"Dhani Services Limited Q4 FY-21 Earnings Conference Call"

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Moderator: Ladies and gentlemen good day and welcome to the Dhani Services Limited Q4 FY21 Earnings Conference Call hosted by Investec Capital Services. 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.

From the management team we have Mr. Sameer Gehlaut – Founder, Mr. Nikhil Chari – President Healthcare and Mr. Pinank Shah – Group CFO. I now hand the conference over to Mr. Sameer Gehlaut. Thank you and over to you sir.

Sameer Gehlaut: Thank you. Good evening everyone. Thank you for joining this call. So, we completed in March '21 our first year in new Avatar where our entire focus has been on paid subscriptions on monthly basis. We moved away from our traditional business of giving out unsecured personal loans and it has been a very important first year for us where we have laid down all the necessary foundation for a good growth trajectory over the next couple of years. We achieved couple of important milestones as well. We closed the year with an overall customer franchise of 26 million customers. Last quarter we launched a very important product which is e-pharmacy where now people can now order even the branded medicines on the Dhani platform. So, that has taken off extremely well. We also closed the year being #4 on the store of Google Play in the business category in India which again has been very exciting milestone for us. At the same time now, we have a brand new UX for our customers which basically in one glance provides all the customer services that we provide and all the product offerings on a single screen itself instead of the two sections which were there of money and health. We have combined that into a new UX which we have been working on for last couple of months. So, that has been launched and immediate outcome of the new UX has been massive rating improvements on the Google Play store. Our ratings have gone up, customer ratings from 3.6 to 4 currently. And also, with the launch of new UX our daily active users have now crossed 10 lakh users on daily basis. Our monthly active users are almost close to around 9 million users which basically from a product's perspective puts us amongst the top 10 Indian companies with this kind of daily traffic.

We were also focused around launching our physical as well as digital card last quarter and last quarter was the launch of this product as well which is basically very core and central to the entire business of Dhani. We launched this program and within the first quarter itself almost close to 1.1 million people availed of this facility from us. And they were issued physical as well as the digital cards. Now 1.1 million customers finished their full KYC which is a pretty tedious process. It's not like min-KYC, a minimum KYC wherein only select documents are asked for full KYC. It's a tedious process. People completed that they saw the value in our product and currently on daily basis over close to around 50,000 people, unique people use our Dhani card with credit on daily basis. As a comparison the global leader in 'shop now pay later' business which is Klarna, valued at around $48 billion in the private market has around usage of a 1.4 million customers of their services on daily basis. Although their earnings are in dollars, are in rupees but it is a very good sign in terms of the acceptance and the value people attribute to this very-very important and core offering of Dhani services.

We had projected in our last call a presence in around 50 cities in the country, a physical presence. We were able to achieve a presence in 42 cities. The delays were basically due to the second COVID wave which led to lockdowns. That's how the milestone of 50 was not reached. However so now again this also has come in auto mode with things improving in the country. We expect to have more and more cities getting opened up in a very short timeframe. We would also be launching a franchisee model. We have found a very good interest in the franchisee model which would allow us to even ramp up further our ground presence for distribution of branded medicines. Now the main thesis for opening these Dhani health shops on the ground are that our focus is basically to look after customers on the primary care which is basically the non-hospitalization spectrum. In that a lot of feedback we received was that even some people want only branded medicines and they want it immediately because they can't wait for the next day for the delivery of medicines which is currently how the Indian landscape is for the e-pharmacy companies. They take 24 to 48 hours to deliver the medicines. However, if somebody's having a stomach ache or has all of a sudden fallen sick and needs antibiotics people need those medicines within one hour and they need only the medicines which are prescribed by their own doctors which are branded. We started opening these health shops basically which carry branded medicines and with ground presence of our delivery staff we'll be able to fulfill our one-hour delivery promise of the branded medicines as well through these health shops going forward. It has already started happening.

So, net-net the card as well as the health shops and e-pharmacy are important gears which work in tandem and that are fueling a lot of growth for the Dhani. And every day we are progressing at a very-very rapid speed in terms of acceptance of our different and new products amongst the vast customer base that we have now. The three components kind of like become a virtuous flywheel which is a unique thing about Dhani where it is able to provide services more than one which is how the other apps in India are currently positioned. In terms of our subscriptions update we were able to get 2.1 million subscribers last quarter. Out of that 2.1 million subscribers we ended the quarter with almost close to around 1.8 million paid subscribers. The paid subscribers acquired within the quarter have been a lot more but we have seen our renewal rates at around 75% to 80% each month. So, some paid customers basically also fall off. That gets added up by the new customers. We closed the quarter with 1.8 million paid subscribers. Last quarter this number was 1.3 million in total. So, that was a healthy percentage jump in 3 months.

