

Date: **August 8, 2023**

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 1st August, 2023

Dear Sir/Madam,

In continuation to our letter dated 26th July, 2023 intimating you about the schedule of the conference call for Investors/Analysts held on 1st August, 2023 with senior management team, please find attached herewith the transcript of the aforesaid conference call.

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

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

Thanking you.

Yours faithfully,
for **DiGiSPICE Technologies Limited**

(Ruchi Mehta)

Company Secretary & Compliance Officer

Encl.: as above

**DiGiSPICE TECHNOLOGIES LIMITED
Q1 FY24 Earnings Zoom Webinar**

August 1st, 2023

Management Participants:

Mr. Dilip Modi, Chairman, DiGiSPICE Technologies Limited;

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

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

Q1 FY24 Earnings Zoom Webinar August 1st, 2023

Shiv Muttoo:

Good afternoon everyone. Warm welcome to the Earnings Zoom Webinar of DiGiSPICE Technologies Limited ('DiGiSPICE' or the 'Company') for Q1 FY24. We have with us Mr. Dilip Modi, Chairman of DiGiSPICE; Mr. Sanjeev Kumar, Co-founder, Executive Director, & Chief Executive Officer of Spice Money Limited ('Spice Money'); and Mr. Sunil Kapoor, Whole-Time Director & Chief Financial Officer, Spice Money.

Before we begin, I would like to state that some of the statements made in today's discussion may be forward looking in nature. The actual results may vary as they are dependent on several external factors. The statement in this regard has been included in the results 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. Dilip Modi to commence the presentation. Over to you, Dilip.

Dilip Modi:

Good afternoon everyone. On behalf of DiGiSPICE, I would like to welcome you all to the Q1FY24 call for the company. It is always a pleasure to get to interact with all of you and we have always walked away from these discussions with lots of learnings and insights based on the questions & answers that we have in this session. I am looking forward to similar interactive dialogue with all of you today. Friends, in Q1 at the start of April, we took a decision to exit our digital technologies segment business and therefore, if you see from Q1 onwards, we are only reporting in our results the financial technology services segment. So, now when you look at the results, you basically end up seeing the business of Spice Money and related costs. All financials linked to the digital technology services business are now shown as a single line around as profit & loss from discontinued operations. So, it is much easier for everyone to now track the progress of the continuing business versus the discontinuing business. The discontinued operations will continue to get reflected in the consolidated financials of the company over the next few quarters, but we are hoping that the impact of this will just taper off and finally we will just end up reporting the financials associated with the continuing operations, which is that of Spice Money and related businesses.

We at DiGiSPICE continue to be very excited about the fintech space, specifically the area that we are focused on, which is rural fintech. We at Spice Money are committed to solve for the challenges around lack of access to lots of consumers and merchants in semi-urban and rural India. Through our Spice Money digital platform, we are enabling delivery of both financial and non-financial services, both in deep rural India as well as in semi-urban India. Over the last 3 to 4 years, we have built one of the largest OFF-US AePS networks in the country, with

close to over 17% market share. Our network is now present in over 2.37 lakhs villages of India and approx 6,500 small towns. As the economy progresses from USD 3.5 trillion to upwards, it is this part of India that will significantly grow to contribute to the growth of the Indian economy. And we, through our digital distribution network, see ourselves playing a significant role in that GDP growth.

Our focus is to leverage the Spice money distribution network that we have built out to be able to add value to other segments. In our call today, we will share with you some of the progress that we have seen at the start of this financial year in new segments like the collections business, the banking business, as well as the credit business; all three of which have already started showing some numbers this quarter. Our goal continues to be to build a very healthy and robust financial and digital services delivery business. We believe that there exists significant unserved and underserved demand pools, whether it be in the space of credit, savings, or commerce in semi-urban and rural India. And we are excited to work with a lot of product manufacturers and service providers, be it leading banks in the country, NBFCs, insurance players, and many other players in the commerce segment to see how we can enable them to be able to deliver goods & services to markets in deep rural India in a very cost efficient and viable way.

We are very excited that we start the year with now a restructured set of financials where we are now being able to demonstrate our focus on a very core business segment of ours, which is fintech. And we hope that going forward, over the next few quarters, we will be able to show you how the business is growing quarter on quarter in this particular segment.

I would now like to hand over to Sanjeev, the CEO of the company, to walk us through some of the business metrics. Over to you, Sanjeev.

Sanjeev Kumar:

Good afternoon everyone. Firstly, a warm welcome to this Q1 FY24 results presentation. What I will do is I will go through a couple of slides talking about the Spice Money business model and give you an update on the business numbers. And then I will request Sunil to come in to take us through the financial highlights for Spice Money and also the consolidated.

My first few slides will be a bit repetitive for others who have been attending these calls, but allow me to do this for anyone who has just tuned in for the first time. What are we trying to solve in Spice Money? Fundamentally, we are democratizing financial and digital services for the underserved. And how are we doing it? We are building on the digital stacks to solve for this problem of lack of access in rural India. Was this problem there earlier? Answer is yes, it has been there for years. But the fact that in the last 6 years, this country which has been able to build open infrastructure and digital stacks that we could leverage is what has enabled players like us to solve for this fundamental problem of lack of access. The current digital stacks on the left, as all of us know about it, is what we have been using. There are emerging digital stacks which we are aware of. ONDC is one of them. AA (Account Aggregator) is

another. Even Digital Health ID is a futuristic, very interesting digital stack that is going to emerge. Can we at Spice Money leverage the current digital stacks the way we have been doing and then also bank on the new emerging digital stacks to solve for the problems of lack of access of those segments? That is the opportunity we are chasing.

