

February 6, 2023

To,

<b>Department of Corporate Relationship BSE Ltd.</b> Phiroze Jeejeebhoy Towers, Dalal Street, Fort, Mumbai - 400001	<b>Corporate Relationship Department National Stock Exchange of India Ltd.</b> Exchange Plaza, C-1, Block G, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051
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Dear Sir/Madam,

**Subject: Transcript of the Conference call on financial results for quarter December 31, 2022.**

**Ref.: Scrip Code – 511431/VAKRANGEE**

We enclose herewith a copy of the Transcript of Conference Call held on Friday, February 3, 2023, in respect of the financial results for the quarter December 31, 2022.

The same can also be viewed at:

[https://vakrangee.in/pdf/Annual\\_and\\_Quarterly\\_Results\\_FY2022\\_23/Q3/Conference\\_Call\\_Transcript\\_Q3\\_FY2022-23.pdf](https://vakrangee.in/pdf/Annual_and_Quarterly_Results_FY2022_23/Q3/Conference_Call_Transcript_Q3_FY2022-23.pdf)

Thanking you,

Yours faithfully,

**For Vakrangee Limited**

**Sachin Khandekar  
Company Secretary  
(Mem. No.: A50577)**

Encl.: As above

**Vakrangee Limited**  
**Earnings Conference Call**  
**Feb 03, 2023**

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**Moderator:** Ladies and gentlemen, good day and Welcome to the Vakrangee Limited Q3 FY2023 Earnings Conference Call. As a reminder all participant lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference call, please signal an operator by pressing “\*” then “0” on your touch tone phone. I now hand the conference over to Mr. Dinesh Nandwana – Managing Director and Group CEO. Thank you and over to you sir.

**Dinesh Nandwana:** Thank you, good day. Dear ladies and gentlemen, it is pleasure to greet you all once again on behalf of our Board of Directors and senior management. We begin by thanking all of you for having spare time in joining us here today to discuss our third quarter earnings for the financial year 2023. Today we have emerged as the go to market platform for the rural India for various business verticals including the new age, Fintech and digital platform. We are building India's largest last mile distribution platform and emerging as the physical plus digital ecosystem with the Pan India presence.

Today we have more than 24,887 outlet spread across 33 states territories, 595 districts and 5834 postal codes. Our 82% outlets are present in deep Tier 4 to 6 locations. This kind of presence makes us the partner of choice for any new business partners who wish to make their product services available in rural India. We have a clear focus on market expansion and it's our first mover advantage. We are planning to cover entire 764 districts, which is 100% of district coverage across the country through appointing district level master franchisees. We have successfully appointed master franchisee in 113 districts across 29 states across the country. These master franchisees would provide on ground of personal support to our existing franchisee as well as drive new franchisee acquisition. This would lead to help us scale up scale at a faster space and expand on Pan India basis.

We believe this master franchise initiative is a game changer and strengthen our local field presence and operational control at the ground level. We plan to achieve 100% district coverage by end of this year. These new initiatives would help us sell at a much faster space and thereby achieving our long term target well ahead of targeted timeline. Since the last quarter we have launched additional franchisee Commission incentive scheme as well as we have launched special incentive for master franchisees. These additional incentives are transitory in nature, but would lead to payback for the franchisees and master franchisees, thereby creating positive word of mouth and driving strong new master franchisees and franchisee interest. Strong word of mouth and referral incentives along with Pan India marketing have resulted into high lead funnel for franchise acquisition.

We have a strong foot all and brand presence in rural India and our customers trust us with their day-to-day banking needs. During quarter three financial year 2023 we have opened 4 lakh bank accounts and 3 lakh insurance pension policies and did more than 1.89 crore banking transactions with the gross transaction value of 9674 crores. There is a huge underpenetrated rural market with huge retail and MSME customer base. Further there is a lack of trust with the current total customer base. Therefore physical presence and assistance is a key differentiator.

Going forward we are well structured to transition into the new bank as we plan to launch new banking services through our Bharat Easy Mobile Super App platform. Through this, we are focused to evolve into a unique or to online to offline platform whereby there would be assistance available through the physical camera network along with digital NEO banking services. Further, we have strong existing retail customer base in rural India and we are focused on affordable pricing and unique online to offline customer experience.

With respect to proposed demerger of the non-core business of E governance and IT/ITES as a separate entity, we would like to update that we have received the approval for demerger from Stock Exchange and have filed the application for NCLT approval. NCLT has now felt the way towards creation of two separate listed entities. That is Vakrangee limited and VLE governance and IT solutions limited. The honorable NCLT wind up its order dated January 2022-23 has internally year directed the complete to convene a meeting completely equity shareholders and unsecured creditors on Friday the 3rd March 23. We believe the proposed demerger would unlock the potential of the core Vakrangee Kendra business in the current listed entity with the existing business of Vakrangee Kendra physical outlet, as well as the digital platform of Bharat Easy Mobile Super App.

