

October 27, 2022

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 September 30, 2022.**

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

We enclose herewith a copy of the Transcript of Conference Call held on Friday, October 21, 2022, in respect of the financial results for the quarter September 30, 2022.

The same can also be viewed at:

[https://vakrangee.in/pdf/Annual\\_and\\_Quarterly\\_Results\\_FY2022\\_23/Q2/Conference%20Call%20Transcript%20-%20Q2%20FY2022-23.pdf](https://vakrangee.in/pdf/Annual_and_Quarterly_Results_FY2022_23/Q2/Conference%20Call%20Transcript%20-%20Q2%20FY2022-23.pdf)

Thanking you,

Yours faithfully,

For **Vakrangee Limited**

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

Encl.: As above

**Vakrangee Limited**  
**Earnings Conference Call**  
**Oct 21, 2022**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Vakrangee Limited Q2 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 touchtone phone. Please note that this conference is been I now hand the conference over to Mr. Dinesh Nandwana – Managing Director and Group CEO, Vakrangee Ltd. Thank you and over to you, Sir.

**Dinesh Nandwana:** Thank you very much, 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 second quarter earning for the financial year 2023. Today we have emerged as a go to market platform for the rural India for various business verticals including the new Edge Fintech and digital platforms. 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 outlets spread across 33 States and union territories. 595 districts and 5,834 postal codes. Our 82% outlets are present in deep rural 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 products services available in rural India. We have a clear focus on market expansion and this isn't our first mover advantage there by our plan is to achieve a long term outlet expansion target of 75,000

Next Gen outlet within the next 18 months. This will mark our presence across 100% districts and postal code of the country. And will make us India's largest last mile rural distribution platform with the physical presence. Recently we've launched new attractive pricing for all our Kendra models including the 100% refundable deposit models for ATM services as well as we introduced our master franchisees initiative, whereby we are in the process of appointing district level master franchisees across the country. We have successfully appointed master franchisee in 53 districts across 15 states across the country. These master franchisee would provide on-ground operational support to the existing franchisee as well as drive new franchisee acquisition. This would lead to help us scale at a faster pace and expand on a pan India basis. We believe this master franchisee initiative is a game changer and receiving our local field presence and operational control at the ground level, we plan to achieve 100% district coverage over the next 12 months. These new initiatives would help us scale up a much faster pace and thereby achieve our long term targets well ahead of targeted timelines. Since the last quarter we have launched additional franchisee Commission incentive schemes, these additional incentives are transitory in nature but would lead to quicker payback for the franchisee thereby creating positive word of mouth and driving strong new franchise interest. A strong word of mouth and referral incentives along with Pan India, marketing have resulted into higher lead funnel for franchisee acquisition. We have a strong footfall and brand presence in rural India and our customer trust us with their day-to-day banking needs during quarter two financial year 23 we opened 5.5 Lacs bank account 1.7 lacs insurance and pension policies and did more than 1.93 crore banking transaction with a gross transaction value of rupees 9,688 crore. While currently in a nascent stage, the Indian new banking user base is expected to grow fast at 80% plus yearly over the next five years there is a huge underpenetrated rural

market with whose retail and MSME customer base further. There is a lack of trust with the current rural customer base. Therefore, physical presence and assistance is a key differentiator. Going forward we are well structured to transition into new bank as we plan to launch new banking services through our Bharat easy mobile super app. Through this we are focused to evolve into unique online to offline platform whereby there would be assistance available through the physical assistance network along with digital NEO banking services. Other we have a strong existing retail customer base in rural India and we are focused on affordable pricing and unique online to offline consumer experience. With respect to the proposed demerger of the non-core banking 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 now filled the application for NCLT approval. We believe the proposed demerger would unlock the potential of the core Vakrangee Kendra business in the current listed entity with existing business of a Vakrangee Kendra physical outlet as well as digital platform of Bharat easy Mobile super app. Vakrangee Kendra business is retail centric consumer facing business. It is an asset light high return on capital business thereby will get the proper representation post the demerger. We believe this would lead to significant re-rating of the core business and would maximize shareholders value. Over the last few years we have undergone a huge transformational journey whereby we have made a transition from non-exclusion store in-store format outlet to highly recognizable, exclusive branded nextgen format outlets. We believe we are now well poised and have a clear visibility for a strong growth journey in the next few years to come. We have aligned our strategy with one of the existing service partner to expand our presence across the country in every gram panchayat level. Commenting on the quarterly result performance, we have witnessed stable operating growth on year on year as well as quarter on

