Date: **20th August, 2024**

BSE Limited
Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai – 400 001
Scrip Code: 517214

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

Sub.: Transcript of the Investors/Analysts Conference Call held on 12th August, 2024

Dear Sir/Madam,

In continuation to our letter dated 7th August, 2024 intimating you about the schedule of the conference call for Investors/Analysts held on 12th August, 2024 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

Digitally signed by RUCHI MEHTA
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(Ruchi Mehta)
Company Secretary & Compliance Officer

Encl.: as above

DiGiSPICE TECHNOLOGIES LIMITED
Q1 FY25 Earnings Zoom Webinar

August 12, 2024

Management Participants:

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

DiGiSPICE TECHNOLOGIES LIMITED
Q1 FY25 Earnings Conference Call
August 12, 2024

Moderator: Good afternoon, everyone. A very warm welcome to the Earnings Zoom Webinar of DiGiSPICE Technologies Limited (DiGiSPICE/DiGiSPICE Technologies) for Q1, FY25. We have with us Mr. Dilip Modi, Chairman of DiGiSPICE, and Mr. Sunil Kapoor, Whole-time Director and Chief Financial Officer of 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. A statement in this regard has been included in the result presentation uploaded on the exchanges 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. Thank you.

Dilip Modi: Thank you Amit. I would like to welcome you all to this Quarter 1 call for DiGiSPICE. It's always a pleasure to talk to all of you. It's a great opportunity for us to be able to get feedback from you as well as be able to share with you how the quarter has performed and talk a bit about the strategy of the business and how we see the market evolving.

If you look at, of course we have completed the 1st Quarter of this financial year. Last time we met, we mentioned to you that at DiGiSPICE Technologies, we are now moving towards becoming a pure fintech company. In earlier years, we had multiple business segments we operated in. Last financial year, at the start of the year, we took a decision to exit almost all our businesses and focus on fintech. So, effectively, last year we took a decision to basically become a pure fintech company, and Spice Money, which is the subsidy of DiGiSPICE Technologies, is now the only business of DiGiSPICE, and this is the business that we are focusing to build and grow. So, on today's call, we will share with you what's happening in this business, where we are, how things have evolved in the quarter, and what are some of the things we have in mind going forward.

So, with that, can I please ask the team to set up the presentation?

If you look at Quarter 1, I will start with an executive summary, highlighting some of the key points for the quarter gone by. Can we get to the first slide please, can we move to the next slide. So, I just want to focus a bit, to take you back to my presentation last quarter, where we had spoken about four key building blocks in our strategic vision. Basically, as you see, the fintech space, digital payments are one big part of fintech. Within digital payments, you have self-serve and assisted markets, and we are one of the leaders in the assisted digital payment space, where the core product is Aadhaar enabled payment system as part of the India stack.

We believe that this is a segment that continues to have a significant presence in the fintech arena. Our current market share in the AePS segment is close to 17% and I will talk a bit about that.

- So, effectively, our first core building block in our vision is to consolidate our share in the core assisted payments industry, grow our market share within this space to beyond what it is today. And as we grow our market share, how do we double down on our operating leverage so as to drive profitability.
- The second core building block of our vision is the distribution network that we have set up of merchants who use our mobile app to deliver financial services. How we can leverage this network to also distribute savings and investment products with the right set of partners.
- The third key building block is credit. This is going to be a big part of our business going forward. Today, we work with third party lenders to distribute their credit products to our merchants and consumers. Going forward, we are hoping to get approvals from the regulator to be able to have our own NBFC within Spice Money Group and be able to create our own credit products for the large, small merchant base that we have in Bharat.
- And finally, with the PPI license we have, which is the prepaid instrument wallet license. This we believe also has potential with now it being interoperable with UPI. As you know, UPI on a self-serve model is, one of the biggest growth stories of fintech in India. We, at Spice Money, had the opportunity to participate in the UPI space through our PPI license, and this year we are going to be launching our own UPI product in the market, leveraging the network that we have to be able to bring out some unique propositions in the market in semi urban and rural. So, bringing in first time UPI users, growing the UPI base for many customers who are still having inoperative bank accounts in Bharat and therefore not able to come onto the UPI bridge, how through our wallet product which is now UPI enabled can we add to the UPI growth story of India.

So, these are the four key building blocks of our strategic vision. If I look at Quarter 1 gone by, on the assisted payment space, while we have seen headwinds in our Aadhaar enabled payment system, and I will talk about that in terms of regulatory impact. We have seen our collections business grow significantly. So, year-on-year, we have seen about 31% growth. This is basically agents and customers using our network to deposit their EMIs, pay their electricity bills amongst other recurring payments.

In terms of working with banks and partners to distribute their products, we have seen the current account, savings account, as one big product that we focused in our markets. In the last one year, we have seen nearly 57% year-on-year growth in terms of accounts that we have opened for our two partner banks that we work with.

In terms of NBFC, in the last quarter at the end of the quarter, in Quarter 1 we applied for acquiring an NBFC license from within the group. It's a change of control application, and this is something that has gone to the regulator, and we will be working closely on the process involved in getting the requisite approvals. And finally, just to update in our last Board meeting which was held on the 8th of August, the Board of DiGiSPICE Technologies, along with its subsidiary Boards, have taken a decision to merge Spice Money with DiGiSPICE Technologies, and the scheme of amalgamation has been approved by the DiGiSPICE Board, and now we will be going through the process of getting all the requisite approvals to make this merger come through.

