

**Vakrangee Limited**  
**Q4 FY-23 Earnings Conference Call**  
**May 30, 2023**

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**Moderator:** Ladies and gentlemen, good day and welcome to the Vakrangee Limited Q4 FY2023 Earnings Conference Call.

As a reminder, all participants' 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. Ladies and gentlemen, please note that the duration of this call would be for 30 minutes.

I now hand the conference over to Mr. Dinesh Nandwana - Managing Director and Group CEO. Thank you and over to you sir.

**Dinesh Nandwana:** Thank you and good day, dear, ladies and gentlemen. It is a 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 the spare time in joining us here today to discuss our 4th Quarter ending for the Full-Year Financial Year 2023.

I would take this opportunity to update you all in this regard to our demerger.

The Honorable National Company Law Tribunal (NCLT) has given the final approval for the demerger of Vakrangee E-Governance and IT Solutions business. NCLT has paved the way towards creation of two separate listed entities that is Vakrangee Limited and VL E-Governance & IT Solutions Limited.

Vakrangee Limited is already a listed entity and VL E-Governance & IT Solution Limited to be listed as a separate entity.

Our current quarter and full year results have been reported on a post-demerger basis.

On current listed entity, Vakrangee Limited now consists of the existing business of Vakrangee Kendra physical outlet as well as digital platform of BharatiEasy Mobile Super. Vakrangee Kendra business is now a pure retail-centric consumer facing and assets-light franchisee-led business model. We have the go-to-market platform for the rural India for our various business verticals, including the new-edge FinTech and digital platform. We are building India's largest last mile

distribution platform and emerging as the physical plus digital ecosystem with Pan India presence. Today we have moved more than 20,399 active transacting and newly on boarded outlets spread across 29 states, union territory. 566 districts and 5159 postal codes. Our 79% outlets are present in deep year 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 and services available in rural India. We have a clear focus on market expansion and strengthen our first-mover advantage, we are planning to cover entire 764 districts which is 100% of district coverage across the country through appointing district level master franchisees. We have successfully appointed master franchisees in 234 districts across 27 states across the country. These master franchisees would provide on-ground operational support to our existing franchisee as well as drive new franchisee acquisitions. This will lead to help us scale at a faster pace and expand on a pan India basis. We believe this master franchise initiative is a game changer and is still in our local field presence and operational control at the ground level. We plan to achieve 100% district coverage by the end of this financial year. These new initiative would help us scale at a much faster pace, whereby achieve our long-term targets well ahead of targeted timelines.

With the development of the digital economy, India is fast-moving towards digital payment mechanism and emerging as a cashless society. With a fast pace of digital payment concession cash transaction such as ATM and banking transaction are expected to witness slowdown. Therefore, there would be profitability and viability challenge for the standalone business model such as only wide level ATM, only banking IP provider only money transfer provided which are dependent on cash transactions. Vakrangee is future-ready with a clear focus on building long term sustainable and profitable business model which focus on non-cash-based banking offerings such as account opening, loan products, insurance services, fixed deposits and NPA recovery. Further, we have no dependency on a single line of products or services and have a wide portfolio of products and services such as. Online shopping, total healthcare services, bill payment, online travel services, mobile recharge, CIBIL score services, PAN Card services, online opening of demat and trading account opening services and many more. Further, we have a strong footfall and brand presence in rural India and our customer trust us with their day-to-day banking needs.

During the financial year 2023, we have opened 17 lakhs bank accounts. 11 lakhs plus insurance, pension policy and did more than 7.1 crore banking transaction with a gross transaction value of Rs. 38,730 crores. There's a huge under-penetrate rural markets with huge retail and MSME customer base. Further, there is a lack of trust within the current rural customer base, therefore, physical presence and assistance is a key differentiator.

Going forward, we are well-structured to transition into a newer bank as we plan to launch newer banking services through our BharatEasy Mobile Super App Platform. Through this, we are focused to evolve into unique or to online to offline platform whereby there will be assistance available through the physical Kendra network along with digital near banking services.

Further, we have strong existing retail customer base in rural India and we are focused on affordable pricing as unique online to offline consumer experience.