Given this, what is our business model? For us, our customer is the Spice Money entrepreneur whom we call a Spice Money Adhikari. We have enabled this person, this entrepreneur with an app which we call the Spice Money Adhikari app. On this app, we have enabled a lot of services which he uses to serve consumers in and around his community. Example, if you look at it on one side, you have these service partners like banks, insurance companies, NBFCs, and even the digital additional services companies like Commerce, Travel, who want to enter rural India. We have enabled those services on this platform, this app. And here, there's this entrepreneur in a village or a block level where a consumer walks up to him and says, "Hey listen, I want to withdraw money. Can you help me?" He does that. He wants to transfer money to a certain account. He wants to pay his loan EMI, he wants to pay his electricity bills, he wants to book a ticket. All those services that he wants to do, he visits this Spice Money Adhikari and he avails these services at the doorstep right there at the village.

We believe that this current business model is a win-win because one at the center who is our customer entrepreneur, he is earning money. The more and more products and services we enable for him, the more and more business he does and more and more money he makes. This is the entrepreneurship. On one side is the service partners who wanted to access rural India but were unable to do it. Now, they are using our network and our platform to access at much lower cost. And then there is this rural consumer who was not able to get access to these services earlier, but he or she gets this at the doorstep at his village or block.

Ultimately, what does this lead to the vision for the app in the hands of the entrepreneur, in the hands of the Spice Money Adhikari, is a 'Super App' which has all the services that we have written here. A few of them are live and we are working at different scales out of the others which are in blue. A few of the services have already gone live. For example, travel, savings, credit; even in the commerce ONDC is live, G2C services are live on the platform, but we continue to work on those which are not live and over a period of time we will ensure that all these services are live on the Spice Money Adhikari app.

What have we done at the core of this? We have been able to build a network of Spice Money Adhikari. Over the last 3 years, this has been growing at a phenomenal rate. I think this is one big opportunity that we saw at the back of a digital stack of what NPCI built. We have grown this network to over 1.2 million now. It covers over 2.37 lakh villages and approx. 6,500 blocks. This is the semi-urban and rural India opportunity which we believe has this problem of lack of access. If you look at the population, about 82 crores of Indians stay in this population, a very, very large population, a very large opportunity size. And we believe we have built a network that we can leverage to solve for this problem.

Coming to some key business updates; I will call upon three of them. The customer's gross transaction value, this is the business that is done on our platform by the entrepreneurs to serve the consumers, a very healthy growth. It's about nearly Rs. 27,500 Cr in Q1. The service fee revenue corresponding to the customer cross transaction value, again, Rs. 106 Cr vis-a-vis Rs. 103 Cr of last year same time. And likewise, the service fee GM (gross margin), which is the money that we earn from these transactions, is Rs. 39.3 Cr. Again, 4% up than last year. We are seeing a continued growth momentum every quarter.

There are different products that I want to talk about. Going forward, we believe that there is opportunity to now grow all products and continue this growth going forward.

This is the first time I am putting up this slide and it is very important to call out because I think this is exactly what I have been talking about over the last 4 quarters that I can vividly remember, is the opportunity for Spice Money to move out of just being a cash out network to being a multiproduct business network. We have been doing a lot of work and a lot of the investments that we did as the organization over the last 18 months were primarily to fuel this opportunity. I feel extremely glad that all that effort and the management team that we have built, we are seeing results as I speak with you and I am very confident that these results will only improve as I speak. If you look at this, the big highlight I am seeing, while the margin has grown, but at a higher margin, the cash in/cash out contribution has declined by 11%. What used to be an 82% contributor last year similar time is now at 71%. Collections, which is the next big opportunity that we saw and we started to scale that up, it gives me extreme amount of pleasure that that business now contributes to 15% of the gross margin that we are earning in a quarter, that was 9% last year. That's the kind of growth we believe it will continue. There is enough opportunity to grow more. Credit, another business we are very excited about. It was contributing last year and I am going to talk about more in the subsequent slide. But again, this is something of a business line that we believe we are at a stage where we see that this business is going to start contributing significantly to our overall business. Banking is a new entry here. It was not live last year same quarter. It started to contribute, small numbers right now but, again, another business line that we believe will contribute significantly over the next few quarters.

I want to give an update on the 4 critical, key businesses. Starting with AePS first, it happens to be our first bread and butter and our right to win started here. Our objective has always been to consolidating OFF-US market leadership, continue to be the No 1 OFF-US player here. I am more than happy to say that we have continued that. Our market share growth has grown to 17.45% even in this quarter. Needless to say, I have been talking about it earlier also that the AePS OFF-US business at an industry level has been de-growing. In certain quarters, it was stagnated, but if you look at Q1 FY23 and Q1 FY24, it has de-grown. The overall OFF-US AePS business has reduced, but our market share has always been improved. This just shows that we continue to work to consolidate this space and become the No. 1 player. And we have been using a few strategies to do it. How we ring fence our top Adhikaris through some

preferred plans, which is a combination of better pricing and better service and focusing on few districts and markets where we believe the network needs to get deepened more.