On the financial update; as a model as I said before is to only focus on doing ‘shop now pay later’ as well as digital healthcare and our main revenue driver as on date and has been for last couple of months only subscriptions-based revenue. We saw a steep fall in our revenues from 3.3 billion to a 2.3 billion, almost a reduction of 1 billion in revenue just because we don't give any personal loans like we were giving before. This led to EBITDA of (-0.8) billion. This actually has been the first year in last 15 years where Dhani is making a loss for the year. We don't expect this loss to continue for many years. We hope to come back to profitability soon and currently it seems that sometime in the next financial year we should be back to the path of profitability, without any other new revenue stream assumption. So, the path to profitability is basically on three pillars. One is the subscriptions which is on both, ‘shop now pay later’ as well as digital doctors’ subscriptions. Then the second is e-pharmacy which is basically branded medicines as well as non-branded medicines. The third one is health shops which also will act as a tool for customer acquisition even on the finance side. So, all the three leavers are pretty strong and all the foundation work has been done and we expect a good progress over the next coming months.

One very important initiative that we are executing right now is that we are bringing out for the first time a browser within the Dhani app which will allow customers to shop any place within the Dhani app and they would be in a position to use Dhani card with credit very easily while shopping at even Amazon or Flipkart or whichever retailer. That's all getting embedded within the Dhani app experience. They don't have to open another browser on another app and it can all happen in a very seamless way on the Dhani platform itself.

Now as on date the unit economics per paid subscription, we keep updating this information based on the data that we have at the end of the quarter. It's pretty much the same as we saw the last time. The numbers are again in the region of around $10 in terms of our operating profit per customer per annum. So, that is more or less the same. Lastly again as I said the subscriptions are increasing. There is very good acceptance and the acceptance is largely amongst people under the age of 40 which bodes extremely well for the company and company is well-poised to take advantage of the growing population, young population of India and again 95% of this young population does not possess a credit card. Nobody has any transaction power in their pockets. While on the pharmacy side, we still have quite a bit of a stiff competition from many players who've been in the business for last now almost 10 years or (+10) years. E-pharmacy companies who've been doing some good work and have gained a lot of traction.

When we come to the non-bank segment and we see' shop now pay later' a completely digital offering then it's just us in that market and then the way we are expanding it wherein having all the shopping etc. also being available within the app itself. There is Dhani 'one freedom' card which allows the transaction finance and easy interest free installments to the customers. I think it's a unique offering on that front and we are quite excited about the growth of the company over the next couple of months. With this, the quarterly update highlights are over and we would be happy to take any questions please.

Moderator: Thank you very much. We will now begin the question-and-answer session. The first question is from the line of Rishabh Kothari from Vision Capital.

Rishabh Kothari: Just quick question; I'd like to know about your plans regarding the Indiabulls Group as a whole. So, we are exiting the real estate business and also heard the announcement of the selling of the mutual fund business. So, and there are also articles regarding you selling a stake in Indiabulls Housing and just wanted to know, will there be more such divestments including the ARC business which is owned by Dhani?

Sameer Gehlaut: Well, we exited out quite a bit of ARC portfolio as well. We did a transaction with one of the international funds there. Our focus as Dhani is only on the app business, we are exiting out of all the legacy businesses. We have shut down many of our branches. We even moved the stocks to entirely on the app. That's about Dhani, so far as my other business interests are concerned, probably we can talk about them in a separate forum. But just to put it out there I'm not real estate transaction merger with Blackstone platform and embassy platform has been out there for the last year and a half. Other than that, there is no plan to exit anywhere.

Rishabh Kothari: Just coming back to Dhani Finance; so, could you explain what is the advantage that our construction finance business has over traditional credit card businesses?

Sameer Gehlaut: The credit card is a separate market for separate type of customers. The total credit cards in the country are close to around 50 million wherein total people in the financial system which have loans, the entire set of customers who have loans etc. close to around 500 million people. We have 90% population out there who don't possess any transaction power for their day-to-day need. So, that is where we come in and that is the spot that we are trying to fill in and in a way which is very affordable for the vast customer base that I am talking about. Personal note, is balance sheet business. That's not something which we are focused about. I mean we don't want to build a balance sheet. Our focus is to have a very quick churn off our money. People pay back to us within the within next 60 days. And they pay a small subscription fee of Rs. 200-300 depending on the transaction power they receive from us.

Moderator: The next question is from the line of from Hariharan from NWI management.