So, with this, Spice Money would merge into DiGiSPICE Technologies. And effectively, DiGiSPICE Technologies would become Spice Money. So, DiGiSPICE is said to become a very focused fintech company, and our goal continues to be to serve the unmet formal financial needs of Bharat. So, this is just to give you a sense of where we are on highlights of the business. Of course, we will talk in more detail through the presentation, as well as two corporate actions with respect to NBFC acquisition and merger of Spice Money and other subsidiaries of DiGiSPICE into DiGiSPICE Technologies.

Can I move to the next slide please?

So, if you look at it, our Spice Money merchant network, which we refer to as our Spice Money Adhikaris, who use our mobile app and web product to distribute financial products and enable payments in semi urban and rural India. In the last one quarter, we have added nearly 37,000 new merchants to our platform, signifying a 3% growth over what we closed at the end of financial year 24. So, if you look at it as of the end of Quarter 1, FY25 we have now close to 1.4 million merchants who have been on-boarded on our Spice Money platform.

In terms of geographic coverage, we have now more or less covered most of the prominent villages and blocks that we believe don't have significant under-met banking and financial service needs. So, as a network, we are now well spread out across India, and our focus continues to be now to go deeper into every part of the geography that we are present. The color coding on the right-hand side that you can see is wherever it's darker, we have got more deeper dense coverage, while in some of the South and West markets our coverage is still there in terms of points of presence, but not deep enough. So, our goal going forward will be to build more network density across key markets in semi urban and rural.

Moving to the next slide, please, some of the key business metrics. We have got both year-on-year in terms of financial year, as well as year-on-year and quarter-on-quarter in terms of quarters.

Looking at Quarter 1, FY25 we closed at approximately Rs.25000 crores in our customer GTV, this is the value of the transactions that customers make on our platform. It's been relatively flat compared to the last quarter and will talk about why. Linked to that is our service fee revenue, which is a key revenue within the line that we call out, which is about 101 crores for the quarter gone by. And linked to that the service fee gross margin, which is close to 40.7 crores for the quarter under discussion. Basically, if you see quarter-on-quarter, we have remained relatively flat about negative 0.8% on customer GTV, negative 1% on service fee revenue, but more importantly, about negative 0.1% which is effectively a flat quarter-on-quarter, on the service fee gross margin which is really our net income. And this has been basically because a core part of our revenue and GM comes from Aadhaar enabled payment system, and we have seen changes in regulatory guidelines, and the impact of that on the overall industry, and as a leading player within the industry, the impact on Spice Money as well, and that is basically what has contributed to a flat year-on-year revenue and gross margin for us as a company. If you look at it even Quarter 1 FY25 over Quarter 1 FY24 while our service fee revenue dipped about 6.5%, our gross margin was just negative 0.7% so that's why we are calling it a kind of a flat quarter-on-quarter and a year-on-year.

Now we will talk more about AePS, but if I move to the next slide, we will tell you how we are thinking about countering this, because if you look at the product lines that we have in terms of our assisted payments business, as well as our distribution of banking and financial products business, if you see on the left hand side, we have outlined nearly seven product lines, starting with AePS and micro ATM, which is our core product, and we have broken the gross margin that you see for the quarter across each of these product lines. What this allows you to do is really look at the margin mix, because margin is where we consider our net income, and really understand what is happening in terms of our breakup, in terms of the margin numbers. So, a significant part of our margin comes from AePS and micro-ATM product line contributing nearly 64% to our margins. This has come down from 67% in the same quarter last year. And if you look at some of the new product lines that we have grown in terms of contribution to our gross margin mix, it's the collections product which has now begun to contribute nearly 19% to our gross margin mix, subscription pack. So, we have been also now working on product like, on pricing with our merchants, where we are creating monthly subscription packs which enable our merchant base to ensure that they are regularly transacting on our platform, and it helps us to drive transactions per merchant, and this in itself has begun to contribute nearly 8% to our gross margin. So, we are not just looking at earnings per transaction, but also from subscriptions.

And the third product that I would like to call out is banking, which is the current account, savings account product. And this also has started contributing Rs. 1.2 crores for the quarter, nearly 3% to our gross margin mix. And this is basically the point of leveraging our network to distribute banking and other financial products. So, these are the three product lines that we've begun to see growth in terms of contribution to our gross margin. And what this does is, basically helps us diversify both in terms of revenue and gross margin mix to kind of reduce dependence on single product concentration. And as we move forward, credit is something that will come in. And each of these other product lines around collections and banking will continue to grow. Of course, AePS continues to be our core product, so we will continue to focus on it and make sure that we consolidate our market share within our core business segment of AePS.

Remittances are a small part of our business, only contributing about Rs. 1.5 crores, which is 4% of our gross margin mix, but yet an important footfall driver. So, this is something that we expect some further changes to happen in the landscape, which will enable us to grow this product line, something that we will come and talk to you more about in the coming quarters.

So, if I now move to the next slide, we want to walk you through each of the product lines in a little more detail, so that you can get a sense as to, how the numbers are adding up so effectively if you look at AePS, which is one of our core business segments, this is basically Aadhaar enabled payment system where customers who want to withdraw or deposit cash in their bank account, using Aadhaar as an authentication method, walk up to the merchants close to where they live, and using Aadhaar they are able to do transactions with their bank account. If you look at Quarter 1, FY25 the industry overall size was about Rs.71,732 crores, which was flat quarter-on-quarter and about a year-on-year dip of 13%. So, one of the things that we are seeing is that the Off-us industry GTV has been dropping effectively year-on-year, has stayed relatively flat quarter-on-quarter. This is something that we have been talking to you about, that we have seen that issuer banks whose customers we serve, have been basically looking at Off us versus On us business and something where, because of the restrictions, it has created an impact on the overall size of the industry. We are about 17.16% market share this quarter. And our goal is that within the pie, we have still headroom to grow our market share. And we believe that this space will consolidate to a few players, and we will be one of them. That's our goal.

