

Date: **June 10, 2022**

BSE Limited

Phiroze Jeejeebhoy Towers
Dalal Street, Mumbai – 400001
Scrip Code: 517214

National Stock Exchange of India Limited

Exchange Plaza, Plot No. C/1, G Block
Bandra – Kurla Complex, Bandra (E)
Mumbai – 400 051
Scrip Code: DIGISPICE

Sub: Transcript of the Investors/Analysts Conference Call held on 3rd June, 2022

Dear Sir/Madam,

In continuation to our letter dated 31st May, 2022 intimating you about the schedule of the conference call for Investors/Analysts on 3rd June, 2022 with senior management team of the Company on Audited Financial Results of the Company for the quarter and financial year ended 31st March, 2022, please find attached herewith the transcript of the aforesaid conference call. The same will also be made available on the website of the Company i.e. www.digispice.com.

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

Thanking you.

Yours faithfully,
for **DiGiSPICE Technologies Limited**



(Ruchi Mehta)

Company Secretary & Compliance Officer



Encl.: as above



DiGiSPICE Technologies Limited

Q4 FY22 Earnings Call

June 03, 2022

Gavin Desa: Good afternoon, everyone and a warm welcome to the DiGiSPICE Technologies Limited Q4 and FY22 Earnings Call, Zoom Webinar. We have with us today Mr. Sanjeev Kumar, Co-Founder and CEO of Spice Money; Mr. Sunil Kapoor, Head Group Finance Risk and Compliance; Mr. Rajneesh Arora, Co-Founder and Chief Product and Strategy Officer, Spice Money; Mr. Vivek Venkatesan, CFO Spice Money; and Mr. Vinit Kishore, CFO DiGiSPICE Technologies Limited.

Before we begin, I would like to state that some statements made in today's discussion maybe forward-looking in nature. The actual results may vary as they are dependent on several external factors. A statement in this regard has been included in the result presentation sent to you earlier. We will commence the call with the management taking you through the operational and financial performance for the period under review, following which we will have an interactive Q&A session.

I would now like to invite Mr. Rajneesh Arora to commence the presentation. Over to you, Rajneesh.

Rajneesh Arora: Thanks. Good afternoon everyone. Welcome to the earnings call Q4FY22. Can we begin with the presentation. In our first slide, we are talking about the summary of the key financial metrics for the last three years, FY20, FY21 and FY22, and for better understanding, we have divided this, by representing kind of segmental results, where we are talking about the FinTech segment and the other segments. For people who are joining us for the first time at DiGiSPICE we have two key business units or two key segments. One of them is a rural FinTech segment called Spice Money, which is a key focus area for us at DiGiSPICE over the last two to three years and we are going to talk more about that in detail. The other segment that we have is, again, a B2B enterprise business segment, where we deliver services to other enterprises, primarily technology and digital-driven. These key enterprises include telecom operators and some of the other enterprise industry segments, like BFSI, etc.,

As I said, over the last few years, our focus has been to grow the rural FinTech segment. The other segments actually primarily the telco segment, within the other business, has been going through a transformation, that's been an old business within DiGiSPICE Technologies and has been going through a transformation where we are building new platforms to cater to new needs of the enterprises. With Spice Money, over the last couple of years, we have been able to establish a good product market fit and have been scaling on back of it.

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Coming to numbers, over the last two years, our revenue has grown from INR407 crore to INR712 crore in FY21, further to INR990 crore in FY22. This is a growth of 39% in the last financial year, over and above a 75% growth in FY21 and as you can see, this growth has been primarily driven by Spice Money where the revenue has grown from INR250 crore to INR578 crore and further to INR858 crore.

In FY22, this means the growth was about 49%. Looking at the gross margins, again, you can see the contribution of Spice Money within the overall gross margin has been significantly growing. In fact, the growth of gross margin has been driven by Spice Money, whose margins have grown from INR44 crore in FY20 to INR80 crore in FY'21 to INR131 crore in FY22. We are going to talk in detail the components of this gross margin later.

As far as indirect costs are concerned, you can see that there has been a growth within Spice Money, where we have been investing significantly in organization, technology and brand to make sure that we leverage whatever opportunities available in the rural market and in the other segments, we have been looking at cost as rationalization in line with our transformation efforts.

When we come to EBITDA, our overall EBITDA has moved from INR7 crore in FY20 to INR14 crore in FY22 and on back of positive unit economics and operating leverage, this EBITDA has been driven by Spice Money, where you see that the EBITDA has grown from INR9 crore to INR21 crore to INR22 crore this year. I would also like to state that the current EBITDA is not really reflective of the potential EBITDA since we continue to be on a growth path and continue to invest for future growth, and we will talk about this in the later slides.

The bottom two line items talk about the contribution of Spice Money in the overall DiGiSPICE business. So on revenue, Spice Money now contributes 87% in FY22 of the total revenue of DiGiSPICE. This is up from 61% in FY20. On the gross margin side, Spice Money now contributes 78% to the overall DiGiSPICE gross margins. Looking at the potential growth opportunity within Spice Money, we expect this trend to continue, where Spice Money will continue to contribute more to the financial metrics of DiGiSPICE consolidated.

