the year, but part of the year they are occupied, you can say in that fashion.

- Imran Contractor:** All right, thanks. No, I am just asking question, instead of construing dividend did we think of a buyback?
- Dipesh Dharod:** Sir, dividend and buyback our board mandates, probably at the management level there is nothing to comment from our side. But your suggestion is taken on record, we will definitely get back to you.
- Imran Contractor:** It has changed very adversely for the dividend. The taxation structure for dividend is being very adverse.
- Dipesh Dharod:** Yes, the Company will have saving in cash flow.
- Imran Contractor:** Look at this way, on our Rs. 10 crores we will pay 43% tax.
- Dipesh Dharod:** Noted.
- Moderator:** Thank you. The next question is from line of Ashish Chug, an individual investor. Please go ahead.
- Ashish Chug:** Mr. Krishna, my question is with regard to the fact that since we are a very small player in the business, and we are competing with many large players in the market, do we see any synergy between the fintech business which we do in the group company, which is Spice Mobility, and Wall Street Finance? And any thoughts ever on the integration of the synergistic businesses to give the company a scale and size again, so that we can maybe compete better in the market. Any thoughts on that?
- N. Srikrishna:** Yes. So I will tell you, there are three companies, right. One is Digi Spice, another is Spice Money, and third is Wall Street. Wall Street is looking at a particular niche of business which is international travelers where the customer segment is completely different. Spice Money looks more at Bharat and it is more into domestic space. So essentially they go on a distribution network methodology where they have 100,000 distributors, where the machines are there, Aadhar enabled payments and all this stuff. Third is the Digi Spice which is into telecom and VAS and all those stuff, who are into specialized software products. Wall Street is a money changer now migrating in to a fintech. The reason why we wanted to become a Forex based company is, it's not a simple app we can do, we have to integrate it end-to-end. Today my technology platforms are integrated from a back end ERP, some are talking through some more platforms to banks also. So I have to customize my platform for corporates, I also have to have deep dive integration, I have to have compliance checks, etc. So that was the idea that we started working with a small development team. If you look at it, over three years, I have spent an 'X' amount of money, but if you look at my development cost today, I have a small team of 10 development people only through with I have built all these platforms. So, from our perspective, from a business perspective we don't see

too much of synergy between the three activities, because each caters to a different set of a segment.

Ashish Chug: Okay. So, there could be advantages, like say common developers for all these apps, or maybe saving in terms of office space or other costs, the corporate cost. So have you ever thought about it?

N. Srikrishna: Yes, we thought about it. But if you look at it, we have a very small footprint, and our head office is in Mumbai, their head office is in Delhi. So head office is the only area where I have a higher cost, all other costs are very small. Because my average branch rent would be Rs. 30,000, Rs. 40,000. So that's why small branches we keep across India, we have reduced it to a major extent. From a development perspective, we specialize in certain technologies, like I use dotnet. Java, I use Flutter. And I use certain technologies, it's not essentially the same technology will be used by them. So, essentially our technology is based on our requirements. So, we have explored those synergies wherever possible, we are trying to see whether we can use their resources. But if it is not possible, we use it on our own, that is the logic we have used. Because since they have also the technology we are always trying to see whenever there is a requirement in terms of evaluating any technology solution, we see whether a group can provide that solution. If they cannot provide, we will go for an outside vendor.

Moderator: Thank you. The next question is from the line of Nimish Sheth from GD Advisory. Please go ahead.

Nimish Sheth: Just a follow-up question to the management. One is, when we launched our smart currency card last year, it was with a tie up with YES Bank. So there are two parts to this question, have the issues associated with YES Bank had any spillover effect on our FOREX card? Because it's a YES Bank branded card, and if there has been a problem, are we looking at other options? And the second question is actually on your new smart currency app. So, can I just go and download it and start or do I have to get invited to download the smart currency app? So once I am your customer only then I am invited to use this app. How does this work?

N. Srikrishna: Yes. So I will answer it. The first question is about YES Bank. Yes, YES Bank moratorium had an impact during that 15 to 18 days, but customers understood that it was an unusual situation. Customers are very reasonable, they have cooperated with us. In fact, a lot of customers, the entire YES Bank customer base of retail customers, it's not the FOREX card customers alone, even the guys who had FD accounts, all those people got affected. But since the communication from the Reserve Bank of India was very clear, and the right noises were made by state banks coming in, etc., people didn't become panicky, so that was a good thing in our favor. They also understood that it was an unusual situation and luckily the resolution happened in maybe around less than 15, 16 days. So, the customers put up with it. Obviously, there was a little bit of frustration which normally happens, but after that an unprecedented COVID event started. So, now, people are no

longer thinking about YES Bank issue. After that, subsequently we have been doing reloads and all, there has been no problem with the product and the team is also supporting us. So, as of today, we are not seeing any hazards and YES Bank has also been very cooperative in terms of the kind of a commercial we have with them. So, that part is with YES Bank. So we don't see a very long-term impact, because today with the kind of investors who have come into YES Bank, I think the fear on the public is not there that this bank will again have such a situation. But as I said, we are reviewing the situation and we will act accordingly. But at this juncture, it is not a very, very burning issue for us also. And reloads are continuing, there is no issue.

Nimish Sheth: The question actually is on your smart app, how does one use it? Does one has to be your customer to use it, etc., how does it work?

N. Srikrishna: No, smart app is one which you can download and use, it is open to all the customer. We will be shortly communicating to all of our customers. In fact, we launched it on the Board Meeting day and we will be reaching out to all of our customers through emails, notifications etc., you can register, and as I said, you can do the transactions. There may be a small amount of physical check and all which we will do from a customer service aspect because have certain regulations. But at least a 90% digital experience you will get. Shortly once we get the necessary digital KYC things in place, which is the video KYC part, then it will become fully digital. So you can just now download the app and use it, there is no issues.

Moderator: Thank you. Ladies and gentlemen, that was the last question. I now hand the conference over to the management for your closing comment.

N. Srikrishna: Thank you, everyone, for joining us. If you have any further queries, please visit our website or you can reach out to a Company Secretary. Once again, thank you. Now I request the moderator to conclude this call.

Moderator: Thank you Ladies and gentlemen, on behalf of Wall Street Finance Limited, we thank you for joining us and you may now disconnect your lines.