

Vakrangee Limited
Earnings Conference Call
May 16, 2022

Moderator: Ladies and gentlemen, Good day and welcome to the Vakrangee Limited Q4 and Full year FY22 Earnings Conference Call. As a reminder, all participant lines will be in the listen-only mode. 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. I now hand the conference over to Mr. Dinesh Nandwana – Managing Director and Group CEO. Thank you and over to you, Sir.

Dinesh Nandwana: Good day dear ladies and gentlemen. It is pleasure to greet you all once again on behalf of 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 fourth quarter and full year earnings for the financial year 2022. Today, we have emerged as the go to market platform for the rural India for our various business verticals including the new age FinTech and digital platform. We are building India’s largest last mile distribution platform and emerging as the physical plus digital ecosystem with a Pan India presence.

Today, we have more than 22,042 outlets it spread across 32 states, 564 districts and 5,510 postal codes. Our 84% outlets are present in deep rural Tier-4 to 6 locations. This kind of presence makes us the partner of choice for any business partners who wish to make their products oblique services available in rural India.

During the quarter we have launched pilot for key services such as online opening of demat and trading account as well as total healthcare services across 3,500 and 1,000 outlet respectively, the same were also launched on our digital platform for Bharat Easy mobile super app which is currently under beta trial version with limited access.

Now pilot response has been successful and results have been very encouraging registering a 700 plus growth on month-on-month during the said quarter for the total healthcare services. We see huge potential in both of these services and we believe there would be a major contributor going forward and both these services have superior margin profile for the franchise as well as attractive offerings and pricing for the end consumer. We have strong footfall and brand consumption rural India and our customer trust with the day-to-day banking needs. During financial year 22 we opened close to 27 lakh bank accounts and did more than 6.9 crore banking transaction while currently the Indian neo banking user base is

expected to grow fast at 80% plus yearly for the next five years. There is a huge under consideration rural market with huge retail and MSME customer base.

Further, there is a lack of trust within the current customer base therefore physical presence and assistance is key differentiator. Going forward we are well structured to transition into a neo bank as we plan to launch neo banking services through our Bharat East mobile super app platform. Through this we are focused to evolve into a unique online to offline platform thereby there would be assistance available through the physical Kendra network along with the digital neo banking services. Further, we have strong existing retail customer has in rural India and we are focused on affordable pricing and unique online to offline consumer excellence.

With respect to the proposed demerger of the non core business of e governance and ITES as a separate entity we would like to update that we have received approval for demerger from strong exchange and have now filed a application to NCLT for approval. We believe the proposed demerger would almost the potential of the core Vakrangee Kendra business in the current listed entity with existing business of Vakrangee Kendra physical outlet as well as the digital platform of Bharat Easy mobile super app. Vakrangee Kendra business in retail centric consumer facing business it is an asset light high return on capital business and 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 shareholder strength. Over the last few years we have undergone a huge transformational journey whereby we have made a transaction from nonexclusive store in store format outlet to highly recognizable standardized exclusive branded NextGen format outlet. 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.

We should fast pace our strategies and we plan to capture market to achieve our long term target well ahead of targeted timeline through launching additional franchise incentive schemes by reinvesting cash flow which would lead to quick period payback for there as well as drive strong franchise interest. Further aggressive marketing on Pan India basis which will result into a higher lead funnel for franchise acquisition process. Although near term profitability may get impacted as we reinvest our operational cash flow for enhancing franchise incentive and increase our marketing expenses however these strategy initiative shall led to significant drop in profitability in a long run. We plan to achieve our long-term tax outlaid expansion target of 75,000 outlets. NextGen outlet within the next 12 to 18 months.