Next slide, please. Looking at the quarterly numbers, again, I think the storyline is the same that the numbers are driven by growth in Spice Money. So on revenue terms, there is a sequential growth of 11.9% in Spice Money revenue and 50% plus year-on-year. In gross margin, there is a 20% growth in gross margin and 111% growth year-on-year. So, this also kind of showcases the operating leverage that we have within the Spice Money business, where our gross margins are growing in line with a better than revenues and we have a potential to look at a healthy bottom line as we build the business forward.

In terms of indirect costs, as we said, the costs again the investments have been made within the Spice Money business and the other segments are fairly static, and we will talk about more around these investments. The result being the overall EBITDA remaining profitable as the last year, and within that the Spice Money EBITDA quarter-on-quarter there is a dip of from INR7 crores to INR4 crore, but this is due to the fact that we've taken a conscious call to invest the growth in gross margins back into the business, looking at the future growth potential.

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Next slide, please. I would now like to invite Sanjeev Kumar, who is the Co-Founder and CEO of Spice Money, to take us through the Spice Money slides.

Sanjeev Kumar: Thank you so much. Good evening, everyone. Thank you for joining in today. Over the next few slides, I am going to take you broadly over what Spice Money is doing, the segment that we are in, the operating model, some of key business highlights, and then we will cover the financials which my colleague Vivek will touch upon.

Next slide, please. So before that, I want to stress on three words. Spice Money is India's leading rural FinTech platform. I am purposely stating that again because of the space that we are in, we are focused, we are committed to Rural India and there are many pointers that reaffirm our belief and on the opportunity that exists in Rural India and why it is shining. I'm going to touch upon four of them today.

First being the internet penetration in Rural India, which is important in driving our business, which is important in the digital opportunity in Rural India, 336 million internet subscribers in Rural India and if you look at the smartphone, internet penetration increased 30% per annum over the last five years. Rural India today has 20% more internet users than Urban India, which also tells you that the internet penetration in Rural India is growing at a faster pace. Smartphone availability in Rural India has become doubled in the last three years.

Second again, Rural India today contributes to nearly 50%* of the national income, which just again tells you on the significant opportunity that Rural India brings to the overall country's development, it's not only Urban India today, Rural India is contributing equally now. Over the last five years if you look at the Rural India growth, it's grown at over 10% and we generally believe that there is much more headroom for growth.

The third indicator is the literacy rate. It's very important for us to touch based upon this. As of 2021, the literacy rate has improved to around 74%. While this is just an indicator percentage, but the trends that we are seeing also on the ground as we build this business is lot of the youth, which is going to be playing a very significant role in the development of Rural India over the next few years, a decade or so. This is a very key indicator on how digital adoption is going to increase, financial literacy is going to increase, because literacy overall in Rural India is increasing.

Fourth macro pointer is the MSME sector. We all know MSME is the backbone of the Indian economy, contributes about 30% of the country's GDP, and of the 63 million MSMEs, nearly 50% is in Rural India, again a very big opportunity in the overall development of Rural India. So if you look at these four big macro indicators of why Rural India is shining, it just reaffirms us and we believe that we are very well poised to leverage this digital opportunity to make a significant impact in financially and digitally empowering Rural India.

Next slide, please. Let me speak about our business model. So, what are we doing? We are building the last mile digital services platform for Rural India. In simple words, we are trying to solve the problem of access to Rural India. If you look at this slide, in the center is where Spice Money comes, which is our Spice Money entrepreneurs who are using our app. On one side, on my left,

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are the product partners who are product manufacturers, who want to provide services to rural consumers; on the right side is the consumer, in the center is us.

On this platform, we bring products, our product manufacturers on this. We curate them and through our network of Spice Money entrepreneurs, we are able to offer these services to the consumers of Rural India. Example, if I start with my core services of banking and financial services today, a consumer is able to get his basic service - a consumer comes to my Adhikari, and he says, I want to withdraw money from my bank account, he comes and withdraws money from his bank account. He wants to deposit money in his bank account. He comes and does it at a Spice Money Adhikari. He wants to pay bills, because today Rural India is all lit up. Electricity is there in every village, there is a DTH provider in every house and there is an LPG cylinder in every house. Where will you do all the bill payments? you don't need to go anywhere, you need to come to a Spice Money Adhikari. He does this here, right.

There are other assisted services like ticketing. You want to travel, you come here and take tickets. So on one side, we are bringing all products onto this platform. The entrepreneur is a Spice Money entrepreneur, Adhikari, who is digitally savvy, who uses this platform to offer the services to the consumers of Rural India. Like we said, if you understand this model, it's pivoted on three building blocks. First and the most important is access and engagement, right. Second is the data and third, the way we've structured our technologies and open API architecture which allows product manufactures to plug-in, very conveniently we will customize integrations and do-it-on-the-go. That is the business model that we are in.