Hariharan: Just a couple of different questions. First of all, it's interesting that you managed to do all this at a time when you have the COVID situation bubbling up again. So, maybe you can talk about what are some of the steps you have taken during this period of time especially from a perspective of a credit extension. Have you have gone cautious in terms of kind of the ability to 'shop now pay later' obviously involves the credit decision. How are you managing potentially incremental credit risks because of the wave of COVID? That's number one. Secondly going to Dhani Health, would love to know you have this very good vision about now having a whole phalanx of doctors available. One of the unique propositions was the fact that very sharp time frame you were offering access to doctors. How's that whole thing going and has it met your expectations? Is it in turn leading to cross sales in the pharmacy etc. from? And then the final question is just from a technology perspective because you this is an ambitious thing you're on to, you've got a lot of customers now, how is your competence if you will in technology, how are customer experiences? What is the level of customer complaints, if any? And I assume that you are subject to having to make do with whatever infrastructure, broadband etc. which is available in India. How is that whole network capability working out? That's a lot of questions but I appreciate your answers.

Sameer Gehlaut: I will take one by one. Starting from the first question on credit risks. This COVID has really affected the segment that I am talking about and segment which is basically other on the lower to mid-economic strata. If you see couple of reports out there in the market place then some of the FinTechs which was earlier in business, now are not in business anymore because they have suffered losses which run over 40% in terms of the delinquencies and these bouncing and everything has only gone up. The market situation is pretty tough for unsecured lending type of products. What we are doing at our end to address this, we had a program to upgrade people after certain transactions seeing their behavior. We have put a halt to that program. So, now we are not allowing our customers, paying good customers to get upgraded in a hurry. We have elongated all those things given what we hear and what we feel on the ground situation for the customer base that takes these kinds of products. That's the first thing in terms of the credit measures that we are taking at our end because situation is pretty grim. That's just the reality. On Dhani Health we have made very good progress so now every day we deliver almost close to around 3000 to 4000 packets to our customers. This number was like a very small number last quarter. These are all new products but we get benefit of our customer base that we talked about that we closed the year with 26 million customers. We have instant customer base. Many of these people as and when they are falling sick or they need discounted medicines at their doorstep, they check with us. If you see some of the other companies who are in this space backed by some major private equity firms and have been in business, their cash burn every month is like 100 crores and they have been in business for 7-8 years and then they have now traction where they cater to around 20,000-30,000 orders on daily basis. Given how much money they have spent and how much we have spent and how quickly we have reached to these numbers, we feel happy about this and we think that this is just the start because the big differentiating point between us and everybody else is also the physical health shops. We have to be mindful that we are dealing with people like Amazon who have started delivering medicines at 15% discount in Bangalore. How do we differentiate ourselves? Well, Amazon packet is going to come after 48 hours, Dhani medicines, branded medicines will reach within 60 minutes and that is how we are differentiating ourselves and have a plan in place how to win vis-à-vis the competition that we have in front of us which is very strong as you know. We are laying those foundations stones so it's not that we are not thinking in terms of the long-term plans. Ours is a quite a good offering which basically encompasses everything which is non-hospitalization based and that becomes a very consolidated, comprehensive offering for customers and within a timescale that they expect these services to come to them. So, that is on the Dhani Health point. On the technology front this is such a technology intensive business, you were always wanting more and more out of technology team. We have hired lot of new talent, we have hired lots of people from graduating, engineers from a different IIT is also this year would be joining July onwards. We are enhancing our technology capabilities and I think from where we sat 6 months back and where we sit today, there is a huge change and because of our additions in the technology team and the fact that how quickly they have scaled up is how we have brought in this new wonderful user experience which is self-explanatory. We have been really focused on this part and again I would not say that we have the perfect technology team. There is always improvement and there would be on the technology front for many years to come but we are making very rapid progress on enhancing our technology capabilities. Now we have almost close to 25 to 30 engineers who are non-Indian engineers who work for Dhani on like full-time basis and at the same time we from an infrastructure point of view we moved Dhani Health to AWS and the goal is to move the entire finance piece also to AWS in the month of July. Then the nagging issues of the local infrastructure, all those things go away with these moves.

Hariharan: If I may follow up Sameer two quick questions. I want to go back to what you said about technology. I mean without giving any trade secrets away how are you ensuring that you are kind of staying cutting edge in terms of technology as far as all of these different products are concerned because I guess globally it's a rapidly evolving space right. Whether the Chinese have their own payments related stuff, there's things going on in Silicon Valley, US etc. Maybe you can give us a little insight into whether there are some particular role models or any particular gizmos you are using to stay in touch. Secondly, I want to go back to the physical doctor consultation process. At one stage if I remember in one of your presentations a few quarters ago, you had this novel idea that maybe you could use Dhani platform for existing doctors to be able to put their client interface onto your platform and thereby remove all of the issues related to how they build whether they get paid etc. I don't know if you remember that conversation you had in one of the calls. Are you making any progress on that front or is that model proving difficult to execute? Can you talk about it?

