

January 22, 2022

**BSE Limited**

Phiroze Jeejeebhoy Towers  
Dalal Street, Mumbai – 400001

**Scrip Code: 517214**

**National Stock Exchange of India Limited**

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

**Scrip Code: DIGISPICE**

**Sub: Transcript of the Investors/Analysts Conference Call held on 16<sup>th</sup> November, 2021**

Dear Sir/Madam,

In continuation to our letter dated 11<sup>th</sup> November, 2021 intimating you about the schedule of the conference call for Investors/Analysts on 16<sup>th</sup> November, 2021, please find attached herewith the transcript of the aforesaid conference call. The same will also be made available on the website of the Company i.e. [www.digispice.com](http://www.digispice.com).

You are requested to kindly take the above on record and oblige.

Thanking you.

Yours faithfully,  
for **DiGiSPICE Technologies Limited**



**(M. R. Bothra)**  
Vice President - Corporate Affairs &  
Company Secretary

Encl.: as above

**DiGiSPICE Technologies Limited**  
**Q2 FY22 Earnings Call**  
**November 16, 2021**

**Gavin Desa**

Good afternoon everyone, and a warm welcome to the DiGiSPICE Technologies Limited Q2 and H1 FY22 earnings Zoom webinar. We have with us today Mr. Dilip Modi, the Chairman of DiGiSPICE Technologies Limited along with members of the senior management team. Before we begin, I would like to state that some statements made in today's discussions may be forward-looking in nature. The actual results may vary as they are dependent on several external factors. A statement in this regard has been included in the result presentation sent to you earlier.

We will commence the call with Mr. Dilip Modi 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. Modi to commence the presentation. Over to you, Dilip.

**Dilip Modi**

Thank you, Gavin. Good afternoon, everyone. Thank you so much for taking out the time to join us on the Q2 & H1 FY22 earnings call for DiGiSPICE Technologies. I'm very aware that there are many earning calls happening by different companies. So, thank you so much for taking out the time to join us on this call. We will try and make sure that we can use your time today to not only give you an understanding of how this quarter has gone, but also further in depth understanding of our business model, introduce you to members of our management team, as well as answer some of your specific questions that you may have on the business. So, thank you once again. Let me start my presentation.

So, friends, today we're going to talk about our Q2 FY22 earnings that we published following our board meeting for this quarter.

We've broken the presentation into broadly five sections, I will give you a quick update on the highlights for Q2, followed by which we will have the respective teams talk about the two business segments, the FinTech business, as well as the Digital Technology business and the consolidated financials.

What we have done this time is that a lot of the slides on the business introduction, the business model, we put in the annexures for your ready reference. This was basically to optimize the time that we have here. All of this has been uploaded on the website as well as on the stock exchange. So, all of you have the opportunity to go through it. If there any questions on any of the slide or in annexures, please do not hesitate to ask us on the call. So straight away getting into the update on the Q2 highlights please.

Let me begin the presentation by just sharing with you broad highlights for Q2 of this financial year. Let me start with the FinTech business, Spice Money. As we've been sharing with you in our last few earning calls, we have at Spice Money adopted a flywheel strategy of growth, where our focus as a platform business is to drive transactions on our platform. We do that by onboarding merchants and entrepreneurs in rural India and semi-urban India, who we refer to as Spice Money Adhikaris on our platform. They help us drive customer transactions on the platform, which give data, which allow us to do product innovation, bring new products, which again drive earnings for our merchants and Adhikaris and drive growth of the transactions on the platform.

So, it is this focus on the flywheel strategy of growth that we are continuing to be on. Some of you who may have been on the previous calls will recall that in Q4 last year, we made a significant shift in our revenue model, where we moved from predominantly a subscriptions and rental model to more a transactions-based business model. It is this shift in the last quarter of the financial year that we believe has contributed significantly to our accelerated entrepreneur base growth in Q1 and Q2 this year.

I'm happy to report to all of you that as of the end of Q2 of this financial year, we have crossed 800,000 in our Merchant Adhikari base on our platform. This was an addition of close to 119,000 Adhikaris on our platform for the quarter, and over the last one year, we have added over 400,000 Adhikaris on our platform.

In terms of repeat customers that have transacted on our core product, which is Aadhaar Enabled Payment System. This number grew to 25 million customers during Q2 compared to 21 million in Q1 and 17 million in the same quarter last year. The gross transaction value that we registered on our platform during the quarter was close to INR 32,500 crore. From this quarter onwards, we are doing a further split for you to give a better appreciation of what all is part of the gross transaction value, basically breaking it down between customer gross transaction value and entrepreneur gross transaction value. Vivek from the Spice Money team will talk to you further about that during the course of the presentation.

For this quarter, the customer GTV grew 9% quarter-on-quarter and 81% year-on-year. We, in our FinTech business, are very excited about the long-term growth opportunity and potential in rural India, and therefore, we continue to focus our investments towards capacity and capability build out, specifically in the three key areas of brand, technology and organization. Sanjeev from Spice Money team will talk to you further about that.

During this quarter, we launched our new rural travel tech platform Travel Union. Again, this is early days, but we have begun to see good traction as the country's opening up and travel is happening. We are in the process of developing a platform meant for rural agents working in semi-urban and rural India. We also announced during the course of the quarter, new joint venture that we've entered into with Tarya Group, which is a leading digital community lending platform from Israel. They are one of the leaders in the lendtech space in Israel with a significant market share, again Sanjeev will touch on it. Both these initiatives of travel tech and lendtech were a part of our journey towards building exciting solutions in areas that we believe have significant growth opportunities in rural India.