I will take an opportunity to explain this again in the next slide, can you go to the next slide, please. So, again extension of the last slide. If you were to look at the same business model in a different way, we are building a phygital super app for Bharat. What does this mean? It means when I put a consumer in the center, the rural consumer, and I put down all his needs, and he believe that can I offer those services, onto my platform and through my entrepreneurs who's there at every district, block, gram panchayat and village. If he offers these services to the rural consumers, then a rural consumer does not have to step out of the village.

So, we have identified these services. We bucket them under eight categories. Few of them, we are live, few of them we are going live this year, few of them are maybe slightly distinct, maybe happen a year or two later, but that's there on our roadmap. We are solving the basic banking today. We're solving payments. We are getting into financial services this year. That's something that I am very excited about. We have already solving for travel. We have already solving for entrepreneur solutions. Government to citizens services, G2C, is something again that we will get into this. Healthcare is slightly distant for us today. E-commerce there are some pilots that we are doing. We will look at those models as and when our pilots evolve, but this is an extension of the last slide of building a phygital super app for Bharat.

Next slide, please. If I go back to the first two slides where we are talking about the financial summary of Spice Money, we spoke about lot of investments that we are doing today and we continue to balance growth with profitability. One of the things is very important for us to understand on how our investments is, one is we are a positive unit economics business model and

that's something that gives us a lot of room for us to grow and build this business. However, the operating leverage will come with growth.

What we are trying to do the way we centered this whole business model is we need to enable our Adhikaris to serve our consumers more. If they serve the consumers more, there will be more transactions on the platform, there will be more data that comes out, that data allows us lot of opportunity to innovate on new products, new products goes back onto my platform, it gives more opportunity for Adhikaris to serve more consumers and this is the flywheel that we are operating in. We continue to remain invested in this flywheel and this is what we call the flywheel of growth. That's what Spice Money is driving. These are few of the creatives of few initiatives that we have done recently on different products and services, but we continue to do it. This is just an example.

Next slide, please. I want to talk about two new initiatives. I am not so sure if you would recall, but in the last few quarter presentations, we did speak about them, of few of the business line that we have launched last year, and it's an opportunity for me to talk about them on how they have done in the last year. First one was the enterprise cash management. It's a big opportunity we believe we saw in which we believe that there's a problem statement, in which there are a lot of enterprises like microfinance NBFC's and logistic companies, even banks to a certain extent, wherein they have given out loan The EMI collection happens in cash. So, what do those institutions do? They use collection agents to go to the villages and blocks to collect money from the consumers and they come back to the district headquarters to deposit that cash in their branch. Now, there's too much of logistics challenge, there is time, there is cost to the collection. What we have done is we've offered a solution to them, and says we have tied up with these enterprises and why does your agent have to go back to the district headquarters, why doesn't he come and deposit the same money at my Adhikari, who is there on the village.

So this network of ours has started to become a collection network also a lot of these enterprises. This business, we have got 36 clients integrated last year and if you recall, it was practically negligible in FY20. We started this last year. We did about INR419 crore of business in FY21 and FY22 is where we saw the big growth of over INR10,000 crore. This is something that we continue to build on.

We believe that there's a larger opportunity play and we will build this business as we get more involved. The second business, which we started, was we launched under this brand called Travel Union. And just another opportunity like the banking opportunity if I go back to that phygital super app story of travel as a need, we believe that there is a need of rural consumers who want to travel, but the rural travel agents or even my Adhikaris know product, which makes it easy for them to do the travel-related bookings or services for the consumers.

We launched Travel Union last year. It's a zero investment proposition, very attractive that a product like this according to me doesn't exist in the market in Rural India. In FY '20-'21, we started doing some business, this product got launched in the second half of last year and INR135 crore of GTV in FY21 has gone to INR442 crore in FY22. We believe there is significant growth opportunity in this business and we will focus on building this business in a big way this year and years to come.

Thank you so much. May I request Vivek to take us through the Spice Money financials.

Vivek Venkatesan: Thanks Sanjeev and warm good evening to everybody and thanks for taking your time to join us in this earnings call. If you can go to the presentation, I will take you through the presentation. It gives me a great pleasure in presenting robust set of financial and operating performance over the year and quarter-on-quarter and for some of you who have been regular in attending the calls, some of the information we have been representing will seem repetitive, but the important thing is that these are the key elements to our business model, which we want to reemphasize and also showcase to the market in terms of how well we have been doing in most of the metrics, right.

With that in mind, this slide is about the financial snapshot year-on-year and the ones which are highlighted are the areas which we focus on. The focus is on customer GTV which generates service fee revenue for us and which generates gross margin on service fee and finally drives our EBITDA and EBDT. EBDT, as I have explained before, is after EBITDA we take into account the net interest income that we make on the float money that is available in the platform.

If you look at the key metrics, customer GTV, service fee revenue, service fee gross margin have shown double-digit growth and significant double-digit growth from EBDT. GTV growing at almost 81%, service fee revenue growing at 80% and gross margin also growing at a very healthy 80.4% and like what Rajneesh had alluded before, we have made some conscious investment in the franchise in terms of distribution, our brand, senior leadership and technology and the fact that we have done well in all our operating metrics has provided us the leverage to invest, and EBITDA also has grown better than last year despite investing for growth and EBDT also shown a significant increase.