Sameer Gehlaut: Hari yeah, the first question pertaining to technology and who is the role model, again ours is a customer experience and service business so the role model is clearly Amazon for us and we keep trying to copy some of the stuff that they do wonderfully. That is a constant chase and within our context of finance etc. we have done a lot of changes and that has actually led to improvements in our ratings as well. Customer ratings were at 3.6 and at one time even reached 3.5. We are back to now 4 and these will only increase as we go forward. So, we are quite up to date in terms of what is happening globally. This shopping browser that we are introducing within the Dhani app itself and this is going live like next week. This is not available with anywhere in any of the markets; only Klarna has it and now we will have it. We keep quite up to date in terms of the new features that can enhance the product experience for customers as best as we can so that's on that. On the other model on the private patients, we call it private patients and it's also on the homepage but in the second half of our homepage on Dhani app which is a platform for doctors and doctors can cater to their private customers etc. With the lockdowns etc. this is a product which needs to be talked to the doctors. It has not taken off very well so far and frankly we need a physical workforce to do this. Now that we will have our own health shops where so what we are trying to accomplish and which would be a different avatar of this private patients is doctor would also be able to order the medicines for the customer directly from our local health shop. A lot of times it was happening that the doctor would talk to him and then he didn't have a talk to the patient. He did not have a place to upload those medicines and the medicines would get delivered to the customer. It was not like an end-to-end solution and that is why did not take off very well but now we have altered few things and we will see if this can take off and the lockdowns are also over. So, we have a good playing field to experiment more on this product.

Moderator: The next question is from the line of Neeraj Lal, an Individual Investor.

Neeraj Lal: I just want to understand we don’t look at Dhani as healthcare a separate segment in our results or going through the results and we disclosed broking, financing ASD business but we don't disclose Dhani which was the main platform, the healthcare as a separate segment, any reasons for that?

Sameer Gehlaut: Going forward it would be a separate segment but as I said currently, we cater to around 3000 deliveries every day. One delivery is approximately around Rs. 1400 at a GMB level and with discounting it goes to like 1000 bucks so that's the sort of big picture.

Moderator: The next question is from the line of Craig Elliott from NWI Management.

Craig Elliot: I had a question; you mentioned the new initiative with the Dhani Health shops to potentially pursue a franchise model. I am just interested in a brief snapshot of how you see the pros and the cons of boosting growth and the health shop being a platform for your competitors which is the quick delivery versus some of the additional challenges that may managing franchisee, having different academics and quality assurance type of considerations?

Sameer Gehlaut: Basically, the way we think about these franchisee models is essentially we don't want to run or own these shops. We want to be a platform business where the franchise is if we have to open 5000 shops in every nook and corner of the country, we can't do it ourselves in a short period of time. We need small entrepreneurs who will get very good margin, very good return on that investment that they do to get these shops up and running. In terms of quality control, our franchisee model has a piece where we go in and we do the specs and we do the initial layouts and the basic furniture work. If the shops have a same look and feel, we have a training program to train the pharmacist who is going to dispense medicines to customers from the health shop. We take care of these basic things but finally the customer experience on the shops is not that relevant because the customer comes with a prescription, he needs the branded drugs, the branded drugs are given by the pharmacist in the shop. It becomes a simple process overall and our interest is even not to make money out of these health shops but to just get more and more customers hooked on to these shops because eventually these customers would start buying from Dhani app itself because why would they want to come on the shop if they get the same price, they get the same medicines delivered to their home. It is just to popularize our brand that we are out there, they get cheap medicines, the medicines that they want, the brand that they want. It is basically to compliment the offering that we have through the app essentially and to keep up with our promise of delivery of medicines within 1 hour because the other piece if you see; some of the competition that caters to 30,000-40,000 orders a day, who have been in business for years, 80% of their customers are chronic patients. They don't have a guy who fall sick today, who is ordering from these platforms because that person essentially wants the medicines immediately. He is not going to wait for 48 hours before the medicine shows up. All the other guys have only these chronic diabetes, cholesterol kind of patients who have to have their monthly doses. We are trying to break away from that segment and provide that same experience to people who need medicines immediately. That is how I think we will be able to differentiate in the long-term from the likes of Amazon etc. otherwise they would just eat us up. We have no chance to compete with these guys other than having customized our own offerings which actually become far superior to the offerings that they can do in India. There are certain product categories where there are people or companies who have become leaders like there is a very interesting company called First Cry that takes care of babies' diapers, medicines, basic clothing, and all of that. Amazon has lost very badly in that segment to First Cry just because First Cry has all these shops all over the place there and its all-private label. Their brand is very popular, the people can go take from there and then they just order online on the app as well. We are trying to structure a business which has solid competitive advantage for the long-term. In the short-term it is highly painful because (a) it is lot of heavy lifting, two it is costly, you burn a lot of money to put all of this in place. We hired like 6000-7000 people in last financial year, Dhani as a company just to get to where we are. In the short term these hiccups are there but it is a path for a long-term prosperity.