The second big one is the Collection business. Again, if you look at the graphs on both sides, one is CMS and one is bill payment. CMS here, which is about cash management. Bill payment is broken into 2 parts, one is the utility bill payments, but what I am requesting you to focus on is EMI, which is the EMI loan collection that happens at the Adhikari network. It has been growing at double digits and that the numbers are visible here. What I want us to take away from here is, today primarily is if you look at the table on the right side bottom corner, we had about 12,500 Adhikaris transacting on the BBPS platform where a customer would come to deposit his loan EMI. Today, that has gone to 38,000 approx. If you look at similar numbers (bill payment), the similar number was Rs. 126 Cr in Q1FY23, it has grown to Rs. 648 Cr in Q1FY24. But vis-a-vis on the CMS side, Rs. 3,880 Cr in Q1FY23, it is Rs. 6,042 Cr this time. So, we are very excited on this business opportunity. Our internal market size estimates that we have done here confirms that there is a significant room of growth for this business and we are very excited to grow this business as we build Spice Money over the next few years.

This is CASA, which is current account, savings account. We have started this; this is a new product entry in our suite. We have gone live with about 26,000 Adhikaris. This is nearly less than 5%, this is about 2% of our total Adhikari base. Early days for us here. But again, we see a big demand for this product in both rural India and urban India and we believe that this is a significant opportunity that we can leverage upon .

Next slide is on credit. Like I just mentioned, this is the AePS collections, banking, and credit. These are the 4 important business lines that I want to talk about. Credit if you look at this, there are a few highlights that I want to pick out here. It is not the numbers which is important, it is the way we are trending towards it. We started with Adhikari loan, we have also launched Grahak loan in this quarter. Last quarter, we did some very minimal business in Grahak loans, about Rs. 41 lakhs, this scaled to Rs. 2.1 Cr in this quarter. The average ticket size, these are very small ticket sizes, again, typical of our segment that we are dealing with. But again, a very large opportunity. I don't have to talk about the opportunity size in this, everybody is aware. We believe in terms of the efforts that we have put with the management team in place over the last 18 months, we are very excited of how we want to build this. We see a significant room of growth opportunity here. Currently, we have 6 lending partners. We are doing this business as being partners to them. We don't do this on our balance sheet. And there are many more that are in progress in terms of integrations. And we believe that this is another big opportunity that we will unfold in terms of growth over the next few quarters. That's all from my side. I am requesting Sunil now to please take us through the financial numbers.

Sunil Kapoor:

Good evening everyone. I am covering this slide with respect to financial highlights of Spice Money which is having the financial technology services business. And for this quarter gone

by, we have done a customer GTV of approx. Rs. 27,000 Cr against Rs. 25,500 Cr . in the previous quarter which is a 7% growth on the customer GTV side. On the revenue side, there is also growth in service fees by 5% in comparison to the previous quarter. Though our gross margins here look like less compared to the previous quarter. This is due to the adjustment. We can refer to the note we have put in with a star mark that there is some accounting practice which we were doing with respect to our devices accounting which we can see from Q1FY23, the gross margin (Airtime/Subscription/Device) was Rs. 5 Cr which has now come down Rs. 2 Cr. That's only the impact of Rs. 3 Cr. If we see apple to apple, then we have seen growth in the gross margins in this quarter compared to the previous quarter.

Indirect cost is almost flat, not increased in terms of the way we have grown from the previous year's same quarter. EBITDA this quarter is Rs. 2.6 Cr compared to Rs. 5 Cr in the previous quarter. The reason I had explained is with respect to the device accounting. That's why the EBITDA is looking lower which is almost flat in terms of QoQ comparison. And if we see the depreciation part, what I had explained in the first note, the depreciation on the devices which we were capitalizing, we have discontinued it from 1st April and result of that our depreciation is lower in this quarter, and due to the same, our EBIT is better compared to the previous quarter. If we see our Service fee GM to service fee revenue, it continues to be at almost the same level, 37% to 38%.

In the next slide, here is the consolidated financial summary as mentioned by Dilip that we have discontinued the business of Digital Technology Services segment and which has been reported separately. So, now the consolidated financial summary, besides the discontinued operations, comes under this slide, which has Spice Money business primarily and some corporate and other income that is coming under this slide. If we see that on the EBITDA side, there was a negative number in Others which is almost Rs. 2 Cr. And on the EBIT side, we have a better positioning from this quarter, that's Rs. 6 Cr; Rs. 7 Cr coming out from Spice Money and Rs. (1 Cr) coming out from others which is not allocated directly to the Spice Money. This is the consolidated financial summary. The same reasons of what I have covered in the previous slides is also mentioned over here in this slide on the right-hand side. That's the change in the device accounting and consequently the depreciation has also got decreased.

We can move to the next slide. This is just a summary of the discontinued operations. Though there is an operating loss in this quarter with respect to Rs. 1 Cr, there is an exceptional item due to discontinuation of the business, the goodwill and one of the disposal of the subsidiary, coming out from this discontinued business. This is a one-time item of Rs. 6 Cr. In tax expense, because we could not carry forward the deferred tax asset, that has been also written off amounting to Rs. 13.43 Cr, and due to this reason, the profit after tax is looking negative Rs. 21 Cr. This exceptional item and this one-time write-off will not be there going forward. And hopefully we will be having very minimal losses as we have discontinued the

operations. Going forward, the consolidated results will be without this business which was dragging the results of the company on an overall basis.