Vakrangee Kendra business is retail centric consumer facing business. It is an asset slight high return on capital business and thereby will get the proper representation post the demerger. We believe this would lead to significant relating of the core business and would maximize sell orders well. Over the last few years we have undergone a huge transformational journey whereby we have made a transition from nonexclusive store in store format outlet to highly recognizable easternized branded next and format outlet. We have further enhanced and launched our Next Gen. 2.O format with the key features such as exclusive dedicated outlet for banking, weekly out exclusive dedicated outlet for ATM and other services design provisions such that the ATM can be oppressor for extended hours.

Our current focus is to implement an upgrade existing in accordance with Next Gen. 2.O format or the next couple of quarters. This would result into better productivity and alignment with government vision of digital banking unit. Our number of outlets remains stable at 24,837 as we are currently upgrading the existing outlet to a new Next Gen. 2.O of format. Especially the outlet often during the pandemic period.

Commenting on the quarterly result performance, we have witnessed stable operational growth on year on year as well as quarter on quarter basis due to increasing number of outlets on year on year basis as well as our services return to normalcy on business from post pandemic. Our revenue from operation increase by 20.16% on year on year basis and 7.12% on quarter on quarter basis. Our total number of Vakrangee Kendra outlets remain stable at 24,887, which are spread across 595 districts, 33 States and union territories. Our quarterly gross transaction value cross ₹130.68 billion whereas our quarterly number of transition crores 32.91 million. Our profit after tax has reduced by 92.7% on quarter on quarter basis. Profitability has been impacted as we are reinvesting our operational cash flows for enhancing franchisee incentives as well as building a Pan India district level master franchisee. The profitability and margin impact shall be there for the next quarter post which profitability sale will be improving in the subsequent quarter.

Our current focus has been on expanding our presence through building master franchise network and through stringent our first more advancing. We are currently building a Pan India district level Master franchise letter which will result in a strong on ground operation management as well as better scalability in future. Our number of outlets remain stable at 24,887 as we are upgrading the existing outlet to new Next Gen 2.0. Format, especially the outlet opened during the pandemic period. NCLT has paved the way towards question for two separate listed entities that is Vakrangee limited and VLE governance and IT solution limited. The honorable NCLT by way of its order dated January 20, 2023, has inter-alia directed the company to convene a meeting of its security shareholder due to demerger process in the final stage, we have currently admitted the E Governance and IT/ITES trading business. For the next quarter we sell resulting to lower revenue and profitability of next quarter. Post demerger completion the growth sale get normalized.

Further, we have introduced new selective pricing which would help us scale at a much faster pace and thereby achieve our long term target well ahead of targeted timeline. We are confident that these strategies institute sell lead to significant growth in profitability in the long term. Vakrangee Digital Venture Limited is 100% subsidiary company of Acrimony Limited. The company has launched a Mobile Super App best business platform, primarily targeting rural India, Bharat Easy, India Ka Super App, currently upgraded. Beta trial version has been launched. It is currently a beta trial version and we intend to go fully operational and commercial now in the next few quarters. We have made live and activated some of the key services like online shopping, hotel, total healthcare services. Online Demat account opening. Cibil credit score rating services as well as the online Pan Card Application Services, a unique differentiator and a sustainable competitive advantage is whereby our digital super platform would be able to leverage Vakrangee on ground ecosystem. A vast well diversified Pan India level physical store network of Vakrangee as a point of physical assistance, especially to customer to semi urban and rural remote location.

Vakrangee Digital ventures sell leveraged the Vakrangee ecosystem. Strong brand recall Vakrangee can enjoy good positive NPS among users. Our NPS score is 68% as per Red Sea results. Access to existing Vakrangee customer base of 25 million active customer's access to existing network of 24,800 plus outlets for physical assistance and consumer awareness. This unique proposition of digital along with physical, digital would help the digital channel to scale up fast and would significantly reduce the cost related to acquiring customer's physical assistance, order fulfilling and return management online orders. Further, leveraging physical presence would result into better customer interaction. Strong brand recall and better service experience and trust for the customer.

