



Transcript of 30th Annual General Meeting of Vakrangee Limited held on Monday, September 28, 2020 at 11.00 A.M. through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM").

Welcome speech by Mr. Mehul Raval – Company Secretary:

Good Morning dear Shareholders. I welcome you all on behalf of your company Vakrangee Limited to its 30th Annual General meeting which is being held today through video conferencing. Hope, all of you are safe & in good health and wish you all to stay that way. Facility for joining this meeting through video conference or other audio-visual means is made available for the members on a first-come-first-served basis. The joining to this meeting opened 15 minutes before and after the scheduled time of the commencement of the meeting by following the procedure mentioned in the Notice. Members are encouraged to join the meeting through their laptops and headphones for a better experience and use internet with a good speed to avoid any disturbance during the meeting. Participants connecting from mobile devices or tablets or through laptops connecting via a mobile hotspot may experience audio/video loss due to fluctuation in their respective network. It is therefore recommended to use a stable wi-fi or LAN connection to mitigate any kind of aforesaid glitches.

The registered office of the company at Mumbai, Andheri shall be deemed as the venue for this AGM and proceedings of the AGM shall be deemed to be made here at.

The Register of Directors and Key Managerial Personnel, the Register of Contracts or Arrangements, has been made available electronically for inspection by the members during the AGM. Members seeking to inspect such documents can send their requests to info@vakrangee.in.

Now I request Mr. Ramesh Joshi, Chairman of the Company to address the Shareholders.

Mr. Ramesh Joshi, Chairman:

Thank you, Mehul. Good Morning everybody. I welcome you all to the 30th Annual General Meeting of your company. I would like to mention that in view of the massive outbreak of the Covid-19 pandemic, social distancing is a norm to be followed, and therefore, this AGM today has been convened through video conferencing or other audio/visual means in compliance with the Companies Act 2013, read with specific circulars dated 8th April 2020, 13th April 2020 and 5th May 2020 issued by the Ministry of Corporate Affairs, Government of India, which exempt physical attendance of the members to the AGM venue. The quorum being present, I declare the meeting open. I welcome other colleagues on the board of your company to the 30th Annual General meeting and would like to introduce them for the benefits of new Members.

My colleagues on the Board of the Company:

- 1) Mr. Dinesh Nandwana
- 2) Dr. Nishikant Hayatnagarkar
- 3) Mr. Avinash Vyas
- 4) Mrs. Sujata Chattopadhyay
- 5) Mr. Hari Chand Mittal
- 6) Mr. Babu Lal Meena
- 7) Mr. Sunil Agarwal
- 8) Mr. Ranbir Datt

All the Directors of the Company are present at the meeting.

Mr. Subhash Singhanian, CFO, Mr. Mehul Raval, Company Secretary and the representative of the Statutory Auditors

are also present at this meeting.

Secretarial Auditor Dr. S. K. Jain, Practicing Company Secretary, is also present at this meeting who shall scrutinize the e-voting process in a fair and transparent manner.

Ladies and Gentlemen, the Notice convening this Annual General Meeting and a copy of a Annual Report for the financial year ended March 31, 2020, have already been circulated to the Members of the company electronically whose email addresses are registered with the Company.

I shall take them as read.

The Auditor's Reports on the Standalone and Consolidated financial statements and the Secretarial Auditors Report for the financial year ended March 31, 2020 do not contain any qualification, reservation, adverse remark or disclaimer. Accordingly, the reports are not required to read out, as provided in the Companies Act, 2013.

Mr. Ramesh Joshi, Chairman:

Let me now welcome Mr. Dinesh Nandwana, Managing Director and Group CEO of the Company to brief you all on the business and operations of the Company.

Mr. Dinesh Nandwana, Managing Director & Group CEO:

Dear Shareholders,

Today, I extend a warm welcome to all of you to the 30th Annual general meeting of your company, Vakrangee limited. For Vakrangee, FY2020 was a year of scaling up our transformational journey which we initiated last year.