That's all from my side. I give it back to Shiv for the question & answers.

Shiv Muttoo:

We will now commence our interactive session over Q&A. We will take questions from all participants. Please take your name and the firm that you represent to identify yourself before asking your question. We will be taking questions via chat as well, in case any participant would like to type in questions, even that is available. Now we will wait for a moment for questions and we will start the Q&A session. The first question is from the line of Debashish Neogi.

Debashish Neogi:

First of all, congratulations, sir. The kind of infrastructure you all have created on ground in rural areas is commendable. If I were to look at it from an outside-in perspective, what I see is that if I break the business as phase 1 which has already happened and what you are going to get into. Phase 1 was building a simple and convenient banking solution, innovative new products to meet evolving needs of consumers and Adhikaris, you have built a good distribution network. That was phase 1. Now, your phase 2 growth what I see, sir, is going to come from, mainly – correct me if I am wrong – you are looking at credit and banking as a big opportunity. I have a few questions. My first question to you is that credit is a different ball game, so are you going to take credit risk on your books? Will the AUM come into your books? or it is just you are using the platform for the lending partners where the AUM will sit on lending partners' books? Second question is, you referred to on one of the slides on MFI, there is an EMI collection bit through BBPS. If you could elaborate on that. Are you also collecting on behalf of MFIs? That was the second question. Third question is who is your closest competition? You are unique in nature, specifically in rural, but if I were to force you to name a nearest competitor or who you feel is a good competitor who you are benchmarking with, who would it be? That is the third question. Fourth question is that since it is a B2B and B2C business also in a way, what has been the consumer experience as per you? And the fifth question which is very important. This is a very crowded space where what I understand is the barrier to entry is on a lower side. From that perspective, what do you feel is the competitive edge for DiGiSPICE? For now, these are the 5 questions.

Dilip Modi:

Maybe what I will do is give it a first crack and then Sanjeev and Sunil can add on. Your first question, Debashish, was on the credit business how we see it. As you saw in the presentation that we just made Debashish, today we are looking at tying up with third-party lenders who are leveraging our platform to be able to reach out to both our Adhikaris and the customers that are approaching the Adhikaris in a low-cost efficient way. Therefore, our approach to credit is purely a platform approach where we are looking to increase both the number of people taking loans as well as the value of the loans overall. Therefore, this is something that we will earn a fee out of, both in terms of connecting lenders and borrowers, and effectively taking a marketplace approach to this. On the aspect of MFI, I will let Sanjeev

talk about that later, as well as on competition. I think to your point on consumer experience, for us, Debashish, our Adhikaris which are the entrepreneurs in semi-urban and rural are our principal customers, and they are the ones who are using our app and web product on a daily basis, and they are the ones who we track our consumer experience with. So, both in terms of the time spent on the platform on a daily basis, the drop offs that happen, and the whole ability to navigate through the platform to be able to use multiple products and services is something that we measure consistently to be able to track consumer experience. For us, our entrepreneurs are our consumers, and effectively, for us, the way they experience the product is what is important to us. I think your final question on this is a crowded space, I would say that Debashish, very honestly, we do not see it as that much of a crowded space actually. It is a low barrier to entry because it is not a licensed business. It is a tech business, and therefore, people can enter, but this does require a lot of heavy lifting on the ground in terms of signing up merchants and entrepreneurs on the platform. Therefore, the heavy lifting on the ground is something that any new entrant has to do. And once you have a certain scale of merchants who are using your platform, who are deploying working capital with you and using multiple products, it automatically becomes a barrier for them to switch because there is a switching cost for them to move to other platforms. I think that is what gives us a competitive edge, being one of the early players of the block in terms of scaling up this network, both in terms of tech capability as well as on the ground capability of onboarding over a million merchants. And therefore, for anyone to replicate this will take time, cost and effort. That's what gives us a competitive edge. Maybe, Sanjeev, you could begin by talking a bit about our MFI business as well as competition.

Sanjeev Kumar:

Debashish, adding to what Dilip just said on the point of EMI collections; the collection as a business the problem statement here, if I can go a bit deeper here, is that most of these NBFCs and MFIs, primarily MFIs, have lent to a lot of consumers in semi-urban and rural India. And today what would happen is they would send their agents to go and pick up money which is the EMI, come back to the branch office, which is in the district headquarters, and deposit the cash over there. Our proposition to all of them is, why do you want your agent to come back? Why don't you use our own network of Adhikaris for them as cash collection? Your agent does not have to come back to your office. He comes and deposits to the Spice Money Adhikari on the way because my Adhikari is there right in the village. So, what has become is the network of Spice Money has now also become a collection network for agents of MFIs and NBFCs for the loan EMIs. We extended this – while this was an agent collection, which is CMS – the extension is we also have a BBPS where we have BBPS agent license holder in which now that there are a lot of MFIs who are already onboarded as billers on BBPS, in which now even the consumers in a village can come directly to the Spice Money Adhikari outlet and deposit their EMIs. That's a very encouraging trend that we are seeing. And this is a very big problem statement, especially with ladies who are the MFI beneficiaries of loans, which is the segment who have taken the MFI loans. Their biggest problem statement is stepping out of the village for domestic reasons. And now there is an Adhikari in

the village. So, you know what? She doesn't have to step out. She comes here and deposits the EMI every month at the Spice Money Adhikari. That's the opportunity that we are seeing and that's the business model on the MFI EMI that you asked about. Who's our closest competitor? I think the ability for a network like us to do more products and services like collection, banking, credits, more digital services, I think that is where we find ourselves uniquely positioned and we even believe we can win.

