DiGiSPICE

23rd August, 2021

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 2nd August, 2021

Dear Sir/Madam,

In continuation to our letter dated 29th July, 2021 intimating you about the schedule of the conference call for Investors/Analysts on 2nd August, 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.

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: Q1 FY22 earnings call Trasncript
Dated: August 02, 2021

Gavin Desa (Moderator)

Good afternoon everyone and a warm welcome to DiGiSPICE Technologies Limited's Q1 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 and touching upon the strategic imperatives of the company. 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, Mr. Modi.

Dilip Modi

Thank you, Gavin. Good afternoon, everyone. Thank you so much for taking out the time to join us on this Q1 earnings call this afternoon. This is the second call we are doing. Earlier, last quarter, we had done a call for last financial year. I'm so glad that we get this opportunity to interact and engage with many of you who may have joined us on the previous call and many of you who have come for the first time on this call to hear about our journey, where we are and where we are going. So, I'm so glad that you could take of the time. Thank you so much for that.

We have put together a presentation for looking at Q1 results. Some of the slides on this presentation also talk about the business model, that we are pursuing at DiGiSPICE Technologies for various segments of businesses. Some of these slides we did share in our previous presentation as well. So, I must apologize up front for some repetition. But given that we are at an early stage of build out, we thought it will be appropriate for us to once again re-emphasize and talk about our business models that we are chasing in each of the segments within DiGiSPICE Technologies. So please bear with me on that.

Of course, we will talk through the Q1 numbers following which as Gavin said, I would love to do interact with all of you in terms of some of your thoughts, questions, insights, as well as suggestions that we can then build on in our journey going forward. So, with that, let me start the presentation for quarter one FY2022.

We will cover the two segments that we have outlined for us as DiGiSPICE Technologies. One is Financial Technology Services, our rule of FinTech business branded as Spice Money, and also, briefly talk to you about our Digital Technology Services business which is at an early

stage of build out both for enterprise and specifically for Telco. We will close with a brief overview of our consolidated financials. This presentation has also been uploaded on the Stock Exchanges. So you'll also get an opportunity to have a look at it from there.

If I once again, try and bring out as to at DiGiSPICE Technologies, what brings us together and what we focus on, we are about building Digital Platforms and Solutions. As a company this is what we do every day, and basically in two segments. One is the Financial Technology Services segment where we are building out India's leading rural FinTech platform. And we will talk in detail through that. At the same time, we are at an early stage of build out in the Digital Technology Services segment where we work with Telcos and other enterprises in the BFSI segment, not just in India, but across other countries in the region.

Just to give you a sense of the size of the overall operations that we run across these two segments. In the Financial Services segment for the financial year 2021 we clocked a gross transaction value of close to INR 82,000 crores which is about $11 billion. In terms of our Enterprise Communications Platform business, we clocked over 9 billion messages that were sent using our platforms. And overall, as a company in the financial year 2021, we clocked a revenue of over INR 700 crores. So, this is just to give you an overview on DiGiSPICE Technologies and the two segments.

Now going into detail on each of the areas we basically have called out three segments that we have focused on our DiGiSPICE Technologies. One is Digital Rural, second is Digital Enterprise and third is Digital Telco. Let me start with our Digital Rural platform business referred to as Spice Money.

Before I talk about the business model at Spice Money, it is very important for us to take a step back and understand the core problem that we are trying to solve at Spice Money. As many of you know, over the last several years, in fact the last five to seven years, there's been a significant drive to get every Indian citizen access to a bank account. All of us know about the Jan Dhan Yojana of the Government of India and we have seen a significant number of customers getting access to a bank account. While that has been happening at a very rapid pace, what however has not kept pace is the growth in the last mile banking infrastructure. When it comes to bank branches and ATM infrastructure of the banks.

If you look at the ATMs per million population, we are still behind the world average as well as many other countries around the world. And when it comes to semi urban and rural India, this gap has even far more scarce. So, in terms of wherever the bank accounts have opened, specifically for under and unbanked customers in semi urban and rural India. The last mile banking infrastructure in terms of branches and ATMs is scarcely missing and has not grown in line with the accounts.

Now what we are using as technology stack to solve this problem is the Aadhaar-enabled Payment System. This has been part of the India's Tech Strategy of Digital India of the Government of India. And we are very, very, at DiGiSPICE, excited about the Aadhaar enabled payment system platform. This platform is being used on the back of the fact that over a billion

citizens in India have got themselves enrolled on Aadhaar and progressively, many of them are linking their Aadhaar ID to their bank account.

If we look at the projections for the Aadhaar-enabled Payment System industry as a whole, it's projected to grow significantly. We have got some third-party report numbers here, to show you, where from FY21 about INR 2 lakh crore is projected to grow to anywhere close to INR 10 lakh crores by FY25. These are third-party reports, but effectively the fact that over a billion people have their Aadhaar biometrics registered and now progressively majority of them getting connected to the bank account, this is a great stack for us to use to solve this problem of last mile banking.

How do we do it? We have built out a Spice Money Adhikari app, which any merchant in small town and rural India can download from the Play Store, get themselves KYC and registered and using an Aadhaar biometric device, which is also not too costly, be able to make customers in their communities around them avail of ATM and banking services.

So basically, we are converting a kirana store in small town and rural India into effectively an ATM and moving forward a bank branch. This is the core solution on the back of which we are building out the Spice Money digital platform. And it's very important that as you think about Spice Money, you keep this core problem at the back of your mind in terms of the problem that we are solving and the solution that we have put out there to solve this problem.

Moving forward. Let's talk about the business model. So, as I said, our platform is targeted towards entrepreneurs, merchants, kirana stores in rural India, who download our app as well as get access to our web platform to serve consumers in communities around them. If you see on the left-hand side, we have all our core services, basically in the banking and financial services space, where we tie up with banking partners, as well as other players in the ecosystem to enable their services onto the platform and then through the merchant ecosystem, we deliver various kinds of financial and digital services to consumers in semi urban and rural India. Because it is a digital platform, not only can it enable financial services, but also digital services.

So, we've broken out our product segments into two, one what we call core services, which is basically around financial services and the other is digital services. So when you see here, e-commerce, travel, healthcare, government these are all services that can be digitally integrated onto our platform and offered to the end consumer in rural India. Some of the services we've outlined also on this page. Our core services are more around cash withdrawal and enterprise cash management. But effectively as we are going forward, and I'll talk about this later, we're adding more and more services to our platform.

What is also important to understand is that as we are rolling out this business deep into rural India, what are some of the building blocks of this business? The first and the most important is our ability to access and engage with millions of merchants, entrepreneurs, and consumers in semi urban and rural India. As you know, the access of smartphone and internet connectivity is now going deep into rural India. And we've been able to build a product on the back of that growth. And so, the ability to access as well as engage with millions of entrepreneurs, and merchants in rural India is a key building block for our business.

The second is, through the transactions that happen on our platform, the ability to be able to access data, which can enable us to create products for consumers in rural India. As many of you know, one of the biggest challenges we have when it comes to financial inclusion is lack of data, and therefore ability for banks to underwrite. So, we, through the transactions data, are being able to think around new products that we can build for consumers in rural India that we can make available through our entrepreneur ecosystem.

And the third most important building block that we have in our business is an open API architecture. What this does is enable multiple players in different industries to be able to, through an API integration, integrate their services onto a platform, and therefore be able to deliver it in an economically viable manner. And I think all of these three building blocks are core to what we are building out at Spice Money.

Moving forward, I would like to share with you what we have delivered in Q1 starting this financial year. These are key highlights before we get to some of the key metrics. And these are the key metrics that we at Spice Money track as we think about building the business. The first, most important metric that we look at is the gross transaction value of the business transactions that happen on our platform. For Q1FY22 we had a gross transaction value of INR 31,000 crore this was a growth of 35% in GTV quarter-on-quarter and 65% year-on-year.

Within this you know when we look at our revenues as a function of our gross transaction value, what is important to us is the transactions revenue, that we very closely monitor and focus on growing. Our transactions-based revenue quarter-on-quarter grew from INR 155 crores to around INR 199 crores, which has a growth of 29% sequentially quarter-on-quarter and 56% year-on-year.