Effectively, as AePS GTV, we have done about Rs.12,000 crores in the quarter. If you look at some of the transaction metrics, if you look at total transacting customers, and this is an important one for me to highlight, we have nearly four crore, 40 million customers who have transacted, using our platform with their bank account, at the merchant points that we have on-boarded. So, from the end customer point of view, we have served nearly 40 million customers in Quarter 1, FY25.

In terms of the metrics around the Adhikaris, what we have done is, we have called out large, medium, small, which is basically more higher transacting Adhikaris versus the smaller transacting Adhikaris. The larger ones contribute more, of-course, to the GTV number, and therefore we track them separately. In the quarter in question over the previous quarter, as well as the previous same quarter last year, we have seen a dip in the way our larger Adhikaris have transacted, and this has basically been because of the implementation of a two factor authentication, by the regulator. And the goal here was to control fraud in the overall space. As our country is going digital, as land records are getting digitized, managing fraud is become a challenge for the whole fintech industry, and this is something that we all have taken heads-on as an ecosystem. So, whether it's the banks, the NBFCs, the fintech players, the regulator, we are all working together to control this. We, at Spice Money, continue to believe that biometrics is a strong way, strong authentication mechanism even compared to things like OTP on smartphones. And therefore, we have seen the industry coming together to control fraud on using Aadhaar enabled payment system. This is something which has now been removed, this transactional base 2FA so if you look at the box on the right-hand side, the last message transaction 2FA has been removed effectively, 1stJuly, 2024 which is the current quarter that we are in, and we have already started seeing our market share improve in the month of July. And this is something that we will talk about when we present the results for quarter 2. So, effectively, AePS has been soft this quarter, and a lot of this has been linked to ecosystem impact, and we believe this is beneficial for the industry going forward, but something we can talk more about later.

Moving forward to the other product lines. Can we move to the next slide please. Cash management service is a product line that we have seen good growth, both year-on-year and quarter-on-quarter. So, in Quarter 1 FY25 we did nearly 7,924 nearly Rs.8,000 crores worth of collections, using our platform and 8% growth quarter-on-quarter, and about a 31% growth year-on-year. Now, if you look at the box that we have highlighted four key metrics. The first one is in terms of the large SMAs, which is the Adhikaris on our platform. So, nearly of all the merchants that we have on our platform, close to 4000 of them contribute, nearly 90% of this collection number. So, what is happening is, while we have a large base of merchants functioning as an ATM network where people can come in, deposit or withdraw cash from their bank account, a certain portion of our network, like 4000 merchants are beginning to serve as large collection centers, and this is really helping enterprises to reduce the time, to get access to their money, as well as cost and convenience. So, instead of having to go to a branch to deposit cash, they are able to come to a merchant point and deposit cash and therefore there's a lot of convenience and time factor that they save.

We have nearly 67 transacting enterprises now on our platform, and the three key drivers of this is encouraging more business per enterprise. So, each enterprise, like MFIs and NBFCs, who collect cash and have to go and deposit it in their bank branch now are able to come to our merchants to deposit their cash in the bank and therefore growing the business per enterprise. Onboarding more enterprises and building more of these large collection centers. So, if you look at the full financial year 2024, we have nearly 7,300 large collection merchants that transacted on our platform in the last financial year. Quarter-on-quarter of course the numbers vary. But this is a big part of what we are looking at going forward.

If you move to the next slide, we will talk about the next collections product that we have. Can we move to the next slide please? This is the Bharat Bill Payment System. So, while the earlier one was cash management services, where we are dealing with money coming into the branches, getting deposited at our merchant points instead of going to the bank branch, this is a Bharat Bill Payment System where we have customers coming and depositing their payments directly at the Adhikaris point. So, one is agents coming, the other is customers coming. And if you see these numbers also in Quarter 1 FY25 we have made nearly Rs.1300 crores of bill payments using our merchant points, which is a 9.4% quarter-on-quarter growth and a 48.6% year-on-year growth. And again, if I was to draw your attention to the box that we have with the numbers, what's exciting for us is that if you look at the number of repeat customer accounts, where people are coming to deposit their EMIs, that's grown to a healthy 54%. So, out of 21 lakh customer accounts where EMIs are being paid, nearly 11 lakh is repeat business. So, effectively, customers are becoming used to coming to our merchant point in the village to deposit their EMIs. Quarter 1 FY25 was the 1st Quarter where we also crossed about a Rs.1000 crores in EMI collections and therefore, it's very interesting to see that how our network of merchants is moving beyond just being an ATM network to deposit and withdraw cash to also becoming a larger collections network. And, this will play very well, as we think about our own credit business going forward, because collections is a big part of having a very viable and strong credit business. Here our key drivers going to be to continue to work with more billers, who want to be able to handle the recurring payments and collections associated with that, grow our network density in terms of more merchants in a particular area so that customers find it convenient to do their payments at merchant points near them, and of course driving our repeat behavior. And this is something that we are very excited and keen to continue to grow.

So, the first one was on AePS, and the second two product lines on collections, which is cash management services and Bharat Bill Payment System. All these slides are on our website, and I really encourage, if you want to spend more time on them, you can always go and look at it. And all of this information is available in public domain. Can we move to the next slide please.