Commenting on the quarterly and full year results performance we have witnessed strong financial and operational growth on year-on-year basis due to increase in number of outlets as well as our service return to normalcy on the business front as ecommerce online

healthcare and other financial services have become operational. Our result has been placed on quarter-on-quarter basis due to seasonality factor as last quarter included the festive period. Our revenue from operation stood at 208.81 crore year-on-year growth of 105.02% EBITDA stood at 42.05 crore year-on-year growth at 41.76% and PAT stood at 30.12 crore year-on-year growth is 44.87%. Our quarterly gross transaction value GTV crossed Rs. 12,660 crore whereas our quarterly number of transaction crossed 3.29 crores. Our full year revenue for operational stood at 778.69 crores in financial year 2021 as against the 314.29 crore for the corresponding last year registering a growth of 147.76%. Full year EBITDA stood at 158.69 crore registering a growth of 62.54% PAT stood at 109.52 crore registering a growth of 74.43% our full year GTV growth transaction value crossed Rs. 47,000 crores and total number of transaction crossed 12.8 crores.

We have recently launched a mobile super app-based business platform. Bharat Easy app "India ka Super App". It is currently a beta trial version and we intend to go fully operational live in the next 8 to 12 months. We have made live and activated some of the key services like online shopping, telemedicine services, online demat account opening, CIBIL service for rating services as well as online Pan India application services. They are usually differentiator and sustainable competitive advantage is whereby 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 consumer to semi urban and rural remote locations.

A unique proposition of digital along with physical. Physical would help the digital channel to scale up fast and good significantly during the cost related to acquiring customers, physical assistance, order fulfilling and retail management of online order. Further leveraging physical presence would result into better customer interaction, strong brand recall and better service experience and trust for the customer. It give me immense pleasure to save that in 2022 Vakrangee has been recognized by the sustainability as a ESG global 50 top racket company. Vakrangee Limited has been identified as a top ESG performer out of more than 4,000 comprehensive companies with sustenance is covered in the global universe.

Vakrangee Limited has also been honor to be included in this year sustainability year booked 2022 published by S&P Global Vakrangee has earned S&P Global ground class sport in the year group in the corporate sustainability assessment survey. The sustainability year booked 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 company in each industry has determined by their scores in the annual corporate sustainability assessment.

In 2022 S&P Global has assessed over 7,500 companies across 61 industries this year. Global recognition reflect company commitment to further enhance its corporate governance and transparency standards. Company has achieved global recognition across various platform for

its superior ESG performance and long term business sustainability. I would like to take this opportunity to thank our shareholders for their support. We can now open the floor for question-and-answer session. Thank you very much.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Vikas Nahar from Overseas Incorporation. Please go ahead.

Vikas Nahar: My questions are how confident are you to achieve the 75,000 NextGen outlet within the next 12 to 18 months and what steps are being taken to achieve this target and there are over 2,50,000 Gram Panchayat in India, are you trying to put up 2,50,000 NextGen outlets if yes please share year-on-year target, who is this existing service provider company whom we have aligned this, what support this service provider will extent to Vakrangee?

Ammeet Sabarwal: If you see basically with respect to these 75,000 outlets what is the key initiatives we are taking in order to ensure that we are able to achieve this number over the next 12 to 18 months. There are two major initiatives which we have taken is one is basically we are almost stretching up our marketing spent so we are getting aggressive in terms of our marketing from a 360 degree perspective. So, we are doing complete digital marketing as well as on ground field level marketing initiatives also so that we get a good amount of funnel of a franchise applications in place which is already very encouraging. We are currently having almost more than 1 lakh plus applications in the funnel right now which we are evaluating, but if you see typically a success rate of finding a franchise is typically around 20% to 30% so for that you need at least 75,000 you will at least 3 lakh to 4 lakh kind of applications in the funnel in order to ensure that you are able to get 75,000 kind of franchise to be finalized. Our goal is to start the deep of the funnel so that our evaluation process becomes easier. Second thing what we are doing in order to create a positive word of mouth as well as on ground positive environment among the franchise community because there is lot of referral thing that comes into work here. So, what we are doing is we are also increasing the R&R reward and recognition incentive scheme for franchise and that is where we said that we will use our cash flow in order to increase the incentive specifically in the current year so that there is a good amount of strong word of mouth publicity at the field level. At the same time my franchise are able to witness a very quick payback because that encourages that creates a lot of referral network in place. So, from that perspective we are doing that and we believe that using this increase incentive we will be able to get lot of support in terms of new franchise acquisition at the same time our existing franchise network will be profitable at a much faster pace and where payback period normally the payback period as we have explained earlier that our typical payback period is like 18 to 24 months, but with the enhanced incentive structure maybe the payback period can be reduced to 6 months to 12 months for the initial period so that it create huge amount of positive vibes and the positive environment for the franchisees. So, that is a kind of cycle that start because there is a strong word of mouth, there is a huge amount of marketing in place where you get a good funnel and from the funnel basically you are able to setup more and more outlet. So, that is the work in progress