quarter basis due to increase in number of outlet as well as our services return to normalcy on the business front. Our revenue from operation increased by 12.98% on year on year basis and 3.56% on quarter on quarter basis. Our total number of a Vakrangee Kendra outlet cross 24,887 which are spread across 595 districts, 32 States and UTs. Our quarterly gross transaction value cross rupees 129.41 billion. Where our quarterly number of transaction cross 33.04 million. Our near term profitability has been impacted as we are reinvesting our operational cash flows for enhancing franchisee incentives. Our margins have been impacted primarily due to the launch of additional franchisee incentive schemes. These additional incentives are transitory in nature but would lead to quick payback for the franchisees, thereby driving this new franchisees interest. The maximum impact on gross margin due to these incentives has happened and would keep on reducing over the next few quarters, thereby gross margin and profitability will keep on improving henceforth in the subsequent quarters. Strong word of mouth and reference incentives along with Pan India marketing have resulted into higher lead funnel for franchisee acquisition. Further, we have introduced new attractive pricing for all our Kendra models as well as introduced masters franchisee which would help us scale up as much as faster pace and thereby achieving our long term target well ahead of targeted timelines. We are confident that these historically initiatives shall lead to significant growth in profitability in long term. Vakrangee digital venture limited is 100% subsidiary company of Vakrangee Limited. The company has launched a mobile super app best business platform primarily targeting rural India, Bharat Easy app India ka super app, currently beta trial version has been launched. It is currently a beta trial version and we intend to go fully operational and commercial live in the next 6 – 8 months. We have made live and activated some of the key services like online, shopping, total healthcare, online Demat account, opening Cibil credit

score rating services as well as the online Pan Card application services. A unique differentiator and sustainable competitive advantage is where by our digital super app platform would be able to leverage the Vakrangee on ground ecosystem. A vast well diversified Pan India level physical store network of Vakrangee is a point of physical assistance, especially to consumers to semi urban and rural remote locations. Vakrangee Digital Ventures shall leverage the vakrangee ecosystem, Strong brand recall Vakrangee Kendra enjoy good positive NPS among users. Our NPS score is 68% as per Redseer research report. Access to existing Vakrangee customer base of 25 million active customers. Access to existing network of 24,800 plus outlets for physical assistance and consumer awareness. This unique proposition of digital, along with physical would help the digital channel to scale up fast and would significantly reduce the costs related to acquiring customer physical assistance, order fulfilling and return management of the online orders. Further, leveraging physical presence would result into better customer interaction a strong brand recall and better service, experience and trust for the customer. Our company has been globally ranked number one in the sustainalytics ESG Risk rating ranking in the software and service industry segment. Over all Vakrangee has been recognized by sustainalytics as an ESG Global 50 top rated companies. Vakrangee ltd has been identified as a top ESG performer out of more than 4000 comprehensive companies their societies cover in the global universe. Vakrangee ltd has also been honored to be included in the Year Sustainability Yearbook 2022, published by S&P Global. The sustainability yearbook 2022, published by S&P Global, is one of the World Most comprehensive publication providing in depth analysis on corporate responsibility. This annual ranking showcase the sustainability performance of the world largest companies in each industry is determined like there is core in the annual corporate sustainability assessment in 2022, S&P Global had assist over 7500 com-

panies across 61 industries this year. Vakrangee has been accepted as a signatory of the United Nations Global Compact. And we have mapped our sustainability institute with the United Nations Sustainability Development Goals. Further, we have appointed Grant Thornton as our assurance auditor for our assurance of our integrated annual report. We have recently released our third integrated annual report for 2021-22, along with reasonable assurance from independent Auditor Grant Thornton Bharat LLP. Global recognition reflect companies' commitment to further enhance its corporate governance and transparency standards. Company has achieved global recognition across various platforms folds. Superior ESG performance and long term business sustainability. Lastly, I would like to again reiterate that our profit margins have bottomed out and we are all set for sustainable improved growth going forward. The maximum impact of the strategic initiatives on PAT Margins. PAT margins has already been factored in and thereby profitability will keep on improving henceforth in the subsequent quarter, we are confident that these initiatives will lead to significant growth in profitability in the long run. I would now like to take this opportunity to thanks our shareholders for their support. We can now open the floor for Q&A session. Thank you very much.

**Moderator:** Thank you. Ladies and gentlemen, we will now begin the question and answer session. The first question is from the line of Animesh Sanghvi, an individual investor, kindly proceed.