This is now, the second part of the building block on our strategic vision that I spoke about, which is really using the merchant network that we have to distribute banking and other financial products. The first one being current account saving account. So, effectively, if you think of a bank branch, the first thing that a branch does when you go to a branch is to help you open an account with the bank. Now nearly 37,000 of our merchant points, have been enabled to start doing account openings. So, you can start thinking of them as effectively becoming like digital branches, where you can go and open a bank account. If you see, as of the end of Quarter 1 FY25 and this is on a lifetime basis, our network has opened over 422,000 savings accounts, about 32,000 current accounts. Last financial year, we also signed up NSDL payments bank. So, now we have two banks whose accounts we open, Axis Bank and NSDL Payments Bank, so universal bank and a payment bank, and nothing is stopping us from being able to use our network to enable banks to be able to extend the reach of their branches, to be able to open accounts and get access to customers.

The third point is on float, one of the things that we measure as a metric is to ensure that we are not only enabling our partners to open accounts, but also to make sure that those accounts are used and do not become dormant and therefore, tracking the float and the balances in these accounts are also something that we believe is a good metric to look at the health of the product line. And we have seen that if you look at the overall float, this has actually grown 2x year-on-year, from Rs.60 crores in Quarter 1 last year close to Rs.125 crores Quarter 1 this year. Also, the other metric that we track is not just the number of merchants opening account, but how many merchants are opening more accounts. And we see, of the 37,000 Adhikaris, the merchants that have been enabled to open bank accounts, nearly 18,000 of them have started opening more than five accounts, which basically means that they are beginning to see this product as one product which they can focus on, get themselves certified and be able to do more with this business.

Of course, our key drivers are going to be to grow the average bank balances per account, be able to work with the partners to sell more products to these account holders. So, once they open an account, not just to maintain a balance, but to open a fixed deposit, a recurring deposit, to make investments and also focus on within our merchant base, how do we grow the number of 18,579 to more merchant points who can effectively start working as digital bank branches in their communities, whether it's in small towns or the villages.

The final one on services that I want to move on, next slide please, is on credit. Now this is something that has been a big learning for us, and we have consciously moved slowly on credit because we are working in an ecosystem where in rural India there is a lot of informal credit in the market, and we want to make sure that as we build out a formal credit business, as we learn as to what is happening in the market. We started by first talking about enabling third party loans to our Adhikari, which is the merchant. And then in the last financial year, and especially in the last quarter, which is Quarter 1 FY25 we started focusing on enabling our merchants to give loans to the Grahak, which is their customer. For us, the big learning in the Adhikari loan segment has been, that there is great demand and appetite, but because of lack of access to these small merchants in semi-urban and rural we have seen lack of consistency in terms of availability of relevant products, and that is where our NBFC application and NBFC plans come into focus, where we are talking about being able to use our own balance sheet going forward, to be able to lend to small merchants who are captive customers on our own platform.

But if I talk about Quarter 1, FY25 one of the big drivers we are seeing now work on our network is basically growth in higher ticket secured lending, and this is something which is a healthy sign, because the regulator has been also talking about unsecured versus secured, small ticket versus higher ticket, and we have seen that how secured lending to end customers has seen good growth on our platform in the last two quarters. So, if you look at in terms of the value of loans dispersed in Quarter 1 FY25 to the Grahak, it was nearly Rs.29 crores for the quarter, compared to Rs.12 crores in the previous quarter. And within this we have seen gold loan has been the bigger product and it's not a surprise, because of the market that we are in, which is more rural, where there is more investment in gold as an instrument, but we have been able to use our merchant network to enable customers to get access to more formal gold loans, and as we are working with our banking partners to drive the penetration of formal secure products, we are also seeing growth in products like loan against property and commercial vehicles. So, effectively, we are seeing that our network is now not only playing a role in terms of helping customers open bank accounts, but also get access to formal secured credit. So, on both these fronts, we are now focused, and we want to make sure that quarter-on-quarter we continue to work with our partners to grow both savings and lending products.

While moving forward through, we see an opportunity where effectively, we will be able to have more partners come on board to also help us both on the account side as well as on the credit side.

I would now like to hand over to Sunil, to walk us through the financials. Over to you, Sunil.

Sunil Kapoor: Thanks, Dilip. Good afternoon, everyone. So, this slide contains about the Spice Money financial highlights, though the customer GTV and the revenues in this quarter, Quarter 1, FY 25 is on year-on-year has de-grown by 6% and quarter-on-quarter which is almost flat, but the gross margin on year-on-year basis is also flat, even considering the drop in the service fees revenue. So, we have through the product mix, this gross margin is kind of intact, even after 6% de-growth in the revenue. And if we see on the indirect cost, that's also kind of flat, we have called out one time cost and reversal separately to have an apple-to-apple comparison with respect to indirect cost, and our EBITDA consequently is Rs.3.2 crores against Rs.8.8 crores in the previous quarter. And in comparison to the previous quarters, last year is Rs.3 crores.

Depreciation, if we see that, it's only 80 lakhs against the Rs.3.7 crores last quarter that was a year-end quarter, where we have taken some accelerated depreciations that's why this is higher in the previous quarter. On the EBIT side, Rs.7.2 crores against Rs.10.9 crores in the previous quarter due to the year-end adjustments. And consequently, the PAT is also Rs.4.5 crores against the PAT of Rs.5.9 crores. I want to just highlight about that, if we see on the last three years, we are service free GM on service fee revenue has grown from 35% to 38% to 40% and we are maintaining and we are hoping, with the new products and having the higher margin, this will further grow.

