

Vakrangee Limited
Q3 FY17 Results Conference Call
February 6, 2017

Moderator: Ladies and gentlemen, good day and welcome to the Vakrangee Limited Q3 FY17 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 being recorded. I now hand the conference over to Mr. Dinesh Nandwana, Managing Director and CEO, thank you and over to you sir.

Dinesh Nandwana: Good day dear, ladies and gentleman it is a great pleasure to greet you once again on behalf of our Board of Directors and the senior management. We begin by thanking all of you for having spare time in joining us here today to discuss our third quarter ending for the financial year 2016-17. For the current financial year, our target is to complete 35,000 outlets by March 2017. I am pleased to say that as on 31st December 2016, we have completed and met operational overall 29314 outlet across more than 16 state which includes 21580 rural outlets and 7734 urban outlets. We have good visibility at another 5800 plus franchisee are already identified and are currently ongoing on boarding processes, therefore, we are well on track to exceed our March 2017 target of 35,000 outlets. Our key growth driver has been the government focus towards financial inclusion through the Pradhan-mantri Jan dhan Yojana. These Jan dhan Yojana accounts have been linked with the Aadhaar number of account holder and will become the single point of contact for receipt of all direct benefit transfer from Central, State Governments and local bodies. On a regulatory front, I would like to highlight that the scope of DBT has been expanded and it has been universalize to cover all central sector and centrally sponsored schemes where cash benefits are transferred to individual beneficiaries. As per latest data available, the total **direct** benefit transfer is to Rs. 49,684 crore, number of DBT transaction is stood at more than 90.63 crore and saving for the Government is stood at 36,144 crore in the financial year 2016-17. Major contribution towards the transfer has been from cooking gas subsidy, that is called Pahal and Mahatma Gandhi National Rural Employment Guarantee the MNEREGA in the current budget 2017-18, MNEREGA location has been the highest ever at Rs. 48,000 crore in the 2017-18, also location for Pradhan Mantri Awas Yojna Gramin has been increased from 15,000 crore to 26,000 crore in the 2017-18 with a target to complete 1 crore houses by 2019. Our company is at forefront to leverage this growth opportunity and have become the largest player in implementation of financial inclusion in India. Today our company hold as a unique technology-driven company focused on building India's largest network of last mile retail touchpoint to deliver real-time

banking, insurance, e-governance, e-commerce and logistic services to the unserved, underserved rural and urban markets. Our business model has evolved as aggregator and emerged as one stop convenience store for various kinds of products and services under one roof. On the operational front for the e-commerce vertical emerging services are currently activated across 1011 outlets. We have been receiving fairly encouraging response from Amazon service and the response during the Diwali and New Year sale period during the quarter as well as the recent January sale period was phenomenal. Amazon is currently opening new fulfilment center in the state of Rajasthan, Uttar Pradesh and Maharashtra, where we have strong presence. Hence our intent is to rollout across 10,000 outlet over the next couple of quarters with respect to bus ticket booking services, red bus services are now activated across all our outlet. Gold products booking is activated across all the outlet, pilot for sale of mobile handset for Reliance Jio has been completed, now roll out will take place in the next 3 to 4 months across all our outlets. With respect to insurance services, life segment there is LIC, HDFC Life and Bajaj Allianz are activated across all our outlet and nonlife segment Tata AIG and Reliance General Insurance are activated across all our outlets. HDFC Ergo and Sigma TTK are in the integration state, also general micro insurance policies are available across all our outlet. With respect to logistic services we had started the pilot for delivery and Aramex across 19 postal code, post successful completion we have extended the same to now 39 postal code and have successfully delivered 1 lakh 50 thousand plus packet till there. We now plan to roll out our logistic services across 2000 plus postal code over the next few months. Our strength strategic type with Indian Oil Corporation Limited, India's largest commercial enterprise gives us the opportunity to open Vakrangee Kendra Outlet at more than 20,000 IOCL petrol gas stations. These give us a clear competitive advantage in the market place. It provides us with the ready platform of more than 20,000 retail distribution outlets on a pan India basis. Currently 50 outlets are operational in the state of Maharashtra, Rajasthan and Uttar Pradesh. We were currently in process of doing multiple dealer road shows to get them onboard and we shall see good ramp up traction over the next few months. Commenting on our financial result for quarter three financial year 2016-17, our revenues increased by 19.5% on year-on basis to Rs.978.8 crore, our revenues from Vakrangee Kendra Business segment is stood at Rs. 628.1 crore in quarter 3 financial year 2016-17, registering a growth of 43.5% on year-on-year basis. This is despite the period of demonetization during which our Vakrangee outlet was nonfunctional for 8 to 10 days due to lack of clarity on the roles and responsibility of the BC outlet. Our e-governance segment revenue has reduced by 9% on year-on-year basis to Rupees 339.7 crore which is in line with our strategy as we are purposefully shifting our focus from capital intensive e-governance segment to assess slight Vakrangee Kendra retail outlet more segment. Our Vakrangee Kendra business segment now contributes 64.9% of overall revenues. Our EBITDA stood at Rupees 232.2 crore in quarter 3 registering a growth of 9.7% whereas PAT stood at Rupees 131.5 crore registering a growth of 27.9%. The EBITDA margin for the Vakrangee Kendra outlet retail segment have been at 21.1%. We expect these margins to stabilize around 17 to 18% on a long-term basis as our commission selling with franchises raises from 65 to 80%