The third metric that we track very closely is our growth in market share. As I also shared with you on our previous call, we are focusing on growth, and market share growth is a key metric within that. Within the AePS sector, basically the off-us market, we have managed to grow our AePS market share to 15.9% in Q1FY22 compared to 13.7% in FY21.

A fourth metric and this is a new one that we've introduced on this call. We did not talk about it on the last call is the fact that as we are rolling out this Spice Money Adhikari network deep into rural India, it's also important for us to look at what is the kind of repeat customer franchise that we are building. Customers who are constantly coming back and using our platform to transact, because it also shows the robustness of the business model going forward.

Just to share with you, the repeat customers that transacted on AePS, which is our core product on the Spice Money platform, increased to 21 million customers in the Q1FY22 compared to 17 million in the previous quarter. So, this is also an important metric that we wanted to bring out and share with you and we'll talk a bit more about that as we go forward.

As you know, in the Q4FY21, we rolled out a significant program, wherein we remove the entry fees as well as brought down the monthly rentals that we charge, basically to drive acquisition and engagement of our Adhikari network. So, a lot of the growth that we've seen in this quarter

was driven by that program that we ran in Q4. And we believe that this has put us in good stead for the year going forward. The other metric that we look at is our coverage. While we cover most of the pin codes in India, our focus is to get to as close to the doorstep of the consumer, and therefore focusing on density. We've called out what we say dense districts in India, and we track as to, how we're growing our dense districts, which is one Adhikari per 1,000 rural population. So, our coverage when it comes to dense districts grew from 140 dense districts to 186 dense districts quarter-on-quarter.

And finally, as we work deep into rural India, we have also realized that when it comes to the challenges being faced by us and by the world around the pandemic, it becomes our responsibility to also participate alongside with the government in helping solve for this. And therefore, at Spice Money, we have launched our own platform called COVREG, which with the goal of working closely with the government to drive vaccination deep into rural India. And I'll also talk to you a bit about that as we go forward.

Moving forward, let's look at the key metrics for Spice Money. Since we obviously looking at quarterly numbers, unlike last call where we looked at for the full-year, we've basically looked at most of the metrics with respect to sequential movement as well as year-on-year movement. So, if you look at the network, which is the fundamental basis of our growth, the Spice Money Adhikari network we closed at 6.83 lakh Adhikaris compared to 576,000 Adhikaris in Q4FY21 and 319,000 Adhikaris in Q1FY21.

In terms of dense coverage, as I mentioned to you 186 dense districts compared to 140 in the previous quarter, but a significant growth over year-on-year compared to 48 dense districts in Q1FY21. So, as we're looking to build the business, our focus is to increase density in terms of getting the services as close to the doorstep of the consumer. What this Adhikari network growth has translated into is a GTV of INR 31,000 crore in this last quarter compared to INR 23,000 crore in the previous quarter and INR 19,000 crore in Q1FY21. So, if you look at it, this is approximately about 35% quarter-on-quarter growth, as well as a 65% year-on-year growth as far as GTV is concerned.

When we look at the market share that we're achieving in our core product, the AePS product, what we have done is basically shown the three-year trend, because we would like to track this on an annual basis as to how we're progressing the market share. From an 8.9% that we were of the AePS market in FY19, we move to 11.8% in FY20 to 13.7% in FY21 and we closed Q1FY22 at close to 15.9%.

So, for us at Spice Money, as we're scaling up the network, we're focusing on GTV growth, as well as market share growth and making sure that we stay ahead in terms of increasing our share of the transactions that are happening in the space.

Moving forward, this is a new slide that we have introduced compared to last time. Just to give you a sense on how driven by the growth in the Adhikari network, we have seen growth in our core revenues, because it is important to correlate between how our Adhikari network growth is impacting our revenue growth. So just to explain you this slide because it's new, the bars that you

see are basically the number of Adhikaris for that quarter and the red line that you see is basically what we have called out as the service fee income or the service fee revenue.

As you know last time on the call, and maybe I'll explain later as well, we have divided the revenues of Spice Money into three segments, our service fee income, airtime sale income, as well as income from acquisition and devices. What we're focused on is driving transactions income and within transactions income, what we've called out is the service fee income. So again, we believe that the growth of this income is very important to track to understand the overall robustness of our economic model.

When we look at this number compared to the overall service fee income, as you see there is a footnote where this does not include the subscription rental revenues and one-offs, that may have been provided or written back during the quarter. So, this is all an apple-to-apple comparison, to be able to explain that service fee income without the rental income, how has that tracked over the last nine quarters.

So, if you see, basically starting last financial year Q1, we saw a major growth in both our Adhikari network as well as in our service fee income. This as I spoke about last time also was because when the pandemic started, and the lockdowns happened, there was a lot of reverse migration, a lot of people going back to rural, but also more importantly, a lot of subsidies flowing into semi urban and rural India. And on the back of that, we saw significant growth in adoption of the Spice Money app and the Spice Money platform, and we have grown on the back of that over the last four quarters.

The second big growth that we saw was in quarter four closing last year where we drove this campaign on onboarding majority a lot of our entrepreneurs onto our platform by reducing entry costs as well as monthly rentals and we saw significant growth come in because of that also. So, it is for us a strong validation of the initiatives that we took in Q4FY21, because that has led to the kind of growth in income that we've seen in Q1FY22.

So, for us, what we have seen is a steady revenue growth over the last nine quarters. If I look at the CAGR over the last two years, Q1 of this year compared to Q1 FY20, FY21 and Q1FY22 through Q1FY20, we have seen a CAGR, if you see the numbers of approx. 70%. So, we're in a growth mode and we would like to continue to look at you know growing because of the opportunity in the market to expand both the reach of our network as well as the depth of our network deep into rural India. So I hope this helps you correlate between how the growth in the network is leading to growth of our core income stream.

Moving forward, I'd like to talk to you about our Repeat customer franchise, because it is very important that as we're rolling out our Adhikari network, we're also able to track that how there is a certain repeat end customer franchise that is getting built. So, while our focus is on adding new Adhikaris and new customers through increasing reach, our core objective is to build a very strong repeat and customer franchise. So again, if you look at with the growth in the network that we have seen, what it has translated into in terms of growth in our customer base, transacting on the Spice Money platform. So, if you look at it just between Q4FY20 to Q4FY21 through Q1FY22, we've grown from Rs. 6 million to Rs. 17 million to Rs. 21 million.

And I think just to explain, what we say Repeat customers, it is basically looking at the number of customers that have transacted during a particular quarter, who have also transacted in earlier periods. So, all these numbers that you see on these bars are representative of customers who have not only transacted during that quarter but have also transacted in earlier periods. And I think that is the number that is very important to us to understand how we're building a captive consumer franchise for the benefit of our Adhikari network and to help our Adhikari network grow their business and grow earnings going forward.

Moving on, this is a slide that I spoke about last time, and I think it is at the core of our business model because as we focus on building out our merchant network, adopting our platform and building out the customer franchise, our main focus is on growing transactions because that is at the heart of the robustness of the business model going forward and it is a clear demonstration of the strength of the platform and the brand in the industry.

So what we're focused on if you can see the flywheel is basically growing the number of Adhikaris on our platform, growing the number of customers who are transacting at the Adhikari points, driving number of transactions as a result of that and then based on that, being able to garner insights, using data, and using those insights, innovating and building new products, and making them available on the Adhikari platform to again enable them to be able to serve their customers with even more services.

So at the end of the day, this becomes a way in which we can grow more relevant products on the Adhikari platform, which can achieve two objectives. One, it can enable the Adhikari to grow their earnings on our platform, but more importantly, enable the consumers in their communities to be able to get access to services that they have not been privy to so far, or have been underserved.