One of the key focus areas for us at Spice Money, at this quarter we saw some significant steps towards that, is to make sure that we continue to build a great purpose driven organization. We are people driven business, and therefore, it's very important that we continue to build the right culture within the company as we build out to solve problems in rural India. I'm very happy to report that during this quarter, we got certified as a Great Place to Work at Spice Money. This was a three-month process that we went through with the Institute, and I'm very happy to share with you that now Spice Money has been certified as a Great Place to Work.

In our Digital Technologies business, as you're aware, we've been building out in two new areas, one is the communication platform as a service business in which we rolled out our new business line called Korero Platforms and with our Telco footprint, we continue to focus on building Digital Telco solutions. Again, we're at the early stage in the build out of both these platforms and as we move forward over the next few quarters, we'll be able to share with you in more detail.

Let me straight away jump into the FinTech business and talk to you about the team now that we have in place who's building out this business for us at Spice Money.

So, friends again, I'm very happy to share with you that now, we are building out a very strong management team for our FinTech business, Spice Money, where we brought in members with great expertise and experience, both at an advisory board level as well as at a management team level.

Before I invite Sanjeev to share with you more about the team, let me also inform you that we have two very experienced advisory board members who are working very closely with us. One is Mr. Ramesh Venkatraman, who's had tremendous background in consulting and investments. And he's advising us in terms of our journey at Spice Money how to build a leading FinTech business for rural India. And we also have Mr. Abhay Aima, who's a banking veteran from HDFC Bank, who's also an advisory board member, working again very closely with us and the management team to guide us on how do we make sure that we build a strong, robust business going forward.

With this, I'd like to invite Sanjeev, who is the Chief Executive Officer for Spice Money to please introduce the management team to all of you. Over to you, Sanjeev.

## **Sanjeev Kumar**

Thank you, Dilip. Good evening, everyone. Thank you for joining in. Like Dilip said, we're building a very, very professional management team at Spice Money. We are very, very proud of it. Today in this call, I am joined by three senior colleagues: Rajneesh, he is the Chief Innovation and Strategy Officer. Sunil, he is the Executive Director of the Board of Spice Money, and Vivek Venkatesan, who is the Chief Financial Officer, who is also going to speak about the numbers. Like Dilip said, we are very bullish on rural India. We are very well poised to be the most admired FinTech brand in rural India, this is a mission that we carry, and the seven building blocks that we are building to achieve this mission is first of them is network. We're building the largest distribution network in rural India. We already have over 800,000 Adhikaris coverage

across all districts. Platform, robust and scalable tech platform with a micro-services based open API architecture, which is scalable. Product, we're building the largest product marketplace for a billion consumers. Brand, very important role in India, you need to gain trust and that is something that we're very, very passionate about building, a trusted brand for rural India. A strong management team like you would have seen in the last slide, and many people were not part of that slide. But as senior management members, a strong management team of people who experienced very, very strong pedigree in various organizations that they've worked with, but driven by a professional entrepreneurship culture.

At the end, the purpose. It's very purpose driven to transform rural India. Our business model, it's a very asset light business model with positive unit economics, and we continue to build that. Performance track record, extremely proud to say, we have a very, very strong performance of business and financial performance over the last six quarters, which has given us the confidence to scale this business in a big way.

You would have seen this slide earlier in the previous presentations. But I continue to say, our core strategy business model revolves along building a phygital super app. What does this mean, we are putting our consumer at the center, rural consumer, and we're saying, can I service all his needs using technology and through entrepreneurs who are based in rural India to a community led platform. So basic banking, basic payments, financial services, all services, if I can get all the services on the platform, and if I can build a network of entrepreneurs across every district, block, gram panchayat, then why does the rural consumer have to step out of the village.

Continuing with the same momentum, like we said, we're coming out with two new product platforms and organizations. One is Travel Union. We're launching the first of its kind- rural travel, A super aggregator for travel agents. We're democratizing traveling in rural India. Very early days, but I'm sure we'll speak more in the further presentations over the next few quarters.

This next business we are very very passionate about to address a very important need, is building a community led rural lending model –where we have tied up with Tarya. Tarya is the number one B2B banking platform in Israel with a 70% market share. Proudly associated as two organizations, we've named our organization, Vikasni FinTech, and I'm sure over the next few quarters, you're going to see a lot of numbers and performance on these two new product lines for us.

Now, I'm going to request Vivek, who is our CFO, he'll take us through the key metrics across business and financial performance. Vivek, over to you.

## **Vivek Venkatesan**

Thanks, Sanjeev. So good afternoon to everyone. It gives me great pleasure in presenting the Q2 performance of Spice Money. I'm going to walk through a few operating and financial metrics, which have underpinned the performance for Q2 FY22. Needless to say, we've continued with our momentum in the last quarter and delivered very strong operating and financial performance.