Debashish Neogi:

Sir, this MFI space which you just mentioned, the collection, I have been invested in this space and I have been closely track for more than a decade the MFI space. If you see with all the black swan events, that space is growing. I am seeing the sector has been growing more than 20% and it is going to grow more than 20% this decade also. You have mentioned the market size as Rs. 1,55,000 Cr. I am not sure are you talking only about the digital side of the MFI collections or the entire collection here? Because, the entire market is close to Rs. 5,00,000 Cr.

Sanjeev Kumar:

There were two parts we mentioned. One was the CMS market estimate. These are more internal to us. And one was BBPS that was more of the EMI assisted and that also along with billers who are on the BBPS platform. So, it's a slightly smaller segment that we have taken as an opportunity. Like you said, the outstanding is Rs. 2,00,000 Cr. So, the opportunity on this MFI space is very big.

Debashish Neogi:

And this is very unique, what you are trying to do. The only thing is, sir, this MFI collection is very high touch business. I am not sure how that touch will get addressed through the Adhikari network and plus there are sometimes cheque bouncing happens. Do the systems integrate? For example, what I mean is that are you tying up with MFI companies where your Adhikaris are collecting or it is standalone?

Sanjeev Kumar:

This is a very interesting question. We can have a longer conversation on this, Debashish, but some very interesting trends are emerging in this space. What MFI used to appear, Debashish, which means you have to have that group meetings for collection. And the meeting was very important as a fulcrum to collection. That is dissipating with time. There is a segment of women, especially who says, "You know what, tell me where to deposit the money. I know when I have to do it, I will come and deposit the money." And 1) that's a very encouraging thing. 2) On the MFI space, they are also encouraging such behaviors because for them, the cost, the economics of collection goes down. 3) Our Adhikari, like I said, are now in 2.37 lakhs villages today. When Adhikari is at the village, which then also becomes very convenient for the lady to come and deposit. And most of this money deposition is happening, not most, actually everything is happening in cash. There is no cheque bouncing. So, we are integrated. Since they are live on BBPS, the MFI's integrated system is integrated on BBPS as a biller. We put the money, it's all reconciled. They get a dashboard on a daily basis.

Debashish Neogi: Sir, one more question I have if you can permit. How are you acquiring Adhikaris or the CASA accounts? Could you just elaborate your credit model, the Grahak Marketplace? I'm not talking about credit to Adhikaris. That is easier because they are on your platform. I'm talking about one level down, the consumer credit. How you are approaching that and how you are approaching CASA accounts?

Sanjeev Kumar: There are 2-3 parts that we are doing. One is we have this network of 1.2 million. That's a large network, but we definitely believe that you cannot chase everyone to do all products. There is a segment of this network that you start to engage with, who will do more of their profiling, who understand their interest, their entrepreneurship level, their own knowledge on this business. And that is a segment. That's why we said we have only on boarded about 26,000 Adhikaris to do banking, to sell accounts. And that also is in the catchment area where we believe there is a potential to do banking, not everywhere. That's the way we identify the Adhikaris. We train the Adhikari to do this product. On credit, we follow a similar approach of identifying the potential Adhikaris. The way the product journey has been designed and I think that is where we bring the differentiation. When someone asks this question to us, what is your right to win? It's actually not only the network. It's also the journeys that we build. And I think that is where we come in, of doing a more grounds up product approach rather than just a top down. The entire leadership at Spice Money a lot of the work is spent on building this product platform. For example, the Grahak Marketplace, why we believe it can be scalable is just it's very easy. A consumer comes there, he wants to access loan, he gets to know instantly and the money gets disbursed also. These are the pieces. And hence it's very important for us to work with such lenders who understand these journeys. We customize all of that. So, both lens, one is the Adhikari who is going to do this business. We need to know that person well. We need to enable that person. Second, the journey of the consumer. The digital product has to be very user friendly from a rural consumer perspective, not urban, which is what we bring. And third is these lenders who are very keen to approach this space.

Shiv Muttoo: Debashish, before you close, can you also let us know, share with us the firm that you represent? I think everyone else as well.

Debashish Neogi: I am based out of Dubai. I represent a firm called Digitian Investment Limited.

Shiv Muttoo: If anyone else would like to ask questions either through audio or through the chat, we are happy to take further questions. We have the next question. Joseph?

Joseph: Good evening Sir, I just wanted to understand the difference between these Adhikari loans and the Grahak loans.

Dilip Modi: Basically Adhikari loans are that the Adhikaris take for themselves. These are the entrepreneurs who are on our platform using the app. And Grahak loans are the loans that

Adhikaris enable their customers, who we are referring to as Grahak to take. So, Adhikari loans are the loans taken by the Adhikari and Grahak loans are loans taken by the Grahak that visit the Adhikari.