Can we move to the next slide, please. This slide contains consolidated financial highlights, the Spice Money piece we have seen in the previous slide, only the other part, which is indirect cost is Rs.2.4 crores against the Rs.2.5 crores in the previous quarter. So, nothing much change on that and due to the resultant of income tax refund, there is a higher interest earning on that. That's why the EBIT on the other segment is negative Rs.50 lakh, and which has resulted into the PAT of which is equivalent to the Spice Money PAT. There is also PAT, with respect to discontinued operations, is Rs.4.2 crores which we have already announced in this quarter that we have discontinued the operations with respect to the revenue. So, hopefully this will reduce further in the coming quarters. And the PAT details on the discontinued operations is given in the next slide as a reference slide which you can refer it to. And the total PAT of the company is 24 lakh on the consolidated basis.

We can move to the next slide. This is a discontinued operations summary slide, which is for a reference purposes only what I mentioned in the previous slide. Thank you. I am handing over to Amit for the further from here.

Amit: Thank you, Sunil. We will now open the floor for the Q&A. I request the participants to raise their hands to ask the questions. They can also write their queries in the chat box. We will wait for a while the question que assembles.

First question comes from the line of Harsh Sharma he writes, regarding the capacity utilization of our existing Adhikaris. What strategies do we have in place to ramp it up?

Dilip Modi: Amit, if I could take that. So, thank you Harsh. Basically Harsh, like we spoke about in the presentation, our Adhikaris started by functioning as ATM points in their village and small town, which means that they have started seeing a regular footfall of customers coming to withdraw cash mainly from their merchant point from their bank account. And we have had nearly 40 million customers in Quarter 1 do that, now obviously in terms of capacity utilization our goal is that what more can they do for these customers. Today, they are coming to withdraw cash, tomorrow they can be coming to deposit their payments or make their payments, and can they be coming to get access to more banking services. So, how a section of our Adhikari network can move from being just an ATM point to becoming collections point to also becoming a banking point. So, in terms of capacity, there are two points Harsh, we are looking at both capacity and capability. So, effectively, it's about training and certifying our merchants to be able to effectively evolve as banking points in their community. And obviously, as they build capability, it will also help them to utilize their capacity more and more. So for us, product expansion, training are all ways in which we can increase more business per Adhikari and the good news is that almost all Adhikaris are young entrepreneurs, who are digitally savvy in their small town and village, looking to earn income, and therefore, we are very much aligned with them in terms of how we can enable products to be distributed through them. So, just having more products come in and more training and certification to enable them to do more, is the direction we are on.

Amit: Thank you. So, Harsh Sharma has a repeat question, we have heard just now that there is an opportunity for Adhikaris to take on more roles in the accounts and credit areas. Could you clarify what you mean by this?

Dilip Modi: Okay. So, can I just ask the team to put up the presentation, I just go to the slide on CASA, please. Mona, can you go to the presentation please, just put up the slide on CASA. Can you just project this slide, please. So, Harsh, if you can refer back to this slide in the deck. This talks about current account, savings account that our Adhikaris are opening in their area where they are focused. So, now basically, 37,000 Adhikaris have been enabled with the ability to open a savings account, using Spice Money platform. So, effectively what it means is that, for customers who are living in their area instead of going to a branch to open an account with the bank, they can actually come to the Adhikari and open the account. So, this is what we mean by account opening, and if you go to the next slide, please Mona. When we talk about credit, Harsh, we have seen in the last quarter, nearly Rs.29 crores worth of loans, which have been given to end customers by our Adhikaris. So, effectively, they are serving like a DSA network for our partner banks and NBFCs to be able to source credit. So, this is what we mean by our merchants doubling up as both points for banking, where customers can come and open accounts as well as distribute credit. Thank you.

Amit: Thank you, Dilip. Next question comes from Anil Kataria, when can we expect improvement in PAT margins. It has been a very long period, but we are still not able to see growth in bottom line, please let us know the reason?

Dilip Modi: Actually, I will let Sunil come in, but Anil, one of the reasons we have decided to now focus purely on our fintech business as DiGiSPICE is really to drive profit and growth, because we realize that the space we are in has opportunity for us to build that in terms of operating leverage. If you see at a PAT level, if you look at last year also, we had an extraordinary gain. But if you take the extraordinary gain out and look at the PAT for the continued and discontinued business, and look at it for the 1st Quarter this year, we actually turned the corner in terms of loss to profit. So, effectively, we are moving ahead in this direction and it's taking time because our core business, which is the Aadhaar enabled payment system, has seen some regulatory changes, and they are beneficial for us in the long run. The good news is that we have new product lines, like collections, kicking in to substitute for the GTV drop. So, just directionally with DiGiSPICE now effectively becoming purely focused on this business of Spice Money, and with us looking at new areas of lending and banking, the bottom-line growth is something that we definitely look forward to. So, I would really now say that, as a company, we are moving in that direction. But I will let Sunil comment more about that point, Sunil.

Sunil Kapoor: As Dilip has mentioned about that our PAT we have improved from the last one year and discontinuation of the business of DiGiSPICE and, of course with the products what we have just showcased about the growth of those product, whether it is CASA or credit, that is contributing and increasing the contribution on the overall gross margin and profitability. Hopefully, in the coming quarters, we will be having better numbers with regard to these initiatives and actions.