Moderator: The next question is from the line of Jonathan Tatur from Clermont Group.

Jonathan Tatur: Those are some very impressive daily active user numbers. Could you give it a bit more of a sense of what is happening to subscribe the numbers and some of the trends in the quarter to date?

Sameer Gehlaut: The subscribers are increasing quarter-on-quarter. So, we actually acquired almost close to around 8-9 lakh paid subscribers last quarter but then from the previous ones that we had, some have fallen off that's why I said renewal rate on an average is kind of like 70% to 75%. We are seeing good traction in terms of the subscriber base, the new customers that we are acquiring etc. So, all of that is happening well and I think the long-term or even in the medium-term how to get this renewal rate even more and more is going to be depending on the product changes that we can make to enhance the customer experience. Because the product if you put it on paper, it's great that you get interest free money Rs. 25,000. You are paying Rs. 500 a month to the company. There cannot be a better product than this on paper but well it has to work seamlessly for a customer. He should never get confused or the card should always be working, physical card, digital card he should have a great experience. That's I think where we need improvement to make sure that customers don't fall off and that's something which we are working on tirelessly. Whatever we can do possibly we are addressing that both from a product perspective, from a technology perspective, from customer service etc.

Jonathan Tatur: You mentioned that renewal rate has dropped from 70% to 75% per month. I have seen that includes quite a lot of fresh customers who have just come on and now that you have done a couple of months, you have been a couple of months in. What is your sense of the renewal rates for customers that is being around for a few months? So, somebody who is being using Dhani for 3-4 months, does that renewal rate increase dramatically your over the order of magnitude of that?

Sameer Gehlaut: I will tell you, the first month our rate is the drop off rate is like 70, the renewal rate is 70%. The second month is around 75% and then it really goes up. People who have been with us for 6 months, the transacting customers there in the 6-month the renewal rate is 95% because they are very convergent with the product. They understand the product, they understand some glitches whatever are there and they know how to deal with it within the app. So, that is why I am very confident that we would be able to solve some of these customer experiences for the new customers who probably do not want to renew because they are unable to understand the product or unable to use the product perfectly well. The encouraging part is that people who do they are like (+95%) in terms of renewals after 6 months. If the ratios were other way round, I would be quite unhappy but the ratios are in this way which is a very good trend.

Jonathan Tatur: Finally, two questions on the mix of subscribers if I may. If you can talk a bit about the mix of subscribers between transaction finance and health and I understand that some of the products are bundled but as much as you can to talk about the split between those and within health the way you are sort of…..

Moderator: We move to the next question from the line of Hitesh Dalal, an Individual Investor.

Hitesh Dalal: I have one question that Indiabulls Ventures formally it was having a two subsidiary. One was Indiabulls commercial vehicle finance and asset management company. What is the status of that? We have planned for money rising that?

Sameer Gehlaut: No, these subsidiaries have not been a part of Indiabulls Ventures. They are a part of Indiabulls Housing.

Hitesh Dalal: Do we have any plan to like bundle the Dhani Health service with any operator like Vodafone or Airtel?

Sameer Gehlaut: We have some partnerships going on with some of the players out there. We have an ongoing partnership with Snap Daily. We have something to do with Paytm as well. Yeah, these partnerships are a part of marketing strategy and we keep making these partnerships that are mutually beneficial.

Moderator: The next question is from the line of Dhruv Shah from Ambika Fin cap.

Dhruv Shah: Sameer I have two questions; one I see there has been a lot of consolidation in the e-pharmacy space, as you see the Tata bought out 1MG and then Reliance also entering. Currently I understand that you are increasing your stores so that there is some differentiation and one our delivery but how are you showcasing that to your customers? Because your cost of acquisition of each customer would be going up with all these new big guys coming in the space, right?

Sameer Gehlaut: Yeah, that is right.

Dhruv Shah: If you can just elaborate on what is your currently the cost of new customers?