In terms of the margins, the service fee revenue as a percentage of customer GTV and the GM percentage and service fee GM, we have maintained the ratios which are very critical to our operating leverage, if you look at it in fact the GM, we have grown healthily from 28% as a percentage of service fee revenue to basically around 35% in FY '22.

Next slide, please. So then this is the snapshot of the quarterly performance. We presented the same metrics. Again, if you look at it quarter-on-quarter, we have seen double-digit growth and and if you look at it between customer GTV, service fee revenue and gross margin has progressively increased, GTV growing at 10.4%, service fee revenue growing at 11.7% and gross margin growing at 25%. The indirect costs has gone up 38% quarter-on-quarter, like what we said these are conscious investment we have made. This is the reason that EBITDA has declined, but overall we still continue to maintain positive operating leverage and at a total EBDT level, we have closed the quarter at around INR7 crore.

Can we move to the next slide, please? And again, this is I think the backbone of a franchise, basically our network which is our Adhikaris driving service fee revenue, and proud to say that we have grown our revenues double-digits for the last eight quarters. The most important thing is that we have achieved a very important milestone. In our franchises trajectory, we have crossed a million Adhikaris. End of March was also part of our press release, we feel that this is just the start of the journey, there is significant more to go, but in terms of having a network strength of around

1 million Adhikaris is a very significant milestone and it will help to basically achieve our goal of providing as much as financial inclusion to Rural India, on an accelerated basis over a period of time.

Next slide, please. So, again, these are key metrics. If you look at Adhikaris, we have discussed the story about Adhikaris. Similarly in terms of GTV, we have shown the split between entrepreneur and customer GTV and for people who joining the call for the first time, the difference between entrepreneur and customer GTV is, customer GTV is actually which drives our margins and revenue, entrepreneur GTV is basically where we provide a service to the agent to move the funds from his wallet access to his bank account, and we do it at minimal cost for the Adhikari. But the key metric to note here is our customer GTV, we have shown 1.8x growth YOY. AePS, which is our flagship product, we have seen us consolidate and further our leadership in the market. We have closed the year at a leadership position of around 16.4% and as we speak, we are growing this market share even faster.

Next slide, please. So, last but not least, like what we mentioned in the previous presentations and remembering in this call also, we have been investing in our leadership team. We believe we have the leaders with the right set of depth and breadth to take the franchise to the next level. We are already seeing results getting big financial results and you will see this progressing in a more robust fashion for the quarters to come.

So with that, we close our presentation, and now we will leave it to the audience to ask questions.

Question-and-Answer Session

Gavin Desa: Thank you, we will now start with the question-and-answer session. We have the first question from Ramil Gogna. Ramil, kindly unmute yourself. Thank you.

Q - Ramil Gogna: In one of the slides which Vivek was going through, there was a component indirect cost. So I just wanted to understand what that indirect cost is, and I have seen that it has been increased exceptionally from last year to this year. So, can you please explain that component to me? And then, is that going to increase in the same way moving ahead, as if we can anticipate that?

A - Vivek Venkatesan: Thanks for the question. Also the reason why we show indirect costs separately, this is basically shown below the operating margin. These are costs which are primarily incurred for employees or call center, technology, marketing and these are basically all the important levers for us to drive our business and significant portion of this indirect costs are largely related to employees across the organization.

And to answer your question, we believe in terms of our current business model, which is banking and payments, we have made the right level of investments for us to be able to keep driving growth and operating leverage and on a case to case basis and on a need basis, we will continue to invest on new products and services with a very clear focus on ROI. One thing rest assured is that we believe in financial produce and we believe in investing in future business models for growth based on the operating leverage that we generate on the existing business.

Gavin Desa: Okay. We take the next question from the chat, which is from Rishu Dhawan. In consolidated cash flow statement, YoY the amount for plant, property, equipment has increased from INR381 lakh to INR1,272 lakh. What is the nature of expenditure and what has been actually bought?

A - Vinit Kishore: Thank you for the question, both in DiGiSPICE and the business telco enterprise, we have been investing largely both in machines and software hardware we have been building products. So all these investments have gone into building, those products and systems, which will help us in driving business going forward.

Gavin Desa: Okay. I will move on to the next question. While our sales has increased a lot but our bottom line is still not increasing in the same ratio. Is there any guidance on PAT approximate range for the upcoming year FY 22- FY 23? At least we will remain PAT positive?

A - Vinit Kishore: See as a policy, we don't give guidance. We only talk of figures which have been released. So it's difficult for us to give a guidance. But having said that, since last year, we have been investing and that is a reason why bottom line is not in the same ratio as my top line growth. But the results should see a swap as we progress in next year going forward.

Gavin Desa: Are promoters drawing any salary or perks from the parents or subsidiary company because that's not visible in the annual report?

A - Vinit Kishore: No, promoters are not drawing any remuneration.

Gavin Desa: Okay. Thanks Vinit. We take the next question from Saket Kapoor. Saket please and go ahead.