**Animesh Sanghvi:** My question is that going forward, does the profitability will get better from current quarters? Please provide your guidance on the same. Also, can you brief on the long term growth plan and the number of outlets we are expecting in future?

**Ammeet Sabarwal:** So as we have highlighted also that currently our margins have been impacted because of the additional franchise incentive schemes

which we had provided since last quarter we started in last quarter and going forward these are temporary in nature. Because primary to generate a very strong word of mouth and a positive environment at the field level, doing new franchise acquisition, therefore these are transitory in nature and over the subsequent quarters over the next four to six quarters, margins will keep on improving, and this incentive will keep on reducing, so our profitability will get back on track over the next few quarters. The maximum impact has already happened, so every quarter on quarter you will see the improvement coming in and uh and margin going back to our standard level. So that is what we expect because we are generating a huge amount of interest for new franchisee acquisition as well as we have set a very high growth target in order to reach 75,000 next Gen outlet over the next 18 months. So 75,000 outlets was earlier our target for the five year period, whereas what we realized was that we are having a first mover advantage in place where our brand is known and people know us very well and since we are also launching a digital super app platform over and above our physical network so it becomes very important for us to have a faster expansion at the field level, so the physical plus digital ecosystem can be showcased as a pan India level kind of presence. So our target is to have a presence across each and every postal code of the country across each and every district of the country currently. They are present in around 595 districts overall target is to reach across all 740 plus districts. Currently we are present in 5800 plus postal code. The target is to reach across entire 19,000 postal codes. So for that we had to come out with some kind of incentive schemes where our existing network becomes very profitable and very strong, and there is a good barrel model in place. Good word of mouth in place because in the rural level, what we have realized is the new franchisee, whoever they largely depend on the feedback that they received from the existing network. Therefore the profitability of



the existing network is very important, and since we are giving a very good handsome incentives which is over and above the regular Commission it all the most become more attractive and therefore. We are receiving a huge funnel in terms of new inquiries, we have received more than 1,50,000 plus EOI expression of interest and therefore if you see even in the last quarter we have added almost more than 2000 plus new outlet which have on boarded and we have crossed 24,800 plus now and we are having a very strong pipeline in place. So as these incentives gets normalized and gets back to their normal level, the dump will be their seen in the gross margins, EBITDA margins and PAT margin. So therefore what I would say to your query, yes, profitability will definitely improve every quarter on quarter you will see the improvement in profitability and maybe in the next three to four quarters we get back to our normal profitability margins in terms of the growth target. Long term growth target. Our current focus is to reach 75,000 source within the next 18 months. That is where we are targeting in order to have 100% presence in across each and every postal code of the country in each and every district of the country. So the first target is to reach this 75,000 stores. Overall we feel the market size or targetable addressable market what we say as a Tam is basically around a million stores because there are more than 6,50,000 villages almost more than three lacs gram panchayats more than 75,000 urban mall or more than a million polling booth. So where we feel that our Vakrangee Kendra, which is within a walkable distance of a local community, the overall market size would be maybe a million outlet, but maybe at least we are still scratching the surface. We are still only at around 25,000 odd outlets, but at least we want to grow three times this network in the next 18 months to 75,000 stores. I think so that is the key milestone which we are focusing on right now. Thank you.

**Moderator:** Thank you. The next question is from the line of Vipul Mittal, an individual investor kindly proceed.

**Vipul Mittal:** My question is can you please throw more lights on this master franchise initiatives? How will it impact on the business growth and what is the future road map for the same?

**Ammeet Sabarwal:** Thanks for this question. So Master franchise is very interesting initiative which we ventured out. And what we are seeing is that it has tremendous potential because we have already appointed now almost 53 Master franchises in 53 Districts across 15 states of the country. So it's almost the fair amount of pilot or I would say dipstick. What we have done and what we have realized is either localized person of that particular district who is already having a very strong foothold, a very strong network in place, and he's there at the local level as our representative, and his skin is there in the game because he is earning basically a Commission on the incremental business that the franchisee does. So therefore all the interest and the intent is completely aligned with our vision and our interest. So therefore what we are saying is that a master franchisee at the local level not only brings us a strong local presence because he's already setting up his own local office Master franchisee office at every district level, plus he's there at the local level to do hand holding of the franchisees for day-to-day operations, resolving the issues at the local level. At the same time he's the face he is already conducting seminar. He's conducting events in order to do new franchisee acquisitions because he also wants to grow the business because his interests and our interests are completely aligned. So that is what we are feeling is that this is a really game changer more for us and what we see is that maybe in the next 8 to 12 months we will have a pan India presence with the proper office in place at each and every district level location. And I have this kind of field force in place where the person is an entrepreneur