Our company has also been globally ranked number one in the sustainability ESC Risk rating ranking assessed in the software and service industry segment. Overall, Vakrangee has been recognized by Southern Artists as an ESC Global 50 top rated company. Vakrangee Limited has been identified as a top ESC performer out of the more than 4000 comprehensive company, that substrate is covering the global universe. Vakrangee Limited has also been honored to be included in Sustainability Yearbook 2022, published by S&P Global. Vakrangee has won S&P Global bronze Class Spot in the yearbook in the Corporate Sustainability Assessment Survey. The Sustainability yearbook published by S&P Global, is one of the world most comprehensive publication providing in-depth analysis on corporate responsibility. This annual ranking showcased the sustainability performance of the world's largest company in each industry as it determined by their score in the annual corporate sustainability assessment. Vakrangee has been accepted as a signatory of the United Nations Global Compact and we have mapped our sustainability in a city with the United Nations Sustainable Development Goals. Further, we have appointed Grant Thornton as our assurance auditor for our assurance of our indicated annual report. Global recognition reflects complete commitment to further enhance its corporate governance and transparency standard. Company has achieved global recognition across various platforms for its superior ESG performance and long term business sustainability. I would now like to take this opportunity to thank our shareholders for their support, we can now open the floor for question answer session. Thank you.

**Moderator:** Thank you very much. We will now begin the question and answer session. The first question is from the line of Jignesh Kumar individual investor. Please go ahead.

**Jignesh Kumar:** Good evening, my question is about profitability. See the profitability has affected in this quarter going forward. Does the profitability will be getting better for current quarter or we will see the downfall in the same. Can you please guide on this?

**Ammeet Sabarwal:** So as we have said, basically we are what we are focusing right now is on building the network of our master franchisee as well as the building a strong base for our existing franchisees. So what we had done in the last couple of quarters. Where we have increased the sharing incentives with our existing franchisees so that we get a strong brand recall and a strong word of mouth publicity specifically in rural India so that we are able to get a better funnel for the

new franchises at the same time we are appointing master franchisees across district wise on a Pan India basis. So till now we have appointed around 113 master franchisees and we feel that this is very important perspective for us. Because these master franchisees are going to help us manage the on ground operational Excellency, as well as compliances, at the same time they will help us target the new franchise acquisition, so we are also proud adding good amount of incentives specifically on threshold basis to our master franchisees also. So the schemes of these incentives in terms of franchise incentives as well as master franchisee incentives these are already announced till the month of March. So what we feel is that the March quarter will also have an impact in terms of profitability because of the higher sharing ratio with the franchise as well as master franchisees. So if you see currently normally our gross margins are typically at 20%-25%. Currently our gross margins are in a low single digit number because we are doing the higher sharing with our franchisees and master franchisees. But what will this have an impact will be a very long term positive impact because it will improve the payback for our franchise network. So our existing franchise network will have a better payback during this period. And so we get a good brand recall as well as a good visibility in terms of rural India where this kind of business models is very well accepted at the same time, our new initiative, which is of setting of master franchises, they will also see the green shoots very early on, where they will be able to see some good earnings and that will drive our master franchisee acquisition activity also, because our target is to have a complete Pan India presence that is complete 764 districts to be having our exclusive master franchisee partner in place by end of this year itself. So that is what we are focusing on. That is where we are investing our operational cash flows currently and therefore to answer your thing we feel that the profitability or the margins will be subdued in the current quarter, but they will keep on improving over the subsequent quarters as these incentives gets normalized and our sharing ratio gets back to our normalized sharing ratio and our gross margins are back to where they are typically.

**Moderator:** Thank you, our next question is from the line of Ankita Sharma, individual investor. Please go ahead.

**Ankita Sharma:** Vakrangee has received approval from NCLT for demerger. My question is by when the demerger process will be completed and how do we see the change in the business operation of both the companies? Does the demerger will make any change or impact? On the services. Or business verticals of Kendra business.

**Ammeet Sabarwal:** Thank you so if you see basically the honorable NCLT has now paved the way where we have got the approval for setting up the meeting for our shareholders as well as are unsecured creditors. Basically where the approval will take place on the basis on that meeting, so we have already previously up got the approval from the respective stock exchanges on this demerger, so hopefully we are in the last leg of this process, and maybe it is not right for me to give a specific timeline, but we are in the last leg and very soon we will be able to have this entire demerger completion in place. Now since we are in this last leg of this, getting demerger in

place, we have currently updated our legacy business. E Governance business and the IT/ ITES businesses, so there is no specific change in terms of our Kendra business. Our Kendra business is as it is, it is not getting specifically impacted because of this demerger, but post demerger both the businesses get a proper representation, so that is easier for all stakeholders to understand our business. Separate balance sheet, so return on capital, return on investment, return ratios are segregated and at the same time the Kendra business, which is more consumer centric business because it's a retail store kind of model. It's a B2C business, so it's a retail consumer centric business where we are adding more and more services every quarter on quarter. So that will get a proper representation as a B2C business whereas the legacy business or the IT/ITES business is more of a high working capital, high CapEx driven or thin margins in terms of IT procurement and trading services. So that gets aggregated, so I think it is now more or less we are there at the final leg of this completing of this demerger, maybe a quarter or more for say what we feel, but it is hard to tell exactly, but that is what is our visibility is as of now, because of its one quarter might get impacted as he have admitted the legacy and the IT/ITES services. But post that both the businesses will be on their own growth path, will be getting on to their own normalized revenues and profitability growth part accordingly.