Q - Saket Kapoor: Namaskar and thank you for this opportunity. I just joined slightly late, so sorry for any repetition. But on the growth trajectory just wanted to understand the scale the company is trying to look say today in 2023 to 2025, two years down the line, what kind of market share and what are the actual growth in Spice Money. First of all the strategies and the areas where we can grow rapidly and also on the market share and the key peer comparison if you could give to us that would provide us some more understanding the story.

A - Sanjeev Kumar: If you were there at that point of time when I was trying to explain the business operating model, in which we spoke about the phygital super app story of Rural India and hence from a consumer perspective all the services that we are trying to offer. So those are the business lines that we want to get into, one. But obviously at this point of time, we are solving for the basic for banking financial services needs and there are other decisions like we venture our travel and other pieces, one. We've called out on two buzz, I don't know if I can get into specific numbers here, but two, three pieces are indicators that I can give you. One, we had called out that one of our mission is to build 10 million entrepreneurs, who will serve Rural India and that's one goal that we have called out for ourselves.

Second is in the AePS market share that we are in today of about 16.4%, we will definitely scale this up. I don't want to get into specific numbers here. But like we say we will be committed to be a significant pan-India player at every district, block and gram panchayat level. So in all these cases, we definitely will need that we will be a significant player solving for Rural India.

Q - Saket Kapoor: So, sir, I was just trying to understand the scale at which the company can grow given the current environment. And also with the increasing penetration of internet, the deliverables of which we are servicing and the bouquet which we can service going forward, how is those things going to change with now with 5G in the anvil? And how is the cost component part going to change going forward?

A - Sanjeev Kumar: So Saket, in our understanding of the business at least for the next five years that we see, one is we are well poised to take on the entire market opportunity that exist. We don't see any threat to the business momentum that we see over the next five years, one. Second, yes, there are certain trends that will emerge as Rural India will also get more digital and digital savvy. But we believe that we are very well poised because we will be very entrenched in that ecosystem to take advantage of that opportunity. So I can only tell you that we will continue to grow the way we have been growing and I am honestly much more than that across all these services that we were trying to seize the opportunity on.

Q - Saket Kapoor: So if we look at the revenue mix and then the other income component, if you could explain what consist of your other income component and it is lumpy in the nature, because if I take the quarterly numbers and the annual numbers that is around INR21 crore, and if we look at the bottom line PBT, so it is INR14 crore for the year, if we just strike out the other income competent, just if you could explain as the nature of what the other income constitutes.

A – Rajneesh Arora: I think a larger part of the other income is actually operating income, which is the interest income that we earn on prepaid balances that our Adhikaris keeps with Spice Money. So that's one big part of the other income. It does get counted and get classified as other income, so that's why you see it there, but essentially, it's part of the business. And then there are other incomes which basically are extraordinary in nature, which are there, but one-offs and not with the Spice Money business.

Q - Saket Kapoor: Sir, because if you look at your expense line item, could explain the nature of this goods and service procured and the services rendered, the differentiation between these two line items and the factors that will be controlling these two costs because these are the two lion share of the entire P&L?

A – Reajneesh Arora: So if you are referring to the consolidated P&Ls, we would advise you to refer to the gross margin break up that we have put in this presentation. Though they are not in the published numbers, but therefore we have done it simpler by publishing the gross margin numbers, which are for Spice Money and which are for the other segments. So I think it will be easier to refer to those than to trying to comprehend it from different line items, because the gross margin computation is coming from computation of different line items from the consolidated P&L.

Q - Saket Kapoor: Okay sir, and if you take this quarter PBT number, do we have any one of item or the trend in the other income is linear in nature or it depends upon the year end part that pays for the higher other income that we had for this quarter in particular?

A - Vinit Kishore: See, we keep on reviewing our books. So just in case, suppose there's a cost provision sitting there, and the cost provision seems to be a higher than what liability we may be pay. So we may reverse that and that appears as the other income. Review of books of accounts is a continuous process. So that something the nature of businesses today we have to provide a cost and then actual cost invoices comes after a gap, and then we assess if their provision is adequate, more than adequate. So that's part of our routine activity. I will not say it's a periodic event and happens only after quarter end or year end, but, it may appear in future as that is part of our review process.

A - Vivek Venkatesan: One point to note, like what Rajneesh mentioned is the significant portion of other income is actually the interest incomes beyond float funds, which is available, which is directly proportional to the level of business that we do. So to that extent, which is a large portion of other income, you can expect that line to be linear to our business growth in Spice Money.

Q - Saket Kapoor: Okay. Sir, last two points, if you could give some color on the business momentum and the factors that will provide the speed to the work. And, again, coming to the valuation part, how do investors value the companies that are into this type of niche business if I might say. And if you could give us some more color on the peer comparison, whether today domestically or other places, other geographies also, wherein a likewise comparison can be drawn?

A - Rajneesh Arora: So I think a couple of things, of course, I think investors like you would be better equipped to answer that question yourself for what are the metrics you should track. But the way we look at it is and specifically talking about the Spice Money business, I think there are two key levers of value. One is how many customers we are able to reach out. And for us, the reaching out to the customers today is through Adhikari. So one key metric is how many Adhikaris, which means what is the spread of distribution and what is the depth of distribution, which we are focused on.