best on milestone revenue target. Our PAT margin are at 13.4% as against 12.6% for the corresponding quarter last year. There is a positive operating leverage in our Vakrangee Kendra Retail segment as our expansion is mainly through franchise route with no major CAPEX. Economics of scope will further improve as new services are added leveraging the same technology-driven platform. With low incremental CAPEX and operating cost additions of more and more services and increasing transactions volume over a period of time will result in further positive operating leverage, that was our incremental ROC is expected to further improve. Our board has approved the appointment of price water house and company chartered accountant, LLP that is PWC as a new statutory auditors subject to regulatory approvals by appointment at bit 4 accounting from statutory auditor our endeavor is to further enhance our strong corporate governance practices. A key milestone of financial year 2017 set by us in also to be fully debt free by the March 2017. We are now fully long-term debt free and well on track to achieve short-term debt free status by the end of the current financial year. From 2016-17 onwards, we have approved to maintain a dividend payout in the range of 15 to 25% of the profit after tax on consolidated financial. With this, I would like to hand over the floor for the question and answer session, thank you very much.

Moderator: Sure thank you very much. We will now begin the question and answer session. We have the first question from the line of Ankit Kohli, who is an individual investor, please go ahead.

Ankit Kohli: Good evening everyone and to the management thank you for giving me the opportunity.

Dinesh Nandwana: Can you be a little loud.

Ankit Kohli: Sure, is this better.

Dinesh Nandwana: Yeah, this is relatively better.

Ankit Kohli: Alright, so Mr. Nandwana, my first question is around you know the competitive intensity in this sector. You know, what we are seeing in the United Kingdom, the UK right now is that you know the Post Offices are kind of you know being positioned as banks and banking correspondence. You know given the state of decline of the overall postal market you know one should be surprised if the Indian Government also tries to monetize the landbank with the post office has you know by converting them into you know in a similar banking correspondence or banks. How do you think you know we are placed to you know tackle competition from you know that kind of a change given that you know the post office would already have a lot of branches and you know last mile access as well so, it will be great to hear your thoughts on that.

Dinesh Nandwana: Sure.

Amit Sabarwal:

Hi Ankit, this is Amit Sabarwal, so if you see basically Post Offices have always been there even earlier also when the direct benefit transfer initially started even the subsidies used to come primarily at the Post Offices, but here what happens is that Post Offices are typically at the Taluka level or at the Tehsil level, so if you see the country hierarchy, the hierarchy is like we have a state, then we have a division then we have a district, then we have a Taluk or a Tehsil and below that is the gram panchayat or the village, so village is the lowest level of hierarchy and then above that is the typically Taluk or Tehsil. Normally the Taluka main head quarter is typically around 5 to 10 to 15 km away from the typical village, so used to happen here is that the working hours offer typical Post Offices like 9 a.m. to 3 p.m. or 2 p.m. accordingly, so even if someone has to go and collect his NREGA payment which is his daily wages he had to travel 10 km to 15 km on a daily basis between 9 to 2 and collect his NREGA payment, so from that logistic perspective it was never, people were never motivated to go to Post Office actually from that perspective, so even today if you see there are total 1 lakh 50,000 postal offices and total there are 6 lakh village, from that perspective even whenever our outlets are there, people still have the option either they can collect their subsidies even at the postal office or they can collect to our outlets, but they select our outlets because we are typically in the vicinity of the same village, so we are at the SSA level which is the sub service area level which is typically at a gram panchayat or at a village level, so the customer has a choice either he goes to outlet like ours or he goes and travels till the Taluk or a Tehsil level and goes to a Post Office. Post Offices have actually already got the payment bank license so definitely they will also be coming up from that perspective, but I think so we are much better placed from that perspective, already the customer acquisition has taken place wherever we are there, we are providing a service where our outlets are open morning 9 o'clock till evening 8 p.m. and in the villages or in rural areas, the franchisee are much more flexible from that perspective, so if a farmer typically the people in the villages, they go to farming in the morning, so they need banking either in the morning or in the evening so from the flexibility perspective, our outlets are much more comfortably placed, so the franchise opens early in the morning at 7 o'clock and keeps it open even at 9 o'clock in the evening if required, so that kind of service levels I don't think the Post Offices would be able to match from that perspective.

Ankit Kohli:

Alright understood and similarly you know from you know would you feel that you are insulated from you know apps like the BHEEM and UPI etc., are they complementary in your view, are they cutting into your business or you know how is it that you know the management views such payment app etc., that you know we also derive you know transaction based revenue so how is that comparative placing.

Amit Sabarwal:

So if you, I have to give you little bit background on this, basically if you see till 2014, the number of bank accounts in the banking system as per the RBI data was somewhere around 35 crore bank accounts as on March 2014 numbers, then the Jan Dhan Policy, Jan Dhan financial inclusion initiative started and under the Jan Dhan Financial inclusion initiative, there

were almost around 26 crore bank accounts got added, so if you see total 35 crore plus 25 crore it is around 60 crore bank accounts got added and then came the demonetization and demonetization between November, December official figures are not out but I think so many people would have more opened the bank account, so we would have crossed somewhere around 70 to 75 crore of bank accounts into the banking system, so actually if you compare 2014 versus 2016-2017, your banking as a market size has more than doubled, so from a 35 crore account base, we are talking about 70 to 80 crore of account base, so since the pie has grown by 2, I think so definitely every channel will take some share in the pie, so we cannot say that only the formal banking branches will grow or only the ATM will grow or only the UPI will grow, so everyone has a different target customer base from that perspective, so if you see all the modes of banking which are currently there, so if you have a formal banking branch which is actually the most expensive format of banking, basically the typical formal banking branch costs anywhere between Rs. 60 to Rs. 90 per transaction, then is the second mode which is typically the ATM which cost anywhere between Rs. 20 to Rs. 25 a transaction. The third option is basically your debit card, credit card or internet banking which cost you anywhere between Rs. 10 to Rs. 12 a transaction based on the merchant discount rate everything included. Then is basically you're the Aadhar enabled payment system which is our BC based banking which is biometric enabled, we get 0.48% kind of transaction as a transaction fee, so if I take a typical target size of our audience, typical ticket size is of Rs. 1000, the bank pays is somewhere around Rs. 4.8 to Rs. 5, so I think currently in the entire all types of banking, we are the cheapest mode of banking, so even when the Prime Minister's new ad campaigns are there or new initiatives are there which showcase all different kind of payment platform, AEPs Aadhar enabled payment system is also given a lot of focus because this is the cheapest mode of banking available and the target customer base that we cater to so 30% of the India is actually illiterate currently, so they don't know to read and write, many people don't know how to fill a payslip or something and even if you take the case of smartphone, the smartphone penetration is around 28% currently, but if you see the data penetration, data penetration is around 12% to 14% right now, so the target customer base that we cater to I think the Aadhar enabled payment system is a perfect bit from their perspective, so right now in the current scenario, if you see we are the cheapest mode of banking, the most faster process which people can adopt to in terms of banking, definitely every channel will get evolved and they will have their own market share, but I think the market itself has grown more than 2 times now.