Amit: Thank you, Sunil and Dilip. Anil, has a repeat question, also can you please share three-year vision of the company in terms of top line and bottom line?

Dilip Modi: Anil, since we are working on new product lines as well as looking at both the lending and savings product as new initiatives, it's a bit early for us to talk about specific numbers., At this point, we can talk about products and what is the thinking behind the products. So, this is something that more towards the kind of quarter four this year, we will be able to talk more about year-on-year projections. We are also hoping that as we gather size, in terms of overall size of business we can also get research coverage, and that will also give more visibility to the future of the business model. But a bit early right now, Anil, for us to talk about specific numbers from a guidance perspective.

Amit: Thank you, Anil and thank you Dilip. Next question comes from Utsav Bhaheti. Sir, could you talk a bit about the AePS market and when can we see growth in this particular market?

Dilip Modi: So, Utsav, if you look at the Aadhaar enabled payment system market, this is a very important part of the financial services space in the country. First, let me start with that and it's important to understand why. Because, at the end of the day, one of the main use cases of AePS is for people to be able to withdraw money from their bank account. If you see the number of ATM machines in the country, they are mainly concentrated in urban India. When you go towards rural India, the number of ATM machines reduced significantly. And also, I am talking about serviced ATM machines. So, as more and more accounts are being opened, people need to be able to withdraw cash from their bank account, to be able to transact in their market, because cash in circulation continues to exist. So, this is the biggest use case of Aadhaar enabled payment system. So, I just want to make that point. The way that we see this growing is that so far, the main product that has been enabled on Aadhaar enabled payment system is cash withdrawal, not cash deposit. So, there is as much a need for cash deposit as cash withdrawal. And this is something that we are working with the ecosystem, with our partner banks, and with the other banks and the other stakeholders to figure out how to enable cash deposit using Aadhaar enabled payment system. So, we believe that that is as big an opportunity as cash withdrawal. Because if you think about it, today what is the challenge in rural India, that there aren't enough ATM points where people can go and withdraw cash. That's where merchant points, like us effectively are focusing like human ATM points where people can come and go and withdraw cash from their bank account. When we say Off-Us versus On-us is where, they are withdrawing cash using platforms like ours, which are work across banks. On-us, is if they go to a particular branch, like an ABC bank customer just going to the branch of ABC bank to withdraw cash that's On-Us. We have seen Off-us declined compared to On-Us. Overall industry has not declined, but Off-Us has declined because of concerns around fraud and gamification. This is something that we believe that, as the industry gets more organized, there are more guidelines coming from the regulator in the AePS space, and there is going to be a lot of self-regulation that's going to be driven in this segment. So, if I look at the overall in AePS, there are three points that I have. One is that this is going to be continuing to be a very relevant segment, because people need to be able to transact with their bank accounts in small towns and villages, and AePS is the only way to do it. Two, in terms of cash withdrawal and cash deposit, two you are going to have products like cash deposit using AePS, which is still not gone live across majority of the banks which will come in to help grow AePS. And three, this industry of AePS is going to get more and more in the self-regulated space which will mean more unorganized players moving out, and organized players gaining share. So, those are the three characteristics that I would call out as far as AePS market is concerned. Thank you.

Amit: Thank you Dilip for the detailed answer. The next question comes from Pritam Bajaj. Have seen a lot of changes in the leadership in recent times. Will we see more changes going forward, or we have now a stable team. Also, when can we expect NBFC to start lending, and will be the focus on merchants or customers, and what is the size of supply that we are thinking of?

Dilip Modi: Thank you, Pritam, for this question. For us, our people are our main asset and when you talk about leadership, yes, we have seen some changes, but effectively at the core the teams have more or less remained stable. We have added to the team, we have brought in people from the specialized banking spaces, like payments banks, small finance banks we have also brought in people from the technology space, because we want to continue to disrupt this space using technology. And we have also invested in risk fraud and compliance management. We have also started adding teams around, as we enter the NBFC space. So, you see new additions coming in, in the form of business and finance and compliance leadership for that. So, net, net Pritam, I see that we are adding new capabilities as we look at building out the business. And today we have got a very good team with different skill sets already in place. So, I am very confident that we have a stable team. In fact other than a few changes, most of the team has been in place for a long period of time. When we think about the NBFC, the application went in end of June 2024, of course from a timeline point of view, we would like to move as soon as possible but this is a process that will be driven more by the regulator, and we work closely with them to see how quickly we can get the approvals. Our goal is to try and get it in place within this financial year so that we can actually start lending. And to your final point, what will be the focus. Our focus will be on the merchant base, which is our own Adhikaris, and that's what we are going to focus on as far as our NBFC is concerned. We understand them the best, we have data around them, we can collect from them, we can connect with them. So, of course, our goal is first, and we believe we can build a sizable NBFC business, just lending to our merchants.

Amit: Thank you Dilip and thank you Pritam. Next question comes from Harsh Sharma, now that Relipay is listed. How do you think the competitive landscape will change, what is our strategy for staying ahead?

Dilip Modi: Harsh, this is a very welcome thing which has happened because, like I said, the space is going to get more and more organized. We welcome players getting listed in this space because it just helps us to see more-and-more of the space get organized and when a company gets listed, like we ourselves are a listed company, as we welcome our competition into the listed space, together we can work to organize the space even more. So, our strategy continues to remain the same which is to grow products, to grow Adhikaris and to do more, there is enough headroom for everyone to grow. So, competition or other players in the industry getting listed is a validation of our business model and a very good sign for consolidation and organization of this space. So, we actually welcome it and are excited by these developments.

