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Ladies and gentlemen, good day, and welcome to the Vakrangee Limited Q1 FY '20 Earnings Conference Call. (Operator Instructions) Please note that this conference is being recorded. I now hand the conference over to Mr. Dinesh Nandwana, Executive Chairman. Thank you, and over to you, sir.

Thank you. Good day. Dear ladies and gentlemen, it's 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 first quarter earnings for the financial year 2019/20. It gives me immense pleasure to share with you all that we have achieved our first milestone target of 5,000 Nextgen outlets incremental to our pilot phase of 3,504 outlets. We achieved 5,024 Nextgen outlets, which takes our total count of number of Nextgen outlets to 8,528.

We have increased our presence by entering into new states such as Jammu and Kashmir, Andhra Pradesh, Telangana, and Tamil Nadu. We will further consolidate our presence in key states such as Maharashtra, Rajasthan, Uttar Pradesh, Madhya Pradesh. Currently, these outlets are spread across 25 states and union territories, 450 districts 3,680-plus postal codes, and so out of -- 70% of the outlets are in tier 5 and tier 6 cities.

Further, with respect to the future visibility of number of Nextgen outlets, I would like to share that we have received 67,000-plus formal inquiries. This includes existing old format outlets' interest as well as new leads generated through pan-India marketing campaign.

Out of these, around 11,000-plus qualified applications are under process. These applications exclude the 8,500-plus outlets, which are already live or under service activation stage. We are well on target to achieve the March 2020 planned target of 25,000 Nextgen Vakrangee Kendra outlets.

These Nextgen outlets are much better than the earlier Kendras due to better brand visibility and exclusive store format, complete standardization and enhanced profitability.

As with respect to current business, today, I'm confident that the financials would start improving every quarter-on-a-quarter basis as more and more Nextgen outlets become operational and mature going forward. Nextgen outlets shall do better revenues and enhance profitability due to focused efforts from Vakrangee services due to exclusive store format. Also incremental footfalls and revenue streams added because of additions of new services. Also, we have been able to maintain robust balance sheet and with debt-free status and entire CapEx has been funded through internal accruals. Therefore, we should return to our growth path.

I would like to take this opportunity to thank our shareholders for their support. I would now like to hand over to Mr. Anil Khanna for his comments on the results. Thanking you.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [3]

Thank you, Dineshji. Good evening, ladies and gentlemen. I would just like to highlight a few things regarding our results. Firstly, that our Nextgen outlets have crossed a throughput of more than INR 32 billion during the June quarter with more than 12 million transactions. These are very heartening figures because most of our Nextgen outlets are just over 6 months old. And if we analyze this performance, we would cross USD 1.8 billion throughput on our platform. And if you really extrapolate this over the next 6 to 9 months, when more and more Nextgen outlets become active, we expect that our annualized throughput should cross USD 4 billion to USD 5 billion.

As far as financial results are concerned, you must have seen that the total income stood at INR 147.3 crores showing a quarter-over-quarter growth of almost about 21% and profit after tax stood at INR 7.81 crores. Again, this is still a growth of almost about 21%. We expect these numbers to get better as we go by and as more and more stores get added and as more and more stores become active.

We also focused on filling up and recruiting for the unrepresented states such as Andhra, Telangana, Jammu and Kashmir and Tamil Nadu, and we've got a very encouraging response from these states and as we go by, we expect a lot of our franchisees to come up in these states.

We have now presence across 25 states and union territories across India. We have taken some more steps to ensure that our franchisees get all the attention, and we are able to benchmark all good practices of our franchisees across the entire network. So we have put in a franchisee relationship management team in headquarters. And this is working as a one-stop shop for our franchisees, and they are not only communicating our requirements to the franchisees, but also taking up franchisee issues and resolving them very, very fast. This has gone down very well with the franchisees, and they're appreciating the initiative taken by us. Even our incentive schemes, which we had shared with you earlier, are working very well, and that is one of the reasons why we've been able to achieve our target of 5,000 outlets for the quarter, April to June.

So with this, I open the session for question and answers.

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Questions and Answers

Operator [1]

(Operator Instructions) The first question is from the line of [Manan Jain] from [Acrotex].

Unidentified Analyst, [2]

My question is about the revenue and profit, actually. So in the presentation that you have given, you have given a guidance on opening the Kendras. But I also want to know how the revenue and profit will look like for the next 5 years?