So, for the first slide, I want to talk about a few key metrics. Some of these metrics have also been presented in the previous quarters, and some are new, and I want to take some time in explaining the new metrics. The first one, I guess Dilip and Sanjeev have already talked about this. The zero-cost subscription campaign which we built out from Q1 of this year has continued to yield momentum in our Adhikari growth base. And we've almost delivered a 17% growth quarter-on-quarter on the number of Adhikaris, ending with 800,000 by the end of this quarter. And our market share of our core product, which is AePS, continues to be robust, we've seen a steady increase, we've closed H1 at strong market share of almost 15.8%, a significant increase from where we ended the last financial year.

And the last metric, while this has been presented at a total level, I want to spend some time on this. If you look at it overall gross transaction value has increased from INR 31.1 crore to INR 32.5 crore. However, in the entire gross transaction value, there are two blocks. One is the customer GTV and the second is the entrepreneurial GTV. Gross transaction value in our line of business in the way we've been representing our operating performance actually refers to all the transactions which generate revenue for us either from the customer or from the agent.

Now, customer GTV included in gross transaction value primarily is the value of transactions done by the customers through our entrepreneurs. And this is primarily the driver of our financial performance and service fee. Entrepreneur GTV refers to the value of transactions which the agent does on our network. This is largely in cases, when the agent wants to move excess funds that is remaining in his wallet to his bank account. So this is largely the entrepreneur GTV. And the reason why we want to show this distinction is that we want to stress upon the fact that the primary, the driver of performance for us is actually the customer GTV which has recorded a strong 9% growth quarter-on-quarter. We'll talk about more in terms of financial performance in the subsequent slides.

So again, this was a slide we presented last time. I think the key thing to note here is that the upward trajectory both in Adhikari numbers and service revenue continues to be pretty strong.

So as we spoke, some time back, we've ended with about eight lakh Adhikaris, and most importantly, our service fee revenue has grown from INR 69 crore from the last quarter to INR 80 crore this quarter. So the key thing to note here is that while we launched the free subscription campaign towards end of Q4 last year, you've seen momentum, it's seen a very positive response from our Adhikari base. And that has led to the increase in the Adhikari base quarter-on-quarter and the momentum continues.

The second important thing to really focus here is that our service fee revenue has seen double-digit growth over the last six quarters. So this is a very fundamental metric which drives our performance. And this clearly underpins all the efforts taken by the team and the investments we've made, and clearly it is showing the results.

So, again what Sanjeev discussed about three, four slides back, the core of our business remains to be the rural customer. And all our offerings through our agent network right now are towards meeting the needs of the rural customer, and we've seen huge traffic from the rural customers, We've seen the repeat customers on our platform, growing quarter-on-quarter steadily. And this

quarter was not an exception, the same level of growth we recorded between Q4 to Q1, we recorded this quarter also. The repeat customer in our base who transacted through our platform stands at 25 million, which is very significant. As we build out our franchise to be more rural focused, we see a lot of traction from this base. And we will focus on tailoring our offerings to our loyal customer base.

So I want to spend some time on this slide, this is a new slide which we have introduced. I think in this one slide basically we captured the entire operating and financial performance, and the slide also clearly reads out the business model and operating model for whoever is seeing this. So really at the top of the tree is the customer GTV, which I explained a couple of slides back is actually the value of transactions which the customer does through our Adhikari platform.

We witnessed a significant growth, QoQ 9%, YoY 81%. Then in terms of revenue, while at an overall level, the revenue is at, the growth is witnessed is about 0.4% QoQ. The key thing to note here is in the service revenue, which basically drives our financial performance, has grown 16%, quarter-on-quarter and 82% year-on-year. This primarily drives our gross margins as well. The Airtime revenue has witnessed a bit of a shortfall, but then in terms of margins, this does not impact financial performance significantly.

And the third thing is the subscription and device revenue has held to its level and is slightly increased from the previous quarter. But the focus for us on this entire revenue stream is that we are clearly moving from a zero-subscription model to a service fee revenue model, which it pretty much reflected in the results.

In terms of gross margin if you really look at it, the gross margin from service fee has increased by 23% quarter-on-quarter and 66% year-on-year. And if you look at it an overall gross margin of INR 29 crore for the quarter service fee contributes INR 27 crore. So, it's very clearly reflection of the focus area for us, and this drives our margins primarily.

And so clearly if you look at it, in terms of trend, the customer GTV increase has led to increase in service fee revenue and service fee revenue has led to an increase in service fee margins also. And if you look at it, there's a clear linear progression from 9% to 16% to 23% quarter-on-quarter, which very clearly validates our business model and also clearly validates the fact that we've been investing in the right areas and driving the business according to the focus areas.

Indirect cost witnessed marginal growth by about 10% quarter-on-quarter, but clearly, I think the increase in indirect costs was much lower compared to the gross margin increase, which clearly gives us a positive (23:51). So the indirect cost increase was in line with expectations. We are continuing to invest in the brand organization and tech, which are key levers to run a successful FinTech business, and we will continue to invest on this, but also ensure that we have the right level of operating leverage to be able to sustain this business model.

And at the end, we have three metrics, which again is a clear reflection of our business model. One is a service fee revenue to customer GTV, this is basically nothing, the total gross revenue earned on customer GTV, which is a healthy 41% and has increased by around two basis points quarter-on-quarter. And the service fee gross margin actually also has witnessed an increase by

around 12% to 14% quarter-on-quarter. Again, reflection on the fact that we focus on our operating leverage has been driven by improved supplier margins, and also the fact that we've been able to get the operating costs down.