Joseph: Sir, can you just give a brief about this business model, about this credit space and how are we operating and what are our plans to compete with the other companies?

Sanjeev Kumar: Joseph, firstly, I think the opportunity is out there in the public space of the opportunity of credit in rural India. These are some mind-blowing numbers. I don't think that is something we want to talk about. Secondly, I feel the opportunity for players like us, which is what we are trying to solve is, again, the lack of access of credit. So on one side today, there are a lot of lenders including NBFCs who want to lend to this space. There are consumers who want to get that. But the ability to marry the demand and supply in areas like rural India and semi-urban according to me, according to us at Spice Money is missing. Thirdly, building on that, the opportunity to customize the products for those consumers is missing because the need, the demand for credit is varied because the economic cycles, the monetary cycles, the ecosystem is very different than urban India. I think these are the few pieces that we are trying to work on to win or leverage the credit opportunity.

Shiv Muttoo: Next, we have a few questions on the chat. The next question comes from Rishu Dhavan. Rishu has 4 questions. The impact of legacy business in P&L in future quarters, will it be like zero revenue and zero expenses? That is completely shut down now. That's the first question. For this year '23-24, what will be the driver of growth? Which segment we feel would generate more revenues and profits? Third question, in the near future, is there any operating leverage that we anticipate because of the platform or the products that we have built? Question number four is, what is the scope of cross-selling like insurance products?

Dilip Modi: Let me take the first one. Sunil, you can add to this. Basically, as far as the digital technology segment business is concerned, which we are calling the legacy business here, you can already see in Q1 results, we have not included the expenses associated with this business in the consolidated financials that have been presented. It's basically covered as a profit & loss line item of discontinued operations. So, Rishu, already in Q1 itself, you can see revenue and expenses only being reflected of the continuing business.

Is it a complete shutdown? Yes, we have completely exited the B2B business, but like we said last quarter, these are B2B contracts that we have to serve out. We are not extending the duration of these contracts. In fact, in most cases we are handing over to other vendors. It is a complete shutdown, but it has to be done in a phased manner because we have customers whose contracts we need to honor. We are phasing down the expenses and of course the revenues are also phasing down side by side. That's why I said that the impact of this legacy business will continue in the consolidated financials, but we will see it as a separate line item of profit & loss from discontinued operations. Directionally, as you see, the consolidated

financials up to profit & loss from continued operations is what will indicate the business going forward. And hopefully from next financially onwards, the discontinued operations line itself will go away.

Sunil Kapoor: I think in the next 2 to 3 quarters, we will be seeing it coming down, revenue and cost also simultaneously, and in the phased manner, it will be closed.

Dilip Modi: The next question in terms of what is going to be the driver of growth, I think Sanjeev spoke about that in terms of what will generate new revenues and profits, Rishu. I think it's a lot to do with all the new products that are being launched. And Sanjeev spoke about that, the EMI loan collection market which is significant, and how our network can serve as a very strong collections network for a lot of the loans that are given out in rural India. Account opening, Sanjeev spoke about that; both current and savings account, huge demand for such accounts. And credit, a huge segment, underserved needs, and then a whole host of other digital services. What you are already seeing in one of the slides that you saw in terms of the product diversification, I think all of that is going to add to the new revenues and profits from the platform business in the future. And I think it kind of leads into the next question around leverage, right? Because eventually the costs are not going to scale in line with revenues, and therefore, it's going to deliver on leverage.

Sanjeev Kumar: Rishu, I am going from the last three. The answer is fundamentally this model is built to generate operating leverage. In today's deck and that's why I wanted to call out the product diversification because that is the route to generate operating leverage. More and more products that we start to scale, more and more margin that we start to deliver, it translates directly into the bottom line. I think that is the unique opportunity we are sitting in. Are we confident that we will be able to deliver? We are extremely confident that we will be able to deliver.

Shiv Muttoo: There is one follow-up question from Rishu once again. It's about your margins in loan EMI collections, credit, and account opening. What kind of margins do you have in these segments?

Sunil Kapoor: The collections on the EMI side, this is on the BBPS platform which has standardized charges and the margin for us. It's almost 28% to 30% what we have for our service versus gross margin ratio. That is in line with that. And with respect to, on the credit side, because we are earning a fee income over there, that has on the basis of the collection and also on the disbursement and kind of administration charges. It comes around in the range of 1.5% to 3% of loan the loans disbursed and collected.

Shiv Muttoo: Next, we have another question on the chat and this is from Amit Tiwari from Rainy Investments. If you could throw some more light on Grahak Marketplace though it's in the beta stage. What is your arrangement with Adhikari?

Sanjeev Kumar:

Amit, I'll answer that. Again, like we said, we have just gone live with this this quarter. We started very briefly in the last quarter. About 36, if I remember the numbers correctly, consumers were given loans and this quarter has become nearly 1,500. But it's early days. The model is like we just spoke about that there's an Adhikari who on his platform is able to show that if there's a consumer who wants credit, he or she can come here and basis some underwriting which is basically on the credit bureau score is what the person gets a minimum instantly. Early days. So there are different product programs that we will be launching for different graphs. That is what we are doing. So, if you remember, there's one more line that had I put in there that we have also initiated BNPL QR product. And there are some early good signs there also that we are experiencing. So, to focus to enable a merchant to enable an Adhikari to offer credit to the consumers that come to him or her is the opportunity that is this whole Grahak Marketplace. So, it's a marketplace which will have all lenders enabling this credit through the Adhikari.