And the second is, how many services are we able to drive through that network, right. So essentially, it's like a pipe that you are creating. You are increasing the reach of that pipe and the number of services and considering that it is a digital platform, right? The ability to push through multiple services, personalize them, create recommendation etc. all of those come into the play. So the way to look at it is like any other digital business where once you are engaging with the customer, the ability to cross-sell is significant times better than any other traditional distribution business. So that's one way to look at. The other question, sorry, Saket, do you had another question on this?

Q - Saket Kapoor: Sir, it was firstly the growth levers I was looking for and sir, just to chip in one more point, what kind of business do we do in continents with the governments. The part of the business that is sourced from the government schemes and the one which is through the private. What is the split between the same?

A - Rajneesh Arora: So, I think, directly we do not really source business from government. However, there are various government schemes like direct benefit transfer schemes of the government. For example, there is a Kisan subsidy, which is released by the government to around 20 crore farmers. For the farmers to be able to easily access that subsidy is where we come in, right? So, I would say, we are complementing the efforts of the government to provide better life to rural citizens rather than sourcing business or providing services to the government. I think that's how currently the business model is. So it's linked to the government's efforts to improve Rural India.

Q - Saket Kapoor: Everything has been put on this DBT platform, and you know your targeted audience also, the revenue mix and where to bridge that gap? So that was my point how easy and how are they align to this line of business because this is going to be an ongoing process. So until and unless the glitches are removed where do we play our role in this DBT transfer part of the story? And how are we making money in the process?

A - Rajneesh Arora: So I think couple of things. One, let me clarify that while DBT is a big driver for our business, because there is a sudden release of money to a large set of beneficiaries that gives us the ability to kind of create a network in a village, right? Because there is sudden demand for a product in the village, but that does not mean that is our customer that is one segment of a customer which gives a boost or which gives us the right to go out in the rural and set up business, but when we have an Adhikari point in rural, it is practically every rural citizen who is able to get a convenient access to the services which otherwise he's not able to, right? So that's one point that I would like to say that there is a certain driver, but then that driver helps us to get into rural and be able to solve problem for a larger set of segments, okay?

Second your point around profitability, so the way the business model works is that the customer of the bank pays an interchange to us and it flows through NPCI and then acquirer bank and a large part of that interchange, we pass on to the Adhikari Network to our channel to be able to service the customers. So we retain a portion of that interchange, that's our unit economics. So, there is a per transaction fee that an Adhikari makes and we also retain a per transaction fee. So, for most of the products either the service provider or the customer pay us and we retain a certain part of the fee.

Q - Saket Kapoor: Sir, in this process, what are the key risks to the business model? Today you are able to bridge this gap go for this incentive-based work, going forward with literacy rates with also deeper level of penetration and also the person who is remitting these benefits are also knowing that you are playing a role in bits. So, what could be the key risks and challenges that business model may currently have and what steps are you taking to eliminate or lower the same?

A - Rajneesh Arora: So, I think, one question, that kind of continues to get asked is that will growth of digital in rural mean that it hurts our business. And I think that is something that ought to be answered. That is something that we kind of live with every day and that is something that we are also solving for. So, currently, we see that growth of digital is actually helping our business. Okay and when I say growth of digital, I mean more bank customers are actually helping our business. Let me take an example, say a farmer who was earlier only dealing in cash, which means when he was selling his produce, he was getting cash and all his payments of inputs, all his

payments to labor etc. were in cash. What is started to happen is that now because he's fully banked. A lot of his sale of produces started to come into the bank account. And what that means is that while the inflow into the bank has significantly increased to this farmer, a lot of people have started to get their proceeds into their bank account. The expense side, there is still a time before or I would say on the expense side the digital growth is still limited, while it is growing, but as a percentage of the total I think it is still limited. So I would say the inflow growth is far higher than the digital outflow, right. For example, if a farmer gets all his money into his bank account like the sale of produce, but if he has to pay to his agriculture labor, as of today, there is no product available or we cannot visualize a product where a daily wage labor is ready to accept or is comfortable accepting any form of digital product as of today.

So, therefore, once the money hits the bank account, it actually opens up an opportunity for this farmer to look for revenues to convert digital to cash. Similarly, the Aadhaar stack will also enable converting cash into digital. Aadhaar stack will come out with the product where people will be able to deposit cash into their bank account. Today, that product is not fully available. So that will also start enabling people to convert cash into the bank accounts. I think on the whole, this will lead to increase in digitization.

Second when it comes to coming up with relevant products, where taking example of this farmer where he starts to pay digitally, for example to a labor, there is definitely a need of products, which are very relevant to the rural segment, right? Like for example, if an agricultural labor has to accept payments in the form of digital and be able to spend digital, there is a set of product construct that is needed for rural. And that is where we believe that we come in based on our understanding of what is needed on the ground. And our focus on rural focus products is where we believe that we will be the one who will lead creation of such products. And therefore take this customer in a journey from cash to digital, right. So that's our intent, at a high level, how do we see the transition of our business, but in the short to medium term, we actually see a significant growth opportunity in the core business because of the reasons we spoke about.