During the year, we significantly scaled up our highly recognisable “Next-Gen” format Kendra network to more than 10,000+ Operational outlets as compared to 3,504 operational outlets in FY2019. Further, another 24,000+ outlets till date, are under On-Boarding process and of which 15,000 would soon become operational over the next 6 months. These stores are exclusive unified branded stores for delivering a consistent consumer experience and well-defined service levels. During the year under review, we successfully reached 10,000+ Next-Gen Vakrangee Kendras, spread across covering 30 states and Union Territories, over 500 districts and 6,150 postal codes. Out of these outlets, 70% outlets are in Tier V & VI cities.

Vakrangee aims to become India’s No. 1 retailer for facilitating universal financial, digital and social inclusion. We facilitate inclusion through innovative ideas and proven modern technologies, at our outlets or “NextGen Vakrangee Kendras”. Our vision is now set to create the world’s largest franchisee based distribution channel in India. Our planned target is to have a last mile presence across all postal codes, covering each and every Gram Panchayat in the country.

It was also a year in which we enhanced our services portfolio significantly, bringing the widest range of options to our customers, while giving our franchisees a much faster path to breaking even and profitability. During the year we introduced affordable vHealth by Aetna (A CVS Health Company) telemedicine services to our customers in underserved rural locations. The service is set to give patients in rural locations a very different experience when they see a doctor, to listen to their concerns, and do a virtual consultation and will help reduce the need for physical consultations by over 70%. Further, we shall also be able to arrange home blood tests and doorstep delivery of medicines through vHealth’s partner network. With this partnership, we have expanded the range of services available at our exclusive Nextgen Vakrangee Kendras making them into a one stop shop for all the Healthcare requirements of our customers.

Further during the year we renewed our key Licenses and partner agreements such as the Agreement with Amazon for Assisted E-commerce marketing services, ATM license from the Reserve Bank of India(RBI), as well as some more new partnerships such as with Chhattisgarh Rajya Gramin Bank for banking BC points and Corporate Agency tie up with Life Insurance Corporation of India (LIC) to distribute Micro Insurance products through Nextgen Vakrangee Kendra network. As we move forward to expand our new breed of Kendra across India, I believe that our growing network will benefit immensely from a regimented degree of standardisation and consistency, in terms of the quality of our facilities, and in terms of the service levels we offer our customers. In January 2020, we were also nominated in "India's Top 100 Franchisees" list by the Franchisee India magazine. Such acclamation motivates us to continue creating value for our stakeholders.

I am also pleased to share that last week our company has been granted In-principle authorisation to set-up and operate Bharat Bill Payment Operating Unit (BBPOU) under the Payment and Settlement Systems Act, 2007 from Reserve Bank of India (RBI). Vakrangee can now directly handle payment and aggregation of payment services relating to bills under the scope of BBPS. . Bill Payment service is one of the key services offered in our Nextgen Vakrangee Kendra Business Model and it gives confidence to our customers especially in Rural and Semi Urban centres.

At Vakrangee, we have always attempted to be a Responsible and Socially Conscious company. Through our network of kendras, we are taking the financial and digital literacy to the bottom of the socio economic pyramid and serving as the lastmile link to connect India's unserved and underserved rural and urban citizens by offering them the same products and services at the same time, competitive price and same service levels. We are acting as the biggest equaliser by bridging the gap between the urban and rural population in India.

During the year, in recognition of our superior Environmental, Social and Governance models, Our Company Vakrangee Limited (VL) has been globally ranked No.1 in the Sustainalytics ESG Risk rating rankings out of the 668 companies assessed in the Software and Services industry across worldwide.