Ankit Kohli:

Alright, appreciated, my final question is you know where do you see the growth drivers going forward right and as you are seeing the market is evolving you know and we are not just catering to banking, it is going to be logistics and multiple avenue so where do you see the biggest growth drivers for Vakrangee and I think from a corollary to that would be, from a comparative positioning perspective where do you think Vakrangee would be strongest let say in 2020, so if you could just address that, that is my final question, thank you.

Amit Sabarwal:

Sir first thing is basically with respect to the growth driver, so there are three key growth drivers here basically one is the key increase in the number of the outlet, so currently if you see we are 29,314 outlets and our target is by 2020, we intend to reach 75,000 outlets, so we are growing to grow the base by 2.5 times, so one is the increase in the number of outlets, second is basically increasing the number of services within the same outlet, so as Dinesh ji mentioned how we are activating each and every service that the tie-up has been done and now we are actually waiting whether it is Amazon, whether it is insurance, whether it is logistics, so as soon as we keep on activating each new service in to the outlet, it increases the potential incremental revenue base for that particular outlet, that improves the viability at the same time and the third key growth driver here is the maturity of my current services, so every service has their own cycle and it takes around 6 to 9 to 12 months for every service to get mature and accordingly it takes time so from that perspective maturity of the existing services is another key growth driver. Apart from this if you see what are the key competitive advantage I think the key competitive advantage here are 2 to 3 things, one is the kind of empanelment and the licenses that we have built, the kind of tie-up that we have built over the year, so it is not the 1 or 2 years of journey, it is last 25 years of journey where we have built all these licenses empanelments key tie-ups. Now because of the size and the scale, we also get the benefit of the best tie-ups in the best segment whichever segment we want to go into from that perspective, second thing is basically the kind of size that we have built, so 30,000 outlets available to any key brand, it is a distribution platform so anyone wants to get activated at any point of time, it is a big sustainable competitive advantage so your size and scale is a key advantage, the third thing is managing these kind of networks for managing 30,000 outlet at the ground level is a very different thing than just opening the outlet, so our own hierarchy right till the block level, so we have our own people right from a state level head to a division level head to a district coordinator to a block coordinator, almost (+1600) employees on our payroll, this entire hierarchy is the key thing that we have done and the third thing is the technology, so doing real-time banking, real interoperable banking, so we are real-time integrated with the core banking server of all the 26 National Banks as well as the National payment gateway for the private bank. It took us 2 years to complete that integration, so if anyone wants to do that something similar, money is one thing but time value of money is a very important thing, so someone has to spend around 2 to 3 to 4 years to get into all these kind of things and another most important thing to observe here is that, no single service is viable on a standalone basis, so even today if you are saying that if I am going to do only banking, it is not a viable option, it is viable, our outlets are fairly viable only because there is a bouquet of production services, so the stronger the bouquet becomes the better the viability becomes.

Ankit Kohli:

Which is what my question was, is there any particular you know service line which you believe is going to be the key driver or do you think it is really going to be homogeneous and driven by a mix or do you think out of the mix may be one or two will stand out, you know be it insurance, be it logistic.

Amit Sabarwal: See the more and more focus is becoming more on the e-commerce and the logistic. I think these two are much bigger in opportunity and more and more new services are going to get added in this verticals, e-commerce verticals specifically.

Ankit Kohli: Alright, thank you appreciate your answers.

Moderator: We have the next question from the line of Baltazar from Sloan Robinson, please go ahead.

Baltazar: Good afternoon, thank you for your time and congratulations on a good set of.

Dinesh Nandwana: Baltazar can you be little audible, little bit loud.

Baltazar: Sure, is that best sir. Thank you again for your time today and congratulation on a good set of numbers. My question is on the Amazon roll out, can you give us an idea when that is going to be rolled out when that is going to start in the earnest whether it will cover the full network or whether it will just cover say 20,000 stores to start with and can you give us some information on your pilot trials to date and tell us whether these have been mainly in urban or rural areas.