Commenting on the quarterly and full year results post-demerger:

Our total income stood at Rs. 51.80 crores in Quarter 4 Financial Year '22-23 increased by 5.50% on quarter-on-quarter basis. Our profit after tax is to that 0.68 crores Quarter 4 '22-23, increased by 423% on quarter-on-quarter basis. For the full year, our total income stood at Rs. 198.70 crore in '22-23 as against Rs. 197.35 crore for the corresponding last year. Our PAT stood at Rs. 1 crores in Financial Year '22-23 as against nil crore for the corresponding last year. For the full year, our gross transaction value crossed Rs. 51,164 crores and total number of transition crossed Rs. 12.23 crores.

We have appointed exclusive district level master franchise partners in 234 districts across 27 states across the country. These master franchises shall provide on-ground official support to the existing franchise outlets, as well as driving franchise acquisition. We plan to achieve 100% district coverage and India present. March '24.

Our profitability has been impacted as we are in reinvesting our operational cash flow for enhancing franchise incentives as well as building up Pan India district level master franchise network.

Vakrangee Digital Venture Limited is a 100% subsidiary Company of Vakrangee Limited. The Company has launched a mobile super app-based business platform primarily targeting rural India. "BharatEasy App – India Ka Super App". We have met live and activated some of the key services like online shopping, online agriculture products, total healthcare services, online Demat account, opening CIBIL credit score rating services as well as online Pan Card applications services. A unique differentiator and sustainable competitive advantage is whereby our Digital Super App Platform would be able to leverage the Vakrangee on ground ecosystem vast well-diversified Pan India level physical store network of Vakrangee as a point of physical assistance especially to customers who are semi-urban and rural remote locations, Vakrangee Digital Venture shall leverage the Vakrangee ecosystem.

The strong brand recall Vakrangee Kendra enjoyed good positive NPS among our users. (Our NPS score is 68% as per Redseer Research). Access to existing Vakrangee customer base and access to existing networks of 20,000 plus outlets for physical assistance and consumer awareness. The unique proposition of digital, along with physical that is Phygital, would help the digital channel to scale up fast and would significantly reduce the cost related to acquiring customer physical assistance, order fulfilling and return management of online orders. Further leveraging physical presence could result into better customer interaction, strong brand recall and better services experience and trust for the customers. Our current focus has been on expanding our presence through building master franchise network and to strengthening our first-mover advantage. We are currently building a Pan India district level master franchise

network which will result in a strong on ground operational management as well as the high visibility in future. We plan to achieve 100% district master franchise coverage by March '24. By 2030 we plan to have 100% Pan India coverage through our physical Vakrangee Kendra Outlet Network along with BharatiEasy Digital Mobile App our targets to reach 3 lakh plus outlets along with the minimum 15,000 plus ATMs. With this, our plan is to achieve a revenue target of \$1 billion by 2030 along with the gross transaction value of more than \$75 billion.

Our Company has also been globally ranked #1 in the sustainability ESG Risk rating ranking assessed in the software and service industry segment. Overall, Vakrangee has been recognized by certain metrics

As an ESG global 50 top rated Company. Vakrangee Limited has been identified as the top ESG performer out of the more than 4,000 comprehensive companies debt securities cover in the global universe. Vakrangee has also been recognized by S&P Global and has a score of 78 ESG scores in the corporate sustainability assessment surveys. Vakrangee has been accepted as a signatory of the United Nations global compact and we have mapped our sustainability initiative with the United Nations sustainable development goals. Further, we have appointed Grant Thornton as our assurance auditor for our assurance of our integrated annual report.

Global recognition reflects the Company's commitment to further enhance its corporate governance and transparency standards. The company has achieved global recognition across various platforms for its superior ESG performance and long-term business sustainability. I believe with this demerger Vakrangee Kendra is now a pure retail centric fashion business. It is an asset light franchisee led business model and thereby will get the proper representation post the demerger. The demerger has now enabled our Company to enhance our business operation by streamlining operations, more efficient management control and outline long term vision and growth strategy. We are now well poised with the clear focus to achieve greater heights in the coming years. I would now like to take this opportunity to thank our shareholders for their support. We can now open the floor for a question answer session. Thank you very much.

**Moderator:** Thank you very much. We will now begin the question-and-answer session. First question is from the line of Jignesh Kumar Individual Investor. Please go ahead.