Sustainalytics is a global leader in Environment, Social and governance (ESG) and Corporate Governance research and ratings. Sustainalytics has recognised the company's leadership in sustainability-related matters by giving a score of 7.4 Negligible in ESG risk rating. We are honoured and excited to receive this rating from Sustainalytics. This rating is a validation of our belief and commitment to our Business model of Nextgen Vakrangee Kendras. Also, Our Company has been accepted as a Signatory of the United Nations Global Compact. We are now part of a global network of over 9,500 companies and 3,000 non business participants that are committed to building a sustainable future.

IMPACT OF COVID-19 ON BUSINESS OPERATIONS

During COVID pandemic, we have been successful in opening more than 10,000 of our outlets during this period of lockdown since we have been providing essential services. However, the service offering at our outlets was limited as majorly only Banking and ATM services were operational whereas other key services like Online shopping, online pharmacy, Travel services and Logistics were closed due to on ground delivery challenges and travel ban amidst Lockdown. Further in Banking services, we witnessed lower ticket size transactions and absence of deposit transactions whereby only withdrawal transactions were in focus during the said period.

We believe our Brand awareness and store awareness has increased significantly during this period of COVID-19 pandemic as our kendras have been open and are providing key essential services in their neighborhoods, due to which we believe we shall emerge as the store of choice for our

customers for all their Essential needs. Further, now as the situation improves and unlock 1.0 has begun since June, we expect our services to normalize over the next couple of months and business growth momentum to improve going forward. Due to our enhanced visibility during this lockdown period and an aggressive marketing campaign done over the last 6 months, the Company has received an overwhelming response on the same and has received huge number of new enquires for NextGen Vakrangee franchisee model.

Further, Under Pradhan Mantri Mudra Yojana (PMMY) the Banks have started to extend finance to the micro enterprises which are in the business of manufacturing, trading and service sector in rural, urban & metro areas.

I am pleased to share that our company has entered into a partnership arrangement with Union Bank of India (UBI) to provide the loan facility for Pan India Nextgen Vakrangee Kendra franchisees. The bank is now offering a special product for our franchisees under Union Mudra Scheme. Union Bank of India has sanctioned the outlay of Rs. 800 Crores (first tranche) under Union Mudra Scheme for Nextgen Vakrangee Kendra franchisees. The Loans covered under MUDRA scheme are collateral free loans. This is a huge boost to our potential franchisees, thereby easing the On-Boarding process for our potential franchisees.

There has been disruption in the supply chain and few challenges in the procurement of the Hardware equipment's for the kendra outlet. Most of these equipment's are imported and are assembled in India. In the current environment, we expect at least 25-30% price hike in the case of hardware equipment's. However, with robust Risk management practices in place, Company had already begun the preparation since the start of this COVID-19 pandemic situation when the total nationwide lockdown started on the future requirements of key equipment. We have leveraged our Strong balance sheet to support our vendors financially in this moment of crises, to meet our projected requirements as well as have successfully

ensured an uninterrupted supply of Software and Hardware equipment's without any material price impact. It gives me immense pleasure to share that we have the software and hardware procurement well in place for another batch of 25,000 Kendras. This would give us a huge advantage in our industry segment as our franchisee viability would be much better as well as initiation process would be quick and unaffected due to any supply chain constraints in the near future.

FINANCIAL RESULTS

I am pleased to report to you that, despite a year of major transformation and Kendra upgradation, your Company attained a commendable total revenue of Rs. 762.70 crore, and Profit After Tax (PAT) at Rs. 71.28 crore. Our PAT has increased by 182% as our Gross margins have normalized post up-gradation to the NextGen format stores as well as robust cost control measures in place.

I am pleased to inform you that early indicators show encouraging financial performance coming out of the new format Kendras. Operating under three different models— 'Gold', 'Silver' and 'Bronze', all these new Kendra models come with advanced technological capabilities and are crossing break-even points well within 18-24 months of starting. The profitability of these Kendras has also improved significantly, due to the service levels extended through these models; greater foot falls; and higher customer satisfaction.