Amit Sabarwal: Sir, typically if you see currently Amazon is activated in 1011 outlet, this is I would say 95% urban, semi-urban, 5% would be rural. Currently if you see even the current statistic currently on an average we are getting around 20 to 25 orders a day on an average for the outlets on an average basis, so here if you do the ageing perspective then there are few outlets were more than now 1 year old, so there are 5 to 7 outlets which have crossed now one year, so they are currently getting almost 70 to 80 orders a day with the average ticket size of around 700 to 800 Rupees and then there are outlets which are more than 6 months old, more than 500 outlets are more than 6 months old, they are getting around 25 to 30 orders a day with a ticket size of around 500 to 600 Rupees and there are around 400 plus outlet which are less than 6 month old, they are getting around 5 to 7 orders a day with a ticket size of around Rs. 300 to Rs. 350 but on a blended basis, we can say around 20 orders a day with a ticket size of around Rs. 450 to Rs. 500 from the current bouquet where we have got it activated around 1011 outlets. The idea here is and the intent of both of us Amazon as well as Vakrangee, both of us is basically to get this service activated across all the outlets, so that is the endeavor both of us have but here the key bottle neck is that Amazon has to deliver the parcel till my outlet, so the logistic is the key bottle neck from Amazon's perspective and that is where they have been continuously investing over the last 8 months if you see they have done major investments in building the fulfilment centers as well as building their own logistics, so one more thing that focus here is that since this is the first time user base, this is the untapped customer base, the customer experience has to be very good, therefore, rather than depending upon any third party logistic, they want to build completely by their own and they want to have their own logistics in place from that perspective, so the discussions we have and whatever we have agreed is that with the current fulfilment centers and the current

logistics that they have built till date, we should be able to get it activated around 10,000 outlets, I think so 10,000 outlets over the next 3 to 4 months is a fairly practical number now where both of us have discussed accordingly, so the idea is to roll out across all the outlets but I think so it will be done in phases as and when they keep on building their logistic network in place accordingly.

Baltazar: And sir when realistically do you think Amazon will be in a position to cater to all of your outlets, is that a 1 year story, a 2 year story.

Amit Sabarwal: Right now for example, they have given us the visibility for the next 3-6 months, so I think so rather than me making any commitment or any the update it is better to be as and when we get the update we share with our shareholders and investors.

Baltazar: Understood, and is it fair to achieve, and has not been your experience these 5% Amazon projects in rural areas. There is a similar difference in revenue between urban and rural on your existing business should be stretched towards your Amazon business, would you think your Amazon business will see the numbers that you have seen in urban areas much the same in rural Kendra.

Amit Sabarwal: No, so rural again, rural will be as in the other services I think so it is around one-third in the rural areas as compared to what we are doing in an urban area.

Baltazar: Understood, okay, thank you very much and my other question is on your balance sheet, your debt position. Now you remain fully committed to being debt free by the end of the year but looking at your latest numbers, the interest expense has not gone down very much, so presumably this paydown of the debt is due to happen in the fourth quarter, could you explain what it is that is going to enable you to do this in the fourth quarter.

Amit Sabarwal: So basically if you see the one of the biggest project that we just completed in the month of January was the election commission project for the state of Uttar Pradesh, so I think so our lot of inventory as well as receivables would get freed up because of this project which just got completed in January, so I think we will get a major cashflow sunk which will be used primarily to repay the short-term debt from that perspective.

Baltazar: Thank you very much that was very helpful.

Moderator: We have the next question from the line of Spandan from Kanara Bank Securities Limited, please go ahead.

Spandan: Hello, congratulation sir. Yeah, can you throw some light on the revenue per month sir, when for urban as well as the rural outlet.

Amit Sabarwal: So basically if you see what we had shared and what is available in public domain is basically we have done an analysis for our outlet which are more than 1 year old so there is some kind of maturity in place because you have to see it from an ageing perspective, so taking a benchmark of the number of outlet which are more than 1 year old I think so on an average our rural outlets, on average rural outlet which is more than one year old does a revenue runrate of around 50,000 to 60,000 Rupees per month per outlet of gross revenues, whereas for an urban outlet, the number would be per month, per outlet for an average, urban outlet would be Rs. 140,000 to Rs. 150,000 per month per outlet of gross revenue.

Spandan: Is it same as domains like one year old as well as two years old, I mean like is there any difference.

Amit Sabarwal: No sir, what happens is typically whenever any of the outlet start, it takes around 6 month, 9 months to ramp up because not all services are activated from day #1, and second thing the initial 3 to 6 months are focusing is on the 1 time transaction which is typically your account opening, your Aadhar enrollment linking the Aadhar with the account number so the focus is more on customer acquisition and doing the one time transaction, once you get the customer base in place then after 6 months you start activating the other services and start doing the cross selling of other activities, so to mature or to ramp up it takes a one year period.