because master franchisee himself is an entrepreneur and he is earning if the franchisees are earning so his interests are completely aligned with the franchisee and with us, so that makes us more comfortable, more confident, and at the same time he's much more mature as compared to our normal franchisee because he's a high net worth individual, he has a strong skill set in place. He's having a strong team in place, so it is not only master franchisee. Every master franchisee has his complete team in place so they have a spokes for each vertical plus they have every block level block officer so that in a way gives me a complete field for on boarded for us in the local language in the local skill set, because for example if I'm going to the South language can be a barrier, but here my master franchise is the local light of that particular district, so that gives much more comfort even for any new franchisee coming on board because they have a local phase, they have a local person. To speak to local, ongoing day-to-day operational support in place so we feel with the master franchisees in place, our scalability would be much better. Would be much strong at the same time our monitoring control and day-to-day operations would be much more tightly run because the master franchisee is there at the local level and at the same time the model is built in such a way that his interest and our interests are completely aligned. So as I said, he is getting the submission of the incremental business that the franchising network is doing. For him, so that makes it all the more important that his participation is at the Max. So therefore we feel that with this master franchisee model in place, initiative in place, so we will be able to achieve our target in a much more profitable manner in a much more scalable manner, and definitely it feels very promising from the experience what we are getting from the 53 district where the master fantasies have been appointed, the results have been very encouraging and I think maybe six months down the line we will actu-

ally see the fruits of this initiative and we will see a huge impact in terms of our honor, scalability and profitability. Thank you.

**Moderator:** Thank you. The next question is from the line of Jitendra Kumar and individual investor. Kindly proceed.

**Jitendra Kumar:** Hi I have seen that Vakrangee is continuously adding new services. What is the current plan to add more services in the near future, in which services you see that there is huge potential for the future growth? Can you please guide on this?

**Ammeet Sabarwal:** So as we said that basically we have built a last mile distribution platform basically so there any brand, any partner, any service can be plugged in and we can provide them access to a completely unserved, underserved or Tier 3 to tier 6 kind of customer base. So if you see basically the services like banking, ATM, money transfer, insurance or online shopping, we had Amazon and recently we have just done the tie up with decathlon. We are currently doing the pilot project for decathlon that is again similar to an online shopping for sports goods. On the newer services health care services, total health care services has been very promising. We are adding two more products there basically. We are also trying to add Agri products, so we had done a tie up with partner called Big Haat. So where basically complete agriculture products would be available. Through the online portal product, such as the seeds, pesticides, agri equipment, so those that is that looks very promising. That will be going live over the next two to three months. Demat account we had done. We have also recently done tie up with Anand Rathi so we'll also be making that service lives, we had the done Pan Card services and Cibil score services also through the portal and what we are also doing is we are exploring many more new vertical. So whether it is in the education side or whether it is on the employment side, getting rural jobs getting unor-

ganized job opportunities. So we are exploring those kind of opportunities because that is their target customer base and these services are more of a requirement in those locations and how we can also work on the farming and Agri side is where what we are exploring. So maybe these are some of the new verticals which might get added over the next couple of quarters, but right now if you see our complete financial services, is there complete ATM is there, complete ecommerce is there within e-commerce similar to Amazon. We had done tie up with decathlon. We are doing this big haat which is more often online for Agri product and we are exploring as I said, two more vertical which is education and another one is basically employment generation or a skill development, that is, that is where we are working on and maybe in next couple of quarters we will be announcing some tie ups in that space. So I think that is from our perspective we want to make our store as the most convenient store for that neighborhood. For that's a local village level location. So our tagline, what we say. Puri Duniya Padosme or Sab Kam Ek Dukan so we are trying to see what are the things which are not being done at our stores and what we can bring under one umbrella where our target customer base suits and which are the more services. But that is where we stand today in terms of new services, which we are exploring thank you.

**Moderator:** Thank you. As there are no further questions, I would now like to hand the conference over to Mr. Ammeet Sabarwal from Vakrangee for closing comments.

**Ammeet Sabarwal:** Thank you everyone for taking time out and participating in our Q2 FY23 con call. Please feel free to get in touch with us in case of any further queries in case of any further details required. My e-mail ID is a [Ammeets@vakrangee.in](mailto:Ammeets@vakrangee.in). It's also available on website, thank you and good evening. Thank you.

**Moderator:** Thank you. On behalf of Vakrangee limited that concludes this conference, thank you for joining us. You may now disconnect your lines.