which we are taking at the same time at our end we are reaching up our sales team. So, we have specifically taken field level activities we are right now also in almost 51 districts or campaigns are going on right now. So, we are doing lot of field level marketing as well as digital level marketing and at the same time we are building up our sales team at the HO which is the centralized HO level where all the applications, all the things coming and that is where my relationship manager or the sales manager explains them the business model, get them on boarded then we do a basic KYC check and accordingly we shortlist them. So that is a process so it is a complete cycle which we are focusing on. So, we are doing more marketing in order to generate more leads. We are doing better incentive sharing so that the word of mouth or the referral network comes into place, my existing franchise network is payback is reduced in the current cycle and that creates a better cyclical effect and for this briefing of my sales team and my field team in order to ensure that I am able to convert those leads and do the KYC check at the earliest so that we can have this kind of infrastructure in place to manage this amount of lead. So, that is where we are working right now. What gives us the confidence is the kind of response that we are getting to the campaigns right now is very encouraging and we feel that setting up these 75,000 outlet out of which 22,000 outlets are already in place so that is we get to another 50,000 stores in the next 12 to 18 months that is where it purely depends on the amount of leads you generate, the amount of positiveness you generate in the overall environment due to which you get a good referral check and that is where the people converting so that is where we are working on right now. With respect to the second question how we are aligned with our existing service partner who is the service partner I think so at the right time we will share once the complete formal announcement is done that is where we would like to share it is not right on our part to disclose it as it is not yet made public. So, I would refrain from doing that, but what synergies we have? We have lot of synergies because one thing is definitely we get their entire network to support us so it is again they have a complete field team till the district levels that helps us to get a support at the local level. At the same time we also get access to lot of captive business. So, lot of captive business can also happen at the Vakrangee Kendra outlet because we become an extension counter to our service partner. So, it is mutually beneficial doing for them we are giving them access, we are giving them presence to wider reach of audience whereas what we get in return is the access to their captive businesses and some ground support at least the district level locations because typically they have typically there are 760, 740 districts in the country. So, they have district level offices or regional level offices which help us do the basic support that we get at from their side. So, it is a mutual synergy for both the partners for us as well as the counter party. So, that is where we are working together and I think at the right time we will disclose the partner name as we do a formal announcement in sink. So, I think these were the queries and any one more last question you had anything which I missed.

Vikas Nahar:

These really sounds like a good plan and we are really looking forward to that and I would like to add one more thing you can look into burger the company has a similar planning

McDonald's burger has a similar planning wherein the existing branches the franchisee themselves develop the new franchisees and they are getting some benefit out of the new franchisees?

Ammeet Sabarwal: So, we have also introduced the master franchisee schemes also. So, I would also like to throw some light so we have already got 10 master size franchisees on boarded. So, typically my master franchise is the one who is typically getting at the local level where at the different Gram Panchayat level he is able to appoint a franchise as per my requirements and basically we have an arrangement with them. So, we also have this master franchisee concept which we have started just a quarter back. So, basically it is a second quarter running now. So, there also we foresee that the good amount of interest is there and actually we are doing lot of B2B meetings also from that perspective in order to build a master franchise network also in place.

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

Ammeet Sabarwal: Thank you everyone for taking time out and attending our Q4 and full year results concall. Please feel free to get in touch with us in case you have any queries or any details required from our side. My email id is ammeets@vakrangee.in as well as our contract details are available on the website. The presentation and everything is available there, but in case you have any further queries please feel free to write to us. Thank you everyone.

Moderator: Thank you. Ladies and gentlemen on behalf of Vakrangee that concludes this conference call. Thank you for joining us and you may now disconnect your lines.