Spandan: Sir, I mean is it possible to quantify the demand transaction effect, I mean there can never if accounts opened as well as the cash deposits received from the Vakrangee Kendra.

Amit Sabarwal: No, it is not allowed for us to share this number. The bank don't allow us to share these kind of numbers.

Spandan: At least number of accounts also I mean like the breakup won't be available sir, I mean.

Amit Sabarwal: No, it is not in public domain, it will not be right on my part to share that.

Spandan: One more last question sir, I mean ATM roll out I mean like how many ATMs have been operationalized out of 50,000 permitted.

Amit Sabarwal: So for a full-fledged ATM machine which is a proper ATM machine, 334 ATMs are rolled out whereas in case of rural areas, the microATM which is typically a card reader, micro ATM is activated across all the rural outlets.

Spandan: I mean is there any CAPEX difference for ATMs having the Vakrangee Kendras as well as without ATMs, I mean how it will work out.

Amit Sabarwal: For a full-fledged ATM, if any urban outlet wants to do a full fledge ATM, they have to pay a 3 lakh, Rs. 3.5 lakh of nonrefundable franchisee fee.

Spandan: Okay, thank you sir, thank you very much sir.

Moderator: The next question is from the line of Krishna Nalamotu, who is an individual investor, please go ahead.

Krishna Nalamotu: Good evening to all, sir my question is regarding operating margins from Kendras, it is fell by almost 300 basis points over last year and it is also less than 820 basis points less than e-governance business, whose share is increasing gradually, can you give us some outlook for next 2 years from these Kendras.

Amit Sabarwal: Sir, Mr. Krishna, this is basically if you go through our con-call transcripts, ever since we released our vision 2020 documents almost 2 years back, we have always maintained that the sustainable level of margins in my Kendra business is going to be around 18%, 17% to 18%, because here what happens is we whenever an outlet start, we start the sharing at around 65-35, that is 65% to the franchise, 35% to us and it moves towards 80:20, so 80% to the franchise, 20% to us, based on milestone revenue target, so the higher the revenue the franchise dose, the better the margins they get, so as my outlets keep on maturing over a period of time this sharing will tilt towards 80:20, so currently if you see on an average basis, we are doing a sharing of somewhere around 77:23 on an average basis, so I make a gross margin of around 23% and in which I make an EBITDA margin of around 21 to 21.5%, so over a period of time this will move towards 18%, so from a longer-term perspective of FY2020, you can assume it to go to around 18%.

Krishna Nalamotu: Okay, sir. Regarding that what is the outlook for next two years sir.

Amit Sabarwal: No sir, we don't give any annual guidance, the guidance what we have given is for the FY2020, so if you see our vision document 2020, we have said that we intent to get 75,000 outlet and we intent to achieve a 2 billion dollar of topline and with a sustainable EBITDA margin of around 17% to 18%.

Krishna Nalamotu: No sir, regarding that what is the debt level for the next 2 years.

Amit Sabarwal: Fully debt free by this March 17th, within the next 2 months.

Krishna Nalamotu: Okay, thank you.

Moderator: We have the next question from the line of Abhilasha Satale from First Global, please go ahead.

Abhilasha Satale: Yeah, hello sir, sir my question is regarding this revenue per brand like I was just looking at the number sir, on year-on-year basis if you say for quarterly or for 9 months revenue per branch has gone down by around 10% to 12%, so is it like only because you know of the ramping up of the new branches and in the.

Amit Sabarwal: Primarily because my outlets are being opened up, the more number of outlets are being opened up right so because of that, that drag my overall average number.

Abhilasha Satale: Yes sir, that is one perspective sir, another is like we have added more number of services in our this portfolio during this one year and most of our branches like our urban branch this network has increased dramatically in this one year, like they have set up almost 6000 urban branches in this 9 months, so in spite of that our revenue per branch has gone down.