**Jignesh Kumar:** My question is that post demerger which business has been transferred to PLE Governance Company, what impact is there on the service of revenue of Kendra business for demerger, can you please explain?

**Ammeet Sabarwal:** So if you see basically the demerger has happened primarily into two parts. One is basically the Kendra business which remains in the listed Company which is the pure retail consumer centric business which is the outlet-based business and all the services which was based primarily the IT, ITES equipment trading business, the E governance business as well as some part of the of the B2B trading business that has been shifted to the VL E-Governancee basing. So post

demerger now under the Vakrangee Limited we have a pure mobile app which is BharatEasy as well as the physical store which is the Vakrangee Kendra services.

**Moderator:** Thank you. Next question is from the line of Rajeev Kulkarni Individual investor. Please go ahead.

**Rajeev Kulkarni:** My question is that last year the Company was debt free and now in post demerger result there has been loan for the year 2022 as well for 23, can you explain the same?

**Ammeet Sabarwal:** Yes. So, basically if you see we have also given a footnote in our result presentation on the same. So, primarily this Rs. 27 crore of debt which you are seeing in the FY22 balance sheet which was earlier we have seen as a debt free Company. This is primarily the interCompany loan basically. Now since the demerger has happened basically now VL E-Governancee is a separate Company versus Vakrangee Limited and therefore once the accounts are getting restated between the two companies also, therefore, this amount is seen and that is what we have also mentioned under the footnote in our result presentation and whereas in the current year if you see basically where there is a debt also available of around 45 crore that is primarily for the smooth business operations of the Kendra business which is primarily for the ATM settlement and for the ATM CAPEX which we typically do little bit ahead of time in order to manage both the things we have some small amount, but if you see in the overall scenario the amount is not very big.

**Moderator:** Thank you. Next question is from the line of Jay Tripathi Individual investor. Please go ahead.

**Jay Tripathi:** Sir, in the last quarter the reported numbers of the outlets were more than 24,000. However, the current number has been reduced to 20,000 why there has been reduced in the outlet numbers and you have said that you are appointing Master Franchisee and it is their responsibility for new acquisition and day-to-day monitoring of outlets. However, it is helping in how it is helping in the business opportunity and why post appointment of Master Franchisee we are seeing the numbers are getting reduced, can you please answer that?

**Ammeet Sabarwal:** Sure. So, if you see basically what we have done, we have done a complete exercise where we have gone through our each and every franchise. So, in the last two quarters also where we said that we are upgrading all our existing outlets to the NextGen Vakrangee Kendra 2.0 format and we had focused on basically whether my franchise is an exclusive store with the proper active franchisee being there where they are doing all kind of transactions in place. So, what we have done is if you see we have changed the definition where we are saying active transacting outlet. So, even although where my number of franchisee or my number of VKID what we say can be more, but what we are communicating is that these are my active transacting franchisees. So, almost 20,000 plus are my active transacting stores and that is where we wanted to be more transparent in terms of finally how many outlets are the ones who are actually doing the transactions with us and that is where in terms of more bringing more transparency and getting more clarity to all our shareholders what we have done is we