Amit: Thank you, Dilip. The next question comes from the line of Yash Sachdev. How do you see the company's growth trajectory over the next few years. Also, are there any plans for future merger or acquisition even, how our debt trajectory on balance sheet would be going forward?

Dilip Modi: Thank you, Yash. So, over the next few years we definitely see that the assisted payments business that we have with new product lines coming in around collections, banking and credit distribution. We see that we will continue to grow in terms of business per merchant, also with respect to credit, for us this is going to be a major product line going forward, and that is something which will add to the income of the company. The prepaid instrument product that we have, we have to figure out the product market fit with respect to UPI, but we have seen other UPI apps also create income streams through cross selling products. So, Yash, the way we see it is, we already have a large Adhikari base in place today. Getting more products distributed through those Adhikaris is one lever of growth. The second is creating a new credit income stream by providing credit to the Adhikaris, the second income source and third is, as we launch our own PPI product at a lower cost of acquisition because we already have a network in place to open accounts our PPI accounts, how do we create new income stream through cross selling products into the wallet. So, these are the kind of short, mid, long term building blocks for our income growth. In terms of mergers or acquisitions Yash, actually this is a completely new space where new products have to be built out. So, we do see some teams out there building relevant products for our ecosystem we would be more than happy to look at it, as a listed company we can always use, our shares also as a way of as a currency to acquire so we have an advantage there, but it will all depend on what kind of companies are out there in terms of looking at relevant products and relevant teams, building relevant products for our customers. On debt, Sunil you want to comment on debt in terms of where we stand today on our balance sheet?

Sunil Kapoor: Yes, today we are a zero-debt company. Only for the treasury management, we have some OD and FD arrangements with the banks. That's a better utilization of the funds. So, from that perspective, we are zero debt as of now. But going forward, whatever will be the need as for our expansion plan with respect to NBFC and other initiatives, we will figure out what is the right mix.

Amit: Thank you, Sunil, thank you Dilip. Next question comes from Harsh Sharma. With all the recent changes at the top management level, including the appointment of a new CFO, how do you plan to leverage his expertise in the coming quarters?

Dilip Modi: Yes, so Harsh. Vineet Mahajan, he has joined us as a CFO at the DiGiSPICE. Effectively, Vineet comes from the NBFC background. He's had tremendous experience in working at, leading NBFCs in the ecosystem As DiGiSPICE we are looking to enter the NBFC space, and that is the area where we really see Vineet helping us to build out in the space. So, far we are more like a payments platform business and a platform for distribution of financial products. But as we roll out into the NBFC space and build a separate business around that, Vineet comes in to help us to see how to build that so he will be part of the team in helping us to roll out the NBFC and building out a very profitable and viable business in the NBFC.

Amit: Thank you, Dilip. Next question is a repeat from Pritam Bajaj. We see stagnancy on AePS numbers. Is there an opportunity for us to additionally grow on the network side, especially deeper density, which could possibly add to the growth of a core products and a runway to cross sell other products too, which can be primarily driven by strong acquisition drive.

Dilip Modi: Absolutely Pritam. Our focus is, like I mentioned on our slide on the Adhikari growth, that we have achieved good coverage from a point of presence point of view in terms of close to 19,000 PIN codes, over two lakh villages, 6000 blocks. So, now the focus is on density. And we have also now restructured our distribution network, where now we have distributors, at a district level focusing on driving deeper density within the district. So, the focus is going to be to get more and more merchants on board and get them to do more business. So, acquisition in terms of driving network density, Pritam, is a big focus in the coming year. And we have organized our distribution network to drive the same.

Amit: Repeating the question from Pritam, the third one. RNFI has recently raised capital post their IPO. Do you think they could possibly be a threat to our business, considering they operate with the same model? What are our plans on raising capital, and any thinking on what we would be preferred, what would be the preferred instrument?

Dilip Modi: No Pritam. We are running a profitable business effectively, for us other players raising capital like I said is a good sign. It shows validation of business model as well as players getting more organized, I would say that for us we will continue to look at our cash flows from the point of view of how we are continuing to grow and what cash we need to grow it. Of course, we are not going to compromise growth because of lack of cash, and therefore, whenever we see a need to get access to more growth capital outside of internal accruals, we will go back to the Board and discuss around formal fundraising plans, and see how to move forward. Right now, we want to drive more cash flow and capital efficiency without compromising on growth.

Amit: The next question is from Pravin Sharma. There are two large conglomerates with payment banks which are now increasing their banking correspondent network. Will that lead to some sort of business attrition for us?

Dilip Modi: So Pravin, payment banks have their own business model. We have our own, we are not a payment bank. So effectively for us, oOur business model is more tech and customer first led. So, we see our business model as a bit unique compared to payment banks. Of course, as we see a huge market opportunity in the market, other players also see it, big and small. So, we are in a market where we will expect competition, but we believe that there is significant headroom available in the markets we serve when it comes to penetration of financial services, and therefore there will be plenty of opportunity for more than a few players to build large businesses in this space.

Amit: Thank you, Dilip. Next question is from forum. With the listing of RFI, and how do you see the competitive landscape evolving? Any plans to make ourselves much more competitive, that you just answered. If you can briefly answer this, that will be fine.

Dilip Modi: We are focusing on our own plans how to be more competitive, which is around more third-party products, more merchants and more in-house products, around our own savings and lending product. So, we will continue to work on these building blocks of more merchants, more third-party products per merchant, and also bringing in our own products to drive margins, and that's what we believe will help us to continue to grow the pie.