Q - Saket Kapoor: Sir, could you classify the products, what are the products currently in the offering from where you are garnering the maximum revenue.

A - Rajneesh Arora: So the biggest products is where a customer wants to access the bank account primarily for cash withdrawal, sometimes for sending money, right? So these are the primary product, sometimes even to know his balance or get his statement of system, sir. So the ability to access your bank account is where we come in. So that's our hook product. But once the customer comes to the Adhikari outlet, he has various needs, right? So his need is to recharge his phone, his need is to pay bills, and then within bills there are multiple categories, right? And that bill payment platform is also growing where multiple categories are growing. Then there is need if he's taken a loan to be able to pay an EMI, right?

Then there is a need to be able to book a railway ticket, right, then migrate to a flight ticket. So as far as needs are concerned, there are multiple needs. Our intent is to be able to solve the needs of the rural customer at one point. And as Sanjeev spoke about our cash management business where we are solving the need gap of an enterprise, rural enterprise, who is collecting a lot of cash, but they have problems in managing the logistics of the cash, so that's where we come in where our

Adhikari in rural is able to help in accepting that cash and reusing that cash to redeploy for cash withdrawal services. So in a way we are enabling easier access to banking payment and host of digital and commerce services.

A - Vivek Venkatesan: So, Rajneesh has articulated this very well. I think just to reiterate if you look at our fundamental business model, which Sanjeev also talked about, we are actually at the center solving the problem of access, right? And the core to this is actually the rural customer. And the way that you are solving it is by linking product manufacturers and through our network we are solving this access, right? So the entire business model revolves around the rural customer.

Now tomorrow, depending on how the rural customer progresses in his digital journey or behavior, we will again be at the center of it. And if there is one player, who is rightly poised to take advantage of this, I believe it is Spice Money. The reason being with our network strength and our understanding of the rural market, we are well poised to actually transition along with the rural customer and keep solving the problem of access to financial services in innovative ways. I just want to leave it there because that's the core for business model.

Gavin Desa: Thanks, Vivek. Thanks Rajneesh and Saket. So we take the next question from Laveena Jagwani. Laveena, please, go ahead.

Q - Laveena Jagwani: Yes. Laveena here from Electrum Capital. I just have two questions. I just wanted to understand your presence or your reach of Adhikaris in terms of how many districts are available in on what is your visibility? Is there something that you can share?

A - Sanjeev Kumar: We are present across 700 districts today, over about 18,000 nearly pincodes as to rural pincodes, which is about 7,500, we are present in 7,200. We also track how many villages were present. We cover about 2,12,000 villages today. Obviously, this is one level of penetration. We want to go deeper into all of them into this network, but that's a journey that we are on.

Q - Laveena Jagwani: Okay. Got it and sir, one of the verticals that you mentioned was giving loans, right. So are there any parameters to decide if the rural consumer is creditworthy or what happens if they default on paying the EMIs?

A - Sanjeev Kumar: So Laveena, we said about that loan is a product that we want to get into credit as an opportunity. I think the business that I was speaking about more was a collection for loans that are dispersed by MFIs and BFCs. But credit is an opportunity that we have already started first an Adhikari, but we'll also get into consumer lending with time.

Q - Laveena Jagwani: Okay. Got it.

A - Rajneesh Arora: So, Laveena, to your question, yes, we are looking at alternate models of underwriting in partnership with various lenders to be able to access the credit opportunity in rural. And at present we are at a pilot stage as Sanjeev said of starting with our own Adhikari, whom we understand far better by data and then moving into providing access of credit to customers. So I think that's an opportunity that we are solving for currently.

Q - Laveena Jagwani: Okay, sir. Thank you. That's all from my side.

Gavin Desa: Thank you, Laveena. We take the next question in the chat from Atim Kabra. Why we carrying on with the telcom business. It masks our rural business. And what is the synergy between telcom and rural business?

A - Rajneesh Arora: I think, since the telecom industry has gone through its own cycles and that's not only India, but we also serve telecom operators in Southeast Asia, Africa ec., So I think overall, globally the industry has gone through a change. I think, we do believe that there are certain green shoots within that opportunity, since we already have a good relationship and very long lasting relationship with the telcos. We do see certain green shoots of opportunity where we could continue to participate in that business. So that's where the whole transformation is underway. We would request you to kind of keep a tab on that and rest assured that does not affect our focus on Spice Money because as you saw, we built the right leadership team at Spice Money, so there is no defocus on the Spice Money growth side as we get into transformation and identifying growth opportunities within the other businesses.

Gavin Desa: There's also another question from Atim Kabra, who says, we mentioned services and products sold by Adhikaris in the same breath. Have we begun selling physical products or are we selling services only? What's the breakup?

A - Sanjeev Kumar: Yes, I think just to clarify by product and services basically we meant to the same. I think it's just the way we said product, but basically they're all services. Right now, we're not selling any physical goods through our network.