And finally, if you look at it the service fee gross margin, as a percentage of service fee revenues almost 33% and this is increased by 2% quarter-on-quarter. Again, a very clear reflection of the strong business model with significant operating leverage. This gives us a lot of confidence to further invest in this business, achieve our goal of being able to serve the rural customers, and also invest very sensibly in terms of building our capabilities.

And finally, before we go to the next slide. Again, bottom-line EBITDA, we've grown from INR 4 crore to INR 7 crore with an increase of almost 95% and EBIT, which has increased from around INR 5 crore to INR 9 crore. So here, I want to highlight that EBDT includes the interest income that we make from the prepaid balances which the Adhikaris keep with us. And if you really look at it, the EBITDA has also grown. One of the reasons is that we've got the Adhikaris more sticky to our platform, they've been able to retain more balances in our platform. And that's reflected in the increase on EBDT from INR 5 crore to INR 9 crore quarter-on-quarter.

So now, I'll hand it over to our Chairman, Mr. Dilip Modi, to give an overview of the Digital Technology business and introduce the respective teams.

## **Dilip Modi**

Thank you, Vivek. So coming to our second segment, the Digital Technology business. We have two platform businesses we operate under this. One is Korero Platforms, which is basically a communication platform as a service segment. And the second is our Digital Telco Platforms for Telcos in the region.

I would also like to use this opportunity to introduce the management team that is driving this business on a day-to-day basis. We have two of them joining us on this call today. One is Mr. Rohit Ahuja, who's the Executive Director on the Board of the company, and Vinit Kishore, who's the Chief Financial Officer.

We also have the other members Anuj Malhotra, who's the Chief Business Officer for Korero Platforms, comes with a significant background in the CPaaS industry, and Sandeep Kaushal, again a veteran in the platform technology side of the business, who's Heading Technology & Product for us at Korero Platforms. Vishal Gupta is the Chief Business Officer for our Digital Telco business. Comes with again, a background from Mahindra Comviva working extensively with Telcos in the region and Prashant who again has tremendous Telco Tech background, Heading Technology & Product and joined by Lakhvinder, who heads HR and Admin.

So like in our FinTech business, even in our Digital Technologies business, we are leading with experience and expertise. And we are making sure that each of the verticals are housed with the right leaders with the right background and experience.

I would like to now invite Vinit, who's the Chief Financial Officer for DiGiSPICE Technologies to both run us through some of the key metrics for the DiGiSPICE business segment and also close with the key highlights for the DiGiSPICE consolidated financials. Vinit over to you, please.

## **Vinit Kishore**

Good evening to all. Nice opportunity to get interaction done. As conveyed earlier this business, we are focusing primarily on enterprise business, Digital Telco and Analog Telco, which is also called Telco VAS business. In Enterprise business our revenue has grown up by 47%, which is very happy quarter that way for us. Our Digital Telco business are also grown up it has been growing. This quarter it has grown 27%. These are the two focus areas for us and going forward also we'll continue to focus on them.

The traditional VAS business is de-growing and that's at an industry level, that industry itself is bit growing that way, and focus is coming on Digital Telco only. So, that way our revenue growth this quarter has been quite decent and encouraging for all of us. At an EBITDA level, the EBITDA has also improved compared to last quarter. And if you compare same quarter last year also we have improved. The growth in the enterprise business has helped us in improving our margins this quarter. And we continue to believe that the trend should continue. That's how we have performed on a quarter-on-quarter basis at DiGiSPICE level.

At a consolidated level, at a group company level, we have also shown an improvement in margin at both Spice Money and DiGiSPICE. Our revenue overall has grown up by 3%. The overall growth has been driven by both DiGiSPICE and Spice Money. EBITDA has also improved at a consol. level. And typically, our EBITDA is around 3% of our top-line, which the ratio has been maintained this quarter. And our improvement in EBITDA has also helped in improving the PAT. As you compare Q1, the PAT has gone up by close to INR 6 crore and we end up INR 4 crore for this quarter. PAT same quarter last year was a bit high, because we had sold one of our associates and otherwise the performance this quarter has been reasonably encouraging for all of us at a consol level.

With this, I go back to our moderator Mr. Gavin, and we are all available for any Q&A which you might be posing on us.

## **Gavin Desa**

Yeah, thank you, Vinit. I just request Dilip to just briefly introduce the management and then we go to Q&As, please.

## **Dilip Modi**

Thanks, Gavin. So friends, thank you once again for joining and your attention on this call. To introduce you to the team available on this call. So of course, we have Sanjeev and Vivek from Spice Money, but also joined by Rajneesh and Sunil. Rajneesh, in addition to innovation and strategy, he's also driving investor relations for us at DiGiSPICE Technologies. Sunil is of course

the Executive Director on the Board with Spice Money, and Rohit is the Executive Director on the Board of DiGiSPICE Technologies, joined by Vinit, who's the CFO for DiGiSPICE Technologies.

So we have some of the core team members. Of course, we have a much larger team and an organization behind this team, building the business on a day-to-day basis. And we'd love to engage with you and answer any questions that you have on this call or even later, if you have any questions, please do reach out to us through our website and our contacts.

Over to you, Gavin, please.

## **Question-and-Answer Session**

### **A - Gavin Desa**

Thank you, Dilip.

If I may start with Rahul Jain. Rahul if you could please unmute yourself and ask your question.