**Moderator:** Thank you. Our next question is from the line of Vikas Gupta individual investor. Please go ahead.

**Vikas Gupta:** So you have said about the master franchise initiatives, how it is helping in the business, operation and growth. And what is the future road map? Can you please explain the same? Also, can you brief on the number of outlets we're expecting in the future and long term growth plan?

**Ammeet Sabarwal:** So master franchisees as we have said this is the initiative which we have launched over the last six months or so, basically. And what we thought was that every district level we would be appointing an exclusive authorized representative of Vakrangee. So our Master franchise is an exclusive district level master franchisee who is an authorized representative on behalf of the VAKRANGEE. So it's like our business partner there at the local level. Due to which it will help us in two to three things. First thing is basically that since he is the local person there at the district level, so managing our existing outlet so day-to-day operational issues, day-to-day operational challenges as well as compliances to be managed at the local level. 2nd acquisition of any new franchisee. So he is a localized so one of the things that we used to face was any new franchise who want to become a franchisee. He wants a local face, he wants to go and meet the local representative of the company so that is one of the another issue which gets resolved through this and 3rd is basically relationship management with our existing bank partners with our existing business partners at the local state level, local district level locations. So that is again where master franchisee plays a key role. So what we experience through this exercise was that master franchise is a very key part of the overall scalability. If you want to reach a Pan India scale, we want to reach 3 lakh stores which is our long term. Then we need to have our local representative in place as a master franchisees. So we started this journey of

appointing district level master franchisee things and we have already appointed 113 master franchisees out of the 764 districts overall. And our target is in this calendar year itself, we want to achieve complete 764 districts. That is where we are focusing on. We are spending our resources accordingly in order to have this journey at a faster pace. Because once this master franchisees are appointed, they are in place, then we can get the next leg of growth in terms of our outlet. So our outlet expansion would be at a much faster pace at a much higher scale, once we are able to have these master franchisees in place so our current focus is to expand the base of the master franchisees so our target is from 113, we go to 764 within this calendar year and the second focus is basically how to then scale up power base of existing Vakrangee Kendra outlet there also we have gone little bit slow. Right now we have a very good funnel of enquiries in place, but we have gone little bit slow because we have updated our next Gen. format which is the 2.0 where we have made some changes in the Kendra design and branding things where we now have exclusive banking VC point area segregated as well as we have a dedicated segregated area for the ATM services. So that the ATM can be operational for extended hours as well as our banking VC point is much more exclusive with the dedicated manpower, so the productivity and the earning capacity and the efficiency is much better is what we experience. So what we are doing is the outlet which opened during the pandemic period that is between 2020-21. These outlets we are making sure that these are getting updated with the new next Gen formats so that we are aligned with the government's vision of the DBU, which is digital banking unit where we have a segregated area for banking services, we have a segregated area for ATM and all other services, so we are focusing more on that I think, so the roots of this exercise will come in the subsequent quarters post, I think so June quarter onwards is where we should start seeing the impact of these master franchisees as well as the upgradation which we are doing in terms of the next Gen. 2.0 format and with a good funnel in place I think so higher scalability or a better scalability should not be a challenge. We have planned for around 75,000 outlets, so that with the presence in each and every district, and I think so the precursor to that is having a master franchise presence in each and every district of the country, so that is our road map, that is our plan currently.

**Moderator:** Thank you. That was the end of our question and answer session. I now hand the conference over to Mr. Ammeet Sabarwal from Vakrangee for closing comments.

**Ammeet Sabarwal:** Thank you, thank you everyone for taking time out and attending our Q3 FY23 call, in case of any further queries or any further information please feel free to write to us. My e-mail ID is there. It is [ammeets@vakrangee.in](mailto:ammeets@vakrangee.in) or [info@vakrangee.in](mailto:info@vakrangee.in). You can write a mail to us. And we will get back to you with any details as well as if any further information is required, please feel free to get in touch with us. Thank you. Good evening to everyone. Thank you.

**Moderator:** Thank you very much on behalf of Vakrangee that concludes this conference. Thank you for joining us and you may now disconnect your lines.