While we're rolling out this business model, I'd like to once again re-emphasize that we're a positive unit economics business model. We're trying to keep our cash burn to as minimum possible. In fact, in this business because we're positive unit economics, we're able to generate internal accruals to be able to reinvest in innovation and network growth. We also have an operating leverage in our business. And while I'll talk to you through the numbers while we've seen a growth in our fixed costs in the last financial year, there is operating leverage that begins to play out in this business. And we've even seen it in this quarter compared to last.

So, there is both positive unit economics in our business model, as well as operating leverage driven by transactions growth. So again, a very core part of our business model is this flywheel and our focus on this as we roll out the business, just to give you an example of some of the new products that we rolled out beyond AePS on our platform. These are the two new products that, we spoke about last time, but I just want to bring out the fact that we are constantly thinking about products that work for Bharat for rural and semi urban India, one of the core products is the Micro ATM product. This is a very complementary product to the AePS product, because in the case of AePS product, the customer is using his Aadhaar to be able to withdraw cash. In this case, he's using his debit card, which majority of the customers who have access to a bank account while they don't have a credit card, they definitely have a debit card. And so in cases

where they either they do not use their Aadhaar identity or they do not have it on them or for some reason it does not work, they're able to use their card to also withdraw cash at the same Adhikari point, we at Spice Money have been one of the early movers in this product and we have seen last financial year how we've grown 3x in terms of the gross transaction value on this product itself. So, from INR 2,740 crore in FY20, we had a GTV close to INR 8,638 crore last year. Going forward, our focus is to continue to drive device affordability to penetrate this market. As I speak to you, we've already launched a new device in the market, which is at a far lower price point than the one we had last financial year and with that idea, our goal is to make sure that a significant part of our AePS Adhikaris are also able to adopt and use this product to serve their consumers around them.

So hopefully going forward, we'll be able to see growth also coming from this product. And the other one that I want to talk to you is about enterprise cash management. We've seen that a lot of enterprises whether it's Microfinance NBFCs, other NBFCs, logistics companies who work deep into rural India have their representatives go and collect cash on a regular basis and go and deposit it at their branches which are perhaps at a distance to the point of collection. Because we're rolling out our Spice Money Adhikari network deep into rural India, we're able to provide them with access to cash deposit points much closer to where their branches are, and therefore both reduce their cost of collection as well as get access to that money much faster because we provide for real time credit into their account.

So, this is a win-win product for enterprises, as well as our Adhikari network because they get access to cash and also, with AePS and mini-ATM, it's a cash out product where enterprise cash management is a cash-in product. So, it also works beautifully in terms of being able to give access to our Adhikaris to cash that they can also disperse as part of their AePS and mini-ATM product. This is going to be a focus growth product for us this year, this financial year and we'll be talking more about this in the quarters ahead.

Moving forward, again I think from a vision point of view, it's very important for us to understand that while we have built out on a business model, our vision is to be able to serve the consumers in rural India within rural India. So our goal is to ensure that customers living in rural India do not have to step out to avail of many services that can be digitally onboarded onto our platform, and they can be served within the village, within their community itself.

We've started with basic banking and payment services going forward, our goal is to onboard many more services on the Spice Money platform, whether it's in the space of financial services, government services, healthcare or e-commerce services, we truly believe that there is a great opportunity for us to ensure that through our Spice Money Adhikaris, we can serve people in rural India, within their community, and not require them to go out to get access to those services because we're seeing any industry which is building out a digital layer, where through an API, they can extend their services to consumers, we're able to integrate those services onto our platform and there are many examples now that are coming out in this space.

So we truly believe that we have an opportunity to build a platform which brings together people and technology to be able to serve consumers deep into rural India and do it in an economically viable manner. So we're creating a model where product manufacturers in each of these

industries are able to get access to millions of consumers in rural India in an economically viable way. And that is the only reason why many of them have not been able to reach out to consumers in rural India. And that is why many of them are unserved or underserved. So this is a framework of our vision and as we roll out the business over the next couple of years, we will make sure that we keep you updated as to how we're progressing on some of these segments.

Finally, I'd like to close before I get to the financials for Spice Money, with our three growth levers, if we can move to the next slide, please. These are our three growth levers. And this is what we're focused on at Spice Money first is, as I said growing our network of Spice Money Adhikaris, our merchants, our entrepreneurs, we've already started taking steps in that direction, and it's translating into the growth numbers that I showed you.

Our goal is to not only extend our reach, but also deepen our presence in key clusters. Our second growth lever is around expanding services, of course, to begin with strengthening our core banking and payment use cases and adding new products, some of which I spoke about, but also going forward enabling delivery of financial services as well as other services in the digital domain. And finally, and most importantly, from a competitive differentiating point of view, we're very conscious of the fact that we're working in the financial services industry, where trust and goodwill is very important. Consumers need to trust the platforms that they are engaging with, entrepreneurs need to trust the platform they're engaging with because it involves money. And so for us, it's very important that as we develop a very robust platform to enable transactions to happen at scale, we also ensure that we build a brand that consumers can trust and ensure that they can build a relationship with going forward. So, we do aspire to build the most trusted and most admired FinTech brand for rural India. And we hope that we'll be able to continue to move forward in our journey towards strengthening the brand engagement with both our merchants and consumers in rural India.

And finally, before I close the section on Spice Money, let me share with you the financial numbers on revenue and EBITDA. Again, for the sequential quarters as well as the year-on-year quarters, if you look at the revenue overall for Spice Money, we closed last quarter at about INR 202 crore compared to INR 159 crore in the previous quarter and INR 132 crore the year before, this signifies a 27% quarter-on-quarter growth. Within this, if you look at the segments, the service fee income is basically INR 69 crore compared to INR 57 crore in the previous quarter and INR 42 crore in the previous year same quarter, while the Airtime sales revenue is INR 130 crore compared to INR 98 crore and INR 86 crore in the previous quarters.

When we think of transactions revenue, we look at both service fee income as well as Airtime sale income. But our focus is to make sure while we grow both, I think the service fee income is our main focus in terms of the commission income that we earn from the transactions, and this is something that we'll continue to focus on as we go forward.

In terms of EBITDA, Q4 FY21 we reported negative EBITDA of close to INR 2 crore about INR 1.6 crore negative. This quarter, we've come in at Spice Money EBITDA around INR 3.8 crore, which is close to INR 4 crores this quarter. So, if you look at sequentially, we've improved on our EBITDA. And basically, this was an account of one of the points that I explained on our last

call, that we had significant expenses that we undertook in quarter four towards the campaign that we ran, which were not of recurring nature.

But also importantly, the growth in the network that we saw, which translated into growth in revenues on transactions has also flown into the bottom-line in terms of EBITDA. However, when we look at year-on-year, while we came in at INR 4 crore in Q1 this year, we were close to about INR 10 crore, about INR 9.9 crore in Q1 last year. And that is because of a point that I made to you earlier, which was that when the pandemic started, we saw a significant growth in adoption of our platform driven by a significant bump up in subsidies, which were pandemic related. And as a result of that, it was like a windfall wherein the whole thing just came to the bottom-line.

Over the last one year, we have now built on this, opportunity that we got in terms of the growth in the network, as well as the transactions. And we have effectively now focused on investing behind this, both in terms of making the platform a lot more accessible, but also in terms of building organization capacity and capability. So, for us, what we want to build is a sustainable long-term business. And therefore, we made sure in the last one year that we focused on building up the organization, which can handle scale and growth going forward.

With that, I'd like to close on the section on Spice Money. There is a social initiative that we have taken on at Spice Money. As I mentioned for us, we are deeply vested in the rural ecosystem. We want to make sure that we are evolving with the rural consumer. We are serving them in all ways possible. And what could be more important at this stage, but to ensure that we are able to protect and take care of each and every person in the areas that we function in. So, one of the things that we are doing is we've partnered with the COWIN initiative of the Government of India. Some of the challenges that we've seen in rural India, when it comes to COVID related vaccination are principally around four.

One is around the lack of awareness around vaccine registration. As you know, registration is basically more driven by walk-ins. In rural India, the COWIN platform because of access to digital is very much limited. And so, there's also a lack of awareness, while the government is doing a tremendous job in an outreach program, this continues to be a challenge.