Amit Sabarwal: No so Abhilasha what happens is if you go to any rural outlet during the first 3 to 6 months actually you get a bulk revenue in place because there are many people who do not have a bank account, there are many people who do not have an Aadhar and then you linked to, so that one time income spurt your revenue whereas if you open an urban outlet most of the people already have a bank account but they do not have it linked to their Aadhar number or people have Aadhar but they do not have a bank account number, so the one time income is not very high in the urban areas, so typically when the urban area opens the one time income is not very high so that does not spurt the revenue the revenue in the initial space, so that is one of the thing that you need to be considering while doing this analysis.

Abhilasha Satale: Okay, fine sir, secondly sir, like in slide #12 you have mentioned that total number of accounts opened 26 crore and 69,000 crore in deposits, sir in this quarter like there have been huge spurt in the deposits occurred in Jan Dhan accounts. So I mean on a sustainable basis like how do we see this number going forward because there would be some one time impact also because of this demonetization and.

Amit Sabarwal: You will see the demonetization impact was more or less netted off by the sharp drop in withdrawal so if you see the withdrawals were completely close because there was no currency available in the month of November, no new notes were available and in the month of December also the limit were there by the government, so actually whatever you saw up the peak in terms of, jump in terms of deposits, it was more or less naked off by the sharp drop of the withdrawals, but what has happened in the account base, customer acquisition that has happened, that is a big positive, so I think so that will benefit us over a next longer term perspective as these people who are newly joined who have just opened their bank account, once they start transacting they are becoming aware of the outlet once they start utilizing our outlet, I think so that will be a big structural positive, but if you see the deposit, definitely deposits are huge sir, but if you see the withdrawals, withdrawals are completely dried up.

Abhilasha Satale: Okay, dried, sir and one more like if you could throw some light on this DBT transfers like this how are they picking up in for this cooking gas subsidy or MGA and RGA as well as there are many things on the that talked about but how much are they materializing us for the revenue, how is outlook and how will it go in the next 2 years or so when the things stabilize and everything comes through this DBT.

Amit Sabarwal: If you see, Abhilasha, the DBT is a very huge opportunity, basically if you see currently there are only few schemes have started coming on the DBT, which is your NREGA, which is your Pahal, which is the cooking gas subsidy, Indra Gandhi Awas Yojana which is your for house building pakka house but if you see the what Government is planning is that by in 2017, by June 2017, they are planning to get all the central as well as state subsidies directly through the DBT mode that is making direct into the bank account of the beneficiary so I think when that happens the total amount of subsidies spent by the government I think so a year back was almost 3 Lakhs 50,000 crore which is almost I think so 65 to 70 billion dollars that was spent in subsidies that was either in kind or in cash. If that entire amount is going to come into the banking system, I think so the banking transactions are going to see an uptick, now how much do we get out of that, that is very difficult to say because the subsidies are going to get to everyone and people will use the bank branch to come and withdraw that money from the bank account, wherever, we are present people are using our outlet to withdraw their NREGA, they are using our outlet to get their cooking gas subsidy, so I think will be one of the beneficiary of that but to quantify that how much will we get and how much will the other bank get, it will be very difficult to say but overall from an opportunity perspective, it is a big positive from that.

Abhilasha Satale: And sir in this DBT, whenever the deposit is happening from the government, there also we are getting commission and wherever a withdrawal is happening at that time also we are getting.

Amit Sabarwal: Only on the withdrawal.

Abhilasha Satale: Only on withdrawal.

Amit Sabarwal: Deposit by the government is not paid any commission.

Abhilasha Satale: Okay, and sir just to one last question is depreciation has gone down drastically during this quarter to why this is so.

Amit Sabarwal: See our CAPEX has been fairly low for the last couple of years now, even this year our CAPEX would be minimal so the depreciations, our assets have already depreciated from that perspective, so depreciation will come down in absolute terms also in a big way.

Abhilasha Satale: So this runrate we will maintain on depreciation. Okay fine sir, thank you.

Moderator: We have the next question is from the line of Bhavesh Jain from N-Vision Capital, please go ahead.

Bhavesh Jain: Hello sir. Sir to reach 75,000 outlets, how much CAPEX we need to do and we will be our working capital requirement.

Amit Sabarwal: See Bhavesh, our entire business module is a franchise based business model, so the capital expenditure and the operational expenditure is borne by the franchise, so as such there is no major CAPEX from our side, the only CAPEX from our side is 20,000 Rupees per outlet which is for the biometric authentication machine because it has to be in our name since we are the license holder, so that is the only CAPEX to us. With respect to the working capital cycle, the working capital cycle is around 60 days for the Kendra business around 60 to 70 days is the working capital cycle, so on the incremental revenues you can take around 2 months of working capital from that perspective.