Gavin Desa: And a question from Dimel Francis, who was in queue earlier, but he say, how much does increasing penetration of UPI pose a threat to the AePS business?

A - Rajneesh Arora: So I think we have talked about growth in general in digital. As of now, I think if you look at AePS industry that grew by INR75,000 crore, I think from about INR2,25,000 crore to INR3 lakh crore over the last year. So as such I think the industry is growing, I think there are different drivers and different customer segments for both of these products. So we see both of them growing and complementing each other. Actually, both of them are a function of the increased bank customers, right? So it's not like either or as the banking increases right as more and more money hits people's bank account, we see both of them growing complementary. In fact we do provide UPI services to our Adhikaris on our network and we are seeing growth in that in line with the other product place.

Gavin Desa: Thanks, Rajneesh. Well, we take the next question from Chiku. Chiku, can you go ahead?

Q - Chiku: I am very delighted, sir. My question is what I understand is you guys want to present Spice Money-- in Rural India -- like, agriculture marketplace, or insurance marketplace, yes sir, or credit marketplace?

Gavin Desa: I think, your audio wasn't too clear, but I don't know if you got the question. Rajneesh?

A - Rajneesh Arora: I think what I could hear is that are you asking, Chiku, what are our plans around insurance marketplace, agri marketplace, and credit marketplace?

Q - Chiku: Yes, sir. Like you guys launched Travel Union, I think it is in marketplace for travel products. So when you guys want to launch a product on marketplace around agriculture, insurance and credit because there are lot, many opportunities in Rural India and Spice Money acted expressively.

A - Rajneesh Arora: So Chiku, I think, we are cognizant of all of these opportunities. We also have teams working on understanding how do we leverage such opportunities in rural, but too early to talk about any specific plans.

Q - Chiku: Okay. Sir my second question is are you guys thinking about any strategic plan with government for providing any service to rural customers?

A - Rajneesh Arora: So we will come back on with specific update on this.

Gavin Desa: Thank you, Chiku. There was one other question from a shareholder which was sent earlier for any update on the Korero platforms and what are initiators and what performance of the Korero. Would someone like to take that?

A - Rajneesh Arora: So we are in the enterprise business and we do have relationship with the enterprises and our intent with the Korero platform, one is to get existing enterprises on the platform to be able to expand the service portfolio, but also to cater to enterprises, which may be of smaller size, but on an aggregated basis, they can build a larger business for us. I would say that we have been able to onboard about 50 enterprises on to the Korero platform, but in terms of their ability to contribute meaningfully to the overall business, I think it's still few quarters away the teams are working on expanding the services portfolio.

Gavin Desa: Thanks, Rajneesh. Chiku, your hand is raised? Do you have a question or?

Q - Chiku: Sir, last few days ago I met one of your distributors. They had told me to ask you some questions. **They mentioned Spice Money is a good platform and has given them good opportunities. They also asked when you would start the service to open bank account. Also most of the Adhikaris do not have their own houses, they have requested for loan to purchase the house

or any other arrangement and third point they mentioned was – like you launched a program “Kamal ka Mauka” related to health education. Now since they have only one phone which is used for work, the women in the house are unable to use the phone, would be nice if you could help them solve that issue too. I just want to know what you guys think about it.

A - Sanjeev Kumar: Thank you so much for this conversation on behalf of the distributors. So I understood I have taken the suggestions. I have written it down? I can only say, I don't want to get into specific, but we remain committed to our partners in the growth story. They are our distributors or the Adhikaris. They are our anchor point for the growth of Spice Money. So we have always tried to do things, which have been in the interest and which helps them economically or in digitally or in some ways. So we look into these and definitely we will continue to do this.

Q - Chiku: Okay, sir. One last question, sir, what's your take on digital bank concept around Rural India? Can we see a Spice Money as a digital bank in future, or something like that?

A - Sanjeev Kumar: Very, futuristic. It's a paper that was out, Chiku, very futuristic. Like we said cognizant of the space that we are in. We will be abreast of what's happening in the market. We will take decisions as it's been anything materializes from the ecosystem and at what stage we are in and in the best interest of the business that we are in.

Q - Chiku: Okay, sir. **Thank you so much, sir. I feel very proud when I meet the distributors and Adhikaris and as a shareholder I am feeling very proud. Thank you so much, sir. You guys are doing great job. Thank you so much.

End of Q&A:

Gavin Desa: Thank you, Chiku. So that was the last question. Thank you very much. Now I would like to hand the floor over to the management for that closing comments.

Rajneesh Arora: Thank you so much everyone for taking your time and joining this call and we are very happy with the kind of and depth of questions that come, which means that at least over the last few quarters, we have been able to communicate what we do well. I think when we started about a year ago, the questions are very high level and we are very happy to kind of keep all of you abreast with what we are doing, what we are trying, what's working, what's not working. So please do stay connected with us. Thank you.

Gavin Desa: Thank you everyone. Thank you management. Thank you everyone for your participation. We may now end the call. Thank you.

**Exact contribution of rural income to national income is 46%*

*** These comments were made in Hindi. The transcription represents a best effort English translation of the conversation*