The second, and perhaps a bigger challenge that we have in rural India is scepticism to the vaccine. There are lots of myths that people have around the side effects of this vaccine. And it is very important that these myths be removed. And people in large -- at large get comfortable to take the vaccine.

The third is the need for community influence to drive action. And the point number two and three are connected. Because at the end of the day the trust and the belief that they have within their community, it is very important that we are able to reach out to people in the community with influence to be able to drive action and give them knowledge, right to remove some of these myths that exists when it comes to the vaccine.

And finally, the need for an assisted registration platform. So, keeping in mind some of these challenges, we at Spice Money had built out our own platform to tackle this, which is referred to

as COVREG, which is basically with the objective of driving registration and vaccination. We rolled this out earlier last quarter. And already we have seen that we have been able to onboard over 11,000 volunteers who've downloaded this app that we've launched the COVREG app. And the idea is to be we've got them first registered on our platform, and then we're going to make them download the app. And the idea is that through these volunteers, we want to reach out to their communities around them. And they can use this app to get people registered on the COWIN platform, as well as drive walk-ins into the vaccination camps being set up at a district level by the Government of India.

The COVREG app will go live today. Effectively, I would say will go live this week between today and tomorrow. And that will give an opportunity to many of these volunteers who've registered on our platform to be able to download and use this app to get their communities registered and vaccinated. So, this is a huge program for us at Spice Money, and we are deeply committed to protecting citizens in rural India.

Going forward, let me talk to you briefly around some of our other digital platform segments that we are building out. Starting with our Digital Enterprise business. Again, something that we launched last quarter. This is at a very early stage of build out and rollout, a platform referred to as Korero. This is basically operating in the communications platform as a service space. This is a product we rolled out last quarter. And we truly believe that with the growing digitization, especially in the MSME sector there is a huge need for platforms that can enable enterprises both large and small to be able to effectively communicate with their customers.

Keeping that in mind, we rolled out this platform just to share with you briefly on the next slide around the industry that we have entered using Korero Platforms. We have seen that over the last two years, especially there's been a significant growth and adoption of digital channels and this industry referred to as CPaaS communications platform as a service, has seen significant tailwinds in terms of adoption.

And we have various projections by third-party research. In terms of growth expected in this industry. A lot of this is driven by enterprises wanting to engage with platforms to better engage with their customers. A lot of the engagement today is using mobility channels like SMS. But going forward, other digital channels like WhatsApp and other social media platforms are also going to be used by enterprises again small, mid and large to be able to effectively communicate with their customers. What we've also observed is a growth in automation. So, when it comes marketing automation, we believe that this is also something that is significantly going to grow in the future. So, at Korero Platforms, we are very much focused on participating in this industry.

Just to share with you where we've reached so far on the next slide. While we've launched this service only last quarter as part of our Enterprise Mobility business, we've been serving a certain client base specifically in the banking, financial services, insurance and utilities segment. We have over 60 customers, and we serve some very large enterprises. In fact, three of the top five in the Fortune India 500, 2020 list are our customers.

Our goal is to build out an omni-channel communications platform. And all the features that we are rolling out is basically to enable enterprises to be able to create a better connect with their

consumers and engage with them both on transactions, marketing, customer service. So basically, the CPaaS platform is sitting at the core of many of the automations that we are seeing around it in terms of marketing, contact-centre automation, sales-force automation.

We are very keen to see how we can participate and help grow this segment. And the experience that we've had working with merchants in rural India, we have seen how many of them have started using WhatsApp to engage with their customers. So, we believe that use of digital channels as going deep into rural India and therefore, at Korero our goal is to make sure that we can build on these evolving consumer trends and be able to reach out to enterprises who today don't have access to these tools to be able to serve and communicate with their customers more effectively.

One quick update that I would like to share with you within this industry, which was a new development in Q1FY22, which has had an impact for the quarter, but it is definitely something very good for the industry going forward.

In Q1FY22, what we saw the regulator rollout was this new platform. In fact it's built on the Blockchain Technology referred to as Distributed Ledger Technology. And the basic goal, if I just remove the technology terms are behind is to basically ensure that we are able to stop SPAM, which is basically unsolicited messages going from enterprises to customers. This is a very customer friendly policy that has been brought in by the regulator and is being implemented by all the telecom service providers.

If you see point number two under these guidelines. The enterprises are now required to register their customers in order to make sure that the customers are not bombarded with unsolicited messages. This whole technology is being implemented in phases starting from April 1, 2021. What this has done in the initial period is because enterprises are still getting on boarded. Enterprises are still whitelisting the templates on the platform, and this is a journey that will take obviously, it has led to a decline in the business because the number of messages being sent out has significantly come down. We at DiGiSPICE observed a 25% reduction in the total SMS volume quarter-on-quarter. And this has also played out in revenues as I will show you later.

Also, we believe that this is a sequential implementation of this DLT technology. So, while the first phase happened last quarter, the second phase will be happening this quarter, where from registering the templates, they will be moving into user consent management. All being driven on the guidelines outlined by the regulator by the telecom service providers. We at Korero Platforms being a new start-up have built out a completely DLT compliant platform to support enterprises in their communications requirements. So we believe there is kind of reset happening in this space.

And as Korero, we've of course come in as a new player building out a completely DLT compliant platform to make sure that we can support all our enterprise customers existing and new in not only complying with this regulation, but also making sure that we can make the journey as seamless as for them as possible so that they can effectively communicate with their customers with proper consent in place.

Moving forward, very quickly, I'll share with you what we are attempting in the Digital Telco space. A lot of this is being done in emerging markets outside India. As you know, and something again I spoke about last time with growing digitization, which has significantly got accelerated with the pandemic. We are seeing significant growth in consumption of digital content driven by high internet penetration as well as a whole new digital content ecosystem that's getting built out, again which has got significantly accelerated in the last 12 to 15 months.

The numbers show that now over 60% of the world's total population has got access to internet, the hours that people are spending online on internet is just growing. A lot of that demand is coming on video. So video is really driving data consumption and driving content consumption. And what is also driving a lot of this consumption is the need for personalized experiences.

So effectively, if you look at it, digital content consumption is on a growth curve. And if you look at Telcos, whether in India or globally, they're actually very well placed to deliver digital content to the users. So, a lot of the high bandwidth infrastructure that Telcos are building out 4G or 5G around the world, right is very much capable of serving as infrastructure to deliver digital content.

So you see a lot of content innovation happening in the digital space. Because for many consumers, this has become not only the most preferred, but the only mode to get access to content, which is through digital. So at DiGiSPICE Technologies, we have access to over 25 telco clients in the region. If I say region, I'm basically talking about South Asia, Southeast Asia, Africa and Middle East. This whole belt of emerging markets in the region, and because we've historically at DiGiSPICE worked with many of these Telcos in what we call the telco VAS business, value-added services business, as many of them are evolving to becoming digital networks, as many of their consumers are evolving to becoming digital consumers with access to smartphones, and internet connectivity they are all looking for digital content and digital services. And we at DiGiSPICE have called out some offerings that we are working with them around digital entertainment, digital service aggregation as well as the whole area of self-service. So we have seen a significant adoption of digital content. And there are many Telcos with whom we've been working on a lot of products in the entertainment space. And now going forward we are focusing with them to onboard the same from traditional value-added services to more digital content led value-added services.

On the next slide, I'll just give you an overview on some of these products that we have in the digital entertainment space. So, if you effectively see in digital entertainment, there are three categories music, videos and gaming. And as we speak today, the revenues that we are seeing are broadly more skewed towards music products. So we work very closely with Telcos in the region to roll out white labelled digital music streaming products for them and significant parts of our revenues on the Digital Telco side are coming from music.

But going forward, our focus is on videos and gaming, because we believe that the innovation that's happening in the video and gaming ecosystem is significant in nature. And we have built in the pipes and the infrastructure to be able to reach out to consumers in many of these markets, working with the Telcos in that region to be able to give access to consumers to videos and gaming on their smartphones, and using the digital infrastructure rolled out by the Telcos.