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [3]

We don't give any financial guidance as such, but if you can see the current revenues, which are coming through the Nextgen format stores, what we have said is the store economics of a mature store, that is what we say that if a store is able to cross say 12 months old outlet, and if it is a mature store, then we expect that outlet to do INR 80,000 to INR 1 lakh of revenue per month per outlet. So that is what we have also shared in the presentation. So what we would suggest is, you can extrapolate accordingly on the number of stores. We give operational guidance, which we have already shared, which is 25,000 stores that we want to have by this financial year.

Operator [4]

The next question is from the line of [Ronak S], an individual investor.

Unidentified Participant, [5]

First, congratulations, as you have been able to open 8,500-plus stores. My question is that, as a matter of concern, if I see the NPCI data, which is from a government source, it says by the end of June, you have 3,798 ATMs in India. Now, sir, you are saying that you have been -- like, I know that you've 5,000 Kendras even in transition phase, to be getting to their live status. But what kind of time it will take? Because as on 30th of June, you have 3,798 ATMs as per NPCI, which is a government source agency. So if you're saying 8,500 will go live, which means at least incremental 5,000, so how much time it will take?

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [6]

Each store to get active, it takes minimum of 2 to 3 months. So we expect that in the next 2 to 3 months, we should have dispatched the ATMs and all the other new equipment to all the 8,500 stores -- or the new 500 stores.

Unidentified Participant, [7]

Okay, sir. So by next quarter, when we have the -- this conference again, you could have that number.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [8]

Definitely. Definitely, you will find most of these stores having ATMs and all other equipment.

Operator [9]

The next question is from the line of [Pradeep Goyal], an individual investor.

Unidentified Participant, [10]

Yes. This is Pradeep. I'm an individual investor. Sir, I wanted to know like as compared to the last quarter, this revenue, the profit is not that much. Like for last quarter, like the revenue was 25% less. But still, the profit is very comparable. Can you explain me what is the reason behind it?

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [11]

Yes. So if you see, basically, the revenue from operations have grown by around 24.9%, whereas if you see the PAT growth, the profit had grown by around 20%, 21% to be precise. If you see basically the difference is in the gross margin. So the gross margins have come down comparatively to last quarter, but this is an ongoing exercise because of the mix of the services. So for example, in -- just to give you an example. For example, in a service like ATM service, we get INR 15, out of which we share INR 10 and we keep INR 5. So it's a 65-35 kind of sharing. Whereas in some of the other services, the sharing is 80-20. So if you see, even in our presentation, when we give the store economics, we have always guided that, on a sustainable basis, the gross margins tend to be moving towards 20% and our EBITDA margins should be on a sustainable basis maintained at around 15% to 16%. So this is primarily because of the service mix or the product mix, which is happening through these stores.

Unidentified Participant, [12]

Okay. So just one more.

Operator [13]

Sorry, sir, but if you have any follow-up, request you to rejoin the queue, please.

The next question is from the line of Deepak Jangid from Abchlor Investment.

Deepak Jangid, [14]

Sir, my question to you is, what is the -- what are the current numbers in trade receivables and cash after this quarter?

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [15]

So sir, this information is not there in public domain as the balance sheet gets shared on a 6 monthly basis.

Deepak Jangid, [16]

Okay. So -- sir, because in last time, your trade receivable amount is INR 1,319 crores. So it is around 2x to last 1 year revenue. So this is enormous.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [17]

See, I wouldn't be able to disclose. It becomes a selective sharing of information. What we can take it is that the balance sheet would typically get shared in the September quarter, so we'll be able to share that with you.

Deepak Jangid, [18]

Okay. And...

Operator [19]

Mr. Jangid, if you have any follow-up questions, request you to rejoin the queue, please.

The next question is from the line of [Sameer Deshpande]. The next question is from the line of Tanvi Jain from Hem Securities.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [20]

I wanted to ask that in the earlier presentation, you said that you have 3,504 Vakrangee Kendras operational. In the current presentation, you said that there are 8,500 operational, out of which only the number of the operational stores still remain intact at 3,504. And the rest 5,000 are in the...

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [21]

Activation phase...