Overall, we attained a count of 10,000+ operational outlets as of FY2020, with approximately ~303.7 billion (30,370 crore) throughput (for FY2019-20) based on close to ~96.8 million (9.68 crore) transactions taking place on an annual basis on our Next-Gen platform. Due to an increase in the footfalls in the outlets and upgraded quality of services, these franchisees are reaching their break-even point very quickly as compared to the old format Kendras. Our franchisee based network is founded on an asset-light

model, and we are adequately resourced to scale our network without the support of any debt.

The first half of FY2021 has been impacted by COVID-19 Pandemic, but as the situation normalizes, I believe our company is strongly placed and well poised to benefit due to increased store awareness witnessed during this period.

We maintain our long-term vision of becoming the most trusted physical and online convenience store across India. With a unique franchisee-driven business model developed over a period of time, we are confident in our mix of ingredients to achieve our vision while scaling our transformation.

Further, we are exploring new services and business opportunities where we can leverage our network of NextGen Vakrangee Kendras. Government has recently introduced the Farm Bill, the new legislation is expected to create an ecosystem where the farmers and traders will have freedom of choice of sale and purchase of agri-produce. It will promote barrier-free inter-state and intra-state trade and commerce outside the physical premises of markets notified under State Agricultural Produce Marketing legislations. Therefore, we are exploring how our network of Vakrangee Kendra outlets can play a key role in the ecosystem and help in trade and distribution of farm produce across the country.

CLOSING REMARKS

In closing, I would like to welcome Mr. Ramesh Joshi, the new Chairman of Vakrangee. We have successfully implemented the Kotak committee recommendations in Pursuance of Highest standards of Corporate governance and In Line with SEBI's Regulations with regard to separation of roles of Chairman and Managing Director, and that the persons holding these responsibilities should not be related to each other. Also, as per the said clause the Chairperson of the Company has to be a non-executive director.

Mr. Ramesh Joshi, in his distinguished and illustrious career sprawling over 40+ years, he has held several leadership positions in the Reserve Bank of India and has been Nominee Director on behalf of RBI on the Boards of Various Banks, and retired as an Executive Director of SEBI. He will serve as a mentor and continue as a Guiding force on issues presented to the Board, especially in the areas of Corporate Governance practices and all type of Business Risk assessment & Mitigation initiatives. We look forward to working with him and have faith in his ability to steer Vakrangee to become a highly respected Indian corporate.

Also, I would like to welcome Mr. H.C Mittal, our newly appointed Independent director in place of Mr. Anil Khanna which will further strengthen our Board independence and enhance our corporate governance standards. Now 2/3rd of our Board is made up of Independent directors. Mr. Mittal has a rich experience of over 37 years in the field of Banking and Financial inclusion where he has held several positions and headed several projects at Union Bank of India. He would add value and be a guiding mentor for us in the field of Banking and Financial Inclusion.

I would like to take this opportunity to thank our shareholders and our employees for their contribution and support. We also thank our franchisees and business partners for their continuous trust and confidence in the Vakrangee dream.

Managing Director then replied the queries received from the shareholders and took up the first question asked by Mr. Zaid Ghani.

Question:

What is the YOY growth the company is expecting, since as a shareholder in last 1year I have lost half my wealth. I have a right to be answerable whether the company is

going to grow at what significant rate and where does the company expect the PE valuation to be in the next 1year.

Reply:

We have witnessed strong operational growth whereby we have 10,000+ operational NextGen outlets as compared to 3,504 outlets in FY2019. Further, we have strong visibility where we would reach 25,000 operational outlets in FY21. We would like to share that the Company provides the operational guidance and we do not give the financial guidance. However, we believe we are on strong growth path and our financials will certainly improve as these stores become operational and mature over the next few quarters. In the last six months, we have been impacted by the COVID-19 Pandemic situation, due to which only essential services like Banking and ATM services have been operational at our outlets. However, we have witnessed strong brand awareness and visibility as our outlets were operational during the lock down period. We shall get the benefit of the same and emerge as store of choice for our customers and thereby improving our business financials.