So again, this is a new trend that we are looking, but the future consumer is very clearly a digital consumer in every part of the world. And we see many markets in Africa also adopting digital products very aggressively. And we at DiGiSPICE Technologies have a unique opportunity to be part of that journey. So this is at a very early stage of build out. And over the course of the year, as we progress on this business, we'll be sharing with you what are some of the milestones we are seeing and what some of the products that we are able to roll out and what are the learnings that we are getting from there.

Moving forward, like I said, the Digital Technology Services business is at a very early stage. We are in a start-up mode, and therefore the numbers are still building out. Our focus right now is to roll out get more enterprise customers on our Korero Platforms, get more Telcos to engage with us on building digital products for them. So, while we are seeing the Digital Telco revenues picking up if you see Q1 this year, INR 3 crore compared to INR 2 crore in the previous quarter and INR 1 crore in the Q1FY21. These are small numbers, but effectively behind them, there's a lot of rollouts happening in terms of products, and the revenue models are still evolving.

The drop that we've seen this quarter has been mainly an account of the Enterprise Mobility Revenues. INR 17 crore from INR 22 crore. This is close to a 25% drop, which is in line with what we saw as the drop in the SMS volume that I spoke about earlier, which has mainly been because of this implementation of this new technology and the blockchain by the regulator and by the telecom service providers, and that has led to an across the industry dip. And obviously, our numbers got affected. Despite that dip, we've held on to our revenues because of the growth in the other numbers. And so, we closed at about INR 26 crore Q1FY22 compared to INR 27 crore sequential in the previous quarters.

In terms of EBITDA, we have still a negative EBITDA. If you look at on a quarterly basis, last quarter, we did about INR 3 crore negative from the Digital Technology Services business. It increased compared to the previous quarter mainly because of the impact of the DLT implementation. Again, like I said, our focus is on build out here. So we will definitely try and minimize the losses going forward. But our focus is to drive adoption of our platforms both for enterprise as well as Telcos. So as we move forward, I'll be able to show you more insight and as this whole Digital Technology Services segment grows, we'll be able to talk in more depth the way we are talking about our Financial Technology Services segment.

So let me close with our quick overview of our consolidated financials. Our three key numbers around revenues, EBITDA and PAT. So, if you look at it, we have closed Q1FY22 at INR 229 crore revenue compared to INR 186 crore in the previous quarter and INR 167 crore in the Q1FY21. If you see sequentially, overall consolidated it's a 23% growth quarter-and-quarter and about 37% growth year-on-year. In terms of EBITDA compared to an INR 3 crore negative last quarter, we came out close to INR 1 crore positive this quarter. So, this is something that we saw a turnaround in terms of the EBITDA number itself and on the profit after-tax we came in at about close to INR 2 crore loss compared to INR 4 crore loss in the previous quarter.

So, once again, let me close by saying that our focus continues to be on growth and innovation. At Spice Money, our focus is on network growth, product innovation, transactions growth, and

making sure that we can drive Adhikari earnings on our platform and be able to serve more and more consumers in rural India. So, we'll continue to be driven by growth. But since we have a positive unit economics model, I'm hoping that we will have the benefit of operating leverage that will play out in the future. But I would really urge you to think of us as a company in a growth mode, and making sure that, we can focus on network and innovation to be able to build out a very strong and relevant business deep into rural India.

With that, I would like to thank you for your patience and for your time to hear me on this presentation. Before I move to Gavin and the Q&A session, let me introduce you to the management team. We have with us on this call, most of them were there with us on the last call. We've had one new member who I'll introduce to you on this call. So very quickly, I just go around the table. We have Vishal, who heads our Digital Telco business. Again, like last time I mentioned Vishal joined us from Mahindra Comviva and is very much driving adoption of Digital Telcos specifically in the Middle East and Africa markets.

Sanjeev who joined us from Jio Financial Services is the Chief Executive Officer of Spice Money, the rural FinTech business that we are rolling out. Meghraj Bothra, he is the Company Secretary and Chief Compliance Officer for DiGiSPICE Technologies. Vinit is the Chief Financial Officer for DiGiSPICE Technologies. Vivek Venkatesan is the new member on the team joined us very recently. Vivek has joined us from Jio Financial Services and has had tremendous experience in the financial services space both in India and abroad. So it's great to have Vivek on board. And he's joined us as the Chief Financial Officer for Spice Money, our Rural FinTech business. Rohit is the Executive Director on the board of DiGiSPICE Technologies. Rajneesh is the Chief Innovation Strategy Officer, and is also heading Investor Relations. So, you'll be hearing a lot from Rajneesh in the quarters going ahead and he will help connect us in terms of your questions and work through together. Anuj is heading our Digital Enterprise business joined us from Infobip last year and is helping us drive the business there. And then finally, we have Sunil, Sunil is the Executive Director on the board of Spice Money, and is heading Group Finance for the overall group at DiGiSPICE. So, with that, I have the entire core team with us on the call. I'd like to now hand over to Gavin to start the interaction process, Gavin over to you.

Question-and-Answer Session

A - Gavin Desa

Thank you, Dilip. We'll now open the floor for questions and answers. First, we have Pritesh Chheda. Pritesh?

Q - Pritesh Chheda

Thank you for the opportunity. Sir from the presentation, in the last presentation that even I was part of it. Currently what so when it comes to the cost of materials which we get reported in the P&L, so what kind of services are today offered on the DiGiSPICE and what is a gross markup that we get on the DiGiSPICE, let's say the Spice Money part of the business, the FinTech part of the business what services do we offer as of now via the Adhikaris? And at what scale and

size do you think that we will actually start generating cash flow, better profitability on the FinTech side of the business?

A - Dilip Modi
Thank you, Pritesh. So just talking about Spice Money. There were two points you mentioned. One is I think you're referring to the cost of goods and services right within the P&L?

Q - Pritesh Chheda
Yes.

A - Dilip Modi

So I think, just to share with you the way we look at the revenues, gross margin, EBITDA, and PAT of Spice Money, our FinTech business, if you see the revenues split up, we've shared right basically coming out of service fee, Airtime and device and acquisition, but basically transactions driven revenue. Now between revenues and gross margin is basically a lot of payout that we have to our channel.

So if I look at the cost of goods and services, it's basically the channel payout that we have. And that is what then finally leads us to the gross margin and the EBITDA, the services that we deliver are of course basically around the cash and cash out services that we offer on our platform. And each of those services have a different value chain margin. So that reflects in our revenues, and effectively the gross margin is coming out of the payouts that we have to our partners and Adhikaris on our platform.

So, if you look at going forward, what we believe is that in terms of operating leverage, we have seen a significant growth in fixed cost . If you look at our indirect overheads year-on-year, we've seen a growth in our indirect overheads, and a large part of that in fact, a significant part of that is on account of Spice Money. And what we've done there is basically invested in our sales and marketing infrastructure because of the growth in our Adhikari network that we've seen, we've also rolled out a sales organization on the ground, to be able to engage with these Adhikaris to drive deeper engagement.

We believe that these costs will not scale in line with transactions and revenue. And that's how the operating leverage in this business will play out. We're still, in terms of rollout on dense districts, we've still got headroom Pritesh to roll out, like I mentioned to you that on the dense districts with close to 200 compared to 700.

So there is still an opportunity to go deeper into rural India, and some of that will translate into the need to invest in the sales organization on the ground. But other than that, I think the majority of the costs will more or less remain steady. So, I think that basically, transaction growth will lead to service fee income growth, will flow into absolute margin growth, and will flow into EBITDA where in the major cost escalation on indirect overheads will happen with respect to sales, marketing, and some level of technology led investments, so there is operating leverage benefits that will play out in this business model going forward, Pritesh.

Q - Pritesh Chheda

So when you report the GMV, where does that link up with the revenue?

A - Dilip Modi

So basically, you've got both the numbers there. So, if you look at the GTV number, like for this last quarter, we did about INR 31,000 crore as the GTV, right. And then we have the service fee income and why I'm calling out the service fee income is because that's, significant part of our margin comes out of that income, in terms of absolute margin. So that's why we want to focus on that, right?