Amit: Thank you, Dilip. The next question comes from Pritam Bajaj, one last one, of course you can ask a few more Pritam. While we are exploring to go the consumer route through PPI, UPI, we are assuming it will be back on the same network of Adhikari. It's understood while UPI in rural India, is a good futuristic investment for us. However, it will need investments on the tech and marketing, especially to drive the adoption and habits. Do you think we will be able to stay invested on the lines of PhonePe, Google Pay or Paytm, kind of UPI apps?

Dilip Modi: So, Pritam, very good question. And effectively for us, Pritam, this is a journey that we are just about embarking on. All I can share with you, what we see on the ground Pritam, is see Paytm, Google Pay, PhonePe, some of the companies that you mentioned, they already operate in our markets. So, there is nothing stopping them from continuing to grow their base in the markets we serve. Nothing is stopping them from serving consumers and merchants in rural India. But if you see the number of UPI users, they kind of held on as an overall industry about 350 million users, if you look at the AePS segment, another 150 million users, many of whom have yet not got onto the UPI bridge. What we are bringing to the market is a UPI product linked to a wallet. What many of the UPI apps have is a UPI product linked to a bank account. And therefore, there is a large segment of the market that still has inoperative bank accounts especially with respect to enabling digital transactions using the bank account. So, we believe that this is like a new segment of UPI linked to wallet compared to UPI linked to bank account, which is building out, and we see some companies, even in urban India now beginning to build this which is helping grow the overall UPI kind of pie. So, as UPI is becoming more and more popular in rural India, we want to build a product which works for consumers, who do not have, who have either bank accounts which do not work that well on UPI, or who actually don't work on UPI and being able to give them an account which they can start using to do UPI payments. So, this is something that we are excited about as a segment. On your point about revenue model and monetization, Pritam, one of the things we are focused on right now is, how do we keep our cost of acquisition in control because effectively, as I mentioned, we have nearly 40 million customers who are transacting using AePS on our platform. So, we have a good base of customers already coming to our merchant points, how we can therefore acquire them with or use this network for acquiring at a lower cost. When it comes to tech and marketing, we are trying to keep it as variable as possible, but Pritam, this is something that our first goal is to, with our alpha and beta program, to get the product market fit in place. And once we know that customers are beginning to use our product and see value in it, I am sure we will figure out ways to, build revenues and cover our cost, but this is something we are very conscious of.

Amit: Thank you Dilip for the detailed answer. Next question is from Harsh Sharma, can you throw some light on our AUM profile for the NBFC segment over the next few quarters?

Dilip Modi: So, on the NBFC front as soon as we have more visibility on our approvals, we will come back Harsh and share more details on our direction. But if you look at it, to begin with what we are looking at is our own Adhikari base, which has small entrepreneurs looking for credit to grow income. And when we look at building our book in the NBFC, it is going to start with this base.

Initially, we are going to start with, Adhikaris who are doing more transactions on our platform because we have higher engagement with them, and our whole book building will start with them. So, there will be a certain segment of our Adhikaris. And as we learn more, and as we build on our underwriting and risk capability, management capability, we will still have to strengthen the AUM. In the coming quarters, we will have the NBFC team also, as we get more clarity of the approvals join us on these calls, where we will have specific conversations just on the NBFC business.

Amit: Thank you, Dilip. Pritam writes, Modiji I am 100% satisfied with your reply. Thank you. Thank you, Pritam. The next question comes from Hina Parikh. Can you explain the post corporate structure and shareholding, post M&A structure of the company?

Dilip Modi: So, Hina actually what you are referring to is the merger scheme that we are going through in terms of what's just got approved at the Board, subject to regulatory approval. So, another statutory approval. So, effectively Hina, the way we see that working is DiGiSPICE Technologies has made, its main business is housed in a subsidiary, called Spice Money Limited. So, it has other subsidiaries also, but most of them have either no business or the business has been closed. So, what we are seeing is, significantly simplifying the corporate structure of DiGiSPICE in terms of the Spice Money business getting merged in DiGiSPICE, effectively DiGiSPICE will become Spice Money. And if we get the approvals for the NBFC acquisition, then that will come as a subsidiary of Spice Money which will then become the listed company and effectively, it will be a very cleaned up structure. And we are hoping that most of the other subsidiaries will either close or exit. So, post all this restructuring over the next couple of years, we are hoping that we can really simplify the corporate structure of DiGiSPICE and house the main fintech business within the Listco.

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

Dilip Modi: Thank you, Amit. I would like to once again thank all the participants on this call, you have given their valuable time to hear our presentation, as well as some clarificatory questions. This is a great platform for us, at DiGiSPICE and Spice Money, to share our progress. We are working in a part of India that needs work. And the digital story that we are seeing unfold in urban India, we at Spice are playing our little role in taking that digital story to rural India. We know that penetration of formal financial services is the underpin of GDP growth of any economy. And if we have to grow from where we are today towards building a developed India, the Bharat part, which is the rural part of India, has to contribute to it. With so many things happening in terms of digitization, we at Spice Money believe, we are going to leverage all the different elements to be able to use an asset like digital first and customer first approach to really revolutionize the way Bharat banks. So, looking forward to this journey, it's going to take a lot of hard work, effort and innovation, and we are committed to that and we are looking forward to the support of all the stakeholders as we build out key building block for the economic growth of our country. Thank you once again, for your time, your patience and your contributions. Thank you.

Amit: Thank you, sir and thank you everyone for being there on the call. You may now disconnect the line.

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