Managing Director then took up the questions asked by Mr. Manan Jain.

Question – 1:

My first query is regarding the receivables related to Vakrangee's legacy business. Can you please clarify if these receivables are finally due in this financial year? And if they are due in FY21, will the recoverability of these receivables be delayed beyond FY21 due to COVID-19?

Reply – 1:

The receivables are with respect to the retention money of legacy e-governance projects. The receivables were expected to be released from FY21 onwards. However, due to the Covid-19 pandemic situation the

payment is expected to get delayed but the same is expected to be realized over the next 12 months.

Question – 2:

As a shareholder, I am really concerned about these receivables as they account for about 50% of Vakrangee's book value and can materially impact share price if we are not able to recover this amount. We hope to see this amount coming into the company this year as it has been over 2 years now since these receivables have been sitting in the balance sheet.

Reply – 2:

As explained in above point the receivables are expected to be released in 12 months, therefore they have been categorized as current assets. There are no bad debts or write offs expected, as all the receivables are approved and would be realized. However, due to the Covid-19 the payment might get delay but the same is expected to be the realised.

Question – 3:

In your latest Results Presentation, you have given an estimated sustainable EBITDA margin of 15-16% on the basis of 10,000 operational stores. How much will be the sustainable EBITDA margin on the basis of 25,000 operational stores?

Reply – 3:

On long term basis the EBITDA margin are expected to remain within the 15-16% range, however the EBIDTA shall be higher in absolute terms.

Question – 4:

We achieved 8,504 operational outlets in Q2 FY20 (September 2019), but we have not yet achieved 8,504

active ATMs till date. Can you please tell approximately how much time does it take to install the ATM in an outlet after it becomes operational?

Reply – 4:

The ATM setup depends on 2 major factors. First, once the franchisee is on-boarded he gets a time period of 6 months for paying the 3rd instalment payment. Once the 3rd installment is received by the company, it takes anywhere between 3-4 months for delivery and operational Go Live process of ATM.

Question – 5:

Our long-term target is to have 3,00,000 operational stores by 2025. However, we will have only 25,000 operational stores by end of 2020. That means we need to open about 2,75,000 operational stores more in the next 4 years. Is it possible that we will be to open about an average of 68,750 stores annually for the next 4 years to achieve our long-term target of 3,00,000 stores? This seems difficult as we have only been able to open about 10,000 new operational stores in the last 2 financial years.

Reply – 5:

We have a short term target of first milestone which is 25,000 operational Vakrangee Kendras. We believe once we have this set up in place, we shall get the benefit of Economies of scale as well as strong brand awareness on a pan India basis. This would help us deliver better store rollout capacity and thus help us achieve our long term targets.

Mr. Ramesh Joshi, Chairman:

Thank you Dineshji for giving very detailed insight into the operations of the Company during the year and giving satisfactory answers to the questions asked by the shareholders.

Now, I would request to the Members who have not already cast their vote by remote e-voting may cast their vote on the e-voting platform now. As the meeting is convened through VC today, resolutions set out in the Notice of AGM have already been put to vote through remote e-voting and the requirement to propose and second is not applicable. You are given 15 minutes time for e-voting after which the meeting will stand closed.

Once again, I thank the members of the company, the invitees and the Directors of the company for sparing their valuable time and attending the 30th Annual General Meeting of Vakrangee Ltd.

Mr. Mehul Raval, Company Secretary:

Thank you, Sir.

Mr. Ramesh Joshi, Chairman:

Thank you. Mehul, do all the board members log off now?

Mr. Mehul Raval, Company Secretary:

Yes Sir. They can now leave the meeting and the e-voting platform will remain open for 15 minutes time.

Mr. Ramesh Joshi, Chairman:

OK. Thank you very much. Goodbye.