So if you look at the service fee income, it's about INR 69 crore. So, you can connect between the GTV and the service fee income and so effectively, if you look at the three quarters, Pritesh, and plot the GTV, and the service fee income, you'll get a sense as to how the two numbers are correlated effectively, it's about they're 20 to 22 bps in terms of the income as a function of GTV.

Okay, and then when you flow down significant part of the absolute gross margin of Spice Money is coming out of the service fee income close to even as high as maybe 90% of our total gross margin is coming from service fee income. So while we're not giving breakup of these numbers on gross margin because we're still in a product rollout mode, Pritesh, and it's a bit early right now because we're more driven by growth of network and transaction and income from there.

So, what I would encourage you to look at is the growth in the absolute income of the business. And then while we report income and EBITDA, over time, we will start looking at gross margin as the product mix stabilizes. You can connect at least GTV to revenue. And then of course, you have the EBITDA at an absolute level.

Q - Pritesh Chheda

So basically, out of 22 bps that you collect as revenue, you tend to pay out something as cost, that cost is paid out also to Adhikaris or?

A - Dilip Modi

Adhikaris and partners, distributors, who onboard the Adhikaris and help us in driving engagement.

Q - Pritesh Chheda

So just on that second part of that first question in the GTV of INR 31,000, what is the bulk of the GTV coming out of from, what kind of transactions are they coming on because there's a whole wagon wheel?

A - Dilip Modi

The biggest transaction, Pritesh, is AePS, Aadhaar enabled cash withdrawals.

Q - Pritesh Chheda

Other than that?

A - Dilip Modi

Other than that, it is Mini ATM, Micro ATM. So we showed that number for example, INR 8,000 crore last year was Micro ATM. So, the two biggest products are AePS and Micro ATM.

Q - Pritesh Chheda

So that two products even last year was out of 80,000 GTV I think those two were 21 plus 8 for about 30, I was wondering what are the other 15,000?

A - Dilip Modi

So those together were close to about 40,000. But Pritesh when we talk about total GTV there are two elements to the GTV, one is the customer GTV, the other is the Adhikari GTV, right. So the transactions when we talk about transactions on our platform, that customers are transacting and generating a certain transaction value, but also there is transaction that the Adhikaris also do on their platform. So, there is, so when we look at total GTV in the industry, we look at both numbers.

But just to give you a sense as to what is the main product which is driving the GTV, it is basically the cash withdrawal product, because both AePS and ATM and all the Adhikari GTV is also mainly linked to the product, the new product streams that are coming on is the Enterprise Cash Management, travel and other products like remittances that we are building out on the platform, but it is led by cash withdrawal.

A - Gavin Desa

We have the next question from Rishu Dhawan, Rishu if you can unmute yourself, please.

Q - Rishu Dhawan

So first of all, I would like to say thank you. And I would like to appreciate the kind of culture we're having that we're connecting with the investors via con call. And we're being given the opportunity to understand more about the business and hear directly from you, Mr. Modi. So, congratulations and thank you very much for that. About questions, so I had the question which

was answered mostly from what you explained a while ago. So, my question is being addressed. I have another question that is with respect to the Korero Platform.

How do we see that platform business panning out in the future? Would you like to share some kind of perspective in terms of absolute number that okay, this is the revenue we're trying or we are aiming to generate down the line two years down the line, three years down the line and the kind of profitability margins we have into that business?

A - Dilip Modi

So, thank you for your interest, Rishu. Thank you for sharing your thoughts. So Rishu on Korero, let me first tell you what excites us. So, what we have seen, Rishu, is that if you look at the enterprise landscape to begin with, not only in India, but around the region, a lot of enterprises now are wanting to engage with their customers both through mobile as well as digital channels. In India itself, if you see we have over 65 million MSMEs, micro small medium enterprises right, that are looking to engage with customers.

So, for us, what we've seen is a huge growth projected in this whole communications platform industry. So, a lot of people were working on multiple different channels of communication, like SMS, voice and all and Telcos were mainly taking a lead in this because this is like a Telco business. But we've seen the emergence globally of a lot of third-party independent companies and that is where this whole communications platform as a service industry has come up.

What excites us as Korero is that with this increased digitization, we have seen that many enterprises, including the small ones have started looking out for solutions to engage with their customers, like I mentioned to you engaging with the customers on WhatsApp, or through automated calls, or through SMS or through social media platforms. Now, they also need help in terms of who to use to adopt. Like we've seen the adoption of Spice Money platform by small merchants in rural India, small enterprises also looking for platforms to communicate with their customers.

So that is what excites us as Korero to be able to build out a platform for such enterprises, who are looking to engage with their customers and have a single view of the customer because today, what is happening is sometimes the customer is looking at his SMS, looking at his WhatsApp, getting an outbound call, getting an email. So, there are multiple modes in which enterprises are communicating with their customers, the trend is for all this to come onto a single platform, so that as a customer, I don't get different messages from the same enterprise. It's all coordinated. So we see merchants of these platforms, we've seen global players enter India, to play in this space. But I do believe that there is an opportunity to grow this space by entering the micro and small enterprise.

Also, you'd have seen emergence of a lot of these technology companies, like Spice Money, a FinTech, you've seen every industry, Healthtech, EdTech, FinTech, a lot of companies growing. So, by definition, their engagement with their stakeholders is on digital platforms. So again, they need to communicate whether it's to merchants or to consumers using digital. Many of these LendTech companies are offering loans, for example, to customers, they need to engage with

them on loan payment reminders on many other things using SMS, using voice, using WhatsApp. So, there are many that are emerging, Rishu. And what we have done is because historically, we worked very closely with Telcos, we understand how to build Telco great platforms. And as a result of that, we thought that with this growing trend, we will invest in building our own communications platform, and be able to extend the reach of this technology to smaller enterprises as much as too larger.

So I think for us, there is significant headroom for growth, Rishu. As I said during my presentation, in terms of detailing out metrics on the Korero side, as well as, how the profitability could look like I think let's wait for a few quarters, Rishu, because we're still in the process of testing the product with the customer. So very honestly, we just rolled out Korero mid-quarter this year, like middle of Q1, we've on boarded our first set of customers on the platform, we're getting feedback from them on what they're liking, not liking about the platform. And I think going forward, as we strengthen the platform, we'll be able to figure out multiple revenue models and all.

So I think the good thing that you see Rishu is that, it's not like we are burning a lot of cash and building it out. So it's something where the headroom is more than the amount of investment we're making in the business. So I think this year is going to be more investments. And I think going forward next year, we'll be able to more comfortably call out the opportunity because with 65 million MSMEs, I see a huge headroom in terms of reach out.

Q - Rishu Dhawan

Okay, okay. Good to hear the story and another question. Who are our competitors in the platform business?

A - Dilip Modi

You're talking about Korero, Rishu?

Q - Rishu Dhawan

Korero, yes.

A - Dilip Modi

So you have both global and local players, so we've seen many global companies come in and acquire local entities, who played this game. We also have seen entities that are listed in this industry. So just to name, one company that's listed is Route Mobile and who's also playing this space globally, and then you've seen players like Infobip, Twilio and others come in and participate in the whole Indian CPaaS industry. And we've seen a lot of this happen during the pandemic period. We've seen acquisitions happen during this period. So in this industry, we see both global as well as local players building out platforms, but we at Korero are very excited by the opportunity that we have to grow the market and to serve a community that we believe is still underserved.

A - Gavin Desa

We have a question on the chat from Tanuj Khiyani, what are the problems that the company is facing in terms of educating the people to use the mobile app, trust of the people on this kind of technology, etc. So, what are the problems or the challenges that you're facing?

A - Dilip Modi

Tanuj, I think it's a great question and thank you so much for asking this question. I think as we're rolling out the Spice Money platform into villages and small towns in India, we are seeing a lot of interest of existing and aspiring entrepreneurs. People who are running their kirana stores running a small business, or people who want to start a business, wanting to come on board and use our platform to make income as well as serve their community.