### **Q - Rahul Jain**

Sure. Is my line audible to you guys?

### **A - Gavin Desa**

Yes, Rahul. We can hear you. Rahul is from Dolat Capital.

### **Q - Rahul Jain**

Yes, hi. Thank you guys for the detailed presentation. Firstly, on this product on the travel side, what I wanted to understand is that how we plan to do the marketing for this? How we plan to make it to reach to the segment in that we want to target on this? And what kind of budget will be required to make the kind of headcounts we want to target?

### **A - Dilip Modi**

Sanjeev, you just want to talk broadly about the Travel Union direction and strategy that we are chasing. And of course, the budgets and all Rahul, we will further detail as we go out. We have just rolled out the platform last quarter Rahul, but I'll have Sanjeev talk to you about what's exciting about this travel opportunity and how we are rolling out the platform. Sanjeev?

### **A - Sanjeev Kumar**

Yeah, thanks. So Rahul, thank you so much for the question. Early days for us, but like Dilip said, we are focused on building the platform. We believe that there is a very big untapped opportunity in rural India, in rural consumer getting access to basic travel services at his doorstep. That is what we are building. We will use different modes of distribution to reach out

to building this franchise, but very early days Rahul on money, on our strategy. We continue to remain invested in building this organization. Maybe in the next few quarters, I think we'll speak more on the numbers.

## **Q - Rahul Jain**

Okay, okay, got it. And in January, what are the plans since we have much stronger growth aspiration. So, what kind of investment both in terms of project as well as marketing spend that we have envisaged for growth this year (35:40)

## **A - Dilip Modi**

Yeah, so Rahul, you're talking basically around Spice Money, I would imagine, Rahul.

## **Q - Rahul Jain**

Yes, maybe across the business also.

## **A - Dilip Modi**

Yeah, okay. So Rahul, as you see of course the Spice Money FinTech business, the growth that we've seen has been through a significantly distribution led strategy. So, we have distribution partners in every state and every district of India who work actively to help us onboard entrepreneurs onto our platform. And as the platform has scaled in terms of products and transactions, especially the last two quarters, we've seen a growth in the number of entrepreneurs that have come on our platform.

So, in terms of marketing, Rahul, we are basically in the case of Spice Money, very product and kind of distribution partner led acquisition strategy. Of course, our goal is to build trusted brands in the rural ecosystem. So, through our digital platforms, both on app and web, we continue to engage with our entrepreneurs both on the financial side as well as now going forward on the travel business side to be able to engage with them, to share with them around our product and what are the new features that we are bringing and the new services that we are launching. So we continue to have a very strong digital engagement program with all our entrepreneurs that are on boarded on our platform. As far as the Enterprise Mobility platforms are concerned like Korero, again, I think here we are more focused on direct sales force to onboard enterprises. And we are now going forward to also look at digital marketing as a way as we get feedback on our product and both product and market, we are able to get some fits around new segments that we can chase with our CPaaS platform. We will be investing in digital marketing to build out traction for the platform going forward.

So as of now, Rahul, our strategy on the marketing side is more product and channel led. We will see as we get more visibility to digital marketing channels, we will plan investments and then call them out in our financials as we go forward.

**Q - Rahul Jain**

Okay, just last bit on the digital marketing side, what you said is it more would be around branding or this would be more about conversion or programmatic kind of a spend that we plan to do here?

**A - Dilip Modi**

Rajneesh, you want to talk a bit about our digital marketing thought process?

**A - Rajneesh Arora**

Yeah, so we've been actively also engaging in basically digital marketing initiatives to get Adhikaris onboarded directly. So, we have a product where an Adhikari can come onto the app and get completely self on boarded to the platform. And we've seen that some channels of digital marketing really worked for us in the past. I would call them more as pilots, but we definitely intend to scale them up as we move forward.

So as a trend we've seen a very healthy and growing trend of more and more Adhikaris discovering Spice Money coming onto the platform and self-onboarding them.

**Q - Rahul Jain**

Got it. Thank you. That's it from our side, and best of luck.

**A - Dilip Modi**

Thank you, Rahul.

**A - Gavin Desa**

We can take the next question from someone named Chiku. If you could please introduce yourself and share question.

**Q - Chiku**

Hello.

**A - Gavin Desa**

Yes, could you please introduce yourself?

**Q - Chiku**

Am I audible?

**A - Gavin Desa**

Yeah, you are. Yes.

**Q - Chiku**

Hello, so my name is Chiku and this is a first such event in my life. So please pardon me for my any mistake. So I want to ask one question in respect to the Spice Money. Sir, I just heard news, Spice Money that you guys want to raise e-investment?

**A - Dilip Modi**

Yes, Chiku is your question that are we raising private investment? Is that the question?

**Q - Chiku**

Yes sir.

**A - Dilip Modi**

Okay. No Chiku there are no formal fundraising plans, we've announced as of now. We continue to because, we are a positive unit economics business, and as you can see from the numbers, we are generating profits in our Spice Money business, we continue to reinvest the earnings in terms of further growth. Having said that, I think as soon as we have any formal plans to raise capital, we will definitely share information regarding that and make it publicly available. So, but as of now, we have not announced any formal plans for fund raise.

**Q - Chiku**

Okay, thank you sir.

**A - Dilip Modi**

Thank you.