Bhavesh Jain: Okay sir, thanks a lot sir.

Moderator: Next, we have a follow up question from the line of Spandan from Canara Bank Securities, please go ahead.

Spandan: Sir can you I mean like detail about the mobile wallet because it is a recently launched after demonetization.

Amit Sabarwal: Regarding our mobile wallet.

Spandan: Yes sir.

Amit Sabarwal: It has not yet been launched. We have just applied for the semi-closed wallet license, we are currently in the process of launching our own app with the Vakrangee Kendra on mobiles, so I think sir over the next 6 to 8 months, we will launch the first version of it.

Spandan: And sir you have mentioned that like common BC as well as nation BC agreement, sir I mean like what is the difference like how the revenue or commission variance.

Amit Sabarwal: Sir basically for the two cluster that is for the state of Maharashtra and for the other cluster which is combined state of Rajasthan and Delhi, we are the common BC to all the banks in those particular states, whereas if you see for the other areas, other locations, we are the national BC to 8 banks including the State Bank of India, Bank of India, Bank of Baroda, Punjab National Bank, Allahabad Bank, Union Bank, these are the few banks with whom we have a national BC agreement so we can open an outlet on a pan India basis on behalf of these 8 banks, whereas in the state of Maharashtra and Rajasthan, we can open the outlet on behalf of all the banks.

Spandan: Commission for each transaction will it vary sir, I mean for one bank to other bank or?

Amit Sabarwal: So more or less it is fixed at 48 bits 0.48%, for the state of Rajasthan it is 37 bits.

Spandan: Okay sir, and one more last question sir, I mean regarding this e-commerce outlet I mean is there any other plans for apart from the Amazon.

Amit Sabarwal: We are in continuous talks with many other tie-ups also, so whether we are also in talks for having our railway ticket booking as well as flight ticket booking. We are also in talk for B2B, so currently with Amazon, we are doing B2C, we are also in talk with other e-commerce as well as Amazon and other e-commerce players for B2B tie-up also, so those are currently in nascent stages, I think so once we have the concrete thing in place, we will be announcing this.

Spandan: And what about the progress of Vakrangee logistic sir.

Amit Sabarwal: See Vakrangee logistic, logistic, here the surface is to have two types of businesses, one is the becoming the front end booking point for courier services which is typically the inbound delivery, so people come and they want to send a parcel to another state, so they can come to the nearest Vakrangee outlet. We have the tie-ups with FedEx, Aramex, we are in talks with couple of more players, so we have that thing in place and the second part is that the last minute delivery which is the outbound, so basically where we have a tie-up with Delivery, with Aramex and with FedEx, where we are there doing the pickup from the fulfillment center and delivery it till a tier 3 level location of our and we do the last mile delivery, there just tier 4 to tier 6 kind of locations. So here the booking point of courier services would be getting activated across all our outlets over the next 6 months, whereas for the last minute delivery, we are currently in 39 postal course where we completed the pilot, now we have already mapped around 2000 postal course, so we will be activating in those 2000 postal course over the next 2 to 3 months.

Spandan: Sir somewhere you have mentioned the tax rebate for the machine purchased for the franchises, I mean can you detail us sir.

Amit Sabarwal: Sir basically in the current budget, if you see there has been exemptions of the custom duty for all the key hardware products such as your high risk scanner, your fingerprint reader and all those things, so that would reduce the CAPEX for my franchise so that would be beneficial to him from that perspective.

Spandan: Okay sir, thank you very much sir, all the best sir.

Moderator: Thank you very much. That was the last question ladies and gentleman, I would now like to hand the conference back to Mr. Amit Sabharwal from Vakrangee for closing comments.

Amit Sabharwal: Thank you everyone for taking timeout and attending our conference call for Q3 FY17, in case of any further queries or any questions, feel free to contact us, the contact details are there on the website and all the material is also available on the website. Thank you.

Moderator: Thank you. On behalf of Vakrangee Limited that concludes this conference, thank you for joining us ladies and gentleman, you may now disconnect your lines.