have changed the definition and that is what also if you see in our results presentation we have clearly mentioned that we are now reporting how many are my active transacting Kendra outlets. So, that is where the number is being seen from 24,887 what it was in the last quarter to around 20,399. So, these are typically active transacting stores or newly opened newly onboarded stores which are yet to transact. So we have changed the definition and accordingly that number has been updated accordingly. Now, if you see basically in terms of our business strategy for the last six months we have been emphasizing more on this exclusive district level Master Franchisee thing because what we have realized is that we need to have a local level control and Master Franchisee is the best solution what we have felt. We have tried multiple things over the last couple of years actually post COVID because when COVID happened pre COVID we were having almost a huge employee base, but what we felt that we need an entrepreneurial mindset at the local district level because only then the interests are aligned and that is where we tried and tested on a pilot basis. This the district level Master Franchisee thing and where we felt a lot of success was that the response has been very great because the district level Master Franchisee is also an entrepreneur and he is a person with a background of managing distribution businesses. So, his background is either he was managing a FMCG distribution, whether he was managing financial services distribution, whether it is insurance distribution or money transfer distribution business. So, they know the nerve of the business. They are there at the local level with the dedicated office with the dedicated manpower in place and secondly it is a variable cost model to us. So, there is the interest are completely aligned. So, they make a cut out of the earnings that the franchisees are earning within that particular district for the existing store it is on the incremental business and for the new business that they bring they get a commission. So, in that way it is a win-win situation for the entire ecosystem because my franchise is also getting the local level guidance, local level operational support because that Master Franchisee is not a simple employee, but he is a high net worth individual with a lot of experience in the similar kind of business and he has his own set of relationships at the local level where he can help and guide my franchisees in that particular district. At the same time, it is a variable cost model for us so there is no major burden on the Company's financials and third thing it brings lot of scalability because I am working with, for example, 234 district level Master Franchisees we have appointed. So, currently we are in a phase where we are going and selecting the right kind of person for that particular district. So, we feel that this is the investment which we are doing and the fruit of this investment is what we are going to get because we are already experiencing. So, I will just give you some anecdotal example. In some of the districts where we appointed Master Franchisee 6 months back we are already witnessing a 15% to 20% kind of growth in my existing store output. So, that is the kind of in output that I am getting from appointing a district level Master Franchisee. So, before appointing Master Franchisee I was getting a flat or a 3% to 4% kind of growth post district level Master Franchisee which has improved to positive territory with the 20%, 25% kind of growth thing. So, I think this is something which is taking a little bit of time. So, as we have already guided that before March 24, we will have a Pan India presence with entire 764 district to be covered under the district level Master Franchises post which the scalability of the business you are going to witness should have definitely a huge impact because just imagine 764 district

Master Franchisee even if they are appointing 10 new franchises on a monthly or even on a quarterly basis I am talking about adding 7,500 stores on every quarter basis so that makes almost 30,000 stores in a year whereas from a Master Franchisee individual perspective in his particular district he is just adding 10 new franchises in the entire quarter. So, that is what it brings the kind of scalability. So, therefore if you see we have also kind of released our vision 2030 and what we are envisaging here is since we will be setting up the first step is to have a local district level Master Franchisee in place which we complete in this financial year. The second is basically how then we increase our number of stores using this network of master franchisees. So, therefore I just give you a small example that even if they are still expanding the network by 10 stores per Master Franchise in a quarter I am able to add 30,000 stores in a year which is the bare minimum. So, the scalability of my network can grow exponentially with this network in place and due to which my revenue as well as my GTV is also going to see a multifold rise in the coming future years. Therefore, what we are saying is that this year is our consolidation and investment phase where we are investing in building this network of district level Master franchise network and you will see the results over the next few quarters or primarily from the next year onwards where you are going to see a exponential increase in terms of our network, in terms of number of stores as well as in terms of overall gross transaction value and the revenue and those things. So, I think so the strategy is very clear. So, we have completed the demerger now the entire focus or the entire management bandwidth is purely on building this business and we have the right strategy in place because we have done a pilot, we have done it tried and tested, we have done it successfully in few districts. Now we are just extrapolating it with on a Pan India basis and I think so over the next few quarters or the next few years we are going to see the results of this particular strategy coming into play. Thank you.

**Moderator:** Thank you. Ladies and gentlemen, due to time constraints, we will take the last question from the line of Ankita Sharma Individual investor. Please go ahead.

**Ankita Sharma:** My question is now the demerger is completed so when the Vakrangee Limited eGovernance Company will be listed and by when can we expect the shares of another Company and what will be the record date?

**Ammeet Sabarwal:** So if you see basically as per the processes the demerger entity basically which is real eGovernance should get listed within 45 days. So, I think with respect to the record date I will get back to you we will put it on the exchanges as the disclosure, but in terms of the timeline it is around 45 days typically within 45 days we should have this process completed. Thank you.

**Moderator:** 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 FY23 concall. In case of any further queries which are still left unanswered I would request everyone to you can please email it to us, you can email it to us [ammeet@vakrangee.in](mailto:ammeet@vakrangee.in) this is my email ID. So, you

can sent an email to this and we will be obliged to reply on this and if you have any further queries or any doubts please feel free to write to us. Thank you and good evening to all of you.  
Thank you.

**Moderator:**

Thank you very much. On behalf of Vakrangee Limited that concludes this conference. Thank you for joining us. You may now disconnect your lines.