Dilip Modi:

Amit, just to add to Sanjeev's point, I think we do see it as a two-way marketplace, many to many. A lot of lenders who want to do secured lending in semi-urban and rural India today find it very difficult for them in a cost-viable way to access consumers. But by being part of our digital marketplace, they can get access to lots of consumers and their data and be able to underwrite digitally and be able to disburse some capital directly into their accounts. I think our platform serves as a good way to capture leads, data used for underwriting, and eventually be able to make sure that they can scale up on their products in a cost-viable way.

Shiv Muttoo:

I think the next question comes in from Rajiv Mehta. Any plans of starting remittances business? What is the percentage of total Adhikari payout? And third, who are our top 2 competitors?

Sanjeev Kumar:

I think Rajiv had put one more question earlier about scope of cross-selling like insurance products. Rajiv, you are right. I think insurance is another one important opportunity that we must chase and win in semi-urban and rural India. But like I have been always saying that we want to take up products one by one and we are very serious about building them. And I think that is the confidence that you will take away over the last 2 years. Vanilla AePS business is what we started with. Then we went into collections. We are scaling that up. It's already showing progress. Now we are moving to banking and credit. And insurance is definitely part of the roadmap. We will take it up, but once we want to scale up these 3 products over the next at least 12 to 18 months to a significant level is when we will also take up insurance.

Rajiv still had questions on any plans of starting a remittance business and which remittance business is this. I think there is a bit of domestic remittance which we are a part of. We are not very keen to build that business, not from any other reason but just because that we are more on the receiving side in terms of geography, more in the semi-urban and rural India and remittance happens from urban to semi-urban. So, we are more in the receiving end. Hence,

domestic remittance is not an important part. If you are talking of international remittance, nothing that we have started right, not that something we have in the immediate future.

What is the percentage of total Adhikari payout? As a thumb rule, our business model revolves under making money from the product partners and about two-thirds of the money of that goes to Adhikari.

Who are our top competitors? I just spoke about. I believe that we are very uniquely positioned and we are in a space of Segment of One which means that we are not able to figure out who our competition is. We actually believe we are uniquely placed here in terms of our business model and the opportunity that we are seeing, especially also in the segment that we are operating, which is genuine rural India primary and then semi-urban.

Debashish Neogi:

My question is, Adhikari is our partner for growth. Now, the product has been developed, the platform has been developed, and we are also building on distribution network by increasing the number of Adhikaris. Do you measure these Adhikaris, existing and new? And from where the growth is coming? Apparently from the slide, it appears 20% to 25% growth is coming from distribution increase where the number of Adhikaris have increased and the business also correspondingly is increasing, which means there are dropouts from Adhikari and the growth is coming mainly from the new Adhikaris. What I am trying to say is that is there a funnel where you look at existing and new customers and from where the businesses are coming or is it ticket size growth and that kind of data can you share, sir?

Sanjeev Kumar:

Debashish, let me answer that question. Maybe it's important for me to explain what we are trying to do and I think that will answer the question. One is, like you said, Adhikari is an entrepreneur. So, at the end of it, he will stay with you, he will continue to use your platform if you are able to provide him more products and services that he can offer, which means more products he can do, more money that he can make from the platform. If that be the theme and that is the way we are approaching. One was our entire business model is hinged on first is obviously increasing the distribution in the areas that we are not. From a coverage perspective, we want to be in all the villages. We check population density, for example, we pick out which pin codes and where do we have population density. We will do per capita density from an Adhikari perspective. We use those metrics to define our acquisition strategy of bringing the Adhikaris. That's one. However, that still will not serve the purpose because on the second point, you need to learn how can you engage these Adhikaris with more products and services. And that's exactly, Debashish, if you would pick up from my presentation has been the hallmark of what we have done in the last 18 months. Because, earlier we were more of an ATM banking network. That's how we started. But just being on one product would not enable the network to be sticky with you, the Adhikari to be sticky. And that is where we ventured into more products and that is where I think we realized the opportunity. With more products, we got more Adhikaris doing multiple products and hence their retention with us is significant. And just to answer your question, these are the 2

strategies. One is increasing the network in areas where we were not. So, you have to have a minimum distribution density to cater to the population. And second is you have to have more products and services which is what will help the Adhikari to grow his income and serve.

Debashish Neogi:

But my question is still not answered. What I am saying is your reach is 95% of the pin code. So you have reached. Of course, the productivity of the Adhikari may not be high in a particular pin code. You may replace or you may get new ones or where you see the growth is not coming, you are putting Adhikaris there. My question is that if you look last year's number, your Adhikari increase has been 23% whereas your customer gross transaction value has increased by 21%. Which means the entire growth has come from increasing Adhikaris. So, what I am saying is that when you have reached 95% of the pin code, then the business should come from existing Adhikaris. What I mean is that the top line growth should be more than the increasing Adhikaris is what I am trying to say.