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [22]

Yes, exactly. So there is no store that has been activated in this particular quarter because the number of stores that were active remains same as on March '19 and as on June '19. So in this number of 5,000, I'm just skeptical, is this just for -- to achieve the target of 8,500 that is mentioned in the corporate presentation early in March '19 or there is actually a significant increase? What is the number...

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [23]

See there are a few stores which have been activated post that also because even if you see the number of ATM data, it is more than 3,800, 3,900 plus. So that is not 3,500 stores. So what we are saying is that not all services are completely activated across all these stores. So therefore, we have said that these are the stores which are under activation.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [24]

So sir, when would we call a store under activation. Because if you say that -- because in the presentation, the number 3,504 remains intact as on March '19 and as on June '19. Or will you say that more ATMs are being operational, like 200, 300 more, as per the government data? So the 5,000 -- when do we say a store is active? And all these stores are active on that particular store or any of the services active?

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [25]

No. So when basically -- see, when the key services out of most of the services, like 70% to 80% of the services are activated, that is where we count the store as completely active store and that is where we keep it go ahead and give it on our locator as well as on all the government portals and everything. So services such as ATM, banking, Amazon, some of the key services is what we look at before mentioning the store as a complete active store.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [26]

Okay.

Dinesh Nandwana, Vakrangee Limited - Executive Chairman [27]

Yes, please.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [28]

Hello?

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [29]

Sir, effectively only 200 more stores have been active in this particular quarter from 3,500 to say 3,700 as per the recent government data.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [30]

See, out of -- if I'm going to say, for example, there are 900 stores which have got banking services in place, there are like 400 stores which have got ATM services in place, and that is where we are saying that it will take another 2 months for all the services to get activated and the stores would be counted as an active store.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [31]

See, you are looking only at the ATM data. From the NPCI, you are only looking at the ATM data. And that is only one of the services. So you have banking, you have Amazon, you have Netmeds, you have e-governance services, you have courier service...

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [32]

Sir, I agree to that. It's just the data that is mentioned because in your -- this current -- this quarter presentation...

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [33]

You are right, you are right, and we only...

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [34]

Not even a single store has been increased...

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [35]

Are pointing out that those are ATM data from NPCI site, we only had highlighted this.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [36]

We gave you an example that, for example, one of the services which you can verify is that there are already more than 300 additional incremental ATMs, which are already activated. Similarly, there are more than 900 stores where banking services are activated. But the entire idea is that once the store is fully activated, that is where we would like to consider it as a live and operational fully active store.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [37]

Sir, just one thing I wanted to ask that during this quarter, not even one single store has become operational as on June '19 from March '19. Because the number of stores, 3,504, remains intact in both the corporate presentations.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [38]

It will be incorrect to say that because...

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [39]

Sir, that is what is mentioned, I'm so sorry but -- in both the presentations I was comparing...

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [40]

No, no, no. Again, I'm repeating that you're only looking at the ATM and even ATM, saying that there -- we are still at 3,500 is not correct.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [41]

Is that 3,500 -- this 3,504 is the live outlets, not just the ATMs, that is mentioned in the corporate presentation?

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [42]

When you look at the NPCI data, you're only looking at ATM.

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [43]

Sir, I'm looking at your corporate presentation.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [44]

What I'm trying to highlight again is...

Tanvi Jain, Hem Securities Limited, Research Division - Research Analyst [45]

I'm looking up your corporate presentation of Vakrangee that is published on BSE website.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [46]

Just to -- so that all miscommunications are put to rest, there are services which are active. For example, we gave like ATM is active in additional 300 stores. There is banking, which is activated in 900-plus stores. But we have not considered those stores as a live and fully operational stores because we have given a definition that once all the key services are live, that is when we would like to consider the store as a fully live store.

Anil Khanna, Vakrangee Limited - MD, Group CEO & Executive Director [47]

They are under the process of the activation of the all services.

Operator [48]

I would now like to hand the conference over to Mr. Ammeet Sabarwal from Vakrangee for his closing comments.

Ammeet Sabarwal, Vakrangee Limited - Chief Corporate Communication Officer & Strategy [49]

Thank you, everyone, for taking time out and attending our conference call. Feel free to contact us. Our details are mentioned there in the press release as well as on the website. And you can get in touch with us for any further queries or the data points needed from our side. Thank you.

Operator [50]

Thank you. Ladies and gentlemen, on behalf for Vakrangee Limited, that concludes this conference. Thank you for joining us, and you may now disconnect your lines.