So obviously in terms of adoption, there is a journey that we have to take. Some of these products like cash out products are easier to use. So we've seen for example, after AePS, a very quick adoption of the micro ATM product. But as we move into other products, there's a lot of need to educate the Adhikaris on how to use the product. And that's why our challenge on the app is to keep it as seamless as possible to make the user journey very simple for them to use. What we've also created on the platform is for example, educational videos. If you get the opportunity to see the Spice Money app, we've created a section within the app called Spice Money Adda, where we publish videos on how to use the product. We also have videos from Adhikaris who are using product which they can post and people can look at it.

So I think a lot of the challenges around educating people to be able to do multi-product adoption. I think that's the first challenge. Then, of course, going forward. What is very important is that we get into multilingual. This is a journey that the app will take going forward, because as we penetrate deep into South India, we need to make the platform more multilingual. So, people can drive better engagement with it. So that's part of the roadmap that we will look at going forward.

And then as we get into more complicated financial products like credit insurance and all. I think it's very important that, we are able to train our people. And this is something that we look forward to figuring out how to work with the regulators also. So that we can increase the reach of people being able to sell more complicated financial products. How do we simplify them, but also train people like training someone how to sell insurance, or also how to train people to help us in doing credit assessment?

So, I think it's a journey. And in this journey, we are starting with the easier products to understand and build. And then making sure that as we move forward, we are able to connect with our Adhikaris to be able to not only train and educate them, but also get them to understand the sensitivity around financial products, and how to help them sell products more in the market.

So right now, it's more fulfillment products. But going forward, we are also looking to be able to work with our product manufacturers to deepen credit and insurance penetration into rural India.

So, I think education is a big part of the journey. And I think multilingual conversations is very much part of that journey in terms of driving engagement.

A - Gavin Desa

And Tanuj's second question is about what are your competitive advantages? What do you believe are the MOATs and who do you see as your competitors across each business?

A - Dilip Modi

Yeah, Tanuj I would imagine business we're talking in the context of Spice Money.

A - Gavin Desa

Yes, predominantly Spice Money and the other businesses as well, but predominantly Spice Money.

A - Dilip Modi

Yeah. So I think for Spice Money, I would say that one big advantage that I see is focus. We have clearly called ourselves out as a rural FinTech platform business. And I think just that focus in itself is a big advantage because we are deeply vested in understanding the rural consumer, and making sure that we continue to engage with entrepreneurs in rural India and build products that they can engage their customers with.

So I think focus is a big point. And sometimes it's undermined, but I believe that it's a big point in focus. I think the segment that we've called out, which is the rural consumer segment is something that we believe has great opportunity to innovate. Many other players that we've seen in the industry are focusing on not only rural, but also a lot of urban customers. But we are very clearly vested in the rural consumer, and we want to be able to build products that work for them.

So, I think that is one big competitive advantage, focus, as I see it. Of course, in this industry like any other tech industry you constantly have to be on your toes in terms of building out the business. That is why our focus is on growth. Our focus is on building scale. And over time that will lead to effects, in terms of benefits that we can create on products.

And I think the other one is that making sure that we build a very robust technology platform that can manage scale, and that can handle scale with large numbers. So, we very much focus on technology and infrastructure. And that also I believe is going to be a competitive advantage going forward in the future.

And finally, the brand that we are building, Spice Money, we believe that not only with merchants, but with consumers in rural India also, we'll be able to differentiate ourselves over time through brand. And I think combination of all of this, we believe will give us an opportunity to garner more share in the market.

But Tanuj very clearly, it's a grind business, it's a business that you really have to work every day to build. And we do hope that in our journey of building and reaching out to more Adhikaris we will learn faster and using technology and the data infrastructure, we'll be able to innovate better and faster. And because of that, we'll be able to build things ahead of others, or even if others have built it out, roll it without much gap to make sure that we can not only gain, but grow market share. So, I think I'm pretty confident that there is an opportunity to build market share here. But it will take a lot of effort and we have to stay at it, stay at the course.

A - Gavin Desa

We'll take the next question from Ajay Goel whose hand is raised. Ajay, could you mute yourself, please? Ajay, your line is unmuted.

Q - Ajay Goel

I have a couple of questions. One is, are you planning to get into digital advertising space in the next couple of years through DiGiSPICE, because that is again a very lucrative space. Because after COVID, this is one of the focus areas, because digitization is increasing. And use of digital devices are increasing. So, more and more companies are focusing on digital advertising rather than print media. So, is there any plan to get into digital advertising in next couple of years?

A - Dilip Modi

Yeah. So, Ajay, absolutely I think digital advertising will grow on the back of digitization and growth in digitization. I think, Ajay, for us at DiGiSPICE, we are always building out on future trends. As we roll out our new platforms, as we work with partners, whether it's a telco or a bank or a financial service provider, we are constantly looking at new areas that we can work with them on.

So, I cannot rule out any possibility, if it is a trend, and if it's something that we can build for and build a relevant product in that space, we will definitely build out the product. So I think if you look at the Korero platform that we are building out it is a communications platform and many of the use cases will end up being around marketing and digital marketing. So, I think few digital marketing use cases will get rolled out as part of the Korero Platform journey.

But tomorrow we also have Telcos who are looking at digital advertising as a space. I think what is important, Ajay, is to make sure that we at DiGiSPICE Technologies are able to build out a relevant competitive product in each of these growing consumer spaces. And if we can, we will definitely evaluate and accordingly plan.

Q - Ajay Goel

My last question is for Spice Money, because it is focused for rural areas. So, there are two main things in rural. One is farmers, agriculture loan and a lot of other stuff which we can do it for

farmers. And second area is education, education for children in rural areas. So, are we planning to introduce any product in these two areas?

A - Dilip Modi

So, Ajay, I think it's very clear to us that we cannot be working in rural India and not think around products in the agri-space. It is something that we will come back to you on in terms of what products and plans we have for that. I think education I agree with you, I think what we have to figure out is that what role our platform can play when it comes to education in rural.

I think as we've partnered with Mr. Sonu Sood, one of the things that I know they've been working on as part of a jobs platform, that he rolled out Pravasi Rojgar, which was meant for a lot of people who went back to their villages, and who are looking for jobs. And when you think of jobs, then training and education becomes part of that. So, there are platforms being rolled out in rural India. I think we have to see the relevance of our Adhikari network and how such education products can be rolled out through them.

So we've not come to that yet, Ajay. But yes, there are many such underserved and unmet needs in rural India that digital platforms can cater to. So we will evaluate them. But again, it will be based on our ability to build a relevant product and also product that can scale, because for us scale is also very important. So while we look for new products, we also look for products that we can scale across and drive majority of our Adhikaris to be able to adopt and use that product.

So, in both these areas, if and when we build plans, we'll be more than happy to share as we go forward, Ajay.

A - Gavin Desa

The next question we have, which is on the chat from Vipul Sonthalia. Vipul says, thank you for talking in detail about the business model and the vision. It looks very impressive. At the same time considering digital being the field where everyone is jumping in, and there can be some big players soon, could you talk about any significant threat to the business in the medium to long-term that we should be aware of and how we are getting ready to face it to make the business truly sustainable?

A - Dilip Modi

Vipul, thank you so much for your interest. And thank you for your question. I think it's a very, very important question, Vipul. In the technology business, there is nothing given and we have to constantly be on our toes. In terms of threat to business, Vipul, there are multiple risks to the business. We actually do not know where competition can come from very honestly.

I think, if I look at what we are rolling out today, we have multiple players they're not trying to roll out networks into small town, rural India. If you look at payment banks, they're trying to roll out networks. They have their own strategies, small finance banks of course, they have evolved,

but after doing Microfinance lending, they move more to urban areas. Then you have a lot of tech companies who are working in urban India, who tomorrow may choose to want to work in rural India? So, I think there are multiple potential sources of competition.

I think for us, we are very clear that we are building out a rural FinTech platform business, where we are working around the rural consumer. So, our biggest opportunity to build competitive advantage is to make sure that we learn quick and convert those learnings and insights into innovation and products that we can roll out on the ground. And that's what we will stay the course on.