Sameer Gehlaut: The cost of new customers last quarter has been around Rs. 860 per customer. So, these costs keeps varying given the success of different marketing initiatives that we take. But I agree with you there's lot of consolidation and these people are doing business but again if you see I don't know. We are trying to be a little different from everybody else and which is what I earlier spoke about with the Dhani Health shops. So, Pharm Easy and the other company merged I think it was a MetLife and then 1MG with now Tatas etc. They are just like e-commerce platforms I do not know what their plans are but they in years their burn rate is 100 crores per month of Pharm Easy, but they have not opened any physical stores for customers though they have been extremely successful, and this is like they are the leaders in the segment currently. We are not necessarily just like a platform to cater to chronic patients. As I said our goal is to cater to a person having ailments other than chronic ailments as well and that's how we are trying to have a differentiated model with the health shops which in the short-term is of course is quite cumbersome and very expensive but in the long-term it has really solid legs to be able to have a differentiated offering than everyone else. Now next few years if we are able to do things that we envisage and if we are successful then we should be having like 5000 of these health shops which cater to every small neighborhood, the relevant neighborhood in the country. If our reach is that massive through our franchisee model and our own health shops, then the number of customers we can acquire in a very a low acquisition cost can be another differentiating point. See today everybody is competing for these customers only through digital marketing where in if you have physical shop, which the main agenda of our physical shop is to actually just compliment the app offering. The walk-in customers they will get to know about Shop Now Pay Later product, they will be given that. Out of 100 people 15 people will would get converted. Those 15 people would come to us at zero cost. I am just talking about from one health shop on a single day. There are these kinds of hidden benefits also of these physical health shops which clearly are a differentiating point between us and the competition.

Dhruv Shah: Sameer if you can elaborate what's the cost of setting up one health shop?

Sameer Gehlaut: Cost of setting up one health shop is approximately all in put together, depending on which location it is, it is 10 to 15 lakhs.

Dhruv Shah: My next question is on your Dhani stocks. What are your plans there, because we have seen lately there's been a lot of traction and then you stopped and I guess you have uploaded Dhani Stocks now on your App as well? So, what is your plan out there?

Sameer Gehlaut: There is no plan it's a subscription-based offering you can we don't charge any brokerage or anything. So, its Rs. 500 of subscription fee on monthly basis and we've also been working on a margin trading product there which would be first of its kind and no other broker has it which should be launched over the next month or so. So, our interest is to just keep having this offering for our customers who are also exposed to the stock markets. It's not like a major thrust area for us because again it's a small market and highly competitive but with the traffic that we have we expect a few hundred thousand subscriptions over the next year or so, just by default without doing anything much just by way of the incoming traffic on our app.

Dhruv Shah: Just have a small feedback that you guys are really doing some exciting work and your App is also good but unfortunately if I ask people, they are not aware of the offerings you are offering to the customers. So, I guess somewhere our advertisement is not showing or we need to do something on that but it's just a feedback.

Sameer Gehlaut: Your feedback is correct, actually we are trying to balance out, some of the infrastructure rollout, some of the things that we are doing which is taking up a lot of money and as such we as I mentioned earlier, we have not grown up with a view of losing money and then building a business. It's a first loss and of Dhani in last 15 years and it really upsets me and we're trying to burn as little money as possible and sooner or later people will get to know about our services. We'll definitely take your feedback and try and do more marketing around our products. The other guys the younger guys who they have one tons of money behind them, they don't really you know really care they can advertise and they are with a paid fresh different mindset which I think is probably the mindset one once shouldn't have to build a business of these consumer businesses, I guess.

Moderator: The next question is from the line of Rishabh Kothari from Vision Capital.

Rishabh Kothari: So, just to follow up I would like to know what would be the timeline for winding up of the legacy personal loan segment, if you could share some insight on that.

Sameer Gehlaut: So, personal loans were given out for we used to do 48-month loan, 60-month loans. We are way above the 50% threshold. So, there should be completely wound down over the next I would say 18 months or so something like that. I mean I will have to check the data but that would be my gut feel. So, probably by next financial year end we should not have these legacy loans left like last quarter and this quarter the reduction is like 10 billion.

Rishabh Kothari: Coming to the asset quality, so we see that the asset quality of many of these loans is not that great. So, I mean would you like to comment on what would be the slippages is that the company would face on the legacy loan book?

Pinank Shah: So, essentially if you see last quarter our (+90) the NPA number was close to bought little about 9.7% and obviously that number was understated because of the Supreme Court ruling etc. But we the pro forma numbers which we announced is 9.7%, that number is close to about 10.25% at the moment. And obviously as pointed out by you that we are winding down this the legacy book, so there will be some bit of credit costs which will continue to get associated. I think if you look at the full-year performance I think we've been able to curtail the credit costs at a reasonable number. And if you just refer to slide number 12 on our presentation, you will see that for all the loans which have completed their tenure we have (+90) of a little over 9%. So, we are in that ballpark, obviously there will be some bit of being which will continue to come through this book but I think we made aggressive provisioning and we will continue to do so as we go along.