**A - Gavin Desa**

The next question, if we could take from Rishu Dhawan. Yeah Rishu, can you hear me?

**Q - Rishu Dhawan**

Hi, good afternoon, everyone. First of all, congratulations all for the brilliant results. I have couple of questions. My first question is with respect to the Spice Money. Who is our nearest competitor, if there is any listed competitor whose business model is pretty close to what we have at the Spice Money, that is my first question. Then like we have around 16% of the market share, who is actually leader in the rural FinTech in terms of the market share?

Then I have another question with respect to the share price, like from the last couple of quarters, our company is doing brilliantly well. But share price is moving in the opposite direction going by the disclosure of MediaTek couple of months ago seems like they're on the selling spree. To me, it seems to be an overhang. Are we doing anything to address that problem? Maybe are they looking for complete exit? And are we looking forward to facilitate their exit in one go so that, it brings some positivity among the shareholders? Thank you.

## **A - Dilip Modi**

Thank you, Rishu. Thank you for your questions. Let me take them one by one. So just in terms of our nearest competitor, Rishu. Of course, we have mainly competitors in the private domain. I don't think any of our competitors really are listed. But just to share with you we have competition both at a national and regional level. At the national level, maybe I would call out player like PayNearby Technologies, which is our nearest competitor with a similar business model as ours. There are others as well, but then they are focused on different regions of India. So I think, I would say that PayNearby Technologies is our nearest competitor with a similar business model.

In terms of our 16% market share Rishu, actually we have now become the leader in the AePS segment. So, we have according to our understanding the larger part of the market share in the market of course, the industry is fairly fragmented. And our goal is to consolidate the industry, the AePS segment.

To your third question on share price movement Rishu, of course as a public listed company, we have many shareholders. And as a company, we do not comment on any particular shareholder buying or selling shares. So, that is the decision of the shareholder. Our view though is that we are building out a long-term valuable business. In all our presentations, we are calling out the fact that we see a long-term opportunity in rural India and as rural India goes digital and as rural India is looking for more and more services that can be brought through the digital platform closer to their doorstep.

We are invested in ensuring that we become the preferred choice for them to consume services digitally. So, in this journey, we are continuing to build out the business and as the management team, that's our focus. And now with this engagement process, we started sharing how our business model is performing and more details on the business model as we get feedback every quarter. So that's our focus, Rishu, we as a management team are effectively just focused on building out the business, and we hope that it will reflect in us helping meet a lot of the needs of consumers in rural India. So that's our focus.

## **Q - Rishu Dhawan**

Thank you. All the best.

## **A - Dilip Modi**

Thank you, sir.

**A - Gavin Desa**

If we could take the next question from the Naveena CK. Naveena, can you please go ahead.

**Q - Naveena CK**

Yes, am I audible?

**A - Gavin Desa**

Yes. Yes, you are.

**Q - Naveena CK**

Yes. Hi, Dilip. I met you in 2017, I think in the AGM in Delhi. So like, my question primarily is about the shareholding. From the last seven years or so, the investors have not been really rewarded in DiGiSPICE, if you look at the NSE and BSE, also, there was even good investor returns. But there seems to be a lot of indifference when management as far as the share price is concerned and also recently, there were complaints raised against DiGiSPICE and NSE and BSE put the shares on hold. Many brokerages have stopped giving the opportunity to trade in the DiGiSPICE there. Looks like and also I think you know very well that 95% of the shareholding is by very few hands. So that gives lot of volatility to the existing shareholders and every day see 5,000, 6,000 shares being traded in the market. I mean, it's so volatile that, you can't sell. So I think you're not properly attending to the shareholders consents? So what are you thinking about it, how do you want to address this?

**A - Dilip Modi**

Yes. So Naveena, thank you. For us Naveena as you can see at DiGiSPICE Technologies earlier, we've been a listed company for a long period. And as you're aware, we've been working in multiple areas and industries. But now we've tried to pivot the company more towards our rural FinTech business.

So of course, Naveena, over the years, there has been the underlying business that we've been doing have been under pressure. Especially earlier, we were in the mobile hardware space, and with the competition from China and the hardware industry from China, the impact that it had on our business was very clearly visible for all the Indian brands.

So, our pivot from a hardware to a services to a platform business is really what we've been working on over the last three to five years, Naveena, because at the end of the day, the value of the business and our ability to give returns to shareholders is a function of the underlying business that we do. And I totally understand where you're coming from.

Naveena, I can fully appreciate and understand because it has shareholders of DiGiSPICE Technologies have had to be very patient in terms of returns because of the duration involved. All I can say is that we continue to be focused to make sure that we make the underlying

business very strong and robust. And so that is our goal Naveena, because in order to give returns to our shareholders, we have to make sure that we are running very fundamentally sound and strong businesses in segments that are growing.

And I think the space that we've called out now, which is the digital platform space, is definitely something that we believe is the right industry at this point, given the opportunity that we've seen on growing digitization across the board. So all I would say is that, we are now in an industry, which is offering a lot of opportunity for growth, and also healthy financial robustness. So, that is what we will focus on. Of course things like share price performance and all will all be a function of how people see our underlying performance and decide on that.