I think our growth in the last 24 months has given us a lot of confidence that there is a big opportunity in the space, and we can build for this opportunity. I think a lot of players who we think would be competition, we are actually seeing them become partners in this journey because as we're rolling out this network, many of these new age banks are becoming our partners to roll out products onto our platform. So, I think that competition and collaboration may go hand in hand.

But like I said, this is a grind business. And it's very important that we focus on network growth and innovation. And I think those two levers are what we're going to continue to press on. As far as looking at this from an outside-in perspective, I would say that we'll continue to provide whatever inputs we can and like this is one platform to do so to be able to share with you, how we're doing on our journey, and we'll try and share as much as we can to keep you apprised in terms of how we're going. But yes, I think it's a long-term business.

But definitely, I believe that it's a business which has both growth and economics and I think it's rare, it's sometimes not easy to find both together. And I think we definitely feel here is an opportunity to do so. But our focus initially is to make sure that we capture growth, and once we become significantly big enough in terms of network and products, we will be able to build a lot more MOATs around our business.

A - Gavin Desa

The next question we have is from Rajeev Mehta. Rajeev says, any plans to launch the D2C app, any threat from eRUPI, he has got a few questions. I'll go one at a time.

A - Dilip Modi

Sorry, Gavin the first question is on launch of B2C?

A - Gavin Desa

No, D2C. D2C app and any threat from eRUPI?

A - Dilip Modi

Yes, yes, so Rajeev, on the D2C app, we've been running a couple of pilots, but we've not really aggressively gone out and launched anything yet our focus is on our Adhikari platform and on scaling the platform. And when we think about the end-consumer, I think we're going to look at it in the context of how we can help our Adhikaris drive footfall and engagement with their consumers because as you would appreciate Rajeev, what we are ruling out is on the back of a belief that a rural consumer would like assistance and has a certain trust and goodwill that they share with people within their community. And that is why we're seeing a lot of Adhikaris on our platform drive transactions with consumers around them.

We really want to build our business on the back of that trust and the relationship that the local entrepreneur shares with the consumer. And I truly believe that can become a big competitive advantage going forward. So, I think when we call ourselves a phygital super app opportunity, we definitely see an opportunity where we have a combination of people and technology and therefore whenever we think of the end consumer, we always look at them in the context of the network of Adhikaris that we're rolling out. So, whatever we do vis-à-vis the end consumer will be very much closely, tightly bound with our Adhikari platform to enable our Adhikaris to drive their earnings more and more, in terms of both footfall and product engagement.

So, I think that I believe will give us a unique opportunity to be able to build on this business model where we're having both technology and people come together to deliver services deep into rural India. I think as far as the eRUPI is concerned, this is a very new and a latest initiative from NPCI, that has been just launched. We're still going to understand and study this in detail and we're going to try and get into the direction in terms of the use cases that they are looking at going forward. I think for us given what we're rolling out with the Aadhaar stack, I think there's a significant headroom here.

But yes, all these developments we will study and evaluate. I think right now, we're not in a position to comment on the impact that it could have on our business. I think it's just been announced. And I think we will study it before we can form a view.

A - Gavin Desa

Next question is what percentage of business do we think we can acquire in Korero?

A - Dilip Modi

I think if you look at it, our revenues today are significantly coming out of our FinTech business, close to 90% of our revenues in quarter one this year is from our FinTech business. The Digital Technology Services business is only about 10% or 10% to 12%.

I think, these are new buildouts that we're rolling out, but like I said, we see a huge headroom in terms of enterprises in the country and therefore, I think there is an opportunity for us to grow. Now how it will translate in terms of revenues, we will have to wait and watch because how we are able to create a channel mix and a revenue mix, we will know over the next few quarters. But yes, we're rolling out the Korero platform with an objective that there is a market segment that

we can create and grow into and how it will translate in terms of percentage, I think we'll see how the overall segment grows. But yes, we do see headroom for growth in that space.

A - Gavin Desa

And his last question is, with the Paytm IPO in the pipeline, are there any plans to list Spice Money as a standalone entity and is there an opportunity to de-merge it and list it separately. That way you can raise long-term funds of global and larger investors?

A - Dilip Modi

So Rajeev, thank you so much for that suggestion. I think we've seen over the last couple of weeks a flurry of Tech IPOs filings happening. So, there is a lot of activity happening in the markets. I think it's a validation of the whole tech landscape opportunity that's rolling out in India. And I think we're seeing first-of-its-kind, kind of companies coming to market. I think at Spice Money also we're rolling out a unique tech led business model, which we think has significant legs for growth. We will be studying, what's happening in this whole tech IPO space. As of now we've not put together any formal plans to de-merge or list separately, but we will very closely watch the activity in the overall tech IPO space and get some guidance in terms of how we should think about it at DiGiSPICE.

But there's so much happening, that it cannot be ignored. So as of now, we don't have any formal plans, but we will definitely study the space and then come back once we've evaluated it, what it means for us in terms of raising growth capital for our business.

A - Gavin Desa

Next question is from Arpit Agarwal who says, as of now our focused revenue stream is service speed as you grow, which are the revenue streams are you eyeing, which would become more revenue streams. As you now have a significant client base, do you think you would like to get into directly or with the partner?

A - Dilip Modi

So, Arpit, I think while we continue to focus on network and transactions growth, I think transactions linked service fee and transactions linked income will continue to be our main source of income. And so we'll continue to drive this because at the end of the day, as I showed you on the flywheel, we as a platform business, our core business is to grow transactions on our platform, and if you look at leading platforms in the world, they always lead through transactions and engagement.

So, I think transactions growth is at the heart of our business model, and therefore we will continue to drive that and therefore incomes from that. The good thing is that we have a very clear income model linked to our transactions. We have to just make it multiproduct focus, so you're not skewed on a few products and therefore, we do not get hit by changes in the value chains of particular products.

So, we have to go multiproduct and grow transactions across as many relevant products as possible. So I think we'll continue to do that, as far as new products are concerned Arpit very clearly, as we improve our understanding of the rural ecosystem, as we're able to build more connects with both merchants and consumers, I think we will have an opportunity to roll out new financial products, whether it's in the credit, insurance or saving space. So very clearly, it's part of the roadmap. And I think as we get more data and understanding because as you know Arpit, that the credit space is a space we have to go into very carefully.

One industry that has built out a good model in the rural credit space is the micro finance industry. They came out with a unique business model, and they've been able to scale and keep NPAs low. I think at Spice Money, we have done a few pilots around third-party credit products to our Adhikaris, and we've seen some interesting insights come out of it. So again, credit is a long-term business. But as you saw in our roadmap on products, it's very much part of the roadmap. How we evolve it in terms of our business model, we'll come back and share with you, Arpit, as we learn from our pilots and do our own product strategy and finalize our product plans for that space. So we'll come back and share but needless to say, it's very much part of the journey as we go forward.

A - Gavin Desa

Thank you, Dilip. Yes, we've no further questions. We could conclude the call if you'd like to share some final remarks regarding outlook or regarding the call, then we can go ahead and close.

A - Dilip Modi

Okay, well, let me thank everyone once again for taking time out to join us this afternoon. We're a very young company as DiGiSPICE Technologies, we're still at a very early stage of our journey. As you can see many of our platforms are at a very early stage of build out. I would just assure you that we, across all the segments that we work in whether it's Spice Money, Korero or in our Telco business, are deeply committed to the journey we're on, we will learn a lot as we go forward, there will be lot of challenges that we face on the ground, nothing is given. And we will see impact on our numbers because of that but we'll continue to stay committed and continue to stay on course, we truly believe in the journey we're on. And as a management team, we're committed to it. I thank you all for your support, and advice and insights that you provide us through these platforms. And I look forward to your guidance as we go forward. And I do hope that we can build a relevant impactful journey at DiGiSPICE Technologies, something that all of us can benefit from particularly in terms of the impact that we can create on the ground, both for enterprises and consumers. So thank you very much for your time and your interest in our company. Thank you.

A - Gavin Desa
Thank you, Dilip. Thank you everyone for joining. Thanks guys.

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