Rishabh Kothari: If I could just follow up again on the ARC business. So, it is clear that it's not an area of focus for the company so when can we expect the book to be completely wound down if at all?

Sameer Gehlaut: So, I think within this financial year mostly we should be out of ARC business is my expectation.

Moderator: The next question is from the line of Hariharan from NWI Management.

Hariharan: Just a follow up question on the regulatory framework, in places like China we hear about how the regulators are going opt to ran finance and so on and so forth. How are you reading the regulatory environment? Because you're in both Pharma and in Finance and both tend to be reasonably regulated industries. What kind of expectation do you have in terms of permissions you need or don't need and potential future regulations coming your way?

Sameer Gehlaut: I'll answer this question in two-three different aspects. The first and foremost is that regulators are very-very keen to promote digital businesses and proof of that is there policy framework which has allowed inter-operability of even the wallets. They are taking more and more steps so that the whole society moves to the digital world because that just it's more compliance for taxes and everything else. The second important point is that in India is the unique market in the world where payments have no meaning; you can't make IOTA of money on payments. Everywhere else whether it is Europe or America or any of Africa or any other place there is a small tale associated with payments even in China. So, that's how forward-looking India is and then the third thing, why ANT and these some of these companies got hauled up with if it their regulators is because they were competing with banks which basically well just like dinosaurs in their countries, they never had a HDFC Bank or ICICI Bank which are cutting edge top-notch banks in terms of their own digital place for their existing customers.

So, ANT basically as I understand gave away, kept 1% of the loans on their balance sheet, gave away all these 99% loans to all the banks who then figured out that these loans aren't coming back and then they were sitting with the losses and ANT walked away with all the origination piece and all of that and then it is now haunting them. So, which is not the case in India, in India banks one there is nobody who is like equivalent of ANT in India and banks are tied up behind that platform and allowing them to use their balance sheet to further their own business interests and all the crap comes and sits on the banks you know that's not the case in India. From a regulatory standpoint given these factors are there we expect more and more friendly outcomes which will only enhance businesses that are on the digital footprint and interoperability is a very big step in that direction.

So, the other fundamental point is again coming back to this is that if banks are so efficient in India and they cater to these cream customers then companies like us have to cater to the segment which banks don't wish to cater and that is why we not try to compete with the credit card customers, we have not tried to compete with offerings that banks already have for their customers which is a suppose I shop now pay later because they convert their credit card payments, credit card offerings into interest free loans. That's what all banks are doing but they are only doing it for their own customers. They are not doing it for random customers in the open market and that's where we come in. So, that is where our places within that world, that is our world where which is not the banks world, so we have been conscious of figuring out which areas to operate in. And if there is heavy competition like in health care, how do we differentiate ourselves to be able to provide a better service that others can do just by way virtue of having physical shops, inept with enablement of 1 hour delivery of medicines.

Pinank Shah: Just to add to that if you see what RBS done around PPI's essentially also increase the limit from 1 lakh to 2 lakh and allowing cash withdrawals etc. So, the way we interpret the regulator is watching this piece is the fact that they want to promote digitalization as Sameer mentioned earlier and that really directionally is getting set with these kinds of initiatives.

Nikhil Chari: There's a similar trend on the healthcare side as well. So, if you look at the last year the government allowed this interoperability of consultation. So, earlier one doctor in one state could not consult the patients in another state, but that is what something that the government allow last year. Similarly on the e-Pharma side, what happened last year is that for the first few months the government had actually put in all the e-Pharmacy Apps within the Arogyasetu App which is a government App. So, definitely the government is trying to promote the digitization of healthcare as well.

Moderator: The next question is from the line of Jonathan Tatur from Clermont Group.

Jonathan Tatur: Two questions on the mix of subscribers, what is the mix of subscribers between the transaction finance and in the health segments and I understand that for some of your products they bundle the two but as much as you could split that out and in health where you seeing more traction and more potential on the doctor consultation side or on the medicine delivery and those health shops?

Sameer Gehlaut: The first answer is that the overlap between our customers is almost like 75% to 80% on health and finance subscriptions and on the second point again it's early to answer that in affirmative, our goal is to be present in everything that is not hospitalization. So, we currently are delivering medicines to our doctor consultations as well. Broadly when I say 3000 you can assume that 1000 are coming from our doctor consultations and 2000 are coming from a direct pharmacy order.

Jonathan Tatur: Just finally if we can touch on the cancellation policy, we've seen some user kind of comments online which talk about how it's quite difficult to cancel the subscription in the App and you have to contact customer service who then may take some time to resolve this. Can you talk about how you think about cancellations and kind of what kind of model you envision obviously there's Netflix model where in the App you press one button and it's canceled and obviously other some other businesses use a slightly different way of policy or a way of handling cancellations?