In terms of, Naveena that you'd spoke about the BSE and NSE putting us in a certain category, following some issues with respect to SMS messages that were going around, this is something that we as a management team took very, very seriously, and as soon as we were informed around this, Naveena, we took some very stringent actions at our end, in terms of putting up a public notice making sure that we file necessary complaints against all those parties highlighted, which were spreading these unscrupulous messages around the stock and the company. And whatever other actions were advised to us, we continue to take them in line with what's needed from a governance point of view.

Now, obviously, given these messages that were circulating, the Stock Exchange has their own practices, and they're very clear about the way they manage it, and we are very supportive of that. I'm hoping that the the whole idea of, Naveena, having these kind of investor calls is that instead of relying on third-party messaging, a lot of people who are interested in looking at what we are doing can get that input directly from us on these calls.

And so that is why we, in the last two quarters, have started this practice of being sharing very openly our business model and our strategy, so that anyone who's either invested or is interested can directly engage with the management of the company.

So Naveena, I understand the concerns that you have, but let me please assure you that we are not indifferent to shareholders who have been very patient with their capital in the company, and all I would request you is to, just track us with respect to what we are doing in our business and our underlying performance, and we are giving it our best of everything that we have to make sure that in this industry, which is offering a lot of growth, we can build something very relevant, impactful and meaningful.

**Q - Naveena CK**

Thank you so much.

**A - Dilip Modi**

Thank you.

**A - Gavin Desa**

There's a question in the chat which I would like to ask. This is from Sandeep, an Independent Analyst. He has three questions. The first one being the number of districts covered is not mentioned in this presentation. Are we still pursuing the strategy to increase the number of Adhikaris in the same 708 districts?

**A - Dilip Modi**

Yes. Rajneesh, you want to take up the question or maybe you could touch upon the change in the government definitions and things like that?

**A - Rajneesh Arora**

Yes. Sure. So I think, first, to answer the question on strategy, yes definitely our strategy is very much going deeper into more number of districts basically as we've called out in the earlier presentation that we are present across 708 districts, which pretty much cover most of the districts of the country. And therefore, our next milestone is to go deeper in every district.

And the way we define depth is that we want to have one Adhikari for every 1,000 rural population. So we are very much on that strategy. The reason we have not published the metrics is that there has been a reorganization of districts and pin codes to districts over the last one quarter or so, and therefore, we have to redo those. For an apple-to-apple comparison, we have to redo those metrics.

And at the same time, actually our strategy is to go deeper right to the village level, the strategy is to be present in every village across all 600,000 villages and at block level. In terms of defining those metrics accurately, that is still working progress. And as and when we are ready, we will definitely start publishing those metrics as well.

**A - Gavin Desa**

The second part of his question is in the split of GTV, are we not earning any revenue from the entrepreneur GTV?

**A - Rajneesh Arora**

So, there is revenue from entrepreneur GTV, and therefore, it is part of our total GTV. As we said that the definition of total GTV is all transaction where there is revenue. However, the materiality of that revenue on GTV is quite small. So, for example, if I take a comparison of service fee revenue to customer GTV, which is I think about 40 bps, this one is very, very small. So maybe around two, three bps, so therefore, it doesn't really contribute significantly to revenue and hence, margins.

**A - Gavin Desa**

Okay. And the third part of the question is, the last question is, can you elaborate about the

operating leverage that we are looking at? I believe most of our costs are front loaded, and once the flywheel starts working on bottom line would increase quickly?

**A - Rajneesh Arora**

Vivek, would you like to answer this?

**A - Vivek Venkatesan**

Yeah. So like what we said, our operating leverage has been positive for the last few quarters. And also to make it very clear, all the costs that we're incurring today, only a small portion are capitalized. Everything is passed through the P&L. And most of the costs, which we've incurred and which will continue to incur for new investments will be booked to the P&L. So like what you said, it depends on the time period. Over a period of time, we will see the bottom-line show a much more positive improvement, once the investment starts providing the returns.

But at this stage, I think it is a bit early to comment, in terms of how fast and how much the bottom-line will increase, because we continue to make investments in new business areas and continue to scale up businesses in our focus areas. But I think the bottom-line is that we are running a positive operating leverage business and investing for the future in a balanced way. And we hope to see the bottom-line remain positive over a period of time.

**A - Gavin Desa**

We have another question from the Darshan Deora. Darshan, could you please introduce yourself and go ahead, Darshan?

**Q - Darshan Deora**

Hi, thanks. Yeah, this is Darshan Deora, I'm from Indvest Capital. Just wanted to have a follow-on question regarding the operating leverage. If I heard you, right, you said that you haven't capitalized any of the investments?

**A - Vivek Venkatesan**

Yeah.

**Q - Darshan Deora**

And -- go ahead, sorry.

**A - Vivek Venkatesan**

So when I said we haven't capitalized any of our investments, there is a very small portion which sits in intangible assets, which are very insignificant to the amount of IT spend that we have,

which is basically some of the cost of software. But other than that, all the investments that we spend largely on organization on IT workforce and marketing all go through P&L.

**Q - Darshan Deora**

Got it. And you guys spoke a bit about your acquisition strategy in terms of the Adhikaris and that you're giving, I think, the devices or the subscription, I think at a discount or you're subsidizing it. Can you just throw a little bit more light on that and how you accounting for that?

**A - Vivek Venkatesan**

Okay, so, there are two parts to this. So one is in terms of subscription. So previously, we used to charge a subscription fee to the Adhikaris for signing up with us. Now we've completely made it zero, which means it there's nothing that goes to the P&L. He doesn't need to pay anything to sign up with us.