Sanjeev Kumar:

The answer is yes. There are, I think, 2 to 3 pointers I can give. You are right; we continue to grow our network. The network grew by 22% to 23%. However, one more thing happened in the industry. The AePS industry has degrown, what used to be our core business. Having said that, our GTV has grown because there are other products that fueled that made up for the loss of AePS business from an industry level. Like you said, is our growth vis-a-vis just linked to distribution growth? Your question could be that if the distribution has saturated, will the growth happen? Answer is a lot of the products that we are doing might not be GTV for credit is not a GTV enabler, banking is not a GTV enabler, but they are more margins enabler. Collection has a GTV impact. The number of the products that you are entering, it is not that GTV is only an indicator of the growth, it's also margin. Because, a lot of the products do not have GTV impact, they have margin impact.

Debashish Neogi:

My last question, sir. You have a bouquet of products, and you have built distribution, you have built your digital asset. My question is that is there any particular strategy of upsell and cross-sell?

Sanjeev Kumar:

Debashish, that's exactly what I am saying. It's all about upselling to the Adhikari. Today, like I said, all these products, they are layering on top of each other. We started with AePS, then we started to do collections, then we started banking, we also are doing credit. Today, for example, one of the matrices that we track is how many Adhikaris are doing more than 3 products? That's nothing but cross-sell. That's nothing but upsell.

Dilip Modi:

Both your questions are kind of connected, right? As we move towards a multi-product platform, we expect our existing Adhikaris to start using the platform to do multiple products, and therefore, the operating leverage point that you were making that the scale in revenue should be faster than the scale in the network, and that's the point on operating leverage that we believe that we have an opportunity going forward as we scale on products.

Debashish Neogi: Sir, people also must be contributing an important factor. Though it's a digital business but controlling the Adhikaris you must be having a proper organization structure – I am talking corporate structure or the field structure to manage the Adhikaris. People also play an important role in your business?

Dilip Modi: Yes, Debashish. Today, we are about 1,200 employee strength internally which is spread across distribution, technology, corporate, product, and support functions. Apart from this, we have a network of about 4,800 distributors whom we call partners, who in their local geography, which is more than a district, so 2 blocks, maybe at a block level, we manage a set of Adhikaris in terms of acquisition, servicing, and upselling. That's the structure that we have today, Debashish.

Debashish Neogi: What's your biggest challenge?

Sanjeev Kumar: The biggest challenge, Debashish, is that this market that we are talking about and these products that we are talking about, I don't know how many players have been able to crack this operating model, being able to demonstrate multi product. And that is the opportunity and that's a challenge. You have not been able to do it. There's a lot of customization. You need to understand rural very well. You need to design products. You need to marry the demand and supply. Everybody knows there is demand. Everybody knows there is supply. The question is who can marry the demand and supply? I think that is where the beauty is, that's where the opportunity is. Second, at a very operating level, hence, if you are able to do that, the Adhikari, entrepreneur stays with you because he does more and more products and services and he earns more and more. So, it's a chicken and egg situation. How can you marry the right product with the right Adhikari to serve the right consumer in the right market. I think that's the operating model that we need to crack. And we believe that we have been able to crack a few. We are on the path of being able to do for others. That is our challenge and opportunity, Debashish.

Debashish Neogi: Sir, you have built a brilliant infrastructure. In fact, now you are completely focused on DiGiSPICE. And the presentation is crisp, sharp, and very easy to understand. All the best to you sir. My last question, sir, is what is the risk to the business as per you? I am saying business. You have been running this business for quite some time. As a company, what do you feel is the biggest risk?

Dilip Modi: I think, Debashish, right now, single product dependency. I think AePS as a category continues to contribute significantly to our gross margins. And like Sanjeev mentioned, this industry has been facing headwinds in terms of overall size of the OFF-US AePS market and that's why we have been trying to grow our market share in this market. I think just product diversification and I think regulation-wise, it's a heavily regulated space, financial services. I think regulation is constantly evolving around lending and other spaces. These are something which is work in

progress. But from a business point of view, I think just having a lot of your margins come out of a few products is the biggest risk that we carry.

Shiv Muttoo:

I think with that, we have addressed all the questions from participants in the call today, and I would now like to hand it over back to the management of DiGiSPICE and Spice Money for any closing comments.

Dilip Modi:

Let me once again, on behalf of the management of DiGiSPICE and Spice Money, thank everyone who has taken time out to join us on this call. We are a company which is work in progress. And just the parting thoughts that I would like to share with all of you is that we are in a very exciting space which is containing many demand pools which are unserved and underserved in the financial services segment. But like we said, we are in a Segment of One. We are constantly focusing on product innovation with the right set of partners to be able to get our Adhikari network to deliver a lot in terms of penetration of financial services in deep rural and semi-urban India. We believe that as we continue in this journey, it will place us in a unique position and really be able to add value to both sides, to a large base of consumers, over 80 crores of consumers who are living in rural and semi-urban India who are lacking access and a whole host of product players who are wanting to reach out to them and how digital platforms can serve as the most optimal way for them to be able to do it in a cost-efficient manner. We are continuing in this journey. We hope quarter on quarter, we will be able to share with you our progress. And if there are any other insights and experiences that you can share with us, we are all reachable. We would love to stay connected even during the course of the quarter. On behalf of Sanjeev, Sunil, and all of us, thank you so much and we hope to stay connected.

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