Sameer Gehlaut: Yes, we have received this feedback and we addressed it right up front. If you see the new brand-new user experience that we have highlighted in our presentation then in main menu on the right-hand side is profile. So, if you press profile you can go to your account, you cancel your subscription right there with press of one button. The second important point is that the what we are doing is that we are encouraging people not to even give us mandates, don't give us a 12-month mandate for a subscription come to us every month pay our subscription and continue with your services. That's the other change that we have made because this was a feedback that I have given for 12 months I don't want to continue. Sometimes people could not figure out, so we've taken these two very important steps which allow customers, existing ones to cancel their subscription in the profile section and for the new ones to just keep paying us every month without having to give us a mandate at all.

Moderator: The next question is from the line of Nihar Dave from AKD Securities.

Nihar Dave: I just had a question with regards to the unique scheme which you have launched of distributing the 25-lakh free COVID kits. I would just like to understand if you could throw some light on what's been the progress on the same and how is this campaign panning out and the benefits if any of that running is according to the same?

Sameer Gehlaut: That’s targeted towards helping communities so who don't have access to these medicines. It wasn't anything to promote any of the Dhani items. It was more from a different mindset.

Nihar Dave: So, that was not used to add in customer or target some customers at all?

Sameer Gehlaut: No know that they are not our subscribers. Our subscriber’s numbers don't include even one customer from there.

Nihar Dave: And second part of my question is would you be able to give a guidance for the coming year on your customer addition?

Sameer Gehlaut: What one thing I can easily say now we have done 2-3 things essentially. Initially anyone could step into the Dhani by minimum KYC and he could become a wallet customer. We've stopped that because we don't want our app to get heavy with people who will take some rewards take some free period and then walk out. You to be able to become our customer today, when I say customer meaning like a regular customer you need to have a full KYC before we would even let you open our account. We want a full KYC from the customer because none of our products on the finance side work if the customer doesn't have a full KYC. We are not allowed to issue a card till the time we have a full KYC and card is the central theme to Dhani. That's one fundamental change we have done, the second important thing is that now with the new UX and everything we are seeing almost 100000 new customers who come in on Dhani, when customers meaning users, they don't all end up becoming customers. But out of that we see a good healthy 20%-25% conversion rate into becoming a full KYC and so on and so forth. One thing easily without doing any math I can tell you that next year same time our customers even with all these restrictions we have ourselves we our customer base would be at least more than 5 crores customers.

Nihar Dave: Lastly if I can just put in one more question, what is the progress on your NASDAQ listing?

Sameer Gehlaut: We have started the process; it's a very long drawn process as we understand. So, we've hired the bankers and lawyers.

Pinank Shah: So, we have proved it in our board meeting, we have formally gone ahead and appointed bankers to start the activities. As I understand this is more like a full-blown IPO in the US, so it is a time-consuming process. But I think we are making progress now that with our annual results out we will be now driving towards building out a project plan for delivering in looking at an opportune time for this kind of listing. We already have a formalized team in terms of professional bankers, lawyers, everyone who's advising us and including our teams were working on the same.

Moderator: The next question is from the line of Sushil, an individual investor.

Sushil: Just wanted to know how much time period do you expect your business to get breakeven level at PBT level?

Sameer Gehlaut: At EBITDA level which is the way we are thinking about it because we don't give out any loans and interest is no longer remains as a main relevant factor. We expect it to be in that zone somewhere next financial year sometime.

Sushil: Are you talking about at EBITDA level or PBT level?

Sameer Gehlaut: EBITDA level.

Moderator: Thank you. As we have no further questions, I would now like to hand the conference to Mr. Sameer Gehlaut for closing comments.

Sameer Gehlaut: Thank you everyone for joining in and for your time just as my ending comments I would just say that there's a business which we need to build out patiently. And the patience we have learnt far better over the last few months looking at the global leaders such as Klarna etc. they process 1.4 million customer transactions on daily basis, worth $50 billion I think they raised around day before yesterday some $700 million at that value and they still remain in losses. So, we are trying to find the optimal balance and to grow our business and build it for the long-term which once the critical mass of customers happen then every incremental customer just goes straight away to bottom line because the expenses don't rise. And as you see in our presentation there's a $10 aspiration that we have to make out of every customer and the population in India is very vast, so these numbers can be staggering. We just hope that we can be successful in our pursuit. We are trying our level best, there are no guarantees but I mean we will do everything in our powers to make a big success out of this. Thank you very much for your time.

Moderator: Thank you. Ladies and gentleman, on behalf of Investec Capital Services, that concludes this conference. Thank you for joining us and you may now disconnect your lines.