Now in terms of devices, right, what we give, it is not completely free. So, it depends on because various services have various devices. So, the way it happens is that based on what we procure from the market, we basically add a small margin for basically to cover our logistic costs before we sell it to the distributors and to the Adhikaris directly. Having said that, depending on the nature of devices, the accounting nature differs. Some devices basically are whatever is the cost of procurement of devices is accounted as fixed assets. In some cases, they are recorded as inventory. And whatever we sell to the Adhikari's is basically accounted as acquisition revenue.

In case of some devices, we depreciate the devices over a period of around 12 months. And also defer the revenue recognition over 12 months. These are all for the new devices that we've deployed. For the old devices, because which we are slowly easing it out, it is accounted assets in few cases, inventory in few cases and then acquisition revenue gets booked in the revenue. And then having said that, there is also one scheme which we run for our mATM product, wherein while the devices billed to the Adhikari upfront, there is a scheme for him, where he will be able to recover the cost of the device through those performance.

Basically, if he is able to achieve a certain level of threshold in terms of GTV we will be returning back 1/12 of the device cost to him every month he achieved the threshold. So there is a way of giving back to the device cost.

**Q - Darshan Deora**

Just to get an idea, what is the -- I mean, I know you said that the different devices for different functionalities, but I'm assuming predominantly it will be a biometric device, right?

**A - Vivek Venkatesan**

Yeah.

**Q - Darshan Deora**

The Adhikari is probably using his own mobile phone?

**A - Vivek Venkatesan**

That's right.

**Q - Darshan Deora**

And the main thing is for Aadhar enabled payment, you will need to identify the person by using a biometric device?

**A - Vivek Venkatesan**

That's right.

**Q - Darshan Deora**

What would be the average cost of these devices that you are?

**A - Vivek Venkatesan**

Around INR 1,300 rupees to INR 1,500 rupees. That keeps changing.

**Q - Darshan Deora**

Okay.

**A - Vivek Venkatesan**

Yeah.

**Q - Darshan Deora**

Got it. So, just to get an idea, like in a quarter, I mean, I guess now the pace of acquiring the Adhikaris is going to still be very high or is it the year-on-year the quarter-on-quarter growth is going to keep producing?

**A - Vivek Venkatesan**

We would like to believe that the pace of acquiring Adhikaris will at least maintain to the current run rate, if not higher. Yeah, so that we expect the momentum to continue.

**Q - Darshan Deora**

So how much would you be spending on these devices every quarter? How much are you recovering from the Adhikaris?

**A - Vivek Venkatesan**

*(The question asked was unclear at the time of the call and hence inadvertently addressed with an incorrect response. The transcript has been amended to reflect the appropriate response.)*

In a month, we acquire about 40,000 Adhikaris. However, it has to be noted that all of them do not need devices and some of them even procure them from open market. So the cash flow for the devices delivered to the Adhikaris is only for a fraction of the new acquisition. But having said that, we have robust planning for devices, wherein we ensure that we procure stock -based on the business projections. So that not enough cash is logged locked in the business and the runway for us to get the devices around 15 days. So we plan for that in advance and then acquire the devices and then roll it out to the market.”

**Q - Darshan Deora**

Okay, the last question was on the service revenue. Just to understand the bulk of the revenue is it being driven by micro-banking services, like the transaction charges for someone doing a remittance, etc.?

**A - Vivek Venkatesan**

Yeah, so bulk of the revenue, if what I believe what you call as micro banking services is basically services like AePS, MATM, right? So, yes, AePS, MATM and DMT, and now the new introduced product, cash management services drive bulk of the service fee revenue.

**Q - Darshan Deora**

And do you all also act like a BC for opening new accounts, or is it mainly the servicing existing accounts?

**A - Vivek Venkatesan**

Current model is basically servicing the customers for transactions.

**Q - Darshan Deora**

Okay, so you're not acquiring customers for banks. You're not?

**A - Vivek Venkatesan**

Not right now.

**Q - Darshan Deora**

All right. Thank you. It's very helpful.

**A - Vivek Venkatesan**

Yeah, thank you.

**A - Dilip Modi**

Darshan Deora, we have. Thank you Darshan for your question.

**A - Gavin Desa**

We have no further questions. Dilip, if I could request you to make your closing remarks, please.

**End of Q&A**

**Dilip Modi**

Yeah, thank you. Thank you, Gavin. Thank you everyone. Rahul, Chiku, Rishu, Naveena, Sandeep, Darshan for your questions. I'm sure that there might be other questions that come to you as you further look at the business and try and understand what we are doing and evaluate the opportunity. Please do reach out to us. As management team, we are very much available at any time to answer your questions. We are all at different stages of build out in our different platforms under DiGiSPICE Technologies.

Each of the business segments that we are building we continue to work on product market fit and identify spaces where we can see significant headroom for growth. And we'll continue down that philosophy. At Spice Money, which is our FinTech business, we believe that we have a unique opportunity to serve the needs of the rural consumer. We are building out an asset light positive unit economics business model there. And we hope that the operating leverage benefit will be available in times coming forward.

So thank you so much for your time, your patience, your attention, and we look forward to staying connected. Thank you so much.

**Gavin Desa**

Thank you, everybody.

\*\*\*\*\*  
\*\*\*\*\*